BRASKEM SA
Form 20-F
June 01, 2010

As filed with the Securities and Exchange Commission on June 01, 2010

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F

¨ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR**

12(g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2009

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)**

OF THE SECURITIES EXCHANGE ACT OF 1934

OR

¨ **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d)**

OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number: 001-14862

BRASKEM S.A.

(Exact Name of Registrant as Specified in its Charter)

N/A	**The Federative Republic of Brazil**
(Translation of Registrant s Name into English)	**(Jurisdiction of Incorporation or Organization)**

Av. das Nações Unidas, 8,501

São Paulo, SP CEP 05425-070 Brazil

(Address of Principal Executive Offices)

Marcela Aparecida Drehmer Andrade

Braskem S.A.

Av. das Nações Unidas, 8,501

São Paulo, SP CEP 05425-070 Brazil

Telephone: + (55 11) 3576-9000

Fax: + (55 11) 3576-9532

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of Each Class	**Name of Each Exchange on which Registered**
Preferred Shares, Class A, without par value per share, each represented by American Depositary Receipts	New York Stock Exchange

Securities registered or to be registered pursuant to Section 12(g) of the Act: None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None

The total number of issued shares of each class of stock of Braskem S.A. as of December 31, 2009 was:

190,462,446 Common Shares, without par value

329,871,890 Preferred Shares, Class A, without par value

593,818 Preferred Shares, Class B, without par value

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ¨ No x

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes ¨ No x

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ¨ No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer x Accelerated filer ¨ Non-accelerated filer ¨

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP ¨	International Financial Reporting Standards as issued by the International Accounting Standards Board ¨	Other x

If Other has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. ¨ Item 17 x Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

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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.

All references herein (1) to we, us or our company are references to Braskem S.A., its consolidated subsidiaries and jointly controlled entities, and (2) to Braskem are references solely to Braskem S.A.

On May 26, 2010, the exchange rate for *reais* into U.S. dollars was R$1.846 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$1.741 to US$1.00 at December 31, 2009, R$2.337 to US$1.00 at December 31, 2008, and R$1.771 to US$1.00 at December 31, 2007, in each case, as reported by the Central Bank. The *real*/U.S. dollar exchange rate fluctuates widely, and the selling rate at May 26, 2010 may not be indicative of future exchange rates. See Item 3. Key Information Exchange Rates for information regarding exchange rates for the Brazilian currency since January 1, 2005.

Solely for the convenience of the reader, we have translated some amounts included in Item 3. Key Information Selected Financial Information and elsewhere in this annual report from *reais* into U.S. dollars using the selling rate as reported by the Central Bank at December 31, 2009 of R$1.741 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

Braskem Financial Statements

We maintain our books and records in *reais.* The financial information of Braskem contained in this annual report has been derived from the records and financial statements of Braskem, and includes our audited consolidated financial statements at December 31, 2009 and 2008 and for each of the years ended December 31, 2009, 2008 and 2007.

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, dated December 15, 1976, as amended, which we refer to hereinafter as the Brazilian Corporation Law;

- the rules and regulations of the Brazilian Securities Commission (*Comissão de Valores Mobiliários*), or the CVM; and

- the accounting standards issued by the Brazilian Accounting Standards Committee (*Comitê de Pronunciamentos Contábeis*), or the CPC.

Brazilian GAAP differs in certain respects from accounting principles generally accepted in the United States, or U.S. GAAP.

On December 28, 2007, the Brazilian government enacted Law No. 11,638, or Law No. 11,638/07, which became effective on January 1, 2008, and which amended the Brazilian Corporation Law and changed certain accounting

policies under Brazilian GAAP. On December 17, 2008, the CVM issued *Deliberação* No. 565, or Deliberation No. 565, implementing these changes in accounting policies. On May 27, 2009, the Brazilian government enacted Law No. 11,941, or Law No. 11,941/09, which codified certain amendments to Brazilian GAAP adopted in Provisional Measure No. 449, dated December 3, 2008, or Provisional Measure No. 449/08. The main purpose of these changes to Brazilian GAAP was to harmonize Brazilian GAAP with the International Financial Reporting Standards as issued by the International Accounting Standards Board, or IFRS. For a discussion of the principal changes introduced by Law No. 11,638/07, Deliberation 565 and Law No. 11,941/09 as they relate to our financial statements, see note 2 to our audited consolidated financial statements.

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Consistent with Brazilian GAAP, our audited consolidated financial statements at December 31, 2009 and 2008 and for the three years ended December 31, 2009 have been prepared in accordance with CVM Instruction No. 247, dated March 27, 1996, as amended, or 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 1, 2007, we proportionally consolidated the results of Copesul Companhia Petroquímica do Sul, or Copesul, in our consolidated financial statements. As a result of the Ipiranga Transaction described under Item 4. Information on the Company History and Development of Our Company Ipiranga Transaction, we have fully consolidated Copesul s results in our consolidated financial statements as from April 1, 2007. Copesul merged with and into Ipiranga Petroquímica S.A., or Ipiranga Petroquímica, on September 11, 2008 and Ipiranga Petroquímica merged with and into Braskem on September 30, 2008.

Prior to December 1, 2007, we proportionally consolidated the results of Petroflex Indústria e Comércio S.A., or Petroflex, in our consolidated financial statements. As a result of our entering into an agreement in December 2007 to sell our interests in Petroflex, we accounted for our interest in Petroflex in our Brazilian GAAP financial statements using the equity method as from December 1, 2007. In April 2008, we sold all of our share capital in Petroflex.

Prior to April 1, 2008, we proportionally consolidated the results of Petroquímica Paulínia S.A., or Paulínia, in our consolidated financial statements. As a result of the completion of the first phase of the Petrobras Transaction described under Item 4. Information on the Company History and Development of Our Company Petrobras Transaction, we have fully consolidated the results of Paulínia and its subsidiaries in our consolidated financial statements as from April 1, 2008. On September 30, 2008, Ipiranga Petroquímica and Paulínia merged with and into Braskem.

Copesul Financial Statements

Prior to April 1, 2007, Copesul s consolidated financial statements were proportionally consolidated into the Braskem s consolidated financial statements under Brazilian GAAP, as described above under Braskem Financial Statements. As a result of the Ipiranga Transaction described under Item 4. Information on the Company History and Development of Our Company Ipiranga Transaction and our obtaining effective management control over Copesul, we have fully consolidated the results of Copesul and its subsidiaries into our financial statements as from April 1, 2007.

We have included separate unaudited consolidated financial statements of Copesul at March 31, 2007 and for the three month period ended March 31, 2007 in this annual report because Copesul constituted a significant jointly controlled company, accounting for 85.0% of our income from continuing operations before income taxes in the three months ended March 31, 2007. Copesul maintained its books and records in *reais* and prepared its financial statements in accordance with Brazilian GAAP.

Copesul s consolidated financial statements at March 31, 2007 and for the three month period ended March 31, 2007 were prepared in accordance with Brazilian GAAP in force at the time these financial statements were issued and do not reflect the changes in accounting policy introduced by Law No. 11,638/07 and Deliberation No. 565. As a result, the information in these financial statements may not be comparable to the information with respect to our company at the dates and for the periods presented in these financial statements.

Share Split

On March 31, 2005, we authorized the reverse split of all of our issued common shares, class A preferred shares and class B preferred shares into one share for each 250 issued shares. This reverse share split became effective on May 16, 2005. In connection with this reverse share split, we authorized a change in the ratio of our American Depositary Shares, or ADSs. Upon the effectiveness of our reverse share split and the ratio change, the ratio of our class A preferred shares to ADSs changed from 1,000 class A preferred shares per ADS to two class A preferred shares per ADS. All references to numbers of shares and dividend amounts in this annual report have been adjusted to give effect to the 20-for-one share split and the one-for-250 reverse share split.

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Market Share and Other Information

We make statements in this annual report about our market share in the petrochemical industry in Brazil and our production capacity relative to that of other petrochemical producers in Brazil, Latin America, the United States and the world. 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 Chemical Industry Association (*Associação Brasileira da Indústria Química*), or ABIQUIM. 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 ABIQUIM. We derive information regarding the production capacity of other companies in the global petrochemical industry, the United States petrochemical industry and the Latin American petrochemical industry, international market prices for petrochemicals products and per capita consumption in certain geographic regions, principally from reports published by Chemical Markets Associates, Inc., or CMAI. We derive information regarding the size of the chemical distribution industry and our market share in this industry principally from reports published by the Brazilian Chemical and Petrochemical Distributors Association (*Associação Brasileira dos Distribuidores de Produtos Químicos e Petroquímicos*).

We have no reason to believe that any of this information is inaccurate in any material respect. However, we have not 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 annual report:

- 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 annual report. As a result, numerical figures shown as totals in some tables may not be arithmetic aggregations of the figures that precede them.

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CAUTIONARY STATEMENT WITH RESPECT TO FORWARD-LOOKING STATEMENTS

This annual report 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 U.S. Securities Act of 1933, as amended, or the Securities Act, or the U.S. Securities Exchange Act of 1934, as amended, 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 in the Brazilian and global petrochemical industries;
- prices of naphtha and other raw materials;
- actions taken by our major shareholders;
- our ability to implement our financing strategy and to obtain financing on satisfactory terms;
- our ability to complete our pending acquisition of the remaining outstanding share capital of Quattor Participações S.A., or Quattor;
- our progress in integrating the operations of Quattor and Braskem PP Americas, Inc. (formerly known as Sunoco Chemicals, Inc.), or Braskem Americas, as well as other companies or assets acquired in the future, so as to achieve the anticipated benefits of these acquisitions;
- changes in laws and regulations, including, among others, Brazilian laws and regulations affecting tax and environmental matters and import tariffs in other markets in which we operate or to which we export our products;
- a continuation of the current worldwide economic downturn or deterioration in the Brazilian and world economies;
- decisions rendered in major pending or future 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.

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Forward-looking statements speak only as of the date they are made, and we do not undertake any obligation to update them in light of new information or future developments or to release publicly any revisions to these statements in order to reflect later events or circumstances or to reflect the occurrence of unanticipated events.

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PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

Selected Financial Information

The following selected financial data have been derived from our consolidated financial statements. The selected financial data at December 31, 2009 and 2008 and for the three years ended December 31, 2009 have been derived from our consolidated financial statements included in this annual report. The selected financial data at December 31, 2007, 2006 and 2005 and for the years ended December 31, 2006 and 2005 have been derived from our audited consolidated financial statements that are not included in this annual report.

We have included information with respect to the dividends and/or interest attributable to shareholders equity paid to holders of our common shares and preferred shares since January 1, 2005 in *reais* and in U.S. dollars translated from *reais* at the commercial market selling rate in effect as of the payment date under the caption Item 8. Financial Information Dividends and Dividend Policy Payment of Dividends.

Our consolidated 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 35 to our audited consolidated financial statements included in this annual report.

		For the Year Ended December 31,				
	2009(1)	**2009**	**2008**	**2007**	**2006**	**2005(2)**
	(in millions of US$, except per share amounts)	**(in millions of *reais*, except per share amounts and as otherwise indicated)**				
Statement of Operations Data						
***Brazilian GAAP*:**						
Net sales revenue	US$8,757.4	R$15,248.3	R$17,959.5	R$17,642.5	R$12,992.7	R$13,075.1
Cost of sales and services rendered.	(7,273.6)	(12,664.8)	(15,140.8)	(14,331.4)	(10,759.2)	(10,361.7)
Gross profit.	1,483.8	2,583.5	2,818.7	3,311.1	2,233.5	2,713.4
Selling, general and administrative expenses	(674.2)	(1,173.9)	(1,167.1)	(1,238.7)	(951.4)	(787.1)
Depreciation and amortization.	(71.0)	(123.7)	(543.6)	(486.6)	(363.3)	(355.6)
Other operating income, net.	77.1	134.2	86.0	131.5	186.1	22.8
	815.7	1,420.1	1,194.0	1,717.3	1,104.9	1,593.5

Operating income before equity accounting and financial income (expense).						
Results from equity accounting(3).	(6.9)	(12.1)	(63.7)	(64.6)	3.4	(109.8)
Financial expenses	398.6	694.0	(4,403.1)	212.1	(1,097.9)	(675.8)
Financial income.	(188.4)	(328.0)	718.6	(588.8)	159.5	(33.6)
Operating income (loss)	1,019.0	1,774.0	(2,554.2)	1,276.0	169.9	774.3
Non-operating expenses, net.	(76.1)	(132.5)	(158.7)	(67.2)	7.1	(25.2)
Income (loss) before income tax and social contribution (current and deferred) and minority interest.	942.9	1,641.5	(2,712.9)	1,208.8	177.0	749.1
Income tax and social contribution (current and deferred)	(501.8)	(873.7)	278.2	(327.4)	47.5	(177.3)
Income (loss) before profit sharing and minority interest	441.0	767.8	(2,434.7)	881.4	224.5	571.8
Profit sharing.			(18.9)	(18.7)		
Income (loss) before minority interest.	441.0	767.8	(2,453.6)	862.7	224.5	571.8
Minority interest			(38.5)	(240.9)	(1.6)	54.0
Net income (loss)	US$441.0	R$767.8	R$(2,492.1)	R$621.8	R$222.8	R$625.8
Number of shares outstanding at year end, excluding treasury shares (in thousands):						
Common shares	190,462	190,462	190,462	149,810	123,492	120,860
Class A preferred shares.	329,872	329,872	316,485	282,223	231,744	240,393
Class B preferred shares	594	594	594	803	803	803
Net income (loss) per share at year end.	0.85	1.48	(4.91)	1.44	0.63	1.73
Net income (loss) per ADS at year end.	1.70	2.96	(9.82)	2.87	1.25	3.46
Dividends declared per share:						
Common shares				0.64		0.90
Class A preferred shares.				0.64	0.16	0.90
Class B preferred shares				0.64	0.16	0.56
Dividends declared per ADS.				1.28	0.32	1.80

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(1) Translated for convenience only using the selling rate as reported by the Central Bank at December 31, 2009 for reais into U.S. dollars of R$1.741=US$1.00.

(2) On December 28, 2007, the Brazilian government enacted Law No. 11,638/07, which became effective on January 1, 2008, amended the Brazilian Corporation Law, and changed certain accounting policies under Brazilian GAAP. On December 17, 2008, the CVM issued Deliberation No. 565, implementing these changes in accounting

policies. On May 27, 2009, the Brazilian government enacted Law No. 11,941/09, which codified certain amendments to Brazilian GAAP adopted in Provisional Measure No. 449/08. The main purpose of these changes to Brazilian GAAP was to harmonize Brazil GAAP with IFRS. For a discussion of the principal changes introduced by Law No. 11,638/07, Deliberation 565 and Law No. 11,941/09 as they relate to our financial statements, see note 2 to our audited consolidated financial statements. In order to make our financial statements for the two years ended December 31, 2007 comparable to our financial statements for the two years ended December 31, 2009, we have retrospectively revised our previously issued financial statements for the two years ended December 31, 2007 to conform to the changes in accounting policy introduced by Law No. 11,638/07, Deliberation No. 565 and Law 11,941/09. We have not retrospectively revised our financial statements for the year ended December 31, 2005 to conform these changes in accounting policy because we cannot provide this information without unreasonable effort and expense and, therefore, the selected financial data at and for this period may not be comparable.

(3) Results from equity accounting comprises equity in the results of associated companies (which, in the case of the year ended December 31, 2009, consisted of Borealis Brasil S.A., or Borealis, and Sansuy Administração, Participação, Representação e Serviços Ltda., or Sansuy), amortization of goodwill, net, foreign exchange variation and tax incentives and other.

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	For the Year Ended December 31,					
	2009(1)	**2009**	**2008**	**2007**	**2006(2)**	**2005(2)**
	(in millions of US$, except per share amounts)	**(in millions of *reais*, except per share amounts and as otherwise indicated)**				
Statement of Operations Data						
U.S. GAAP:						
Net income (loss) for the year	US$133.6	R$232.7	R$(1,826.7)	R$1,089.1	R$161.6	R$741.2
Basic earnings (loss) per share (weighted average):						
Common shares	0.09	0.16	(10.31)	2.77	0.13	2.05
Class A preferred shares	0.36	0.62		2.78	0.59	2.05
Class B preferred shares	0.37	0.64		2.75	0.63	0.63
Basic earnings (loss) per ADS (weighted average)	0.74	1.28		5.56	1.18	4.10
Diluted earnings (loss) per share (weighted average):						
Common shares	0.09	0.16	(10.48)	2.56	0.13	1.95
Class A preferred shares	0.36	0.62		2.54	0.59	1.95
Class B preferred shares	0.37	0.64		2.75	0.63	0.63
Diluted earnings (loss) per ADS (weighted average)	0.74	1.28		5.08	1.18	3.90

(1) Translated for convenience only using the selling rate as reported by the Central Bank at December 31, 2009 for reais into U.S. dollars of R$1.741=US$1.00.

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	At and for the Year Ended December 31,					
	2009(1)	2009	2008	2007	2006	2005(2)
	(in millions of US$, except per share amounts)	(in millions of *reais*, except per share amounts and as otherwise indicated)				
Balance Sheet Data						
Brazilian GAAP:						
Cash, cash equivalents and other investments.	US$1,797.8	R$3,130.4	R$2,948.6	R$2,138.9	R$1,961.0	R$2,281.5
Short-term trade accounts receivable	744.9	1,297.1	996.2	1,497.0	1,594.9	1,493.3
Short-term inventories.	1,102.2	1,919.1	2,948.1	2,264.3	1,767.3	1,567.4
Property, plant and equipment, net.	5,768.6	10,044.2	10,278.4	8,404.1	6,688.7	6,364.4
Total assets	12,748.3	22,197.3	22,701.9	20,780.7	16,168.3	15,590.8
Short-term loans and financing (including current portion of long-term debt).	863.8	1,504.1	2,120.0	1,068.4	653.9	1,120.4
Short-term debentures	181.9	316.7	26.3	111.6	1,157.7	9.3
Short-term related party debt						3.1
Long-term loans and financing(3)	4,272.5	7,439.3	9,039.8	6,401.9	3,935.8	3,261.6
Long-term debentures	287.2	500.0	800.0	800.0	982.2	1,599.3
Long-term related party debt					4.8	3.0
Minority interest				598.0	21.8	121.2
Share capital.	3,143.3	5,473.2	5,375.8	4,641.0	3,508.3	3,403.0
Shareholders equity	2,637.5	4,592.5	3,679.8	5,678.5	4,208.7	4,535.8
Other Financial Information						
***Brazilian GAAP*:**						
Cash Flow Data:						
Net cash provided by (used in):						
Operating activities.	US$784.0	R$1,365.1	R$2,626.2	R$2,404.0	R$(317.6)	R$1,719.4
Investing activities.	(484.1)	(842.9)	(2,083.6)	(3,579.1)	(1,206.3)	(1,048.0)
Financing activities.	(165.6)	(288.3)	(3.1)	1,518.2	935.5	(329.7)
Other Information:						
Capital expenditures:						
Property, plant and equipment	US$476.6	R$829.8	R$1,404.2	R$1,277.2	R$889.7	R$930.2
Investments in other companies.	3.1	5.5	653.8	1,345.5	222.7	34.0

(1) Translated for convenience only using the selling rate as reported by the Central Bank at December 31, 2009 for reais into U.S. dollars of R$1.741=US$1.00.

(2) On December 28, 2007, the Brazilian government enacted Law No. 11,638/07, which became effective on January 1, 2008, amended the Brazilian Corporation Law, and changed certain accounting policies under Brazilian GAAP. On December 17, 2008, the CVM issued Deliberation No. 565, implementing these changes in accounting policies. On May 27, 2009, the Brazilian government enacted Law No. 11,941/09, which codified certain amendments to Brazilian GAAP adopted in Provisional Measure No. 449/08. The main purpose of these changes to Brazilian GAAP was to harmonize Brazil GAAP with IFRS. For a discussion of the principal changes introduced by Law No. 11,638/07, Deliberation 565 and Law No. 11,941/09 as they relate to our financial statements, see note 2 to our audited consolidated financial statements. In order to make our financial statements at December 31, 2007 and 2006 and for the two years ended December 31, 2007 comparable to our financial statements at December 31, 2007 and 2006 and for the two years ended December 31, 2009, we have retrospectively revised our previously issued financial statements at December 31, 2007 and 2006 and for the two years ended December 31, 2007 to conform to the changes in accounting policy introduced by Law No. 11,638/07, Deliberation No. 565 and Law 11,941/09. We have not retrospectively revised our financial statements at December 31, 2005 and for the year ended December 31, 2005 to conform these changes in accounting policy because we cannot provide this information without unreasonable effort and expense and, therefore, the selected financial data at and for this period may not be comparable.

(3) Includes quotas (i.e., shares) subject to mandatory redemption at and prior to December 31, 2006. 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. Accordingly, short-term loans and financing (including current portion of long-term debt) at December 31, 2005 reflect the reclassification of quotas subject to mandatory redemption in the amount of R$225.4 million, and long-term loans and financing at December 31, 2005 reflect the reclassification of quotas subject to mandatory redemption in the amount of R$404.1 million.

	At and for the Year Ended December 31,					
	2009(1)	**2009**	**2008**	**2007**	**2006**	**2005**
	(in millions of US$, except per share amounts)	**(in millions of *reais*, except per share amounts and as otherwise indicated)**				
Balance Sheet Data						
U.S. GAAP						
Total assets.	US$13,465.2	R$23,445.6	R$25,102.3	R$23,373.1	R$14,890.7	R$13,634.0
Shareholders equity.	2,515.2	4,379.4	4,025.7	5,031.9	2,966.8	2,918.4

(1) Translated for convenience only using the selling rate as reported by the Central Bank at December 31, 2009 for reais into U.S. dollars of R$1.741=US$1.00.

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	For the Year Ended December 31,				
	2009	2008	2007	2006	2005
	(in thousands of tons)				
Domestic sales volume (1):					
Ethylene	2,253.2	2,095.1	2,095.1	1,108.5	1,169.8
Propylene	994.6	994.5	945.1	413.0	497.5
Polyethylene	1,009.7	977.3	943.9	604.7	502.3
Polypropylene	698.5	606.2	573.1	453.2	419.9
PVC	457.4	496.3	464.9	400.4	378.9

(1) Including intra-company sales within our company. Intra-company sales of ethylene totaled approximately 1,966,300 tons in 2009, 1,708,300 tons in 2008, 1,644,000 tons in 2007, 882,500 tons in 2006 and 588,700 tons in 2005. Intra-company sales of propylene totaled approximately 630,900 tons in 2009, 638,400 tons in 2008, 567,800 tons in 2007, 86,500 tons in 2006 and 89,300 tons in 2005.

Exchange Rates

The Brazilian foreign exchange system allows the purchase and sale of foreign currency and the international transfer of *reais* by any person or legal entity, regardless of the amount, subject to certain regulatory procedures.

Since 1999, the Central Bank has allowed the U.S. dollar-*real* exchange rate to float freely, and, since then, the U.S. dollar-*real* exchange rate has fluctuated considerably.

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 permit the *real* to float freely or will intervene in the exchange rate market through the return of a currency band system or otherwise. The *real* may depreciate or appreciate against the U.S. dollar substantially. Furthermore, Brazilian law provides that, whenever there is a serious imbalance in Brazil s balance of payments or there are serious reasons to foresee a serious imbalance, temporary restrictions may be imposed on remittances of foreign capital abroad. We cannot assure you that such measures will not be taken by the Brazilian government in the future. See Risk Factors Risks Relating to Brazil Brazilian government exchange control policies could increase the cost of servicing our foreign currency-denominated debt, adversely affect our ability to make payment under our foreign currency-denominated debt obligations and impair our liquidity and Risk Factors Risks Relating to Our Class A Preferred Shares and the ADSs Exchange controls and restrictions on remittances abroad may adversely affect holders of the ADSs and the underlying class A preferred shares.

The following table shows the selling rate 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**
2005	R$2.762	R$2.163	R$2.413	R$2.341
2006	2.371	2.059	2.168	2.138
2007	2.156	1.733	1.930	1.771
2008	2.500	1.559	1.834	2.337

2009	2.422	1.702	1.990	1.741

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	Reais per U.S. Dollar	
Month	**High**	**Low**
November 2009	R$1.759	R$1.702
December 2009	1.788	1.710
January 2010	1.875	1.723
February 2010	1.877	1.805
March 2010	1.823	1.764
April 2010	1.781	1.730
May 2010 (through May 26)	1.881	1.732

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Source: Central Bank

Risk Factors

Risks Relating to Our Company and the Petrochemical Industry

The global economic downturn has adversely affected economic growth in Brazil and our export markets.

The global economic slowdown since September 2008 has had, and may continue to have, a negative effect on economic growth in Brazil and in the countries to which we export our products. Brazilian gross domestic product, or GDP, was stagnant in 2009, and domestic resin sales volume declined by 0.4%. We believe that domestic demand for thermoplastic resins may continue to be affected by global macroeconomic factors. In addition, although the volume of our basic petrochemical and thermoplastic resin sales has recovered significantly beginning in the third quarter of 2009 from the levels experienced in the fourth quarter of 2008, exports, for which we generate lower margins than on our domestic sales, have constituted a larger percentage of our sales than has historically been the case.

Global demand for thermoplastic resins has been adversely affected beginning in the second half of 2008, reflecting the global economic slowdown. In addition, Chinese demand for thermoplastic resins declined following the conclusion of the Olympic Games in August 2008, and demand for thermoplastic resins in the United States and Europe declined as the effects of the global economic slowdown became more pronounced beginning in the second half of 2008. The contraction of demand in the United States led U.S. thermoplastic resin producers to increase the volume of exports of their thermoplastic products, leading to an increase in imports of these products in Brazil that placed pressure on our margins on domestic sales. In addition, we believe that pressure on the Brazilian market from imports may resume in 2010 due to the commissioning of new capacity in Asia and the Middle East, particularly if this new capacity is not absorbed in Asian and European markets.

Although emerging markets such as China, India and Brazil began to record growth in consumption of petrochemical products in the first half of 2009, recovery from the global economic slowdown has been slow in industrialized economies, particularly in the United States, the European Community and Japan. Uncertainty persists regarding the pace of recovery in the global economy. Although the United States has shown signs of improvement, recent developments in the sovereign debt markets relating to countries in the European Union, especially Greece, have led to increased uncertainty regarding the economic recovery in Europe.

A prolonged slowdown in economic activity in Brazil and our key export markets could continue to reduce demand for some of our products, which would adversely affect our results of operations.

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

The petrochemical industry, including the markets in which we compete, is cyclical and sensitive to changes in supply and demand in Brazil and elsewhere. This cyclicality may reduce our net sales revenue and gross margin. In particular:

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- 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.

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, mainly as a result of 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 polyethylene, polypropylene, PVC and other petrochemical products.

We face competition in Brazil from foreign producers of polyethylene, polypropylene, polyvinyl chloride, or PVC, and other petrochemical products. We generally set the prices for our second generation products sold in Brazil with reference to the prices charged for these products by foreign producers in international markets. As a result of the announced commissioning of new ethylene capacity, particularly in the Middle East and in China, we anticipate that we may experience increasingly intense competition from other producers of second generation products, both in Brazil and in foreign markets in which we sell these products. Some of our foreign competitors are substantially larger and have substantially greater financial, manufacturing, technological and marketing resources than our company.

Higher raw materials 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 for our Basic Petrochemicals Unit and, indirectly, of our other business units. Naphtha and condensate accounted, directly and indirectly, for approximately 66.6% of our consolidated cost of sales and services rendered in 2009.

The price of naphtha supplied by Petróleo Brasileiro S.A. Petrobras, or Petrobras, has historically been linked to the Amsterdam-Rotterdam-Antwerp market price of naphtha and to the *real*/U.S. dollar exchange rate. Under a naphtha purchase agreement with Petrobras that we have operated under since March 2009, we have purchased naphtha from Petrobras at prices based on a variety of factors, including the market prices of naphtha and other petrochemical derivatives, the volatility of the prices of these products in the international markets, the *real*/U.S. dollar exchange rate, and the level of paraffinicity of the naphtha that is delivered. This contract replaced the naphtha supply contract between our company and Petrobras for the supply of naphtha to our basic petrochemicals plants in the petrochemical complex located in Camaçari in the State of Bahia, or the Northeastern Complex, which was terminated in June 2008, and superseded the naphtha supply contract between our company and Petrobras for the supply of naphtha to our basic petrochemicals plants in the petrochemical complex located in Camaçari in the State of Bahia, or the Southern Complex.

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 2009, the average Amsterdam-Rotterdam-Antwerp market price of naphtha in U.S. dollars declined by 32.6% to US$533.46 per ton in 2009 from US$791.34 per ton in 2008. The U.S. dollar price of naphtha was volatile during 2009, increasing from an average of US$258.16 per ton in December 2008 to an average of US$684.13 per ton in December 2009. Since December 31, 2009, the price of naphtha in U.S. dollars has increased to US$757.00 per ton at April 30, 2010. The price of naphtha in U.S. dollars may continue to be volatile. In addition, the *real* may depreciate against the U.S. dollar in the future, effectively increasing our naphtha costs 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.

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We do not hedge against changes in naphtha 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 U.S. dollar or *real* prices of naphtha. 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 in 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 *real* depreciates against the U.S. dollar 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 if the *real* depreciates precipitously against the U.S. dollar, as occurred in the fourth quarter of 2009, 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 a substantial portion of our naphtha requirements.

Petrobras currently is the only Brazilian supplier of naphtha and has historically supplied 60% to 70% of the naphtha consumed by our company. 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 the following:

- 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 contracts for a number of reasons described in Item 4. Information on the Company Basic Petrochemicals Unit Raw Materials of Our Basic Petrochemicals Unit.

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 to supply them with their ethylene and propylene requirements.

Our Basic Petrochemicals Unit is the only supplier of ethylene to our Vinyls Unit, the only supplier of ethylene to our polyethylene plants, and the principal supplier of propylene to our polypropylene plants located in Brazil. Because the cost of storing and transporting ethylene and propylene is substantial and there is inadequate infrastructure in Brazil to permit the importation of large quantities of these products, our Polyolefins Unit and Vinyls Unit are highly dependent on ethylene and propylene supplied by our Basic Petrochemicals Unit and 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 facilities through which ethylene or propylene is produced, or to the pipeline or other facilities that connect our Vinyls and Polyolefins Units to our Basic Petrochemicals Unit, whether as a consequence of an accident, natural disaster, fire or otherwise; or

- any significant reduction in the supply of naphtha to our Basic Petrochemicals Unit, as naphtha is the principal raw material used in the production of ethylene and propylene.

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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 & Poor s, Moody s Investors Service, or Moody s, and Fitch, Inc., or Fitch, maintain ratings of our company and our debt securities. Currently, Standard & Poor s, Moody s and Fitch maintain ratings of our company on a local and a global basis. On a global basis, Standard & Poor s maintains a local currency rating for our company of BB+ (stable) and a foreign currency rating for our company of BB+ (stable), Moody s maintains a local currency rating for our company of Ba1 and a foreign currency rating for our company of Ba1, and 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 our class A preferred shares and the ADS.

BRK Investimentos Petroquímicos S.A., or BRK, owns 53.9% of our total share capital, including 97.0% of our voting share capital. A group of companies controlled by the Odebrecht family, which we refer to as the Odebrecht Group, holds 53.8% of the voting share capital of BRK, and Petrobras holds, directly and indirectly, 46.2% of the voting share capital of BRK. Designees of Odebrecht S.A., or Odebrecht, constitute a majority of the members of our board of directors. Under a shareholders agreement that Odebrecht, Odebrecht Serviços e Participações S.A., or OSP, Petrobras and Petrobras Química S.A. Petroquisa, the petrochemical subsidiary of Petrobras, or Petroquisa, entered into with us, which we refer to as the Petrobras Shareholders Agreement, we have agreed to undertake certain actions only after Odebrecht, Petrobras and Petroquisa have reached a consensus with respect to those actions and Odebrecht will have the sole power to approve the business plan of our company, as described under Major Shareholders and Related Party Transactions Major Shareholders Shareholders Agreements. As a result, Odebrecht will have the ability to determine the outcome of most corporate actions or decisions requiring the approval of our shareholders or our board of directors in certain instances, with the consent of Petrobras and Petroquisa which could affect the holders of our class A preferred shares and the ADS.

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. Petrobras and Petroquisa collectively hold 46.2% of the voting capital stock of BRK which holds 53.9% of our voting share capital and 97.0% 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, other than the prices that we pay under our July 2009 naphtha purchase agreement with Petrobras that we have operated under since March 2009, which we believe are more suitable to the products that we receive from Petrobras compared to products and prices available in transactions that we enter into with other third parties. We also engage in financial and other transactions with some of our direct and indirect shareholders. These and other commercial and financial transactions between us and our affiliates could result in conflicting interests between our company and these shareholders.

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, in addition to the recent Sunoco Chemicals Acquisition and Quattor Acquisition described below.

Acquisitions involve risks, including the following:

- failure of acquired businesses to achieve expected results;

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- 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.

For a discussion of risks specifically pertaining to the Quattor Acquisition and the Sunoco Chemical Acquisition, see Risks Relating to the Quattor Acquisition and the Sunoco Chemicals Acquisition.

We may face unforeseen challenges in the implementation of our joint venture expansion projects which could result in these projects failing to provide expected benefits to our company.

We are developing several expansion projects in Venezuela, Mexico and Peru in connection with local joint venture partners. If we proceed with any of these projects, our joint venture companies will undertake significant capital expenditure programs to implement these projects. Our ability to achieve our strategic objectives relating to these projects will depend on, in large part, the successful, timely and cost-effective implementation of these projects. Factors that could affect this implementation include the following:

- the outcome of negotiations with our local joint venture partners, governments, suppliers, customers or others (including, for example, our ability to negotiate favorable long-term contracts with suppliers and customers, or the development of reliable spot markets, that may be necessary to support the financing and development of particular projects);
- market conditions that may adversely affect the ability of our joint venture companies to obtain the financing necessary for the implementation of these projects;
- difficulties in obtaining necessary licenses and regulations;
- the occurrence of unforeseen technical difficulties (including technical problems that may delay start-up of, or interrupt production from, a project or lead to unexpected downtime of the plants of these joint venture companies);
- delays in the delivery of third-party equipment or services by our joint venture companies vendors;
- the failure of the equipment supplied by these vendors to comply with the expected capabilities; and
- delays resulting from the failure of third-party suppliers or contractors to meet their obligations in a timely and cost-effective manner.

Although we believe that the cost estimates and implementation schedules of our joint venture projects are reasonable, we cannot assure you that the actual costs or time required to complete the implementation of these projects will not substantially exceed our current estimates. Any significant cost overrun or delay could hinder or prevent the implementation of our business plan, as originally conceived, and result in revenues and net income being less than expected.

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

We currently benefit from tariffs imposed by the Brazilian government on imports that allow us to charge prices for our polyolefins and vinyls products in the domestic market 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.

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

We, like other Brazilian petrochemical producers, are 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.

The operations in the United States that we have acquired as part of the Sunoco Chemicals Acquisition are subject to extensive U.S. federal, state and local and foreign laws, regulations, rules and ordinances relating to pollution, protection of the environment and the generation, storage, handling, transportation, treatment, disposal and remediation of hazardous substances and waste materials. U.S. environmental laws and regulations may impose liability on us for the conduct of third parties, or for actions that complied with applicable requirements when taken, regardless of negligence or fault. Of particular significance to us are (1) regulatory programs to be established to implement air quality standards under the National Ambient Air Quality Standards for ozone and fine particles promulgated by the U.S. Environmental Protection Agency, or the EPA, and (2) various legislative and regulatory measures in the United States which are under review, discussion or implementation to address greenhouse gas emissions.

Costs and capital expenditures relating to environmental, health or safety matters are subject to evolving regulatory requirements and will depend on the timing of the promulgation and enforcement of specific standards which impose the requirements. Moreover, changes in environmental regulations could inhibit or interrupt our operations, or require modifications to our facilities. Accordingly, environmental, health or safety regulatory matters may result in significant unanticipated costs or liabilities.

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, which could have a material adverse effect on our financial performance.

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

We are, and may be in the future, involved in numerous tax, civil and labor disputes, among others, involving monetary claims. If unfavorable decisions are rendered in one or more of these lawsuits, we could be required to pay substantial amounts, which could 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 as to the likelihood of winning these lawsuits. For example, the unions that represent employers and workers at the facilities located 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. As we believe that it is not probable that the employers union will lose this lawsuit, we have not recorded a provision in respect of this suit. If the employers union loses this lawsuit 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.

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For more information about our legal proceedings, see Item 8. Financial Information Legal Proceedings.

Risks Relating to the Quattor Acquisition and the Sunoco Chemicals Acquisition

We may experience difficulties in integrating the Quattor Companies and Braskem Americas and, therefore, may fail to achieve the anticipated benefits from the Quattor Acquisition and the Sunoco Chemical Acquisition.

On April 1, 2010, we acquired for US$356.0 million all of the outstanding capital stock of Sunoco Chemicals, Inc., or Sunoco Chemicals, which we have renamed Braskem Americas. The assets of Braskem Americas consist of three polypropylene plants located in La Porte, Texas, Marcus Hook, Pennsylvania and Neal, West Virginia, with an aggregate annual production capacity of 950,000 tons, as well as a petrochemicals research facility in Pittsburgh, Pennsylvania. We refer to this acquisition as the Sunoco Chemicals Acquisition. For a discussion of the Sunoco Chemicals Acquisition, see Item. 4. Information on the Company History and Development of Our Company the Sunoco Chemicals Acquisition.

On January 22, 2010, we entered into an investment agreement, which we refer to as the Quattor Investment Agreement, with Odebrecht, OSP, Petrobras, Petroquisa and Unipar União de Indústrias Petroquímicas S.A., or Unipar. The Quattor Investment Agreement provides for, among others, the following transactions:

- In April 2010, we conducted a capital increase through a private subscription by our shareholders as a result of which we received net cash proceeds of R$3,742.6 million in exchange for the issuance of 243,206,530 of our common shares and 16,697,781 of our class A preferred shares.

- In April 2010, we purchased 60% of the outstanding share capital of Quattor from Unipar for an aggregate amount of R$659.4 million and the assumption of a put option granted by Unipar to BNDES Participações S.A. BNDESPAR, or BNDESPAR, with respect to the shares of Rio Polímeros S.A., or RioPol, held by BNDESPAR. Quattor is a holding company that owns, directly and indirectly, 75.0% of the outstanding share capital of RioPol, 99.3% of the outstanding share capital of Quattor Petroquímica S.A., or Quattor Petroquímica, 100% of the outstanding share capital of Quattor Química S.A., or Quattor Química, and 33.3% of the outstanding share capital of Polibutenos S.A. Indústrias Químicas, or Polibutenos.

- In May 2010, we purchased from Unipar all of the outstanding share capital of Unipar Comercial e Distribuidora S.A., or Unipar Comercial, for an aggregate amount of R$27.1 million, and 33.3% of the outstanding share capital of Polibutenos for an aggregate amount of R$22.4 million.

- We agreed with Petroquisa to engage in a merger of shares (*incorporações de ações*) transaction in which we will issue an aggregate of approximately 18 million of our common shares to Petroquisa, and Quattor will become our wholly-owned subsidiary. We expect to complete this transaction in the second quarter of 2010.

We refer to the acquisition of control of Quattor and Polibutenos and the acquisition of Unipar Comercial as the Quattor Acquisition and to RioPol, Quattor Petroquímica, Quattor Química, Polibutenos and Unipar Comercial as the Quattor Companies. For a discussion of the Quattor Acquisition, see Item. 4. Information on the Company History and Development of Our Company the Quattor Acquisition.

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Integration of the Quattor Companies and Braskem Americas with our operations will be a complex and time-consuming process. Risks and challenges that may impair our ability to achieve the benefits of the Quattor Acquisition and the Sunoco Chemicals Acquisition include:

- We expect that integrating the operations of the Quattor Companies and Braskem Americas into ours may require significant management time and resources and may divert management s attention from our day-to-day business.
- The Quattor Acquisition was made on the basis of publicly available information about Quattor and its subsidiaries. We were allowed to conduct only limited due diligence of non-public information about these companies and may discover additional liabilities on an ongoing basis.
- Although we conducted a comprehensive due diligence review with respect to our acquisition of Braskem Americas, we can offer no assurances that all material matters were disclosed to us during this due diligence process. Since our acquisition of Braskem Americas on April 1, 2010, we have conducted only limited due diligence of Braskem Americas, given the short period of time between this acquisition and the date of this annual report.
- We may incur unexpected liabilities or contingencies related to taxes, labor, environmental regulation or other matters as a result of our acquisition of the Quattor Companies and Braskem Americas, and rights of acceleration or termination under agreements to which the Quattor Companies or Braskem Americas are bound and that may be triggered as a result of our acquisition of the Quattor Companies and Braskem Americas could result in unanticipated expenses or adversely affect the results of operations and financial condition of the Quattor Companies or Braskem Americas and, consequently, our company.
- We may have difficulty retaining and integrating key employees of the Quattor Companies or Braskem Americas. The operations of the Quattor Companies or Braskem Americas could be adversely affected if we cannot retain their key employees to assist in the integration of these companies into our company and in their ongoing operations.
- We may encounter difficulties or delays in implementing common information systems, operating procedures, sales and credit policies and financial controls.

If we are unable to successfully respond to these risks and challenges, we may experience higher than expected operating costs or fail to achieve the anticipated benefits of the Quattor Acquisition and the Sunoco Chemicals Acquisition.

We will assume a substantial amount of indebtedness in connection with the Quattor Acquisition, which could limit our operating flexibility.

At December 31, 2009, we had R$9,760.1 million of outstanding indebtedness, excluding related party debt, and cash and cash equivalents and other short-term investments of R$3,130.4 million. In connection with the Quattor Acquisition, we conducted a capital increase through a private subscription by our shareholders as a result of which we received net cash proceeds of R$3,742.6 million in exchange for the issuance of 243,206,530 of our common shares and 16,697,781 of our class A preferred shares.

The total purchase price to our company of the Quattor shares, Polibutenos shares and Unipar Comercial shares that we acquired from Unipar was R$708.9 million. As a result of our acquisition of control of the Quattor Companies, we have consolidated the indebtedness of the Quattor Companies into our financial statements as from April 1, 2010. At December 31, 2009, (1) the total outstanding debt of Quattor was R$7,370.9 million, (2) the total outstanding debt of Polibutenos was R$41.3 million, of which R$13.6 million was reflected in the balance sheet of Quattor due to the proportional consolidation of the results of Polibutenos in the financial statements of Quattor, and (3) the total outstanding debt of Unipar Comercial was R$29.8 million. Following the Quattor Acquisition and through May 26,

2010, we have prepaid R$2,208.9 million aggregate principal amount of Quattor s outstanding *real*-denominated indebtedness and US$271.7 million of Quattor s outstanding U.S. dollar-denominated indebtedness.

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The substantial increase in our outstanding debt could limit our operating flexibility, including in the following respects:

- A substantial portion of our cash flow from operations must be dedicated to the payment of principal and interest on our indebtedness, reducing the funds available to us for other purposes.
- Our higher levels of indebtedness may impair our ability to adjust to changing market conditions or withstand competitive pressures.

Brazilian antitrust authorities could impose costly or restrictive conditions on the approval of the Quattor Acquisition or the Sunoco Chemicals Acquisition.

The Quattor Acquisition and the Sunoco Chemicals Acquisition are subject to the final approval of the Brazilian antitrust authorities. However, Brazilian law permits us to consummate these transactions prior to receiving this final approval, unless the Administrative Council for Economic Defense *(Conselho Administrativo de Defesa Econômica)*, or CADE, issues a writ of prevention blocking the transaction or requires the parties to enter into an agreement permitting the effects of the transaction to be reversed which, by its terms, delays the consummation of the transaction. We, together with Petrobras, submitted the terms and conditions of the Quattor Acquisition for review by the Brazilian antitrust authorities on February 5, 2010. We submitted the terms and conditions of the Sunoco Chemicals Acquisition for review by the Brazilian antitrust authorities on February 24, 2010. The antitrust authorities will determine whether these transactions negatively impact competitive conditions in the markets in which we compete or adversely affect consumers in these markets.

Any action by the Brazilian antitrust authorities to fail to approve the Quattor Acquisition or the Sunoco Chemicals Acquisition or to impose conditions or performance commitments on our company as part of the approval process for the Quattor Acquisition or the Sunoco Chemicals Acquisition could materially and adversely affect our business, negatively affect our financial performance and prevent us from achieving the anticipated benefits of the Quattor Acquisition and the Sunoco Chemicals Acquisition. We cannot predict when CADE will take final action with respect to the Quattor Acquisition or the Sunoco Chemicals Acquisition.

The businesses of the Quattor Companies and Braskem Americas are subject to risks relating to the petrochemical business in which we currently operate.

The acquisitions of the Quattor Companies and Braskem Americas will subject us to risks and challenges relating to their businesses, many of which are similar to risks and challenges we already face as part of our operations, including the following:

- The operations of the Quattor Companies are conducted in Brazil and the Quattor Companies are exposed to traditional risks associated with operations in Brazil, such as fluctuations in interest rates, inflation and exchange rates, and changes in tax laws.
- The Quattor Companies and Braskem Americas face risks relating to the cyclicality of the petrochemical markets, fluctuations in commodity prices, competition from other producers of the petrochemical products produced by these companies, the application of federal, state and local environmental laws and regulations, and hazards associated with the manufacture of petrochemicals and the storage and transportation of feedstocks and petrochemical products.
- The Quattor Companies purchase all of their supplies of naphtha, ethane and propane, and a substantial portion of their supplies of propylene, from Petrobras. The Quattor Companies production volume and net sales revenue would likely decrease and our overall financial performance would likely be negatively affected in the event of (1) significant damage to Petrobras refineries or logistics facilities, or (2) the termination by

Petrobras of its supply contracts with the Quattor Companies.

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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 GDP;
- liquidity of domestic capital and lending markets; and
- other political, diplomatic, social and economic developments in or affecting Brazil.

Uncertainty over whether possible changes in policies or rules affecting these or other factors may contribute to economic uncertainties in Brazil and to heightened volatility in the Brazilian securities markets and securities issued abroad by Brazilian issuers. 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 term of Brazil s current President, Luiz Inácio Lula da Silva, expires in January 2011, and under Brazilian law he is not permitted to run for another four-year term in the October 2010 elections. Uncertainty regarding the election of President Lula s successor and speculation about the policies that may be implemented by the Brazilian federal or state governments could adversely affect our business, results of operations and financial condition.

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 been 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 11.8% in 2005, 8.7% in 2006 and 17.2% in 2007. In 2008, primarily as a result of the international financial crisis, the *real* depreciated by 31.9% against the U.S. dollar and prompted foreign investors to remove billions of *reais* from the Securities, Commodities and Futures Exchange (*BM&FBOVESPA S.A. - Bolsa de Valores, Mercadorias e Futuros*), or the BM&FBOVESPA. In 2009, the *real* partially reversed these losses and appreciated by 25.5% against the U.S. dollar. The *real* depreciated against the U.S. dollar by 2.3% during the three months ended March 31, 2010.

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Depreciation of the *real* relative to the U.S. dollar also could result in inflationary pressures in Brazil by generally increasing the price of imported products and services and requiring recessionary government policies to curb demand. In addition, depreciation of the *real* could weaken investor confidence in Brazil and reduce the market price of our class A preferred shares and the ADSs. On the other hand, the 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$6,338.6 million (US$3,640.4 million) at December 31, 2009, representing 64.7% of our consolidated indebtedness, excluding related party debt. Our indebtedness denominated in dollars represented 63.9% of our consolidated indebtedness and our indebtedness denominated in Japanese yen represented 1.0% of our consolidated indebtedness. At December 31, 2009, we had US$753.1 million in U.S. dollar-denominated cash equivalents and other investments.

As a result of the Quattor Acquisition, we have consolidated the indebtedness of the Quattor Companies into our financial statements as from April 1, 2010. At December 31, 2009, Quattor had total foreign currency-denominated debt obligations in an aggregate principal amount of R$1,949.6 million (US$1,119.7 million). As of the closing date of the Quattor Acquisition, after giving pro forma effect to the prepayment of indebtedness of Quattor as described under Unaudited Pro Forma Combined Financial Information, Quattor had total foreign currency-denominated debt obligations in an aggregate principal amount of R$1,150.9 million (US$661.0 million).

A significant depreciation of the *real* in relation to the U.S. dollar or other currencies could increase our financial expenses as a result of foreign exchange losses that we must record and 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*. For example, the 31.9% depreciation of the *real* against the U.S. dollar in 2008 was the primary factor in the substantial increase in our net financial expenses in 2008, which was, in turn, a significant factor in our net loss for 2008.

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. In 2009, naphtha and condensate accounted for 66.6% of our direct and indirect consolidated cost of sales and services rendered. 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.

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*), or the IGP-DI, reached 2,708% in 1993. Although inflation rates have been substantially lower since 1994 than in previous periods, inflationary pressures persist. Inflation rates, as measured by the IGP-DI, were 1.2% in 2005, 3.8% in 2006, 7.9% in 2007 and 9.1% in 2008, although Brazil experienced a deflation rate of 1.4% in 2009. 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 our class A preferred shares and the ADS.

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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 December 31, 2009, we had, among other debt obligations, R$1,458.7 million of loans and financing and debentures that were subject to the Long-Term Interest Rate (*Taxa de Juros de Longo Prazo*), or TJLP, R$1,504.3 million of loans and financing and debentures that were subject to the Interbank Deposit Certificate (*Certificado de Depósito Interbancário*), or CDI, rate, and R$1,600.4 million of loans and financing that were subject to the London Interbank Offered Rate, or LIBOR.

As a result of the Quattor Acquisition, we will consolidate the indebtedness of Quattor into our financial statements as from April 1, 2010. At December 31, 2009, Quattor had, among other debt obligations, R$4,098.5 million of loans and financing and debentures that were subject to the CDI rate, R$1,550.5 million of loans and financing and debentures that were subject to the TJLP rate, and R$554.3 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 2008 the CDI rate increased from 11.1% per annum at December 31, 2007 to 13.6% per annum at December 31, 2008. See Item 11. Quantitative and Qualitative Disclosures about Market Risk. A significant increase in any of these interest rates could adversely affect our financial expenses and negatively affect our overall financial performance.

Changes in Brazilian GAAP in effect as from January 1, 2010 relating to the process of convergence to International Financial Reporting Standards may adversely impact our results of operations.

We prepare our financial statements in accordance with Brazilian GAAP, which differs in certain significant respects from U.S. GAAP and IFRS. We have reconciled the audited financial statements included in this annual report to U.S. GAAP in accordance with the requirements of Item 18 of Form 20-F as adopted by the SEC. See note 35 to our audited financial statements included in this annual report. However, the financial information presented in this annual report may differ significantly from financial statements prepared in accordance with U.S. GAAP, IFRS or the accounting standards of other countries. Other than as part of the reconciliation contained in note 35 to our audited financial statements, we have made no attempt to identify or quantify the impact of those differences.

The enactment of Law No. 11,638/07 and Law No. 11,941/09, which amended the Brazilian Corporation Law and changed certain accounting policies under Brazilian GAAP, created conditions for the alignment of Brazilian GAAP and IFRS. For more information about the principal changes introduced by Law No. 11,638/07 and Law No. 11,941/09 as they relate to our financial statements, see note 33 to our audited consolidated financial statements, included elsewhere in this annual report.

Under regulations adopted by the CVM, we will be required to present consolidated financial statements prepared in accordance with IFRS as of and for the year ending December 31, 2010 with comparative figures for 2009. Changes introduced to Brazilian GAAP as from January 1, 2010 are expected to be significant.

The changes in Brazilian GAAP could have a significant effect on our reported results of operations, including effects on our net income and the measures that our creditors use to monitor our performance under our debt instruments. Any reduction in our net income, as measured under the revisions introduced to Brazilian GAAP under these laws and regulations would have an adverse effect on our net income, and potentially, our ability to distribute dividends on our preferred and common shares. In addition, an adverse effect under the ratios contained in the covenants in our debt

instruments, as a result of the change in the way that our operating results are measured under the revisions introduced to Brazilian GAAP, could adversely affect our ability to comply with these covenants, to obtain financing to fund our growth plans or to refinance our indebtedness on terms satisfactory to us.

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Brazilian government exchange control policies could increase the cost of servicing our foreign currency-denominated debt, adversely affect our ability to make payments under our foreign currency-denominated debt obligations 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 debt denominated in dollars and Japanese yen represented an aggregate of 64.9% of our indebtedness on a consolidated basis at December 31, 2009. As a result of the Quattor Acquisition, we will consolidate the indebtedness of the Quattor Companies into our financial statements as from April 1, 2010. At December 31, 2009, Quattor had total foreign currency-denominated debt obligations in an aggregate principal amount of R$1,949.6 million. 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 our class A preferred shares and the ADSs.

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. 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 Class A Preferred Shares and the ADSs

Our class A preferred shares and the ADSs have limited voting rights.

Under the Brazilian Corporation Law and our by-laws, holders of our class A preferred shares and, consequently, the ADSs are not entitled to vote at meetings of our shareholders, except in very limited circumstances. These limited circumstances directly relate to key rights of the holders of class A preferred shares, such as modifying basic terms of our class A preferred shares or creating a new class of preferred shares with superior rights. Holders of preferred shares without voting rights are entitled to elect one member and his or her respective alternate to our board of directors and our fiscal council. Holders of our class A preferred shares and the ADSs are not entitled to vote to approve corporate transactions, including mergers or consolidations of our company with other companies.

Holders of the ADSs may find it difficult to exercise even their limited voting rights at our shareholders meetings.

Holders may exercise their limited voting rights with respect to our class A preferred shares represented by the ADSs only in accordance with the deposit agreement relating to the ADSs. There are practical limitations upon the ability of ADS holders to exercise their voting rights due to the additional steps involved in communicating with ADS holders. For example, we are required to publish a notice of our shareholders meetings in certain newspapers in Brazil. To the extent that holders of our class A preferred shares are entitled to vote at a shareholders meeting, they will be able to exercise their voting rights by attending the meeting in person or voting by proxy. By contrast, holders of the ADSs

will receive notice of a shareholders meeting by mail from the depositary following our notice to the American Depositary Receipt, or ADR, depository requesting the ADR depository to do so. To exercise their voting rights, ADS holders must instruct the depositary on a timely basis. This noticed voting process will take longer for ADS holders than for holders of class A preferred shares. If it fails to receive timely voting instructions for all or part of the ADSs, the depositary will assume that the holders of those ADSs are instructing it to give a discretionary proxy to a person designated by us to vote their ADSs, except in limited circumstances.

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In the limited circumstances in which holders of the ADSs have voting rights, they may not receive the voting materials in time to instruct the depositary to vote the class A preferred shares underlying their ADSs. In addition, the depositary and its agents are not responsible for failing to carry out the voting instructions of the holders of the ADSs or for the manner of carrying out those voting instructions. Accordingly, holders of the ADSs may not be able to exercise their voting rights, and they will have no recourse if the class A preferred shares underlying their ADSs are not voted as requested.

Exchange controls and restrictions on remittances abroad may adversely affect holders of the ADSs and the underlying class A preferred shares.

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.

These restrictions could hinder or prevent the Brazilian custodian of the class A preferred shares underlying the ADSs or holders who have exchanged the ADSs for the underlying class A preferred shares from converting dividends, distributions or the proceeds from any sale of such shares into U.S. dollars and remitting such U.S. dollars abroad. In such an event, the Brazilian custodian for our class A preferred shares will hold the *reais* that it cannot convert for the account of holders of the ADSs who have not been paid. Neither the custodian nor the depositary will be required to invest the *reais* or be liable for any interest.

Holders of the A*DSs may face difficulties in protecting their interests because we are subject to different corporate rules and regulations as a Brazilian company and our shareholders may have fewer and less well-defined rights.*

Holders of the ADSs are not direct shareholders of our company and are unable to enforce the rights of shareholders under our by-laws and the Brazilian Corporation Law.

Our corporate affairs are governed by our by-laws and the Brazilian Corporation Law, which differ from the legal principles that would apply if we were incorporated in a jurisdiction in the United States, such as the State of Delaware or New York, or elsewhere outside Brazil. Even if a holder of ADSs surrenders its ADSs and becomes a direct shareholder, its rights as a holder of the class A preferred shares underlying the ADSs under the Brazilian Corporation Law to protect its interests relative to actions by our board of directors may be fewer and less well-defined than under the laws of those other jurisdictions.

Although insider trading and price manipulation are crimes under Brazilian law, the Brazilian securities markets are not as highly regulated and supervised as the U.S. securities markets or the markets in some other jurisdictions. In addition, rules and policies against self-dealing or for preserving shareholder interests may be less well-defined and enforced in Brazil than in the United States and certain other countries, which may put holders of our class A preferred shares and the ADSs at a potential disadvantage. Corporate disclosures also may be less complete or informative than for a public company in the United States or in certain other countries.

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Holders of the ADSs may face difficulties in serving process on or enforcing judgments against us and other persons.

We are a corporation (*sociedade anônima*) organized under the laws of Brazil, and all of our directors and executive officers and our independent public accountants reside or are based in Brazil. Most of our assets and those of these other persons are located in Brazil. As a result, it may not be possible for holders of the ADSs to effect service of process upon us or these other persons within the United States or other jurisdictions outside Brazil or to enforce against us or these other persons judgments obtained in the United States or other jurisdictions outside Brazil. Because judgments of U.S. courts for civil liabilities based upon the U.S. federal securities laws may only be enforced in Brazil if certain conditions are met, holders may face greater difficulties in protecting their interests in the case of actions by us or our directors or executive officers than would shareholders of a U.S. corporation.

Actual or anticipated sales of a substantial number of class A preferred shares could decrease the market prices of our class A preferred shares and the ADSs.

Sales of a substantial number of our class A preferred shares could negatively affect the market prices of our class A preferred shares and the ADSs. If, in the future, substantial sales of shares are made by OSP, Petroquisa or other existing or future holders of class A preferred shares, the market price of our class A preferred shares and, by extension, the ADSs may decrease significantly. As a result, holders of the ADSs may not be able to sell the ADSs at or above the price they paid for them.

Holders of the ADSs may be unable to exercise preemptive rights with respect to the class A preferred shares underlying the ADSs.

Holders of the ADSs will be unable to exercise the preemptive rights relating to the class A preferred shares underlying the ADSs unless a registration statement under the Securities Act is effective with respect to those rights or an exemption from the registration requirements of the Securities Act is available. We are not obligated to file a registration statement with respect to the shares relating to these preemptive rights or to take any other action to make preemptive rights available to holders of the ADSs, and we may not file any such registration statement. If we do not file a registration statement or if we and the depositary decide not to make preemptive rights available to holders of the ADSs, those holders may receive only the net proceeds from the sale of their preemptive rights by the depositary, or if they are not sold, their preemptive rights will be allowed to lapse.

Holders of the ADSs could be subject to Brazilian income tax on capital gains from sales of ADSs.

Historically, any capital gain realized on a sale or other disposition of ADSs between non-Brazilian holders outside Brazil was not subject to Brazilian income tax. However, Brazilian law provides that, commencing on February 1, 2004, the acquiror, individual or legal entity resident or domiciled in Brazil, or the acquiror s attorney-in-fact, when such acquirer is resident or domiciled abroad, shall be responsible for the retention and payment of the income tax applicable to capital gains earned by the individual or legal entity resident or domiciled abroad who disposes of property located in Brazil. The Brazilian tax authorities have recently issued a normative instruction confirming that they intend to assess income tax on capital gains earned by non-Brazilian residents whose assets are located in Brazil. In our view, ADSs representing class A preferred shares, which are issued by the depositary outside Brazil, will not be deemed to be property located in Brazil for purposes of this law. However, we cannot assure holders of our ADSs as to whether Brazilian tax authorities will attempt to tax any capital gains arising from the sale or other disposition of ADSs, even when the transaction is consummated outside Brazil between non-Brazilian residents.

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The relative volatility and liquidity of the Brazilian securities markets may decrease the liquidity and market price of our class A preferred shares and the ADSs.

The Brazilian securities markets are substantially smaller, less liquid and more volatile than major securities markets in the United States. The BM&FBOVESPA, which is the principal Brazilian stock exchange, had a market capitalization of R$2,335 billion (US$1,341 billion) at December 31, 2009 and an average daily trading volume of R$5.7 billion (US$3.2 billion) for 2009. In comparison, aggregate market capitalization of the companies (including U.S. and non-U.S. companies) listed on The New York Stock Exchange, or the NYSE, was US$18.9 trillion at December 31, 2009 and the NYSE recorded an average daily trading volume of US$46 billion for 2009. There is also significantly greater concentration in the Brazilian securities markets. The ten largest companies in terms of market capitalization represented approximately 52.0% of the aggregate market capitalization of the BM&FBOVESPA at December 31, 2009. The ten most widely traded stocks in terms of trading volume accounted for approximately 50.4% of all shares traded on the BM&FBOVESPA in 2009. These market characteristics may substantially limit the ability of holders of the ADSs to sell class A preferred shares underlying ADSs at a price and at a time when they wish to do so and, as a result, could negatively impact the market price of the ADSs themselves.

Developments in other emerging markets may decrease the market price of our class A preferred shares and the ADSs.

The market price of our class A preferred shares and the ADSs may decrease due to declines in the international financial markets and world economic conditions. Although economic conditions are different in each country, investors reaction to developments in one country can affect the securities markets and the securities of issuers in other countries, including Brazil. Brazilian securities markets are, to varying degrees, influenced by economic and market conditions in other emerging market countries, especially those in Latin America. Any return to economic turmoil in Argentina or adverse economic developments in other emerging markets may adversely affect investor confidence in securities issued by Brazilian companies, causing their market price and liquidity to suffer. Any such developments could immediately affect our ability to raise capital when needed and the market price of our class A preferred shares and the ADSs.

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ITEM 4. INFORMATION ON THE COMPANY

We are the largest producer of petrochemical resins in the Americas and the eighth largest producer of petrochemical resins in the world, based on annual production capacity at December 31, 2009, and we are the only producer of ethylene, polyethylene and polypropylene in Brazil. We produce a diversified portfolio of petrochemical products in our 29 plants in Brazil and the United States, and have a strategic focus on polyethylene, polypropylene and PVC. We are also the third largest Brazilian-owned private sector industrial company, based on net sales revenue in 2008. We recorded net sales revenue of R$15,248.3 million and net income of R$767.8 million during the year ended December 31, 2009.

Our business operations are organized into three production business units and one distribution business unit, which correspond to our principal production processes, products and services. Our business units are as follows:

- Basic Petrochemicals, which accounted for R$11,144.2 million, or 54.5%, of the net sales revenue of all segments, including net sales to our other business units, and had an operating margin of 9.6% in 2009;

- Polyolefins, which accounted for R$7,216.9 million, or 35.3%, of the net sales revenue of all segments and had an operating margin of 2.3% in 2009;

- Vinyls, which accounted for R$1,536.4 million, or 7.5%, of the net sales revenue of all segments and had a negative operating margin of 7.0% in 2009; and

- Chemical Distribution, which accounted for R$548.9 million, or 2.7%, of the net sales revenue of all segments and had an operating margin of 3.6% in 2009.

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, production expenses, general and administrative expenses and other operating expenses.

Our registered office is at Rua Eteno, 1561, Camaçari, Bahia, CEP 42810-000, Brazil, and our telephone number at this address is 55-71-3413-2102. Our principal executive office is at Avenida das Nações Unidas, 8501, São Paulo, SP, CEP 05425-070, Brazil, and our telephone number at this address is 55-11-3576-9000.

Strategy of Our Company

Our vision is to strengthen our position as a world-class petrochemical company with the goal of becoming one of the five largest petrochemical companies in the world in terms of enterprise value.

The key elements of our strategy include:

- ***Expansion in Selected International Markets***. As part of the continuous evaluation of our business and plans, we regularly consider a range of strategic options and transactions. From time to time, we consider a variety of potential strategic transactions to expand our presence in the global petrochemicals market. We plan to expand the production capacity of our business units during the next several years through the acquisition of petrochemical producers outside Brazil that currently compete with us or produce complementary products, and by constructing new facilities outside Brazil with access to competitive raw material sources independently or in conjunction with third parties. In addition to our acquisition of Braskem Americas:

Ø In April 2010, we formed BraskemIdesa S.A.P.I, or BI, a joint venture with Grupo Idesa, S.A. de C.V., one of Mexico s leading petrochemical groups, or Idesa, for the development, construction and operation of an olefins complex to be located in the Coatzacoalcos Petrochemical Complex in the Mexican state of Veracruz. This company will use ethane extracted from natural gas as its raw material, with an annual ethylene production capacity of 1.0 million tons, and three polyethylene plants with a combined annual production capacity of 1.0 million tons of HDPE, low density polyethylene, or LDPE, and linear low density polyethylene, or LLDPE;

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Ø In November 2008 we formed Polipropileno del Sur, S.A., or Propilsur, a joint venture with Petroquímica de Venezuela, S.A., or Pequiven, for the development, construction and operation of a polypropylene plant;

Ø In November 2008 we formed Polietilenos de America, S.A., or Polimerica, a joint venture with Pequiven, for the development, construction and operation of the Jose Olefins Project, an olefins complex that, if completed as currently contemplated, will include an ethylene cracker that will use ethane extracted from natural gas as its raw material, with an annual production capacity of 1.3 million tons, and three polyethylene plants with a combined annual production capacity of 1.1 million tons of HDPE, LDPE and LLDPE; and

Ø We have entered into a memorandum of understanding with Petróleos Del Perú Petroperú S.A., or Petroperú, and Petrobras to evaluate the technical and economic feasibility of the construction of a new petrochemical complex in Peru that would use ethane as its feedstock to produce polyethylene.

We believe that additional capacity purchased by our company or developed by our company together with joint venture partners will enable us to maintain and expand our leadership position in Latin America and support our expansion into strategic export markets.

- ***Reinforcement of Our Leading Position in Latin America***. We are the leading petrochemical company in Latin America, based on annual production capacity at December 31, 2009. Following the completion of the Quattor Acquisition, we are the only producer of ethylene, polyethylene and polypropylene in Brazil. We are seeking to reinforce our leading position in the Latin American petrochemical market, with a focus on polyethylene, polypropylene and PVC. In addition, we continuously seek to improve our production processes in order to achieve lower production costs and greater operational efficiency. We recognize the cyclical nature of the markets for our petrochemical products and believe that, by focusing on relationships with our customers, we can foster customer loyalty even during periods of lower demand. Our growth strategy is centered on increasing customers consumption of our products, and enabling them to substitute non-plastic materials with thermoplastics. We also continue to seek to expand our exports to other countries in Latin America and to protect our market share in Brazil.

- ***Acquisition of Feedstocks at Competitive Prices***. As a result of the integration of our facilities and large production scale, we believe that we are a low-cost producer of second generation petrochemicals. We are seeking to continue to diversify our feedstock purchases to obtain more competitive prices and as part of this effort, began to import lower-cost naphtha in 2002, and during the past several years have imported between 30% and 40% of our feedstock requirements, primarily from North Africa. We are seeking to continue to reduce our operating costs through negotiations of feedstock purchases at competitive prices. For example, in 2009 we renegotiated our naphtha supply agreements with Petrobras, we are acquiring naphtha under a short-term supply arrangement with Petróleos de Venezuela, S.A., or PDVSA, and we are negotiating a long-term naphtha supply agreement with Pemex.

In addition, we are seeking to diversify the raw materials that we use for our production processes. As a result of the Quattor Acquisition, we will acquire RioPol, which uses ethane and propane as its principal feedstocks, and Quattor Química, which has begun using ethane and propane as feedstocks for a portion of its production. BI, our joint venture in Mexico, has entered into a long-term supply contract to purchase ethane from Pemex Gas y Petroquímica Básica, or Pemex Gas, a state-owned Mexican company, under competitive commercial conditions. We expect that Propilsur, Polimerica and our project in Peru will use low cost ethane in their production processes.

- ***Diversification of Our Products and Business***. We are pursuing business opportunities by developing new and specialized products and technologies, including the following:

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Ø We are developing manufacturing process to produce green polymers made out of renewable raw materials in an effort to become a leader in the production of environmentally sustainable resins, such as (1) the processes that will be used in our 100% green polyethylene plant that is expected to commence operation in the second half of 2010, and (2) a process to produce green polypropylene, which we have been able to produce on a small scale in our research facilities and expect to develop on a commercial scale in partnership with Novozymes, a world leader in the production of industrial enzymes;

Ø We are continuing to develop a specialized production process for LLDPE and LDPE that permits us to produce thermoplastics with distinctive characteristics for the flexible packaging industry, including greater resistance to impact and punctures, improved polish and greater transparency; and

Ø We are investing in the manufacturing of performance products that have higher added value that allow us to enter new markets, such as new applications for ultra high molecular weight polyethylene, or UHMWP, and other products, including Utech fibers that we expect to market for applications in the manufacture of armor and the anchoring of offshore oil platforms.

- ***Differentiation of Our Business***. We recognize the cyclical nature of the markets for our petrochemical products and believe that, by focusing on relationships with our customers, we can foster customer loyalty even during periods of lower demand. Our growth strategy is centered on increasing customers consumption of our products, and enabling them to substitute non-plastic materials with thermoplastics. We are seeking to establish close, long-term relationships with our customers and are committed to providing technological support and solutions to our customers through our two research centers, including a research center in Pittsburgh, Pennsylvania which we acquired as part of the Sunoco Chemicals Acquisition, which develop processes, products and applications for the petrochemical sector and which, at December 31, 2009, had approximately 280 employees. We are seeking to continue to serve as partners with our customers in developing new products and applications and, consequently, new business opportunities for them. We offer our customers more flexible delivery options and credit terms unlike importers, which typically offer deliveries only through port facilities financed through letters of credit.

History and Development of Our Company

We were founded in 1972 as Petroquímica do Nordeste Copene Ltda. to plan, execute and coordinate the activities of the Northeastern Complex. The construction of the Northeastern Complex formed part of a development policy of the Brazilian government implemented in the early 1970 s to diversify the geographical distribution of industrial assets and to promote economic growth across different regions of Brazil. On June 18, 1974, we were incorporated as a corporation under the laws of Brazil (with Brazilian company registry No. 29300006939) and were renamed Copene Petroquímica do Nordeste S.A.

Prior to August 1995, Petroquisa owned 36.2% of our total share capital, representing 48.2% of our voting share capital. At that time, Nordeste Química S.A., or Norquisa, owned 17.3% of our total share capital, representing 47.6% of our voting share capital, and the remainder of our share capital was owned by various Brazilian private sector groups, pension funds, banks and our employees.

Privatization of Our Company

In August 1995, as part of the Brazilian government s privatization program, Petroquisa sold 14.8% of our total share capital, representing 32.8% of our voting share capital, through an auction. Norquisa acquired 5.5% of our total share capital, representing 10.8% of our voting share capital, in this auction, and the remaining shares were acquired by various Brazilian pension funds. At the time of this auction, Norquisa was controlled by several second generation

producers in the Northeastern Complex. As a result of this auction, Norquisa became our controlling shareholder.

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Consolidation of Petrochemical Assets

In 2001, the Odebrecht Group and a group of companies controlled by the Mariani family, or the Mariani Group, acquired control of Norquisa through purchases of shares of Norquisa and the contribution to our company of:

- 66.7% of the voting share capital of Polialden Petroquímica S.A., or Polialden;
- 35.0% of the voting share capital of Politeno Indústria e Comércio S.A., or Politeno; and
- Proppet S.A., or Proppet, which was merged into our company in 2001.

In 2002, we acquired from the Odebrecht Group and the Mariani Group in exchange for shares representing 47.3% of our voting and total share capital:

- OPP Química S.A., or OPP Química, which in turn owned 41.6% of the total share capital of Trikem S.A., or Trikem, representing 64.4% of its voting share capital;
- 29.5% of the total share capital and voting share capital of Copesul; and
- 92.3% of the total share capital of Nitrocarbono S.A., or Nitrocarbono, representing 95.5% of its voting share capital.

Upon completing these transactions, we changed our corporate name to Braskem S.A.

Consolidation of Minority Interests

Between 2003 and 2007, we purchased the minority interests of Nitrocarbono, OPP Química, Polialden, Trikem and Politeno, and merged these companies into Braskem through the following transactions:

- In 2003, (1) we conducted a public exchange offer for the outstanding common shares of Nitrocarbono not owned by our company and, following the completion of this exchange offer, we merged with Nitrocarbono, (2) we merged with OPP Química, (3) we acquired the outstanding common shares of Polialden not owned by our company, and (4) we acquired substantially all of the outstanding common shares of Trikem not owned by our company, and conducted a public exchange offer for the remaining common shares of Trikem not owned by our company.
- In 2004, (1) we merged with Trikem, and (2) we acquired additional non-voting shares of Polialden, increasing our interest in the total share capital of Polialden from 56.3% to 63.7%.
- In April 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 refer to this transaction as the Politeno Acquisition. Following the Politeno Acquisition, we owned 100% of the voting share capital and 96.2% of the total share capital of Politeno.
- In May 2006, Polialden merged with and into Braskem. In connection with this merger, (1) we converted 2,632,043 of our class A preferred shares into 2,632,043 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 the completion of our merger with Polialden, and (2) we issued 7,878,825 of our class A preferred shares in exchange for 264,886,083

of Polialden s preferred shares.

- In April 2007, Politeno merged with and into Braskem. In connection with this merger, (1) we converted 486,530 of our class A preferred shares into 486,530 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 the completion of our merger with Politeno, and (2) we issued 1,533,670 of our class A preferred shares in exchange for 412,901,157 of Politeno s class A preferred shares and 2,126,856,433 of Politeno s class B preferred shares.

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Ipiranga Transaction

In March 2007, we entered an investment agreement with Ultrapar Participações S.A., or Ultrapar, and Petrobras, which we refer to as the Ipiranga Investment Agreement. We refer to the transactions contemplated by the Ipiranga Investment Agreement and the related transactions described below as, collectively, the Ipiranga Transaction. Under the Ipiranga Investment Agreement, Ultrapar, as a commission agent acting on behalf of Braskem and Petrobras, acquired 100% of the share capital of Ipiranga Química S.A., or Ipiranga Química. As of March 18, 2007, Ipiranga Química owned 86.9% of the voting share capital and 92.4% of the total share capital of Ipiranga Petroquímica. Ipiranga Petroquímica, in turn, owned 29.5% of the share capital of Copesul.

Under the Ipiranga Investment Agreement, we entered into the following transactions, which we refer to as the Ipiranga Transaction:

- we acquired, directly and indirectly, shares of Copesul representing 62.7% of the total and voting share capital of Copesul;

- we acquired shares of Ipiranga Química representing 60% of its total share capital and voting share capital, which in turn owns all of the total share capital and voting share capital of Ipiranga Petroquímica; and

- we acquired shares of Refinaria de Petróleo Ipiranga S.A. (which changed its corporate name to Refinaria de Petroleo Riograndense S.A., or RPR, in October 2008), representing 33.3% of its total share capital and voting share capital.

As a result of the Ipiranga Transaction, we fully consolidated the results of Copesul and its subsidiaries and consolidated the results of Ipiranga Química and its subsidiaries, including Ipiranga Petroquímica, into our financial statements as from April 1, 2007. In addition, we have accounted for our interest in the results of RPR under the equity method in our financial statements as from April 1, 2007.

In February 2008, Ultrapar transferred 60.0% of the share capital of Ipiranga Química to our company and 40.0% of the share capital of Ipiranga Química to Petrobras, as required by the Ipiranga Investment Agreement. In March 2009, Ultrapar transferred 33.3% of the share capital of RPR to our company. As a result of this transfer, we jointly and equally control RPR with Petrobras and Ultrapar.

Under the Ipiranga Investment Agreement, we paid Ultrapar R$651.9 million in April 2007, R$156.7 million in October 2007, R$47.0 million in November 2007 and R$633.5 million in February 2008 for the shares of Ipiranga Química and RPR that we have acquired from Ultrapar in the Ipiranga Transaction.

As part of the Ipiranga Transaction:

- in June 2007, EDSP67 Participações S.A., or EDSP67, acquired the 7.6% of the total share capital of Ipiranga Petroquímica not owned by Ipiranga Química for a purchase price of R$117.9 million. In August 2007, EDSP67 merged with and into Ipiranga Petroquímica. As a result of these transactions, Ipiranga Petroquímica became a wholly-owned subsidiary of Ipiranga Química; and

- in October 2007, our subsidiary EDSP58 Participações S.A., or EDSP58, acquired 22.7% of the total and voting share capital of Copesul through a public tender offer, or the Copesul Tender Offer, for the Copesul shares not then owned by our company, Ipiranga Petroquímica, Petroquisa or its affiliate, Petroquímica Triunfo S.A., or Triunfo. The purchase price for these shares was R$1,294.2 million. At the time of the Copesul Tender Offer, we owned 60%

of the total and voting share capital of EDSP58, and Petrobras owned the remaining share capital of EDSP58. In October 2007 and November 2007, EDSP58 purchased additional shares of Copesul at the price per share paid in the Copesul Tender Offer. In November 2007, Copesul redeemed all of its outstanding shares, other than shares held by our company, EDSP58, Ipiranga Petroquímica, Petroquisa and Triunfo at the price per share paid in the Copesul Tender Offer. The aggregate purchase price for the shares purchased and redeemed after the completion of the Copesul Tender Offer was R$124.3 million. In December 2007, EDSP58 merged with and into Copesul. Following this merger, Braskem owned 39.2% of the total and voting share capital of Copesul, Ipiranga Petroquímica owned 39.2% of the total and voting share capital of Copesul and Petroquisa and Triunfo owned 21.6% of the total and voting share capital of Copesul.

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Petrobras Transaction

On November 30, 2007, Braskem entered into an investment agreement with Odebrecht, Petrobras, Petroquisa and Norquisa. On May 14, 2008, Braskem, Odebrecht, Norquisa, Petrobras and Petroquisa entered into an amendment to this agreement. We refer to this agreement, as amended, as the Petrobras Investment Agreement and to the transactions under the Petrobras Investment Agreement as the Petrobras Transaction. Under the Petrobras Investment Agreement, the Petrobras Transaction was completed in two phases.

In the first phase of the Petrobras Transaction, on May 30, 2008, Petroquisa contributed the following assets to its wholly-owned subsidiary Grust Holdings S.A., or Grust:

- 36.4% of the voting and outstanding share capital of Copesul;
- 40.0% of the voting and outstanding share capital of Ipiranga Química; and
- 40.0% of the voting and outstanding share capital of Paulínia.

In addition, on May 30, 2008, Braskem, Petroquisa and Grust engaged in an exchange of shares transaction (*incorporação de ações*) in which an aggregate of 46,903,320 of our common shares and 43,144,662 of our class A preferred shares were issued to Petroquisa in exchange for all of the outstanding share capital of Grust.

As a result of the completion of the first phase of the Petrobras Transaction, Petrobras owned, directly and indirectly, 23.1% of our total share capital, including 30.0% of our voting share capital, and Braskem owned, directly and indirectly:

- 99.2% of the outstanding share capital of Copesul;
- all of the outstanding share capital of Ipiranga Química, which in turn owns all of the outstanding share capital of Ipiranga Petroquímica; and
- all of the outstanding share capital of Paulínia.

Paulínia was incorporated on September 16, 2005 to construct and operate a polypropylene plant that has been constructed in Paulínia, in the State of São Paulo. On that date, we acquired 60.0% of the total and voting share capital of Paulínia. Prior to the completion of the first phase of the Petrobras Transaction, Paulínia was a joint venture between our company and Petroquisa and its results were proportionally consolidated in our financial statements. As a result of the completion of the first phase of the Petrobras Transaction, we have fully consolidated the results of Paulínia into our financial statements as from April 1, 2008.

Under the Petrobras Investment Agreement, Petrobras had the option in the second phase of the Petrobras Transaction to contribute up to 100% of the share capital of Triunfo to Braskem in exchange for approximately 13.4 million of our class A preferred shares.

On May 5, 2009, the second phase of the Petrobras Transaction was completed with the merger of Triunfo with and into Braskem. Braskem issued an aggregate of 13,387,157 of our class A preferred shares to the shareholders of Triunfo as consideration for their equity interests in Triunfo. Triunfo owned and operated a polyethylene plant located in the Southern Complex with an annual production capacity of 160,000 tons.

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Petroflex Transactions

In October 2007, we acquired shares of Petroflex representing 13.4% of its total and voting share capital from Suzano for an aggregate purchase price of R$61.0 million as a result of our exercise of our preemptive rights in August 2007 following the announcement of the acquisition of control of Suzano by Petrobras. As a result of this acquisition, we owned 33.5% of the total share capital of Petroflex including 33.6% of its voting share capital.

In April 2008, we sold all of our share capital in Petroflex to Lanxess Participações Ltda., or Lanxess, for an aggregate price of R$252.1 million. As a result of this transaction, we registered a non-operational gain of R$115.6 million.

Mergers of Copesul, Ipiranga Petroquímica and Paulínia into Braskem

On July 16, 2008, Grust contributed all of the share capital of Copesul that it owned to Ipiranga Petroquímica in exchange for common shares of Ipiranga Petroquímica. On July 28, 2008, Grust distributed these shares of Ipiranga Petroquímica, together with all of the share capital that it owned in Ipiranga Química and Paulínia, to Braskem. On September 11, 2008, Copesul merged with and into Ipiranga Petroquímica. In connection with this merger, Ipiranga Petroquímica issued 494,052,653 of its preferred shares, representing 0.71% of its total share capital, to Triunfo as consideration for the share capital of Copesul that Triunfo owned.

On September 30, 2008, the share capital of Ipiranga Petroquímica owned by Ipiranga Química was transferred to Braskem, and Ipiranga Petroquímica merged with and into Braskem. In connection with this merger, we issued 1,506,060 of our preferred shares, representing 0.5% of our total share capital, to Triunfo as consideration for the share capital of Ipiranga Petroquímica that it acquired in the merger of Copesul into Ipiranga Petroquímica.

On September 30, 2008, Paulínia merged with and into Braskem.

Change of Corporate Name of Ipiranga Química

On October 2, 2008, Ipiranga Química changed its corporate name to IQ Soluções & Química.

The Sunoco Chemicals Acquisition

On April 1, 2010, we acquired all of the outstanding capital stock of Sunoco Chemicals, which we have renamed Braskem Americas, for US$356.0 million. The assets of Braskem Americas consist of three polypropylene plants located in La Porte, Texas, Marcus Hook, Pennsylvania and Neal, West Virginia, with an aggregate annual production capacity of 950,000 tons, as well as a petrochemicals research facility in Pittsburgh, Pennsylvania. As a result of our acquisition of Braskem Americas, we will consolidate the results of the Braskem Americas into our financial statements as from April 1, 2010.

Strategic Rationale for the Sunoco Chemicals Acquisition

Through the Sunoco Chemicals Acquisition, we are taking an important step in the internationalization of our company and the establishment of our company as a participant in the U.S. petrochemical industry. We believe our acquisition of Braskem Americas will provide access to raw materials at competitive prices, diversification of our sources of raw materials and access to leading consumer markets. In addition, we believe that this acquisition may provide commercial and logistics synergies with our other investments in Mexico and Venezuela when our additional planned capacity in these countries becomes operational. In addition, we anticipate that this acquisition will assist in positioning our company to participate in growth opportunities in the North American market that may arise from

further consolidation of the petrochemical industry in North America.

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Financing of Purchase Price

On March 29, 2010, we entered into a syndicated unsecured credit agreement in an aggregate principal amount of US$210.0 million to finance the Sunoco Chemicals Acquisition. The loans under this credit agreement bear interest at the rate of LIBOR plus 2.625% per annum, payable quarterly in arrears through April 2015. The principal amount of these loans is payable in five equal semi-annual installments, commencing in April 2013.

CADE Review of the Sunoco Chemicals Acquisition

The Sunoco Chemicals Acquisition is subject to the final approval of the Brazilian antitrust authorities. However, Brazilian law permits us to consummate this transaction prior to receiving this final approval, unless CADE issues a writ of prevention blocking the transaction or requires the parties to enter into an agreement permitting the effects of the transaction to be reversed which, by its terms, delays the consummation of the transaction. We submitted the terms and conditions of the Sunoco Chemicals Acquisition for review by the Brazilian antitrust authorities on February 24, 2010. The antitrust authorities will determine whether this transaction negatively impacts competitive conditions in the markets in which we compete or adversely affect consumers in these markets. There can be no assurances that the Brazilian antitrust authorities will approve the Sunoco Chemicals Acquisition as currently structured or that these authorities will not impose additional conditions on the Sunoco Chemicals Acquisition.

The Quattor Acquisition

On January 22, 2010, we entered into the Quattor Investment Agreement with Odebrecht, OSP, Petrobras, Petroquisa and Unipar under which, among other things:

- In February 2010, a subsidiary of Petrobras, which owned all of our common shares that were owned by Petrobras and its subsidiaries, was merged into BRK, a subsidiary of Odebrecht to which Odebrecht had contributed all of our common shares that were owned by Odebrecht and its subsidiaries;

- Odebrecht, OSP, Petrobras, Petroquisa and our company entered into the Petrobras Shareholders Agreement, relating to, among other matters, the voting and transfer of our shares;

- In April 2010, Odebrecht and Petrobras contributed an aggregate of R$3.5 billion to the share capital of BRK, and we conducted a capital increase through a private subscription by our shareholders as a result of which we received net cash proceeds of R$3,742.6 million in exchange for the issuance of 243,206,530 of our common shares and 16,697,781 of our class A preferred shares;

- In April 2010, we purchased 60% of the outstanding share capital of Quattor from Unipar for an aggregate amount of R$659.4 million and the assumption of a put option granted by Unipar to BNDESPAR with respect to the shares of RioPol held by BNDESPAR. Quattor is a holding company that owns, directly and indirectly, 75.0% of the outstanding share capital of RioPol, 99.3% of the outstanding share capital of Quattor Petroquímica, 100% of the outstanding share capital of Quattor Química, and 33.3% of the outstanding share capital of Polibutenos;

- In May 2010, we purchased from Unipar all of the outstanding share capital of Unipar Comercial e Distribuidora S.A., or Unipar Comercial, for an aggregate amount of R$27.1 million, and 33.3% of the outstanding share capital of Polibutenos for an aggregate amount of R$22.4 million;

- We and Petroquisa agreed to engage in a merger of shares transaction in which we will issue an aggregate of approximately 18 million of our common shares to Petroquisa, and Quattor will become our wholly-owned subsidiary.

We expect to complete this transaction in the second quarter of 2010; and

- We will conduct a tender offer to acquire the remaining 0.7% of the share capital of Quattor Petroquímica. We expect to complete this transaction in the third quarter of 2010.

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In connection with BNDESPAR s acquisition of its equity interest in RioPol, Unipar granted to BNDESPAR an option to sell to Unipar 190,784,674 common shares of RioPol and 30 preferred shares of RioPol, representing 15.0% of the total share capital of RioPol.

Agreements Relating to COMPERJ and Suape Complex

In connection with the Quattor Acquisition, on January 22, 2010, we entered into an Association Agreement with Odebrecht, OSP, Petroquisa and Petrobras regarding the continued development of two petrochemical complexes in the States of Rio de Janeiro and Pernambuco, Brazil. The Rio de Janeiro Petrochemical Complex (*Complexo Petroquímica do Rio de Janeiro*), which we refer to as COMPERJ, an integrated petrochemical complex to be located in Itaboraí in the State of Rio de Janeiro, is currently under development by Petrobras and Petroquisa. Petrobras has announced that COMPERJ is expected to have annual production capacity of:

- 1,300,000 tons of ethylene;
- 800,000 tons of propylene;
- 850,000 tons of polypropylene; and
- 850,000 tons of polyethylene.

As part of our evaluation of a potential investment in COMPERJ, we are reviewing the scale and scope of this project.

Under the Association Agreement, within 60 days after Petrobras and Petroquisa deliver their development plan for COMPERJ to Braskem, Braskem has the option of entering into negotiations with the other parties to the Association Agreement to continue the development of, and assume control of, COMPERJ. If Braskem elects to exercise this option, the parties to the Association Agreement will use their best efforts to enter into such agreements as may be necessary to allow Braskem to assume control of COMPERJ within 120 days after delivery of the development plan. In the event that Braskem does not exercise its option, Braskem will have the right, for so long as Petrobras and Petroquisa collectively own a controlling interest in COMPERJ, to distribute COMPERJ s products to third parties on terms mutually acceptable to Petrobras, Petroquisa and Braskem.

Petrobras and Petroquisa are also developing an integrated petrochemical complex to be located in Ipojuca in the State of Pernambuco, which we refer to as the Suape Complex. The Suape Complex will be composed of three integrated plants:

- a purified tereftalic acid, or PTA, plant with an annual production capacity of 700,000 tons;
- a polyethylene therephthalate, or PET, plant with an annual production capacity of 450,000 tons; and
- a textile polymers and polyester filaments plant with an annual production capacity if 240,000 tons.

Under the Association Agreement, the parties have agreed that they will use their best efforts to execute all necessary corporate and contractual documentation to allow Braskem to acquire a controlling interest in the companies developing the Suape Complex during the second quarter of 2010. The acquisition price to be paid by Braskem in connection with this acquisition will be determined by investment advisers to Braskem, Petrobras and Petroquisa.

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Strategic Rationale for the Quattor Acquisition

Through our participation in the Quattor Acquisition, we are taking a further major step in the consolidation and development of the Brazilian petrochemical industry and therefore our position in the global petrochemical industry. We believe the Quattor Acquisition will provide the following strategic and financial benefits to our company:

- *Diversify our principal feedstocks* By acquiring RioPol, which operates using ethane and propane as feedstocks, and Quattor Química, which uses naphtha, ethane and propane supplied by Petrobras, we have diversified the types of feedstocks that we use in our basic petrochemical business. In addition, the Quattor Acquisition will allow Braskem to optimize the naphtha supply logistics from Petrobras and from foreign suppliers, which we believe will permit us to reduce costs significantly in this area;
- *Expand our business to achieve greater economies of scale and operational flexibility* By expanding the size and geographic scope of our business, we believe that we will attain economies of scale, including reduced costs related to maintenance services, energy, raw materials and supplies and logistics. In addition, because we will have greater production capacity for a range of resins, we will be able to optimize our production mix and utilize specific plants for longer production runs of specific resins, thus lowering our transition costs; and

- *Increased leadership role in Latin America* The Quattor Acquisition will allow us to join technological efforts and innovative actions in order to develop new products and applications, providing value-added services and solutions to our client base. In addition, Braskem will take a leading role in the petrochemical segment, reinforcing actions to protect and strengthen the entire value chain.

Accounting and Financial Impact of the Quattor Acquisition

As a result of our acquisition of control of the Quattor Companies, we have consolidated the results of the Quattor Companies into our financial statements as from April 1, 2010, including the indebtedness of the Quattor Companies. At December 31, 2009, (1) the total outstanding debt of Quattor was R$7,370.9 million, (2) the total outstanding debt of Polibutenos was R$41.3 million, of which R$13.6 million was reflected in the balance sheet of Quattor due to the proportional consolidation of the results of Polibutenos in the financial statements of Quattor, and (3) the total outstanding debt of Unipar Comercial was R$29.8 million.

CADE Review of the Quattor Acquisition

The Quattor Acquisition is subject to the final approval of the Brazilian antitrust authorities. However, Brazilian law permits us to consummate these transactions prior to receiving this final approval, unless CADE issues a writ of prevention blocking a transaction or requires the parties to enter into an agreement permitting the effects of the transaction to be reversed which, by its terms, delays the consummation of the transaction. We, together with Petrobras, submitted the terms and conditions of the Quattor Acquisition for review by the Brazilian antitrust authorities on February 5, 2010. The antitrust authorities will determine whether these transactions negatively impact competitive conditions in the markets in which we compete or adversely affect consumers in these markets. We cannot assure you that the Brazilian antitrust authorities will approve the Quattor Acquisition as currently structured or that these authorities will not impose additional conditions on the Quattor Acquisition.

Refinancing of Quattor Indebtedness

On March 31, 2010, Quattor prepaid its outstanding indebtedness to the International Finance Corporation, or the IFC, in the aggregate principal amount of US$145.0 million.

On April 8, 2010, Quattor entered into a credit agreement with an international financial institution under which Quattor borrowed an aggregate principal amount of R$563.0 million. This loan bears interest, payable in arrears at the CDI rate plus 1.20% per annum. The principal amount of this loan matures within 120 days after disbursement. This loan can be prepaid at any time without penalty.

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On April 15, 2010, Quattor prepaid its outstanding indebtedness to the Export-Import Bank of the United States, or the Exim Bank, and under its loan agreements guaranteed by Servizi Assicurativi del Commercio Estero, or SACE. The aggregate principal amount outstanding under these loans was US$281.2 million.

Following the Quattor Acquisition and through May 26, 2010, we prepaid R$2,208.9 million aggregate principal amount of Quattor s outstanding *real*-denominated indebtedness and US$271.7 million of Quattor s outstanding U.S. dollar-denominated indebtedness with the proceeds of our capital increase.

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Our Corporate Structure

The following chart presents our ownership structure and the corporate structure of our principal subsidiaries and equity investments as of May 26, 2010. The percentages in bold italics represent the percentage of the voting share capital owned by each entity and the percentages not in bold italics represent the percentage of the total share capital owned by each entity.

(1) Includes shares held by OSP.

(2) Includes shares held by Petroquisa.

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Petrochemical Industry Overview

Global Petrochemical Industry

The petrochemical industry transforms a variety of feedstocks, primarily naphtha (a by-product of the oil refining process), ethane, propane, butane and condensate (a by-product of the natural gas condensation process), into widely used industrial and consumer goods. The petrochemical industry is generally organized into first, second and third generation producers based on the stage of transformation of various petrochemical raw materials, or feedstocks.

First Generation Producers

First generation producers, which are referred to as crackers, break down or crack naphtha, ethane, propane, butane or condensate, their principal feedstocks, into basic petrochemicals. Crackers account for approximately 98% of global production of ethylene. The basic petrochemicals produced by these crackers include:

- olefins, primarily ethylene, propylene and butadiene;

- aromatics, such as benzene, toluene and xylenes (including para-xylene, ortho-xylene and mixed xylenes), which we refer to as BTX products; and

- fuels, solvents and other products.

The use of different types of feedstock results in different products in the cracking process. Crackers using naphtha as their feedstock produce a larger quantity of by-products and co-products, such as propylene and BTX products, than crackers using ethane, propane or butane as their feedstocks.

Naphtha is the primary feedstock, accounting for almost 60% of the world s ethylene production. The petrochemical industries in Asia and Europe predominantly use naphtha as feedstock, while those in the Middle East and North America primarily use ethane, propane or butane. First generation producers in South America predominantly use naphtha as their feedstock.

CMAI reports that annual global ethylene production capacity in 2009 was 133 million tons. The table below sets forth annual global ethylene production capacity by region for 2009.

Region	**Ethylene Production Capacity (thousands of tons per year)**
North America	33,474
Northeast Asia	30,147
Western Europe	24,268
Middle East	20,810
Southeast Asia	7,300
South America	5,399
CIS and Baltic States	3,806
Indian Subcontinent	3,170

Central Europe	2,754
Africa	1,810
Total	132,938

Source: CMAI

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A number of petrochemical companies have announced plans to build significant additional ethylene production capacity, primarily in the Middle East and Asia. According to CMAI, 25.3 million tons of annual ethylene capacity are scheduled to be commissioned between 2010 and 2014. However, expansions of ethylene capacity are frequently subject to delays and we cannot predict when the planned additional capacity will be commissioned, if at all. For example, of the 11.0 million tons of annual ethylene capacity that was scheduled to be commissioned in 2009, only 5.0 million tons has actually commenced production.

Countering this trend towards increased supply have been the significant capacity closures announced during the fourth quarter of 2008 and during 2009 as a result of the global economic slowdown. As demand for products containing ethylene derivatives has declined, economically marginal ethylene capacity has been closed, primarily in the United States (approximately 1.7 million tons in 2009) and Western Europe (approximately 0.4 million tons in 2009).

Because ethylene must be stored and transported at cryogenic temperatures, the cost of storing and transporting ethylene is substantial and most ethylene is used to produce second-generation petrochemical products at plants located in or nearby the petrochemical complexes in which the ethylene is produced. Other products of the crackers are sold in global commodities markets.

Second Generation Producers

Second generation producers process the basic petrochemicals obtained from the crackers to produce intermediate petrochemicals, including thermoplastic resins. These petrochemicals include:

- polyethylene, PVC and polystyrene (each produced from ethylene);
- polypropylene and acrylonitrile (each produced from propylene);
- caprolactam (produced from benzene); and
- polyisobutylene (produced from butadiene).

Approximately 60% of all global ethylene production is used to produce polyethylene. Annual global production of polyethylene, polypropylene and PVC resins in 2009 was approximately 182 million tons, concentrated in Asia, followed by Europe and North America. CMAI estimates that by 2014 annual production capacity of these resins will increase by approximately 44 million tons, driven primarily by the growth in polyethylene production, concentrated in the Middle East and Asia, particularly in China.

Polyethylene, polypropylene and PVC resins are commodity products that are sold in global commodities markets. Prices of these resins are influenced by global macroeconomic factors, the cost of raw materials, demand trends in the industries that consume these resins and transportations costs. Industry profitability is measured based on the spread between the cost of feedstock and the price of the resins produced. As Asia is the largest regional producer and consumer of resins as well as the principal trader in the international market, demand in the region directly affects the spot prices in all regions. We use the Asia Resin Price Naphtha Cost spread as a benchmark to analyze the profitability of the global petrochemical industry.

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Set forth below is a graph showing the Asia Resin Price Naphtha Cost spread of high density polyethylene, or HDPE, from 2002 through 2009.

Source: CMAI

Third Generation Producers

Third generation producers purchase the intermediate petrochemicals from second generation producers and transform them into final products including:

- plastics (produced from polyethylene, polypropylene and PVC);
- acrylic fibers (produced from acrylonitrile);
- nylon (produced from caprolactam);
- elastomers (produced from butadiene, styrene and acrylonitrile); and
- disposable containers (produced from polystyrene and polypropylene).

Third generation producers manufacture a variety of consumer and industrial goods, including containers and packaging materials, such as bags, film and bottles, textiles, detergents, paints, automobile parts, toys and consumer electronic goods.

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Latin American Petrochemical Industry

CMAI reports that annual ethylene production capacity by producers in Latin America in 2009 was 6.8 million tons. Following the Quattor Acquisition, which we completed in late April 2010, we own and operate all of the ethylene capacity in Brazil. The table below sets forth annual global ethylene production capacity by country for 2009.

Country	**Ethylene Production Capacity (thousands of tons per year)**
Brazil	3,752
Mexico	1,382
Argentina	880
Venezuela	600
Colombia	100
Chile	49
Total	6,763

Source: CMAI Braskem

Most of the polyethylene, polypropylene and PVC resins produced using the basic petrochemicals of the crackers located in Latin America is used in the country in which it is produced. The second generation producers in Brazil have historically exported a portion of their production to other countries in Latin America and elsewhere, second generation producers in Argentina have exported a significant portion of their production to Brazil and other countries in the region and second generation producers in Colombia have exported a portion of their production, primarily PVC, to other countries in the region.

Brazilian Petrochemical Industry

The production of first and second generation petrochemicals in Brazil centers around four major complexes. These complexes include:

- the Northeastern Complex located in Camaçari in the State of Bahia, which commenced operations in 1978 and, at December 31, 2009, uses naphtha as its principal raw material and had an annual ethylene production capacity of 1,280,000 tons;

- the Southern Complex located in Triunfo in the State of Rio Grande do Sul, which commenced operations in 1982 and, at December 31, 2009, uses naphtha as its principal raw material and had an annual ethylene production capacity of 1,252,000 tons;

- the petrochemical complex located in Capuava in the city of Santo André, State of São Paulo, or the São Paulo Complex, which commenced operations in 1972 and, at December 31, 2009, uses naphtha as its principal raw material and had an annual ethylene production capacity of 700,000 tons; and

- the petrochemical complex located in Duque de Caxias in the State of Rio de Janeiro, or the Rio de Janeiro Complex, which commenced operations in 2005 and, at December 31, 2009, uses ethane and propane as its principal raw materials and had an annual ethylene production capacity of 540,000 tons.

Each complex has a single first generation producer, also known as the raw materials center, and these raw materials centers supply basic petrochemicals to second generation production plants of our company and other second generation producers located in these complexes and elsewhere. The basic petrochemicals, which are in gaseous or liquid form, are transported primarily through pipelines to the second generation producers plants, which are generally located near the crackers, for further processing.

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We have owned and operated the cracker in the Northeastern Complex since it commenced operations. We have owned an interest in the cracker in the Southern Complex since 2002 and acquired the remaining interests in this cracker in 2007. Following the Quattor Acquisition, we will own and operate the crackers in the São Paulo Complex and the Rio de Janeiro Complex.

There are 33 second generation producers operating in Brazil. Following the Quattor Acquisition, we are the only producer of polyethylene and polypropylene located in Brazil, and one of two producers of PVC located in Brazil. Intermediate petrochemicals are produced in solid form as plastic pellets or powders and are transported primarily by truck to third generation producers, which generally are not located near the second generation producers.

Third generation producers manufacture a variety of consumer and industrial goods, including containers and packaging materials, such as bags, film and bottles, textiles, detergents, paints, automobile parts, toys and consumer electronic goods. There are approximately 11,300 third generation producers operating in Brazil.

Petrobras Role in the Supply of Feedstocks to the Brazilian Petrochemical Industry

Prior to 1995, Brazil s Constitution granted a monopoly to the Brazilian government, exercised through Petrobras, over the research, exploration, production, refining, importing and transporting of crude oil and refined petroleum products (excluding petrochemical products) in Brazil. The Brazilian Constitution also provided that byproducts of the refining process, such as naphtha, could only be supplied in Brazil by or through Petrobras. Naphtha is the principal feedstock used in Brazil for the production of basic petrochemicals such as ethylene and propylene. In 1995, the Brazilian Constitution was amended to allow petroleum and petroleum related activities to be carried out by private companies through concessions or authorizations granted by the Brazilian government.

In 1997, Law No. 9,478/97 implemented the 1995 constitutional amendment by creating the Brazilian Energy Policy Council (*Conselho Nacional de Política Energética*) and the National Petroleum Agency (*Agência Nacional do Petróleo*), or the ANP, which were charged with regulating and monitoring the oil industry and the Brazilian energy sector. Following the creation of the ANP, new rules and regulations were implemented, aimed at gradually ending Petrobras monopoly. Our company has imported naphtha from trading companies and oil and gas producers located abroad since 1997. In addition, during 2009, Petrobras supplied 64.7% of the naphtha consumed by our company, and the remaining naphtha consumed by our company was imported. In addition, during 2009, Petrobras supplied all of the naphtha ethane and propane consumed by Quattor.

Pricing and Tariffs

We set prices for ethylene, the principal first generation petrochemical product that we sell to third-party second generation producers, by reference to international market prices. See Basic Petrochemicals Unit Sales and Marketing of Our Basic Petrochemicals Unit. Prices paid by second generation producers for imported first generation petrochemical products partly reflect transportation and tariff costs. We establish the prices of ethylene by-products, such as butadiene, by reference to several market factors, including the prices paid by second generation producers for imported products. Prices paid for such imports also reflect transportation and tariff costs.

Second generation producers, including our company, generally set prices for their petrochemical products by reference to several market factors, including the prices paid by third generation producers for imported products. Prices paid for such imports also reflect transportation and tariff costs.

The Brazilian government has frequently used import tariffs to implement economic policies. As a result, import tariffs imposed on petrochemical products have varied in the past and may vary significantly in the future. Tariffs on

imports of first generation petrochemical products, primarily propylene, have been set at 2.0% since 2004, while tariffs on polyethylene, polypropylene and PVC resins have been set at 14.0% since 2004.

Imports and exports within the free trade area in South America (*Mercado Comum do Sul*), or Mercosul, which is composed of Argentina, Brazil, Paraguay and Uruguay, have not been subject to tariffs since December 2001. Imports of suspension PVC from the U.S. and Mexico have been subject to tariffs of 16.0% and 18.0%, respectively, since 1992 as a result of the imposition of anti-dumping duties by the Brazilian Foreign Trade Chamber (*CAMEX Câmara de Comércio Exterior*), or the CAMEX, of the Ministry of Development, Industry and Trade. These duties will expire on December 14, 2010, unless extended. Since 2008, imports of suspension PVC from the China have been subject to tariffs ranging between 10.5% and 21.6%, and imports of suspension PVC from South Korea have been subject to tariffs ranging between 2.7% and 18.9%, as a result of the imposition of anti-dumping duties by the CAMEX of the Ministry of Development, Industry and Trade. These duties will expire in August 2013, unless extended.

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Supply and Demand

Per capita consumption of polyethylene, polypropylene and PVC resins in Brazil has grown by a compound annual growth rate of 3.5% between 1995 and 2009, reaching 20.3 kilograms per person in 2009 according to reports of CMAI. However, Brazilian consumption of these resins is significantly lower than the consumption in the United States (76 kilograms per person), Europe (68 kilograms per person), and Japan (57 kilograms per person) reported by CMAI.

The Brazilian markets in which we compete are cyclical and are sensitive to changes in supply and demand. Demand for our petrochemical products in Brazil is significantly affected by general economic conditions in Brazil and other countries in Mercosul, particularly Argentina. The Brazilian markets are also impacted by the cyclical nature of international markets as prices for petrochemical products in Brazil are determined in part by reference to international market prices for these products and by the prices, including tariff and transportation costs, paid by importers of petrochemical products into Brazil.

Traditionally, the second and third calendar quarters have been the periods of the year with the highest sales for the petrochemical industry in the Brazilian market. The increase during this six-month period is tied in part to the production of consumer goods for sale during the year-end holiday season.

The following table sets forth information relating to the estimated production of Brazilian companies and to exports and imports of the products included therein for the years indicated. The estimates of total domestic consumption assume that all domestic production is immediately sold in the market and that there has been no change in total domestic inventory.

	Estimated Total Brazilian Production	**Total Imports**	**Total Exports**	**Estimated Total Brazilian Domestic Consumption**
		(thousands of tons)		
Olefins(1)				
2009	4,677.5	0.1	229.7	4,448.0
2008	4,882.1	36.9	58.1	4,860.9
2007	5,414.4	9.2	163.8	5,259.8
Aromatics(3)				
2009	1,418.6	1.3	229.1	1,190.8
2008	1,340.9	8.9	543.8	806.0
2007	1,564.8	55.3	558.4	1,061.7
Polyolefins(4)				
2009(5)	3,851.2	696.8	1,356.6	3,191.4
2008	3,451.0	619.4	690.6	3,379.8
2007	3,760.3	498.8	1,036.9	3,222.2
PVC				
2009(2)	687.1	285.8	52.5	920.3
2008	698.7	365.6	21.7	1,042.6
2007	686.5	176.7	43.2	820.0

(1) Includes ethylene, propylene and butadiene.

(2) Preliminary data.

(3) Includes benzene, toluene and xylenes.

(4) Includes polyethylene, polypropylene, and ethyl vinyl acetate copolymer, or EVA.

(5) Preliminary data.

Source: ABIQUIM and Braskem estimates.

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U.S. Polypropylene Industry

The polypropylene industry in the United States consists of 11 companies with an aggregate annual production capacity of 8.4 million tons of polypropylene. Competition is based on price, product quality, product delivery, reliability of supply, product performance and customer service. In general, demand is a function of economic growth in the United States and elsewhere in the world. Based on published rated industry capacities, Braskem Americas, which we acquired in April 2010, is the fourth largest producer of polypropylene in North America. The rated capacity of Braskem Americas polypropylene plants as of December 31, 2009 was approximately 950,000 tons per year, or approximately 11.1% of total industry capacity in the United States.

Basic Petrochemicals Unit

At December 31, 2009, our Basic Petrochemicals Unit s facilities had one of the largest annual production capacities of all first generation producers in Latin America. Including net sales to our other business units, our Basic Petrochemicals Unit generated net sales revenue of R$11,144.2 million in 2009, or 54.5% of the net sales revenue of all segments in 2009. Net sales revenue generated by sales to our other business units was R$5,065.1 million during 2009, representing 45.5% of the net sales revenue of our Basic Petrochemicals Unit.

Prior to April 2007, our Basic Petrochemicals Unit was comprised of the operations conducted by our company in the Northeastern Complex. As a result of our obtaining effective management control over Copesul in April 2007, we have fully consolidated Copesul s results in our consolidated financial statements and included Copesul s results in our Basic Petrochemicals segment as from April 1, 2007. On September 11, 2008, Copesul merged with and into Ipiranga Petroquímica, and on September 30, 2008, Ipiranga Petroquímica merged with and into Braskem.

Our Basic Petrochemicals Unit produces:

- olefins, such as ethylene, polymer and chemical grade propylene, butadiene, isoprene and butene-1;
- aromatics, such as benzene, toluene, para-xylene, ortho-xylene and mixed xylene;
- fuels, such as automotive gasoline and liquefied petroleum gas, or LPG; and
- other basic petrochemicals, such as ethyl tertiary butyl ether, or ETBE, solvent C9 and pyrolysis C9.

The products of our Basic Petrochemicals Unit are used primarily in the manufacture of intermediate second generation petrochemical products, including those manufactured by our Polyolefins Unit and our Vinyls Unit. Our Basic Petrochemicals Unit also supplies utilities to other plants located in the Northeastern Complex and the Southern Complex and renders services to the operators of those plants.

In 2009, 83.9% of our Basic Petrochemicals Unit s sales (including intra-company sales) were derived from the sale of basic petrochemicals, 5.4% from the sale of condensate, 5.2% from the sale of fuels, 4.7% from the sale of utilities and services and 0.8% from the sale of caprolactam and related products. In 2009, 52.2% of our Basic Petrochemicals Unit s net sales revenue from sales of basic petrochemicals was derived from sales made to our Polyolefins and Vinyls Units.

We believe that our Basic Petrochemicals Unit is well positioned to take advantage of increased demand for basic petrochemicals products in Brazil, both by our other business units and by third parties, and to compete in the international market. As a result of the weakness in domestic demand for thermoplastics, as well as price instability as

domestic prices of our products were realigned following the decline in global petroleum prices and the significant depreciation of the *real* against the U.S. dollar in the second half of 2008, we temporarily shut down one of our ethylene crackers in the Northeastern Complex and one of our ethylene crackers in the Southern Complex in December 2008. We resumed production at these facilities in February 2009 and beginning in March 2009 production reached historical capacity utilization rates. As the margins that we expect to be able to generate on our exported basic petrochemical products are similar to those we have historically generated on our domestic sales of these products, we do not believe that the diversion of our basic petrochemical products to the export markets will have a material adverse effect on our operations or operating income. However, a prolonged slowdown in economic activity in Brazil and elsewhere could continue to reduce demand for some of our basic petrochemical products, which would adversely affect our results of operations.

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Products of Our Basic Petrochemicals Unit

Our other business units and third-party petrochemical producers use ethylene and propylene produced by our Basic Petrochemicals Unit to produce second generation products such as polyethylene, polypropylene and PVC. We also sell butadiene and a variety of aromatics, such as benzene, para-xylene, ortho-xylene and mixed xylenes, to third-party petrochemical producers for use as raw materials in the production of a variety of second generation products, including synthetic rubber, elastomers, resins, ethyl benzene (which is used to make styrene monomer/polystyrene), linear alkyl benzene, purified terephthalic acid, dimethyl terephthalate, or DMT, phthalic anhydride, plasticizers and paint.

The following table sets forth the sales volume of basic petrochemicals by our Basic Petrochemicals Unit (including our intra-company sales) for the periods indicated.

	Years Ended December 31,		
	2009	**2008**	**2007(1)**
	(thousands of tons)		
Domestic sales: (2)			
Ethylene	2,253.2	2,095.1	2,068.4
Propylene	996.6	996.5	945.1
Butadiene	148.0	212.2	195.6
BTX products(3)	564.0	472.1	488.5
Others	369.8	299.3	350.4
Total domestic sales of basic petrochemicals	4,331.5	4,075.0	4,047.9
Total export sales of basic petrochemicals	1,135.8	946.2	956.1
Total sales of basic petrochemicals	5,467.3	5,021.2	5,004.0

(1) Includes Copesul as from April 1, 2007.

(2) Includes the following intra-company sales:

- approximately 1,966,300 tons of ethylene in 2009, 1,708,300 tons in 2008 and 1,644,000 tons in 2007;
- approximately 630,900 tons of propylene in 2009, 638,400 tons in 2008 and 567,800 tons in 2007;
- approximately 18,400 tons of para-xylene in 2007; and
- approximately 25,300 tons of benzene in 2009, 55,800 tons in 2008 and 62,800 tons in 2007.

(3) Includes benzene, toluene, ortho-xylene, para-xylene and mixed xylenes.

Olefins

Olefins are relatively unstable hydrocarbons characterized by a structure that is chemically active and permits other chemically reactive elements, such as oxygen, to be added. Ethylene and propylene, which are types of olefins, are the

chemical backbone for many plastic resins used to manufacture consumer products. Our primary olefins products include polymer grade ethylene and propylene, also known as monomers. Different combinations of monomers are polymerized, or linked together, to form polymers or plastic resins with different properties and characteristics.

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Aromatics

Aromatics are hydrocarbons identified by one or more benzene rings or by chemical behavior similar to benzene. Aromatics readily react to add other active molecular groups, such as nitrates and sulfonates.

Caprolactam and Related Products

Caprolactam is a raw material that forms the basis for the production of Nylon-6 textile thread, engineering resins and film, and is a structural material in the motor and electronics industries. We also produce ammonium sulfate for use as a fertilizer, and cyclohexane and cyclohexanone, both for use in paint solvents, pesticides, natural resins, oils and rubber.

In May 2009, we temporarily closed our caprolactam plant. We are continuing to analyze our options regarding the resumption of caprolactam production based on our estimate of Brazilian demand for this product and our cost of production.

Condensate

Condensate is a low-density mixture of hydrocarbon liquids that are present in gaseous from in the raw natural gas produced from many natural fields and recovered through a condensation process. We resell condensate that we purchase from our raw material suppliers to RPR for further refining into naphtha which we then purchase from RPR.

Fuels

Our company has been authorized by the ANP to produce and sell automotive gasoline since August 15, 2000 and LPG since October 2, 2001, both domestically and for export. We have been producing and selling both automotive gasoline and LPG since these dates.

Utilities

We produce electric power, steam, compressed air and purified drinking and demineralized water, some of which are by-products of our production of basic petrochemicals. We use these utilities in our own production processes, including those of our Polyolefins Unit and our Vinyls Unit, and sell these utilities to other companies in the Northeastern Complex and the Southern Complex. Our utilities facilities include units for thermoelectric power generation, water treatment and the production of steam and compressed air.

Production Facilities of Our Basic Petrochemicals Unit

We believe that the technological processes we use at our basic petrochemicals plants are among the most advanced in the world. Our Basic Petrochemicals Unit currently owns and operates:

- five major basic petrochemicals units in the Northeastern Complex (two olefins units, two aromatics units and a utilities unit); and

- four major basic petrochemicals units in the Southern Complex (two olefins units, one aromatics unit and a utilities unit).

We define the term unit to mean several production lines that are linked together to produce olefins, aromatics or utilities. During 2008, we expanded the annual production capacity of one of our olefins units in the Southern Complex by 52,000 tons of ethylene and 30,000 tons of propylene. At December 31, 2009, our basic petrochemicals plants had total annual production capacity of 2,532,000 tons of ethylene and 1,210,000 tons of propylene.

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The table below sets forth the primary products of our Basic Petrochemicals Unit, annual production capacity at December 31, 2009 and annual production for the years presented.

Primary Products	Annual Production Capacity	Production For the Year Ended December 31, 2009	2008	2007(1)
		(in tons, except automotive gasoline)		
Olefins:				
Ethylene	2,532,000	2,255,963	2,116,926	2,069,753
Propylene	1,210,000	1,133,478	1,032,378	1,027,754
Butadiene	286,000	236,540	230,800	222,918
Isoprene	26,000	18,164	18,904	13,024
Butene-1	96,000	72,199	79,814	57,802
Aromatics:				
Benzene	714,000	659,281	628,670	637,917
Toluene (2)	135,000	30,371	110,818	112,359
Para-xylene	203,000	148,383	129,231	141,664
Ortho-xylene	76,000	53,273	57,407	70,207
Mixed xylenes (2)	119,000	67,811	80,046	97,414
Caprolactam and Related Products:(3)				
Caprolactam	56,000	13,156	37,095	46,087
Cyclohexane	78,000	12,042	16,641	66,793
Cyclohexanone	49,000	2,664	2,580	44,574
Ammonium sulfate	103,000	25,008	63,311	89,740
Fuels and Fuel Additives:				
Automotive gasoline (4)	960,000	405,230	692,521	569,892
Low Sulfur Fuel Oil	191,000	64,078	57,722	135,910
LPG	18,000	4,982	6,485	10,839
Propane	16,000	1,962	1,946	2,797
MTBE (5)		47,656	112,807	158,607
ETBE (5)	372,000	236,388	145,619	47,358

(1) Includes Copesul as from April 1, 2007.

(2) Actual production may exceed production capacity based on the quantity of toluene and mixed xylenes consumed in the production of para-xylene.

(3) In May 2009, we temporarily closed our caprolactam plant.

(4) Automotive gasoline in cubic meters.

(5) In September 2007, we completed the conversion of our methyl tertiary butyl ether, or MTBE, plant in the Southern Complex to the production of ETBE, and in July 2009 we completed the conversion of our MTBE plant in the Northeastern Complex to the production of ETBE.

Raw Materials of Our Basic Petrochemicals Unit

Naphtha

Naphtha is the principal raw material that we use to produce our basic petrochemical products and represents the principal production and operating cost of our Basic Petrochemicals Unit. We also use condensate as a raw material in our basic petrochemical units in the Southern Complex.

The price of naphtha and condensate that we purchase varies primarily based on changes in the U.S. dollar-based international price of crude oil. Naphtha and condensate accounted for 89.5% of the total cost of sales of our Basic Petrochemicals Unit during 2009, and accounted for 66.6% of our direct and indirect consolidated cost of sales and services rendered during 2009.

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The following table shows the average Amsterdam-Rotterdam-Antwerp market price of naphtha for the periods indicated.

	Amsterdam-Rotterdam-Antwerp Market Price of Naphtha (in U.S. dollars per ton)			
	2010	**2009**	**2008**	**2007**
Average(1)	US$715.82	US$533.21	US$791.34	US$675.48
Month ended:				
January	715.41	352.37	827.43	509.23
February	679.61	397.74	832.87	550.85
March	731.41	398.36	864.49	603.95
April.	736.83	425.55	909.74	655.37
May	683.29(2)	477.22	986.96	685.22
June		568.67	1,091.85	663.05
July		556.28	1,082.31	683.82
August.		641.28	955.41	645.09
September		596.38	846.83	692.60
October		626.52	528.75	745.87
November		675.38	306.27	828.41
December		682.17	258.16	834.14

(1) The information in the Average row represents (i) during 2009, 2008 and 2007, the mean average of average monthly naphtha prices during the year, and (ii) during 2010, the mean average of average monthly naphtha prices from January through April.

(2) Through May 26, 2010.

Source: Bloomberg L.P.

Supply Contracts and Pricing of the Basic Petrochemicals Unit

The following table shows the distribution of the naphtha purchases by our Basic Petrochemicals Unit for the periods indicated.

	Year Ended December 31,		
	2009	**2008**	**2007(1)**
Petrobras	64.7%	61.8%	56.6%
SONATRACH	16.6	15.6	24.8
Repsol	9.3	11.2	10.7
Others	9.4	11.4	7.9
Total	100%	100%	100%

(1) Includes Copesul as from April 1, 2007.

Supply Contracts with Petrobras

In July 2009, we and Petrobras entered into a Petrochemical Naphtha Purchase and Sale Contract, which we have operated under since March 2009. This contract replaced the naphtha supply contract between our company and Petrobras for the supply of naphtha to our basic petrochemicals plants located in the Northeastern Complex, which was terminated in June 2008, and superseded the naphtha supply contract between our company and Petrobras for the supply of naphtha to our basic petrochemicals plants located in the Southern Complex. This contract has a term of five years, expiring in March 2014, and is automatically renewable for one five-year period, unless either party notifies the other party in writing at least one year prior to the expiration of the contract that it does not intend to renew the contract.

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Under the terms of this contract:

- Petrobras has agreed to sell and deliver naphtha to our basic petrochemicals plants in the Northeastern Complex and the Southern Complex exclusively for our use as a raw material;

- we are required to purchase a minimum monthly volume of naphtha;

- we provide Petrobras with a firm commitment order for naphtha each month, together with an estimate of the volume of naphtha that we will purchase over the following six months;

- we may request volumes of naphtha that exceed a monthly firm commitment order, which Petrobras may supply at its discretion;

- since March 2009, the price that we pay for naphtha is based on a variety of factors, including the market prices of naphtha and a variety of petrochemical derivatives, the volatility of the prices of these products in the international markets, the *real*/U.S. dollar exchange rate, and the level of paraffinicity of the naphtha that is delivered;

- the contract will be amended in the event that unforeseen extraordinary events occur that cause a disruption in the economic-financial equilibrium of the contract; and

- Petrobras may terminate the contract, without prior notice, in the event of: (1) our failure to cure any breach of the contract following a 30 day grace period; (2) a force majeure event that continues for more than 90 days; (3) we transfer or offer as a guaranty all or part of our rights and obligations under the contract to a third party without Petrobras consent; (4) an alteration of our ownership or corporate purposes that conflicts with the object of the contract; or (5) our dissolution, bankruptcy or liquidation.

Supply Arrangements with SONATRACH

La Société Nationale pour la Recherché, la Production, le Transport, la Transformation et la Commercialisation des Hydrocarbures SONATRACH (the Algerian national petroleum company), or SONATRACH, is our most important supplier of imported naphtha and condensate. We have imported naphtha supplied by SONATRACH since 2002. On an annual basis, we negotiate the minimum and maximum volumes of naphtha and condensate that we will purchase from SONATRACH and the pricing formula for the naphtha and condensate supplied by SONATRACH. In the event that we were unable to renew our supply arrangements with SONATRACH, we believe that we could purchase sufficient quantities of naphtha from other suppliers, including Petrobras, to meet the supply needs of our basic petrochemicals plants in the Northeastern Complex and the Southern Complex.

Supply Contracts with Repsol

Copesul began importing naphtha from Repsol YPF Trading y Transporte S.A., or Repsol, in 2002. On an annual basis, we negotiate the minimum and maximum volumes of naphtha that we will purchase from Repsol and the pricing formula for the naphtha and condensate supplied by Repsol. In the event that we were unable to renew our supply arrangements with Repsol, we believe that we could purchase sufficient quantities of naphtha from other suppliers, including Petrobras, to meet the supply needs of our basic petrochemicals plant in the Southern Complex.

Other Supply Contracts

As part of our strategy to diversify our sources of supply of naphtha, we have entered into a short-term naphtha supply agreement with PDVSA and are negotiating a naphtha supply agreement with Pemex.

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Spot Market Purchases of Naphtha

In addition to our supplies of naphtha under the agreements described above, we purchase naphtha on the spot market from time to time from foreign suppliers located in North Africa and South America.

Utilities

We self-generate approximately 45% of the Northeastern Complex s energy consumption requirements, and the remainder is furnished by Companhia Hidro Elétrica do São Francisco CHESF, or CHESF, a Brazilian government-owned electric power generation company located in the State of Bahia, and by Companhia de Eletricidade do Estado da Bahia COELBA.

We self-generate approximately 35% of the Southern Complex s energy consumption requirements, and the remainder is acquired primarily under auction contracts in the free market for energy (*Mercado Livre de Energia*) from several companies.

Sales and Marketing of Our Basic Petrochemicals Unit

Basic Petrochemicals

We sell our basic petrochemical products principally in Brazil, mainly to second generation petrochemical producers, including our other business units, as well as to customers in the United States, Europe, South America and Asia.

As is common with other first generation petrochemical producers, our Basic Petrochemicals Unit has a high concentration of sales to a limited number of customers. Net sales to our Basic Petrochemicals Unit s 10 largest customers (excluding intra-company sales) accounted for 53.7% of our Basic Petrochemicals Unit s total net sales revenue (excluding intra-company sales) during the year ended December 31, 2009.

As part of our commercial strategy, our Basic Petrochemicals Unit focuses on developing longer-term relationships with our customers. We have entered into long-term supply contracts with Oxiteno do Nordeste S.A., or Oxiteno, and Innova S.A., or Innova. These supply contracts have an initial 15-year term and are automatically renewable for additional terms of five years (Innova) or 10 years (Oxiteno), unless one party notifies the other of its intention not to renew. These contracts also provide for minimum and maximum quantities to be purchased and monthly deliveries.

We determine the domestic prices that we charge for ethylene by reference to Western European contract prices. We determine the domestic prices that we charge for propylene based on a formula under which 70% of the price is determined by reference to Northwest Europe prices and the remaining 30% is determined by reference to U.S. Gulf prices. We determine the domestic price of butadiene by reference to the North American contract price for these products, and our price for butadiene, unlike our prices for our other basic petrochemical products, include freight costs. We set the domestic prices of benzene and ortho-xylene by reference to North American spot market prices. We set the domestic prices of solvents by reference to international market prices and we determine the domestic prices for our other olefins and aromatics products with reference to several market indicators.

We export basic petrochemicals mainly to customers in the United States and in Europe. We set export prices for:

- benzene, toluene and para-xylene with reference to market prices prevailing in the U.S. Gulf market; and

- propylene, ETBE, ortho-xylene, butene-l and isoprene with reference to market prices prevailing in the European market.

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We are focused on maintaining our leading position in the Brazilian market, while continuing to use our exports to hedge our operations and adjust the imbalances between demand and production. Export net sales of our Basic Petrochemicals Unit represented 18.2% of our Basic Petrochemicals Unit s net sales revenue during 2009.

The following table sets forth export volumes of our Basic Petrochemicals Unit for the years indicated:

	For the Year Ended December 31,		
	2009	**2008**	**2007(1)**
Basic petrochemical export sales volumes (thousands of tons)	1,135.8	946.2	956.7
As % of total basic petrochemical sales volume of Basic Petrochemicals Unit.	20.8%	18.8%	19.1%

(1) Includes Copesul as from April 1, 2007.

Caprolactam and Related Products

We sell caprolactam and related products in northeastern Brazil, primarily to third generation petrochemical producers located in the Northeastern Complex, as well as to customers in South America and Asia.

Fuels

We sell automotive gasoline and LPG to Petrobras and fuel distribution companies. Our Basic Petrochemicals Unit has been authorized by the ANP to produce and sell automotive gasoline since August 15, 2000. We sold approximately 551,900 cubic meters of type A automotive gasoline in 2009.

We set the domestic prices for fuels by reference to Brazilian market prices and we set export prices for automotive gasoline with reference to market prices prevailing in the U.S. Gulf market. Domestic net sales revenue of our Basic Petrochemicals Unit from automotive gasoline was R$444.9 million in 2009, and export net sales revenue of our Basic Petrochemicals Unit from automotive gasoline was R$61.6 million in 2009.

Utilities

We produce electric power, steam, treated water and compressed air for our own use and for sale to other second generation producers in the Northeastern Complex and the Southern Complex and other companies located outside of these complexes. We the prices of utilities based on our production costs. In 2009, our net sales revenue from sales of utilities (including sales to our other business units) was R$515.4 million.

Competition

Our basic petrochemical customers, which are mostly second generation petrochemical producers with plants located in the Brazilian petrochemical complexes, would have difficulty obtaining their feedstocks from other sources at lower prices due to the high cost of transportation of these products, as well as other logistical difficulties. In addition, because Brazil produces sufficient quantities of olefins to meet domestic demand, imports of these products are generally sporadic and usually related to scheduled plant maintenance shutdowns or to meet unsatisfied domestic demand.

As a result of the weakness in demand for our basic petrochemical products from second-generation producers in Brazil during the second half of 2008, we diverted sales of these products to the export market and continue to export a greater percentage of these products than we have historically exported. Competition in the international markets for these products is primarily based on the price of delivered products and competition has increased since mid-2008 as the balance between supply and demand has been disrupted due to the impact of the global economic downturn on consumers of these products. We expect the disruption of the balance between supply and demand for our olefins products to continue to be disrupted in 2010 as additional ethylene capacity is commissioned. In the international markets for our basic petrochemical products, we compete with a large number of producers, some of which are substantially larger and have substantially greater financial, manufacturing, technological and marketing resources than our company.

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Polyolefins Unit

At December 31, 2009, our polyolefins production facilities had the largest annual production capacity of all second generation producers of polyolefins products in Latin America. Our Polyolefins Unit generated net sales revenue of R$7,216.9 million during 2009, or 35.3% of the net sales revenue of all segments in 2009.

As a result of our obtaining effective management control over Ipiranga Petroquímica in April 2007, we have fully consolidated Ipiranga Petroquímica s results in our consolidated financial statements and included Ipiranga Petroquímica s results in our Polyolefins segment as from April 1, 2007. On September 30, 2008, Ipiranga Petroquímica merged with and into Braskem.

Prior to the completion of the first phase of the Petrobras Transaction on May 30, 2008, we owned 60.0% of the total and voting share capital of Paulínia. As a result, at dates and for periods prior to April 1, 2008, we proportionally consolidated Paulínia s results in our consolidated financial statements and did not include Paulínia s results in our Polyolefins segment. Following the completion of the first phase of the Petrobras Transaction on May 30, 2008, we owned 100% of the total and voting share capital of Paulínia, and have fully consolidated Paulínia s results in our consolidated financial statements and included Paulínia s results in our Polyolefins segment as from April 1, 2008. The Paulínia plant commenced operations in April 2008 with an initial annual production capacity of 300,000 tons of polypropylene. On September 30, 2008, Paulínia merged with and into Braskem.

On May 5, 2009, the second phase of the Petrobras Transaction was completed with the merger of Triunfo with and into Braskem. Prior to this merger, Triunfo owned and operated a polyethylene plant located in the Southern Complex with an annual production capacity of 160,000 tons.

Products of Our Polyolefins Unit

Our Polyolefins Unit produces:

- polyethylene, including LDPE, LLDPE, medium density polyethylene, or MDPE, HDPE, UHMWP, and EVA; and
- polypropylene;

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.

We anticipate that long-term growth in domestic demand for these products will continue to increase due to:

- greater consumption of plastic-based consumer products, as Brazil s consumption of plastic based products on a per-capita basis is low when compared to the United States and many European countries; and

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- the trend towards substitution of plastics for more traditional packaging materials, such as glass and paper.

Prior to May 2007, our Polyolefins Unit also produced PET resin and DMT. In May 2007, we permanently closed the DMT unit in our PET plant as a result of this plant s high maintenance and operational costs due to its aging technology. DMT is the primary raw material used by our PET plant. As a result, our PET plant was also temporarily closed in May 2007 in order for us to review the technology used to produce PET. Pending completion of a review of our options to resume PET production, we continued to serve our PET customers with PET purchased from M&G Polimeros Brasil S.A., or M&G, the largest PET producer in Brazil and a subsidiary of M&G Finanziaria Industriale S.p.A. In December 2008, we permanently closed our PET plant. We continued to purchase PET from M&G until the expiration of our purchase agreement with M&G in April 2009 and we continued to serve our PET customers with PET purchased under this agreement until June 2009.

The following table sets forth a breakdown of the sales volume of our Polyolefins Unit by product line and by market for the years indicated.

	Years Ended December 31,		
	2009	2008(1)	2007(2)
	(thousands of tons)		
Domestic sales:			
Polyethylene	1,010.9	963.9	928.1
Polypropylene	698.5	606.2	573.1
PET(3)	18.0	42.9	60.3
Other	46.1	21.4	15.8
Total domestic sales	1,773.5	1,634.5	1,577.3
Total export sales	963.6	538.9	662.3
Total Polyolefins Unit sales	2,737.1	2,173.3	2,239.6

(1) Includes Paulínia as from April 1, 2008.

(2) Includes Ipiranga Petroquímica as from April 1, 2007.

(3) In May 2007, we temporarily closed our PET plant. In December 2008, we permanently closed our PET plant.

We provide technical assistance to our customers to meet their specific needs by adapting and modifying our polyethylene and polypropylene products. In particular, we develop customized value-added polypropylene compounds for use by our customers in their specialized applications. We believe that the variety of technological processes at our polyolefins plants provides us with a competitive advantage in meeting our customers needs.

Polyethylene Products

Polyethylene has the simplest chemical structure of all commercial polymers and is a very versatile material. Global production volume of polyethylene is the highest among all commercial plastics. Polyethylene is used to manufacture a wide variety of products.

Our customers purchase different polyethylene resins depending on the manufacturing process that they employ and the desired physical characteristics of the end products that they manufacture. LDPE is the most flexible of polyethylene products and is used in a variety of plastic or film applications and in food packaging and extrusion coating. LLDPE is used in applications that require greater sealing capacity and better mechanical resistance, including plastic films and flexible food packaging. MDPE is used in applications that require impact resistance and stiffness, such as diapers and hygienic articles, water storage tanks, technical parts and industrial containers. HDPE is used for applications that require higher mechanical resistance, such as high strength films, food packaging, merchandise bags, telecommunications and sewage pipes, pails, lids, trash containers, bottles, flasks, safety helmets, sporting goods, pallets and toys.

While each form of polyethylene is used for different applications, there is some overlap in the uses of these resins, and with certain modifications, polyethylene resins may be substituted for each other in certain end product manufacturing processes. For example, demand for LLDPE has grown since it was first introduced in 1989 and has resulted in reduced demand for LDPE, as manufacturers of certain containers and plastic film applications have switched their production processes and technology to use LLDPE in a blend with LDPE.

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Polypropylene Products

Polypropylene is a versatile polymer with a high strength-to-weight ratio. This thermoplastic resin may be manufactured with a variety of properties that permit its use in different processes, such as injection, extrusion, blow molding and thermoforming. Through these processes, polypropylene may be used as a primary raw material for many applications, including the manufacture of carpet fibers, non-woven fabrics for diapers, injection molded parts for durable packaging and automobiles, medical instruments, flexible packaging for candy, pasta and cookies, and bottles for beverages. The balance between the mechanical properties and the high thermal resistance of polypropylene is a primary reason why this thermoplastic resin has begun to replace engineering materials such as acrylonitrile-butadiene-styrene (known as ABS), polycarbonate and nylon in domestic appliances and machinery. The lack of toxicity and high chemical resistance of polypropylene permits it to be used in applications with strict sanitary specifications, including in the food and pharmaceutical industries.

Production Facilities of Our Polyolefins Unit

At December 31, 2009, our Polyolefins Unit owned 11 production facilities. Our Polyolefins Unit operates five plants located in the Southern Complex and three plants located in the Northeastern Complex. During 2008, we expanded the annual production capacity of our polyethylene plants in the Northeastern Complex by 20,000 tons and expanded the annual production capacity of our polypropylene plant in the Southern Complex by 30,000 tons.

The table below sets forth for each of our primary polyolefins products, our annual production capacity at December 31, 2009 and annual production for the years presented.

		Production		
		For the Year Ended December 31,		
Primary Products	**Annual Production Capacity (in tons)**	**2009**	**2008(1)**	**2007(2)**
			(in tons)	
Polyethylene (3):				
LDPE (4)	535,000	466,487	319,212	348,257
HDPE/LLDPE(5)	900,000	784,208	684,295	792,023
HDPE (6)	400,000	363,461	357,257	278,480
HDPE/UHMWP (7)	160,000	120,807	87,322	106,741
Polypropylene (8)	1,040,000	899,968	786,016	671,350

(1) Includes Paulínia as from April 1, 2008.

(2) Includes Ipiranga Petroquímica as from April 1, 2007.

(3) Excludes EVA.

(4) Represents capacity and production at three plants.

(5) Represents capacity and production at four plants with swing line capable of producing three types of resins. Capacity varies depending on actual production.

(6) Represents capacity and production at one plant.

(7) Represents capacity and production at one plant with swing line capable of producing three types of resins. Capacity varies depending on actual production.

(8) Represents capacity and production at three plants.

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Raw Materials of Our Polyolefins Unit

Ethylene and Propylene

The most significant direct costs associated with our production of polyethylene and polypropylene are the costs of purchasing ethylene and propylene, which together accounted for 86.2% of our Polyolefins Unit s total variable cost of production during 2009. Raw materials representing 90.2% of this cost were supplied by our Basic Petrochemicals Unit during 2009. Our Polyolefins Unit purchases ethylene and propylene from our Basic Petrochemicals Unit at prices determined by reference to international market prices for ethylene.

In March 2007, we entered into two five-year propylene supply contracts with Refinaria Alberto Pasqualini REFAP S.A., or REFAP. Under these contracts, we will purchase an initial annual supply of between 92,500 and 100,000 tons of propylene, representing between 92.5% to 100% of REFAP s current annual propylene production capacity of 100,000 tons. As REFAP expands its propylene production capacity, we will be obligated to purchase at least 70% of REFAP s propylene production until REFAP s annual production capacity reaches 162,000 tons. We will have the right to purchase 100% of REFAP s production in excess of 162,000 tons. If we exercise this right, our minimum purchase obligation under these contracts will be increased correspondingly. Under these contracts:

- REFAP has agreed to sell and deliver propylene to us exclusively for our use as a raw material; and

- we agreed to purchase, and REFAP agreed to sell, at prices determined by reference to U.S. Gulf Coast prices for propylene.

This volume will be used to supply the existing plants of our Polyolefins Unit in the Southern Complex and will be available to meet additional demand that arises through the expansion of these plants and the acquisition of additional plants.

In September 2005, we entered into a 20-year propylene supply contract, effective since May 2008, with Petrobras for our Paulínia plant. This contract is automatically renewable for consecutive two-year terms following the initial term, unless terminated by one of the parties. Under this contract, we purchased an initial monthly supply of 25,000 tons of propylene per month beginning in the second quarter of 2009 and currently purchase 300,000 tons of propylene per year. Under this contract:

- Petrobras has agreed to sell and deliver propylene to us exclusively for our use as a raw material; and

- we agreed to purchase, and Petrobras agreed to sell, at prices determined by reference to U.S. Gulf Coast prices for propylene.

Prior to the second quarter of 2009, Paulínia operated using propylene that it purchased from our company and from Refinaria Henrique Lage, or REVAP, a subsidiary of Petrobras. Since June 2009, we have received propylene under this contract from Refinaria do Planalto Paulista REPLAN, or REPLAN, a subsidiary of Petrobras, and REVAP.

Other Materials

In addition to overhead costs such as labor and maintenance, our other costs associated with the production of polyethylene and polypropylene include our purchase of chemical catalysts, solvents and utilities, such as electric power, water, steam, compressed air and nitrogen.

Our Polyolefins Unit uses butene and hexene as raw materials in the production of HDPE and LLDPE. Butene is supplied by our Basic Petrochemicals Unit, and we import hexene from suppliers located in South Africa.

Our Unipol® plant in the Northeastern Complex uses catalysts supplied to us by Univation Technologies. Our HDPE slurry plant in the Northeastern Complex produces its own catalysts, and we purchase the inputs that we need to produce our own catalysts from various suppliers at market prices. We purchase most of the catalysts that we use in our Polyolefins Unit s polypropylene plants from Basell Polyolefins Company N.V., or Basell, and we also import some catalysts from suppliers in the United States and Europe. We purchase the catalysts that our Polyolefins Unit uses in its swing line LLDPE/HDPE plants from Basell. We produce our own catalysts for our HDPE plants in the Southern Complex using Hoechst technology, and we purchase the inputs that we need to produce these catalysts from various suppliers at market prices.

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Our Basic Petrochemicals Unit supplies our Polyolefins Unit s facilities in the Northeastern Complex and Southern Complex with steam and water. In addition, we purchase electric power at both complexes from third parties pursuant to long-term power purchase agreements and, in the Northeastern Complex, from our Basic Petrochemicals Unit. Our polyolefins plants in the Northeastern Complex are able to purchase electric power from alternative sources if our Basic Petrochemicals Unit is unable to meet our total demand for electric power.

In general, we believe that there are sufficient alternative sources available at reasonable prices for each of these other inputs used in our polyolefins production process such that the loss of any single supplier would not have a material adverse effect on our operations.

Sales and Marketing of Our Polyolefins Unit

Our Polyolefins Unit sells polyethylene and polypropylene products to approximately 1,300 customers. We have a diversified product mix that allows us to serve a broad range of end users in several industries. The customers of our Polyolefins Unit generally are third generation petrochemical producers that manufacture a wide variety of plastic-based consumer and industrial goods.

Net sales revenue to the 10 largest customers of our Polyolefins Unit accounted for 21.2% of our Polyolefins Unit s total net sales revenue during 2009. No customer of our Polyolefins Unit accounted for more than 5.3% of our total net sales revenue in 2009, 2008 or 2007.

Domestic Sales

We are focused on developing longer-term relationships with our customers. Given the cyclical nature of the markets for our polyolefins products, we believe that we can strengthen customer loyalty during periods of reduced demand for polyethylene or polypropylene by providing a reliable source of supply to these customers during periods of high demand. We work closely with our customers to determine their needs, to provide technical assistance and to coordinate the production and delivery of our products. Customers submit annual proposals giving their estimated monthly requirements for the upcoming year for each of our polyolefins products, including technical specifications, delivery terms and proposed payment conditions. We evaluate these proposals on a monthly basis to make any required adjustments and to monitor and attempt to ensure adequate supply for each customer.

In addition to direct sales of polyolefins to our customers, our Polyolefins Unit sells products in Brazil through exclusive independent distributors. Our Polyolefins Unit is served by eight distributors and has entered into agreements with six of these distributors. One of these agreements has an indefinite term. Four of these agreements have terms expiring on various dates in 2010 and two of these agreements have terms expiring in 2015; each of these agreements may be automatically extended for terms of an additional five years, subject to termination on 180 days notice by either party. We expect that each of the distribution agreements set to expire in 2010 will be automatically renewed pursuant to its terms.

We have selected our distributors based on their ability to provide full service to their customers, including the ability to prepare our products on a customized basis. These distributors sell our polyethylene and polypropylene products to manufacturers with lower production requirements and are able to aggregate multiple orders for production and delivery to customers that would otherwise be uneconomical for us to serve. Furthermore, by serving smaller customers through a network of distributors, our account managers focus their efforts on delivering high quality service to a smaller number of large, direct customers.

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Export Sales

Our volume of polyolefins export sales has generally varied based upon the level of domestic demand for our products. Our Polyolefins Unit has a sales offices in Argentina which we use to consolidate our marketing efforts in Argentina. Our Polyolefins Unit has a sales offices in The Netherlands which we use to support our European customers, improve our knowledge of the European market, optimize our logistics process in this market and develop regional partners. In addition to our offices in Argentina and The Netherlands, our Polyolefins Unit maintains an office in the United States that is focused on further developing the market for engineering plastics under the UTEC brand. We also maintain a sales offices in Chile.

We have established a strategic position in the polyolefins business in South America and Europe through regular direct sales, local distributors and agents who understand their respective markets. Our strategy to increase our presence in these foreign markets is intended, among other things, to reduce our exposure to the cyclicality of the international spot market for polyolefins through the development of long-term relationships with customers in neighboring countries.

The following table sets forth export volumes of our Polyolefins Unit for the periods indicated.

	For the Year Ended December 31,		
	2009	**2008(1)**	**2007(2)**
Export sales volumes (thousands of tons)	963.6	538.9	662.3
As % of total sales volume of Polyolefins Unit	35.2%	24.0%	29.6%

(1) Includes Paulínia as from April 1, 2008.

(2) Includes Ipiranga Petroquímica as from April 1, 2007.

The main focus of our Polyolefins Unit is to maintain our leading position in the Brazilian market while continuing to export in order to manage the relationship between our production capacity and domestic demand for our products. We believe that our continued presence in export markets is essential to help manage any overcapacity in the Brazilian market and to maintain our position as leader in the supply of polyolefins in South America.

Prices and Sales Terms

We determine the domestic prices for polyethylene by reference to North American contract prices and our domestic prices for polypropylene by reference to Southeast Asian spot market prices. Our customers in Brazil may pay in full on delivery or elect credit terms that require payment in full within seven to 56 days following delivery. We charge interest based on prevailing market rates to our Brazilian customers that elect to pay on credit.

Our Polyolefins Unit generally conducts export sales to buyers in countries outside the Southern Cone through the international spot market. Our customer base in these markets consists primarily of trading houses and distributors, most of which have operations in Europe, the United States or in Asia, principally Hong Kong. Pricing is based on international spot market prices. We make all sales in these markets with letters of credit. Export prices for polyethylene and polypropylene sales in the Southern Cone countries by our Polyolefins Unit are primarily based on regional prices and sales are generally made either with letters of credit or through direct bank collections.

Competition

Following the Quattor Acquisition, we are the only producer of polyethylene and polypropylene in Brazil. We compete with polyolefins producers located mainly in Argentina and, to a lesser extent, with other importers of these products. Price competition in the international markets in 2009 as a result of reduced global demand for polyolefins resulted in a 15.4% increase in Brazilian polyethylene imports, which represented 24.9% of Brazilian polyethylene consumption in 2009.

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As a result of the Sunoco Chemicals Acquisition, we also compete directly in the United States polypropylene market. Braskem Americas business is largely a commodities business and competes with local, regional, national and international companies, some of which have greater financial, research and development, production and other resources than our company. Although competitive factors may vary among product lines, Braskem Americas competitive position is primarily based on raw material costs, selling prices, product quality, manufacturing technology, access to new markets, proximity to the market and customer service and support.

We compete for export sales of our polyolefins products in other countries in Latin America and in markets in the United States, Asia and Europe. Our export business is a commodities business and we compete with a variety of resin producers, some of which have greater financial, research and development, production and other resources than our company. Our competitive position in the export markets that we serve is primarily based on raw material costs, selling prices, product quality and customer service and support.

Vinyls Unit

We are the leading producer of PVC in Brazil, based on sales volumes in 2009. At December 31, 2009, our PVC production facilities had the largest annual production capacity in Latin America. Our Vinyls Unit accounted for R$1,536.4 million, or 7.5%, of our net sales revenue of all segments in 2009.

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, and which we use to manufacture EDC. In 2009, 68.7% of our Vinyls Unit s net sales revenue was derived from the sale of PVC products, 25.6% was derived from the sale of caustic soda and 2.6% from the sale of EDC and the remainder from the sale of other products.

In 2009, we had an approximate 49.5% share of the Brazilian PVC market, based on sales volumes of our Vinyls Unit.

Products of Our Vinyls Unit

The following table sets forth a breakdown of the sales volume of our Vinyls Unit by product line and by market for the years indicated.

	Years Ended December 31,		
	2009	**2008**	**2007**
	(thousands of tons)		
Domestic sales:			
PVC (1)	457.4	496.3	464.9
Caustic soda	402.2	463.3	450.5
Other (2)	100.3	142.6	105.2
Total domestic sales	959.9	1,102.2	1,020.6
Total export sales	139.0	97.7	148.0
Total Vinyls Unit sales	1,099.0	1,199.9	1,168.7

(1) Includes sales of products of our PVC plant in the State of São Paulo, which was permanently closed in January 2010.

(2) Includes chlorine, hydrogen, caustic soda flake and sodium hypochlorite.

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PVC and EDC

PVC is a versatile polymer, and global production volume of PVC is the second highest among all commercial plastics. We produce suspension and paste PVC in various grades.

Suspension PVC represented 96.3% of our PVC production in 2009. The grades of PVC produced by the suspension production process are the most widely used, including for use in the manufacture of pipes and fittings, laminated products, shoes, sheeting, flooring, cable insulation, electrical conduit, packaging and medical applications. The grades of paste PVC are more specialized products and are used in the manufacture of toys, synthetic leather, flooring materials, bottle caps and seals, automobile corrosion prevention treatments and wallpaper coatings.

In October 2009, we decided to close our emulsion PVC plant in the State of São Paulo as from January 31, 2010. This plant produced specialty resins using vinyl monochloride that was shipped from our vinyls plant in Camaçari. Difficulties in transporting and delivering this raw material to our São Paulo PVC plant made the continued operation of this plant economically unfeasible. This plant will be used as a product distribution center with capacity to store and distribute other PVC specialty resins and other resins. In order to serve our customers with the resins that had been produced by this plant, we entered into an agreement to purchase these resins from Mexichem Colombia S.A.

Our Vinyls Unit also produces EDC, the principal feedstock used in the production of PVC. We used 84.6% of our EDC production in 2009 for further processing into PVC and sold the remainder in the Brazilian and Asian markets.

Caustic Soda

Our Vinyls Unit also produces caustic soda. Caustic soda is a basic commodity chemical that is sold to producers of aluminum, pulp and paper, petrochemicals and other chemicals, soaps and detergents and to waste treatment plants. Caustic soda is also used in the textile industry to make fabrics more absorbent and to improve the strength of dyes, as well as in food processing and electroplating. We used 4.6% of our caustic soda production in 2009 and sold the remainder to third parties.

Production Facilities of Our Vinyls Unit

We own five vinyls production facilities. Two of our facilities are located in the Northeastern Complex, and two others are located in the State of Alagoas. Our fifth facility is located in the City of São Paulo.

The table below sets forth for each of our primary vinyls products, our annual production capacity at December 31, 2009 and annual production for the years presented.

		Production		
Primary Products	**Annual Production Capacity (in tons)**	**For the Year Ended December 31,**		
		2009	**2008**	**2007**
		(in tons)		
PVC (1).	536,000	477,534	513,797	465,461
Caustic Soda (2)	539,000	435,908	496,907	458,557
EDC (3).	520,000	468,123	521,677	478,941

(1) Represents capacity and production at three plants, including 26,000 tons of annual production capacity at our PVC plant in the State of São Paulo, which was permanently closed in January 2010.

(2) Represents capacity and production at two plants.

(3) Represents capacity and production at one plant.

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Raw Materials of Our Vinyls Unit

Ethylene

The most significant direct cost associated with the production of PVC and EDC is the cost of ethylene, which accounted for 62.5% of our variable cost of PVC sales in 2009 and 76.7% of our EDC sales in 2009. Our Basic Petrochemical Unit supplies all of the ethylene required by our Vinyls Unit.

Electric Power

Electric power is a significant cost component in our production of chlorine and caustic soda. Electric power accounted for 62.3% of our Vinyls Unit s cost of caustic soda sales in 2009 and 17.6% of our Vinyls Unit s total cost of sales in 2009. Our Vinyls Unit obtains its electric power requirements from various generators under long-term power purchase agreements. Our caustic soda plants at Camaçari and Alagoas and our PVC plant at Camaçari purchase their electric power requirements from CHESF under a long-term contract that expires in 2015. Companhia Energética de Alagoas S.A., or CEAL, distributes electric power to our PVC plant in Alagoas. Our São Paulo plant obtains its electric power from Eletropaulo Metropolitana-Eletricidade de São Paulo S.A., or Eletropaulo. The power purchase agreements with CEAL and Eletropaulo are renewable contracts with automatic rolling one-year extensions. These agreements provide us with the option to purchase our total electric power requirements based on an annual estimate. The price terms of these contracts are based upon tariffs regulated by the Brazilian National Electrical Energy Agency (*Agência Nacional de Energia Elétrica*).

Salt

We used approximately 721,000 tons of salt during 2009 in our production of chlorine and caustic soda. Salt accounted for 4.6% of our Vinyls Unit s variable costs of caustic soda sales in 2009 and 1.1% of our Vinyls Unit s total cost of sales in 2009. We have exclusive salt exploration rights at a salt mine located near our Alagoas plant. We estimate that the salt reserves of this mine are sufficient to allow us to produce chlorine at expected rates of production for approximately 35 to 45 years. We enjoy significant cost advantages when compared to certain of our competitors due to the low extraction costs of rock salt (particularly compared to sea salt), and low transportation costs due to the proximity of the salt mine to our production facility.

Other Utilities

All of our Vinyls Unit s facilities in the Northeastern Complex are supplied with other required basic utilities, including steam, purified and demineralized water, compressed air and nitrogen, by our Basic Petrochemicals Unit. Most basic utilities are supplied to our Alagoas PVC plant by our subsidiary, Companhia Alagoas Industrial Cinal. Our chlorine and caustic soda plants in Alagoas and our PVC plant in São Paulo supply their own utilities requirements.

Sales and Marketing of Our Vinyls Unit

Net sales to our 10 largest Vinyls Unit customers accounted for 41.5% of our Vinyls Unit s total net sales revenue during 2009. One customer accounted for 13.0% of our Vinyls Unit s total sales revenue in 2009, 15.0% in 2008 and 11.8% in 2007. One customer accounted for 62.5% of our total external EDC sales in 2009, 40.5% in 2008 and 22.8% in 2007, and our largest caustic soda customer accounted for 9.8% of total caustic soda sales in 2009, 7.0% in 2008 and 7.7% in 2007.

There is a structural link between the PVC and caustic soda markets that exists because caustic soda is a byproduct of the production of chlorine required to produce PVC. When demand for PVC is high, then greater amounts of caustic soda are produced, leading to an increase in supply and generally lower prices for caustic soda. Conversely, when demand for PVC is low, prices for caustic soda tend to rise.

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Domestic Sales

In 2009, 69.5% of the Vinyls Unit s domestic net sales revenue was attributable to sales of PVC, 27.1% was attributable to sales of caustic soda and 3.4% was attributable to sales of other products.

We make most of our domestic sales of PVC and caustic soda directly to customers without the use of third party distributors. However, our Vinyls Unit maintains contractual relationships with three distribution centers located in Paulínia and Barueri, both in the State of São Paulo, and Joinville in the State of Santa Catarina that provide logistical support. In addition, we operate three warehouse facilities for PVC and six terminal tank facilities for caustic soda strategically located along the Brazilian coast to enable us to deliver our products to our customers on a just-in-time basis. Our Vinyls Unit develops its business through close collaboration with its customers, working together to improve existing products as well as to develop new applications for PVC. Our marketing and technical assistance groups also advise customers and potential customers that are considering the installation of manufacturing equipment for PVC end products.

Export Sales

Our export sales of PVC and EDC vary from year to year, influenced principally by domestic market demand and product availability.

The following table sets forth export volumes of our Vinyls Unit for the years indicated.

	For the Year Ended December 31,		
	2009	**2008(1)**	**2007(2)**
Export sales volumes (thousands of tons)	139.0	97.7	148.0
As % of total sales volume of Vinyls Unit	12.7%	8.1%	12.7%

We use a variety of methods to distribute our exports, depending generally on the total size of the export market, including direct sales, independent distributors, negotiations conducted through trading companies and sales on the spot market. Our export sales of PVC are focused primarily on the South American markets.

Prices and Sales Terms

We determine the domestic prices for our PVC resins with reference principally to the prices paid by third generation producers in Brazil for imports of PVC, which generally reflect the Northeast Asian spot market price, plus additional service charges. Our export price for PVC is generally at a premium to the Northeast Asian spot market price and includes transportation costs. Delivery time, quality and technical service also affect the levels of sales of PVC resins. We establish our domestic price for caustic soda based on North American spot market prices and prices charged by our three domestic competitors, taking into account any import duties and freight costs. Approximately 65.8% of our caustic soda sales in 2009 were effected pursuant to agreements that are generally for one- to three-year terms and may include minimum and maximum prices. As with PVC, our export prices for EDC are generally determined according to international market prices but also take import duties and freight costs into account.

Prices that we charge for our PVC, EDC and caustic soda products in the Brazilian market are traditionally higher than the prices that we obtain for our exports of these products. The difference in prices between the Brazilian and export markets results generally from:

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- transportation costs;
- tariffs, duties and other trade barriers;
- a pricing premium reflecting the tighter demand/supply relationship in Brazil; and
- our reliability of supply, coupled with the technical support that we provide.

Our customers in Brazil may pay in full on delivery or elect credit terms that require payment in full within seven to 90 days following delivery. We charge interest based on prevailing market rates to our customers in Brazil that elect longer payment options. Sales terms for exports generally require payment between 90 and 120 days following delivery. We require irrevocable letters of credit for export sales made on the spot market.

Competition

PVC

We and Solvay are the only two producers of PVC in Brazil. Solvay s total Brazilian installed annual production capacity is 300,000 tons, compared to our annual production capacity of 510,000 tons. Solvay s production facilities are located in São Paulo and, therefore, are closer than our facilities to the primary PVC market in Brazil. However, we believe that our vertically integrated production capabilities, our modern PVC suspension plants, our strong relationship with our customers and our technical assistance programs enable us to compete effectively with Solvay.

We also compete with importers of PVC. Solvay, which has a plant in Argentina in addition to its plants in Brazil, is also our principal competitor in the PVC market both in Brazil and elsewhere in South America. Imports accounted for approximately 31.1% of Brazilian PVC consumption in 2009. Domestically produced PVC is currently competitively priced with imported PVC after taking into account transportation costs and import duties.

In addition, we compete with other producers of thermoplastics that manufacture the same PVC products or substitutes for products in our PVC product line. Thermoplastics principally consist of polyethylene and polypropylene and are used in certain applications as substitutes for PVC. Wood, glass and metals also are used in some cases as substitutes for PVC.

Caustic Soda

The four largest Brazilian producers of caustic soda accounted for 91.5% of Brazilian production in 2009. Our company and Dow Chemical operate in this market throughout Brazil, while the other domestic producers of caustic soda generally operate on a local or regional basis. Imports accounted for 9.9% of Brazil s total caustic soda consumption in 2009. We do not believe that imports of caustic soda will increase substantially because of the adequacy of domestic supply. In the caustic soda market, we compete mainly on the basis of price and timeliness of delivery.

Our principal competitors in the caustic soda market elsewhere in South America are Dow Chemical, Solvay, Carbocloro and producers located on the U.S. Gulf Coast.

Chemical Distribution Unit

Our Chemical Distribution Unit is the largest Brazilian distributor of chemical and petrochemical products with a market share of approximately 10%. Our Chemical Distribution Unit generated net sales revenue of R$548.9 million during 2009, or 2.7% of the net sales revenue of all segments in 2009. As a result of our obtaining effective management control over IQ Soluções & Química, or QuantiQ, in April 2007, we have fully consolidated QuantiQ s results in our consolidated financial statements and reported the results of our Chemical Distribution Unit as a separate segment as from April 1, 2007. In September 2009, we formed Varient Distribuidora de Resinas Ltda., or Varient, to contribute the thermoplastic resin distribution business of QuantiQ to Varient.

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Our Chemical Distribution Unit distributes products manufactured by our Polyolefins Unit, as well as products from more than 70 domestic and international companies. Our Chemical Distribution Unit distributes products in a broad range of market segments, including agrochemicals, rubber and general purpose chemicals; cosmetics and pharmaceuticals; household and other industrial segments; plastic transformation; and paints, resins, adhesives and civil construction.

Products Distributed by Our Chemical Distribution Unit

Our Chemical Distribution Unit distributes a large and diverse portfolio of products consisting of more than 1,000 products. We classify the products distributed by our Chemical Distribution Unit as:

- solvents, including aliphatic solvents, aromatic solvents, synthetic solvents and ecological solvents;
- polymers; and
- general purpose chemicals, including process oils, chemical intermediates, blends, specialty chemicals, pharmaceuticals and santoprene.

The following table sets forth a breakdown of the sales volume of our Chemical Distribution Unit by product for the years ended December 31, 2009 and 2008 and for the nine months ended December 31, 2007 (the period of 2007 during which we consolidated the results of QuantiQ).

	Year Ended December 31,		Nine Months Ended December 31,
	2009	2008	2007
	(thousands of tons)		
Solvents:			
Aliphatic solvents	32.4	28.5	28.9
Aromatic solvents	23.3	27.0	20.2
Synthetic solvents	54.2	19.6	12.9
Ecological solvents	0.4	0.3	0.2
Polymers	47.6	38.4	25.7
General purpose chemicals:			
Process oils	25.2	30.6	27.3
Chemical intermediates	8.3	11.2	10.1
Blends	25.9	30.2	15.5
Specialty chemicals	4.8	4.4	2.7
Santoprene	1.9	1.7	1.2
Pharmaceuticals	1.3	1.2	0.9
Services	0.1	0.1	0.1
Total net sales	225.5	193.1	145.6

Distribution Agreements

Our Chemical Distribution Unit has commercial relationships with more than 50 domestic and international companies, under which our Chemical Distribution Unit distributes specified products, including:

- Conoco-Phillips for the distribution of hydrocarbon solvents;

- Sasol Solvents for the distribution of synthetic Solvents;
- Lubrizol for the distribution of additives for lubricants.

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- Wacker Chemie GmbH for the distribution of silicone-derived products;
- RT Vanderbilt for the distribution of specialty chemicals for the rubber, cosmetics and lubricants industries;
- Sasol Wax for the distribution of waxes;
- DCC for the distribution of pigments;
- Emerald Kalama for the distribution of chemical intermediates and specialty chemicals;
- Sandoz for the distribution of active pharmaceutical ingredients;
- JRS Pharma for the distribution of pharmaceutical excipients; and
- Meggle for the distribution of pharmaceutical excipients.

Our Chemical Distribution Unit also has entered into distribution agreements that provide it with exclusive rights to distribute specified products in Brazil, including distribution agreements with:

- Petrobras for the distribution of hydrocarbon solvents;
- Eastman Chemical for the distribution of solvents and chemical intermediates; and
- RT Vanderbilt for the distribution of specialty chemicals for the rubber, cosmetics and lubricants industries, under which QuantiQ may not distribute products for Vanderbilt s competitors.

Generally, our Chemical Distribution Unit initiates distribution activities for a producer with a letter of intent with a term of one-year and, following this period, extends these commercial relationships or distribution agreements for an indefinite period. Distribution agreements of our Chemical Distribution Unit generally may be terminated by either party on 30 to 180 days notice.

Our distribution agreements are generally local stock agreements, indent sales agreements or agreements that combine the features of both. Under our local stock agreements, we purchase chemicals for resale to its customers. These agreements do not contain minimum volume or maximum margin requirements. Sales to us under these agreements are at prices negotiated between us and the producer. Our distribution agreement with Petrobras provides that we are eligible to receive a discount on purchases based on the volume of products purchased. Under our indent sales agreements, we act as a sales agent and receive a commission on the total sales revenue (FOB price) generated for the producer by these sales.

Sales and Marketing by Our Chemical Distribution Unit

Our Chemical Distribution Unit distributes products to chemical retailers, third generation petrochemical producers and other manufacturers. We determine the prices for the products distributed by reference to several market factors, including the prices paid by third generation producers for imports of these products and prevailing market prices in Brazil. We serve approximately 5,000 active clients in more than 50 market segments, through 11 business units supported by seven sales offices throughout Brazil. We operate four distribution centers that include warehouses and tank farms. We own our distribution centers in Guarulhos in the State of São Paulo, Canoas in the State of Rio Grande do Sul and Duque de Caxias in the State of Rio de Janeiro, and lease a distribution facility in Simões Filho in the State

of Bahia.

Our Chemical Distribution Unit distributes products in a broad range of market segments. No customer represented more than 10% of the net sales revenue of our Chemical Distribution Unit during 2009, 2008 or 2007. The following table sets forth a breakdown of the net sales revenue of our Chemical Distribution Unit by market segment served by its customer for the years ended December 31, 2009 and 2008 and for the nine months ended December 31, 2007 (the period of 2007 during which we consolidated the results of QuantiQ).

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	Year Ended December 31, 2009		2008		Nine Months Ended December 31, 2007	
	(millions of *reais*)	(%)	(millions of *reais*)	(%)	(millions of *reais*)	(%)
Plastics	R$149.8	27.3%	R$141.3	23.5%	R$81.3	20.7%
Paints and Coats	77.3	14.1	89.7	14.9	61.6	15.7
Rubber	57.4	10.5	86.8	14.4	47.5	12.1
Pharmaceutical	24.1	4.4	40.0	6.7	34.2	8.7
Agribusiness	51.5	9.4	52.5	8.7	24.3	6.2
Adhesives	22.7	4.1	25.7	4.3	18.1	4.6
Chemicals	27.9	5.1	29.0	4.8	17.7	4.5
Household products	8.1	1.5	11.2	1.9	14.1	3.6
Lubricants	13.5	2.5	18.4	3.0	13.0	3.3
Automobile	12.4	2.3	15.3	2.6	12.2	3.1
Petrochemical	11.2	2.0	11.9	2.0	10.2	2.6
Cosmetics/ Personal Care	17.4	3.2	17.5	2.9	9.4	2.4
Chemical and petrochemical resale	14.6	2.7	12.6	2.0	8.6	2.2
Other	61.0	11.1	49.9	8.2	40.4	10.3
Total net sales	R$548.9	100%	R$601.8	100%	R$392.6	100%

Competition

The chemical distribution industry in Brazil had revenues of US$4.7 billion in 2009, according to preliminary data published by the Brazilian Chemical and Petrochemical Distributors Association. The chemical distribution industry in Brazil is highly fragmented, with a small number of large distributors, such as Bandeirantes Brazmo, M Cassab, Coremal, Arinos, Makeni Química and Brenntag, and a large number of small distributors. The Brazilian Chemical and Petrochemical Distributors Association estimates that 14% of the companies in this industry have annual sales of more than US$150 million while 73% have annual sales of less than US$50 million. The customer base for chemical distributors is primarily composed of customers that consume small volumes of any distributed product.

The Quattor Companies

Quattor

Quattor is a holding company that owns, directly and indirectly:

- 100% of the outstanding share capital of Quattor Química, which owns and operates:

Ø the basic petrochemicals unit in the São Paulo Complex, the oldest petrochemical complex in Brazil, which began operations in 1972;

Ø an LDPE plant in the petrochemicals complex located in Santo André in the State of São Paulo, which we refer to as the ABC Complex, with a maximum annual production capacity of 130,000 tons of LDPE;

Ø a swing-line plant in the ABC Complex capable of producing LLDPE and HDPE with a maximum annual production capacity of 230,000 tons of LLDPE and HDPE; and

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Ø an LDPE plant in located in Cubatão in the State of São Paulo, with a maximum annual production capacity of 140,000 tons.

- 75.0% of the outstanding share capital of RioPol, which owns and operates (1) the basic petrochemicals unit in the Rio de Janeiro Complex, the newest petrochemical complex in Brazil, which began operations in 2006, and (2) a swing-line plant in the Rio de Janeiro Complex capable of producing LLDPE and HDPE with a maximum annual production capacity of 540,000 tons of LLDPE and HDPE;
- 99.3% of the outstanding share capital of Quattor Petroquímica, which owns and operates three polypropylene plants located in Camaçari in the State of Bahia, Duque de Caxias in the State of Rio de Janeiro and Mauá in the State of São Paulo with a combined annual production capacity of 875,000 tons; and
- 33.3% of the outstanding share capital of Polibutenos, which owns and operates a polyisobutylene plant located in Mauá in the State of São Paulo with an annual production capacity of 35,000 tons.

Quattor generated net sales revenues of R$4,722.3 million during 2009 and had a net loss of R$229.2 million.

Unipar Comercial

Unipar Comercial is a chemical and petrochemical distribution company. At December 31, 2009, Unipar Comercial had a market share of approximately 10% of the Brazilian solvents market and 8% of the Brazilian thermoplastic resins market. Unipar Comercial distributes products in a broad range of market segments, including plastic transformation, paints, resins, adhesives, household and industrial. The products distributed by Unipar Comercial are primarily produced by Quattor. Unipar Comercial generated net sales revenues of R$263 million during 2009 and had net income of R$8.4 million.

Polibutenos

Polibutenos is the sole producer of polyisobutylene in Brazil, which is the main raw material for lubricant additives. Polibutenos s plant is located in the City of Mauá in the State of São Paulo. Polibutenos plant has a maximum annual production capacity of 35,000 tons of varying grades of polyisobutylene. Polibutenos obtains its raw materials and utilities from Quattor. In 2009, Polibutenos generated net revenues of R$53.9 million and had net income of R$12.0 million.

Background and History of Quattor

In August 2007, Petrobras acquired control of Suzano, formed Quattor and contributed its interest in Suzano to Quattor. In November 2007, Petrobras and Unipar agreed to combine certain of their petrochemical assets and to contribute these assets to Quattor.

In June 2008, Petrobras and Unipar contributed their interests in RioPol, PQU Petroquímica União S.A., or PQU, Polietilenos União S.A. and Unipar s chemical division to Quattor. Following these transactions, Unipar owned 60% of Quattor s share capital and Petrobras owned, directly and indirectly, 40% of Quattor s share capital, and Suzano was renamed Quattor Petroquímica S.A.

In June 2009, PQU and Polietilenos União S.A. merged to form Quattor Química as a subsidiary.

Products of Quattor

Quattor produces a similar variety of basic petrochemicals as those produced by our Basic Petrochemicals Unit. In addition, Quattor is the only Brazilian producer of cumene, which it supplies to Rhodia Polyamide for use in the production of nylon fibers and bisphenol A, a feedstock for the production of polycarbonate resins. Quattor supplies ethylene and propylene to its polyolefins plants and to third-party petrochemical producers. Quattor also sells butadiene, cumene, and a variety of aromatics, including BTX products, to third-party petrochemical producers for use as raw materials in the production of a variety of second generation products.

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The following table sets forth a breakdown of the sales volume of Quattor s basic petrochemical operations (including intra-company sales) for the periods indicated.

	Years Ended December 31,	
	2009	2008
	(thousands of tons)	
Domestic sales:		
Ethylene	319.7	354.5
Propylene	227.2	257.5
Cumene.	239.8	191.3
Butadiene	57.8	50.0
BTX products(2)	299.4	224.6
Others.	67.9	119.6
Total domestic sales of basic petrochemicals.	1,211.8	1,197.5
Total export sales of basic petrochemicals	133.7	122.4
Total sales of basic petrochemicals.	1,345.5	1,319.9

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(1) Includes the following intra-company sales:

- approximately 104,000 tons of ethylene in 2009 and 191,100 tons in 2008;
- approximately 170,300 tons of propylene in 2009 and 200,300 tons in 2008; and
- approximately 161,600 tons of benzene in 2009 and 123,600 tons in 2008.

(2) Includes benzene, toluene, ortho-xylene, para-xylene and mixed xylenes.

The following table sets forth a breakdown of the sales volume of Quattor s polyolefins operations for the periods indicated.

	Years Ended December 31,	
	2009	2008
	(thousands of tons)	
Domestic sales:		
Polyethylene.	436.6	394.1
Polypropylene	499.3	403.6
Other	21.1	8.9
Total domestic sales of Quattor s polyolefins operations.	957.4	806.6
Total export sales of Quattor s polyolefins operations.	335.7	230.0
Total sales of Quattor s polyolefins operations	1,293.1	1,036.6

Production Facilities of Quattor

Quattor owns and operates:

- three major basic petrochemicals units in the São Paulo Complex (one olefins unit, one aromatics unit and a utilities unit); and

- two major basic petrochemicals units in the Rio de Janeiro Complex (one olefins unit and a utilities unit).

We define the term unit to mean several production lines that are linked together to produce olefins, aromatics or utilities.

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At December 31, 2009, Quattor s basic petrochemicals plants had total annual production capacity of 1,220,000 tons of ethylene and 380,000 tons of propylene. The table below sets forth the primary basic petrochemical products of Quattor, annual production capacity at December 31, 2009 and annual production for the years presented.

Primary Products	Annual Production Capacity	Production For the Year Ended December 31, 2009	2008	2007
	(in tons, except automotive gasoline)			
Olefins:				
Ethylene	1,020,000	830,140	786,429	866,358
Propylene	330,000	296,333	259,600	307,264
Butadiene	60,000	58,063	49,974	64,800
Aromatics:				
Benzene	240,000	228,404	165,978	200,210
Cumene	320,000	243,940	185,142	218,745
Toluene	20,000	19,034	12,481	22,197
Ortho-xylene	50,000	28,816	17,775	29,496
Mixed xylenes	30,000	27,991	25,668	31,291
Fuels and Fuel Additives:				
Automotive gasoline (1)	321,000	310,848	252,286	224,407
LPG	70,000	59,725	47,968	57,921

(1) Automotive gasoline in cubic meters per year.

Since commencing operations in 2006, RioPol s production of basic petrochemicals has been adversely affected by the irregular supply of raw materials. In order to improve the reliability of the supply of raw materials to RioPol, Petrobras has undertaken improvements of its facilities at its processing plant at Cabiúnas in the State of Rio de Janeiro and of its pipelines that transport gas produced in the Campos Basin. These improvements are scheduled to be completed during the second half of 2010. We believe that these improvements will substantially eliminate the irregular supply of raw materials to the RioPol plant and that as a result, this plant will be able to operate at its annual production capacity of 520,000 tons of ethylene.

In 2008, Quattor expanded its basic petrochemicals plant in the São Paulo Complex to increase its annual production capacity of ethylene by 200,000 tons and its annual production capacity of propylene by 30,000 tons. This additional capacity is designed to use ethane and propane as its raw materials. In connection with this expansion, Quattor agreed to fund the construction of (1) a new facility at REVAP, a refinery that is owned and operated by Petrobras, to produce ethane and propane from light refinery hydrocarbons, and (2) pipelines to deliver ethane and propane to the São Paulo Complex. Deliveries of ethane and propane from this new facility commenced in May 2010.

The table below sets forth the polyolefins products of Quattor, annual production capacity at December 31, 2009 and annual production for the years presented.

Primary Products	Annual Production Capacity (in tons)	Production For the Year Ended December 31, 2009 (in tons)	2008 (in tons)	2007 (in tons)
Polyethylene:				
LDPE (1)	270,000	242,945	197,401	179,943
HDPE/LLDPE(2)	770,000	386,168	412,672	404,003
Polypropylene (3)	875,000	585,563	478,866	582,168

(1) Represents capacity and production at two plants.

(2) Represents capacity and production at two plants with swing line capable of producing two types of resins, including a plant that commenced production in May 2009. Capacity varies depending on actual production.

(3) Represents capacity and production at three plants.

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Raw Materials of Quattor

Naphtha

Naphtha is the principal raw material that Quattor uses to produce its basic petrochemical products in the São Paulo Complex and represents the principal production and operating cost of the basic petrochemical unit in the São Paulo Complex. The price of naphtha and condensate that Quattor purchases varies primarily based on changes in the U.S. dollar-based international price of crude oil.

In May 2006, Quattor and Petrobras entered into a Petrochemical Naphtha Purchase and Sale Contract for the supply of naphtha to Quattor s basic petrochemicals plants located in São Paulo Complex, which superseded a previous naphtha supply agreement between the parties. The initial term of this contract expires in December 2010 and is automatically renewable for one five-year period, unless either party notifies the other party in writing, at least six months prior to the expiration of the contract, that it does not intend to renew the contract. Under the terms of this contract:

- Petrobras agrees to sell and deliver naphtha to Quattor s basic petrochemicals plants in the São Paulo Complex exclusively for use as a raw material;

- Quattor is required to purchase a minimum annual volume of naphtha;

- Quattor agrees to provide Petrobras with a firm commitment order for naphtha each month, together with an estimate of the volume of naphtha that it will purchase over the immediately succeeding six months;

- since March 2009, the price that Quattor pays for naphtha under this contract is based on a variety of factors, including the market prices of naphtha and a variety of petrochemical derivatives, the volatility of the prices of these products in the international markets, the *real*/U.S. dollar exchange rate, and the level of paraffinicity of the naphtha that is delivered;

- the contract will be amended in the event that unforeseen extraordinary events occur that cause a disruption in the economic-financial equilibrium of the contract; and

- Petrobras may terminate the contract, without prior notice, in the event of: (1) Quattor s failure to cure any breach of the contract following a 30-day grace period; (2) a force majeure event that continues for more than 180 days; (3) Quattor transfers or offers as a guaranty all or part of its rights and obligations under the contract to a third party without Petrobras consent; (4) an alteration of Quattor s ownership or corporate purposes that conflicts with the object of the contract; (5) a change of entity type, merger, sale, spin-off or any other corporate reconstruction of Quattor that may conflict with the execution of contract s object; or (6) the dissolution, bankruptcy or liquidation of Quattor.

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Ethane and Propane

Ethane and propane are the principal raw materials that Quattor uses to produce its basic petrochemical products in the Rio de Janeiro Complex and represents the principal production and operating cost of the basic petrochemical unit in the Rio de Janeiro Complex. The price of ethane and propane that Quattor purchases varies primarily based on changes in the U.S. dollar-based international price of these feedstocks.

In December 2000, Quattor and Petrobras entered into an ethane and propane supply agreement. The initial term of this contract expires in 2021 and this agreement is automatically renewable for one two-year period, unless either party notifies the other party in writing, at least one year prior to the expiration of the contract, that it does not intend to renew this agreement. Under the terms of this agreement:

- Petrobras agrees to sell and deliver ethane and propane to Quattor s basic petrochemical plant in the Rio de Janeiro Complex exclusively for use as a raw material;

- Quattor is required to purchase a minimum annual volume of ethane and/or propane;

- Quattor agrees to provide Petrobras with a firm commitment order for ethane and propane each month, together with an estimate of the volume of ethane and propane that Quattor will purchase over the immediately succeeding four months;

- the price for ethane and propane is based on the US Marketscan Mont Belvieu price;

- the contract will be amended in the event that unforeseen extraordinary events occur that cause a disruption in the economic-financial equilibrium of the contract; and

- Petrobras may terminate the contract, without prior notice, in the event of: (1) Quattor s failure to cure any breach of the contract following a 60-day grace period; (2) a force majeure event that continues for more than 365 days; (3) Quattor transfers or offer as a guaranty all or part of its rights and obligations under the contract to a third party without Petrobras consent; (4) the dissolution, bankruptcy or liquidation of Quattor; or (5) a change of entity type, merger, sale, spin-off or any other corporate reconstruction of Quattor that conflicts with or impedes the execution of contract s object.

In January 2005, Quattor and Petrobras entered into an agreement for the purchase and sale of a chain of light refinery hydrocarbons, which are processed by Petrobras and delivered to Quattor in the form of ethane and propane. This agreement provides that Quattor and Petrobras will negotiate the renewal of this agreement prior to its expiration in 2020 and that, in the event that Petrobras does not intend to renew this agreement, it must notify Quattor at least two years prior to the expiration of this agreement and must perform under the terms and conditions of this agreement until 2028. Under the terms of this agreement:

- Petrobras agrees to sell and deliver light refinery hydrocarbons to Quattor s basic petrochemical plant in the São Paulo Complex exclusively for use as raw materials;

- Quattor is required to purchase a minimum daily volume of light refinery hydrocarbons;

- the price for light refinery hydrocarbons is based on a variety of market indices;

- the contract will be amended in the event that unforeseen extraordinary events occur that cause a disruption in the economic-financial equilibrium of the contract; and

- Petrobras may terminate the contract, without prior notice, in the event of: (1) Quattor s failure to cure any breach of the contract following a 30-day grace period; (2) a force majeure event that prevents the execution of the contract; (3) Quattor transfers or offers as a guarantee all or part of its rights, obligations and credits under the contract to a third party without Petrobras consent, unless the third party is a member of Quattor s economic group; (4) the dissolution or bankruptcy of Quattor; and (5) a change of entity type, merger, sale, spin-off or any other corporate reconstruction of Quattor that conflicts with or impedes the execution of contract s object.

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Ethylene and Propylene

Quattor s basic petrochemicals plants provide all of the ethylene and approximately two-fifths of the propylene used by Quattor s polyolefins plants.

Between May 2001 and February 2006, Quattor and Petrobras entered into five propylene supply agreements. Each contract has an initial term of 20 years and the terms of each of these agreements is automatically renewable for a five-year period, unless either party notifies the other party in writing, at least six months prior to the expiration of the contract, that it does not intend to renew the agreement. Under the terms of these agreements:

- Petrobras has agreed to sell and deliver propylene to Quattor s polymers plants in the States of São Paulo and Rio de Janeiro exclusively for use as a raw material;

- Petrobras has agreed to supply an aggregate of 440,000 tons of propylene to Quattor annually;

- Quattor agrees to provide Petrobras with a firm commitment order for propylene each month, together with an estimate of the volume of propylene that Quattor will purchase over the immediately succeeding three or four months;

- the price that Quattor pays for propylene under these contracts is based primarily on the ICIS-LOR price for propylene in the U.S. Gulf Coast;

- the contract will be amended in the event that unforeseen extraordinary events occur that cause a disruption in the economic-financial equilibrium of the contract; and

- Petrobras may terminate the contract, without prior notice, in the event of: (1) Quattor s failure to cure any breach of the contract following a 30-day grace period; (2) a force majeure event that continues for more than 180 days; (3) Quattor transfers or offer as a guaranty all or part of its rights and obligations under the contract to a third party without Petrobras consent; (4) an alteration of Quattor s management or corporate purposes that conflicts with the object of the contract; (5) the dissolution, bankruptcy or liquidation of Quattor; (6) a change of entity type, merger, sale, spin-off or any other corporate reconstruction of Quattor that conflicts with or impedes the execution of contract s object; or (7) any fact that affects the security or environment caused by action, omission or fault of Quattor and its employees.

Utilities

Quattor self-generates approximately 45% of the São Paulo Complex s energy consumption requirements, and the remainder is acquired primarily under auction contracts in the free market for energy (*Mercado Livre de Energia*) from Tractebel Energia S.A.

Quattor purchases substantially all of the energy consumption requirements of the Rio de Janeiro Complex s from Petrobras Energia and Ampla under long-term contracts, which expire in 2015 and 2021, respectively.

Quattor s basic petrochemicals plants supply its polyolefins plants with steam and water, other than its plant in the Northeastern Plant which we supply with steam and water.

Other Materials

Quattor uses butene and hexene as raw materials in the production of HDPE and LLDPE. Braskem supplies Quattor s butene requirements and Quattor imports most of its hexene requirements from suppliers located in South Africa. Quattor imports all of the catalysts that it uses.

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In general, we believe that there are sufficient alternative sources available at reasonable prices for each of these other inputs used in Quattor s polyolefins production process such that the loss of any single supplier would not have a material adverse effect on our operations.

Sales and Marketing of Quattor s Products

Basic Petrochemicals

Quattor sells the basic petrochemical products that it does not consume to produce second generation products principally in Brazil, mainly to second generation petrochemical producers. Quattor also produces utilities for its own use and for sale to other companies, including companies located outside of the São Paulo Complex and the Rio de Janeiro Complex.

As is common with other first generation petrochemical producers, Quattor has a high concentration of sales of its basic petrochemicals to a limited number of customers. Quattor has entered into long-term supply contracts under which it sells ethylene to three second generation producers located in the São Paulo Complex. These supply contracts generally have an initial 15-year term and may be renewed pursuant to prior negotiation between the parties 12 months before the expiration of the contract. These contracts also provide for minimum and maximum quantities to be purchased and monthly deliveries. Quattor also sells automotive gasoline and LPG to Petrobras and fuel distribution companies.

Polyolefins

Quattor sells polyethylene and polypropylene products to approximately 500 customers. Quattor s polyolefins customers are third generation petrochemical producers that manufacture a wide variety of plastic-based consumer and industrial goods. During the year ended December 31, 2009, approximately 70% of Quattor s sales of polyolefins products were to customers located in Brazil. Quattor focuses on developing longer-term relationships with its customers, working closely with its customers to determine their needs, to provide technical assistance and to coordinate the production and delivery of our products. Customers submit annual proposals giving their estimated monthly requirements for the upcoming year for each of Quattor s polyolefins products, including technical specifications, delivery terms and proposed payment conditions.

Export sales represented approximately 30% of Quattor s net sales revenue derived from sales of polyolefins products during 2009. In 2001, RioPol entered into a long-term export contract with an offshore trader under which RioPol agreed to sell approximately 1.2 million tons of polyethylene during a period commencing in 2006 and ending in 2015. Under this contract, RioPol sold approximately 150,000 tons of polyethylene in each of the first four years of this period, and expects to sell 100,000 tons in each of the remaining years of this period. As part of its export sales efforts, Quattor maintains a sales office in Buenos Aires, Argentina.

Braskem Americas

On April 1, 2010, we acquired all of the outstanding capital stock of Sunoco Chemicals, which we have renamed Braskem Americas. The assets of Braskem Americas are polypropylene plants located in La Porte, Texas, Marcus Hook, Pennsylvania and Neal, West Virginia, as well as a petrochemicals research facility in Pittsburgh, Pennsylvania.

As a result of the Sunoco Chemicals Acquisition, we have fully consolidated the results of Braskem Americas in our consolidated financial statements as from April 1, 2009.

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Production Facilities of Braskem Americas

The table below sets forth the annual production capacity at December 31, 2009 of each of Braskem Americas plants and the annual production for the years presented.

		Production		
Polypropylene Plant	**Annual Production Capacity (in tons)**	**For the Year Ended December 31, 2009**	**2008**	**2007**
		(in tons)		
La Porte, Texas	390,000	324,000	324,000	313,000
Marcus Hook, Pennsylvania	350,000	276,000	313,000	313,000
Neal, West Virginia	210,000	187,000	206,000	177,000

Raw Materials of Braskem Americas

Propylene

The most significant direct cost associated with Braskem Americas production of polypropylene is the costs of purchasing propylene.

Braskem Americas acquires propylene for its La Porte, Texas plant from a limited partnership that it formed with Equistar Chemicals, L.P., or Equistar, a wholly-owned subsidiary of LyondellBasell Industries, involving Equistar s ethylene facility in La Porte, Texas. Under the terms of the partnership agreement, the partnership has agreed to provide Sunoco with up to approximately 235,000 tons per year of propylene through 2053 priced on a cost-based formula that includes a fixed discount that declines until 2018. In January 2009, LyondellBasell Industries announced that its U.S. operations (including Equistar) filed to reorganize under Chapter 11 of the U.S. Bankruptcy Code. Neither the partnership nor the Equistar entities that are partners of the partnership has filed for bankruptcy. Equistar has met all of its obligations under the contracts during 2009 and has not given any indication that it will not perform under its contracts in the future. We do not believe that the bankruptcy will have a significant adverse impact on the business of Braskem Americas.

Under a separate agreement, Enterprise has agreed to provide Braskem Americas with up to approximately 90,000 tons per year of propylene at market prices. This contract expires in February 2011, and is automatically renewable for successive one-year terms, unless cancelled by one of the parties.

Braskem Americas acquires propylene for its Marcus Hook, Pennsylvania plant under a supply agreement and a tolling agreement entered into with Sunoco in connection with the Sunoco Chemicals Acquisition. Under this supply agreement, Sunoco has agreed to provide Braskem Americas with a minimum of 45,000 tons and a maximum of 50,000 tons of polymer grade propylene per quarter. This contract has a term of ten years, expiring in 2020, and is automatically renewable for consecutive one-year terms, unless cancelled by one of the parties. In addition, Braskem Americas acquires propylene for this plant from Valero s Paulsboro, New Jersey refinery under a supply agreement that provides for the purchase of up to 65,000 tons of propylene per year. This contract expires in December 2011, and is automatically renewable for consecutive one-year terms, unless cancelled by one of the parties. The pricing formula for propylene under these supply agreements are based on market prices.

Under the tolling agreement, Sunoco has agreed, subject to certain capacity limitations, to convert refinery grade propylene into polymer grade propylene for Braskem Americas. Sunoco charges Braskem Americas fees for handling and conversion of propylene, which are cost-based and may be adjusted in the event of increases in the price of natural gas. This contract has a term of ten years, expiring in 2020, and is automatically renewable for consecutive one-year terms, unless cancelled by one of the parties.

Braskem Americas acquires propylene for its Neal, West Virginia plant from Marathon s Catlettsburg, Kentucky refinery under a supply agreement that that provides for the purchase of up to 90,000 tons of propylene per year. This contract expires in January 2012, and is automatically renewable for consecutive two-year terms, unless cancelled by one of the parties. The pricing formula for propylene under this supply agreement is based on market prices.

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Catalysts and Other Materials

Braskem Americas purchases its catalysts from reliable suppliers with technological expertise related to its specific manufacturing technologies. In general, we believe that there are sufficient alternative sources available at reasonable prices for the catalysts used in Braskem Americas s polypropylene production process such that the loss of any single supplier would not have a material adverse effect on our operations.

Utilities

Utilities for Braskem Americas La Porte, Texas plant are either self-generated or provided by utility companies that serve the geographical area in which this plant is located.

Utilities for Braskem Americas Marcus Hook, Pennsylvania plant are provided by Sunoco under a utilities supply agreement entered into with Sunoco in connection with the Sunoco Chemicals Acquisition. Under this utilities supply agreement, Sunoco provides steam, fire water, access to public sewage and access to the Transco National Gas pipeline. This agreement has a term of ten years, expiring in 2020, and is automatically renewable for consecutive two-year terms, unless cancelled by one of the parties.

Utilities for Braskem Americas Neal, West Virginia plant are either self-generated or provided by utility companies that serve the geographical area in which this plant is located.

Sales and Marketing of Braskem Americas Products

Braskem Americas sells the polypropylene that it produces to primarily to customers in the United States, as well as to customers in Europe and Asia, particularly Japan.

Braskem Americas sells approximately one-half of its annual propylene sales volume under several long-term supply contracts with its customers. These supply contracts generally have an initial two-year term and are automatically renewable for one-year periods unless one party notifies the other of its intention not to renew. These contracts also provide for minimum and maximum quantities to be purchased and monthly deliveries. Sunoco markets the remainder of its polypropylene production through (1) its direct sales force that seeks to establish supply relationships with domestic and foreign customers, (2) resellers that trade these products under private labels in the U.S market, (3) a small number of distributors, and (4) traders that resell these products in the export markets.

Logistics

Basic Petrochemicals

The Northeastern Complex is located:

- 36 kilometers from the Madre de Deus Port Terminal (located in the City of Madre de Deus in the State of Bahia), a port terminal owned and operated by Petrobras;

- 27 kilometers from Refinaria Landulfo Alves (located in the State of Bahia), one of the largest refineries in Brazil, which is owned and operated by Petrobras; and

- 22 kilometers from the port terminal of Aratú (located in the State of Bahia).

We use the Madre de Deus Port Terminal to unload naphtha that is imported or that is shipped from Petrobras refineries located outside the State of Bahia. At the port terminal of Aratú, we use (1) the Raw Materials Terminal (which we own) to import naphtha and condensate, (2) the Terminal Químico de Aratú (which is owned by Terminal Químico de Aratú S.A. TEQUIMAR, a Brazilian fuel distribution company which is a subsidiary of Ultrapar) to distribute our liquid products, and (3) the Terminal de Gases (which we own) to distribute our gas products.

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A pipeline that is owned and operated by Petrobras transports naphtha from the Madre de Deus Terminal to Refinaria Landulfo Alves where it interconnects with the refinery s naphtha pipeline system. Refinaria Landulfo Alves naphtha pipeline system interconnects with the pipeline system of the port terminal of Aratú, through which naphtha is transported to our basic petrochemicals plants in the Northeastern Complex.

The Southeastern Complex is located:

- 24 kilometers from REFAP (located in Canoas in the State of Rio Grande do Sul), a refinery that is owned and operated by Petrobras; and

- 122 kilometers from the Almirante Soares Dutra Terminal (located in Osório in the State of Rio Grande do Sul), a port terminal owned and operated by Petrobras Transporte S.A. Transpetro, or Transpetro, a subsidiary of Petrobras.

We use the Almirante Soares Dutra Terminal to unload naphtha and condensate that is imported or that is shipped from Petrobras refineries located outside the State of Rio Grande do Sul. We own a pipeline that is operated by Transpetro which transports naphtha from the Almirante Soares Dutra Terminal to REFAP. This pipeline interconnects with REFAP s naphtha pipeline system. Naphtha and condensate are transported to the Southern Complex s basic petrochemicals plants through REFAP s naphtha pipeline system.

The São Paulo Complex is located:

- 100 kilometers from REFAP;

- 215 kilometers from REPLAN;

- 40 kilometers from Petrobras Presidente Bernardes refinery, which is located in Cubatão in the State of São Paulo;

- 5 kilometers from Refinaria de Capuava, or RECAP, which is located in Capuava in the city of Santo André, State of São Paulo; and

- 135 kilometers from Terminal Maritimo Almirante Barroso, or Tebar, a storage and logistics terminal owned by Petrobras that is located in São Sebastião in the State of São Paulo, through which Petrobras receives naphtha from its refineries located outside the State of São Paulo.

Naphtha is delivered from each of these refineries and Tebar to the São Paulo Complex through pipelines owned and operated by Petrobras.

The Rio de Janeiro Complex is located five kilometers from Petrobras Duque de Caxias refinery. Ethane and propane are delivered to the Rio de Janeiro Complex through pipelines owned and operated by Petrobras.

A significant portion of the basic petrochemicals and other products produced by our basic petrochemicals operations are delivered to by pipeline to second generation producers, including plants of our company, located in the petrochemical complexes in which these products are produced. Products which are sold to third parties for delivery elsewhere are shipped by pipeline, rail, truck and coastal or ocean-going vessels.

Polyolefins and Vinyls

All of our polyolefins plants in Brazil, other than Paulínia, and some of our vinyls plants in Brazil are located in our petrochemical complexes and receive delivery of ethylene and propylene, their basic raw materials, through pipelines connected to our crackers. Propylene supplied to our polypropylene plant in the Southern Complex by REPLAN is delivered to our plants through a pipeline operated by Petrobras. Propylene supplied to our polypropylene plants in the States of São Paulo and Rio de Janeiro is delivered to our plants through pipelines operated by Petrobras. Propylene supplied to our Paulínia polypropylene plant by REFAP is delivered by truck. Ethylene is delivered to our Alagoas vinyls plant via a 477-kilometer pipeline that we own.

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Propylene is delivered to our polypropylene plant in La Porte, Texas by pipeline from adjacent basic petrochemicals plants. Propylene is delivered to our polypropylene plant in Marcus Hook, Pennsylvania primarily by pipeline from adjacent refineries with the remainder being delivered by rail or truck. Propylene is delivered to our polypropylene plant in Neal, West Virginia primarily by rail, with the remainder being delivered by pipeline from a nearby refinery.

Our polyolefins and vinyls products are shipped to our customers from our Brazilian facilities by truck, rail, and coastal or ocean-going vessels. We do not own, lease or charter delivery vehicles for our Brazilian operations, other than a small vessel used by our operations in the Southern Complex. We ship polypropylene produced by the Braskem Americas facilities to our customers by truck, rail, and coastal or ocean-going vessels. Braskem Americas leases approximately 2,600 railcars that it uses to deliver products that it sells.

Technology, Research and Development

Technology Licenses

Our Basic Petrochemicals Unit and the basic petrochemicals plants of Quattor use engineering process technology under non-exclusive arrangements from a variety of sources for specific production processes. We have entered into several non-exclusive agreements with a number of leading petrochemical companies to use certain technology and catalysts for our Polyolefins Unit and the polymers plants of Quattor. Some of the license agreements used by our Polyolefins Unit allow us to use the licensed technology in both existing and future plants. We have entered into several non-exclusive agreements with a number of leading petrochemical companies to use technology for our Vinyls Unit. Braskem Americas has entered into several non-exclusive agreements with a number of leading petrochemical companies to use certain technology and catalysts for its polypropylene production. If any of the arrangements or licenses under which we use third-party technology were terminated or no longer available to us, we believe that we would be able to replace this technology with comparable or better technology from other sources.

We do not pay any continuing royalties under any of the arrangements or licenses used by our Basic Petrochemicals Unit, the basic petrochemicals plants of Quattor, our Vinyls Unit or Braskem Americas. Most of the license agreements used by our Polyolefins Unit and the polymers plants of Quattor do not require us to pay any continuing royalties. Under the license agreements that require continuing royalty payments, we pay royalties on a quarterly basis based on the volume of the products produced using the licensed technology.

We also use technology developed by our company in the production processes of our Basic Petrochemicals Unit. We have developed the production process that we will use to produce green polyethylene made out of renewable raw materials at a plant that is expected to commence operation in the second half of 2010. We have entered into a technological cooperation agreement with Novozymes, a world leader in the production of industrial enzymes, for the development of a production process to produce green polypropylene, which we have been able to produce on a small scale in our research facilities. This process has been certified as 100% renewable and we expect to be able to produce this product on a commercial scale within a period of five years.

Our plant in the Northeastern Complex uses mercury cell technology to produce chlorine and caustic soda, which technology can no longer be used in new petrochemical production facilities under Brazilian legislation due in part to environmental concerns regarding mercury emissions resulting from this manufacturing process. The Brazilian government may require us to shift to newer diaphragm technology, which we use in our Alagoas plant, or membrane technology. We have not shifted to these newer technologies yet, in part because the return from the capital expenditures associated with this shift would not be as high as those from other potential investments that we may undertake.

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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 two research centers that we operate: the Braskem Center for Technology and Innovation located in the Southern Complex, and the Sunoco Chemicals Technology Center located in Pittsburgh, Pennsylvania. Through these research centers, we coordinate and maintain our research and development program, which includes the operation of (1) pilot plants, (2) catalysis, polymerization and polymer sciences laboratories, and (3) process engineering and automation centers. Our investments in research and development totaled R$57.3 million during 2009, R$69.8 million in 2008 and R$76.5 million in 2007.

Our research centers employ a staff of approximately 280 employees, who seek to:

- develop new products and applications in response to our customers requirements;
- upgrade or improve the properties and processability of our products;
- identify new product market opportunities;
- implement improvements in our production processes and reduce our operating costs; and
- expand and optimize the capacity and the flexibility of production at our plants.

We maintain eight pilot plants that use a variety of technologies and operate on a variety of scales from approximately 1/150 of the scale of our full-scale plants to approximately 1/400 of the scale of our full-scale plants. We use these pilot plants to (1) produce small quantities of new products to test them in our laboratories and with our customers, (2) develop new conditions and formulations for the creation of new products, and (3) increase the efficiency of our production processes.

We maintain catalysis, polymerization and polymer sciences laboratories. These laboratories enable us to identify new and to improve existing licensed catalysts. We have developed or improved upon a majority of the polyethylene and polypropylene grades that we sell based on technology that we have created or improved. We also maintain process engineering and automation centers which assist us in developing advanced process control technology, reducing our variable costs, achieving operational stability and increasing our production of polyolefins.

We are in regular contact with international process technology licensors to acquire new technologies and improvements. We test new processes on a regular basis, and we follow advances and trends in the petrochemical industry through our relationships with Brazilian and international research universities and consortia. In addition, we maintain ongoing contracts with licensors that permit us to upgrade our technology in order to receive and install improvements developed for our existing processes.

Capital Expenditures

Our capital expenditures on property, plant and equipment and intangible assets were R$847.3 million during 2009, R$1,682.3 million in 2008 and R$2,432.6 million in 2007. Additionally, our investments in interests in other companies were R$5.5 million during 2009, R$653.8 million in 2008 and R$1,345.5 million in 2007. Our capital expenditures projects from 2007 through 2009 included the following:

- the conversion of our MTBE plant in the Southern Complex to the production of ETBE. This project was completed in September 2007 at a total cost of R$23.4 million;

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- an efficiency enhancement project at one of our polypropylene plants in the Southern Complex that increased its annual production capacity by 30,000 tons. We completed this project in April 2008 at a total cost of R$8.3 million;

- an efficiency enhancement project at the Southern Complex s Olefins 1 unit that increased its annual ethylene production capacity by 52,000 tons and its annual propylene production capacity by 30,000 tons. This project was undertaken during the general maintenance shutdown of this unit in April 2008 at a total cost of R$158.0 million;

- efficiency enhancement projects at two of our polyethylene plants in the Northeastern Complex that increased our annual polyethylene production capacity by 20,000 tons. We completed these projects in June 2008 at a total cost of R$13.2 million; and

- the conversion of our MTBE plant in the Northeastern Complex to the production of ETBE. This project was completed July 2009 at total cost of R$95.5 million.

Petroquímica Paulínia

In September 2005, we and Petroquisa incorporated 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 350,000 tons. We initially owned 60% of the total and voting share capital of Paulínia, and Petroquisa owned the remaining total and voting share capital. In December 2006, Paulínia entered into a credit agreement with the Brazilian National Bank for Economic and Social Development (*Banco Nacional de Desenvolvimento Econômico e Social*), or BNDES, in the aggregate amount of R$566.2 million to finance the construction of this plant. The remaining cost of this plant was financed through equity contributions by the shareholders of Paulínia. During the course of the construction of Paulínia s polypropylene plant, we invested R$145.1 million in Paulínia. The total cost of Paulínia s polypropylene plant was R$742.3 million. This plant commenced operations in April 2008. As a result of the completion of the first phase of the Petrobras Transaction in May 2008, we owned all of the share capital of Paulínia. On September 30, 2008, Paulínia merged with and into Braskem.

Politeno Acquisition

In April 2006, we purchased all of the common and preferred shares of Politeno that were owned by SPQ, 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 in April 2006. The remainder of the purchase price for these shares was calculated based on an earn-out formula taking 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 agreement under which we acquired these shares. Following the Politeno Acquisition, we owned 100% of the voting share capital and 96.2% of the total share capital of Politeno. Politeno merged with and into Braskem on April 2, 2007. In January 2008, we paid the remaining portion of the purchase price of R$247.5 million.

Ipiranga Transaction

Under the Ipiranga Investment Agreement, we acquired 60% of the share capital of Ipiranga Química. In addition, under the Ipiranga Investment Agreement, Ultrapar was obligated to transfer 33.3% of the share capital of RPR to our company and 33.3% of the share capital of RPR to Petrobras. As a result of this transfer, which occurred on March 18, 2009, we jointly and equally control RPR with Petrobras and Ultrapar. The total purchase price to our company of the shares of Ipiranga Química and RPR that we have acquired was R$1,489.1 million, which we paid in installments of R$651.9 million in April 2007, R$156.7 million in October 2007, R$47.0 million in November 2007 and R$633.5

million in February 2008.

As part of the Ipiranga Transaction:

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- In June 2007, a subsidiary of Ipiranga Química, acquired the 7.6% of the total share capital of Ipiranga Petroquímica not owned by Ipiranga Química for a purchase price of R$117.9 million; and

- In October 2007, our subsidiary EDSP58 acquired 22.7% of the total and voting share capital of Copesul through the Copesul Tender Offer. The purchase price for these shares was R$1,294.2 million. We owned 60% of the total and voting share capital of EDSP58, and Petrobras owned the remaining share capital of EDSP58. In October 2007 and November 2007, EDSP58 purchased additional shares of Copesul at the price per share paid in the Copesul Tender Offer. In November 2007, Copesul redeemed all of its outstanding shares, other than shares held by our company, EDSP58, Ipiranga Petroquímica, Petroquisa and Triunfo at the price per share paid in the Copesul Tender Offer. The aggregate purchase price for the shares purchased and redeemed after the completion of the Copesul Tender Offer was R$124.3 million.

Quattor Acquisition

On January 22, 2010, we entered into the Quattor Investment Agreement with Odebrecht, OSP, Petrobras, Petroquisa and Unipar. For information concerning the Quattor Acquisition and related transactions, see History and Development of Our Company The Quattor Acquisition.

Sunoco Chemicals Acquisition

On April 1, 2010, we acquired all of the outstanding capital stock of Sunoco Chemicals, which we have renamed Braskem Americas, for US$356.0 million. For information concerning Braskem Americas, see Braskem Americas.

Green Polyethylene Project

In January 2009, we commenced construction of a new ethylene plant in the Southern Complex that will produce ethylene using sugar cane ethanol received through the Santa Clara Terminal as its primary raw material for our use in the production of polyethylene. We believe that, when this plant is completed, we will be the world s first producer of polyethylene manufactured completely from renewable resources. We expect that this plant will have an annual production capacity of 200,000 tons of ethylene and will commence operations in the second half of 2010. We anticipate that the total cost of this project will be approximately R$500 million.

Project Ethylene XXI

In February 2010, we and Idesa entered into a shareholders agreement, which we refer to as the BI Shareholders Agreement, to govern our relationship with respect to BI, a joint venture company which we formed in April 2010. We own 65% of the equity interests in BI and Idesa owns the remaining 35% of the equity interests.

BI was formed to develop, construct and operate an olefins complex to be located in the Coatzacoalcos Petrochemical Complex in the Mexican state of Veracruz. The proposed complex would include an ethylene cracker that would use ethane as its raw material, with an annual ethylene production capacity of 1.0 million tons, and three polyethylene plants with a combined annual production capacity of 1.0 million tons of HDPE, LDPE and LLDPE. Following its formation, BI assumed the obligations of our company and Idesa under an ethane supply agreement that we and Idesa had entered into with Pemex Gas in February 2010, following an auction in November 2009. Under this supply agreement, Pemex Gas will provide 66,000 barrels per day of ethane to this project for a period of 20 years at prices based on the Mont Belvieu purity ethane price. The parties have the right to terminate this contract, in the event that certain development milestones in connection with project are not achieved.

The BI Shareholders Agreement sets forth the understanding of the parties regarding the implementation of this project and the relationship of Braskem and Idesa as shareholders of BI. Under the BI Shareholders Agreement:

- the parties agree that the polyethylene production of BI shall be used primarily to supply the Mexican market;

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- BI is prohibited from competing in Mexico with Idesa or with Braskem in Brazil, and Braskem and Idesa have agreed to use their best efforts to use BI as their commercialization vehicle for polyethylene in Mexico;

- upon a request by Pemex Gas to become a shareholder of BI, we and Idesa will sell to Pemex Gas an aggregate of between 5% and 9.9% of the total outstanding shares of BI;

- we have the right to appoint four members and Idesa has the right to appoint two members of BI s board of directors; decisions considered at BI s ordinary shareholders meetings or by BI s board of directors require the approval by a simple majority; prior to the start-up of the project, so long as Idesa holds at least 20% of the voting capital of BI, BI s financial manager will be nominated by Idesa, subject to board approval; and BI s chief executive officer, construction, corporate, industrial and commercial managers will be nominated by Braskem, subject to board approval;

- upon the failure of Braskem and Idesa to agree to vote in favor of certain matters requiring a supermajority vote in an extraordinary shareholders meeting, (1) we will have the right to seek approval of such matters by a simple majority vote of BI s shareholders, (2) in the event that such matters are approved by a simple majority vote of BI s shareholders, we will have the option to purchase all of the shares then held by Idesa, and (3) in the event that we do not exercise this right, Idesa will have the option to sell all of its shares of BI to us; and

- any disputes between Braskem and Idesa arising out of or in connection with the BI Shareholders Agreement will be resolved through arbitration.

The BI Shareholders Agreement also contains rights of first refusal, tag along rights and drag along rights in connection with the disposition of BI shares.

The transactions contemplated by the BI Shareholders Agreement may be subject to approval by the Mexican antitrust authorities. We can provide no assurances that we will obtain such approvals or as to whether any approval will be contingent upon our acceptance of restrictions on the manner we, Idesa or BI may operate, the amendment of any provisions of the BI Shareholders Agreement or our acceptance of any other restriction or condition.

The estimated total cost of this project to BI (excluding financing costs) is approximately US$2.5 billion, of which we anticipate that (1) we and Idesa will each contribute an aggregate of approximately 30% as equity in proportion to our ownership interests in BI, and (2) the remainder will be borrowed by BI under project finance arrangements, collateralized by the assets of this project, with multilateral credit agencies, export credit agencies, development banks and private banks. We expect that if the implementation of this project is approved, construction of this project will commence in 2012 and this project will begin production in 2015.

Propilsur Polypropylene Project

In December 2007, we, through our wholly-owned Netherlands subsidiary, Braskem Europe B.V., entered into a shareholders agreement, which we refer to as the Propilsur Shareholders Agreement, with Pequiven, the government-owned petrochemical company of Venezuela. In November 2008, we formed Propilsur, a joint venture with Pequiven in which we and Pequiven each own 49% of the share capital. As a result of changes to Venezuelan petrochemical law, we expect that the ownership structure of Propilsur will be amended so that we and Pequiven will each own 50% of Propilsur s share capital.

Propilsur was formed to develop, construct and operate a polypropylene plant with an integrated propane dehydrogenation unit. This plant, if developed according to the original development plan, will have an annual

production capacity of approximately 450,000 tons. As a result of recent developments in the credit markets and in view of new potential sources of feedstock, we and Pequiven have decided to reevaluate the original development plan. Propilsur, together with PDVSA and the Venezuelan Ministry of Energy and Petroleum, is developing a feasibility study to assess (1) a possible change in the location of the project from the previously proposed location in the Jose Petrochemical Complex in the State of Anzoategui, Venezuela to the Paraguaná Complex in the State of Falcon where feedstock could be supplied by the refineries located in Paraguaná, and (2) a change in the scale of this project. In the event that the location of this project is changed to the Paraguaná Complex, the development plan will no longer include the development, construction and operation of an integrated propane dehydrogenation unit, as propylene from nearby refineries will be used as feedstock instead of propane. This feasibility study will also address proposals to fund the construction of this project. We anticipate that we and Pequiven will submit the results of this study to our respective boards of directors by August 2010. If the location or scope of the project is modified, we expect that the provisions in the Propilsur Shareholders Agreement related to feedstock will also be modified.

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The Propilsur Shareholders Agreement sets forth the understanding of the parties regarding the implementation of this project and the relationship of Braskem and Pequiven as shareholders of Propilsur. Under the Propilsur Shareholders Agreement:

- Pequiven will be responsible for obtaining the supply of propane, the primary feed stock of the integrated propane dehydrogenation unit of this plant, from PDVSA; and

- we and Pequiven each appointed two members to Propilsur s four-member board of directors; decisions by Propilsur s general shareholders meetings and board of directors require unanimous approval; Propilsur s general and financial managers were nominated by Pequiven, subject to board approval; and Propilsur s operations and commercial managers were nominated by our company, subject to board approval.

The Propilsur Shareholders Agreement includes provisions for mediation and arbitration in the event of disputes and a deadlock between our company and Pequiven in matters to be determined by Propilsur s board of directors and grants rights of first offer and first refusal to our company and Pequiven in the event that we or Pequiven determine to sell our equity interests in Propilsur.

The Propilsur Shareholders Agreement provides that implementation of this project is contingent upon a final investment decision of each of the parties following their agreement on, among other things, the terms and conditions of the engineering, procurement and construction agreement, the feedstock agreement and commercialization agreements.

We are continuing to negotiate with Pequiven regarding details of the implementation of this project. We can provide no assurances that these negotiations will be successful or that if we reach a final agreement with respect to the implementation of this project, such agreement will be upon the terms currently anticipated by our management.

If the implementation of this project is approved, we expect that the construction of this project will commence in mid-2011 and that this project will begin production in 2013.

Jose Olefins Project

In December 2007, we, through our wholly-owned Netherland subsidiary, Braskem Europe B.V., entered into a shareholders agreement with Pequiven, which we refer to as the Polimerica Shareholders Agreement. In November 2008, we formed Polimerica, a joint venture with Pequiven in which we and Pequiven each own 49% of the share capital. As a result of changes to Venezuelan petrochemical law, we expect that the ownership structure of Polimerica will be amended so that we and Pequiven will each own 50% of Polimerica s share capital.

Polimerica was formed to develop, construct and operate the Jose Olefins Project, an olefins complex to be located in the Jose Petrochemical Complex. The proposed complex would include an ethylene cracker that would use ethane extracted from natural gas as its raw material, with an annual ethylene production capacity of 1.3 million tons, and three polyethylene plants with a combined annual production capacity of 1.1 million tons of HDPE, LDPE and LLDPE.

The Polimerica Shareholders Agreement sets forth the understanding of the parties regarding the implementation of this project and the relationship of Braskem and Pequiven as shareholders of Polimerica. Under the Polimerica Shareholders Agreement:

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- a significant portion of the cost of the project will be borrowed by Polimerica under project finance arrangements, collateralized by the assets of this project, with multilateral credit agencies, export credit agencies, development banks and private banks and through securities issuances in the Venezuelan and international capital markets; and

- we and Pequiven each appointed two members to Polimerica s four-member board of directors; decisions by Polimerica s general shareholders meetings and board of directors require unanimous approval; Polimerica s general and financial managers were nominated by Pequiven, subject to board approval; and Polimerica s operations and commercial managers were nominated by our company, subject to board approval.

The Polimerica Shareholders Agreement includes provisions for mediation and arbitration in the event of disputes and a deadlock between our company and Pequiven in matters to be determined by Polimerica s board of directors and grants rights of first offer and first refusal to our company and Pequiven in the event that we or Pequiven determine to sell our equity interests in Polimerica. The Polimerica Shareholders Agreement provides that implementation of this project is contingent upon a final investment decision of each of the parties following their agreement on, among other things, the terms and conditions of the engineering, procurement and construction agreement, the feedstock agreement and commercialization agreements.

As PDVSA has signaled that there is a possibility that ethane gas and other feedstock sources near the Paraguaná Complex may be available in the future, and given the possible change in location of the Propilsur project to Paraguaná, Pequiven and Braskem have agreed to postpone for one year all developments related to the Polimerica project with the objective of evaluating more competitive alternatives for the project. After the expiration of this one-year period, we will continue to negotiate with Pequiven regarding details of the implementation of this project. We can provide no assurances that these negotiations will be successful or that if we reach a final agreement with respect to the implementation of this project, such agreement will be upon the terms currently anticipated by our management.

Peru Initiative

In May 2008, Braskem, Petrobras and Petroperú entered into a memorandum of understanding to study the technical and economic feasibility of developing, constructing and operating an ethylene and polyethylene plant with annual production capacity of 600,000 to 1,000,000 tons using ethane from Peru as its raw material. In December 2009, the parties executed a new memorandum of understanding with a term of two years with respect to the further study of this project. If the implementation of this project is approved, this project would be located in a new integrated petrochemical complex on the Pacific coast of Perú.

Alagoas PVC Plant

In May 2010, our board of directors approved the construction of a new PVC plant in Alagoas that we expect will increase our annual PVC production capacity by 200,000 tons. This project will consist of an MVC plant and a PVC plant and will use EDC produced by our company, reducing our exports of EDC. We expect that these plants will commence operations in the first half of 2012. We anticipate that the total cost of this project will be approximately US$470 million.

2010 Capital Expenditure Budget

We currently are budgeting total capital expenditures of approximately R$1.6 billion for 2010, excluding the purchase prices for the Sunoco Chemicals Acquisition and the acquisition of the Quattor Companies. Our principal capital

expenditures for 2010 will consist of, in addition to the projects referred to in the preceding paragraphs:

- approximately R$360 million for capital expenditure projects of Quattor and approximately R$56 million for capital expenditure projects of Braskem Americas;

- approximately R$332 million for projects to increase our capacity, including capital expenditures on our green polyethylene project;

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- approximately R$316 million for maintenance stoppages and other maintenance of our plants;
- approximately R$192 million for the replacement of depreciated equipment;
- approximately R$61 million for productivity improvements;
- approximately R$31 million for health, environmental and quality improvement project; and
- approximately R$19 million for information systems.

Maintenance

Most of our maintenance is performed by third-party service providers. For example, we have contracts with Construtora Norberto Odebrecht S.A., or CNO, a company in the Odebrecht Group, Asea Brown Boveri Ltd., Cegelec Ltda., Rip Serviços Industriais S.A., Cl Engenharia Ltda. and other service providers to perform maintenance for our basic petrochemical plants in the Northeastern and southern Complexes. We also perform some of our ordinary course maintenance with our small team of maintenance technicians, which also coordinate the planning and execution of maintenance services performed by third parties.

Basic Petrochemicals Plants

Regular basic petrochemicals plant maintenance requires complete plant shutdowns from time to time, and these shutdowns usually take approximately 30 days to complete. We occasionally undertake brief shutdowns of the basic petrochemical operations at our basic petrochemical plants that do not materially affect our production output, primarily for maintenance purposes, catalyst regeneration and equipment cleaning. In addition, because we have two independent Olefins units and two independent Aromatics units at the Northeastern Complex and two independent Olefins units at the Southern Complex, we may continue production of basic petrochemicals at these complexes without interruption, even while we perform certain maintenance services.

We performed general maintenance shutdowns to service:

- the Northeastern Complex s Aromatics 2 and Olefins 2 units in 2004 at a cost of approximately R$89 million (not including the value of lost production);
- the Southern Complex s Olefins 2 unit in 2005 at a cost of approximately R$44 million (not including the value of lost production);
- the Northeastern Complex s Aromatics 1 unit in 2005 at a cost of approximately R$21 million (not including the value of lost production);
- the Southern Complex s Olefins 1 unit and Aromatics unit in April 2008 at a cost of approximately R$94 million (not including the value of lost production); and
- the Northeastern Complex s Olefins 1 unit in May and June 2008 at a cost of approximately R$144 million (not including the value of lost production).

During the general maintenance shutdown of the Southern Complex s Olefins 1 unit, we implemented an efficiency enhancement project that increased the annual ethylene production capacity of this unit by 52,000 tons and the annual

propylene production capacity of this unit by 30,000 tons at a cost of approximately R$158 million, and various improvements to ensure the reliability, competitiveness and safety of this unit at a cost of approximately R$252 million. During the general maintenance shutdown of the Northeastern Complex s Olefins 1 unit, we also implemented various improvements to ensure the reliability, competitiveness and safety of this unit at a cost of approximately R$155 million.

The next scheduled general maintenance shutdown of:

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- the Northeastern Complex s Aromatics 2 and Olefins 2 units is scheduled to occur in November and December 2010 with an estimated duration of approximately 25 days;

- the Northeastern Complex s Olefins 2 unit is scheduled to occur in April 2011 with an estimated duration of approximately 30 days;

- the São Paulo Complex s Olefins and Aromatics units are scheduled to occur in 2014;

- the Rio de Janeiro Complex s Olefins and Aromatics units are scheduled to occur in 2014;

- the Northeastern Complex s Olefins 1 unit is scheduled to occur in 2014 or 2015; and

- the Southern Complex s Olefins 1 unit and Aromatics unit is scheduled to occur in 2014 or 2015.

We no longer perform general maintenance shutdowns of the Northeastern Complex s Aromatics 1 unit and instead perform general maintenance shutdowns of specific plants or groups of plants in this unit. We performed maintenance of this unit s:

- parex plant, in which we produce para-xylene, during 2007 at a cost of approximately R$19 million (not including the value of lost production during this shutdown);

- butadiene plant in May and June of 2008 at a cost of approximately R$8 million (not including the value of lost production); and

- catalyst reform plant and plants comprising the C8 loop, in which we produce ortho-xylene and mixed xylenes, in November 2009 at a cost of approximately R$35 million (not including the value of lost production during this shutdown).

Polyolefins and Vinyls Plants

We have a regular maintenance program for each of our polyolefins plants. Production at each of our polyolefins plants generally is shut down for seven to 20 days every two to three years to allow for regular inspection and maintenance. In addition, we undertake other brief shutdowns for maintenance purposes that do not materially affect our production of polyolefins. We coordinate the maintenance cycles of our polyolefins plants with those of our basic petrochemicals plants. While our basic petrochemicals facilities must be shut down for up to 30 days for maintenance, our polyolefins facilities may be shut down for shorter periods because these facilities are less complex to operate and maintain than our basic petrochemicals plants. Similarly, Braskem Americas attempts to coordinate its maintenance cycles with the routines of their largest suppliers for each plant.

We have a regular maintenance program for each of our vinyls plants. Our Camaçari and Alagoas PVC plants are generally shut down for 15 to 20 days every two years to allow for regular inspection and maintenance. Our São Paulo PVC plant does not require prolonged maintenance shutdowns, resulting in shutdowns of two or three days each year for regular maintenance. Prior to 2007, our caustic soda and chlorine plant in Alagoas was generally shut down for 15 days of maintenance every two years. Beginning in 2007, our maintenance schedule at this plant has been altered so that we will now shut down this plant once a year for three days of maintenance in different parts of the plant. Our caustic soda and chlorine plant in Camaçari does not require prolonged maintenance shutdowns and is shut down for two or three days each year.

Environmental Regulation

Our Brazilian operations are subject to Brazilian federal, state and local laws and regulations governing the discharge of effluents and emissions into the environment and the handling and disposal of industrial waste and otherwise relating to the protection of the environment.

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Operating Permits

Under federal and state environmental laws and regulations, we are required to obtain operating permits for our manufacturing facilities. If any of our environmental licenses and permits lapse or are not renewed or if we fail to obtain any required environmental licenses and permits, we may be subject to fines ranging from R$500 to R$50.0 million, and the Brazilian government may partially or totally suspend our activities and impose civil and criminal sanctions on our company or both. All our environmental licenses and permits are in full force and effect.

State authorities in the State of Bahia issued operating permits for our plants in the Northeastern Complex in 2000, which were renewed in 2005 for a six-year term. Our environmental operating permit obligates us to engage in systematic measures for the treatment of wastewater and hazardous solid waste.

State authorities in the State of Rio Grande do Sul, where our Southern Complex plants are located regulate our operations by prescribing specific environmental standards in our operating permits, which must be renewed every four years. Our operating permit for the basic petrochemical plants in the Southern Complex was renewed in 2008 and the operating permits for our polyethylene and polypropylene plants were renewed on various dates in 2006 and 2007. State authorities in the States of Alagoas and São Paulo have issued permits for our plants in those respective complexes, which also must be renewed every four years.

State authorities in the State of São Paulo, where our São Paulo Complex plants and our Cubatão, Santo André and Mauá plants are located regulate our operations by prescribing specific environmental standards in our operating permits, which must be renewed every two years. Our operating permit for the basic petrochemical plants in the São Paulo Complex was renewed in 2008 and the operating permits for our polyethylene and polypropylene plants in the State of São Paulo were renewed on various dates in 2007 and 2008.

State authorities in the State of Rio de Janeiro, where our Rio de Janeiro Complex plants are located regulate our operations by prescribing specific environmental standards in our operating permits, which must be renewed every five years. Our operating permit for the basic petrochemical plants in the Rio de Janeiro Complex was renewed in 2008 and the operating permits for our polypropylene plants in the Rio de Janeiro Complex were renewed on various dates in 2007.

State authorities in the States of Alagoas and São Paulo have issued permits for our plants in those respective complexes, which also must be renewed every four years.

All projects for the installation and operation of industrial facilities in the Northeastern Complex are subject to approval by the Council for Environmental Protection of the State of Bahia or by the Environmental Resources Center, the State s Environmental Protection Council s technical office, depending on the complexity of the facility. The State s Research and Development Center and other outside consultants act as technical advisors to the Environmental Resources Center. The State s Environmental Protection Council must approve installed projects prior to their commencement of operations and must renew such approval every five years thereafter.

All projects for the installation, modification and operation of industrial facilities in the Southern Complex are subject to approval by the Rio Grande do Sul State Environmental Protection Foundation. The Rio Grande do Sul State Environmental Protection Foundation must approve installed projects prior to their commencement of operations and must renew such approval every four years thereafter.

All projects for the installation, modification and operation of industrial facilities in the São Paulo Complex are subject to approval by the Environmental Secretary (*Secretaria de Meio Ambiente*) and Environmental Company of

the State of São Paulo (*Companhia Ambiental do Estado de São Paulo*), or CETESB. CETESB must approve installed projects prior to their commencement of operations and must renew such approval every two years thereafter.

All projects for the installation, modification and operation of industrial facilities in the Rio de Janeiro Complex are subject to approval by the State Institute of the Environment (*Instituto Estadual de Meio Ambiente*), or INEA. INEA The must approve installed projects prior to their commencement of operations and must renew such approval every five years thereafter.

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Industrial Waste

Cetrel S.A. Empresa de Proteção Ambiental, or Cetrel, treats wastewater generated by our company and the other petrochemical producers at the Northeastern Complex at a liquid effluents treatment station located in the Northeastern Complex. This treatment station also includes a system for the collection and disposal of contaminated wastewater. Cetrel also stores and incinerates, treats and disposes of hazardous solid waste. For other kinds of solid waste, Cetrel maintains a landfill. Cetrel has installed two hazardous solid waste incinerators with a total annual incineration capacity of 16,600 tons. One of these incinerators has an annual incineration capacity of 4,400 tons and is used to dispose of chlorinated residue, and the other incinerator has an annual incineration capacity of 12,000 tons and is used to dispose of non-chlorinated residue. Another Brazilian company co-processes hazardous solid waste in a cement kiln located in the city of Pedro Leopoldo, State of Minas Gerais.

In January 1996, Cetrel obtained its BS 7750 environmental certification (British Standard) and in September 1996 became one of the first companies in the world to receive the ISO 14001 certification, an international standard for environmental control. In 1998, Cetrel obtained certification of its laboratory by the ISO Guide 25 standards system from the Brazilian Institute of Metrology and Industrial Quality.

Companhia Riograndense de Saneamento, or Corsan, a state-owned sanitation company, operates an integrated system for liquid effluents treatment, or Sitel, in the Southern Complex. Sitel treats wastewater generated by our company and the other petrochemical producers at the Southern Complex at a liquid effluents treatment station located in the Southern Complex. This treatment station also includes a system for the collection of contaminated wastewater and disposal after treatment. Corsan also operates a centralized system for solid waste control, or Sicecors, in the Southern Complex. Sicecors centralizes the collection, treatment and final disposal of solid waste that is generated in the Southern Complex. Sicecors stores, treats and disposes of all solid waste generated at the Southern Complex that is not reused or recycled. Sitel and Sicecors received ISO 14001 certifications in 2001.

We treat wastewater generated by our company at the Rio de Janeiro Complex at a liquid effluents treatment station located in the Rio de Janeiro Complex. This treatment station also includes a system for the collection and disposal of contaminated wastewater. We have engaged Companhia Auxiliar de Viação e Obras the manage the treatment and disposal of solid waste. Hazardous solid waste is co-processed in cement kilns or incinerated and other kinds of solid waste are disposed of in landfills at facilities approved by our company.

We treat wastewater generated by our company at the São Paulo Complex at a liquid effluents treatment station located in the São Paulo Complex. This treatment station also includes a system for the collection and disposal of contaminated wastewater. We have engaged Sarpi Environmental Systems Com Ltda. to co-process hazardous waster generated at the São Paulo Complex in cement kilns. Sarpi Environmental Systems Com Ltda. has received ISO 14001 and OSHAS 18001 certifications. We have engaged Environmental Management TECH LIX Ltd. to handle other kinds of solid waste which it disposes of in landfills.

Compliance with Environmental Laws in Brazil

The Brazilian government enacted an Environmental Crimes Law in 1998 that imposes criminal penalties on corporations and individuals causing environmental damage. Corporations found to be polluting can be fined up to R$50.0 million, have their operations suspended, be prohibited from government contracting, be required to repair damage that they cause and lose certain tax benefits and incentives. Executive officers, directors and other individuals may be imprisoned for up to five years for environmental violations.

Our operations are in compliance in all material respects with applicable Brazilian environmental laws and regulations currently in effect. Some environmental studies that we have commissioned have indicated instances of environmental contamination at certain of our plants. In addition, we and certain executive officers of our company and of our subsidiaries have received notices from time to time of minor environmental violations and are or have been subject to investigations or legal proceedings with respect to certain alleged environmental violations. These environmental issues, and any future environmental issues that may arise, could subject us to fines or other civil or criminal penalties imposed by Brazilian authorities. We are addressing all environmental issues of which we are aware, and we believe that none of these issues will have a material adverse effect on our business, financial condition or results of operations.

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Our consolidated annual expenditures on environmental control were R$127.1 million in 2009, R$98.9 million in 2008 and R$92.7 million in 2007. Our consolidated environmental expenses relate to our continuous control and monitoring policies, and we do not have any material future environmental liabilities related to our ongoing operations.

We have established a provision for environmental contingencies in the amount of R$57.8 million at December 31, 2009. However, our environmental compliance costs are likely to increase as a result of the projected increase in our production capacity and projected increases in unit costs for treatment and disposal of industrial waste, as well as the cost of compliance with future environmental regulations.

Environmental Laws in the United States

As a result of the Sunoco Chemicals Acquisition, our company is subject to United States federal, state and local laws and regulations governing the discharge of effluents and emissions into the environment and the handling and disposal of industrial waste and otherwise relating to the protection of the environment.

At our LaPorte, Texas facility, we are required to maintain an operating permit and a permit relating to pre-treatment of industrial wastewater from the Texas Commission on Environmental Quality. Our operating permit expired in February 2009 and we are in the process of renewing this permit. Our wastewater permit expires in 2013.

At our Marcus Hook, Pennsylvania facility, we are required to maintain an operating permit from the Pennsylvania Department of Environmental Protection and a permit relating to pre-treatment of industrial wastewater from the Delaware County Regional Water Quality Control Authority. Our operating permit expires in 2014 and our wastewater permit expires in 2012.

At our Neal, West Virginia facility, we are required to maintain an operating permit and a permit relating to pre-treatment of industrial wastewater from the West Virginia Department of Environmental Protection. Our operating permit expires in 2011 and our wastewater permit expires in May 2010 and we are in the process of renewing this permit.

Braskem Americas is subject to extensive and frequently changing federal, state and local laws and regulations, including, but not limited to, those relating to the discharge of materials into the environment or that otherwise relate to the protection of the environment and waste management. As with the U.S. petrochemical industry generally, compliance with existing and anticipated laws and regulations increases the overall cost of operating Braskem Americas business, including operating costs and capital costs to construct, maintain and upgrade equipment and facilities. These laws and regulations have required, and are expected to continue to require, Braskem Americas to make expenditures of both a capital and an expense nature.

Through the operation of its plants, Braskem Americas operations emit greenhouse gases, including carbon dioxide. There are various legislative and regulatory measures to address greenhouse gas emissions which are in various stages of review, discussion or implementation. Current proposals being considered by U.S. Congress include a cap and trade system that would begin in 2012 which would require us to provide carbon emission allowances for emissions at Braskem Americas plants. The cap and trade program would require us to buy emission credits from the U.S. government, other businesses or through an auction process. While the exact amount of such costs would not be established until the future, we believe that these costs could be material, and there is no assurance that we would be able to recover them in the sale of Braskem Americas products. Other federal and state actions to develop programs for the reduction of greenhouse gas emissions are also being considered. In addition, during 2009, the EPA indicated that it intends to regulate carbon dioxide emissions. While it is currently not possible to predict the impact, if any, that

these issues will have on Braskem Americas or the U.S. petrochemical industry in general, they could result in increases in costs to operate and maintain our facilities in the United States, as well as capital outlays for new emission control equipment at these facilities. In addition, regulations limiting greenhouse gas emissions or carbon content of products, which target specific industries such as petrochemical manufacturing could adversely affect our ability to conduct Braskem Americas business and also may reduce demand for its products.

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National Ambient Air Quality Standards for ozone and fine particles promulgated by the EPA have resulted in identification of non-attainment areas throughout the country, including Texas, Pennsylvania and West Virginia, where Braskem Americas operates facilities. Areas designated by the EPA as moderate non-attainment for ozone, including Philadelphia and Houston, would be required to meet the ozone requirements by 2010, before currently mandated federal control programs take effect. In January 2009, the EPA issued a finding that the Philadelphia and Houston State Implementation Plans, or SIPs, failed to demonstrate attainment by the 2010 deadline. This finding is expected to result in more stringent offset requirements and could result in other negative consequences. Texas petitioned EPA to redesignate the Houston area as severe non-attainment for ozone and in 2009 the EPA granted the petition. Under this designation, Houston s SIP is due in 2010 and attainment must be achieved by 2019.

In September 2006, the EPA issued a final rule tightening the standard for fine particles. This standard is currently being challenged in federal court by various states and environmental groups. In March 2007, the EPA issued final rules to implement the 1997 fine particle matter (PM 2.5) standards. States had until April 2008 to submit plans to the EPA demonstrating attainment by 2010 or, at the latest, 2015. However, the March 2007 rule does not address attainment of the September 2006 standard. In March 2008, the EPA promulgated a new, more stringent ozone standard, which was challenged in a lawsuit in May 2008 by environmental organizations. Regulatory programs, when established to implement the EPA s air quality standards, could have an impact on Braskem Americas and its operations. However, the potential financial impact cannot be reasonably estimated until the lawsuit is resolved, the EPA promulgates regulatory programs to attain the standards, and the states, as necessary, develop and implement revised SIPs to respond to the new regulations.

Safety and Quality Control

Safety

We have a policy that makes all of our officers, directors and employees responsible for the safety and health of our workers and for preserving the environment.

We participate in the Responsible Care program, a global chemical industry initiative, which establishes international standards for environmental, occupational health and safety practices for chemical manufacturers. Through our participation in this program, we adopted policies and procedures that require us to follow detailed instructions in matters of health, safety and the environment. We seek to maintain these environmental standards and have qualified each of our plants in Brazil for NBR-ISO 9001 and 14001 certification, which includes internationally prescribed environmental management practices, other than our basic petrochemical and polyethylene plants in the Rio De Janeiro Complex, our polyethylene plant in Cubatão in the State of São Paulo, and our Paulínia plant, which only have ISO 9001 certifications. We expect to receive ISO 14001 certifications for the plants in the Rio de Janeiro Complex and the plant in Cubatão during the first half of 2010. We are currently implementing health, safety and environmental standards based on OSHAS 18001 and standards issued by the U.S. Occupational Safety and Health Administration in each of our plants in Brazil. All of our basic petrochemicals units, other than our basic petrochemicals unit in the Rio de Janeiro Complex, and one of our polyethylene plants in the Northeastern Complex, our polyethylene plant at Santo André, our polypropylene plant in Mauá and our polypropylene plants in the Northeastern Complex and the Rio de Janeiro Complex have received OSHAS 18000 certifications related to our health and safety management system. In 2008, we commenced process safety management audits at 10 of our plants under OSHA standards and we intend to conduct process safety management audits of all of out plants by the end of 2010.

Our plants in the United States are certified under the Responsible Care Management System by the American Chemistry Council. We comply with OSHA regulation at our plants in the United States and two of our plants in the United States have been designated as Star sites under OSHA's voluntary protection program. All of our plants in the

United States comply with OSHA s process safety management regulations and have been audited to these standards.

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Our safety record ranks above the average of companies in the Brazilian chemical industry. The following table illustrates our progress in terms of our safety record and compares our safety record to the average for the Brazilian chemical industry:

	Year Ended December 31,			
	2009	2008(1)	2007(1)	2008 (2)
				Brazilian Chemical Industry Average
Safety Indicator				
Braskem:				
Index of Lost Day Accident Frequency (accidents/200,000 man-hours)	0.03	0.07	0.11	0.43
Index of Severity (lost and deducted days/200,000 man-hours)	1.92	4.43	10.33	22.36

(1) Includes Copesul and Ipiranga Petroquímica. In September 2008, Copesul merged with and into Ipiranga Petroquímica and Ipiranga Petroquímica merged with and into Braskem.

(2) Brazilian petrochemical industry average of the members of ABIQUIM for 2008, the most recent year for which such data is available, as reported by ABIQUIM.

Our safety record in 2009 included the following results:

- a 49.7% reduction in our rate of personal accidents of all types, compared to 2008;
- 13 of our 17 plants (excluding the Braskem Americas plants) had no accidents causing injuries requiring a worker to be absent from work during 2009; and
- a 15.5% increase in our expenditures on our health, safety and environmental programs.

Each of our industrial plants is equipped with a comprehensive firefighting safety system. At the Northeastern Complex, water is available from a 200,000 cubic meter artificial lake, connected to the industrial plants by a pumping station and a distribution network and built according to international safety standards. We and the other companies in the Northeastern Complex maintain emergency equipment and trained safety crews. The safety plan for the Northeastern Complex provides for firefighting brigades of all companies in the complex to jointly assist in the event of any major accidents. The Northeastern Complex has safety standards for construction density and the design of pipelines and highways.

Each of our plants that operate in the Southern Complex relies on its own supply of water from a reservoir and water tanks for firefighting capabilities. Our basic petrochemical facilities at the Southern Complex rely on a 7,400 cubic meter artificial pond, with an additional 12,600 cubic meter pond available in case of emergencies. Both water sources are connected to our basic petrochemical facilities by a pumping station and a distribution network, which currently employs seven water pumps, built according to international safety standards. We also maintain emergency equipment and trained safety crews. In addition, our safety plan provides for firefighting brigades consisting of six technicians and 14 operational and maintenance technicians per shift. We and the other companies located in the Southern Complex are supported by the Southern Complex s Mutual Plan of Emergency (*Plano de Auxílio Mútuo do Pólo*). Our

commitment to safety includes the operation of a training center for our safety crews that simulates emergencies typical to the petrochemical industry. Similar systems are employed at the facilities of our Polyolefins Unit in the Southern Complex.

Our plants in the São Paulo Complex rely on its own supply of water from nearby lakes and water tanks for firefighting capabilities. We also maintain emergency equipment and trained safety crews. In addition, our safety plan provides for firefighting brigades consisting of trained employees. We and the other companies located in the São Paulo Complex are supported by the São Paulo Complex s Mutual Aid Plan which is designed to promote integrated action for mutual aid in case of fire. This program also includes training and unification of firefighting procedures.

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Our plants in the Rio de Janeiro Complex rely on its own supply of water from nearby lakes and water tanks for firefighting capabilities. We also maintain emergency equipment and trained safety crews. We and other companies in the region are supported by the São Paulo Complex s Mutual Aid Plan which is designed to develop training, unified procedures and mutual help in case of fire. We also participate in a program called APELL-CE, which is designed to give support for local community in the event of fire. Under this program, presentations are conducted in the local community to establish procedures for evacuation and support in event of fire.

Similar systems are employed at our PVC plant in the State of Alagoas and our polymers plants in the State of São Paulo.

Each of Braskem Americas plants has an on-site fire brigade, first aid response, spill response and confined space rescue teams. These teams go through extensive training and drills, both internally and with the communities in which the plants are located.

Quality Control

Our quality control management uses ISO 9001:2008, an internationally recognized quality control standard, and ISO 14001:2004, an internationally recognized environmental control standard, as its base. Some of our plants also use OHSAS 18001:2007, an internationally recognized occupational health and safety management systems.

We have obtained ISO 9001 certifications for all of our products. We have also obtained ISO 14001 certifications for all of our industrial plants in Brazil, other than our basic petrochemical and polyethylene plants in the Rio de Janeiro Complex and our polyethylene plant in Cubatão in the State of São Paulo and our Paulínia plant. We expect to receive ISO 14001 certifications for the plants in the Rio de Janeiro Complex and the plant in Cubatão during the first half of 2010. These certifications take into account both the quality of our products and the quality of our operating procedures.

We have instituted systematic improvement processes in our operational areas, focusing on integrating production, maintenance, inventory management, customer satisfaction and profitability.

Property, Plant and Equipment

Our properties consist primarily of petrochemical production facilities in:

- Camaçari in the State of Bahia;
- Triunfo in the State of Rio Grande do Sul;
- Duque de Caxias in the State of Rio de Janeiro;
- Maceió in the State of Alagoas;
- Paulínia in the State of São Paulo;
- Cubatão in the State of São Paulo;
- Santo André in the State of São Paulo;

- Mauá in the State of São Paulo; and

- polypropylene plants in the United States in La Porte, Texas, Marcus Hook, Pennsylvania and Neal, West Virginia.

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Our principal executive offices are located in São Paulo in the State of São Paulo, and we have an administrative support office in the City of Rio de Janeiro. We also have equity interests in investments located in other parts of the country. We own all our production facilities, but we generally rent our administrative offices.

The following table sets forth our properties at December 31, 2009 by location of facilities, products produced and size of plant.

Type of Product or Service	**Location of Facilities**	**Size of Plant** (in hectares)(1))
Basic petrochemicals	Triunfo	152.8
Basic petrochemicals	Camaçari	65.5
Polypropylene	Paulínia	39.7
Waste disposal.	Marechal Deodoro	34.3
Polyethylene.	Triunfo	30.5
Polyethylene.	Camaçari	24.5
Caustic soda/EDC/chlorine.	Maceió	15.0
PVC/caustic soda/chlorine.	Camaçari	12.6
Polypropylene	Triunfo	10.0
Caprolactam(2).	Camaçari	8.1
PVC	Marechal Deodoro	7.0
Distribution Center	Vila Prudente/Capuava	3.2

(1) One hectare equals 10,000 square meters.

(2) In May 2009, we temporarily closed our caprolactam plant.

The following table sets forth Quattor s properties at December 31, 2009 by location of facilities, products produced and size of plant.

Type of Product or Service	**Location of Facilities**	**Size of Plant** (in hectares)(1))
Basic petrochemicals.	Santo André	74.1
Basic petrochemicals.	Duque de Caxias	53.0
Polyethylene	Cubatão	17.6
Polyethylene	Santo André	15.8
Polypropylene.	Mauá	15.8
Polyethylene	Duque de Caxias	15.0
Polypropylene.	Duque de Caxias	15.0
Polypropylene.	Camaçari	13.2
Cumene	Santo André	10.2

(1) One hectare equals 10,000 square meters.

The following table sets forth the properties at December 31, 2009 of Braskem Americas, which we acquired in April 2010, by location of facilities, products produced and size of plant.

Type of Product or Service	**Location of Facilities**	**Size of Plant** (in hectares)(1))
Polypropylene.	La Porte	87.0
Polypropylene.	Neal	27.1
Polypropylene.	Marcus Hook	6.9

(1) One hectare equals 10,000 square meters.

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We believe that all of our production facilities are in good operating condition. At December 31, 2009, the consolidated net book value of our property, plant and equipment was R$10,044.2 million and at December 31, 2009, the consolidated net book value of Quattor s property, plant and equipment was R$6,053.7 million.

Certain of our properties located in the Northeastern Complex, four plants located in the Southern Complex, our plants located in the Rio de Janeiro Complex, our basic petrochemicals plant in the São Paulo Complex, two of our polyolefins plants in the State of São Paulo, and our PVC distribution center in the State of São Paulo are mortgaged or pledged to secure certain of our financial transactions.

Insurance

We carry insurance for our plants in Brazil against material damage and consequent business interruption through separate all risks policies for Braskem, Quattor and RioPol with total replacement values of US$17.1 billion, US$3.2 billion and US$1.7 billion, respectively. This insurance coverage is underwritten in the Brazilian insurance market by large Brazilian insurance companies. Approximately 90% of this insurance coverage is reinsured in the international reinsurance market. These all risks policies are in force until October 2011 for Braskem, until June 2010 for Quattor and until March 2011 for RioPol.

The material damage insurance for our operations in Brazil provides insurance coverage for losses due to accidents resulting from fire, explosion and machinery breakdown, among others. This coverage has a maximum indemnification limit of US$2 billion per event (combined material damage and business interruption coverage) for Braskem, US$1.6 billion for Quattor and US$1.7 billion for RioPol, respectively. The Braskem policies have deductibles of up to US$10 million and the Quattor and RioPol policies have deductibles of up to US$5 million, depending on the plant.

The business interruption coverage under each of these policies provides insurance for losses resulting from interruptions due to any material damage covered by the policy. The losses are covered until the plant production is fully re-established, with maximum indemnity periods ranging from 12 to 24 months.

We also have a third-party liability policy for our operations in Brazil, which covers losses for damages caused to third parties from our operations, including sudden environmental pollution, up to a limit of US$85 million per loss or occurrence for Braskem and up to a limit of US$30 million per loss or occurrence for each of Quattor and RioPol.

We carry separate insurance for our plants in the United States against material damage and consequent business interruption through all risks policies with a total replacement value of US$1.43 billion. Our insurance coverage for the Braskem Americas plants is underwritten in the U.S. insurance market by large insurance companies. Approximately 27% of this insurance coverage is reinsured in the international reinsurance market. These all risks policies are in force until April 2011.

The material damage insurance for our plants in the United States provides insurance coverage for losses due to accidents resulting from fire, explosion, boiler and machinery breakdown, among others. This coverage has a maximum indemnification limit of US$500 million per event (combined material damage and business interruption coverage) and has deductibles of US$1 million for each plant, and a specific windstorm deductible of US$7.5 million for our La Porte plant. The business interruption coverage provides insurance for losses resulting from interruptions due to any material damage covered by the policy. The losses are covered until the plant production is fully re-established, with maximum indemnity periods of 24 months.

We also have a third-party liability policy for our operations in the United States, which covers losses for damages caused to third parties from our operations, including sudden environmental pollution, up to a limit of US$100 million per loss or occurrence.

In addition to these policies, we maintain other insurance policies for specific risks, including directors and officers liability coverage, workers´ compensation, employers practice liability, automotive insurance and other kinds of coverage that are not covered by our all risks policies.

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We do not anticipate having any difficulties in renewing any of our insurance policies and believe that our insurance coverage is reasonable in amount and consistent with industry standards applicable to chemical companies operating globally.

Antitrust Matters

Under Brazilian Law No. 8,884/94, any transaction that results in a concentration of market share equal to or greater than 20.0% of any relevant market or that involves any company or group of companies with annual gross sales of R$400.0 million or more must be submitted to and approved by the Brazilian antitrust authorities, which consist of three entities:

- CADE, an independent agency consisting of a president and six members;

- the Economic Law Office of the Ministry of Justice (*Secretaria de Direito Econômico*), or SDE; and

- the Economic Monitoring Office of the Ministry of Finance (*Secretaria de Acompanhamento Econômico*), or SEAE, which reviews transactions from an economic viewpoint.

CADE is the antitrust authority responsible for reviewing and authorizing transactions that may lead to economic concentration. SEAE and SDE analyze the economic and legal implications of mergers and acquisitions under Brazilian antitrust law. As part of the antitrust review process, SDE, SEAE, the attorney general of CADE and the Brazilian federal public prosecutor each render preliminary opinions, which are delivered to the members of CADE. The members of CADE then render a final decision.

The Quattor Acquisition and the Sunoco Chemicals Acquisition are subject to the final approval of the Brazilian antitrust authorities. However, Brazilian law permits us to consummate these transactions prior to receiving this final approval, unless CADE issues a writ of prevention blocking a transaction or requires the parties to enter into an agreement permitting the effects of the transaction to be reversed which, by its terms, delays the consummation of the transaction. We, together with Petrobras, submitted the terms and conditions of the Quattor Acquisition for review by the Brazilian antitrust authorities on February 5, 2010. We submitted the terms and conditions of the Sunoco Chemicals Acquisition for review by the Brazilian antitrust authorities on February 24, 2010. The antitrust authorities will determine whether these transactions negatively impact competitive conditions in the markets in which we compete or adversely affect consumers in these markets. There can be no assurances that the Brazilian antitrust authorities will approve the Quattor Acquisition or the Sunoco Chemicals Acquisition as currently structured or that these authorities will not impose additional conditions on the Quattor Acquisition or the Sunoco Chemicals Acquisition.

ITEM 4A. UNRESOLVED STAFF COMMENTS.

Not applicable.

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ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following discussion of our financial condition and results of operations should be read in conjunction with our audited consolidated financial statements at December 31, 2009 and 2008 and for the three years ended December 31, 2009, as well as with the information presented under Presentation of Financial and Other Information and Item 3. Key Information Selected Financial Information.

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 Cautionary Statement with Respect to Forward-Looking Statements and Item 3. Key Information Risk Factors.

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

- a brief overview of our company and the principal factors that influence our results of operations, financial condition and liquidity;
- a review of our financial presentation and accounting policies, including our critical accounting policies;
- a discussion of the principal factors that influence our financial condition and results of operations;
- a discussion of developments since December 31, 2009 that may materially affect our financial condition and results of operations;
- a discussion of our results of operations for the years ended December 31, 2009, 2008 and 2007;
- a discussion of our liquidity and capital resources, including our working capital at December 31, 2009, our cash flows for the years ended December 31, 2009, 2008 and 2007, and our material short-term and long-term indebtedness at December 31, 2009;
- a discussion of our contractual commitments; and
- a discussion of market risks that may have a material effect on our results of operations, financial condition and liquidity.

Overview

We are the largest producer of petrochemical resins in the Americas and the eighth largest producer of petrochemical resins in the world, based on annual production capacity at December 31, 2009, and we are the only producer of ethylene, polyethylene and polypropylene in Brazil. We produce a diversified portfolio of petrochemical products in our 29 plants in Brazil and the United States, and have a strategic focus on polyethylene, polypropylene and PVC. We are also the third largest Brazilian-owned private sector industrial company, based on net sales revenue in 2008. We recorded net sales revenue of R$15,248.3 million and net income of R$767.8 million during the year ended December 31, 2009.

Our results of operations will be significantly influenced in future periods as a result of our acquisition of the Quattor Companies and our acquisition of Braskem Americas in the Sunoco Chemicals Acquisition. For information regarding

these acquisitions, see Item 4. Information on the Company History and Development of Our Company The Sunoco Chemicals Acquisition and History and Development of Our Company The Quattor Acquisition. In addition, our results of operations for the years ended December 31, 2009, 2008 and 2007 have been influenced, and our results of operations will continue to be influenced, by a variety of factors, including:

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- the growth rate of Brazilian GDP, which was stagnant during the year ended December 31, 2009, and grew by 5.1% in 2008 and 5.4% in 2007, and which affects the demand for our products and, consequently, our domestic sales volume;

- the expansion of global production capacity for the products that we sell and the growth rate of the global economy;

- the international market price of naphtha, our principal raw material, expressed in dollars, which has been volatile during the three years ended December 31, 2009, increasing from US$545.78 per ton on January 1, 2007 to a peak of US$1,091.85 per ton in June 2008, declining to US$258.16 in December 2008 and increasing to US$684.13 per ton on December 31, 2009, and which has a significant effect on the cost of producing our products;

- the average domestic prices of our principal products expressed in dollars, which fluctuate to a significant extent based on fluctuations of international prices for these products and which also have a high correlation to our raw material costs;

- our capacity utilization rates, which increased for many of our products during 2009 as a result of higher demand for our products, increased efficiency at many of our production facilities and fewer scheduled maintenance stoppages;

- changes in the *real*/U.S. dollar exchange rate, including the appreciation of the Brazilian *real* against the U.S. dollar by 25.5% in the year ended December 31, 2009, the depreciation of the Brazilian *real* against the U.S. dollar by 24.2% in 2008 and the appreciation of the Brazilian *real* against the U.S. dollar by 20.7% in 2007 which have 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 level of our outstanding indebtedness, fluctuations in benchmark interest rates in Brazil, which affect our interest expenses on our *real*-denominated floating rate debt, and fluctuations in the LIBOR rate, which affects our interest expenses on our dollar-denominated floating rate debt;

- inflation rates in Brazil, which experienced deflation of 1.4% in 2009 and inflation of 9.1% in 2008 and 7.9% in 2007, in each case, as measured by the IGP-DI, and the effects of inflation on our operating expenses denominated in *reais* and 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 results of operations of those companies in which we had minority equity interests, such as Copesul, Politeno and Petroflex, a portion of which were consolidated into our results of operations as required by Brazilian GAAP; and

- the tax policies adopted by, and resulting tax obligations to, the Brazilian government and the governments of the Brazilian states in which we operate.

Our financial condition and liquidity is influenced by various factors, including:

- our ability to generate cash flows from our operations and our liquidity;

- prevailing Brazilian and international interest rates and movements in exchange rates, which affect our debt service requirements;

- our ability to continue to be able to borrow funds from Brazilian and international financial institutions and to sell our debt securities in the Brazilian and international securities markets, which is influenced by a number of factors discussed below;

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- our capital expenditure requirements, which consist primarily of maintenance of our operating facilities, expansion of our production capacity and research and development activities; and

- the requirement under Brazilian law and our by-laws that we pay dividends on an annual basis in an amount equal to at least 25% of our adjusted net income, unless our board of directors deems it inconsistent with our financial position and the decision of our board of directors is ratified by our shareholders.

Financial Presentation and Accounting Policies

Presentation of Financial Statements

We have prepared our consolidated financial statements at December 31, 2009 and 2008 and for the three years ended December 31, 2009 in accordance with Brazilian GAAP, which differs in certain respects from U.S. GAAP.

Our consolidated financial statements have been prepared in accordance with 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 1, 2007, we proportionally consolidated the results of Copesul in our consolidated financial statements. As a result of the Ipiranga Transaction, we have fully consolidated Copesul s results in our consolidated financial statements as from April 1, 2007.

Prior to December 1, 2007, we proportionally consolidated the results of Petroflex in our consolidated financial statements. As a result of our entering into an agreement in December 2007 to sell our interest in Petroflex, we accounted for our interest in Petroflex in our Brazilian GAAP financial statements using the equity method as from December 1, 2007. In April 2008, we sold all of our share capital in Petroflex.

Prior to April 1, 2008, we proportionally consolidated the results of Paulínia in our consolidated financial statements. As a result of the completion of the first phase of the Petrobras Transaction, we have fully consolidated the results of Paulínia and its subsidiaries in our consolidated financial statements as from April 1, 2008. On September 30, 2008, Ipiranga Petroquímica and Paulínia merged with and into Braskem.

Operating Segments and Presentation of Segment Financial Data

We have implemented an organizational structure that we believe reflects our business activities and corresponds to our principal products and production processes. We now have three production business units and one distribution business unit, and report our results by four corresponding segments to reflect this organizational structure:

- *Basic Petrochemicals* This segment includes our production and sale of basic petrochemicals at the Northeastern Complex and the Southern Complex, our supply of utilities to second generation producers, including some producers owned or controlled by our company, and our production and sale of Caprolactam and related products.

- *Polyolefins* This segment includes the production and sale of polyethylene and polypropylene by our company and our PET operations which were permanently closed in 2008.

- *Vinyls* This segment includes our production and sale of PVC, caustic soda and EDC.

- *Chemical Distribution* This segment includes the operations of QuantiQ and Varient, and consists of the distribution of petrochemical products manufactured by our company and other domestic and international companies. This segment began reporting as from April 1, 2007 as a result of our acquisition of control of QuantiQ in the Ipiranga Transaction.

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We evaluate and manage business segment performance based on information generated from our statutory accounting records, which are maintained in accordance with Brazilian GAAP, and, accordingly, the segment data included in this annual report is presented under Brazilian GAAP. We have included a reconciliation of the results of operations of our segments to our consolidated results of operations under Results of Operations below.

Critical Accounting Policies

The presentation of our financial condition and results of operations in conformity with Brazilian GAAP requires us to make certain judgments and estimates regarding the effects of matters that are inherently uncertain and that impact the carrying value of our assets and liabilities. Actual results could differ from these estimates. In order to provide an understanding about how we form our judgments and estimates about certain future events, including the variables and assumptions underlying the estimates, and the sensitivity of those judgments to different variables and conditions, we have included comments related to the following critical accounting policies under Brazilian GAAP:

- *Impairment and depreciation and amortization of permanent assets*. Our goodwill and property, plant and equipment at December 31, 2009 were R$2,080.7 million and R$10,044.2 million, respectively. The recoverable value of property, plant and equipment and other noncurrent assets including intangible assets (other than goodwill) are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable value of goodwill is reviewed for impairment on an annual basis. An impairment loss is recognized for the amount by which the asset s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset s fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date. During the year ended December 31, 2009, we recorded impairment charges of R$25.0 million related to our São Paulo PVC plant. During the year ended December 31, 2008, we recorded impairment charges of R$102.8 million related to our PET plant and R$29.6 million related to our caprolactam plant. We did not record any impairment in the year ended December 31, 2007. As of December 31, 2009, we do not believe that any of our other cash generating units was at risk of impairment.

Our impairment tests consider the lowest level of cash generating units based on our operating and segment structure at year end. We generate cash flow projections for each cash generating unit over the useful life of the related assets. Definition of different segments or changes in our operations could impact the definition of our cash generating units.

The discount rate applied is based on the weighted average cost of capital for the respective operations at the relevant dates. Our projections include assumptions regarding volumes that consider actual production, and assumptions regarding prices based on a sales prices cycle of approximately seven years for our products. The margins realized during the current price cycle reached its low point in 2009. Market indicators for margins for our products in 2010 are more optimistic than those used in our projections. Changes to our projected margins resulting from changes in the petrochemical cycle or strategic decisions to suspend or terminate production of certain plants could significantly impact our impairment charges. The impairment test performed at December 31, 2009 supports a 10% negative fluctuation in contribution margin without changing the impairment result.

- *Valuation of derivative instruments*. We use swaps, non-deliverable forwards, non-deliverable options and other derivative instruments to manage risks from changes in foreign exchange and interest rates. We record these instruments at their estimated fair market value based on market quotations for similar instruments, and based on standard mark-to-market practices, which take into account reliable market curves for interest rates, foreign exchange rates and volatility.

At December 31, 2009, we had entered into derivative transactions to mitigate our exposure to exchange rate fluctuations related to a long-term loan denominated in Japanese yen and fluctuations in LIBOR related to an export pre-payment facility that bears interest at a rate based on LIBOR. Both types of derivative transactions matched with the contractual cash-flows of the hedged indebtedness. Assuming a 50% variance in the exchange rate for *reais* into Japanese yen and in the LIBOR rate at December 31, 2009, the present value of the currency derivative would be R$101.9 million and of the LIBOR swap would be R$27.1 million.

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- *Current taxes*. Prior to November 2009, we did not record Social Contribution on Net Income (*Contribuição Social Sobre o Lucro Líquido*), or CSLL, taxes, nor any related deferred taxes, based on a favorable decision issued by the Brazilian Federal Supreme Court exempting our company from paying CSLL taxes in a lawsuit that we brought challenging the constitutionality of the CSLL. This decision was overturned in a subsequent rescission action filed by the Brazilian tax authorities, and we appealed this decision. We filed for voluntary termination of these suits and agreed to pay R$1,220.2 million in 180 equal monthly installments in full settlement of the claims of the tax authorities with respect to these matters. See Item 8. Financial Information Legal Proceedings Tax Proceedings.

- *Deferred Tax*. We recognize deferred tax assets and liabilities based on the differences between the financial statement carrying amounts and the tax basis of assets and liabilities using prevailing tax rates. We regularly review any deferred tax assets for recoverability and reduce their carrying value based on our historical taxable income, projected future taxable income and the expected timing of any reversals of existing temporary differences. If one of our subsidiaries operates at a loss or is unable to generate sufficient future taxable income, or if there is a material change in the actual effective tax rates or the time period within which the underlying temporary differences become taxable or deductible, we evaluate the need to reduce partially or completely the carrying value of our deferred tax assets. The recognition of deferred tax assets requires historical evidence of taxable profit, recognition of deferred tax assets is limited to future projections of taxable profits over a 10-year period, and recognition of deferred tax assets is further limited based on a calculation of discounted future profits. As a result of our recording valuation allowances based on the withdrawal of administrative lawsuits, we recognized an additional defered tax asset of R$264.2 million as of December 31, 2009. Additionally, we used defered tax assets not recorded in 2008 amounting to R$502.0 million to write-off tax liabilities in 2009.

- *Contingencies*. We are currently involved in numerous judicial and administrative proceedings, as described under Item 8. Financial Information Legal Proceedings and in notes 9, 19, 20 and 24 to our audited consolidated financial statements. We record accrued liabilities for contingencies that we deem probable of creating an adverse effect on our results of operations or financial condition. We believe that these contingencies are properly recognized in our financial statements.

- *Provision for doubtful accounts*. We record a provision for doubtful accounts in an amount considered sufficient to cover estimated losses on the realization of our receivables, taking into account our loss experience and the aging of our accounts receivable. Additionally, we analyze, on a monthly basis, the amounts and characteristics of trade accounts receivable compared to our pre-defined credit limits for our customers in order to determine if additional provisions are required. At December 31, 2009, our total trade accounts receivable was R$1,938.6 million and the provision for doubtful account was R$220.8 million. The outstanding amount excludes accounts receivable that were renegotiated during the year ended December 31, 2009. Significant changes in our historical loss experience on accounts receivable which are not apparent through our aging analysis could require significant changes to our provisions for doubtful accounts.

- *Valuation of investments*. We record long-term investments at cost or under the equity accounting method, depending on our participation in voting capital and the degree of influence that we exercise over the operations of the companies involved. We evaluate the fair value of investments for impairment whenever the performance of the underlying entity indicates that impairment may exist. In such cases, the fair value of the investments is estimated principally based on discounted estimated cash flows using assumptions. Arriving at assumptions and estimates concerning these cash flows is a complex and often subjective process involving estimation of future revenues, costs and taxes.

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- *Pension plans*. For defined benefit plans that we sponsor, we calculate our funding obligations based on calculations performed by independent actuaries using assumptions that we provide about interest rates, investment returns, levels of inflation, mortality rates and future employment levels. Collectively, these assumptions directly impact our liability for accrued pension costs and the amounts we record as pension costs, although individual assumptions are not expected to be material. In June 2005, Braskem announced that it intends to withdraw as a sponsor of one of its defined benefit plans. Such withdrawal was ratified by the Supplementary Pensions Department on April 29, 2009. The financial settlement of this plan took place during 2009, with 100% of the individual withdrawal reserves being made available to participants. The sponsorship withdrawal process will be completed in 2010 with the payment of the surplus of the plan, after deduction of administrative expenses and payment to the remaining participants. In addition, in June 2009, the Company communicated to Fundação Francisco Martins Bastos its withdrawal as a sponsor, in conformity with the Fundação by-laws. The calculation of mathematical reserves of participants was completed in November 2009. In that month, the process was formally submitted to the approval of the Supplementary Social Security Secretary. Unrecognized actuarial gains and losses are amortized either over the estimated future service period of employees or over the estimated period of the plan final settlement, whichever is less.

Principal Factors Affecting Our Results of Operations

Expected Effects of the Quattor Acquisition

On January 22, 2010, we entered into the Quattor Investment Agreement with Odebrecht, OSP, Petrobras, Petroquisa and Unipar under which, among other things:

- In April 2010, we conducted a capital increase through a private subscription by our shareholders as a result of which we received net cash proceeds of R$3,742.6 million in exchange for the issuance of 243,206,530 of our common shares and 16,697,781 of our class A preferred shares.

- In April 2010, we purchased 60% of the outstanding share capital of Quattor from Unipar for an aggregate amount of R$659.4 million and the assumption of a put option granted by Unipar to BNDESPAR with respect to the shares of RioPol held by BNDESPAR. Quattor is a holding company that owns, directly and indirectly, 75.0% of the outstanding share capital of RioPol, 99.3% of the outstanding share capital of Quattor Petroquímica, 100% of the outstanding share capital of Quattor Química, and 33.3% of the outstanding share capital of Polibutenos.

- In May 2010, we purchased from Unipar all of the outstanding share capital of Unipar Comercial e Distribuidora S.A., or Unipar Comercial, for an aggregate amount of R$27.1 million, and 33.3% of the outstanding share capital of Polibutenos for an aggregate amount of R$22.4 million.

- We and Petroquisa agreed to engage in a merger of shares transaction in which we will issue an aggregate of approximately 18 million of our common shares to Petroquisa, and Quattor will become our wholly-owned subsidiary. We expect to complete this transaction in the second quarter of 2010.

As a result of our acquisition of control of the Quattor Companies, we have consolidated the results of the Quattor Companies into our financial statements as from April 1, 2010, including the indebtedness of the Quattor Companies. At December 31, 2009, (1) the total outstanding debt of Quattor was R$7,370.9 million, (2) the total outstanding debt of Polibutenos was R$41.3 million, of which R$13.6 million was reflected in the balance sheet of Quattor due to the proportional consolidation of the results of Polibutenos in the financial statements of Quattor, and (3) the total outstanding debt of Unipar Comercial was R$29.8 million.

On March 31, 2010, Quattor prepaid its outstanding indebtedness to the IFC in the aggregate principal amount of US$145 million.

On April 8, 2010, Quattor entered into a credit agreement with an international financial institution under which Quattor borrowed an aggregate principal amount of R$563 million. This loan bears interest, payable in arrears at the CDI rate plus 1.20% per annum. The principal amount of this loan matures within 120 days after disbursement. This loan can be prepaid at any time without penalty.

On April 15, 2010, Quattor prepaid its outstanding indebtedness to the Exim Bank and under its loan agreements guaranteed by SACE. The aggregate principal amount outstanding under these loans was US$281 million.

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Following the Quattor Acquisition and through May 26, 2010, we prepaid R$2,208.9 million aggregate principal amount of Quattor s outstanding *real*-denominated indebtedness and US$271.7 million of Quattor s outstanding U.S. dollar-denominated indebtedness.

We expect to incur costs and capital expenditures in connection with the integration of the operations of Quattor and our company, which we intend to complete as soon as possible.

Our net sales volumes, net sales revenue, gross profit and operating income and net income will be significantly affected as from April 1, 2010 by the consolidation in our financial statements of the consolidated results of operations of the Quattor Companies. In 2009, Quattor recorded net revenues of R$4,722.3 million, operating profit before net financial results and equity adjustment of R$160.9 million and net loss of R$229.2 million. Our operating income and net income could also be affected by any future impairment of the goodwill that we record as a result of the acquisition of the Quattor Companies. In our tax accounts, this goodwill will be amortized over a period of ten years, reducing our taxable net income during this period and, consequently, reducing our payments of income taxes and social contribution to the extent that we otherwise generate taxable income during this period. Our contractual commitments will substantially increase as a result of our assumption of Quattor s obligations to purchase raw materials in an aggregate amount of R$10,831.1 million through 2026.

Expected Effects of the Sunoco Chemicals Acquisition

On April 1, 2010, we acquired all of the outstanding capital stock of Sunoco Chemicals, which we have renamed Braskem Americas, for US$356.0 million. The assets of Braskem Americas consist of three polypropylene plants located in La Porte, Texas, Marcus Hook, Pennsylvania and Neal, West Virginia, with an aggregate annual production capacity of 950,000 tons, as well as a petrochemicals research facility in Pittsburgh, Pennsylvania. As a result of our acquisition of Braskem Americas, we will consolidate the results of the Braskem Americas into our financial statements as from April 1, 2010.

We expect to incur costs and capital expenditures in connection with the integration of the operations of Braskem Americas and our company, which we intend to complete as soon as possible.

Our acquisition of Braskem Americas will increase the volume of our sales from polypropylene and the related net sales revenue as from April 1, 2010 as a result of the consolidation in our financial statements of the consolidated results of operations of Braskem Americas.

On March 29, 2010, we entered into a syndicated unsecured credit agreement in an aggregate principal amount of US$210 million to finance the Sunoco Chemicals Acquisition. The loans under this credit agreement bear interest at the rate of LIBOR plus 2.625% per annum, payable quarterly in arrears through April 2015. The principal amount of these loans is payable in five equal semi-annual installments, commencing in April 2013.

Growth of Brazil s Gross Domestic Product and Domestic Demand for Our Products

Our sales in Brazil represented 72.9% of our net sales revenue in the year ended December 31, 2009. As a Brazilian company with a substantial majority of our operations in Brazil, we are significantly affected by economic conditions in Brazil. Our results of operations and financial condition have been, and will continue to be, affected by the growth rate of Brazilian GDP because our products are used in the manufacture of a wide range of consumer and industrial products.

Because of our significant market share in many of the Brazilian markets in which our petrochemical products are sold, fluctuations in Brazilian demand for polyethylene, polypropylene and PVC affect our production levels and net sales revenue. Brazilian GDP grew at an estimated compound average annual rate of 3.2% from 2000 through 2009. From 2000 through 2009, the consumption volumes in Brazil of polyethylene (including EVA), polypropylene and PVC increased at compound average annual rates of 4.3%, 5.7% and 5.3%, respectively.

The following table sets forth the growth rates of Brazilian GDP and domestic demand for polyethylene, polypropylene and PVC for the years ended December 31, 2009, 2008, 2007, 2006 and 2005.

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	Year Ended December 31,				
	2009	**2008**	**2007**	**2006**	**2005**
Brazilian GDP	(0.2)%	5.1%	6.1%	3.7%	2.3%
Brazilian consumption of polyethylene	4.4(1)	0.4	7.1	11.4	(1.7)
Brazilian consumption of polypropylene	7.0(1)	0.2	10.3	4.6	2.9
Brazilian consumption of PVC	10.7	14.4	14.5	10.5	2.4

(1) Estimated.

Brazilian GDP growth has fluctuated significantly, and we anticipate that it will likely continue to do so. Our management believes that economic growth in Brazil should positively affect our future net sales revenue and results of operations. However, continued low growth or a recession in Brazil would likely reduce our future net sales revenue and have a negative effect on our results of operations.

The global economic slowdown since September 2008 has had, and may continue to have, a negative effect on economic growth in Brazil. Domestic demand for our thermoplastic resins was adversely affected in the second half of 2008, particularly in the fourth quarter, reflecting a general decline in economic growth in Brazil related to the global economic slowdown, which led to the depreciation of the *real* against the U.S. dollar and the reduced availability of liquidity and credit.

We believe that domestic demand for thermoplastic resins may continue to be affected by global macroeconomic factors. In addition, although the volume of our basic petrochemical and thermoplastic resin sales has recovered significantly from the levels experienced in the fourth quarter of 2008, exports, for which we generate lower margins than on our domestic sales, have constituted a larger percentage of our sales than has historically been the case. In addition, our margins on domestic sales have been under pressure as the global imbalance of supply and demand has led to increased levels of imports into the Brazilian market.

Brazilian GDP was stagnant in 2009 and domestic resin sales volume declined by 0.4%. Some of the Brazilian economic sectors that represent the principal markets for resins began to recover during the year. Certain sectors related to personal consumption, such as packaging for food products, were not significantly impacted by the slowdown in growth at the end of 2008. Government incentives to promote production in the automotive, durable goods and construction sectors, including a program to support the construction of up to one million homes for low-income families, stimulated demand for resins. We expect continued expansion in the construction sector in 2010 in connection with the construction of facilities and infrastructure to accommodate the World Cup games in 2014 and the Olympic Games in 2016.

In addition to the effects of the global economic slowdown, the decline in global petroleum prices and the significant depreciation of the *real* against the U.S. dollar in the second half of 2008 resulted in price instability and a significant reduction in purchases of our products as our customers delayed purchases and consumed their inventories in anticipation of reductions in the prices of thermoplastic resins. This destocking trend led to distortions in annual growth rates for the industry. Although purchases of our products by our customers recovered during 2009, inventories in the production chain remained below prior levels through throughout 2009.

The contraction of demand in the United States led U.S. thermoplastic resin producers to increase the volume of exports of their thermoplastic products, leading to an increase in imports of these products in Brazil that placed pressure on our margins on domestic sales.

Cyclicality Affecting the Petrochemical Industry

Global consumption of petrochemical products has increased significantly over the past 30 years. Due to this growth in consumption, producers have experienced periods of insufficient capacity for these products. Periods of insufficient capacity, including some due to raw material shortages, have usually resulted in increased capacity utilization rates and international market prices for our products, leading to increased domestic prices and operating margins. These periods have often been followed by periods of capacity additions, which have resulted in declining capacity utilization rates and international selling prices, leading to declining domestic prices and operating margins.

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We expect that these cyclical trends in international selling prices and operating margins relating to global capacity shortfalls and additions will likely persist in the future, principally due to the continuing impact of four general factors:

- cyclical trends in general business and economic activity produce swings in demand for petrochemicals;

- during periods of reduced demand, the high fixed cost structure of the capital intensive petrochemicals industry generally leads producers to compete aggressively on price in order to maximize capacity utilization;

- significant capacity additions, whether through plant expansion or construction, can take two to three years to implement and are therefore necessarily based upon estimates of future demand; and

- as competition in petrochemical products is generally focused on price, being a low-cost producer is critical to improved profitability. This favors producers with larger plants that maximize economies of scale, but construction of plants with high capacity may result in significant increases in capacity that can outstrip demand growth.

A variety of petrochemical companies have announced plans to build significant additional ethylene production capacity, primarily in the Middle East and Asia. According to CMAI, 25.3 million tons of annual ethylene capacity are scheduled to be commissioned between 2010 and 2014. However, expansions of ethylene capacity are frequently subject to delays, and we cannot predict when the planned additional capacity will be commissioned, if at all. For example, of the 11.0 million tons of annual ethylene capacity that was scheduled to be commissioned in 2009, only 5.0 million tons has actually commenced production.

Countering this trend towards increased supply have been significant capacity closures announced during the fourth quarter of 2008 and during 2009 as a result of the global economic slowdown. As demand for products containing ethylene derivatives has declined, economically marginal ethylene capacity has been closed, primarily in the United States (approximately 1.7 million tons in 2009) and Western Europe (approximately 0.4 million tons in 2009).

The contraction of demand in the United States led thermoplastic resin producers in the United States to increase the volume of exports of their thermoplastic products in the second half of 2008, leading to greater price competition in the export markets that we serve, which led to a decline in margins available to us in our export sales of these resins. This price competition from United States producers has abated somewhat following the decision of resin producers in the United States to shut down, temporarily or permanently, a portion of their production capacity. However, international pricing pressures increased in the second half of 2009, and we believe that this pressure will continue in 2010 due to the entry of new supply in the Middle East and Asia, which are expected to more than offset the effects of the production stoppages and plant closures in the United States and Europe. We anticipate that the increased price pressure caused by this new supply combined with the global economic contraction, will result in opportunities for industry consolidation and create downward pressure on resin prices.

Based on historical growth of demand for polyethylene, polypropylene and PVC, we believe that the additional capacity introduced in the market in 2009 and expected in 2010 will be absorbed by the market in the medium-term. However, we expect that the production generated by this increase in capacity may lead to continued pressure on prices in the international markets and an increase in competition from imports in the Brazilian markets, which could adversely affect our net sales revenues, gross margins and overall results of operations.

Effects of Fluctuations in Naphtha Prices

Fluctuations in the international market price of naphtha have significant effects on our costs of goods sold and the prices that we are able to charge our customers for our first and second generation products.

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Effects on Cost of Sales

Naphtha is the principal raw material used by our Basic Petrochemicals Unit and, indirectly, in our other business units. In 2009, naphtha and condensate accounted for 89.5% of the total cost of sales of our Basic Petrochemicals Unit and 66.6% of our direct and indirect consolidated cost of sales and services rendered.

The cost of naphtha varies in accordance with international market prices, which fluctuate depending upon the supply and demand for oil and other refined petroleum products. We purchase naphtha under a long-term supply contract with Petrobras, and we import naphtha from other suppliers through our terminal at Aratú in the State of Bahia and Petrobras terminal at Osório in the State of Rio Grande do Sul. The prices that we pay for naphtha under these arrangements, other than our supply contract with Petrobras, are based on the Amsterdam-Rotterdam-Antwerp market price for naphtha. As a result, fluctuations in the Amsterdam-Rotterdam-Antwerp market price for naphtha have had a direct impact on the cost of our first generation products.

Our contract with Petrobras provides for naphtha prices based on a variety of factors, including the market prices of naphtha and other basic petrochemical derivatives, the volatility of the prices of these products in the international markets, the *real*/U.S. dollar exchange rate, and the level of paraffinicity of the naphtha that is delivered. As a result, we believe that the cost of our first generation products will be less exposed to fluctuations in the Amsterdam-Rotterdam-Antwerp market price for naphtha in the future.

The international price of naphtha has fluctuated significantly in the past, and we expect that it will continue to do so in the future. Significant increases in the price of naphtha and, consequently, the cost of producing our products, would likely reduce our gross margins and our results of operations to the extent that we are unable to pass all of these increased costs on to our customers, and could result in reduced sales volumes of our products. Conversely, significant decreases in the price of naphtha and, consequently, the cost of producing our products, would likely increase our gross margins and our results of operations and could result in increased sales volumes if this lower cost leads us to lower our prices. In periods of high volatility in the U.S. dollar price of naphtha, there is usually a lag between the time that the U.S. dollar price increases or decreases and the time that we are able to pass on increased, or required to pass on reduced, costs to our customers in Brazil. These pricing discrepancies decrease when the U.S. dollar price of naphtha is less volatile.

We do not currently hedge our exposure to changes in the prices of naphtha because a portion of our sales are exports payable in foreign currencies and linked to the international market prices of naphtha and also because the prices of our polyethylene, polypropylene and PVC products sold in Brazil generally reflect changes in the international market prices of these products.

Effects on Prices of Our Products

The prices that we charge for many of our basic petrochemical products are determined by reference to the European contract prices for these products. Because European producers of basic petrochemical products primarily use naphtha as a raw material, changes in the European contract prices are strongly influenced by fluctuations in international market prices for naphtha. To the extent that our prices are based on the European contract prices for our products, the prices that we charge for these products are significantly influenced by international market prices for naphtha.

We negotiate the real prices for certain of our products, principally polyethylene, polypropylene and PVC, on a monthly basis with our domestic customers. We attempt to revise our prices to reflect changes in the international market prices of these products, which tend to fluctuate in tandem with naphtha prices, and the appreciation or depreciation of the real against the U.S. dollar. However, during periods of high volatility in international market

prices or exchange rates, we are sometimes unable to fully reflect these changes in our prices in a prompt manner.

The international market prices of our petrochemical products have fluctuated significantly, and we believe that they will continue to do so. Significant increases in the international market prices of our petrochemical products and, consequently, the prices that we are able to charge, would likely increase our net sales revenue and our results of operations to the extent that we are able to maintain our operating margins and increased prices do not reduce sales volumes of our products. Conversely, significant decreases in the international prices of our petrochemical products, and, consequently, the prices that we charge, would likely reduce our net sales revenue and our results of operations if we are unable to increase our operating margins or these reduced prices do not result in increased sales volumes of our products.

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Capacity Utilization

Our operations are capital intensive. Accordingly, to obtain lower unit production costs and maintain adequate operating margins, we seek to maintain a high capacity utilization rate at all of our production facilities.

The table below sets forth capacity utilization rates with respect to the production facilities for some of our principal products for the years ended December 31, 2009, 2008 and 2007.

	Year Ended December 31,		
	2009	**2008**	**2007**
Ethylene	89%	84%	94%(1)
Polyethylene	89(2)	80	91(3)
Polypropylene	86	87	97(3)
PVC	91	99	91

(1) Giving effect to our consolidation of the results of Copesul as from April 1, 2007.

(2) Giving effect to our consolidation of the results of Triunfo as from January 1, 2009.

(3) Giving effect to our consolidation of the results of Ipiranga Petroquímica as from April 1, 2007.

As a result of weak domestic demand for thermoplastic resins and the reduced demand for, and margins on, our exports of these products, we reduced the capacity utilization rates of our polyolefins plants in the fourth quarter of 2008, and in December 2008 we temporarily shut down one of our ethylene crackers in the Northeastern Complex and one of our ethylene crackers in the Southern Complex. In February 2009, we resumed production at these facilities with production returning to full capacity and historical levels in March 2009. Our effective annual ethylene production capacity was reduced to 2.3 million tons of ethylene during the period in which these crackers were shut down.

The utilization rate of our ethylene production capacity was also adversely affected during 2008 as a result of programmed maintenance shutdowns of the Northeastern Complex s Olefins 1 unit for 37 days in May and June 2008 and the Southern Complex s Olefins 1 unit and Aromatics unit for 38 days in April and May 2008.

Effect of Export Levels on Our Financial Performance

We generally obtain higher prices in Brazil for our products than the prevailing international prices. The difference in prices between the Brazilian and export markets results from:

- high costs of transporting products to and within Brazil;
- warehousing, and other logistics costs; and
- tariffs and duties.

In addition, we are generally able to charge higher prices for our products than the *real* price of imports because we are able to provide better product customization services to our customers than sellers of imported products.

During periods of increased domestic demand for our products, our export sales volumes may decline as we increase domestic sales of our products. During periods in which the domestic demand for our products is reduced, we actively pursue export opportunities for our products in order to maintain capacity utilization rates.

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During the year ended December 31, 2009, 27.1% of our net sales revenue was derived from export sales of our products as compared with 22.2% of our net sales revenue during 2008. Net sales revenues derived from export sales increased by 3.6% in the year ended December 31, 2009.

During the years ended December 31, 2009, exports to other countries in the Americas accounted for 62.8% of our export sales. During the same period, exports to Europe accounted for 27.0% of our export sales, and exports to East Asia accounted for 9.3% of our export sales.

Our ability to export to other countries is a function of the level of economic growth in these countries and other economic conditions, including prevailing inflation rates. We believe that continued slow or negative growth in the global economy will likely lead to reduced global demand and international market prices for our products, and consequently reduced domestic prices for our products. In addition, reduced global demand for our products impairs our ability to export our products in response to a decline in domestic demand for these products.

The global economic slowdown since September 2008 has had, and may continue to have, a negative effect on economic growth in the countries to which we export our products. Global demand for our thermoplastic resins has been adversely affected beginning in the second half of 2008, reflecting the global economic slowdown. In addition, Chinese demand for thermoplastic resins declined following the conclusion of the Olympic Games in August 2008, and demand for thermoplastic resins in the United States and Europe declined as the effects of the global economic slowdown became more pronounced beginning in the second half of 2008.

Although recovery from the global economic slowdown has been slow in industrialized economies, particularly in the United States, the European Community and Japan, emerging markets such as China, India and Brazil began to record consumption growth in the first half of 2009 and were able to sustain this growth throughout the remainder of 2009 and we believe that this growth may continue through 2010.

Uncertainty persists regarding the pace of recovery in the global economy. The United States has shown signs of improvement; however, recent developments in the sovereign debt markets relating to countries in the European Union, particularly Greece, have led to increased uncertainty regarding the economic recovery in Europe.

Effects of Fluctuations in Exchange Rates between the Real and the U.S. Dollar

Our results of operations and financial condition have been, and will continue to be, affected by the rate of depreciation or appreciation of the *real* against the U.S. dollar because:

- a substantial portion of our net sales revenue is denominated in or linked to U.S. dollars;

- our costs for some of our raw materials, principally naphtha and certain catalysts required in our production processes, are incurred in U.S. dollars or are U.S. dollar-linked;

- we have operating expenses, and make other expenditures, that are denominated in or linked to U.S. dollars; and

- we have significant amounts of U.S. dollar-denominated liabilities that require us to make principal and interest payments in U.S. dollars.

Virtually all of our sales are of petrochemical products for which there are international market prices expressed in U.S. dollars. We generally attempt to set prices that take into account (1) the international market prices for our

petrochemical products, and (2) in Brazil, variations in the *real*/U.S. dollar exchange rate. As a result, although a significant portion of our net sales revenue is denominated in *reais,* substantially all of our products are sold at prices that are based on international market prices that are quoted in U.S. dollars.

Fluctuations in the *real* affect the cost of naphtha and other U.S. dollar-linked or imported raw materials. The price of naphtha, our principal raw material, is linked to the U.S. dollar. The pricing formula included in the contract with Petrobras under which we purchase naphtha for our basic petrochemical plants in the Northeastern and Southern Complexes includes a factor that adjusts the price to reflect the *real*/U.S. dollar exchange rate.

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When the *real* depreciates against the U.S. dollar, assuming naphtha costs and international market prices of our products remain constant in U.S. dollars, the production cost for our products increases and we generally attempt to increase the Brazilian prices for our products in *reais* (to the extent possible in light of then-prevailing market conditions in Brazil), which may result in reduced sales volumes of our products. To the extent that our price increases are not sufficient to cover the increased costs for raw materials, our operating margin decreases. Conversely, when the *real* appreciates against the U.S. dollar, assuming naphtha costs and international market prices of our products remain constant in U.S. dollars, the production cost for our products decreases and we generally decrease the Brazilian prices for our products in *reais*, which may result in increased sales volumes of our products. In periods of high volatility in the *real*/U.S. dollar exchange rate, there is usually a lag between the time that the U.S. dollar appreciates or depreciates and the time that we are able to pass on increased, or are required to pass on reduced, costs in *reais* to our customers in Brazil. These pricing discrepancies decrease when the *real*/U.S. dollar exchange rate is less volatile.

Our consolidated U.S. dollar-denominated indebtedness represented 63.9% our outstanding indebtedness at December 31, 2009, excluding related party debt. As a result, when the *real* depreciates against the U.S. dollar:

- the interest costs on our U.S. dollar-denominated indebtedness increase in *reais*, which adversely affects our results of operations in *reais*;

- the amount of our U.S. dollar-denominated indebtedness increases in *reais*, and our total liabilities and debt service obligations in *reais* increase; and

- our financial expenses tend to increase as a result of foreign exchange losses that we must record.

An appreciation of the *real* against the U.S. dollar has the converse effects.

Export sales and sales by Braskem Americas, which enable us to generate receivables payable in foreign currencies, tend to provide a hedge against a portion of our U.S. dollar-denominated debt service obligations, but they do not fully match them. Accordingly, we often enter into hedges to mitigate exchange rate fluctuations in our U.S. dollar-denominated indebtedness. To further mitigate our exposure to exchange rate risk, we try, where possible, to enter into trade finance loans for our working capital needs, which funding is generally available at a lower cost because it is linked to U.S. dollar exports. However, future U.S. dollars that we generate from export sales and sales by Braskem Americas may not be in an amount sufficient to cover all of our U.S. dollar trade finance liabilities.

Effect of Level of Indebtedness and Interest Rates

At December 31, 2009, our total outstanding consolidated indebtedness on a consolidated basis was R$9,760.1 million. The level of our indebtedness results in significant financial expenses that are reflected in our statement of operations. Financial expenses consist of interest expense, exchange variations of U.S. dollar- and other foreign currency-denominated debt, foreign exchange losses or gains, and other items as set forth in note 26 to our audited consolidated financial statements. In the year ended December 31, 2009, we recorded total financial expenses of R$694.0 million, of which R$637.4 million consisted of interest expense, R$205.5 million consisted of monetary variation on financing and R$2,929.3 million consisted of foreign exchange gains. The interest rates that we pay depend on a variety of factors, including prevailing Brazilian and international interest rates and risk assessments of our company, our industry and the Brazilian economy made by potential lenders to our company, potential purchasers of our debt securities and the rating agencies that assess our company and its debt securities.

Standard & Poor s, Moody s and Fitch maintain ratings of our company and our debt securities. On a global basis, Standard & Poor s maintains a local currency rating for our company of BB+ (stable) and a foreign currency rating for

our company of BB+ (stable), Moody s maintains a local currency rating for our company of Ba1 and a foreign currency rating for our company of Ba1 and 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 ratings downgrades in the future would likely result in increased interest and other financial expenses relating to borrowings and debt securities and could adversely affect our ability to obtain such financing on satisfactory terms or in amounts required by us.

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Effects of Brazilian Inflation

Brazilian inflation affects our financial performance by increasing some of our operating expenses denominated in *reais* (and not linked to the U.S. dollar). A significant portion of our costs of sales and services rendered, however, are denominated in or linked to the U.S. dollar and are not substantially affected by the Brazilian inflation rate. Some of our *real*-denominated debt is indexed to take into account the effects of inflation. Under this debt, the principal amount generally is adjusted with reference to the General Price Index Market (*Índice Geral de Preços Mercado*), or the IGP-M, an inflation index, so that inflation results in increases in our financial expenses and debt service obligations. In addition, a significant portion of our *real*-denominated debt bears interest at the TJLP or the CDI rate, which are partially adjusted for inflation.

Results of Operations of Jointly Controlled Companies

As a result of the application of Instruction 247 to our consolidated financial statements, we have been required to proportionally consolidate the results of jointly controlled companies that are not our subsidiaries. Consequently, our results of operations have been subject to fluctuations that depend on the results of these jointly controlled companies.

Prior to April 1, 2007, we directly owned 29.5% of the voting share capital and total share capital of Copesul, and we proportionally consolidated the results of Copesul in our consolidated financial statements. As a result of the Ipiranga Transaction and our obtaining effective management control over Copesul, we have fully consolidated the results of Copesul and its subsidiaries in our consolidated financial statements as from April 1, 2007. In September 2008, Copesul merged with and into Ipiranga Petroquímica and Ipiranga Petroquímica merged with and into Braskem.

At December 31, 2007, we owned 33.5% of the total share capital of Petroflex, including 33.6% of its voting share capital. In April 2008, we sold all of our share capital in Petroflex to Lanxess for an aggregate price of R$252.1 million. See Item 4. Information on the Company History and Development of Our Company Petroflex Transactions. Prior to December 1, 2007, we proportionally consolidated the results of Petroflex in our consolidated financial statements. As a result of our entering into an agreement in December 2007 to sell our interests in Petroflex, we accounted for our interest in Petroflex in our Brazilian GAAP financial statements using the equity method as from December 1, 2007.

Prior to April 1, 2008, we directly owned 60% of the voting share capital and total share capital of Paulínia, and we proportionally consolidated the results of Paulínia in our consolidated financial statements. As a result of the completion of the first phase of the Petrobras Transaction on May 30, 2008, 2008, we have fully consolidated the results of Paulínia and its subsidiaries in our consolidated financial statements as from April 1, 2008. In September 2008, Paulínia merged with and into Braskem.

Effect of Taxes on Our Income

We are subject to a variety of generally applicable Brazilian federal and state taxes on our operations and results.

Tax Exemptions

We are generally subject to Brazilian federal income tax at an effective rate of 25%, which is the standard corporate tax rate in Brazil. We have available certain federal tax exemptions based upon federal law that offers tax incentives to companies that locate their manufacturing operations in the Brazilian states of Bahia and Alagoas.

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These exemptions have been granted for varying lengths of time to each of our manufacturing plants located in these states.

We were exempt from corporate income tax on the profits arising from the sale of PVC manufactured at our Alagoas plant and PET manufactured at our plant in the Northeastern Complex until December 31, 2008. Our application for an extension of the exemption relating to PVC manufactured at our Alagoas plant is being reviewed by the tax authorities. In addition, we are entitled to pay only 25% of the statutory income tax rate on the profits arising from the sale of:

- polyethylene manufactured at one of our polyethylene plants in the Northeastern Complex and basic petrochemical products manufactured in the Northeastern Complex, until December 31, 2011;

- polyethylene manufactured at one of our polyethylene plants in the Northeastern Complex, caustic soda, chlorine and EDC, produced at our plants in the Northeastern Complex and Alagoas, and caprolactam manufactured in the Northeastern Complex until December 31, 2012;

- PVC manufactured at our plant in the Northeastern Complex until December 31, 2013; and

- polyethylene manufactured at one of our polyethylene plants in the Northeastern Complex until December 31, 2016.

Each of our exemptions entitles us to pay only 87.5% of the statutory income tax rate on the profits arising from products manufactured at these plants for a period of one or more years after the dates set forth above.

Due to operating losses sustained by us in the past, we had R$689.5 million of deferred tax assets arising from R$2,020.9 million of tax loss carryforwards available at December 31, 2009. Income tax loss carryforwards available for offset in Brazil do not expire. However, the annual offset is limited to 30% of our adjusted net profits. This limit also affects the CSLL.

Our export sales are currently exempt from (1) the Social Integration Program (*Programa de Integração Social*), or PIS, a federal value-added tax, (2) the Contribution for Social Security Financing (*Contribuição para Financiamento da Seguridade Social)*, or COFINS, a federal value-added tax, (3) the Tax on Industrial Products (*Imposto sobre Produtos Industrializados*), or IPI, a federal value-added tax on industrial products, and (4) the Tax on the Circulation of Merchandise and Services (*Imposto sobre Operações Relativas à Circulação de Mercadorias e sobre Prestações de Serviços de Transporte Interestadual, Intermunicipal e de Comunicação*), or ICMS, a state value-added tax on sales and services, under generally available exemptions.

Settlement of Tax Disputes

In November 2009, we settled numerous tax proceedings in which our company had challenged assessments against us of IPI and CSLL taxes and include these amounts in the Tax Debit Repayment Program offered by the Office of the General Counsel to the National Treasury and the Federal Brazilian Revenue Service (*Receita Federal do Brasil)*. The total amount of the debits included in the repayment program was R$3,583.6 million. Under this program, we agreed to pay R$1,138.3 million in 12 monthly installments with respect to the amounts of IPI which we had contested, and agreed to pay R$1,220.2 million in 180 monthly installments with respect to the amounts of CSLL which we had contested. For more information on these tax suits, see Item 8. Financial Information Legal Proceedings Tax Proceedings.

Of the R$2,363.4 million included in the installment program with respect to the amounts of IPI which we had contested, we settled R$285.6 million through the use of our negative tax base and R$939.5 million through the use of tax losses. As a result of this settlement, we recorded other operating loss in 2009 and additional liabilities in the amount of R$1,152.2 million. As a result of the settlement with respect to the amounts of CSLL which we had contested, we recorded financial expenses of R$752.9 million and additional R$340.8 million as Social contribution Installment Payment Law No. 11,941/09 in our income statements in 2009, and recorded additional liabilities in the amount of R$1,094.2 million.

In March 2010, we filed for voluntary termination of lawsuits relating to claims against us by the Brazilian federal tax authorities for payment of contested federal taxes, including CSLL, PIS/COFINS and IPI, and elected to participate in the federal tax installment program established by Law No. 11,941/09, which substantially reduced the default charges and fines that could have been levied against us if we were unsuccessful in these lawsuits. In connection with these voluntary terminations, we agreed to pay expenses of R$368.2 million, which was considered a subsequent event of a type that was required to be recorded in our balance sheet at December 31, 2009. We recorded expenses of R$241.7 million in 2009, and reclassified R$126.5 from tax payable to installment program.

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Recent Developments

The following is a summary of major transactions entered into, and other developments affecting, our company since December 31, 2009.

Pre-Export Finance Agreements

In March 2010, we entered into three pre-export finance agreements in the aggregate principal amount of US$320.0 million. Each of these facilities bears interest at a rate of LIBOR plus 2.50% per annum, payable in arrears. The principal amount of each of these facilities is payable in five semi-annual payments commencing in March 2013.

The Sunoco Chemicals Acquisition

On April 1, 2010, we acquired all of the outstanding capital stock of Sunoco Chemicals for US$356.0 million, which we have renamed Braskem Americas. The assets of Braskem Americas consist of three polypropylene plants located in La Porte, Texas, Marcus Hook, Pennsylvania and Neal, West Virginia, with an aggregate annual production capacity of 950,000 tons, as well as a petrochemicals research facility in Pittsburgh, Pennsylvania. As a result of our acquisition of Braskem Americas, we will consolidate the results of the Braskem Americas into our financial statements as from April 1, 2010.

On March 29, 2010, we entered into a syndicated unsecured credit agreement in an aggregate principal amount of US$210 million to finance the Sunoco Chemicals Acquisition. The loans under this credit agreement bear interest at the rate of LIBOR plus 2.625% per annum, payable quarterly in arrears through April 2015. The principal amount of these loans is payable in five equal semi-annual installments, commencing in April 2013.

Capital Increase

In April 2010, we conducted a capital increase through a private subscription by our shareholders as a result of which we received net cash proceeds of R$3,742.6 million in exchange for the issuance of 243,206,530 of our common shares and 16,697,781 of our class A preferred shares.

The Quattor Acquisition

On January 22, 2010, we entered into the Quattor Investment Agreement with Odebrecht, OSP, Petrobras, Petroquisa and Unipar under which, among other things:

- In April 2010, we purchased 60% of the outstanding share capital of Quattor from Unipar for an aggregate amount of R$659.4 million and the assumption of a put option granted by Unipar to BNDESPAR with respect to the shares of RioPol held by BNDESPAR. Quattor is a holding company that owns, directly and indirectly, 75.0% of the outstanding share capital of RioPol, 99.3% of the outstanding share capital of Quattor Petroquímica, 100% of the outstanding share capital of Quattor Química, and 33.3% of the outstanding share capital of Polibutenos.

- In May 2010, we purchased from Unipar all of the outstanding share capital of Unipar Comercial e Distribuidora S.A., or Unipar Comercial, for an aggregate amount of R$27.1 million, and 33.3% of the outstanding share capital of Polibutenos for an aggregate amount of R$22.4 million.

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- We and Petroquisa agreed to engage in a merger of shares transaction in which (1) we will issue an aggregate of approximately 18 million of our common shares to Petroquisa, and (2) Quattor will become our wholly-owned subsidiary. We expect to complete this transaction in the second quarter of 2010.

Issuance of 7.00% Notes due 2020

On May 7, 2010, we issued and sold US$400.0 million aggregate principal amount of our 7.00% Notes due 2020. Interest on these notes is payable semi-annually in arrears in May and November of each year and these notes mature on May 7, 2010. We used the proceeds of this offering to prepay a portion of the outstanding indebtedness of Quattor and our company.

Results of Operations

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

As a result of the Ipiranga Transaction, we have fully consolidated the results of Ipiranga Química, Ipiranga Petroquímica and Copesul as from April 1, 2007 and included the results of Ipiranga Química in our Chemical Distribution segment, the results of Ipiranga Petroquímica in our Polyolefins segment and the results of Copesul in our Basic Petrochemicals segment as from such date. Prior to April 1, 2007, we did not include the results of our Chemical Distribution segment in our consolidated financial statements, we proportionally consolidated the results of Copesul in our consolidated financial statements to reflect our 29.5% interest in Copesul s voting and total share capital, and we did not reflect any of the results of Copesul in any of our then-existing segments.

The discussion of the results of our business segments is based upon financial information reported for each of the segments of our business, as presented in the following tables. 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 following tables; 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 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 reflected in our consolidated financial statements. However, the operating income presented in the following tables does not include financial expenses, financial income and results from equity accounting.

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	Year Ended December 31, 2009						
	Net sales revenue	Cost of sales and services rendered	Gross profit	Selling, general and administrative expenses	Depreciation and amortization	Other income (expense), net	Operating income (loss)
	(in millions of *reais*)						
Basic Petrochemicals	R$11,144.2	R$9,720.9	R$1,423.3	R$367.0	R$16.7	R$35.0	R$1,074.6
Polyolefins	7,216.9	6,503.5	713.4	531.9	20.5	1.8	162.8
Vinyls	1,536.4	1,506.9	29.5	149.4	2.7	15.2	(107.4)
Chemical Distribution	548.9	470.2	78.7	55.6	4.9	1.3	19.5
Total segments	20,446.4	18,201.5	2,244.9	1,103.9	44.8	53.3	1,149.5
Eliminations and other (1)	(5,243.6)	(5,563.5)	319.9	62.4	78.3	80.7	259.9
CVM 247	45.5	26.8	18.7	7.6	0.6	0.2	10.7
Consolidated	R$15,248.3	R$12,664.8	R$2,583.5	R$1,173.9	R$123.7	R$134.2	R$1,420.1

	Year Ended December 31, 2008						
	Net sales revenue	Cost of sales and services rendered	Gross profit	Selling, general and administrative expenses	Depreciation and amortization	Other income (expense), net	Operating income
	(in millions of *reais*)						
Basic Petrochemicals	R$14,257.5	R$13,026.9	R$1,230.6	R$415.0	R$16.2	R$63.7	R$863.1
Polyolefins	7,534.0	6,256.3	1,277.7	525.8	27.5	38.5	762.9
Vinyls	2,052.8	1,573.6	479.2	174.1	3.2	8.5	310.4
Chemical Distribution	601.8	510.4	91.4	52.7	5.8	2.5	35.4
Total segments	24,446.1	21,367.2	3,078.9	1,167.6	52.7	113.2	1,971.8
Eliminations and other (1)	(6,532.9)	(6,252.5)	(280.4)	(7.7)	490.3	(26.1)	(789.1)
CVM 247	46.3	26.1	20.2	7.2	0.6	(1.1)	11.3
Consolidated	R$17,959.5	R$15,140.8	R$2,818.7	R$1,167.1	R$543.6	R$86.0	R$1,194.0

	Year Ended December 31, 2007						
	Net sales revenue	Cost of sales and services rendered	Gross profit	Selling, general and administrative expenses	Depreciation and amortization	Other income (expense), net	Operating income
	(in millions of *reais*)						
	R$13,036.1	R$11,574.5	R$1,461.6	R$410.6	R$19.0	R$22.1	R$1,054.1

Basic Petrochemicals							
Polyolefins	7,411.0	6,070.3	1,340.7	517.2	19.6	(59.5)	744.4
Vinyls	1,789.4	1,438.1	351.3	201.7	2.1	25.9	173.4
Chemical Distribution	392.6	338.9	53.7	39.1	4.3	(0.7)	9.6
Total segments	22,629.1	19,421.8	3,207.3	1,168.6	45.0	(12.2)	1,981.5
Eliminations and other (1)	(5,654.4)	(5,598.0)	(56.4)	61.5	439.5	142.8	(414.6)
CVM 247	667.8	507.6	160.2	8.6	2.1	0.9	150.4
Consolidated	R$17,642.5	R$14,331.4	R$3,311.1	R$1,238.7	R$486.6	R$131.5	R$1,717.3

(1) Represents inter-segment transactions and unallocated expenses.

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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.

Year Ended December 31, 2009 Compared with Year Ended December 31, 2008

The following table sets forth consolidated financial information for the year ended December 31, 2009 and 2008.

	Year Ended December 31,	
	2009	2008
	(in millions of *reais*)	
Net sales revenue	R$15,248.3	R$17,959.5
Cost of sales and services rendered	(12,664.8)	(15,140.8)
Gross profit	2,583.5	2,818.7
Selling, general and administrative expenses	(1,173.9)	(1,167.1)
Depreciation and amortization	(123.7)	(543.6)
Other operating income, net	134.2	86.0
Results from equity accounting(1)	(12.1)	(63.7)
Financial expenses, net	366.0	(3,684.5)
Operating income (loss)	1,774.0	(2,554.2)
Other income and expenses, net	(132.5)	(158.7)
Income (loss) before income tax and social contribution and minority interest	1,641.5	(2,712.9)
Income tax and social contribution	(873.7)	278.2
Income (loss) before profit sharing and minority interest	767.8	(2,434.7)
Profit sharing		(18.9)
Minority interest		(38.5)
Net income (loss)	R$767.8	R$(2,492.1)

(1) Results from equity accounting 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 15.1% in 2009, primarily as a result of:

- a 21.8% decline in net sales revenue of our Basic Petrochemicals segment;
- a 25.2% decline in net sales revenue of our Vinyls segment;
- a 4.2% decline in net sales revenue of our Polyolefins segment; and
- an 8.8% decline in net sales revenue of our Chemical Distribution segment.

Eliminations of net sales revenues of our segments in consolidation, primarily reflecting intercompany sales of basic petrochemicals by our Basic Petrochemicals segment to our other segments, declined by 19.7% in 2009.

Net Sales Revenue of Our Basic Petrochemicals Segment

Net sales revenue of the Basic Petrochemicals segment declined by 21.8% in 2009, primarily as a result of (1) a 23.3% decline in net sales revenue generated by sales of basic petrochemicals (which exclude condensate, caprolactam and related, fuels and utilities) to our other business units to R$4,854.9 million in 2009 from R$6,330.6 million in 2008, principally as a result of the reduction in prices paid by our other business units for ethylene and propylene, the effects of which were partially offset by the classification of purchases of ethylene by the Triunfo polyethylene plant as internal sales following our acquisition of this plant in 2009, and (2) a 23.5% decline in net sales revenue generated by sales of basic petrochemicals to third parties to R$4,262.7 million in 2009 from R$5,574.2 million in 2008.

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Net sales revenue generated by sales of:

- caprolactam and related products declined by 61.6% to R$93.0 million in 2009 from R$241.9 million in 2008, primarily as a result of the temporary closure of our caprolactam plant in May 2009;

- fuels declined by 17.6% to R$578.3 million in 2009 from R$701.9 million in 2008, primarily as a result of an 11.1% decline in the average domestic sales price of automotive gasoline, a 34.8% decline in the average export sales price of automotive gasoline, and a 9.5% decline in the sales volume of automotive gasoline;

- utilities, including sales of utilities to our other segments, declined by 13.7% to R$515.4 million in 2009 from R$597.2 million in 2008; and

- naphtha and condensate, a significant portion of which was sold to RPR, which refined condensate into naphtha for resale to our Basic Petrochemicals segment, increased by 3.5% to R$839.9 million in 2009 from R$811.7 million in 2008.

The most significant factors contributing to the decline of net sales revenue generated by sales of basic petrochemicals to third parties were:

- a R$489.0 million, or 45.9%, decline in net sales revenue generated by sales of ethylene to third parties;

- a R$329.8 million, or 45.5%, decline in net sales revenue generated by sales of butadiene to third parties;

- a R$317.1 million, or 18.0%, decline in net sales revenue generated by sales of BTX products to third parties; and

- a R$83.1 million, or 9.6%, decline in net sales revenue generated by sales of propylene.

Sales volume of ethylene to third parties declined by 25.8% to approximately 287,000 tons in 2009 from approximately 386,800 tons in 2008, principally due to the reclassification of our sales of ethylene to the Triunfo polyethylene plant as internal sales as a result of our acquisition of this plant during 2009. We did not export ethylene in 2008 or 2009. The average domestic price that we realized for sales of ethylene declined primarily as a result of the 33.2% decline in the average Western European contract market price in euros, as reported by CMAI, the effects of which were partially offset by the 3.4% average depreciation of the *real* against the euro.

Sales volume of butadiene to third parties increased by 2.2% to approximately 235,800 tons in 2009 from approximately 230,700 tons in 2008. Domestic sales volume of butadiene to third parties declined by 30.2% in 2009, principally due to the reduced demand in Brazil for the products of our butadiene customer, while export sales volume of butadiene increased by 374.1%, principally due to our diversion of butadiene to the export market as a result of the decline in domestic sales of this product. The average prices that we realized for sales of butadiene declined primarily as a result of the 46.6% decline in the average North American contract market price in U.S. dollars, as reported by CMAI, the effects of which were partially offset by the 8.5% average depreciation of the *real* against the U.S. dollar.

Sales volume of BTX products to third parties increased by 11.5% to approximately 1,022,600 tons in 2009 from approximately 916,700 tons in 2008. The principal factor leading to the decline in net sales revenue generated by sales of BTX products to third parties was the 20.7% decline in net sales revenue generated by sales of benzene to third parties. Domestic sales volume of benzene to third parties increased by 51.9% in 2009, principally due to re-opening of a plant of one of our customers in January 2009 which had been closed since February 2008. Export sales volume

of benzene declined by 13.3% in 2009. The average prices that we realized for sales of benzene declined primarily as a result of the 30.5% decline in the average North American spot market price in U.S. dollars, as reported by CMAI, the effects of which were partially offset by the average depreciation of the *real* against the U.S. dollar.

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Sales volume of propylene to third parties increased by 36.2% to approximately 517,200 tons in 2009 from approximately 379,700 tons in 2008. Domestic sales volume of propylene to third parties increased by 2.1% in 2009. Export sales volume of propylene increased by 600.3% in 2009, principally due to the increased availability of this product for export due to (1) the ramping up of deliveries of propylene from REPLAN to our Paulínia plant, (2) the rectification of problems experienced in the supply of propylene by REFAP to our polypropylene plants in the Southern Complex, and (3) unscheduled maintenance stoppages at some of our polypropylene plants during 2009. The average prices that we realized for sales of propylene declined primarily as a result of the 36.5% decline in the average Western Europe contract price in euros, as reported by CMAI, the effects of which were partially offset by the depreciation of the *real* against the euro.

Net Sales Revenue of Our Polyolefins Segment

Net sales revenue of the Polyolefins segment declined by 4.2% in 2009. This decline was primarily attributable to (1) a 6.4% decline in net sales revenue generated by sales of polyethylene, (2) a 3.2% decline in net sales revenue generated by sales of polypropylene, and (3) a 43.3% decline in net sales revenue generated by sales of PET. The effects of these declines were partially offset by a 98.4% increase in net sales revenue generated by sales of EVA.

Sales volume of polyethylene increased by 27.0% to approximately 1,701,400 tons in 2009 from approximately 1,339,900 tons in 2008, principally as a result of our increased polyethylene production capacity as a result of our acquisition of the Triunfo polyethylene plant in 2009. Domestic sales volume of polyethylene increased by 4.9% in 2009, principally as a result of (1) our consolidation of the results of Triunfo as from January 1, 2009, and (2) the recovery of certain sectors of the Brazilian economy that are significant consumers of resins, including the consumer goods and agricultural sectors. Export sales volume of polyethylene increased by 83.7% in 2009, principally due to the increase in our production capacity and opportunities in the international market to export our products that permitted us to increase our utilization rate during the year. The average prices that we realized for sales of polyethylene declined primarily as a result of the 23.0%. 23.7% and 21.6% declines in the average North American contract prices in U.S. dollars, as reported by CMAI, of HDPE, LLDPE and LDPE, respectively, the effects of which were partially offset by the average depreciation of the *real* against the U.S. dollar.

Sales volume of polypropylene increased by 31.9% to approximately 926,900 tons in 2009 from approximately 702,500 tons in 2008, primarily due to the increased production volumes available from our Paulínia plant. Domestic sales volume of polypropylene increased by 15.2% in 2009, principally as a result of incentives from the Brazilian government to promote production in the automotive and durable goods sectors. Export sales volume of polypropylene increased by 137.3%, principally due to the increase in production of our Paulínia plant. The average prices that we realized for sales of polypropylene declined primarily as a result of the 26.7% decline in the average Southeast Asian spot market prices of polypropylene in U.S. dollars, as reported by CMAI, the effects of which were partially offset by the average depreciation of the *real* against the U.S. dollar.

Sales volume of PET declined by 26.4% to approximately 32,900 tons in 2009 from approximately 44,700 tons in 2008, primarily as a result of the migration of our PET customers to other producers following the permanent closure of our PET plant in December 2008. Domestic sales volume of PET declined by 58.0%.

Sales volume of EVA increased by 158.7% to approximately 56,000 tons in 2009 from approximately 21,600 tons in 2008. Domestic sales volume of EVA increased by 103.8% in 2009, primarily due to a significant increase in the consumption of this product by the footwear industry. Export sales volume of EVA increased by 246.7%. The prices that we realized for EVA, which we price by reference to the North American contract price of LDPE, declined, primarily as a result of the 21.6% decline in the average North American contract price of LDPE in U.S. dollars, as reported by CMAI, the effects of which were partially offset by the average depreciation of the *real* against the U.S.

dollar.

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Net Sales Revenue of Our Vinyls Segment

Net sales revenue of the Vinyls segment declined by 25.2% in 2009. This decline was primarily attributable to a 22.8% decline in net sales revenue generated by sales of PVC, and a 32.6% decline in net sales revenue generated by sales of caustic soda.

Sales volume of PVC declined by 3.3% to approximately 497,700 tons in 2009 from approximately 514,700 tons in 2008. Domestic sales volume of PVC declined by 7.8% in 2009, principally due to the decline in consumption of this product by the construction sector, while export sales volume of PVC increased by 117.9%. The average prices that we realized for sales of PVC declined primarily as a result of the 23.9% decline in the average Northeast Asian spot market prices of PVC in U.S. dollars, as reported by CMAI, the effects of which were partially offset by the average depreciation of the *real* against the U.S. dollar.

During the second half of 2008, Chinese demand for PVC declined as a result of lower construction activity following the conclusion of the Olympic Games. As a result of this contraction of demand, PVC producers in the United States increased the volume of exports of their PVC products, leading to greater price competition in the export markets that we serve.

Sales volume of caustic soda declined by 15.1% to approximately 409,700 tons in 2009 from approximately 482,700 tons in 2008. Domestic sales volume of caustic soda declined by 13.2% in 2009 to approximately 402,200 tons in 2009 from approximately 463,300 tons in 2008, principally due to a significant reduction in demand for this product from the Brazilian paper industry, while export sales volume of caustic soda declined by 61.5% to approximately 7,500 tons in 2009 from approximately 19,400 tons in 2008. The average prices that we realized for sales of caustic soda declined primarily as a result of the 56.3% decline in the average North American spot market prices of caustic soda in U.S. dollars, as reported by CMAI, the effects of which were partially offset by the average depreciation of the *real* against the U.S. dollar.

Net Sales Revenue of Our Chemical Distribution Segment

Net sales revenue of the Chemical Distribution segment declined by 8.8% in 2009. Net sales revenue from sales of general purpose chemicals declined by 14.1% in 2009, primarily as a result of a 15.0% decline in the sales volume of general purpose chemicals to approximately 67,500 tons in 2009 from approximately 79,400 tons in 2008, and significant declines in our average prices for process oils and blends. Net sales revenue from sales of solvents declined by 6.9% in 2009, primarily as a result of a significant declines in the average prices of our solvents, the effects of which were partially offset by a 46.3% increase in the sales volume of solvents to approximately 110,300 tons in 2009 from approximately 75,400 tons in 2008, due principally to increased sales of synthetic solvents. Net sales revenue from sales of polymers declined by 2.6% in 2009, primarily as a result of a 21.4% decline in our average prices for polymers, the effects of which were partially offset by a 24.0% increase in the sales volume of polymers to approximately 47,600 tons in 2009 from approximately 38,400 tons in 2008.

Cost of Sales and Services Rendered and Gross Profit

Cost of sales and services rendered declined by 16.4% in 2009, primarily as a result of a 25.4% decline in the cost of sales and services rendered of the Basic Petrochemicals segment. The effects of this decline were partially offset by a 4.0% increase in the cost of sales of the Polyolefins segment. Eliminations of cost of sales and services rendered of our segments in consolidation, primarily reflecting the costs of basic petrochemicals purchases by our Polyolefins and Vinyls segments from our Basic Petrochemicals segment, declined by 11.0% in 2009.

Consolidated gross profit declined by 8.3% in 2009. Gross margin (gross profit as a percentage of net sales revenue) increased to 16.9% in 2009 from 15.7% in 2008.

Cost of Sales and Services Rendered of Our Basic Petrochemicals Segment

Cost of sales and services rendered of the Basic Petrochemicals segment declined by 25.4% in 2009, primarily as a result of a 36.3% decline in the average cost of naphtha in 2009, the effects of which were partially offset by an increase in sales volume in 2009. Naphtha and condensate accounted for 89.5% of the Basic Petrochemicals segment s cost of sales and services rendered in 2009 and 77.6% in 2008.

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Gross profit of the Basic Petrochemicals segment increased by 15.7% in 2009 and gross margin increased to 12.8% in 2009 from 8.6% in 2008.

Cost of Sales of Our Polyolefins Segment

Cost of sales of the Polyolefins segment increased by 4.0% in 2009, primarily as a result of a 25.9% increase in the total sales volume of our Polyolefins segment. The effects of this increased sales volume were partially offset by a 24.6% decline in our Polyolefins Unit s average cost of ethylene and a 31.7% decline in the average cost of propylene.

Gross profit of the Polyolefins segment declined by 44.2% in 2009, and gross margin declined to 9.9% in 2009 from 17.0% in 2008.

Cost of Sales of Our Vinyls Segment

Cost of sales of the Vinyls segment declined by 4.2% in 2009, primarily as a result of the 8.4% decline in sales volume of this segment and a 23.2% decline in the average cost of ethylene, the effects of which were partially offset by an 11.9% increase in the average cost of energy.

Gross profit of the Vinyls segment declined by 93.8% in 2009, while gross margin declined to 1.9% in 2009 from 23.3% in 2008.

Cost of Sales of Our Chemical Distribution Segment

Cost of sales of the Chemical Distribution segment declined by 7.9% in 2009, primarily as a result of the decline in average prices that we paid for the chemical products that we distribute, the effects of which were partially offset by the increased sales volume of this segment. Gross profit of the Chemical Distribution segment declined by 13.9% in 2009, while gross margin declined to 14.3% in 2009 from 15.2% in 2008.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased by 0.6% in 2009. Selling, general and administrative expenses as a percentage of net sales revenue increased to 7.7% in 2009 from 6.5% in 2008.

Selling, general and administrative expenses of the Basic Petrochemicals segment declined by 11.6%, primarily as a result of our program to reduce overhead costs.

Selling, general and administrative expenses of the Polyolefins segment increased by 1.2%.

Selling, general and administrative expenses of the Vinyls segment declined by 14.2%, primarily as a result of our renegotiation of logistics contracts with marine terminals, warehouses and distribution centers.

Selling, general and administrative expenses of the Chemical Distribution segment increased by 5.5%, primarily as a result of expenses incurred in connection with the restructuring of our chemical distribution business, the creation of Varient and activities undertaken to position our chemical distribution brands.

Depreciation and Amortization

Depreciation and amortization declined by 77.2% in 2009, primarily because we are no longer permitted to amortize goodwill as a result of an accounting standard adopted by the CPC that was effective as from January 1, 2009.

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Other Operating Income, Net

Other operating income, net increased by 56.0% in 2009, primarily as a result of:

- a 38.7% increase in tax incentives and recovery of taxes to R$107.8 million in 2009 from R$77.7 million in 2008, principally as a result of a gain recognized as the result of the favorable outcome in a lawsuit in which we challenged the basis of the calculation of PIS/COFINS taxes; and

- R$12.9 million recorded as social security indemnifications in 2009, principally as a result of an insurance recovery that we received relating to a casualty event at our chloro-soda plant in Alagoas.

The effects of these items was partially offset by a 87.7% decline in rental of facilities and assignment of rights of use to R$1.5 million in 2009 from R$12.2 million in 2008, principally as a result of the termination of one of our contracts to rent facilities.

Operating Income of Segments

As a result of the foregoing:

- operating income of the Basic Petrochemical segment increased by 24.5% in 2009, and the operating margin of the Basic Petrochemical segment increased to 9.6% in 2009 from 6.1% in 2008;

- operating income of the Polyolefins segment declined by 78.7% in 2009, and the operating margin of the Polyolefins segment declined to 2.3% in 2009 from 10.1% in 2008;

- operating loss of the Vinyls segment was R$107.4 million in 2009 compared to operating income of R$310.4 million in 2008, and our Vinyls segment experienced a negative operating margin of 7.0% in 2009 compared to a positive operating margin of 15.1% in 2008; and

- operating income of the Chemical Distribution segment declined by 44.9% in 2009, and the operating margin of the Chemical Distribution segment declined to 3.6% in 2009 from 5.9% in 2008.

Operating income or loss of our four segments excludes financial income, financial expense and results from equity accounting.

Results from Equity Accounting

Results from equity accounting declined by 81.0% in 2009, primarily due to (1) an 83.2% decline in amortization of negative goodwill to R$6.8 million in 2009 from R$40.4 million in 2008, principally as a result of the merger of Ipiranga Petroquímica into our company in September 2008, and (2) the effects of a provision for loss in the amount of R$9.7 million that we recorded in 2008.

Financial Income (Expenses), Net

Financial income, net, was R$366.0 million in 2009 compared to financial expenses, net of R$3,684.5 million in 2008, 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 liabilities, which were partially offset by the effects of the *real*/U.S. dollar exchange rate on our U.S. dollar-denominated and U.S. dollar-indexed assets.

As a result of the 25.5% appreciation of the *real* against the U.S. dollar in 2009, we recorded:

- a gain of R$2,929.3 million related to the exchange rate effect on our U.S. dollar-denominated liabilities; and

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- a loss of R$687.1 million related to the exchange rate effect on our U.S. dollar-denominated and U.S. dollar-indexed assets.

As a result of the 31.9% depreciation of the *real* against the U.S. dollar in 2008, we recorded:

- a loss of R$3,212.6 million related to the exchange rate effect on our U.S. dollar-denominated liabilities; and

- a gain of R$466.3 million related to the exchange rate effect on our U.S. dollar-denominated and U.S. dollar-indexed assets.

Operating Income (Loss)

Operating income was R$1,774.0 million in 2009 compared to operating loss of R$2,554.2 million in 2008, primarily as a result of the change in our net financial results to a gain of R$366.0 million in 2009 from an expense of R$3,684.5 million in 2008 as a result of the significant appreciation of the *real* against the U.S. dollar. Operating income represented 11.6% of net sales revenue in 2009 while operating loss represented 14.2% of net sales revenue in 2008.

Other Income and Expense, Net

Other income and expenses, net declined by 16.5% to an expense of R$132.5 million in 2009 from R$158.7 million in 2008. The most significant items of other income and expense in 2009 were:

- a R$60.3 million write-down of discontinued projects, primarily relating to our decision to discontinue certain projects that we had undertaken which we no longer believed would be economically feasible;

- R$28.9 million of depreciation of inactive plants and other, primarily relating to (1) expenses incurred in connection with our negotiations of the Quattor Acquisition and the Sunoco Chemicals Acquisition, and (2) our write-off of certain advances to suppliers of fixed assets;

- R$24.2 million recorded as impairment of property, plant and equipment, primarily relating to our decision to close our São Paulo PVC plant; and

- an R$18.2 million provision for the retirement of assets, primarily relating to our decision to close our São Paulo PVC plant and to discontinue the use of certain fixed assets that produced products that we no longer market.

The most significant items of other income and expense in 2008 were:

- a R$144.1 million reduction to the recoverable amount of fixed assets, primarily relating to the permanent closure of our PET plant and the impairment of our caprolactam plant;

- R$54.5 million of depreciation of paralyzed plants and other, primarily relating to the permanent closure of our PET plant;

- a R$42.8 million reversion gains from merger, primarily related to technology and land sold to Paulínia while the company was jointly controlled; and

- R$130.5 million gain from the disposal of our equity interest in Petroflex.

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Income Tax and Social Contribution

The composite corporate statutory income tax and social contribution rate was 34% in each of 2009 and 2008. Income tax and social contribution was an expense of R$873.7 million in 2009, including R$339.3 million recorded as social contribution Installment Payment Law No. 11,941/09 relating to the settlement of certain tax claims against our company, compared to a benefit of R$278.2 million in 2008. The effective tax rate applicable to our loss before income tax and social contribution was 32.6% in 2009 (before giving effect to the payments relating to the settlement of tax claims), while our effective tax rate was 10.3% in 2008. The higher effective tax rate in 2009 was principally the result of the utilization of all deferred tax credits related derived from our tax loss carryforwards to reduce the amount that we were required to pay in the settlements of our tax proceedings.

Profit Sharing and Minority Interest

We recorded minority interest of R$38.5 million in 2008. We did not record minority interest in 2009 as a result of our completion of the first phase of the Petrobras Transaction in May 2008, as a result of which there are no longer minority interests in our subsidiaries.

Net Income (Loss)

We recorded net income of R$767.8 million in 2009, or 5.0% of net sales revenue, compared to a net loss of R$2,492.1 million, or 13.9% of net sales revenue, in 2008.

Year Ended December 31, 2008 Compared with Year Ended December 31, 2007

The following table sets forth consolidated financial information for the years ended December 31, 2008 and 2007.

	Year Ended December 31,	
	2008	**2007(1)**
	(in millions of *reais*)	
Net sales revenue	R$17,959.5	R$17,642.5
Cost of sales and services rendered	(15,140.8)	(14,331.4)
Gross profit.	2,818.7	3,311.1
Selling, general and administrative expenses	(1,167.1)	(1,238.7)
Depreciation and amortization	(543.6)	(486.6)
Other operating income, net	86.0	131.5
Results from equity accounting(2)	(63.7)	(64.6)
Financial expenses, net	(3,684.5)	(376.7)
Operating income (loss)	(2,554.2)	1,276.0
Other income and expenses, net	(158.7)	(67.2)
Income (loss) before income tax and social contribution and minority interest	(2,712.9)	1,208.8
Income tax and social contribution	278.2	(327.4)
Income (loss) before profit sharing and minority interest.	(2,434.7)	881.4
Profit sharing	(18.9)	(18.7)
Minority interest	(38.5)	(240.9)
Net income (loss)	R$(2,492.1)	R$621.8

(1) As a result of the Ipiranga Transaction, includes fully consolidated results of Copesul and consolidated results of Ipiranga Química and Ipiranga Petroquímica as from April 1, 2007.

(2) Results from equity accounting 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.

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Net Sales Revenue

Net sales revenue increased by 1.8% in 2008 primarily as a result of:

- a 9.4% increase in net sales revenue of our Basic Petrochemicals segment;
- a 14.7% increase in net sales revenue of our Vinyls segment;
- a 53.3% increase in net sales revenue of our Chemical Distribution segment; and
- a 1.7% increase in net sales revenue of our Polyolefins segment.

The effects of these increases were partially offset by a 93.1% decline in net sales revenue attributable to our jointly consolidated companies, principally as a result of the full consolidation of the results of Copesul in our financial statements for 12 months in 2008 as compared to nine months in 2007. Prior to April 1, 2007, our proportionate interest in the results of Copesul was recorded in our financial statements under Instruction 247.

Eliminations of net sales revenues of our segments in consolidation, primarily reflecting intercompany sales of basic petrochemicals by our Basic Petrochemicals segment to our other segments, increased by 15.5% in 2008.

Net Sales Revenue of Our Basic Petrochemicals Segment

Net sales revenue of the Basic Petrochemicals segment increased by 9.4% in 2008, primarily as a result of the effects of the full consolidation of the results of Copesul in our financial statements for 12 months in 2008 as compared to nine months in 2007. Net sales revenue generated by sales of basic petrochemicals by our Basic Petrochemicals Unit to our other business units increased by 44.4% to R$6,330.6 million in 2008 from R$4,382.7 million in 2007, primarily as a result of (1) the full consolidation of the net sales revenues generated by sales of basic petrochemicals by Copesul to our other business units in our financial statements for 12 months in 2008 as compared to nine months in 2007, and (2) increased prices paid by our other business units for ethylene and propylene. Net sales revenue generated by sales of basic petrochemicals to third parties declined by 17.3% to R$5,574.2 million in 2008 from R$6,738.6 million in 2007.

Net sales revenue generated by sales of:

- naphtha and condensate, a significant portion of which was sold to RPR, which refines condensate into naphtha for resale to our Basic Petrochemicals segment, increased by 63.9% to R$811.7 million in 2008 from R$495.2 million in 2007;
- fuels increased by 25.6% to R$701.9 million in 2008 from R$558.7 million in 2007, primarily as a result of a 35.1% increase in the average domestic sales price of automotive gasoline, a 20.6% increase in the average export sales price of automotive gasoline, the effects of which were partially offset by a 10.1% decline in the sales volume of automotive gasoline;
- utilities, including sales of utilities to our other segments, increased by 6.4% to R$597.2 million in 2008 from R$561.6 million in 2007; and
- caprolactam and related products declined by 19.2% to R$241.9 million in 2008 from R$299.3 million in 2007.

The most significant factors contributing to the decline of net sales revenue generated by sales of basic petrochemicals to third parties were:

- a R$755.1 million, or 41.5%, decline in net sales revenue generated by sales of ethylene to third parties;

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- a R$330.1 million, or 24.6%, decline in net sales revenue generated by sales of benzene to third parties; and
- a R$102.2 million, or 10.5%, decline in net sales revenue generated by sales of propylene to third parties.

The effects of these declines were partially offset by a R$210.8 million, or 41.0%, increase in net sales revenue generated by sales of butadiene to third parties.

Sales volume of ethylene to third parties declined by 43.3% to approximately 386,800 tons in 2008 from approximately 682,300 tons in 2007. Domestic sales volume of ethylene to third parties declined by 42.4% in 2008, principally due to reduced production during (1) the scheduled maintenance shutdowns of the Northeastern Complex s Olefins 1 unit for 37 days in May and June 2008 and the Southern Complex s Olefins 1 unit and Aromatics unit for 38 days in April and May 2008, and (2) temporary shutdowns of one of our ethylene crackers in the Northeastern Complex and one of our ethylene crackers in the Southern Complex in the fourth quarter of 2008. We did not export ethylene in 2008 while we exported approximately 11,200 tons in 2007. The average domestic price that we realized for sales of ethylene increased primarily as a result of the 22.0% increase in the average Western European contract market price in euros, as reported by CMAI, and, to a lesser extent, the 0.4% average depreciation of the *real* against the euro.

Sales volume of benzene to third parties declined by 14.7% to approximately 554,000 tons in 2008 from approximately 649,700 tons in 2007. Domestic sales volume of benzene to third parties declined by 29.8% in 2008, principally due to reduced production during the scheduled maintenance shutdowns of two of our olefins units and one of our aromatics units. Export sales volume of benzene increased by 2.0% in 2008. The average prices that we realized for sales of benzene declined primarily as a result of the 12.6% decline in the average North American spot market price in U.S. dollars, as reported by CMAI, and the 5.7% average appreciation of the *real* against the U.S. dollar.

Sales volume of propylene to third parties declined by 19.5% to approximately 379,700 tons in 2008 from approximately 471,400 tons in 2007. Domestic sales volume of propylene to third parties declined by 5.4% in 2008, principally due to reduced production during the scheduled maintenance shutdowns of two of our olefins units and one of our aromatics units. Export sales volume of propylene declined by 76.7% in 2008, as a result of our increased use of propylene in our production of polyolefins as a result of delays in the commencement of deliveries from REPLAN to our Paulínia plant and problems experienced in the supply of propylene by REFAP to our polypropylene plants in the Southern Complex. The average prices that we realized for sales of propylene increased primarily as a result of the 11.8% increase in the average Western Europe contract price in euros, as reported by CMAI, and, to a lesser extent, the depreciation of the *real* against the euro.Sales volume of butadiene to third parties increased by 1.7% to approximately 230,700 tons in 2008 from approximately 226,800 tons in 2007. Domestic sales volume of butadiene to third parties increased by 8.5% in 2008, principally due to our increased production of butadiene in 2008, while export sales volume of butadiene declined by 40.7%, principally due to the lower availability of butadiene for export as a result of an increase in domestic demand. The average prices that we realized for sales of butadiene increased primarily as a result of the 51.1% increase in average North American contract market price in U.S. dollars, as reported by CMAI, the effects of which were partially offset by the appreciation of the *real* against the U.S. dollar.

Net Sales Revenue of Our Polyolefins Segment

Net sales revenue of the Polyolefins segment increased by 1.7% in 2008. This increase was primarily attributable to a 7.3% increase in net sales revenue generated by sales of polypropylene and a 0.8% increase in net sales revenue generated by sales of polyethylene, the effects of which were partially offset by a 19.1% decline in net sales revenue generated by sales of PET.

Sales volume of polypropylene increased by 3.0% to approximately 702,500 tons in 2008 from approximately 682,300 tons in 2007. Domestic sales volume of polypropylene increased by 5.8% in 2008, primarily due to (1) our consolidation of the results of Ipiranga Petroquímica for 12 months in 2008 as compared to nine months in 2007, and (2) our consolidation of the results of Paulínia for nine months in 2008, the effects of which were partially offset by the reduction in purchases of polypropylene in the fourth quarter of 2008 as our customers delayed purchases and consumed their inventories in anticipation of reductions in the price of polypropylene. Export sales volume of polypropylene declined by 11.8%, principally due to the decline in global demand for polypropylene, particularly in the fourth quarter of 2008. The average prices that we realized for sales of polypropylene increased primarily as a result of the 8.0% increase in the average Southeast Asian spot market prices of polypropylene in U.S. dollars, as reported by CMAI, the effects of which were partially offset by the average appreciation of the *real* against the U.S. dollar.

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Sales volume of polyethylene declined by 8.7% to approximately 1,339,900 tons in 2008 from approximately 1,467,600 tons in 2007. Domestic sales volume of polyethylene increased by 3.9% in 2008, principally as a result of our consolidation of the results of Ipiranga Petroquímica for 12 months in 2008 as compared to nine months in 2007, the effects of which were partially offset by the reduction in purchases of polyethylene in the fourth quarter of 2008 as our customers delayed purchases and consumed their inventories in anticipation of reductions in the price of polyethylene. Export sales volume of polyethylene declined by 30.3% in 2008, principally due to the decline in global demand for polyethylene, particularly in the fourth quarter of 2008. The average prices that we realized for sales of polyethylene increased primarily as a result of the 18.0%, 19.3% and 17.3% Increases in the average North American contract prices in U.S. dollars, as reported by CMAI, of HDPE, LLDPE and LDPE, respectively, the effects of which were partially offset by the average appreciation of the *real* against the U.S. dollar.

Sales volume of PET declined by 27.5% to approximately 44,700 tons in 2008 from approximately 61,600 tons in 2007, primarily as a result of the migration of our PET customers to other producers following the temporary closure of our PET plant in May 2007, which plant was permanently closed in December 2008. Domestic sales volume of PET declined by 28.9%.

Net Sales Revenue of Our Vinyls Segment

Net sales revenue of the Vinyls segment increased by 14.7% in 2008. This increase was primarily attributable to a 54.9% increase in net sales revenue generated by sales of caustic soda, and a 5.6% increase in net sales revenue generated by sales of PVC, the effects of which were partially offset by a 26.3% decline in net sales revenue generated by sales of EDC.

Sales volume of caustic soda increased by 6.2% to approximately 482,700 tons in 2008 from approximately 454,600 tons in 2007. Domestic sales volume of caustic soda increased by 2.8% in 2008, principally due to an increase in demand by aluminum and cellulose producers, while export sales volume of caustic soda increased to approximately 19,400 tons in 2008 from approximately 4,100 tons in 2007. The average prices that we realized for sales of caustic soda increased primarily as a result of the 107.8% increase in the average North American spot market prices of caustic soda in U.S. dollars, as reported by CMAI, the effects of which were partially offset by the average appreciation of the *real* against the U.S. dollar.

Sales volume of PVC increased by 2.1% to approximately 514,700 tons in 2008 from approximately 504,000 tons in 2007. Domestic sales volume of PVC increased by 6.7% in 2008, principally due to increased demand in the civil construction sector, while export sales volume of PVC declined by 52.7%, principally due to the decline in Chinese demand following the conclusion of the Olympic Games and the decline in demand for PVC in the United States in the second half of 2008 as the effects of the global economic slowdown became more pronounced. The average prices that we realized for sales of PVC increased primarily as a result of the 10.7% increase in the average Northeast Asian spot market prices of PVC in U.S. dollars, as reported by CMAI, the effects of which were partially offset by the average appreciation of the *real* against the U.S. dollar.

Sales volume of EDC declined by 10.4% to approximately 94,000 tons in 2008 from approximately 104,900 tons in 2007. Export sales volume of EDC declined by 43.0%, principally due to the global decline in demand for PVC, the production of which involves the use of EDC as a principal raw material. As a result of the decline in demand for EDC exports, we sold approximately 34,200 tons of EDC in the domestic market in 2008.

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Net Sales Revenue of Our Chemical Distribution Segment

Net sales revenue of the Chemical Distribution segment increased by 53.3% in 2008, primarily as a result of (1) our consolidation of the results of this segment for 12 months in 2008 as compared to nine months in 2007, and (2) increased demand for our products which allowed us to increase our prices for most of our products. Net sales revenue from sales of general purpose chemicals increased by 66.0% in 2008, primarily as a result of a 37.4% increase in the sales volume of general purpose chemicals to approximately 79,400 tons in 2008 from approximately 57,800 tons in 2007, and increased demand for our products which allowed us to increase our prices for most of our products. Net sales revenue from sales of solvents increased by 32.5% in 2008, primarily as a result of a 21.2% increase in the sales volume of solvents to approximately 75,400 tons in 2008 from approximately 62,200 tons in 2007, and increased demand for aromatic and synthetic solvents. Net sales revenue from sales of polymers increased by 62.0% in 2008, primarily as a result of a 49.4% increase in the sales volume of polymers to approximately 38,400 tons in 2008 from approximately 25,700 tons in 2007.

Cost of Sales and Services Rendered and Gross Profit

Cost of sales and services rendered increased by 5.6% in 2008, primarily as a result of:

- a 12.5% increase in the cost of sales and services rendered of the Basic Petrochemicals segment;
- a 3.1% increase in the cost of sales of the Polyolefins segment;
- a 50.6% increase in the cost of sales of the Chemical Distribution segment; and
- a 9.4% increase in the cost of sales of the Vinyls segment.

The effects of these increases were partially offset by a 94.9% decline in cost of sales and services rendered attributable to our jointly consolidated companies, principally as a result of the full consolidation of the results of Copesul in our financial statements for 12 months in 2008 as compared to nine months in 2007.

Eliminations of cost of sales and services rendered of our segments in consolidation, primarily reflecting the costs of basic petrochemicals purchases by our Polyolefins and Vinyls segments from our Basic Petrochemicals segment, increased by 11.7% in 2008.

Consolidated gross profit declined by 14.9% in 2008. Gross margin was 15.7% in 2008 as compared to 18.8% in 2007.

Cost of Sales and Services Rendered of Our Basic Petrochemicals Segment

Cost of sales and services rendered of the Basic Petrochemicals segment increased by 12.5% in 2008, primarily as a result of our consolidation of the results of Copesul for 12 months in 2008 as compared to nine months in 2007 and an 11.2% increase in the average cost of naphtha, the effects of which were partially offset by a decline in sales volume in 2008. Naphtha and condensate accounted for 77.6% of the Basic Petrochemicals segment s cost of sales and services rendered in 2008 and 78.1% in 2007.

Gross profit of the Basic Petrochemicals segment declined by 15.8% in 2008, and gross margin declined to 8.6% in 2008 compared to 11.2% in 2007.

Cost of Sales of Our Polyolefins Segment

Cost of sales of the Polyolefins segment increased by 3.1% in 2008, primarily as a result of our consolidation of the results of Ipiranga Petroquímica for 12 months in 2008 as compared to nine months in 2007, the effects of which were partially offset by a 3.0% decline in the total sales volume of our Polyolefins segment. Our Polyolefins Unit s average cost for ethylene increased by 23.5% in 2008, and our Polyolefins Unit s average cost for propylene increased by 3.6% in 2008.

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Gross profit of the Polyolefins segment declined by 4.7% in 2008, and gross margin declined to 17.0% in 2008 compared to 18.1% in 2007.

Cost of Sales of Our Vinyls Segment

Cost of sales of the Vinyls segment increased by 9.4% in 2008, primarily as a result of a 23.5% increase in the average price of ethylene and the 2.7% increase in sales volume of this segment.

Gross profit of the Vinyls segment increased by 36.4% in 2008, while gross margin increased to 23.3% in 2008 from 19.6% in 2007.

Cost of Sales of Our Chemical Distribution Segment

Cost of sales of the Chemical Distribution segment increased by 50.6% in 2008, primarily as a result of (1) our consolidation of the results of Ipiranga Química for 12 months in 2008 as compared to nine months in 2007, and (2) the increase in the volume of sales and the increase in the cost of the products that we distribute. Gross profit of the Chemical Distribution segment increased by 70.2% in 2008, while gross margin increased to 15.2% in 2008 from 13.7% in 2007.

Selling, General and Administrative Expenses

Selling, general and administrative expenses declined by 5.8% in 2008, primarily as a result of:

- a 13.7% decline in selling, general and administrative expenses of the Vinyls segment, principally due to a reclassification of certain storage expenses that were recorded as selling, general and administrative expenses in 2007 as costs of goods sold in 2008; and

- a 16.3% decline in selling, general and administrative expenses of our jointly controlled companies, primarily as a result of our consolidation of the results of Copesul for 12 months in 2008 as compared to nine months in 2007.

The effects of these declines were partially offset by:

- a 34.8% increase in selling, general and administrative expenses of the Chemical Distribution segment, primarily as a result of our consolidation of the results of QuantiQ for 12 months in 2008 as compared to nine months in 2007; and

- a 1.7% increase in selling, general and administrative expenses of the Polyolefins segment, primarily as a result of our consolidation of the results of Ipiranga Petroquímica for 12 months in 2008 as compared to nine months in 2007, the effects of which were partially offset by the results of our implementation of cost control measures, including reductions in the number of personnel, designed to enable us to achieve synergies relating to the acquisition of Ipiranga Petroquímica.

Selling, general and administrative expenses represented 6.5% of net sales revenue in 2008 compared to 7.0% of net sales revenue in 2007.

Depreciation and Amortization

Depreciation and amortization increased by 11.7% in 2008, primarily as a result of our the full consolidation of the results of Copesul and Ipiranga Petroquímica in our financial statements for 12 months in 2008 as compared to nine months in 2007.

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Other Operating Income, Net

Other operating income, net declined by 34.6% in 2008, primarily as a result of a 67.2% decline in other operating income of the Vinyls segment, primarily as a result of an increase in tax incentives recorded in 2008 relating to our operations in the Brazilian states of Bahia and Alagoas. The effects of this decline were partially offset by:

- the R$38.5 million of other operating income recorded by our Polyolefins segment in 2008, primarily as a result of sales incentive received by our company relating to the quantity of our purchases of PET, as compared to the R$59.5 million of other operating expense recorded by our Polyolefins segment in 2007, primarily as a result of the reclassification of some of our selling expenses; and

- a 188.2% increase in other operating income recorded by our Basic Petrochemicals segment in 2008, primarily as a result of an increase in recoverable taxes recorded in 2008 as a result of a change in Copesul s accounting policies to align these policies with those of Braskem.

Operating Income of Segments

As a result of the foregoing:

- operating income of the Basic Petrochemical segment declined by 18.1% in 2008, and the operating margin of the Basic Petrochemical segment declined to 6.1% in 2008 from 8.1% in 2007;

- operating income of the Polyolefins segment increased by 2.5% in 2008, and the operating margin of the Polyolefins segment increased to 10.1% in 2008 from 10.0% in 2007;

- operating income of the Vinyls segment increased by 79.0% in 2008, and the operating margin of the Vinyls segment increased to 15.1% in 2008 from 9.7% in 2007; and

- operating income of the Chemical Distribution segment increased by 268.8% in 2008, and the operating margin of the Chemical Distribution segment increased to 5.9% in 2008 from 2.4% in 2007.

Operating income or loss of our four segments excludes financial income, financial expense and results from equity accounting.

Results from Equity Accounting

Results from equity accounting declined by 1.4% in 2008, primarily due to Petroflex result offset by the reduced goodwill amortization over Ipiranga assets.

Financial Expenses, Net

Financial expenses, net, increased to R$3,684.5 million in 2008 from R$376.7 million in 2007, 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 liabilities, which were partially offset by the effects of the *real*/U.S. dollar exchange rate on our U.S. dollar-denominated and U.S. dollar-indexed assets.

As a result of the 31.9% depreciation of the *real* against the U.S. dollar in 2008, we recorded:

- financial expense of R$3,212.6 million related to the exchange rate effect on our U.S. dollar-denominated liabilities; and

- financial income of R$466.3 million related to the exchange rate effect on our U.S. dollar-denominated and U.S. dollar-indexed assets.

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As a result of the 17.2% appreciation of the *real* against the U.S. dollar in 2007, we recorded:

- financial income of R$1,546.7 million related to the exchange rate effect on our U.S. dollar-denominated and U.S. dollar-indexed liabilities; and

- financial expense of R$825.6 million related to the exchange rate effect on our U.S. dollar-denominated assets.

Operating Income (Loss)

Operating loss was R$2,554.2 million in 2008 compared to operating income of R$1,276.0 million in 2007, primarily as a result of the 878.1% increase in financial expenses, net as a result of the significant depreciation of the *real* against the U.S. dollar, and the 14.9% decline in gross profit. Operating loss represented 14.2% of net sales revenue in 2008 while operating income represented 7.2% of net sales revenue in 2007.

Other Income and Expense, Net

Other income and expenses, net was an expense of R$158.7 million in 2008 compared to an expense of R$67.2 million in 2007. The most significant items of other income and expense in 2008 were:

- a R$144.1 million reduction to the recoverable amount of fixed assets, primarily relating to the permanent closure of our PET plant and the impairment of our caprolactam plant;

- R$54.5 million of depreciation of paralyzed plants and other, primarily relating to the permanent closure of our PET plant;

- a R$42.8 million reversion gains from merger, primarily related to technology and land sold to Paulínia while the company was jointly controlled; and

- R$130.5 million gain from the disposal of our equity interest in Petroflex.

The most significant items of other income and expense in 2007 were:

- a R$35.5 million loss on interest in investment as a result of the merger of EDSP58 with and into Copesul;

- R$15.9 million of depreciation of paralyzed plants and other, primarily relating to the permanent closure of the DMT unit in our PET plant; and

- a R$13.8 million reduction to the recoverable amount of fixed assets, primarily relating to the permanent closure of the DMT unit in our PET plant.

Income Tax and Social Contribution

The composite corporate statutory income tax and social contribution rate was 34% in each of 2008 and 2007. Income tax and social contribution was a benefit of R$278.2 million in 2008 compared to an expense of R$327.4 million in 2007. The effective tax rate applicable to our loss before income tax and social contribution was 10.3% in 2008, while our effective tax rate was 27.1% in 2007. The lower effective tax rate in 2008 was principally the result of the effects of (1) not recognizing deferred tax assets generated as a result of our tax losses because at that time we did not expect to realize the benefits of these deferred tax assets during the following ten years, as required under the rules of the

CVM, which lowered our effective tax rate by 17.9% in 2008, and (2) our decision not to recognize social contribution taxes based on our view that such taxes were not due, which we pursued in litigation that has since been settled, which lowered our effective tax rate by 9.1% in 2008 compared to 4.3% in 2007. The effects of these factors were partially offset by the negative effect of adjustments in merged companies, which increased our effective tax rate by 1.8% in 2008, compared to a reduction of our effective tax rate of 4.6% in 2007.

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Profit Sharing and Minority Interest

Minority interest declined by 84.0% in 2008, primarily as a result of the full consolidation of the results of Copesul and the consolidation of the results of Ipiranga Química and Paulínia in our financial statements as from April 1, 2007 and the significant minority interests in each of these companies. Profit sharing expense, primarily related to Copesul s profit sharing expense, increased by 1.1% in 2008.

Net Income (Loss)

We recorded net loss of R$2,492.1 million in 2008, or 13.9% of net sales revenue, in 2008 compared to net income of R$621.8 million, or 3.5% of net sales revenue, in 2007.

Liquidity and Capital Resources

Our principal cash requirements for 2010 consist of the following:

- servicing our indebtedness, including the indebtedness that we assume as part of the Quattor Acquisition;
- working capital requirements;
- funds required for the acquisition of the Quattor Companies, the Sunoco Chemicals Acquisition and other potential acquisitions of equity interests in other petrochemical producers;
- capital expenditures related to investments in operations, construction of new plant facilities, and maintenance and expansion of plant facilities; and
- dividends on our shares, including in the form of interest attributable to shareholders equity.

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.

During 2009, cash flow generated by operations was used primarily for investing activities, for working capital requirements and to service our outstanding debt obligations. At December 31, 2009, our consolidated cash and cash equivalents and other short-term investments amounted to R$3,130.4 million. At December 31, 2009, we had a working capital deficit of R$243.1 million. As a result of our repayment in January 2010 of the balance of US$312.5 million of short-term debt under an export prepayment credit facility with Petrobras International Finance Company, or PIFCo, and our incurrence in March 2010 of US$320 million under long-term export pre-payment facilities, we believe that our working capital is currently adequate for our operations.

Projected Sources and Uses of Cash

We anticipate that we will be required to spend approximately R$9,477.7 million to meet our short-term contractual obligations and commitments and budgeted capital expenditures during 2010, and an additional R$15,078.3 million to

meet our long-term contractual obligations and commitments and budgeted capital expenditures in 2011 and 2012 (excluding equity contributions to our joint ventures in Mexico and Venezuela. We expect that we will meet these cash requirements through a combination of cash generated from operating activities and cash generated by financing activities, including new debt financings and the refinancing of our existing short-term indebtedness as it becomes due.

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We have commitments from several financial institutions to provide us with financing in the future, including a commitment from BNDES to lend us an aggregate principal amount of R$977.0 million for use in connection with our capital expenditure program.

In December 2009, we entered into a revolving stand-by credit facility with BNDES under which BNDES agreed to disburse loans in an aggregate principal amount of up to R$500 million at any one time outstanding. We may draw funds under this facility through December 2014 to fund capital expenditure projects. The maturity of the loans made under this facility will be negotiated at the time such disbursements are made. Disbursements under this facility are contingent on our pledge of fixed assets with a value at least equal to the aggregate outstanding principal amount under this facility. We have pledged one of our crackers in the Southern Complex to secure loans under this facility. As of December 31, 2009, BNDES had not disbursed any loans under this facility. The interest rates for each loan will be based on the TJLP rate or the *Cesta de Moeda* rate, an average annual currency basket rate published by BNDES, and will vary based on the project to be financed. The outstanding principal amount of each of these loans will be payable in monthly installments following the expiration of the grace period for these loans.

These commitments are subject to conditions precedent which we believe that we will be able to satisfy in connection with any amounts drawn under these facilities. We pay commitment fees to these financial institutions in connection with their commitments.

Cash Flows

Cash Flows from Operating Activities

Net cash provided by operating activities was R$1,365.1 million in the year ended December 31, 2009, R$2,626.2 million in 2008 and R$2,404.0 million in 2007.

Net cash provided by operating activities declined by R$1,261.1 million in 2009, primarily as a result of a R$1,092.3 million decrease in accounts payable to suppliers in 2009 compared to a R$1,962.4 million increase in 2008, and, to a lesser extent, a R$252.2 million increase in trade accounts receivable in 2009 compared to a R$492.8 million decrease in 2008. The effects of these factors were partially offset by a R$1,062.4 million decrease in inventories in 2009 compared to a R$681.7 million increase in 2008.

Net cash provided by operating activities increased by R$222.2 million in 2008, primarily as a result of a R$1,962.4 million increase in accounts payable to suppliers in 2008 compared to a R$286.2 million increase in 2007. The effects of this change were partially offset by (1) a R$681.7 million increase in inventories in 2008 compared to a R$28.3 million decrease in 2007, (2) a decline in our cash generation before changes in operating working capital to R$1,907.2 million in 2008 from R$2,384.6 million in 2007, (3) a R$205.3 million increase in taxes recoverable in 2008 compared to a R$203.4 million decrease in 2007, and (4) a R$102.6 million increase in other investments in 2008 compared to a R$253.9 million decrease in 2007.

Cash Flows Used in Investing Activities

Investing activities used net cash of R$842.9 million in the year ended December 31, 2009, R$2,083.6 million in 2008 and R$3,579.1 million in 2007.

During 2009, investing activities for which we used cash on a consolidated basis primarily consisted of (1) investments of R$183.0 million in the construction of our green polyethylene plant, (2) investments of R$188.0 million in equipment replacement, (3) investments of R$187.4 million to perform maintenance on our plants during

scheduled shutdowns during 2009, (4) investments of R$101.5 million in our safety health and environmental programs, and (5) investments of R$68.0 million in productivity improvements.

During 2008, investing activities for which we used cash on a consolidated basis primarily consisted of:

- investments of (1) R$407.3 million to perform maintenance on our plants during scheduled shutdowns during 2008, (2) R$238.5 million for equipment replacement, (3) R$201.4 million in programs to increase our productivity, (4) R$136.0 million for the construction of our Paulínia plant, and (5) R$161.2 million in our safety, health and environmental programs;

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- a final payment to Ultrapar under the Ipiranga Investment Agreement in the amount of R$633.5 million; and

- the payment of the remaining portion of the purchase price of R$247.5 million due in connection with our purchase of certain minority interests in Politeno in April 2006.

During 2007, investing activities for which we used cash on a consolidated basis primarily consisted of (1) additions to property, plant and equipment, including our proportional share of the cost of the property, plant and equipment of Paulínia, investments in equipment replacement and additions to equipment related to the implementation of our Formula Braskem program, (2) payments to Ultrapar under the Ipiranga Investment Agreement and payments made for the 7.6% of the total share capital of Ipiranga Petroquímica not owned by Ipiranga Química, and (3) payments in connection with the merger of EDSP58 into Copesul and the merger of EDSP67 into Ipiranga Petroquímica. In addition, we used R$263.0 million to perform maintenance on our plants during scheduled shutdowns during 2007 and R$129.4 million in our safety, health and environmental programs.

Cash Flows from Financing Activities

Financing activities used net cash of R$288.3 million in the year ended December 31, 2009, R$3.1 million in 2008 and provided net cash of R$1,518.2 million in 2007.

During 2009, our principal sources of long-term borrowed funds consisted of (1) R$603.9 million aggregate principal amount borrowed under a working capital loan that we entered into in March 2009, and (2) R$170.0 million aggregate principal amount borrowed under a credit facility with Banco do Nordeste do Brasil S.A. that we entered into in July 2009.

During 2008, our principal sources of long-term borrowed funds consisted of (1) US$725.0 million aggregate principal amount borrowed under an export prepayment agreement, (2) the net proceeds of the issuance of US$500.0 million aggregate principal amount of our 7.25% Notes due 2018, (3) R$803.9 million aggregate principal amount borrowed under a variety of credit facilities with BNDES, and (4) US$150.0 million borrowed under a credit export note facility.

During 2008, we used cash to repay US$1,200.0 million aggregate principal amount under an unsecured credit agreement, which we refer to as the Acquisition Credit Agreement, which we entered into to finance the Ipiranga Transaction.

During 2007, our principal sources of long-term borrowed funds consisted of (1) US$953.2 million aggregate principal amount borrowed under the Acquisition Credit Agreement, (2) US$150.0 million aggregate principal amount borrowed under our prepayment credit export facility, and (3) US$125.0 million aggregate principal amount borrowed under two credit export note facilities.

During 2007, we used cash to prepay (1) US$125.0 million under our syndicated secured export prepayment facility due 2009, and (2) R$155.1 million under our 12th issue of debentures.

On April 9, 2007, we paid dividends in the aggregate amount of R$36.9 million. On April 7, 2008, we paid dividends in the aggregate amount of R$278.5 million. We did not pay any dividends in 2009.

Unless our board of directors deems it inconsistent with our financial position and the decision of our board of directors is ratified by our shareholders, payment of dividends is mandatory under our by-laws and also is required under agreements with two of our shareholders and, consequently, may give rise to a significant cash requirements in

future periods.

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On February 19, 2008, we announced that our board of directors had authorized a share repurchase program under which we are authorized to repurchase up to 19,862,411 class A preferred shares at market prices over the BM&FBOVESPA at any time and from time to time between March 7, 2008 and March 6, 2009 for a total purchase price of up to R$252.3 million. We repurchased 10,099,500 of our class A preferred shares under this share repurchase program for a total purchase price of R$107.4 million.

Indebtedness and Financing Strategy

At December 31, 2009, our total outstanding indebtedness on a consolidated basis was R$9,760.1 million, consisting of R$1,820.8 million of short-term indebtedness, including current portion of long-term indebtedness (18.7% of our total indebtedness), and R$7,939.3 million of long-term indebtedness (81.3% of our total indebtedness). At December 31, 2009, we had no outstanding indebtedness to related parties on a consolidated basis. On a consolidated basis, our *real*-denominated indebtedness at December 31, 2009 was R$3,421.4 million (35.1% of our total indebtedness), and our foreign currency-denominated indebtedness was R$6,338.7 million (64.9% of our total indebtedness).

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, 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, was R$1,820.8 million at December 31, 2009.

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 our relationships with these financial institutions and current market conditions. At December 31, 2009, the consolidated outstanding balance under our working capital lines denominated in *reais* was R$767.1 million.

In September 2007, we entered into an export prepayment credit facility with PIFCo under which we borrowed an aggregate principal amount of US$312.5 million. Loans under this facility bore interest, payable in arrears, at the rate of LIBOR plus 0.35% per annum until the first anniversary of the disbursement of each loan thereafter at the rate of LIBOR plus 0.55% per annum. At December 31, 2009, the aggregate principal amount outstanding under this credit facility was US$312.5 million. In January 2010, we repaid all amounts outstanding under this credit facility.

Long-Term Indebtedness

Our principal sources of long-term debt are:

- credit facilities with BNDES and Financiadora de Estudos e Projetos, or FINEP;
- fixed-rate notes issued in the international market;

- export finance facilities;
- debentures issued in the Brazilian market; and
- bank credit facilities.

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Some of our debt instruments require that we comply with financial covenants, the most restrictive of which are as follows:

- net debt to EBITDA less than or equal to 4.50 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 2.0 to 1.0 at the end of and for each fiscal quarter until maturity.

EBITDA is calculated differently under the various debt instruments that require us to comply with financial ratios. EBITDA is defined in these debt instruments 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. Under some of these debt instruments, the calculation of EBITDA eliminates the effect of proportional consolidation under Instruction 247. Under some of these debt instruments, the financial ratios are calculated in *reais*, while under other debt instruments the financial ratios are calculated in dollars using (1) the average *real*/dollar exchange rate during each quarter to calculate EBITDA and financial expenses, and (2) the *real*/dollar exchange rate at the end of the period to calculate net debt.

For the twelve months ended December 31, 2009:

- the highest ratio of net debt to EBITDA that we reported under these covenants was 3.01 to 1.0; and

- the lowest ratio of EBITDA to net financial expenses that we reported under these covenants was 6.26 to 1.0.

Accordingly, we were in compliance with these financial covenants at December 31, 2009, 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.

Some of these instruments also contain other covenants that could restrict, among other things, the ability of our company and most of our subsidiaries to (1) incur additional indebtedness, (2) incur liens, (3) issue guarantees, (4) issue or sell share capital of subsidiaries, (5) pay dividends or make certain other restricted payments, (6) consummate certain asset sales, (7) 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 December 31, 2009, R$1,682.1 million of our *real*-denominated debt and R$257.1 million of our foreign currency-denominated debt was secured. In order to secure this debt, we have pledged certain of our property and equipment and certain of our accounts receivable. The security arrangements for our secured debt vary depending on the transaction.

Credit Facilities with BNDES and FINEP.

BNDES Development Loans. In June 2005, we entered into two credit facilities with BNDES under which BNDES disbursed loans in an aggregate principal amount of R$336.2 million. The proceeds of the first credit facility were R$84.2 million, which we used to finance capital expenditures related to (1) a 50,000 ton increase in the annual

production capacity of our Alagoas PVC plant, and (2) a project to use polypropylene in the disposable plastics market. The proceeds of the second credit facility were R$252.0 million, which we used to finance capital expenditures related to (1) a 100,000 ton increase in the annual production capacity of one of our polypropylene plants located in the Southern Complex, and (2) quality, productivity, environmental, health and safety projects at our plants.

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In December 2006, we entered into a third credit facility with BNDES under which BNDES disbursed loans in an aggregate principal amount of R$48.4 million. The proceeds of the third credit facility were used to finance capital expenditures related to (1) the construction of a new salt well in Maceió, Alagoas to supply our Vinyls Unit, and (2) the replacement of some equipment at our PVC plant in the Northeastern Complex.

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). Amounts under the first credit facility were disbursed in two tranches, and amounts under the second and third credit facility were disbursed in three tranches. The first tranches of the first and second credit facilities in an aggregate principal amount of R$12.6 million and R$37.8 million, respectively, bear interest at the BNDES Monetary Unit (*Unidades Monetárias BNDES*), or the UMBNDES, rate, which is set by BNDES for its loans in foreign currency, plus a margin of 4% per annum. The other tranches of these credit facilities bear interest at the TJLP rate plus a margin of 4% per annum. Interest is payable on the first credit facility quarterly from July 2005 through July 2007 and monthly thereafter through maturity. The outstanding principal amount of the first credit facility is payable in 48 equal, successive monthly installments beginning on August 2007. Interest is payable on the first and second tranches of the second credit facility quarterly from July 2005 through January 2007 and monthly thereafter through maturity. The outstanding principal amount of the first and second tranches of the second credit facility is payable in 48 equal, successive monthly installments beginning in February 2007. Interest is payable on the third tranche of the second credit facility monthly through maturity. The outstanding principal amount of the third tranche of the second credit facility is payable in 42 equal, successive monthly installments beginning in August 2008.

At December 31, 2009, the outstanding principal amount under the first of these credit facilities was R$112.6 million, the outstanding principal amount under the second of these credit facilities was R$24.1 million, and the outstanding principal amount under the third of these credit facilities was R$32.2 million.

In June 2007, we entered into a revolving stand-by credit facility with BNDES under which BNDES agreed to disburse loans in an aggregate principal amount of up to R$600 million at any one time outstanding. We may draw funds under this facility through June 2012 to fund capital expenditure projects. The loans made under this facility have an average maturity of six years. Disbursements under this facility are contingent on our pledge of fixed assets with a value at least equal to the aggregate outstanding principal amount under this facility. We have pledged one of our crackers in the Southern Complex, one of our polyethylene plants in the Southern Complex and our chloro-soda plant in Alagoas to secure loans under this facility. As of December 31, 2009, BNDES had disbursed loans in the aggregate principal amount of R$535 million under this facility. The interest rates for each loan are based on the TJLP rate or the *Cesta de Moedas* rate and vary based on the project to be financed. At December 31, 2009, approximately 80% of the outstanding principal under this facility bore interest at rates based on the TJLP and the average rate of interest on these loans was the TJLP rate plus 3.0% per annum, and approximately 20% of the outstanding principal under this facility bore interest at rates based on the *Cesta de Moedas* rate and the average rate of interest on these loans was the *Cesta de Moedas* rate plus 7.95% per annum. The outstanding principal amount of each of these loans is payable in monthly installments following the expiration of the grace period for these loans, which is generally one year. At December 31, 2009, the outstanding principal amount under this facility was R$501.8 million.

In June 2009, we entered into a credit facility with BNDES under which BNDES disbursed loans in an aggregate principal amount of R$555.6 million in nine tranches. The proceeds of this credit facility were used to finance the construction of our green polyethylene plant and related capital expenditure projects. This credit facility is 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). The first tranche under this credit facility in an aggregate principal amount of R$52.2 million bears interest at the *Cesta de Moedas* rate plus a margin of 2.58% per annum. The other tranches under this credit facility bear interest at the TJLP rate plus margins ranging from 0% to

3.78% per annum. Interest is payable on the first tranche under this credit facility quarterly from July 2009 through January 2012 and monthly thereafter through maturity. Interest is payable on the other tranches under this credit facility quarterly from June 2009 through December 2011 and monthly thereafter through maturity. The outstanding principal amount of the first tranche under this credit facility is payable in 66 successive monthly installments beginning in February 2012. The outstanding principal amount of each of the other tranches under this credit facility, other than one tranche of R$2.0 million, is payable in 66 successive monthly installments beginning in January 2012. At December 31, 2009, the outstanding principal amount under the credit facility was R$183.8 million.

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FINEP Credit Facility. On March 8, 2005, we entered into a credit facility with FINEP, a technology funding institution of the Ministry of Science and Technology of Brazil, in an aggregate principal amount of R$84.9 million, that was disbursed in quarterly installments, commencing on March 15, 2005 and ending on March 15, 2007. We were required to use the proceeds disbursed under this credit facility for capital expenditures at the Braskem Center for Innovation and Technology, our Polyolefins Unit s research and development pilot plant and our Vinyls Unit s research center. Under this credit facility, we are required to invest at least R$9.4 million of our own funds in these projects. The loans bear interest at the TJLP rate plus 5% per annum, payable quarterly in arrears commencing on June 15, 2005. However, we may be required to pay interest at only the TJLP, depending on the financial condition and liquidity of the National Scientific and Technological Development Fund (*Fundo Nacional de Desenvolvimento Científico e Tecnológico*) at any given time. The principal amount under this credit facility is payable in 61 equal monthly installments beginning on March 15, 2007, with a final maturity date of March 15, 2012. At December 31, 2009, the outstanding principal amount under this credit facility was R$39.6 million. Our obligation to make payments under this credit facility is guaranteed by a surety bond.

Fixed-Rate Notes

We have issued several series of fixed-rate debt securities in the international market. All of these securities pay interest semi-annually in arrears, except for our perpetual bonds on which interest is payable quarterly in arrears. The table below sets forth our outstanding fixed-rate debt securities, the outstanding principal amount of these securities and their maturity dates.

Security	Outstanding Principal Amount at December 31, 2009 (in millions of U.S. dollars)	Final Maturity
11.75% Notes due 2014 (1)	US$250.0	January 2014
9.375% Notes due 2015	150.0	June 2015
8.00% Notes due 2017 (1)	275.0	January 2017
7.250% Notes due 2018 (2)	500.0	June 2018
9.75% Perpetual Bonds	150.0	
9.00% Perpetual Bonds	200.0	

(1) Represents notes issued by Braskem Finance and guaranteed by Braskem.

(2) Represents notes with respect to which Braskem and Braskem Finance are co-issuers.

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Export Finance Facilities

We have entered into a series of export prepayment agreements and credit export note facilities. One of our export prepayment agreements is secured by certain of our export receivables. The table below sets forth our significant outstanding export prepayment agreements and credit export note facilities, the outstanding principal amount of these facilities, the interest rate applicable to these facilities, the amortization schedule of these facilities and their maturity dates.

Facility	Outstanding Principal Amount at December 31, 2009 (in millions of U.S. dollars)	Interest Rate	Amortization Schedule	Final Maturity
Export Prepayment Agreement	US$42.6	LIBOR + 1.00%	Monthly	June 2013
Syndicated Export Prepayment Agreement	725.0	LIBOR + 1.75%	Semi-annual (1)	October 2013
Export Prepayment Agreement	150.0	LIBOR + 1.40%	Semi-annual (2)	November 2013
Export Prepayment Agreement	150.0	LIBOR + 0.77%	Semi-annual (3)	April 2014
Export Prepayment Agreement	68.8	LIBOR + 0.78%	Monthly	July 2014
Credit Export Note Facility	50.0	7.87%	Bullet maturity	March 2018
Credit Export Note Facility	78.0	8.1%	Bullet maturity	May 2018
Credit Export Note Facility	75.0	7.85%	Bullet maturity	May 2019
Credit Export Note Facility	150.0	7.3%	Bullet maturity	February 2020

(1) Amortization on this facility commences in October 2011.

(2) Amortization on this facility commences in November 2011.

(3) Amortization on this facility commences in April 2013.

Debentures

In September 2006, we issued our 14th issue of unsecured non-convertible debentures in a single series of 50,000 debentures, each with a par value of R$10,000. The principal amount of these debentures is payable in full on September 1, 2011, and these debentures bear interest at a rate of 103.5% of the CDI rate per annum payable semi-annually in arrears in March and September of each year.

In June 2005, we issued our 13th issue of unsecured non-convertible debentures in a single series of 30,000 debentures, each with a par value of R$10,000. The principal amount of these debentures is payable in full on June 1, 2010, and these debentures bear interest at a rate of 104.1% of the CDI rate per annum payable semi-annually in arrears in June and December of each year.

Bank Credit Facilities

In June 2004, we entered into a secured credit agreement in the aggregate amount of R$152.7 million to finance capital expenditures in certain of our plants located in the Northeastern Complex and in Alagoas that we made in 2004 and 2005. The loans under this credit agreement are secured by a first mortgage on our PVC distribution center located in São Paulo and our chloro-soda plant located in the Northeastern Complex, as well as by a purchase-money security interest in machinery and equipment that we have and will purchase with the proceeds of this loan. Under this credit agreement, we were 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. The loans under this credit agreement bear interest at the rate of 8.50% per annum, payable quarterly in arrears through June 2008 and thereafter monthly in arrears through June 30, 2016. The principal amount of these loans is payable in 96 equal monthly installments, commencing in July 2008. At December 31, 2009, the outstanding principal amount under this credit agreement was R$124.0 million.

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In March 2005, we borrowed the Japanese yen equivalent of US$50.0 million under a syndicated credit agreement. The proceeds of this loan were required to be used for capital expenditures related to our Braskem+ program. This loan bears interest at the rate of six-month Tokyo Inter-Bank Offered Rate plus 0.95% per annum, payable semi-annually in arrears. Principal on this loan is payable in 11 equal installments beginning in March 2007 with a final maturity date in March 2012. Ninety-five percent of the commercial risk of this loan and 97.5% of the political risk of this loan are supported by insurance from Nippon Export and Investment Insurance, for which we paid a lump-sum premium in yen. At December 31, 2009, the outstanding principal amount under this credit agreement was US$26.0 million.

In September 2005, we borrowed the Japanese yen equivalent of US$60.0 million under a syndicated credit agreement. The proceeds of this loan were required to be used for capital expenditures related to the Braskem+ program. This loan bears interest at the rate of six-month Tokyo Inter-Bank Offered Rate plus 0.95% per annum, payable semi-annually in arrears. Principal on this loan is payable in 11 equal installments beginning in June 2007 with a final maturity date in June 2012. Ninety-five percent of the commercial risk of this loan and 97.5% of the political risk of this loan are supported by insurance from Nippon Export and Investment Insurance, for which we paid a lump-sum premium in yen. At December 31, 2009, the outstanding principal amount under this credit agreement was US$32.5 million.

In May 2007, we entered into a secured credit agreement in the aggregate principal amount of R$113.3 million to finance capital expenditures for 53 different projects in certain of our plants located in the Northeastern Complex and in Alagoas that we made in 2006 and 2007. The loans under this credit agreement are secured by a letter of guarantee. The loans under this credit agreement bear interest at the rate of 8.50% per annum, payable monthly in arrears through May 2016. The principal amount of these loans is payable in 96 equal monthly installments, commencing in July 2008. At December 31, 2009, the outstanding principal amount under this credit agreement was R$90.9 million.

In March 2009, we entered into a working capital loan with Caixa Econômica Federal, under which we received a loan in the aggregate principal amount of R$603.9 million, the proceeds of which are to be used for working capital. This loan is secured by pledges of certain accounts receivable. This loan bears interest at 117.5% of the average daily CDI rate and matures in March 2013. Interest is payable quarterly in arrears from June 2009 through March 2010 and monthly in arrears thereafter through maturity. The outstanding principal amount is payable in 36 monthly installments commencing in April 2010. At December 31, 2009, the outstanding principal amount under this credit agreement was R$603.9 million.

In July 2009, we entered into a credit facility with Banco do Nordeste do Brasil S.A., under which we may borrow up to R$200 million. We received a loan in the aggregate principal amount of R$170.0 million under this credit facility, the proceeds of which are to be used for general corporate purposes. This loan bears interest at 120.0% of the average daily CDI rate and matures in January 2011. Interest is payable monthly in arrears. The outstanding principal amount is payable in seven monthly installments commencing in July 2010. At December 31, 2009, the outstanding principal amount under this credit agreement was R$170.0 million.

Off-Balance Sheet Arrangements

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

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Contractual Commitments

The following table summarizes significant contractual obligations and commitments at December 31, 2009 that have an impact on our liquidity:

	Payments Due by Period				
	Less than One Year	One to Three Years	Three to Five Years	More than Five Years	Total
	(in millions of *reais*)				
Loans and financings	R$1,517.6(1)	R$3,622.2	R$1,253.0	R$2,589.3	R$8,982.1
Debentures	316.7(1)	500.0			816.7
Interest on loans, financings and debentures (2)	51.1	297.4	91.7	189.5	629.7
Purchase obligations (3)	6,492.3	8,791.7	1,088.0	2,905.9	19,277.9
Pension plan contributions (4)			15.0		15.0
Other long-term liabilities					
Total contractual obligations	R$8,377.7	R$13,211.3	R$2,447.7	R$5,684.7	R$29,721.4

(1) Includes interest accrued at December 31, 2009.

(2) Consists of estimated future payments of interest on our loans, financings and debentures, calculated based on interest rates and foreign exchange rates applicable at December 31, 2009 and assuming (i) that all amortization payments and payments at maturity on our loans, financings and debentures will be made on their scheduled payment dates, and (ii) that our perpetual bonds are redeemed on the first permitted redemption date.

(3) Consists of purchase commitments for raw material and electric power pursuant to binding obligations which include all significant terms, including fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction. Based upon the applicable purchase prices at December 31, 2009.

(4) Consists of a final disbursement by our company to two defined benefit pension plans in an amount that we estimate will be assessed by the Secretariat for Complementary Pensions (*Secretaria de Previdência Complementar*) based on projections which we have obtained from independent actuaries. In June 2005, we announced that we intend to withdraw as a sponsor of these two defined benefit pension plans.

We are also subject to contingencies with respect to tax, labor, distributors and other claims and have made provisions for accrued liability for legal proceedings related to certain tax claims of R$420.6 million at December 31, 2009. The tax contingencies relate primarily to COFINS, PIS and federal income tax. See Item 8. Financial Information Legal Proceedings and note 24 to our audited consolidated financial statements.

U.S. GAAP Reconciliation

In accordance with Brazilian GAAP, our net income was R$767.8 million in 2009, our net loss was R$2,492.1 million in 2008, and our net income was R$621.8 million in 2007. Under U.S. GAAP, we would have reported net income of R$232.7 million in 2009, net loss of R$1,826.7 million in 2008 and net income of R$1,089.1 million in 2007.

Our shareholders equity in accordance with Brazilian GAAP was R$4,592.5 million at December 31, 2009 and R$3,679.8 million at December 31, 2008. Under U.S. GAAP, we would have reported shareholders equity of R$4,379.4 million at December 31, 2009 and R$4,025.7 million at December 31, 2008.

The principal differences between Brazilian GAAP and U.S. GAAP that affected our net income in 2009, 2008 and 2007, as well as shareholders equity at December 31, 2009 and 2008, are described in note 35 to our audited consolidated financial statements included elsewhere in this annual report. The major differences relate to the accounting treatment of the following items:

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- supplementary inflation restatement of permanent assets and shareholders equity in 1996 and 1997;
- capitalized interest;
- deferred charges and other intangible assets;
- impairment;
- business combinations and goodwill;
- transactions giving rise to distributions to shareholders;
- pension plan;
- earnings per share;
- comprehensive income;
- deferred taxes;
- tax incentives;
- dividends;
- proportional consolidation of jointly controlled entities;
- classification of statement of operations and balance sheet items; and
- segment reporting.

For a discussion of the principal differences between Brazilian GAAP and U.S. GAAP as they relate to our financial statements and a reconciliation of net income and shareholders equity, see note 35 to our audited consolidated financial statements included elsewhere in this annual report.

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ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Directors and Senior Management

Our board of directors (*conselho de administração*) and our board of executive officers (*diretoria*) are responsible for operating our business.

Board of Directors of Braskem

Our by-laws provide for a board of directors of eleven members and eleven alternate members. During periods of absence or temporary unavailability of a regular member of our board of directors, the corresponding alternate member substitutes for the absent or unavailable regular member. Our board of directors is a decision-making body responsible for, among other things, determining policies and guidelines for our business and our wholly-owned subsidiaries and controlled companies. Our board of directors also supervises our board of executive officers and monitors its implementation of the policies and guidelines that are established from time to time by the board of directors. Under the Brazilian Corporation Law, our board of directors is also responsible for hiring independent accountants.

The members of our board of directors are elected at general meetings of shareholders for two-year terms and are eligible for reelection. The terms of all current members expire at our annual shareholders meeting in 2011. Members of our board of directors are subject to removal at any time with or without cause at a general meeting of shareholders. Although our by-laws do not contain any citizenship or residency requirements for members of our board of directors, the members of our board of directors must be shareholders of our company. Our board of directors is presided over by the president of the board of directors, and, in his absence, the vice president of the board of directors. The president and the vice president of our board of directors are elected at a general meeting of shareholders from among the members of our board of directors, serve for one-year terms and are eligible for reelection.

Our board of directors ordinarily meets four times a year and extraordinarily when a meeting is called by the president, the vice president or any two other members of our board of directors. Decisions of our board of directors require a quorum of a majority of the directors and are taken by majority vote, other than certain actions which require the consensus of the nominees of Odebrecht, Petrobras and Petroquisa under the Petrobras Shareholders Agreement. See Major Shareholders and Related Party Transactions Major Shareholders Shareholders Agreements Petrobras Shareholders Agreement.

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
Marcelo Bahia Odebrecht	July 25, 2008	President of the Board	41
Cláudio Melo Filho	October 3, 2005	Alternate	42
Paulo Roberto Costa	April 30, 2010	Vice President of the Board	56
Antonio Aparecida de Oliveira	April 30, 2010	Alternate	49
Alvaro Fernandes da Cunha Filho.	November 6, 1997	Board Member	61
Felipe Montoro Jens.	April 30, 2010	Alternate	39
Alfredo Lisboa Ribeiro Tellechea	April 15, 2009	Board Member	53
André Amaro da Silveira.	April 15, 2009	Alternate	46
Paulo Henyan Yue Cesena.	April 15, 2009	Board Member	37
Carla Gouveia Barreto	April 15, 2009	Alternate	42

José de Freitas Mascarenhas .	August 15, 2001	Board Member	68
José Carlos Grubisich Filho.	April 30, 2010	Alternate	53
Francisco Pais	May 30, 2008	Board Member	54
Andrea Damiani Maia	April 30, 2010	Alternate	38
Newton Sergio de Souza	August 15, 2001	Board Member	56
Adriano Chaves Jucá Rolim.	April 30, 2010	Alternate	40
Almir Guilherme Barbassa	April 30, 2010	Board Member	62
Pedro Augusto Bonésio.	April 30, 2010	Alternate	55
Maria das Graças Silva Foster	April 30, 2010	Board Member	56
Arão Dias Tisser	July 25, 2008	Alternate	34
Eduardo Rath Fingerl	April 30, 2010	Board Member	57
Marcos Luiz Abreu de Lima.	March 31, 2005	Alternate	66

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The following is a summary of the business experience, areas of expertise and principal outside business interests of our current directors and their alternates.

Directors

Marcelo Bahia Odebrecht. Mr. Odebrecht was elected to our board of directors as a nominee of Odebrecht. He has been the President of CNO since 2002. Mr. Odebrecht has also served as the vice president of the Brazilian Association of Infra-Structure and Primary Industry ABDIB since 2005, a member of the board of directors of the Exterior Commerce Chamber CONEX since 2005, the vice president of COINFRA FIESP since 2004, a member of the Strategic Superior Board FIESP since 2008 and a member of the board of directors of the Industry Development Study Institute IEDI since 2003. He also represents CNO on the Brazil-China Manager Council. Mr. Odebrecht holds a bachelor s degree in civil engineering from Universidade Federal da Bahia UFBA and an MBA from IMD Business School, in Lausanne, Switzerland.

Paulo Roberto Costa. Mr. Costa was elected to our board of directors as a nominee of Petroquisa. He has been Petrobras chief downstream officer since May 2004. Mr. Costa joined Petrobras in 1977 and worked for a long period in Petrobras exploration and production activities. Mr. Costa holds a degree in mechanical engineering from the Universidade Federal do Paraná.

Alvaro Fernandes da Cunha Filho. Mr. Cunha Filho was elected to our board of directors as a nominee of Odebrecht. He is currently the vice president of our board of directors and the president of Valora Participações Ltda. Mr. Cunha Filho served as vice president of the board of directors of Norquisa from 1997 through 1999, and from 2001 through 2003 as a member of the board of directors of Norquisa. He has also occupied several executive positions in subsidiaries and affiliates of Odebrecht. Mr. Cunha Filho holds a bachelor s degree in civil engineering and a master s degree in economics from the Universidade Federal da Bahia.

Alfredo Lisboa Ribeiro Tellechea. Mr. Tellechea was elected to our board of directors as a nominee of Odebrecht. He served as one of the vice president executive officers of Braskem from 2007 to 2009 and headed Braskem s Polyolefins Units from 2008 to 2009. Mr. Tellechea has previously held a variety of positions in the Ipiranga Group including serving as the chief superintendent of Distribuidora de Produtos de Petróleo Ipiranga from 2002 to 2006, chief superintendent of Ipiranga Petroquímica from 2006 to 2007, and chief executive officer of Copesul from 2007 until 2008. Mr. Tellechea holds a bachelor s degree in Civil Engineering from Pontifícia Universidade Católica do Rio Grande do Sul PUC/RS, and a post-graduate degree in Marketing from the Escola Superior de Propaganda e Marketing ESPM.

Paulo Henyan Yue Cesena. Mr. Cesena was elected to our board of directors as a nominee of Odebrecht. He served as an alternate member of the board of directors in 2008. He has held various positions for the Odebrecht Group since 1998, including Chief Financial Officer of Odebrecht in 2009 and Chief Financial Officer of CNO from 2007 to 2008. Mr. Cesena holds a bachelor s degree in Chemical Engineering from São Paulo University (USP), and an MBA from INSEAD (France and Singapore).

José de Freitas Mascarenhas. Mr. Mascarenhas was elected to our board of directors as a nominee of Odebrecht. He has been an executive officer of Odebrecht since September 2001 and serves in various capacities with other companies in the Odebrecht Group. He also has served as vice president of CNI Confederação Nacional das Indústrias since October 1985, as vice president of the Brazilian Association of Chemical Industry and Derivative Products since May 1993, and as president of Federação das Indústrias do Estado da Bahia FIEB from 1992 until 2002. He is also a member of the Board of the Brazilian Competitiveness Council (*MBC Movimento Brasil Competitivo). Mr. Mascarenhas holds a bachelor s degree in civil engineering from Universidade Federal da Bahia.*

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Francisco Pais. Mr. Pais was elected to our board of directors as a nominee of Petroquisa. From 1981 to 1986 he managed a hydroelectric structure recovery project in the Geotechnical area at Light S.A., and since 1987, he has served in a variety of capacities, including as assistant to the executive services officer, at Petrobras. From 1998 to 2002, he served as a member of the fiscal council of the Ricardo Franco Foundation at the Military Engineering Institute, or IME. Currently, he is a member of the board of directors of Procurement Negócios Eletrônicos, and since 2006, he has served as chairman of the board of directors of Copenor S.A., both of which are affiliates of Petrobras. Mr. Pais holds a bachelor s degree in civil engineering from the IME and an MBA from the Fundação Getúlio Vargas, or FGV.

Newton Sergio de Souza. Mr. Souza was elected to our board of directors as a nominee of Odebrecht. He has been the general counsel and an executive officer of Odebrecht since May 1997 and an executive officer of Norquisa since April 2003. He also serves in several executive and board positions in subsidiaries and affiliates of Odebrecht. Mr. Souza served as the president of the board of directors of Companhia de Concessões Rodoviárias CCR. He was also a visiting lawyer at the law firm Dechert, Price & Rhoads (Philadelphia), a senior lawyer at the law firm Pinheiro Neto Advogados from 1976 through 1982 and a senior counsel of the Latin America and Caribbean Division of the World Bank (Washington D.C.) from 1982 through 1987. Mr. Souza holds a law degree from Pontifícia Universidade Católica do Rio de Janeiro and an LL.M. from the University of Pennsylvania.

Almir Guilherme Barbassa. Mr. Barbassa was elected to our board of directors as a nominee of Petroquisa. He has been Petrobras chief financial officer and chief investor relations officer since July 2005. Mr. Barbassa joined Petrobras in 1974 and has worked in several financial and planning capacities, both in Brazil and abroad. Mr. Barbassa has served as Petrobras corporate finance and treasury manager, and he has also served at various times as financial manager and chairman of Petrobras subsidiaries that carry out international financial activities. In addition, he was an economics professor at Petrópolis Catholic University and Faculdades Integradas Bennett from 1973 to 1979. Mr. Barbassa holds a master s degree in economics from the FGV.

Maria das Graças Silva Foster. Mrs. Foster was elected to our board of directors as a nominee of Petroquisa. She has been Petrobras chief gas and energy officer since September 2007. She served as president of Petrobras Distribuidora S.A. from May 2006 to September 2007 and as president of Petroquisa from September 2005 to May 2006. Prior to assuming these duties, Mrs. Foster served as Secretary of Oil, Natural Gas and Renewable Fuels under the Ministry of Energy from 2003 through 2005. Mrs. Foster also served as natural gas and energy technology manager of Petrobras and coordinator of RedeGasEnergia Excellence Natural Gas and Energy Distribution Network from 2000 to 2002. Mrs. Foster holds a bachelor s degree in chemical engineering from Universidade Federal Fluminense, a master´s degree in mechanical and nuclear engineering from Universidade Federal do Rio de Janeiro, and an MBA in economics from Fundação Getúlio Vargas.

Eduardo Rath Fingerl. Mr. Fingerl was elected to our board of directors as a nominee of Odebrecht. He has served as an executive officer of BNDES since April 2006, and is currently responsible for capital market and environmental matters. From July 1996 to February 2000, Mr. Fingerl served as an executive officer of BNDES, responsible for industrial operations, services and commerce matters. Mr. Fingerl served as technical officer of the Brazilian Foundation for Sustainable Development (*Fundação Brasileira para o Desenvolvimento Sustentável*) from June 1992 to June 1993. From August 1989 to June 1992, Mr. Fingerl served as executive officer of Petroquímica da Bahia S.A. From May 1976 to August 1989, Mr. Fingel worked at BNDES in various functions. Mr. Fingerl is a member of the board of directors of Fibria Celulose S.A. and was member of the Board of the New Club of Paris. He was also manager of Foreign Commerce Chamber (*Câmara de Comércio Exterior*) and member of the Board of Entrepreneurs of Softex. Mr. Fingerl holds a bachelor s degree in industrial engineering from Universidade Federal do Rio de Janeiro UFRJ and a master s degree in industrial engineering from Instituto de Pós-Graduação e Pesquisa em Administração of Universidade Federal do Rio de Janeiro (COPPEAD).

Alternate Directors

Cláudio Melo Filho. Mr. Melo was elected as an alternate member of our board of directors as a nominee of Odebrecht. He has been the new business, development and representation director of Odebrecht since 2004. Mr. Melo served as financial manager and contract manager in several projects in Brazil and Angola for CNO from 1990 to 2004. Mr. Melo holds a bachelor s degree in business administration from the Universidade de Brasilia and a post-graduate degree in financial administration from FGV.

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Antonio Aparecida de Oliveira. Mr. Aparecida de Oliveira was elected as an alternate member of our board of directors as a nominee of Norquisa. He is currently the manager of petrochemicals at Petrobras. He has worked at Petrobras since 1987 in several technical, executive and management positions. He has also served as a member of the board of directors of Ipiranga Petroquímica from 2007 to June 2008, a member of the board of directors of Companhia Integrada Têxtil de Pernambuco CITEPE in 2006 and corporate and planning superintendent of FINEP. Mr. de Oliveira holds a degree in engineering from the Federal University of Minas Gerais and a Master in Business Administration from the Federal University of Rio de Janeiro. He also attended various programs specializing in business administration and the petroleum industry, including executive education programs at the Wharton School of the University of Pennsylvania and Harvard Business School.

Felipe Montoro Jens. Mr. Jens was elected as an alternate member of our board of directors as a nominee of Odebrecht. He has served as the Chief Executive Officer of Odebrecht Investimentos em Infraestrutura Ltda. since January 2007. He is also the Chairman of the board of directors of Madeira Energia S.A. Mr. Jens previous experience includes serving as corporate finance manager of CNO from April 2005 to December 2006, working on project development and structured finance at Terra S.p.A. from March 2002 to March 2005, and holding various positions at Enron Corporation, Odebrecht and PricewaterhouseCoopers. He holds a degree in business administration from FGV and a Master of International Management from The American Graduate School of International Management.

André Amaro da Silveira. Mr. Amaro was elected as an alternate member of our board of directors as a nominee of Odebrecht. He is also the president of the board of directors of Bento Pedroso Construções S.A. in Portugal. Mr. Amaro served as an executive officer of Braskem from 2008 to 2009 and as Braskem s head of Planning, Supply and Business Development from 2008 to 2009. He has held a variety of positions in the Odebrecht Group since 1988, including business planning officer of CNO from 2003 to 2006 and vice president of strategic planning of Odebrecht Bau Ag in Germany from 1994 to 1997. Mr. Amaro holds a bachelor s degree in civil engineering from the Universidade Federal de Minas Gerais UFMG and an MBA from the IMD-International in Switzerland.

Carla Gouveia Barreto. Ms. Barreto was elected as an alternate member of our board of directors as a nominee of Odebrecht. Ms. Barreto has served as the head of strategic planning of Odebrecht since 2008. She has held a variety of positions in the Odebrecht Group in the past, including serving as controller of CNO from 2005 to 2007 and controller of Braskem from 2002 to 2005. Ms. Barreto holds a bachelor s degree in business and administration from Universidade Salvador (UNIFACS), and an MBA from Fundação Don Cabral.

José Carlos Grubisich Filho. Mr. Grubisich Filho was elected as an alternate member of our board of directors as a nominee of Odebrecht. He is currently the Chief Executive Officer of ETH Bioenergia S.A., a member of the Odebrecht Group. He served as Braskem s chief executive officer from 2001 to 2008. He previously served as the chief executive officer and chairman of the board of directors of OPP Química S.A., and served from 2000 to 2001 as vice president of Rhodia Fine Organics worldwide and was a member of the executive committee of the Rhône Poulenc Group. Prior to 2000, he served as vice president for Brazil and Latin America of Rhodia S.A. (currently known as Rhodia Brasil Ltda., a member of the Rhône Poulenc Group). Mr. Grubisich Filho holds a bachelor s degree in chemical engineering from the Oswaldo Cruz Superior School of Chemistry (*Escola Superior de Química Oswaldo Cruz*) and has completed Advanced Management Programs at Fundação Dom Cabral and INSEAD in France.

Andrea Damiani Maia. Ms. Maia was elected as an alternate member of our board of directors as a nominee of Petroquisa. She is a manager in the legal department of Petroquisa and has been a lawyer at Petrobras since 2004. She has served as sectional manager of new business in Petrobras legal department. Ms. Maia holds a degree in law from the University of São Paulo (*Universidade de São Paulo*) and a postgraduate degree in competition law from FGV in Rio de Janeiro. She has also taken extension courses in natural gas contract negotiations at the University of Dundee in Scotland.

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Adriano Chaves Jucá Rolim. Mr. Jucá Rolim was elected as an alternate member of our board of directors as a nominee of Odebrecht. He has served as general counsel of CNO since April 2002. He previously served as general counsel of OPP Química from May 2001 to April 2002 and as a member of the board of directors of Trikem from April 1999 until May 2001. He also served as general counsel of Stelar Telecom Ltda., a member of the Odebrecht Group, from September 1995 to August 1997, general counsel of CMW Equipamentos S.A., a member of the Odebrecht Group, from January 1993 to June 1994 and assistant to the general counsel of Odebrecht from July 1991 to January 1993. He holds a bachelor s degree in law from the Pontifícia Universidade Católica de Salvador and a master s degree in comparative jurisprudence from New York University School of Law.

Pedro Augusto Bonésio. Mr. Bonésio was elected as an alternate member of our board of directors as a nominee of Petroquisa. He has worked at Petrobras for since 1979, having held several managerial positions. He has been executive manager of finance of Petrobras since 2006, served as chief of staff for the chief financial and investor relations officer of Petrobras beginning in 1999 and has served as executive manager for project finance. Mr. Bonésio holds a degree in mechanical engineering from the Industrial Engineering College of São Bernardo do Campo São Paulo (Faculdade de Engenharia Industrial de São Bernardo do Campo São Paulo).

Arão Dias Tisser. Mr. Tisser was elected as an alternate member of our board of directors as a nominee of Petroquisa. He previously served as a member of our board of directors from May 2008 to July 2008, and was first elected as an alternate member of our board of directors in March 2008. He has been the management coordinator of holdings in petrochemical centers for Petrobras since 2004, and worked in commercial management of naphtha and industrial raw materials for Petrobras from February 2001 to October 2004. Mr. Tisser holds a bachelors degree in Civil Engineering from Universidade Federal do Rio de Janeiro UFRJ and a master s degree in engineering from the Universidade Federal do Rio de Janeiro COPPE/UFRJ.

Marcos Luiz Abreu de Lima. Mr. Lima was elected as an alternate member of our board of directors as a nominee of Odebrecht. Mr. Lima has been an executive officer of CNO since 1999, chief executive officer of Odebrecht Administradora e Corretora de Seguros Ltda. since 1980 and is a member of the fiscal council of Fundação Odebrecht. Mr. Lima holds bachelor s degrees in accounting, management and economics from the Universidade Católica de Belo Horizonte and a post-graduate degree in auditing and organization development, in addition to insurance and surety bonds.

Board of Executive Officers of Braskem

Our board of executive officers is our executive management body. Our executive officers are our legal representatives and are responsible for our internal organization and day-to-day operations and the implementation of the general policies and guidelines established from time to time by our board of directors.

Our by-laws require that the board of executive officers consist of a chief executive officer and between three and nine additional members, each responsible for business areas that our board of directors assigns to them. The members of our board of executive officers, other than our chief executive officer, have no formal titles (other than the title of executive officer or *Diretor*) but have the informal titles set forth in the table below.

The members of our board of executive officers are elected by our board of directors for two-year terms, corresponding to the terms of the members of our board of directors, and are eligible for reelection. The current term of all of our executive officers ends at our annual shareholders meeting in 2012. Our board of directors may remove any executive officer from office at any time with or without cause. According to the Brazilian Corporation Law, executive officers must be residents of Brazil but need not be shareholders of our company. Our board of executive officers holds meetings when called by our chief executive officer.

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

Name	Year of Appointment	Position Held	Age
Bernardo Afonso de Almeida Gradin	2008	Chief Executive Officer	45
Marcela Aparecida Drehmer Andrade	2010	Vice President Executive Officer, Chief Financial Officer and Director of Investor Relations	41
Mauricio Roberto de Carvalho Ferro	2002	Vice President Executive Officer and General Counsel	44
Manoel Carnaúba Cortez	2008	Vice President Executive Officer	50
Décio Fabricio Oddone da Costa	2010	Vice President Executive Officer	49
Edmundo José Correia Aires	2010	Vice President Executive Officer	51
Patrick Horbach Fairon	2010	Vice President Executive Officer	54

Summarized below is information regarding the business experience, areas of expertise and principal outside business interests of our current executive officers.

Bernardo Afonso de Almeida Gradin. Mr. Gradin was elected as chief executive officer of Braskem in August 2008. He has served in a variety of executive positions at Braskem, such as vice president of our Vinyls Unit from 2002 to 2004 and vice president of our Basic Petrochemicals Unit from 2004 to 2007. Mr. Gradin joined the Odebrecht Group in 1987. Recently, he served as investments leader of Odebrecht Infrastructure and Investments (OII) from 2006 to 2008. Mr. Gradin has also served as a member of the board of directors of Copesul from 2001 to 2003 and 2006 to 2007, Cetrel from 2003 to 2007, OPP Química from 2001 to 2002 and Trikem in 2002. Mr. Gradin holds a bachelor s degree in civil engineering from the Universidade Federal da Bahia, a master s degree in international politics from the University of Pennsylvania and an MBA from The Wharton School of Business.

Marcela Aparecida Drehmer Andrade. Ms. Drehmer is currently one of our vice president executive officers, our chief financial officer and our investor relations officer. She served as our financial officer from 2005 to 2010. She worked for our company in structured operations and financial operations from 2002 to 2005, and worked for OPP Petroquímica S.A. in the financial department where she was responsible for the structured operations and planning departments from 1994 to 1999, served directly under the vice president of investments of Odebrecht from 1999 to 2000. Beginning in 2000, Marcela participated in Credit Suisse First Boston s Corporate Finance Internship Program, in New York. Ms. Drehmer holds a bachelor s degree in business administration from the Universidade de Salvador and an MBA in finance from IBMEC São Paulo.

Mauricio Roberto de Carvalho Ferro. Mr. Ferro is currently one of our vice president executive officers and our general counsel. He is also an alternate member of the board of directors of Cetrel and an executive officer of Braskem Participações S.A. He served as a member of the board of directors of Ipiranga Petroquímica, prior to its merger into Braskem, and Copesul, prior to its merger into Ipiranga Petroquímica. He was also the vice president of the board of directors of Politeno prior to our merger with Politeno, an alternate member of the board of directors of Petroflex until the sale of our interest in Petroflex in April 2008, and a member of the board of directors of Polialden until our merger with Polialden. He served as a lawyer at the law firm of Carlos Eduardo Paladini Cardoso in 1989 and as a lawyer at the law firm of Bulhões Pedreira, Bulhões Carvalho e Advogados Associados from 1991 until 1995. Mr. Ferro holds a law degree from the Pontifícia Universidade Católica do Rio de Janeiro and an LL.M. from the University of London and from the London School of Economics.

Manoel Carnaúba Cortez. Mr. Cortez is currently one of the vice president executive officers of Braskem and is the head of our Basic Petrochemicals Unit. He is also the president of the board of directors of Cetrel. Mr. Cortez served as executive vice president of our Vinyls Unit during 2008, vice president of our Basic Petrochemicals Unit from 2007 to 2008, industrial director of our Basic Petrochemicals Unit from 2004 to 2007 and industrial director of the Vinyls Unit from 2003 to 2004. He is also president of SINPEQ Syndicate of the Chemical and Petrochemical Products Companies and vice president of COFIC Committee of Industrial Development. Mr. Cortez holds a bachelor's degree in chemical engineering from Universidade Federal da Bahia, and an MBA from FGV.

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Décio Fabricio Oddone da Costa. Mr. Oddone is currently one of the vice president executive officers of Braskem. He has served as the chief executive officer of Petrobras Energía S.A. since 2008 and as a member of its board of directors since 2005. He has also served as a member of the board of directors of Innova S.A. since 2008. Mr. Oddone previously held several managerial positions with Petrobras and other companies in the Petrobras group in Brazil, Argentina, Angola, Libya, and Bolivia, including Chairman of Petrobras Bolivia S.A. He was responsible for Petrobras operations in the Southern Cone. He holds a bachelor s degree in electrical engineering from Universidade Federal do Rio Grande do Sul, Brazil. He completed post-graduate courses in oil engineering promoted by Petrobras and attended the Advanced Management Program at Harvard University Business School and the Advanced Management Program at INSEAD in France. He holds an Honoris Causa Master Degree in Management and Administration from Alta Escuela de Dirección y Administración de Empresas in Madrid, Spain, and an Honoris Causa Doctoral Degree in Education from Aquino University, Bolivia.

Edmundo José Correia Aires. Mr. Aires is currently one of the vice president executive officers of Braskem. He served as a member of our board of directors from 2008 to 2010 and as an alternate member of our board of directors from 2001 to 2008. He served as president of the board of directors of Triunfo from 2005 to 2008 and as a member of the board of directors of FCC Fábrica Carioca de Catalisadores S.A. from 2004 to 2008, and of Ipiranga Petroquímica from 2007 to 2008. He has served as the partnership manager of Petroquisa since 2001. Previously, Mr. Aires occupied several executive positions with Petroquisa and Petrobras beginning in 1980. Mr. Aires holds a bachelor s degree in chemical engineering from the Universidade Federal do Rio de Janeiro and an MBA in finance from COPPEAD. He has also completed a post-graduate course in petrochemical process at CENPEQ/PETROBRAS

Patrick Horbach Fairon. Mr. Fairon is currently one of our vice president executive officers. He currently serves as a member of the board of directors of Refap. He served as a member of our board of directors from 2004 to 2007. From 2000 to 2005, Mr. Fairon served as the chief financial officer of Downstream Participações S.A. He has also served as general manager of business development for Petrobras. Mr. Fairon holds a bachelor s degree in electrical engineering from the Universidade Federal do Rio de Janeiro, a masters degree in business administration from Pontifícia Universidade Católica do Rio de Janeiro and an MBA in finance from COPPEAD. He also attended the Advanced Management Program at INSEAD in France.

Fiscal Council

The Brazilian Corporation Law requires us to establish a permanent or non-permanent fiscal council *(conselho fiscal).* Our by-laws 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 independent accountants. 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 members of our fiscal council are elected by our shareholders at the annual general shareholders meeting for one-year terms and are eligible for reelection. The terms of the members of our fiscal council expire at the next annual general shareholders meeting. Under the Brazilian Corporation Law, the fiscal council may not contain members who are members of our board of directors or our board of executive officers or are employees or spouses or relatives of any member of our management. To be eligible to serve on our fiscal council, a person must be a resident of Brazil and either be a university graduate or have been a company officer or fiscal council member of another Brazilian company for at least three years prior to election to our fiscal council. Holders of preferred shares without voting rights and non-controlling common shareholders that together hold at least 10.0% of our voting share capital are each entitled to elect one member and his or her respective alternate to the fiscal council.

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

Name	First Year of Appointment
Ismael Campos de Abreu	2003
Alfonso Celso Florentino (alternate)	2010
Manoel Mota Fonseca.	2002
Ana Patricia Soares Nogueira (alternate).	2010
Antônio Luiz Vianna de Souza.	2009
Marcílio José Ribeiro Júnior (alternate).	2008
Aluizio da Rocha Coelho Neto	2010
Jayme Gomes da Fonseca Júnior (alternate).	2010
Marcos Antonio Silva Menezes	2005
Sergio José de Barros (alternate).	2005

The following is a summary of the business experience, areas of expertise and principal outside business interests of the current members of our fiscal council and their alternates.

Members of Fiscal Council

Ismael Campos de Abreu. Mr. Abreu was elected as a member of our fiscal council as a nominee of Odebrecht. He served as president of our fiscal council from 2006 to 2010. Mr. Abreu has been the controller of Odebrecht since 1995, and previously served as manager of the tax consulting division of PricewaterhouseCoopers Auditores Independentes from 1978 to 1985, controller of Corrêa Ribeiro S.A. Comércio e Indústria from 1986 to 1988, manager of the consulting area of Arthur Andersen from 1989 to 1991, and a partner of Performance Auditoria e Consultoria from 1992 to 1995. He was a member of the fiscal council of Petroflex until the sale of our interest in Petroflex in April 2008 and was a member of the fiscal council of Polialden until our merger with Polialden. Mr. Abreu holds a bachelor s degree in accounting from Fundação Visconde de Cairú, and a post-graduate degree in economic engineering from Centro Interamericano de Desenvolvimento.

Manoel Mota Fonseca. Mr. Fonseca was elected as a member of our fiscal council as a nominee of Odebrecht. He served as president of our fiscal council in 2003 and 2004. Mr. Fonseca has been a partner of the law firm Mota Fonseca e Advogados since 1990 and previously served as legal and tax counsel of Coopers & Lybrand, KPMG and PricewaterhouseCoopers Auditores Independentes. Mr. Fonseca holds a law degree from the Universidade de São Paulo, and a post-graduate degree in tax law from FGV.

Antônio Luiz Vianna de Souza. Mr. Vianna de Souza was elected as a member of our fiscal council as a nominee of Petroquisa. He has served as manager of Financial Planning of Petrobras S.A. since 2004, and held various other positions at Petrobras since 1980. Mr. Vianna holds a bachelor s degree in Engineering from the Universidade Federal do Rio de Janeiro, a law degree from the Universidade Federal Fluminense, and a degree in economics from the EPGE FGV.

Aluizio da Rocha Coelho Neto. Mr. Rocha was elected as a member of our fiscal council as a nominee of Odebrecht. He has been the controller of CNO since April 2010 and previously served as the leader of the international tax planning department of CNO since 2008. He has previously served as the senior manager of tax planning of our company, as part of the tax planning team at Arcelor Cia. Siderúrgica de Tubarão, and as a senior auditor with PricewaterhouseCoopers. Mr. Rocha holds a bachelor s degree in accounting from the Federal University of Espírito Santo (UFES) and a master s degree in accounting from the University of São Paulo (USP / FIPECAFI).

Marcos Antonio Silva Menezes. Mr. Menezes was elected as a member of our fiscal council as a nominee of Petroquisa. He currently serves as president of our fiscal council. Mr. Menezes has been the director of PIFCo since 2003 and chief accountant officer of Petrobras since 1998. He joined Petrobras in 1976 and served as Deputy Superintendent of the former Financial Services SEFIN from 1995 through 1998. He served as a member of the fiscal council of Companhia de Gás de Minas Gerais GASMIG, of Companhia de Gás da Bahia BAHIAGAS and as chairman of the fiscal council of Petros. Mr. Menezes has been chairman of the fiscal council of Instituto Brasileiro de Petróleo e Gás since 1998, and a member of the fiscal council of Organização Nacional das Indústras de Petróleo ONIP since 1999. He is also a member of the Associação Nacional dos Executivos de Finanças, Administração e Contabilidade ANEFAC and the Auditing and Accounting Rules Commission CANC of Associação Brasileira das Companhias Abertas ABRASCA and its Auditing and Accounting Rules Commission CANC. Mr. Menezes holds bachelor s degrees in accounting and in business management from Faculdade Moraes Júnior in Rio de Janeiro, a post-graduate degree in financial management from FGV, and completed an advanced management program PGA at Fundação Dom Cabral/INSEAD França.

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Alternate Members of Fiscal Council

Afonso Celso Florentino. Mr. Florentino was elected as an alternate member of our fiscal council as a nominee of Odebrecht. He has served as accounting manager for CNO since March 2008 and served as a senior manager with PricewaterhouseCoopers from July 1994 through February 2008. Mr. Florentino holds a bachelor s degree in accounting sciences from the Federal University of Minas Gerais and an MBA from IMBEC in Minas Gerais.

Ana Patricia Soares Nogueira. Ms. Nogueira was elected as an alternate of our fiscal council as a nominee of Odebrecht. She has been a member of the fiscal council of Cetrel since March 2009. Ms. Nogueira served as an attorney for our company from August 2001 until December 2008. She was a private practitioner from October 1997 to August 2001. Prior to October 1997, Ms. Nogueira held a variety of legal positions at Trikem and Odebrecht. She holds a bachelor s degree in law from Universidade Católica de Salvador and is pursuing an MBA from FGV.

Marcílio José Ribeiro Júnior. Mr. Júnior was elected as an alternate member of our fiscal council as a nominee of Petroquisa. He joined Petrobras in 2006 as an accountant in the financial governance area. Previously, he served as an accountant at Terminal Garagem Menezes Côrtes S.A. from 1998 through 2001, as accounting manager at ALTM S.A. Tecnologia e Serviços de Manutenção from 2001 to 2002, as accountant at Gás e Participações Ltda. GASPART from 2002 to 2004, as accounting manager at Starfish Oil and Gas S.A. from 2004 to 2005 and as controller at Queiroz, Galvão, Óleo e Gás S.A. from 2005 to 2006. Mr. Júnior holds a bachelor s degree in accounting from the Universidade Federal do Rio de Janeiro and has a post-graduate degree in economics and financial engineering from the Universidade Federal Fluminense.

Jayme Gomes da Fonseca Junior. Mr. Fonseca was elected as an alternate of our fiscal council as a nominee of Odebrecht. He served as an a member of our fiscal council in 2008 and 2009 and an alternate member of our fiscal council in 2007. Currently, he serves as the controller of CNO. He was our controller from 2004 to 2007 and previously served as a financial officer of Odebrecht Empreendimentos Imobiliários S.A. from January 2008 to April 2009, an executive officer of Ipiranga Química from 2007 to 2008, an executive officer of Ipiranga Petroquímica, prior to its merger into Braskem, fiscal manager of OPP Química from 1999 to 2004, fiscal manager of Odebrecht from 1996 to 1999, fiscal manager of CNO from 1993 to 1996, supervisor of Performance Auditoria e Consultoria S.C. from 1991 to 1993 and an assistant of Arthur Andersen S.C. from 1989 to 1991. Mr. Fonseca holds a bachelor s degree in business administration from Universidade de Salvador UNIFACS, an IAG Master in finances from Pontifícia Universidade Católica do Rio de Janeiro PUC, and a MSc in Accounting and Finance from University of Manchester Institute of Science UMIST.

Sergio José de Barros. Mr. Barros was elected as a member of our fiscal council as a nominee of Petroquisa. Mr. Barros has been the accounting manager of international businesses of Petrobras since 2005, and served as the financial businesses manager of Petrobras from 2002 through 2005. Prior to 2002, he served in various capacities in the finance and accounting areas of Petrobras since 1993. He has been a member of the fiscal council of Petrobras Gás S.A. GASPETRO. He also served as member of the Fiscal Council of Companhia de Gás do Ceará CEGÁS in 2003 and 2004, Gás de Alagoas ALGÁS in 2005, and Sergipe Gás SERGÁS in 2005. He also served as a supervisor at KPMG Peat Marwick Auditores Independentes and at Boucinhas, Campos e Claro Auditores Independentes. Mr. Barros holds bachelor s degrees in accounting and law, a post-graduate degree in business management from the Universidade Federal do Rio de Janeiro UFRJ, and an MBA from IBMEC.

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Compensation

According to our by-laws, our shareholders are responsible for establishing the aggregate compensation we pay to the members of our board of directors, our board of executive officers and our fiscal council. Our shareholders determine this aggregate compensation at the general shareholders meeting each year. Once aggregate compensation is established, the members of the board of directors are responsible for distributing such aggregate compensation individually to the members of our board of directors, our board of executive officers and our fiscal council in compliance with our bylaws.

Compensation and Benefits

The aggregate compensation paid by us to all members of our board of directors, board of executive officers and our fiscal council for services in all capacities was approximately R$22.2 million in 2009. On April 30, 2010, our shareholders (acting in the annual general meeting) established the following compensation for the year 2010:

- board of directors and board of executive officers: an aggregate limit of R$31.4 million; and

- each regular member of our fiscal council: the greater of R$6,951 per month and the statutory minimum set forth in the Brazilian Corporation Law.

The members of the board of directors receive a fixed monthly compensation, which is not affected by the numbers of meetings that take place each month. The members of the fiscal council receive a fixed monthly compensation, which is not affected by the numbers of meetings that take place each month. The alternate members of the board of directors and of the fiscal council do not receive any compensation.

Our executive officers receive the same benefits generally provided to our employees, such as medical (including dental) assistance, private pension plan and meal vouchers. Like our employees, our executive officers also receive a yearly bonus equal to one-month s salary (known as the thirteenth (monthly) salary in Brazil), an additional one-third of one-month s salary for vacation, and contributions of 8.0% of their salary into a defined contribution pension fund known as the Guarantee Fund for Time of Service *(Fundo de Garantia por Tempo de Serviço).* Members of our board of directors and fiscal council are not entitled to these benefits. We made contributions into the Guarantee Fund for Time of Service for our executive officers in an aggregate amount of R$0.4 million during the year ended December 31, 2009.

Members of our board of directors, board of executive officers and fiscal council are not parties to contracts providing for benefits upon the termination of employment other than, in the case of executive officers, the benefits described above.

Long-Term Incentive Plan

On September 26, 2005, we adopted a long-term incentive plan. Under the terms of this plan, we may issue investment units, each of which has an economic value equivalent to the economic value of one class A preferred share of our company, to our executive officers, senior management and other employees involved in our strategic programs, which the plan refers to as our business partners. These investment units do not carry any voting rights and may not be transferred. Each year, our Chief Executive Officer will submit an annual program to our board of directors stating:

- the maximum number of investment units to be issued in that year;

- the business partners that will be offered investment units in that year;
- the purchase price of the investment units to be paid by the participating business partners;
- the projected allocation of the investment units among the business partners; and

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- as an incentive to purchase investment units, the number of additional investment units that each business partner will receive in connection with the purchase of an investment unit.

Upon the purchase by a business partner of his allocation of investment units, the business partner will receive additional investment units as an incentive for the purchase of the purchased investment units. We refer to the purchased investment units as alpha units and the additional investment units as beta units. Each beta unit will automatically convert into an alpha unit 10 years after the date of issue of the beta unit. Upon the payment by our company of dividends or interest attributable to shareholders equity to holders of our class A preferred shares, we will issue additional units, or gamma units, with an aggregate value equivalent to the value of the dividends or interest attributable to shareholders equity attributed and paid to the holders of a class A preferred share.

Each year we will determine the unit value of the investment units applicable from April 1 of that year until March 31 of the following year calculated as the average closing price in *reais* of our class A preferred shares on the BM&FBOVESPA from October 1 of the preceding year through March 31 of the year in which the unit price is established. Following the fifth anniversary of the date on which any business partner first acquires investment units, we will redeem up to 20% of the investment units held by that business partner at the then-established unit price upon the request of that business partner made within 120 days following the delivery of an annual statement from us with respect to the investment units held by that business partner. After the first redemption, we will redeem up to 10% per year of the investment units held by that business partner at the then-established unit price upon the request of that business partner made in subsequent years. We will redeem any gamma unit at the then-established unit price upon the request of the holder made within 60 days following the issuance of that gamma unit. Any gamma unit not so redeemed will automatically convert into an alpha unit.

In the event that a business partner is dismissed without just cause or retires, we will redeem all of the investment units held by that business partner at the then-established unit price upon the request of that business partner. In the event that a business partner is dismissed for just cause or resigns, all of the beta units held by that business partner will be immediately extinguished, and we will redeem all of the alpha units held by that business partner at the then-established unit price upon the request of that business partner. Upon the death of a business partner, we will automatically redeem all of the investment units held by that business partner (for the benefit of the business partner s estate) at the then-established unit price.

Our board of directors adopted an annual program for the 2007 and 2008 fiscal years. No annual program will be adopted for the 2009 fiscal year. Under these annual plans, the number of alpha and beta units our executive officers were entitled to purchase is set forth in the table below:

Fiscal Year	Alpha Units	Beta Units
2007	430,180	430,180
2008	360,384	360,384

The annual program for the 2010 fiscal year has not yet been adopted by our board of directors.

Corporate Governance Practices

The significant differences between our corporate governance practices and the standards of the NYSE are described in Item 16G. Corporate Governance.

Share Ownership of Directors and Officers

The total number of shares owned by members of Braskem s board of directors and executive officers as of May 26, 2010 represents less than 0.1% of Braskem s share capital. Under our by-laws, each of our directors must also be a shareholder of our company. Accordingly, if a person is appointed to our board of directors and is not one of our shareholders at the time, the shareholder that designated such person to be one of our directors (in accordance with the terms of the relevant shareholders agreement) generally transfers one share to the newly appointed director at no cost. All other shares owned by our directors were purchased at market prices through the BM&FBOVESPA. As of the date hereof, none of our executive officers owns any of our shares.

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Employees

The following table sets forth the number of our employees by main category of activity and location.

	At December 31,		
Main Category of Activity	**2009(1)**	**2008(2)**	**2007(3)**
Coordinators and operators	1,886	1,954	1,970
Engineers and other professionals	988	1,002	947
Administrative and support	376	458	488
Technicians	598	626	610
Maintenance	506	549	556
Managers and directors	218	213	212
Total	4,572	4,802	4,783

(1) At December 31, 2009, 1,716 employees worked in the State of Bahia, 1,736 employees worked in the State of Rio Grande do Sul, 606 employees worked in the State of São Paulo, 448 employees worked in the State of Alagoas and 66 employees worked in other states in Brazil or abroad.

(2) At December 31, 2008, 1,926 employees worked in the State of Bahia, 1,761 employees worked in the State of Rio Grande do Sul, 596 employees worked in the State of São Paulo, 462 employees worked in the State of Alagoas and 57 employees worked in other states in Brazil or abroad.

(3) At December 31, 2007, 2,007 employees worked in the State of Bahia, 1,803 employees worked in the State of Rio Grande do Sul, 484 employees worked in the State of São Paulo, 472 employees worked in the State of Alagoas and 17 employees worked in other states in Brazil or abroad.

We do not employ a material number of temporary employees.

As a result of the Quattor Acquisition, the employees of Quattor are now our employees. At December 31, 2009, the Quattor Companies had 1,809 employees. As a result of the Sunoco Chemicals Acquisition, the employees of Braskem Americas are now our employees. At April 1, 2010, Braskem Americas had approximately 430 employees.

In Brazil, both employees and employers have the right to organize unions. Employees belonging to a specific professional category and employers constituting a specific economic category may each be represented by a single union in a particular geographic area. Individual unions generally belong to state-wide union federations, which in turn belong to nationwide union confederations. We are a member of the Petrochemicals and Synthetic Resins Industries Union of the States of Bahia, Alagoas, Rio Grande do Sul and São Paulo, and our employees belong to the Petrochemicals Industries Workers Unions in each of these states. At December 31, 2009, approximately 1,577 of our non-management employees. We believe that we have good ongoing relations with our employees and their unions. We have not experienced a strike since Trikem was privatized in 1995. The current collective bargaining agreements with our unions have one-year to two year terms and are subject to annual renegotiation. We have traditionally applied the terms of bargaining agreements entered into with the unions equally to unionized and non-unionized employees.

At December 31, 2009, approximately 528 of the non-management employees of the Quattor Companies were union members. We believe that the Quattor Companies have good ongoing relations with their employees and their unions.

The current collective bargaining agreements with the Quattor Companies unions have one-year to two year terms and are subject to annual renegotiation. Quattor has traditionally applied the terms of bargaining agreements entered into with the unions equally to unionized and non-unionized employees.

The employees of Braskem Americas are not represented by any union, other than employees of Braskem Americas Neal, West Virginia plant. Approximately 68% of the employees of this plant are represented by the United Steel, Paper & Forestry, Rubber, Manufacturing, Energy Allied-Industrial & Service Workers International Union. The collective bargaining agreement currently in force with this union has a three-year term that expires in June 2010. Braskem Americas has traditionally applied the terms of its collective bargaining agreements to non-unionized employees. We believe that Braskem Americas has good ongoing relations with its employees and their unions.

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We have adopted and applied a personnel management philosophy which emphasizes a performance related pay structure and a decentralized management structure. Employees in each of our business units participate in setting and achieving their business unit s annual objectives. As a result, employees in those business units that meet or exceed their goals share in our financial performance through performance-based employee compensation plans. During 2009, we recorded an expense of R$86.0 million related to this program with respect to approximately 5,000 employees, including our executive officers. The members of our board of directors do not participate in this program. We seek to recruit top graduates from Brazilian technical schools and universities to work at each of our plants and offer career development training to employees to develop skills necessary to operate an internationally competitive, vertically integrated petrochemical company. We have invested in a series of training courses for our operating, laboratory and maintenance personnel through agreements with technical training organizations. During 2009, our total investment in education and training amounted to R$6.9 million for approximately 307,000 hours of training, representing an average of 67 hours per employee.

We tailor career development programs to each employee s individual needs and abilities. We established this program with our own resources and technology, and it has become a Brazilian benchmark in human resources practices. In 2009, 11.3% of our employees received salary increases as a result of their participation in our career development programs.

Our employees and their dependents receive medical and dental assistance through a network of accredited doctors. We pay most of the costs for these services, with a small portion being paid by our employees. A small monthly fee is also charged to our employees to pay for more costly medical services. In 2009, we spent R$35.2 million on this assistance.

Historically, Braskem Americas has offered its employees the ability to participate in a variety of health and welfare benefit plans. As part of the process of integrating the operations of Braskem Americas into our, we are reviewing these plans and expect to continue many of these plans or adopt similar plans for the employees of Braskem Americas during 2010.

The majority of our employees participate in the Odebrecht Pension Plan (*ODEPREV Odebrecht Previdência*). We pay part of the monthly payments made by our employees to the Odebrecht Pension Plan. This pension fund is a defined contribution plan that pays supplementary pension and retirement amounts in amount to those paid by the Brazilian government s pension system and is intended to provide its members with income on retirement. In 2009, we paid R$6.8 million into this fund.

We also make contributions to Petros under retirement and defined benefit pension plans that we assumed as a result of the acquisition of control of Copesul. Copesul closed these plans to new participants on January 1, 1995. In 2009, we made contributions of R$4.9 million to these plans.

In August 2004, Copesul approved and implemented a supplementary private pension plan named COPESULPREV. COPESULPREV is a closed defined-contribution plan intended to cover those employees not included in the Petros plan. The obligations of Copesul under the COPESULPREV plan were assumed by Braskem as a result of the merger of Copesul into Ipiranga Petroquímica and the subsequent merger of Ipiranga Petroquímica into Braskem. COPESULPREV is independently managed by Petros, with no links to any other pension plan managed by Petros, pursuant to the provisions of Complementary Law No. 109/2001. In September 2009, we ceased making contributions to this plan. In 2009, we made contributions of R$1.0 million to COPESULPREV.

Ipiranga Petroquímica and Ipiranga Química sponsored Fundação Francisco Martins Bastos Pension Plan, a defined benefit closed supplementary private pension entity, designed to manage and execute pension benefit plans for the

benefit of the employees of Ipiranga Petroquímica and Ipiranga Química. The obligations of Ipiranga Petroquímica under the FFMB plan were assumed by Braskem as a result of the merger of Ipiranga Petroquímica into Braskem. In July 2009, we ceased making contributions to this plan. In 2009, we made contributions of R$1.6 million to this fund.

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In 2002, Triunfo approved and implemented a supplementary private pension plan named Triunfo Vida. Triunfo Vida is a closed defined-contribution plan. The obligations of Triunfo under the Triunfo Vida plan were assumed by Braskem as a result of the merger of Triunfo into Braskem. Triunfo Vida is independently managed by Petros, with no links to any other pension plan managed by Petros, pursuant to the provisions of Complementary Law No. 109/2001. In 2009, we made contributions of R$0.4 million to this plan.

Braskem Americas has historically offered two qualified defined benefit pension plans to its employees: (1) the Final Pay and Career Pay Formulas, for which employees who were employed before January 1, 1987 are eligible to participate, and (2) the Career Pay Formula, for which employees who were employed after January 1, 1987 are eligible. Each of these plans offers employees monthly income for life either at retirement or, in the event that an employee s departure occurs after such employee s benefits under the plan have vested, at the time of departure. As part of the process of integrating the operations of Braskem Americas into our operations, we have decided to terminate Braskem Americas defined benefit plans with respect to its employees, other than the participants in the Novamont pension plan that is available to unionized employees at the Neal, West Virginia plant, and are reviewing options with respect to post-retirement benefits that we will make available to Braskem Americas other employees.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

Major Shareholders

At May 26, 2010, our issued and outstanding capital consisted of 433,668,976 common shares, 346,569,671 class A preferred shares, including 1,506,060 class A preferred shares held in treasury, and 593,818 class B preferred shares. Generally, only our common shares have voting rights. Our preferred shares have voting rights only in exceptional circumstances.

The following table sets forth information concerning the ownership of our common shares and class A preferred shares at May 26, 2010 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	%
BRK	420,651,494	87.0			420,651,494	53.9
Odebrecht(1)			80,697,919	23.3	80,697,919	10.3
Petroquisa(2)	109,987	*	72,966,172	21.1	73,076,159	9.4
BNDESPAR.			44,317,452	12.8	44,317,452	5.7
All directors, fiscal council members, their alternates and executive officers as a group (38 persons).	169	*	373,007	*	373,176	*

* less than 1%

(1) Includes 1,406,173 class A preferred shares held by Odebrecht and 79,291,746 class A preferred shares held by OSP. Excludes the proportional interest of Odebrecht in the common shares held by BRK.

(2) Includes 109,987 common shares with respect to which Petroquisa s right to transfer has been blocked and which will be transferred to BRK when this restriction is lifted. Excludes the proportional interest of Petrobras and Petroquisa in the common shares held by BRK.

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We currently have no management or employee option plans or management or employee options outstanding. See Item 6. Directors, Senior Management and Employees Compensation Long-Term Incentive Plan.

BRK

BRK s common shares are the only outstanding classes of its share capital. BRK s shareholders are parties to a shareholders agreement that addresses, among other matters, (1) voting rights at BRK s shareholders meetings, and (2) rights of first refusal and preemptive rights for disposal and purchase. See Petrobras Shareholders Agreement.

The following table sets forth information concerning the ownership of the common shares of BRK as of May 26, 2010.

Name	**Number of Shares**	**%**
OSP	144,862,517	53.8
Petrobras	65,425,867	24.3
Petroquisa	59,014,503	21.9

Changes in Ownership

On January 3, 2009, Odebrecht s subsidiary, Odebrecht Investimentos em Infra-Estrutura Ltda., transferred 20,685,872 class A preferred shares to Odebrecht s indirect subsidiary Belgrávia.

On May 5, 2009, we issued an aggregate of 13,387,157 class A preferred shares in connection with the merger of Triunfo with and into our company, including 11,299,254 class A preferred shares that were issued to Petroquisa. As a result, the direct and indirect ownership of Odebrecht in our company was reduced to 24.5% of our class A preferred shares and 38.3% of our total share capital, and the ownership of Petroquisa in our company increased to 22.1% of our class A preferred shares and 25.3% of our total share capital.

On December 31, 2009:

- Odebrecht transferred 1,406,173 of our common shares to Belgrávia in exchange for 1,406,173 of our class A preferred shares owned by Belgrávia;

- Odebrecht transferred 87,646,298 of our common shares to OSP;

- Norquisa transferred 29,639,199 of our common shares and 2,185,246 of our class A preferred shares to OSP;

- Belgrávia transferred 1,406,173 of our common shares and 77,106,500 of our class A preferred shares to OSP; and

- OSP transferred 118,691,670 of our common shares to BRK in exchange for 118,691,670 shares of BRK.

On December 31, 2009, Petroquisa transferred 58,904,267 of our common shares, and the rights to 109,987 of our common shares whose transfer is currently blocked, to W.B.W.S.P.E. Empreendimentos e Participações S.A., or WBW.

On February 8, 2010, WBW merged with and into BRK and BRK issued 59,014,503 shares of its common stock to Petroquisa as consideration for the shares of WBW.

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On March 30, 2010, OSP contributed R$1,000 million to BRK in exchange for the issuance of 26,170,847 common shares of BRK. On April 5, 2010, Petrobras contributed R$2,500 million to BRK in exchange for the issuance of 65,425,867 common shares of BRK.

In April 2010, we conducted a capital increase through a private subscription by our shareholders as a result of which we received net cash proceeds of R$3,742.6 million in exchange for the issuance of 243,206,530 of our common shares and 16,697,781 of our class A preferred shares. In this capital increase, BRK subscribed 243,055,556 of our common shares and none of our class A preferred shares.

Shareholders Agreements

Petrobras Shareholders Agreement

Odebrecht, OSP, Petrobras and Petroquisa, with Braskem and BRK as intervening parties, entered into the Petrobras Shareholders Agreement, effective February 8, 2010, which has a term of 35 years. The Petrobras Shareholders Agreement superseded the Shareholders Agreement that formerly governed the relationship between Petrobras, Petroquisa, Odebrecht and Norquisa regarding our shares.

Under the Petrobras Shareholders Agreement, Petrobras and Petroquisa together have the right to designate:

- four members of our board of directors and their alternates for so long as they own, directly or indirectly, an aggregate of 30% or more of our voting share capital;
- three members of our board of directors and their alternates for so long as they own, directly or indirectly, an aggregate of 18%, but less than 30%, of our voting share capital;
- a majority of the members of our fiscal council and their alternates for so long as they own, directly or indirectly, an aggregate of 30% or more of our voting share capital; and
- two members of our fiscal council and their alternates for so long as they own, directly or indirectly, an aggregate of 18%, but less than 30%, of our voting share capital.

For so long as Petrobras and Petroquisa together have the right to designate three or four members of our board of directors, one of these designees will serve as vice president of our board of directors.

Under the Petrobras Shareholders Agreement, Odebrecht is entitled to nominate our chief executive officer. Our chief executive officer must choose our chief financial officer from among three nominees submitted by Odebrecht and the executive officer responsible for our investment and portfolio area from among three nominees submitted by Petrobras. Our chief executive officer has the power to nominate the other members of our board of executive officers.

Under the Petrobras Shareholders Agreement, Odebrecht has the sole power to approve the business plan of our company. However, for so long as Petrobras and Petroquisa own, directly or indirectly, an aggregate of less than 30% and more than 18% of our voting share capital, we are prohibited from taking certain strategic actions unless a consensus regarding those actions is reached between Odebrecht and Petrobras, including, among others:

- actions affecting our share capitalization or the rights of holders of our shares;
- mergers, spin-offs or similar transactions;
- Investments and purchases of non-current assets with a value in excess of the lesser of R$200 million or 30% of our non-current assets;
- dispositions of non-current assets with a value in excess of 10% of our non-current assets;

- creation of liens on our non-current assets with a value in excess of the lesser of R$350 million and 20% of our non-current assets; and
- actions that would result in our violating specified net debt to EBITDA and EBITDA to total interest ratios.

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Under the Petrobras Shareholders Agreement, we have agreed that investments that we make to increase our capacity must be supported by an evaluation demonstrating profitability under standards such as net present value or internal rate of return. Petrobras has granted a right of first refusal to our company with respect to development of any petrochemical project that Petrobras proposes to pursue. In the event that we decide not to participate in any such proposed project, Petrobras has agreed that we will have the right to market the products produced by the proposed project on conditions satisfactory to us and Petrobras.

Under the Petrobras Shareholders Agreement, Petrobras and Petroquisa have the right to sell a *pro rata* portion of their common shares of our company in connection with any direct or indirect sale of our common shares by the Odebrecht Group to a third party.

Under the Petrobras Shareholders Agreement, each of the parties has agreed:

- subject to certain exceptions, not to grant any liens on any of its Braskem shares;
- to grant a right of first refusal and tag along rights to the other parties to the Petrobras Shareholders Agreement with respect to any sale of its Braskem shares;
- in the event that a party s interest in our voting share capital is diluted in a transaction involving one or more of the other parties to the Petrobras Shareholders Agreement, the diluted party will have the right to purchase shares of Braskem from the diluting parties in an amount that would, after giving effect to such purchase, result in the diluted party holding the same percentage interest in our voting share capital that it held immediately prior to the dilution event; and
- in the event that any party acquires or receives a right to acquire common shares of Braskem from a third party, to offer to sell to the other parties to the Petrobras Shareholders Agreement an amount of common shares of Braskem that would, after giving effect to such sale, result in each of the parties to the Petrobras Shareholders Agreement holding the same direct and/or indirect proportion of the common shares of Braskem that the parties held prior to the acquisition of common shares of Braskem from the third party.

Pension Funds Memorandum of Understanding

On July 20, 2001, Odebrecht Química, Petroquímica da Bahia S.A., Petros and Previ entered into a Memorandum of Understanding Regarding Shareholders Agreement, which we refer to as the Pension Funds Memorandum of Understanding. The Pension Funds Memorandum of Understanding grants certain preemptive and share transfer rights to Petros and Previ. The Pension Funds Memorandum of Understanding has a term of 20 years, unless a shareholders agreement containing the terms set out below is entered into prior to that date. Under the Pension Funds Memorandum of understanding, the parties agreed to adopt the following basic principles for our management:

- our board of executive officers will be composed of competent professionals;

- our dividend policy will have as its objective the distribution of at least 50.0% of net income available during the relevant period, provided that all necessary reserves for the efficient operation and development of our business are established and maintained; and

- we will adopt a commercial policy that assures the regular and continuous supply of raw materials and utilities on a competitive basis and consistent with the domestic and international markets.

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Under the Pension Funds Memorandum of Understanding, Petros and Previ have the right to sell our shares owned by each of them in connection with any sale of our shares by our controlling shareholders to a third party that involves a change of our control.

BNDESPAR Shareholders Agreement

We, Odebrecht and BNDESPAR have entered into a shareholders agreement. This shareholders agreement will expire on the earlier of the first date on which BNDESPAR ceases to own more than 5.0% of our total share capital and August 24, 2011. This shareholders agreement provides that BNDESPAR has the right to appoint one member of our board of directors for so long as Odebrecht and its subsidiaries have the right to elect more than a majority of our directors. This shareholders agreement also provides that BNDESPAR has the right to (1) require our company and Odebrecht to purchase the shares that it owns in our company if we do not comply with the terms of this shareholders agreement and do not cure any such non-compliance within a specified period, and (2) sell its shares in the event that Odebrecht sells its voting control of our company to a third party.

Related Party Transactions

The following summarizes the material transactions that we have engaged in with our principal shareholders and their affiliates since January 1, 2009.

We 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 a party to three shareholder s agreements or memoranda of understandings with shareholders of our company. See Major Shareholders Shareholders Agreements.

In connection with the Quattor Acquisition, we entered into the Quattor Investment Agreement, the Petrobras Shareholders Agreement and an Association Agreement regarding the continued development of two petrochemical complexes in the States of Rio de Janeiro and Pernambuco, Brazil with Odebrecht, OSP, Petrobras and Petroquisa. In addition, in April 2010 we conducted a capital increase through a private subscription by our shareholders as a result of which we received net cash proceeds of R$3,742.6 million in exchange for the issuance of 243,206,530 of our common shares and 16,697,781 of our class A preferred shares. In this capital increase, BRK, a company controlled by Odebrecht and Petrobras, subscribed to 243,055,556 of our common shares and none of our class A preferred shares. See Item 4. Information on the Company History and Development of Our Company The Quattor Acquisition.

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

In December 2004, we entered into an Alliance Agreement with CNO, the 2004 Alliance Agreement, under which we have appointed CNO as a non-exclusive 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%. We are also required to pay any applicable taxes with respect to such fees. This agreement was formally terminated in December 2008. In February 2007, we entered into a new Alliance Agreement with CNO on substantially similar terms as the 2004 Alliance Agreement. The new Alliance Agreement expires in February 2011.

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On December 2008, we entered into another Alliance Agreement with CNO and Gempro Engenharia S.A. for the construction of a new ethylene plant in the Southern Complex that will produce ethylene using sugar cane ethanol for our use in the production of polyethylene. For more information regarding this project, see Item 4. Information on the Company Capital Expenditures Green Polyethylene Project.

The aggregate amount of services we purchased under these Alliance Agreements in 2009 was R$94.2 million. We had accounts payable to CNO of R$9.7 million at December 31, 2009.

Petrobras

Merger and Acquisition Transactions with Petrobras

On May 5, 2009, the second phase of the Petrobras Transaction was completed with the merger of Triunfo with and into Braskem. Braskem issued an aggregate of 13,387,157 of our class A preferred shares to the shareholders of Triunfo as consideration for their equity interests in Triunfo, including 11,299,254 class A preferred shares that were issued to Petroquisa. For more information about the second phase of the Petrobras Transaction, see Item 4. Information on the Company History and Development of Our Company Petrobras Transaction.

Financial Transactions with Petrobras

In September 2007, EDSP58 entered into an export prepayment credit facility with PIFCo, a wholly-owned subsidiary of Petrobras, under which EDSP58 is permitted to borrow an aggregate principal amount of up to US$323.0 million. In October 2007, EDSP58 borrowed an aggregate of US$312.5 million under this facility to fund a portion of the purchase price of the shares tendered in the Copesul Tender Offer. These loans bear interest at the rate of LIBOR plus 0.35% per annum until the first anniversary of their disbursement and thereafter at the rate of LIBOR plus 0.55% per annum. The principal amount of these loans is payable on or prior to the second anniversary of each disbursement. The outstanding principal amount under this export prepayment credit facility was repaid in 2009.

Commercial Transactions with Petrobras

In July, 2009, we and Petrobras entered into a Petrochemical Naphtha Purchase and Sale Contract. This contract replaced the naphtha supply contract between our company and Petrobras for the supply of naphtha to our basic petrochemicals plants located in the Northeastern Complex, which was terminated in June 2008, and superseded the naphtha supply contract between our company and Petrobras for the supply of naphtha to our basic petrochemicals plants located in the Southern Complex. This contract has a term of five years, expiring in March 2014, and is automatically renewable for one five-year period, unless either party notifies the other party in writing at least one year prior to the expiration of the contract that it does not intend to renew the contract. Under this supply contract, the price that we pay for naphtha is based on a variety of factors, including the market prices of naphtha and a variety of petrochemical derivatives, the volatility of the prices of these products in the international markets, the *real*/U.S. dollar exchange rate, and the level of paraffinicity of the naphtha that is delivered.

In March 2007, we entered into two five-year propylene supply contract with REFAP, a subsidiary of Petrobras, for the supply of propylene to our plants in the Southern Complex. In addition, we sell condensate and purchase naphtha from REFAP.

In May 2008, we entered into a 20-year propylene supply contract with Petrobras for our Paulínia plant. Under this contract, we purchased an initial monthly supply of 25,000 tons of propylene per month beginning in the second quarter of 2009 and will purchase 300,000 tons of propylene per year beginning in 2010.

In April 2007, we entered into a three-year caustic soda supply contract with Petrobras under which we will supply approximately 61,300 tons of caustic soda annually for use by Petrobras Brazilian refineries. Petrobras uses caustic soda for the treatment of effluents in its refineries.

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In July 2008, we entered into a three-year caustic soda supply contract with Petrobras under which we will supply approximately 7,410 tons of caustic soda annually for use by Petrobras Brazilian biodiesel units.

We sell automotive gasoline and LPG to subsidiaries of Petrobras.

We purchased raw materials from Petrobras and its subsidiaries of R$4,766.7 million in 2009 and sold products to Petrobras and its subsidiaries of R$521.5 million during this period. At December 31, 2009, we had accounts payable to Petrobras and its subsidiaries in an aggregate amount of R$502.1 million and accounts receivable from Petrobras and its subsidiaries in an aggregate amount of R$80.6 million.

Our Jointly Controlled Companies and Associated Companies

Cetrel

We own directly 53.7% 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$23.8 million in 2009. We had accounts payable to Cetrel of R$1.5 million at December 31, 2009.

Borealis Brasil S.A.

We sell polypropylene and polyethylene to Borealis in which we have a 20.0% interest. We recorded net sales to Borealis of R$155.4 million in 2009. We had accounts receivable from Borealis of R$12.3 million at December 31, 2009.

Other

Engepack

We sell PET from time to time to Engepack Embalagens S.A., or Engepack, a packaging manufacturer. Francisco Teixeira de Sá, the chairman of the board of directors of Engepack, was an alternate member of our board of directors until April 2010. We recorded net sales to Engepack of R$15.5 million in 2009. Engepack purchases PET from a variety of second generation producers, including our company.

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ITEM 8. FINANCIAL INFORMATION

Consolidated Statements and Other Financial Information

Reference is made to Item 19 for a list of all financial statements filed as part of this annual report.

Legal Proceedings

We are, and may be in the future, involved in numerous tax, civil and labor disputes, among others, involving monetary claims. If unfavorable decisions are rendered in one or more of these lawsuits, we could be required to pay substantial amounts, which could 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 claimed, based on our judgments as to the outcomes of these lawsuits.

Tax Proceedings

We are engaged in several legal proceedings with Brazilian tax authorities for which we have established provisions in an aggregate amount of R$50.2 million at December 31, 2009. In addition, there are currently certain legal proceedings pending in which we are involved for which we have not established provisions. If any of these legal proceedings is decided adversely to us, our results of operations or financial condition could be materially and adversely affected.

IPI

IPI Credits on Raw Materials Purchases. We pay IPI tax on industrial products that we manufacture. The Brazilian federal tax authorities asserted that the purchase of raw materials that are tax-exempt, non-taxable or taxed at a zero percent rate does not generate IPI tax credits, on the basis that there is no law or regulation that expressly authorizes these credits. We believed that this interpretation is contrary to Article 153, paragraph 3 of the Brazilian Constitution, which sets forth the principle of non-cumulative taxation and does not exclude purchases of raw materials that are tax-exempt, non-taxable or taxed at a zero percent rate.

We filed a lawsuit in the State of Rio Grande do Sul challenging the position of the Brazilian federal tax authorities. Although the Brazilian Federal Supreme Court ruled in our favor, the Brazilian government appealed the decision of the Brazilian Federal Supreme Court. During the pendency of this appeal, the Brazilian Superior Court of Justice (*Superior Tribunal de Justiça*) issued an unfavorable ruling on related procedural matters.

As a result, we concluded that it would be in our best interest to file for voluntary termination of the lawsuit and participate in the federal tax installment program established by Provisional Measure No. 470/09, which would substantially reduce the default charges and fines that could be levied against us. In November 2009, we filed for voluntary termination of this suit and the suits described in the following paragraph, and agreed to pay R$1,883.3 million in full settlement of the claims of the tax authorities with respect to these matters.

We had a number of similar suits pending in federal courts in the States of São Paulo and Alagoas. We have also filed for voluntary termination of these suits.

For further information on our accounting treatment of this settlement, see note 19(v) to our consolidated financial statements.

IPI Export Credits. Brazilian Decree Law No. 491/69 provides a tax credit to exporters of manufactured products to compensate them for taxes paid in Brazil prior to exporting their products. The regulations governing the IPI tax permit exporters to offset IPI taxes with IPI export credits and/or to transfer their IPI export credits to third parties. However, the Brazilian tax authorities issued a series of administrative rules that reduced, restricted and ultimately suspended the use of these credits based on Decree Law No. 1,724/79, which expressly delegated these powers to the Brazilian Ministry of Finance. We believed that this delegation of powers to the Ministry of Finance violated the distribution of functions among the executive branch, and that secondary administrative rules could not restrict or suspend a benefit created by a constitutionally superior norm. Accordingly, we believed that the administrative rules promulgated under the authority of Decree Law No. 1,724/79 had no legal effect. On these grounds, we filed suits against the Brazilian government challenging Decree Law No. 1,742/79 and these administrative rules and seeking to offset and transfer IPI export credits as provided under Decree Law No. 491/96.

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In September 2009, the Brazilian Federal Supreme Court upheld a ruling of the Superior Court of Justice in an appeal made by another taxpayer seeking recognition of that taxpayers entitlement to use IPI tax credits on exports, and found that entitlement to such tax benefits ceased in October 1990.

In view of this determination of the Brazilian Federal Supreme Court, in November 2009 we concluded that it would be in our best interest to file for voluntary termination of our lawsuit and participate in the federal tax installment program established by Provisional Measure No. 470/09, which would substantially reduce the default charges and fines that could be levied against us. In November 2009, we filed for the voluntary termination of these lawsuits and the lawsuits described under Offset of Tax Credits, and agreed to pay R$480.1 million in full settlement of the claims of the tax authorities with respect to these matters.

For further information on our accounting treatment of this settlement, see note 19(v) to our consolidated financial statements.

IPI Credits Arising from the Acquisition of Fixed Assets and Materials Not Used in Production. The regulations governing the IPI tax permit companies to offset against their IPI tax liability IPI credits arising from the acquisition of raw materials and other unfinished products only to the extent that they are used in production. We believed that this limitation imposed by the IPI regulations is unconstitutional. Article 153, paragraph 3 of the Brazilian Constitution sets forth a broad principle of non-cumulative taxation and does not limit the grant or use of IPI credits arising from the acquisition of fixed assets or in respect of materials not used in production. We brought four separate suits against the Brazilian government seeking the acknowledgment of IPI credits arising from the acquisition of fixed assets and materials not used by us in the production of our products.

In light of the benefits offered under Law No. 11,941/09, we concluded that it would be in our best interest to file for voluntary termination of these lawsuit and participate in the federal tax installment program established by Law No. 11,941/09, which would substantially reduce the default charges and fines that could be levied against us. We filed for voluntary termination of these suits and the suits described under Social Contribution on Net Income, and agreed to pay R$1,220.2 million in full settlement of the claims of the tax authorities with respect to these matters.

For further information on our accounting treatment of this settlement, see note 19(v) to our consolidated financial statements.

Social Contribution on Net Income

Law No. 7,689/88 created the CSLL, a tax similar to the corporate income tax. Under Article 146, item III of the Brazilian Constitution, the CSLL should have been enacted as a supplementary law and not as an ordinary law. Under Brazilian law, supplementary laws must be approved by at least a majority of the members of each house of the Brazilian Congress, while an ordinary law may be approved by a simple majority of the members of Congress present at the relevant voting session. In addition, we believed that CSLL violates Article 154, item II of the Brazilian Constitution, which provides that new taxes may not be assessed and calculated on the same basis as existing taxes. We believed the CSLL is assessed and calculated on the same basis as the corporate income tax. We filed several suits challenging the constitutionality of the CSLL.

In reliance on an analysis of the chances of success in these suits and the reductions in interest and fines made available by Law 11,941/09, we concluded that it would be in our best interest to withdraw our claims regarding the legality of the collections and to include the amounts in question in the federal tax installment program established by Law No. 11,941/09. In November 2009, we filed for voluntary termination of these suits. However, we decided to exclude from the installment program those amounts that are claimed as isolated fines and challenged the imposition

of these fines through administrative proceedings. The amount of the fines at issue was R$113.9 million at December 31, 2009. In January 2010, the Taxpayers Council ruled in our favor with respect to this challenge.

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Because the federal government did not challenge the judgment in the case of OPP Química, we believe that a final decision favorable to our company issued in 1992 is still effective. Accordingly, assessment notices drawn by the Federal Revenue against OPP Química were excluded from the installment program. The amount claimed by these assessment notices, retrospectively revised by inflation and the benchmark rate, was R$217.8 million at December 31, 2009. In January 2010, the Taxpayers Council ruled in favor of the federal government with respect to this matter. We have challenged this decision in the administrative courts. Our appeal remains pending. We believe that it is probable that we will prevail in this dispute.

For further information on our accounting treatment of this settlement and the claims that have not been settled, see notes 19(vi) and 20(e) to our consolidated financial statements.

Offset of Tax Credits

From May through October 2000, OPP Química and Trikem offset their own federal tax obligations with IPI tax credits assigned by a third-party export trading company. In June 1999, the export trading company filed a motion for a writ of mandamus requiring the federal tax authority of the State of São Paulo to recognize these offsets, and in October 1999, the federal tax authority of the State of São Paulo issued offset support certificates in response to an injunction obtained by the export trading company. In September 1999, the export trading company filed a motion for a writ of mandamus requiring the federal tax authority of the State of Rio de Janeiro to recognize the recovery of IPI tax credits by the export trading company and the validity of their use in offsetting third-party tax obligations. In March 2001, the motion for a writ of mandamus filed by the export trading company in the State of São Paulo was dismissed without prejudice, confirming the administrative and jurisdictional authority of the State of Rio de Janeiro to rule on the export trading company s tax credits.

Although the Brazilian Federal Supreme Court granted a non-appealable writ of mandamus to the export trading company, confirming the export trading company s right to use its IPI tax credits from all its exports and the availability of these IPI tax credits for offsetting third-party obligations, the Brazilian tax authorities filed a rescission action against this decision, and we believe that the export trading company is likely to be defeated in light of the Brazilian Federal Supreme Court determination discussed above under IPI Export Credits that the IPI tax credits expired in 1990.

In light of the mounting legal uncertainties over these issues and the benefits offered under Provisional Measure No. 470/09, we concluded that it would be in our best interest to file for voluntary termination of this lawsuit and participate in the federal tax installment program established by Provisional Measure No. 470/09, which would substantially reduce the default charges and fines that could be levied against us. In November 2009, we filed for voluntary termination of this suit.

Pursuant to the agreement under which the export trading company assigned the IPI tax credits to OPP Química and Trikem, we are entitled to full recourse against the export trading company concerning all amounts we are required to pay to the National Treasury. We are considering the legal measures available to claim recourse against the export trading company for the sums paid to the National Treasury.

Other Tax Proceedings

We and our affiliates are involved in several other judicial and administrative proceedings regarding withholding taxes, corporate income taxes *(Imposto de Renda da Pessoa Jurídica),* the ICMS, the tax on financial transactions (*Imposto Sobre Operações Financeiras*), monetary adjustments, the PIS, the Social Contribution for Intervention in the Economic Domain (*Contribuição Social sob Intervenção no Domínio Econômico*) levied on the acquisition of

naphtha and other issues related to tax matters. If any of these legal proceedings were decided adversely to us, we do not believe that our results of operations or financial condition would be materially and adversely affected.

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Labor Proceedings

Clause Four Cláusula Quarta

Our company and other companies in the Northeastern Complex enter into annual collective bargaining agreements with the petrochemical workers union. The collective bargaining agreement that was valid between September 1989 and August 1990 required employers to pay workers monthly cost of living adjustments equal to 84.3% of the consumer price index (*Índice de Preços ao Consumidor*), or IPC, and prohibited the substitution of the IPC by another index with lower values.

In March 1990, the Brazilian government introduced an economic plan known as the Collor Plan, named after the then-President of Brazil. The Collor Plan provided that cost of living adjustments in wages could be based on other indices but not on the IPC. Based on judicial precedent, we interpreted the Collor Plan as prohibiting wage increases based on the IPC, which interpretation was contrary to the terms of the collective bargaining agreements in effect at the time. The petrochemical employers union filed a lawsuit against the petrochemical workers union, seeking to confirm that the cost of living adjustment indices provided in the Collor Plan preempted the conflicting provisions in the collective bargaining agreements. The Regional Labor Court ruled in favor of the workers union, and the decision was later modified in part on appeal to the Superior Labor Court. In 1998, the employers union filed an extraordinary appeal to the Brazilian Federal Supreme Court.

The Brazilian Federal Supreme Court initially held in favor of the workers union, but reversed its decision in December 2002 and held that a private collective bargaining agreement cannot preempt federal law, particularly a law that related to Brazilian public policy. In 2003, the workers union requested reconsideration of this decision. The Brazilian Federal Supreme Court accepted the workers union s request for reconsideration, but on May 31, 2005, the Brazilian Federal Supreme Court unanimously reaffirmed its December 2002 decision and dismissed the workers union s appeal.

On October 24, 2005, the workers union filed a divergence appeal to the Brazilian Federal Supreme Court, requesting the resolution of conflict between the decisions given by the Brazilian Federal Supreme Court under this proceeding and prior decisions given by the another panel of the Brazilian Federal Supreme Court. The Brazilian Federal Supreme Court has agreed to consider this appeal and hearings on this appeal commenced in June 2007, but a judgment remains pending as one of the judges asked for further access to case records.

Employment and Occupational Health and Safety Proceedings

At December 31, 2009, we were involved in approximately 1,500 employment and occupational health and safety proceedings as to which the total amount claimed was approximately R$420.6 million. We have deposited R$8.8 million of this amount in court and have established a provision for these claims in an aggregate amount of R$21.5 million at December 31, 2009. We do not believe that these proceedings will have a material adverse effect on our business, financial condition or operations.

Other Proceedings

At December 31, 2009, we were a defendant in two civil suits filed by a former caustic soda distributor, its controlling shareholder and a former transporter for breach of a caustic soda distribution agreement. The damages claimed in these suits totaled R$28.4 million at December 31, 2009 (monetarily adjusted). These suits are pending. We believe that we will possibly prevail in these suits.

We are parties to certain proceedings brought against our company by former holders of preferred shares of Nitrocarbono, OPP Química, Salgema, Trikem, Polialden and Politeno which we do not believe will have a material adverse effect on our business, financial condition or results of operations.

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Dividends and Dividend Policy

Payment of Dividends

Our dividend distribution policy has historically included the distribution of periodic dividends, based on annual balance sheets approved by our board of directors. When we pay dividends on an annual basis, they are declared at our annual shareholders meeting, which we are required by the Brazilian Corporation Law and our by-laws to hold by April 30 of each year. When we declare dividends, we are generally required to pay them within 60 days of declaring them unless the shareholders resolution establishes another payment date. In any event, if we declare dividends, we must pay them by the end of the fiscal year for which they are declared. Under Article 9 of Law No. 9,249/95 and our by-laws, we also may pay interest attributable to shareholders equity as an alternative form of dividends upon approval of our board of directors. For a more detailed description of interest attributable to shareholders equity, see Payment of Dividends and Interest Attributable to Shareholders Equity Interest Attributable to Shareholders Equity.

The following table sets forth the dividends and/or interest attributable to shareholders equity paid to holders of our common shares, class A preferred shares and class B preferred shares since January 1, 2005 in *reais* and in U.S. dollars translated from *reais* at the commercial market selling rate in effect as of the payment date.

		Nominal Brazilian Currency per			US$ equivalent per		
Year	Payment Date	Common shares	Class A Preferred Shares	Class B Preferred Shares	Common shares	Class A Preferred Shares	Class B Preferred Shares
2006	April 18, 2006(1)	R$0.90	R$0.90	R$0.56	US$0.42	US$0.42	US$0.26
2007	April 9, 2007(2)		0.16	0.16		0.07	0.07
2008	April 7, 2008(3)	0.64	0.64	0.64	0.38	0.38	0.38

(1) Represents interest attributable to shareholders equity of R$0.75 (US$0.35) per common share, R$0.75 (US$0.35) per class A preferred share and R$0.56 (US$0.26) per class B preferred share, plus dividends of R$0.15 (US$0.07) per common share and R$0.15 (US$0.07) per class A preferred share.

(2) Represents dividends of R$0.16 (US$0.07) per class A preferred share and R$0.16 (US$0.07) per class B preferred share.

(3) Represents dividends of R$0.64 (US$0.38) per common share, R$0.64 (US$0.38) per class A preferred share and R$0.64 (US$0.38) per class B preferred share.

The following discussion summarizes the principal provisions of the Brazilian Corporation Law and our by-laws relating to the distribution of dividends, including interest attributable to shareholders equity.

Calculation of Adjusted Net Profits

At each annual shareholders meeting, our board of directors is required to recommend how to allocate our net profits for the preceding fiscal year, which recommendation our board of executive officers initially submits to our board of

directors for approval. This allocation is subject to approval by our common shareholders. The Brazilian Corporation Law defines net profits for any fiscal year as our net income after income taxes for that fiscal year, net of any accumulated losses from prior fiscal years and any amounts allocated to employees participation in our net profits in that fiscal year. Under the Brazilian Corporation Law, our adjusted net profits available for distribution are equal to our net profits in any fiscal year, reduced by amounts allocated to our legal reserve and other applicable reserves, and increased by any reversals of reserves that we constituted in prior years.

Our calculation of net profits and allocations to reserves for any fiscal year are determined on the basis of financial statements prepared in accordance with Brazilian GAAP.

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Reserve Accounts

Under the Brazilian Corporation Law and our by-laws, we are required to maintain a legal reserve. In addition, we are permitted by the Brazilian Corporation Law to establish the following discretionary reserves:

- a contingency reserve for an anticipated loss that is deemed probable in future years. Any amount so allocated in a previous year must be reversed in the fiscal year in which the loss had been anticipated if the loss does not occur as projected or charged off in the event that the anticipated loss occurs;

- a reserve for investment projects, in an amount based on a capital expenditure budget approved by our shareholders;

- an unrealized income reserve described under Mandatory Distributions below; and

- a tax incentive investment reserve, included in our capital reserve accounts, in the amount of the reduction in our income tax obligations due to government tax incentive programs. See note 21(c) to our audited consolidated financial statements.

Allocations to each of these reserves (other than the legal reserve) are subject to approval by our common shareholders voting at our annual shareholders meeting.

The Brazilian Corporation Law provides that the legal reserve and the tax incentive investment reserve may be credited to shareholders equity or used to absorb losses, but these reserves are unavailable for the payment of distributions in subsequent years. The amounts allocated to the other reserves may be credited to shareholders equity and used for the payment of distributions in subsequent years.

Legal Reserve Account

Under the Brazilian Corporation Law and our by-laws, we must allocate 5% of our net profits for each fiscal year to our legal reserve until the aggregate amount of our legal reserve equals 20% of our paid-in capital. However, we are not required to make any allocations to our legal reserve in a fiscal year in which our legal reserve, when added to our other reserves, exceeds 30% of our shareholders equity. At December 31, 2009, we had a balance of zero in our legal reserve account.

Capital Reserve Accounts

Under the Brazilian Corporation Law, we are also permitted to record a capital reserve that may be used only (1) to absorb losses which exceed retained earning and profit reserves as defined in the Brazilian Corporation Law, and (2) to redeem or repurchase share capital and/or participation certificates, (3) to increase our capital, or (4) if specified in our by-laws (which currently do not so specify), to pay preferred share dividends. Amounts allocated to our capital reserves are unavailable for the payment of distributions and are not taken into consideration for purposes of determining the mandatory distributable amount. At December 31, 2009, we had a balance of R$416.7 million in our capital reserve accounts.

Dividend Preference of Preferred Shares

Under our by-laws, our preferred shareholders are entitled to a minimum annual non-cumulative preferential dividend, or the Minimum Preferred Dividend, equal to 6% of their *pro rata* share of our capital before dividends may be paid

to our common shareholders. Distributions of dividends in any year are made:

- first, to the holders of preferred shares, up to the amount of the Minimum Preferred Dividend for such year;

- then, to the holders of common shares, until the amount distributed in respect of each common share is equal to the amount distributed in respect of each preferred share; and

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- thereafter, to the holders of our common shares and our class A preferred shares on a pro rata basis.

Our class B preferred shareholders are not entitled to receive any additional dividend amounts after they have received the preferential dividend. If the Minimum Preferred Dividend is not paid for a period of three years, holders of preferred shares will be entitled to full voting rights.

Mandatory Distributions

As permitted by the Brazilian Corporation Law, our by-laws specify that 25% of our adjusted net profits for each fiscal year must be distributed to shareholders as dividends or interest attributable to shareholders equity. We refer to this amount as the mandatory distributable amount.

Under the Brazilian Corporation Law, the amount by which the mandatory distributable amount exceeds the realized portion of net income for any particular year may be allocated to the unrealized income reserve, and the mandatory distribution may be limited to the realized portion of net income. The realized portion of net income is the amount by which our net income exceeds the sum of (1) our net positive results, if any, from the equity method of accounting for earnings and losses of our subsidiaries and certain associated companies, and (2) the profits, gains or income obtained on transactions maturing after the end of the following fiscal year. As amounts allocated to the unrealized income reserve are realized in subsequent years, such amounts must be added to the dividend payment relating to the year of realization.

In addition to the mandatory distributable amount, our board of directors may recommend that holders of our common shares approve the payment of additional distributions. Distributions made to holders of our class A preferred shares and our class B preferred shares are computed in determining whether we have paid the required mandatory distribution. We net any payment of interim distributions against the required mandatory distribution for that fiscal year.

As described under Item 7. Major Shareholders and Related Party Transactions Major Shareholders Shareholders Agreements, we have entered into an agreement with two of our shareholders that establishes as our dividend policy the distribution of at least 50% of our adjusted net profits during any relevant period, provided that we have established and maintained all necessary reserves for the efficient operation and development of our business.

Under our 11.75% Notes due 2014, we may not pay dividends in excess of two times the minimum dividends or interest attributable to shareholders equity payable under our by-laws or under applicable Brazilian law.

The Brazilian Corporation Law permits us to suspend the mandatory distribution if our board of directors reports to our annual shareholders meeting that the distribution would be incompatible with our financial condition at that time. Our fiscal council must approve any suspension of the mandatory distribution. In addition, our management must report the reasons of any suspension of the mandatory distribution to the CVM. We must allocate net profits not distributed by our company as a result of a suspension to a special reserve and, if not absorbed by subsequent losses, we must distribute these amounts as soon as our financial condition permits. In case our profits reserves, as defined in the Brazilian Corporation Law, exceed our share capital, the excess must be credited to shareholders equity or used for the payment of distributions.

Payment of Dividends and Interest Attributable to Shareholders Equity

We may pay the mandatory distributable amount as dividends or as interest attributable to shareholders equity, which is similar to a dividend but is deductible in calculating our income tax obligations.

Because our shares are issued in book-entry form, dividends with respect to any share are automatically credited to the account holding such share. Shareholders who are not residents of Brazil must register with the Brazilian Central Bank in order for dividends, sales proceeds or other amounts with respect to their shares to be eligible to be remitted outside of Brazil.

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The preferred shares underlying the ADSs are held in Brazil by Banco Itaú S.A., as agent for the depositary, which has registered with the Brazilian Central Bank as the registered owner of our shares. Payments of cash dividends and distributions, if any, will be made in Brazilian currency to Banco Itaú S.A., or the Custodian, as custodian for our preferred shares represented by the ADSs, on behalf of the depositary. The Custodian will then convert such proceeds into dollars and will cause such dollars to be delivered to the depositary for distribution to holders of ADSs. As with other types of remittances from Brazil, the Brazilian government may impose temporary restrictions on remittances to foreign investors of the proceeds of their investments in Brazil, as it did for approximately six months in 1989 and early 1999, and on the conversion of Brazilian currency into foreign currencies, which could hinder or prevent the depositary from converting dividends into U.S. dollars and remitting these U.S. dollars abroad. See Item 3. Key Information Risk Factors Risks Relating to Our Class A Preferred Shares and the ADSs.

Dividends

We are required by the Brazilian Corporation Law and by our by-laws to hold an annual shareholders meeting by April 30 of each year. At our annual shareholders meeting, our common shareholders may vote to declare an annual dividend. Our payment of annual dividends is based on our audited financial statements prepared for our preceding fiscal year.

Any holder of record of shares at the time that a dividend is declared is entitled to receive dividends. Under the Brazilian Corporation Law, we are generally required to pay dividends within 60 days after declaring them, unless the shareholders resolution establishes another payment date, which, in any case, must occur prior to the end of the fiscal year in which the dividend is declared.

Our board of directors may declare interim dividends based on the accrued profits recorded or the realized profits in our annual or semi-annual financial statements approved by our common shareholders. In addition, we may pay dividends from net income based on our unaudited quarterly financial statements. These quarterly interim dividends may not exceed the amounts included in our capital reserve accounts. We may set off any payment of interim dividends against the amount of the mandatory distributable amount for the year in which the interim dividends were paid.

Interest Attributable to Shareholders Equity

Brazilian companies, including our company, are permitted to pay interest attributable to shareholders equity as an alternative form of payment of dividends to our shareholders. These payments may be deducted when calculating Brazilian income tax and social contribution tax. The interest rate applied to these distributions generally cannot exceed the TJLP for the applicable period. The amount of interest paid that we can deduct for tax purposes cannot exceed the greater of:

- 50% of our net income (after the deduction of the provision for social contribution tax and before the deduction of the provision for corporate income tax) before taking into account any such distribution for the period for which the payment is made; and

- 50% of the sum of our retained earnings and profit reserves.

Any payment of interest attributable to shareholders equity to holders of common shares, preferred shares or ADSs, whether or not they are Brazilian residents, is subject to Brazilian withholding tax at the rate of 15%, except that a 25% withholding tax rate applies if the recipient is a resident of a tax haven jurisdiction. A tax haven jurisdiction is a country (1) that does not impose income tax or whose income tax rate is lower than 20% or (2) which does not permit

disclosure of the identity of shareholders of entities organized under its jurisdiction. See Item 10. Additional Information Taxation Brazilian Tax Considerations. Under our by-laws, we may include the amount distributed as interest attributable to shareholders equity, net of any withholding tax, as part of the mandatory distributable amount.

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Prescription of Payments

Our shareholders have three years to claim dividend distributions made with respect to their shares, as from the date that we distribute the dividends to our shareholders, after which any unclaimed dividend distributions legally revert to us. We are not required to adjust the amount of any distributions for inflation that occurs during the period from the date of declaration to the payment date.

Significant Changes

Other than as disclosed in this annual report, no significant change has occurred since the date of the audited consolidated financial statements included in this annual report.

ITEM 9. THE OFFER AND LISTING

Markets for Our Equity Securities

The principal trading market for our common shares, class A preferred shares and class B preferred shares is the BM&FBOVESPA, where they are traded under the symbols BRKM3 , BRKM5 , and BRKM6 , respectively. Ou common shares and class A preferred shares began trading on the BM&FBOVESPA on November 11, 1980, and our class B preferred shares began trading on the BM&FBOVESPA on August 19, 1983.

On December 21, 1998, ADSs representing our class A preferred shares began trading on the NYSE under the symbol BAK . On December 31, 2009, there were 11,797,762 ADSs outstanding, representing 25,593,524 class A preferred shares, or 7.2% of our outstanding class A preferred shares. Each ADS represents two class A preferred shares.

On October 8, 2003, we listed our class A preferred shares on the LATIBEX, a stock market for Latin American issuers that is quoted in Euros on the Madrid Stock Exchange, under the symbol XBRK. Our class A preferred shares are traded on the LATIBEX in lots of one share.

Price History of Our Class A Preferred Shares and the ADSs

The tables below set forth the high and low closing sales prices and the approximate average daily trading volume for our class A preferred shares on the BM&FBOVESPA and the high and low closing sales prices and the approximate average daily trading volume for the ADSs on the NYSE for the periods indicated.

	BM&FBOVESPA		**New York Stock Exchange**	
	Closing Price per Class A Preferred Share		**Closing Price per ADS**	
	High	**Low**	**High**	**Low**
	(in *reais*)		**(in U.S. dollars)**	
2005	31.84	16.16	25.82	14.57
2006	18.95	9.97	18.24	9.15
2007	18.19	12.34	19.27	11.56
2008	15.19	5.41	18.50	4.60
2009	14.72	4.41	16.73	3.73

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	BM&FBOVESPA Closing Price per Class A Preferred Share		New York Stock Exchange Closing Price per ADS	
	High	Low	High	Low
	(in *reais*)		(in *U.S. dollars*)	
2008				
First Quarter	15.19	11.76	18.05	13.76
Second Quarter	15.14	12.71	18.03	15.49
Third Quarter	13.92	9.21	17.76	9.69
Fourth Quarter	10.21	5.41	10.59	4.60
2009				
First Quarter	6.30	4.41	5.70	3.74
Second Quarter	8.30	4.93	8.11	4.35
Third Quarter	11.35	7.05	12.66	7.04
Fourth Quarter	14.72	5.41	16.73	12.16
Most Recent Six Months				
November 2009	12.35	11.35	14.15	13.17
December 2009	14.72	11.84	16.73	14.11
January 2010	15.25	13.26	17.68	13.87
February 2010	13.48	12.78	14.92	13.83
March 2010	13.40	12.65	15.34	14.33
April 2010	12.65	12.31	14.43	13.71
May 2010 (1)	12.96	10.11	14.79	10.98

(1) Through May 26, 2010.

Source: Economática Ltda./ Bloomberg

On May 26, 2010 the closing sales price of:

- our class A preferred shares on the BM&FBOVESPA was R$10.11 per share;
- our class A preferred shares on the LATIBEX was 4.66 per share; and
- the ADSs on the NYSE was US$11.12 per ADS.

Regulation of Brazilian Securities Markets

The Brazilian securities markets are regulated by the CVM, which has regulatory authority over the stock exchanges and the securities markets generally, the National Monetary Council and the Central Bank, which has, among other powers, licensing authority over brokerage firms and which regulates foreign investment and foreign exchange transactions. The Brazilian securities markets are governed by (1) Law No. 6,385, as amended and supplemented, which is the principal law governing the Brazilian securities markets and which we refer to as the Brazilian Securities Law; (2) the Brazilian Corporation Law; and (3) the regulations issued by the CVM, the National Monetary Council and the Central Bank.

These laws and regulations provide for, among other things, disclosure requirements applicable to issuers of publicly traded securities, restrictions on insider trading and price manipulation (violations of which could lead to criminal sanctions under the Brazilian Penal Code), protection of minority shareholders and disclosure of transactions in a company s securities by it insiders, including directors, officers and major shareholders. They also provide for the licensing and oversight of brokerage firms and the governance of Brazilian stock exchanges.

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However, the Brazilian securities markets are not as highly regulated or supervised as U.S. securities markets or securities markets in some other jurisdictions. In addition, rules and policies against self-dealing or for preserving shareholder interests may be less well-defined and enforced in Brazil than in the United States, which may put holders of our class A preferred shares and the ADSs at a disadvantage. Finally, corporate disclosures also may be less complete than for public companies in the United States and certain other jurisdictions.

Under the Brazilian Corporation Law, a company is either publicly held (*companhia aberta*), as we are, or privately held (*companhia fechada*). All publicly held companies are registered with the CVM and are subject to reporting and regulatory requirements. A company registered with CVM may have its securities traded either on the BM&FBOVESPA or in the Brazilian over-the-counter market. Shares of companies, such as our company, that are listed on the BM&FBOVESPA may not simultaneously trade on the Brazilian over-the-counter market. The shares of a publicly held company may also be traded privately, subject to certain limitations.

The Brazilian over-the-counter market consists of direct trades between individuals in which a financial institution registered with the CVM serves as intermediary. No special application, other than registration with the CVM, is necessary for securities of a public company to be traded in this market. The CVM requires that it be given notice of all trades carried out in the Brazilian over-the counter market by the respective intermediaries.

Disclosure Requirements

Law No. 6,385 and CVM Instruction No. 202 require that a publicly traded company, such as our company, submit to the CVM and the BOVESPA certain periodic information, including annual and quarterly reports prepared by management and independent auditors. Law No. 6,385 and CVM Instruction No. 202 also require us to file with the CVM our shareholders agreements, notices of shareholders meetings and copies of the minutes of these meetings.

CVM Instruction No. 358, which became effective in April 2002, revised and consolidated the requirements regarding the disclosure and use of information related to material facts and acts of publicly traded companies, including the disclosure of information in the trading and acquisition of securities issued by publicly traded companies.

CVM Instruction No. 358 includes provisions that:

- establish the concept of a material fact that gives rise to reporting requirements. Material facts include decisions made by the controlling shareholders, resolutions of the general meeting of shareholders and of management of the company, or any other facts related to the company s business (whether occurring within the company or otherwise related thereto) that may influence the price of its publicly traded securities, or the decision of investors to trade such securities or to exercise any of such securities underlying rights;
- specify examples of facts that are considered to be material, which include, among others, the execution of agreements providing for the transfer of control, the entry or withdrawal of shareholders that maintain any managing, financial, technological or administrative function with or contribution to the company, and any corporate restructuring undertaken among related companies;
- require the investor relations officer, controlling shareholders, other officers or directors, members of the fiscal council and other advisory boards to disclose material facts;
- require simultaneous disclosure of material facts to all markets in which the company s securities are admitted for trading;
- require the acquirer of a controlling stake in a company to publish material facts, including its intentions as to whether or not to de-list the company s shares, within one year;
- establish rules regarding disclosure requirements in the acquisition and disposal of a material shareholding stake; and
- prohibit trading on the basis of material non-public information.

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Brazilian regulations also require that any person or group of persons representing the same interest that has directly or indirectly acquired an interest corresponding to 5% of a type or class of shares of a publicly traded company must provide such publicly traded company with information on such acquisition and its purpose, and such company must transmit this information to the CVM. If this acquisition causes a change in the control of the company or in the administrative structure of the company, or if this acquisition triggers the obligation to make a public offering in accordance with CVM Instruction No. 361, as amended, then the acquirer must disclose this information to the applicable stock exchanges and the appropriate Brazilian newspapers.

Recent Regulatory Developments

On July 13, 2007, the CVM issued CVM Rule No. 457 to require listed companies to publish consolidated financial statements prepared in accordance with IFRS beginning with the fiscal year ending December 31, 2010.

On December 28, 2007, Law No. 11,638 was enacted and amended numerous provisions of the Brazilian Securities Law and the Brazilian Corporation Law relating to accounting principles and authority to issue accounting standards. Law No. 11,638 sought to enable greater convergence between Brazilian GAAP and IFRS. To promote convergence, Law No. 11,638 modified certain accounting principles of the Brazilian Corporation Law and mandated the CVM to issue accounting rules conforming to the accounting standards adopted in international markets. In December 2008, the CVM issued Deliberation No. 565 implementing these changes in accounting policies. Additionally, Law No. 11,638 acknowledged a role in the setting of accounting standards for the Committee for Accounting Pronouncements (*Comitê de Pronunciamentos Contábeis*), or CPC, which is a committee of officials from the BM&FBOVESPA, industry representatives and academic bodies that has issued accounting guidance and pursued the improvement of accounting standards in Brazil. Law No. 11,638 permits the CVM and the Brazilian Central Bank to rely on the accounting standards issued by the CPC in establishing accounting principles for regulated entities.

On December 11, 2008, the CVM issued CVM Deliberation No. 560 which requires a company listed on the BM&FBOVESPA to disclose all the benefits granted to its employees and managers, including any benefits paid to such employees and managers due to their ownership of shares or other securities of the listed company.

On May 27, 2009, Law No. 11,941 was enacted, codifying CVM Deliberation No. 560 and amending numerous provisions of the Brazilian Corporation Law and Brazilian tax regulations to enable greater convergence between Brazilian GAAP and IFRS. Law No. 11,941 is currently subject to several accounting complementary regulations that affect, among others, the accounting of goodwill, deferred expenses, stock, provisions and real estate investments. Law No. 11,941 also broaden the criteria to be observed upon the elaboration of the notes to the financial statements. Financial statements as of December 31, 2010 of companies listed on the BM&FBOVESPA must be prepared in accordance with the new regulations. The adoption of the new accounting criteria in tax computations is optional.

On December 7, 2009, the CVM issued CVM Instruction No. 480, a new regulation which superseded CVM Instruction No. 202, in order to, among other things:

- consolidate the rules regarding registration of securities to be issued so that the procedures of registration, suspension and cancellation are identical for all issuers.

- create two different categories of securities issuers in accordance with the securities that those issuers are authorized to issue in the Brazilian regulated markets and establish different disclosure requirements for each category. A category A issuer, such as our company, is authorized to issue any and all securities and is subject to more stringent disclosure requirements. A category B issuer is authorized to issue any and all securities, other than shares, share certificates and other securities issued by the issuer of such shares or shares certificates or by a company of its

group that grants to its holders the right to acquire such shares or shares certificates.

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- create a new CVM form for annual reports (*Formulário de Referência*) to replace the previous form for annual reports (*Formulário de Informações Anuais*) that requires a significantly higher level of disclosure in several areas, including, among others, management discussion and analysis of the financial statements, management compensation, risk controls and derivative policies, and which must be signed by the company s chief executive officer and investor relations officer.

- replace the former requirements with respect to the content of a prospectus used in a public securities offering with a requirement to publish an offering note with information on the public securities offering to supplement the *Formulário de Referência*.

- classify as Well-Known Seasoned Issuers (*Emissor de Grande Exposição ao Mercado*) companies: (1) that have had securities traded in the BM&FBOVESPA for at least three years; (2) that are in compliance with the CVM rules on current and periodic reporting obligations on the previous 12 months, and (3) which have shares traded in the market with a market value equal or greater than R$5 billion. The CVM is expected to issue regulations regarding which public securities offerings by Well-Known Seasoned Issuers that will permit these issuers to register public securities offerings through an expedited procedure.

On December 17, 2009, the CVM issued Instruction No. 481, which sets forth (1) the procedures relating to the public solicitation of proxies for the exercise of voting rights at shareholders meetings of publicly held companies; and (2) disclosure requirements to be followed by public held companies before such shareholders meetings.

CVM Instruction No. 481 provides that:

- shareholders that own 0.5% or more of a company s share capital may nominate members of the board of directors and the fiscal council in a public solicitation of proxies conducted by the company s management, and that shareholders will be entitled to vote with respect to these nominations;

- companies that accept digital proxies sent through the internet must allow shareholders who hold 0.5% or more of the company s share capital to make a public solicitation of proxies through the company s digital proxy system; and

- publicly held companies that do not accept digital proxies sent through the internet must pay part of the costs of the public solicitation of proxies made by shareholders that own 0.5% or more of the company s share capital.

CVM Instruction No. 481 also specifies the information and documents that must be made available to shareholders following the date of the publication of the first call notice for the shareholders meeting. The information and documents that must be provided varies according to the agenda of the shareholders meeting. This information must be available through the CVM s website before the shareholders meeting, must be prepared in accordance with the requirements of Instruction No. 481, and, if the information and documents relate to the annual shareholders meeting, must include management s discussion and analysis of the financial statements, personal data and history of the nominees for election to the company s board of directors and/or fiscal council, and a proposal for the compensation of the company s management.

Trading on the BM&FBOVESPA

Overview of the BM&FBOVESPA

In 2000, the *Bolsa de Valores de São Paulo S.A. BVSP* (the São Paulo Stock Exchange), or the BOVESPA, was reorganized through the execution of memoranda of understanding by the Brazilian stock exchanges. Following this

reorganization, the BOVESPA was a non-profit entity owned by its member brokerage firms and trading on the BOVESPA was limited to these member brokerage firms and a limited number of authorized nonmembers. Under the memoranda, all securities are now traded only on the BOVESPA, with the exception of electronically traded public debt securities and privatization auctions, which are traded on the Rio de Janeiro Stock Exchange.

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In August 2007, BOVESPA underwent a corporate restructuring that resulted in the creation of BOVESPA Holding S.A., a public corporation, whose wholly-owned subsidiaries were (1) the BOVESPA, which was responsible for the operations by the stock exchange and the organized over-the-counter markets, and (2) the *Companhia Brasileira de Liquidação e Custódia* (the Brazilian Settlement and Custodial Company, or CBLC), which was responsible for settlement, clearing and depositary services. In the corporate restructuring, all holders of membership certificates of the BOVESPA and of shares of CBLC became shareholders of BOVESPA Holding S.A. As a result of the corporate restructuring, access to the trading and other services rendered by the BOVESPA is not conditioned on stock ownership in BOVESPA Holding S.A.

In May 2008, the BOVESPA merged with the *Bolsa de Mercadorias & Futuros* (Commodities and Futures Exchange) to form the BM&FBOVESPA. In November 2008, the CBLC merged with the BM&FBOVESPA. As a result, the BOVESPA now performs its own settlement, clearing and depositary services.

Trading and Settlement

Trading of equity securities on the BM&FBOVESPA is conducted through an electronic trading system called Megabolsa every business day from 10:00 a.m. to 5:00 p.m., São Paulo time (or during daylight savings time in the U.S. from 11:00 a.m. to 6:00 p.m., São Paulo time). Trading of equity securities on the BM&FBOVESPA is also conducted between 5:45 p.m. and 7:00 p.m., São Paulo time (or during daylight savings time in the U.S. from 6:45 p.m. to 8:00 p.m., São Paulo time), in an after-market system connected to both traditional brokerage firms and brokerage firms operating on the internet. This after-market trading is subject to regulatory limits on price volatility of securities and on the volume of shares traded by investors operating on the internet.

Since March 2003, market making activities have been allowed on the BM&FBOVESPA, although there are no specialists or market makers for our shares on the BM&FBOVESPA. Trading in securities listed on the BM&FBOVESPA may be effected off the exchange in the unorganized over-the-counter market under certain circumstances, although such trading is very limited.

The trading of securities of a company on the BM&FBOVESPA may be suspended at the request of a company in anticipation of the announcement of a material event. A requesting company must also suspend trading of its securities on international stock exchanges on which its securities are traded. The CVM and the BM&FBOVESPA have discretionary authority to suspend trading in shares of a particular issuer, based on or due to a belief that, among other reasons, a company has provided inadequate information regarding a material event or has provided inadequate responses to inquiries by the CVM or the BM&FBOVESPA.

In order to reduce volatility, the BM&FBOVESPA has adopted a circuit breaker mechanism under which trading sessions may be suspended for a period of 30 minutes or one hour whenever the Ibovespa index falls 10% or 15%, respectively, compared to the closing of the previous trading session.

Settlement of transactions on the BM&FBOVESPA is effected three business days after the trade date, without adjustment of the purchase price for inflation. Delivery of and payment for shares is made through the facilities of the clearing and settlement chamber of the BM&FBOVESPA. The seller is ordinarily required to deliver shares to the clearing and settlement chamber of the BM&FBOVESPA on the second business day following the trade date.

Market Size

Although the Brazilian equity market is Latin America s largest in terms of market capitalization, it is smaller, more volatile and less liquid than the major U.S. and European securities markets. Moreover, the BM&FBOVESPA is less

liquid than the NYSE or other major exchanges in the world.

As of December 31, 2009, the aggregate market capitalization of all companies listed on the BM&FBOVESPA was equivalent to approximately R$2,335 billion (US$1,341 billion), the 10 largest companies listed on the BM&FBOVESPA represented approximately 52.0% of the total market capitalization of all listed companies and we accounted for approximately 0.3% of the market capitalization of all listed companies on the BM&FBOVESPA. By comparison, as of December 31, 2009, the aggregate market capitalization of the companies (including U.S. and non-U.S. companies) listed on the NYSE was approximately US$18.9 trillion and the 10 largest companies listed on the NYSE represented approximately 12.4% of the total market capitalization of all listed companies. The average daily trading volume of the BM&FBOVESPA and NYSE for 2009 was approximately R$5.7 billion (US$3.2 billion) and US$46 billion, respectively.

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Although any of the outstanding shares of a listed company may trade on the BM&FBOVESPA, in most cases fewer than half of the listed shares are actually available for trading by the public, the remainder being held by small groups of controlling persons, governmental entities or one principal shareholder that rarely trade their shares. For this reason, data showing the total market capitalization of the BM&FBOVESPA tends to overstate the liquidity of the Brazilian equity market. The relative volatility and illiquidity of the Brazilian equity markets may substantially limit your ability to sell our class A preferred shares at the time and price you desire and, as a result, could negatively impact the market price of these securities.

Regulation of Foreign Investments

Trading on the BM&FBOVESPA by a holder not deemed to be domiciled in Brazil for Brazilian tax and regulatory purposes, or a non-Brazilian holder, is subject to certain limitations under Brazilian foreign investment regulations. With limited exceptions, non-Brazilian holders may trade on the BM&FBOVESPA only in accordance with the requirements of Resolution No. 2,689 of the National Monetary Council. Resolution No. 2,689 requires that securities held by non-Brazilian holders be maintained in the custody of, or in deposit accounts with, financial institutions that are authorized by the Central Bank and the CVM. In addition, Resolution No. 2,689 requires non-Brazilian holders to restrict their securities trading to transactions on the BM&FBOVESPA or qualified over-the-counter markets. With limited exceptions, non-Brazilian holders may not transfer the ownership of investments made under Resolution No. 2,689 to other non-Brazilian holders through private transactions. See Item 10. Additional Information Exchange Controls Resolution 2,689 for further information about Resolution 2,689, and Item 10. Additional Information Taxation Brazilian Tax Considerations Taxation of Gains in Brazil for a description of certain tax benefits extended to non-Brazilian holders who qualify under Resolution No. 2,689.

BM&FBOVESPA Corporate Governance Standards

In December 2000, the BM&FBOVESPA introduced three special listing segments:

- Level 1 of Differentiated Corporate Governance Practices;
- Level 2 of Differentiated Corporate Governance Practices; and
- The *Novo Mercado* (New Market).

These special listing segments were designed for the trading of shares issued by companies that voluntarily undertake to abide by corporate governance practices and disclosure requirements in addition to those already required by Brazilian law. The inclusion of a company in any of the special listing segments requires adherence to a series of corporate governance rules. These rules were designed to increase shareholders rights and enhance the quality of information provided to shareholders.

The entry of a company into any one of the special listing segments of the BM&FBOVESPA occurs through the signing of an agreement that obliges the company to abide by the rules of corporate governance established in the regulations for the relevant level.

Our shares joined Level 1 of Differentiated Corporate Governance Practices on February 13, 2003. As a Level 1 company, we must, among other things:

- ensure that shares representing 25% of our total share capital are effectively available for trading;

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- adopt offering procedures that favor widespread ownership of shares whenever we make a public offering;

- comply with minimum quarterly disclosure standards, including issuing consolidated financial information, a cash flow statement, and special audit revisions on a quarterly basis;

- follow stricter disclosure policies with respect to contracts with related parties, material contracts and transactions involving our securities made by our controlling shareholders, directors or executive officers;

- make a schedule of corporate events available to our shareholders; and

- hold public meetings with analysts and investors at least annually.

ITEM 10. ADDITIONAL INFORMATION

Description of Our Company s By-laws

The following is a summary of the material provisions of our by-laws and of the Brazilian Corporation Law. In Brazil, a company s by-laws (e*statuto social*) is the principal governing document of a corporation (*sociedade anônima*).

General

Our registered name is Braskem S.A., and our registered office is located in the Municipality of Camaçari, State of Bahia, Brazil. Our registration number with the Brazilian Commercial Registry is No. 29300006939. We have been duly registered with the CVM under No. 4820 since December 18, 1978. Our principal place of business is in the Municipality of Camaçari, State of Bahia, Brazil. Our company has a perpetual existence.

At May 26, 2010, we had outstanding share capital of R$7,851,923,208.23, equal to 780,832,465 total shares consisting of 433,668,976 common shares, 346,569,671 class A preferred shares and 593,818 class B preferred shares, including 1,506,060 class A preferred shares held in treasury. All of our share capital is fully paid. All of our shares are without par value. Under the Brazilian Corporation Law, the aggregate number of our non-voting and limited voting class A and class B preferred shares may not exceed two-thirds of our total outstanding share capital.

Corporate Purposes

Article 2 of our by-laws establishes our corporate purposes to include:

- the manufacture, trading, import and export of chemical and petrochemical products;

- the production of utilities for use by component companies of the Northeastern Complex, including the supply of steam, water, compressed air, industrial gases, electric power, as well as the provision of various services to these companies;

- the holdings of equity stakes (quotas or shares) in other companies; and

- the manufacture, distribution, sale, import and export of gasoline, diesel oil, LPG and other oil derivatives.

Board of Directors

Under the Brazilian Corporation Law, any matters subject to the approval of our board of directors can be approved by a simple majority of votes of the members present at a duly convened meeting, unless our by-laws otherwise specify. Under our by-laws, our board of directors may only deliberate if a majority of its members are present at a duly convened meeting. Any resolutions of our board of directors may be approved by the affirmative vote of a majority of the members present at the meeting, subject to veto rights of Petrobras and Petroquisa, over resolutions of our board of directors relating to certain matters under the Petrobras Shareholders Agreement. See Item 7. Major Shareholders and Related Party Transactions Major Shareholders Shareholders Agreements Petrobras Shareholders Agreement.

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Election of Directors

The majority of the members of our board of directors are elected by the Odebrecht Group. In addition, any director appointed by a shareholder pursuant to a shareholders agreement is bound by the terms of such agreement. See Item 7. Major Shareholders and Related Party Transactions Major Shareholders Shareholders Agreements.

The members of our board of directors are elected at general meetings of shareholders for concurrent two-year terms.

Qualification of Directors

The Brazilian Corporation Law requires members of our board of directors to own shares of our company. However, there is no minimum share ownership or residency requirement to qualify for membership on our board of directors. Our by-laws do not require the members of our board of directors to be resident in Brazil. The Brazilian Corporation Law requires each of our executive officers to be residents of Brazil.

Fiduciary Duties and Conflicts of Interest

All members of our board of directors and their alternates owe fiduciary duties towards us and all of our shareholders.

Under the Brazilian Corporation Law, if one of our directors, their alternates or our executive officers has a conflict of interest with our company in connection with any proposed transaction, such director, alternate director or executive officer may not vote in any decision of our board of directors or of our board of executive officers, as the case may be, regarding such transaction and must disclose the nature and extent of his conflicting interest for inclusion in the minutes of the applicable meeting. 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.

Any transaction in which one of our directors (including the alternate members) or executive officers may have an interest, including any financings, 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. If any such transaction does not meet this requirement, then the Brazilian Corporation Law provides that the transaction may be nullified and the interested director or executive officer must return to us any benefits or other advantages that he obtained from, or as result of, such transaction. Under the Brazilian Corporation Law and upon the request of a shareholder who owns at least 5.0% of our total share capital, our directors and executive officers must reveal to our shareholders at an ordinary meeting of our shareholders certain transactions and circumstances that may give rise to a conflict of interest. In addition, our company or shareholders who own 5.0% or more of our share capital may bring an action for civil liability against directors and executive officers for any losses caused to us as a result of a conflict of interest.

Compensation

Under our by-laws, our common shareholders approve the aggregate compensation payable to our directors, executive officers and members of our fiscal council. Subject to this approval, our board of directors establishes the compensation of its members and of our executive officers. See Item 6. Directors, Senior Management and Employees Compensation.

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Mandatory Retirement

Neither the Brazilian Corporation Law nor our by-laws establish any mandatory retirement age for our directors or executive officers.

Share Capital

Under the Brazilian Corporation Law, the number of our issued and outstanding non-voting shares or shares with limited voting rights, such as our class A preferred shares and class B preferred shares, may not exceed two-thirds of our total outstanding share capital.

Each of our common shares entitles its holder to one vote at our annual and extraordinary shareholders meetings. Holders of our common shares are not entitled to any preference in respect of our dividends or other distributions or otherwise in case of our liquidation.

Our class A preferred shares and class B preferred shares are non-voting, except in limited circumstances, and have priority over our common shares in the case of our liquidation. See Voting Rights for information regarding the voting rights of our preferred shares, Liquidation for information regarding the liquidation preferences of our preferred shares, and Item 8. Financial Information Dividends and Dividend Policy Calculation of Adjusted Net Profits and Dividend Preference of Preferred Shares for information regarding the distribution preferences of our preferred shares.

Shareholders Meetings

Under the Brazilian Corporation Law, we must hold an annual shareholders meeting by April 30 of each year in order to:

- approve or reject the financial statements approved by our board of directors and board of executive officers, including any recommendation by our board of directors for the allocation of net profits and distribution of dividends;

- elect members of our board of directors (upon expiration of their two-year term) and members of our fiscal council, subject to the right of minority shareholders to elect members of our board of directors and our fiscal council; and

- approve any monetary adjustment to our share capital.

In addition to the annual shareholders meetings, holders of our common shares have the power to determine any matters related to changes in our corporate purposes and to pass any resolutions they deem necessary to protect and enhance our development whenever our interests so require, by means of extraordinary shareholders meetings.

Under the Brazilian Corporation Law, the holders of our common shares have the power, among other powers, to vote at shareholders meetings to:

- amend our by-laws;

- approve any capital increase in excess of the amount of our authorized capital;

- approve any capital reduction;

- accept or reject the valuation of assets contributed by any of our shareholders in exchange for the issuance of our share capital;

- suspend the rights of any of our shareholders in default of their obligations established by law or by our by-laws;

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- authorize the issuance of convertible debentures;

- approve any reorganization of our legal form or any merger, consolidation or spin-off involving us;

- authorize our dissolution and liquidation, the election and dismissal of liquidators appointed in connection with any dissolution or liquidation of our company, and the examination of the liquidators accounts;

- participate in a centralized group of companies (as defined under the Brazilian Corporation Law);

- approve the aggregate compensation payable to our directors and executive officers; and

- authorize management to declare us insolvent or bankrupt and to request a *concordata* (a procedure involving our protection from our creditors similar in many respects to a reorganization under the U.S. Bankruptcy Code).

We convene our shareholders meetings, including our annual shareholders meeting, by publishing a notice in the *Diário Oficial do Estado da Bahia,* in at least one additional newspaper designated by our shareholders with general circulation in Bahia, where we maintain our registered office, and in at least one newspaper with general circulation in the City of São Paulo, where the BM&FBOVESPA, the principal securities market for our shares, is located. On the first call of any meeting, the notice must be published no fewer than three times, beginning at least 15 calendar days prior to the scheduled meeting date. The notice must contain the meeting s place, date, time, agenda and, in the case of a proposed amendment to our by-laws, a description of the subject matter of the proposed amendment.

Our board of directors may convene a shareholders meeting. Under the Brazilian Corporation Law, shareholders meetings also may be convened by our shareholders as follows:

- by any of our shareholders if, under certain circumstances set forth in the Brazilian Corporation Law, our directors do not convene a shareholders meeting within 60 days;

- by shareholders holding at least 5.0% of our total share capital if, after a period of eight days, our directors fail to call a shareholders meeting that has been requested by such shareholders; and

- by shareholders holding at least 5.0% of either our total voting share capital or our total non-voting share capital, if after a period of eight days, our directors fail to call a shareholders meeting for the purpose of appointing a fiscal council that has been requested by such shareholders.

In addition, our fiscal council may convene a shareholders meeting if our board of directors does not convene an annual shareholders meeting within 30 days or at any other time to consider any urgent and serious matters.

Each shareholders meeting is presided over by a president and secretary elected by the shareholders present at the meeting. A shareholder may be represented at a shareholders meeting by an attorney-in-fact appointed by the shareholder not more than one year before the meeting. The attorney-in-fact must be a shareholder, a member of our board of directors, a lawyer or a financial institution, and the power of attorney appointing the attorney-in-fact must comply with certain formalities set forth under Brazilian law. To be admitted to a shareholders meeting, a person must produce proof of his or her shareholder status or a valid power of attorney.

In order for a valid action to be taken at a shareholders meeting, shareholders representing at least 25% of our issued and outstanding voting share capital must be present on first call. However, shareholders representing at least two-thirds of our issued and outstanding voting share capital must be present at a shareholders meeting called to

amend our by-laws. If a quorum is not present, our board of directors may issue a second call by publishing a notice as described above at least eight calendar days prior to the scheduled meeting. The quorum requirements do not apply to a meeting held on the second call, and the shareholders meetings may be convened with the presence of shareholders representing any number of shares (subject to the voting requirements for certain matters described below). A shareholder without a right to vote may attend a shareholders meeting and take part in the discussion of matters submitted for consideration.

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Voting Rights

Under the Brazilian Corporation Law and our by-laws, each of our common shares entitles its holder to one vote at our shareholders meetings. Our preferred shares generally do not confer voting rights, except in the limited circumstances described below. We may not restrain or deny any voting rights without the consent of the majority of the shares affected. Whenever the shares of any class of share capital are entitled to vote, each share is entitled to one vote.

Voting Rights of Common Shares

Except as otherwise provided by law, resolutions of a shareholders meeting are passed by a simple majority vote of the holders of our common shares present or represented at the meeting, without taking abstentions into account. Under the Brazilian Corporation Law, the approval of shareholders representing at least a majority of our voting shares is required for the types of action described below, as well as, in the case of the first and second bullet points below, ratification by the majority of issued and outstanding shares of the affected class within one year from the shareholders meeting:

- creating preferred shares or disproportionately increasing an existing class of our preferred shares relative to the other classes of our preferred shares, other than to the extent permitted by our by-laws;

- changing a priority, preference, right, privilege or condition of redemption or amortization of any class of our preferred shares or creating a new class of preferred shares that has a priority, preference, right, condition or redemption or amortization superior to an existing class of our preferred shares;

- reducing the mandatory dividend set forth in our bylaws;

- changing our corporate purpose;

- merging our company with another company, or consolidating our company, subject to the conditions set forth in the Brazilian Corporation Law;

- transferring all of our shares to another company, known as an *incorporação de ações* under the Brazilian Corporation Law;

- participating in a centralized group of companies as defined under the Brazilian Corporation Law and subject to the conditions set forth in the Brazilian Corporation Law;

- dissolving or liquidating our company or canceling any ongoing liquidation of our company;

- creating any participation certificates entitling the holders thereof to participate in the profits of our company; and

- spinning-off of all or any part of our company.

Decisions on the transformation of our company into another form of company require the unanimous approval of our shareholders, including the holders of our class A and class B preferred shares.

Our company is required to give effect to shareholders agreements that contain provisions regarding the purchase or sale of our shares, preemptive rights to acquire our shares, the exercise of the right to vote our shares or the power to control our company, if these agreements are filed with our headquarters in Camaçari. Brazilian Corporation Law obligates the president of any shareholder or board of directors meeting to disregard any vote taken by any of the parties to any shareholders agreement that has been duly filed with our company that violates the provisions of any such agreement. In the event that a shareholder that is party to a shareholders agreement (or a director appointed by such shareholder) is absent from any shareholders or board of directors meeting or abstains from voting, the other party or parties to that shareholders agreement have the right to vote the shares of the absent or abstaining shareholder (or on behalf of the absent director) in compliance with that shareholders agreement.

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Under the Brazilian Corporation Law, neither our by-laws nor actions taken at a shareholders meeting may deprive any of our shareholders of certain specific rights, including:

- the right to participate in the distribution of our profits;
- the right to participate in any remaining residual assets in the event of our liquidation;
- the right to supervise the management of our corporate business as specified in the Brazilian Corporation Law;
- the right to preemptive rights in the event of an issuance of our shares, debentures convertible into our shares or subscription bonuses, other than with respect to a public offering of our securities; and
- the right to withdraw from our company under the circumstances specified in the Brazilian Corporation Law.

Voting Rights of Minority Shareholders

Shareholders holding shares representing not less than 10% of our shares entitled to vote at our shareholders meeting have the right to request that we adopt a cumulative voting procedure. If the cumulative voting procedure is adopted, our controlling shareholders always retain the right to elect at least one member more than the number of members elected by the other shareholders, regardless of the total number of members of our board of directors. This procedure must be requested by the required number of shareholders at least 48 hours prior to a shareholders meeting.

Under the Brazilian Corporation Law, shareholders that are not controlling shareholders, but that together hold either:

- non-voting preferred shares representing at least 10% of our total share capital; or
- common shares representing at least 15% of our voting capital,

have the right to appoint one member and an alternate to our board of directors at our annual shareholders meeting. If no group of our common or preferred shareholders meets the thresholds described above, shareholders holding preferred shares or common shares representing at least 10% of our total share capital are entitled to combine their holdings to appoint one member and an alternate to our board of directors. In the event that minority holders of common shares and/or holders of non-voting preferred shares elect a director and the cumulative voting procedures described above are also used, our controlling shareholders always retain the right to elect at least one member more than the number of members elected by the other shareholders, regardless of the total number of members of our board of directors. The shareholders seeking to exercise these minority rights must prove that they have held their shares for not less than three months preceding the shareholders meeting at which the director will be appointed. Any directors appointed by the non-controlling shareholders have the right to veto for cause the selection of our independent registered public accounting firm.

In accordance with the Brazilian Corporation Law, the holders of preferred shares without voting rights or with restricted voting rights are entitled to elect one member and an alternate to our fiscal council in a separate election. Minority shareholders have the same right as long as they jointly represent 10% or more of the voting shares. The other shareholders with the right to vote may elect the remaining members and alternates, who, in any event, must number more than the directors and alternates elected by the holders of the non-voting preferred shares and the minority shareholders.

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Voting Rights of Preferred Shares

Holders of our preferred shares are not entitled to vote on any matter, except with respect to the election of a member of our board of directors by preferred shareholders holding at least 10% of our total share capital, the election of a member of the fiscal council and in the limited circumstances described above and as provided below.

The Brazilian Corporation Law and our by-laws provide that our preferred shares will acquire unrestricted voting rights after the third consecutive fiscal year that we fail to pay the minimum dividends to which our preferred shares are entitled. This voting right will continue until the past due minimum dividend for any year in that three consecutive-year period is paid in full. Our preferred shareholders will also obtain unrestricted voting rights if we enter into a liquidation process.

Liquidation

We may be liquidated in accordance with the provisions of Brazilian law. In the event of our extrajudicial liquidation, a shareholders meeting will determine the manner of our liquidation, appoint our liquidator and our fiscal council that will function during the liquidation period.

Upon our liquidation, our preferred shares have a liquidation preference over our common shares in respect of the distribution of our net assets. In the event of our liquidation, the assets available for distribution to our shareholders would be distributed first to our preferred shareholders in an amount equal to their pro rata share of our legal capital, prior to making any distributions to our common shareholders. If the assets to be so distributed are insufficient to fully compensate our preferred shareholders for their legal capital, each of our preferred shareholders would receive a *pro rata* amount (based on their *pro rata* share of our legal capital, excluding our common shares in such calculation) of any assets available for distribution.

Conversion Rights

Under our by-laws, the general shareholders meeting may authorize the conversion of our preferred class A shares into common shares by means of the affirmative vote of shareholders representing the majority of our common shares, which will establish:

- the number of shares to be converted;
- the ratio of any such conversion; and
- the term during which any conversion must be performed.

Holders of our class B preferred shares are not permitted to convert their shares into common shares, but any such holder is permitted by our by-laws to convert its shares into our class A preferred shares. The ratio for any such conversion is two class B preferred shares for each class A preferred share.

Preemptive Rights

Under the Brazilian Corporation Law, each of our shareholders has a general preemptive right to subscribe for our shares or securities convertible into our shares in any capital increase, in proportion to the number of our shares held by such shareholder. However, under our by-laws, the holders of our class B preferred shares do not have preemptive rights. In the event of a capital increase that would maintain or increase the proportion of our capital represented by

our class A preferred shares, holders of our class A preferred shares would have preemptive rights to subscribe to newly issued class A preferred shares only. In the event of a capital increase that would reduce the proportion of our capital represented by our class A preferred shares, holders of our preferred shares would have preemptive rights to subscribe to any new class A preferred shares in proportion to the number of our shares that they hold, and to our common shares only to the extent necessary to prevent dilution of their interests in our total capital.

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Under our by-laws, except when issuing voting shares or securities convertible into voting shares, our board of directors or our shareholders, as the case may be, may decide to reduce the term of preemptive rights or not to extend preemptive rights to our shareholders with respect to any issuance of our non-voting shares, debentures convertible into our shares or warrants made in connection with a public exchange made to acquire control of another company or in connection with a public offering or through a stock exchange. The preemptive rights are transferable and must be exercised within a period of at least 30 days following the publication of notice of the issuance of shares or securities convertible into our shares. Holders of the ADSs may not be able to exercise the preemptive rights relating to our class A preferred shares underlying their ADSs unless a registration statement under the Securities Act is effective with respect to those rights or an exemption from the registration requirements of the Securities Act is available. We are not obligated to file a registration statement with respect to the shares relating to these preemptive rights or to take any other action to make preemptive rights available to holders of the ADSs, and we may not file any such registration statement.

Redemption, Amortization, Tender Offers and Rights of Withdrawal

Our by-laws or our shareholders at a shareholders meeting may authorize us to use our profits or reserves to redeem or amortize our shares in accordance with conditions and procedures established for such redemption or amortization. The Brazilian Corporation Law defines redemption (*resgate de ações*) as the payment of the value of the shares in order to permanently remove such shares from circulation, with or without a corresponding reduction of our share capital. The Brazilian Corporation Law defines amortization (*amortização*) as the distribution to the shareholders, without a corresponding capital reduction, of amounts that they would otherwise receive if we were liquidated. If an amortization distribution has been paid prior to our liquidation, then upon our liquidation, the shareholders who did not receive an amortization distribution will have a preference equal to the amount of the amortization distribution in the distribution of our capital.

The Brazilian Corporation Law authorizes us to redeem shares not held by our controlling shareholders, if, after a tender offer effected as a consequence of delisting or a substantial reduction in the liquidity of our shares, our controlling shareholders increase their participation in our total share capital to more than 95%. The redemption price in such case would be the same price paid for our shares in any such tender offer.

The Brazilian Corporation Law and our by-laws also require the acquiror of control (in case of a change of control) or the controller (in case of delisting or a substantial reduction in liquidity of our shares) to make a tender offer for the acquisition of the shares held by minority shareholders under certain circumstances described below under Mandatory Tender Offers. The shareholder can also withdraw its capital from our company under certain circumstances described below under Rights of Withdrawal.

Mandatory Tender Offers

The Brazilian Corporation Law requires as a condition for the cancelation of our registration as a publicly-held company that we or our controlling shareholders effect a tender offer for the acquisition of all our outstanding shares at a purchase price equal to the fair value of our shares. The Brazilian Corporation Law also requires that, if there is a substantial reduction in liquidity of a determined type or class of our shares, as defined by the CVM, as a result of purchases by our controlling shareholders, our controlling shareholders effect a tender offer for the acquisition of our remaining outstanding shares of that determined type or class at a purchase price equal to the fair value of our shares.

Our by-laws provide that all of our shares, including our class A preferred shares, would be entitled to such tag-along rights in the event that the control of our company is transferred, with all shares receiving the same price per share paid to the controlling shareholders. If our controlling shareholders enter into a transaction which results in a change

of control of our company, the controlling shareholders must include in the documentation of the transaction an obligation to effect a public offer for the purchase of all our common shares and preferred shares for the same price per share paid to the controlling shareholders. The tender offer must be submitted to the CVM within 30 days from the date of execution of the documents that provide for the change of control.

Our by-laws provide that no change of control will be deemed to occur if the party acquiring control is an existing member of the block of controlling shareholders and/or a signatory to an agreement among our shareholders governing the exercise of rights over the shares held by the controlling shareholders. Our by-laws also provide that the tag-along right will not apply in the event that the change of control occurs as a result of:

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- a court ruling or act, such as a judicial seizure or execution; or

- a final decision by regulatory authorities, including CADE, that obliges our controlling shareholders to divest all or part of their shares in our company.

Rights of Withdrawal

The Brazilian Corporation Law provides that, in certain limited circumstances, a dissenting shareholder may withdraw its equity interest from our company and be reimbursed by us for the value of our common or preferred shares that it then holds.

This right of withdrawal may be exercised by the holders of the adversely affected common or preferred shares if we decide:

- to create a new class of our preferred shares with greater privileges than the existing classes of our preferred shares;

- to increase an existing class of our preferred shares relative to the other classes of our preferred shares (unless such actions are provided for or authorized by our by-laws); or

- to modify a preference, privilege or condition of redemption or amortization conferred on one or more classes of our preferred shares.

In addition, holders of our common and preferred shares may exercise their right of withdrawal if we decide to undertake any of the following actions:

- to merge with another company or to consolidate with another company in a transaction in which our company is not the surviving entity;

- to transfer all of our shares to another company or to acquire all of the shares of another company (*incorporação de ações*);

- to participate in a centralized group of companies as defined under the Brazilian Corporation Law;

- to reduce the mandatory distribution of dividends;

- to change our corporate purposes; or

- to spin-off a portion of our company.

Only shareholders who own shares on the date of publication of the first notice convening the relevant shareholders meeting or the press release concerning the relevant shareholders meeting is published, whichever is earlier, will be entitled to withdrawal rights.

Shareholders will not be entitled to this right of withdrawal if the shares of the entity resulting from a merger, incorporation, consolidation of our company or participation of our company in a group of companies have minimal market liquidity and are dispersed among a sufficient number of shareholders. For this purpose, shares that are part of general indices representative of portfolios of securities traded in Brazil or abroad are considered liquid, and sufficient

dispersion will exist if the controlling shareholder holds less than half of the class and type of the outstanding shares. In case of a spin-off, the right of withdrawal will only exist if there is a significant change in the corporate purpose or a reduction in the mandatory dividend.

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The redemption of shares arising out of the exercise of any withdrawal rights would be made at book value per share, determined on the basis of their most recent audited balance sheet approved by our dissenting shareholders. However, if the shareholders meeting approving the action that gave rise to withdrawal rights occurred more than 60 days after the date of the most recent approved audited balance sheet, a shareholder may demand that its shares be valued on the basis of a balance sheet prepared specifically for this purpose. The right of withdrawal lapses 30 days after the date of publication of the minutes of the shareholders meeting that approved one of the matters described above. Our shareholders may reconsider any resolution giving rise to withdrawal rights within 10 days following the expiration date for such rights if we believe that the withdrawal of shares of dissenting shareholders would jeopardize our financial stability.

Liability of Our Shareholders for Further Capital Calls

Neither Brazilian law nor our by-laws require any capital calls. Our shareholders liability for capital calls is limited to the payment of the issue price of any shares subscribed or acquired.

Inspection of Corporate Records

Shareholders that own 5.0% or more of our outstanding share capital have the right to inspect our corporate records, including shareholders lists, corporate minutes, financial records and other documents of our company, if (1) we or any of our officers or directors have committed any act contrary to Brazilian law or our by-laws or (2) there are grounds to suspect that there are material irregularities in our company. However, in either case, the shareholder that desires to inspect our corporate records must obtain a court order authorizing the inspection.

Disclosures of Share Ownership

Brazilian regulations require that (1) each of our controlling shareholders, directly or indirectly, (2) shareholders who have elected members of our board of directors, and (3) any person or group of persons representing a person that has directly or indirectly acquired or sold an interest corresponding to at least 5% of the total number of our shares of any type or class to disclose its or their share ownership or divestment to the CVM and to the BM&FBOVESPA. In addition, a statement (*fato relevante*) containing certain required information must be published in the *Diário Oficial do Estado da Bahia,* at least one additional newspaper designated by our shareholders with wide circulation in Bahia, and in at least one newspaper with general circulation in the City of São Paulo, where the BM&FBOVESPA, the principal securities market for our shares, is located.

Our controlling shareholders, shareholders that appoint members of our board of directors or fiscal council and members of our board of directors, board of executive officers or fiscal council must file a statement of any change in their holdings of our shares with the CVM and the Brazilian stock exchanges on which our securities are traded.

Form and Transfer

Our preferred shares and common shares are in book-entry form, registered in the name of each shareholder or its nominee. The transfer of our shares is governed by Article 35 of the Brazilian Corporation Law, which provides that a transfer of shares is effected by our transfer agent, Banco Itaú S.A., by an entry made by the transfer agent in its books, upon presentation of valid written share transfer instructions to us by a transferor or its representative. When preferred shares or common shares are acquired or sold on a Brazilian stock exchange, the transfer is effected on the records of our transfer agent by a representative of a brokerage firm or the stock exchange s clearing system. The transfer agent also performs all the services of safe-keeping of our shares. Transfers of our shares by a non-Brazilian investor are made in the same manner and are executed on the investor s behalf by the investor s local agent. If the

original investment was registered with the Central Bank pursuant to foreign investment regulations, the non-Brazilian investor is also required to amend, if necessary, through its local agent, the electronic certificate of registration to reflect the new ownership.

The BM&FBOVESPA operates a central clearing system. A holder of our shares may choose, at its discretion, to participate in this system, and all shares that such shareholder elects to be put into the clearing system are deposited in custody with the clearing and settlement chamber of the BM&FBOVESPA (through a Brazilian institution that is duly authorized to operate by the Central Bank and maintains a clearing account with the clearing and settlement chamber of the BM&FBOVESPA). Shares subject to the custody of the clearing and settlement chamber of the BM&FBOVESPA are noted as such in our registry of shareholders. Each participating shareholder will, in turn, be registered in the register of the clearing and settlement chamber of the BM&FBOVESPA and will be treated in the same manner as shareholders registered in our books.

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Material Contracts

We have not entered into any material contracts, other than those described elsewhere in this annual report or entered into in the ordinary course of business.

Exchange Controls

There are no restrictions on ownership or voting of our capital stock by individuals or legal entities domiciled outside Brazil. However, the right to convert dividend payments, interest on shareholders equity payments and proceeds from the sale of our share capital into foreign currency and to remit such amounts outside Brazil is subject to restrictions under foreign investment legislation and foreign exchange regulations, which generally require, among other things, the registration of the relevant investment with the Central Bank and the CVM.

Investments in our class A preferred shares by (1) a holder not deemed to be domiciled in Brazil for Brazilian tax purposes, (2) a non-Brazilian holder who is registered with the CVM under Resolution No. 2,689, or (3) the depositary, are eligible for registration with the Central Bank. This registration (the amount so registered is referred to as registered capital) allows the remittance outside Brazil of foreign currency, converted at the commercial market rate, acquired with the proceeds of distributions on, and amounts realized through, dispositions of our class A preferred shares. The registered capital per class A preferred share purchased in the form of an ADS, or purchased in Brazil and deposited with the depositary in exchange for an ADS, will be equal to its purchase price (stated in U.S. dollars). The registered capital per class A preferred share withdrawn upon cancellation of an ADS will be the U.S. dollar equivalent of (1) the average price of a class A preferred share on the BM&FBOVESPA on the day of withdrawal, or (2) if no class A preferred shares were traded on that day, the average price on the BM&FBOVESPA in the 15 trading sessions immediately preceding such withdrawal. The U.S. dollar equivalent will be determined on the basis of the average commercial market rates quoted by the Central Bank on these dates.

Annex V Regulations

Resolution No. 1,927 of the National Monetary Council, as amended, provides for the issuance of depositary receipts in foreign markets in respect of shares of Brazilian issuers. It restates and amends Annex V to Resolution No. 1,289 of the National Monetary Council, known as the Annex V Regulations. The ADS program was approved under the Annex V Regulations by the Central Bank and the CVM prior to the issuance of the ADSs. Accordingly, the proceeds from the sale of ADSs by ADS holders outside Brazil are not subject to Brazilian foreign investment controls, and holders of the ADSs who are not resident in a tax haven jurisdiction are entitled to favorable tax treatment. See Taxation Brazilian Tax Considerations.

We pay dividends and other cash distributions with respect to our class A preferred shares in *reais*. We have obtained an electronic certificate of foreign capital registration from the Central Bank in the name of the depositary with respect to our ADSs to be maintained by the custodian on behalf of the depositary. Pursuant to this registration, the custodian is able to convert dividends and other distributions with respect to our class A preferred shares represented by ADSs into foreign currency and remit the proceeds outside Brazil to the depositary so that the depositary may distribute these proceeds to the holders of record of the ADSs.

Investors residing outside Brazil may register their investments in our shares as foreign portfolio investments under Resolution No. 2,689 (described below) or as foreign direct investments under Law No. 4,131 (described below). Registration under Resolution No. 2,689 or Law No. 4,131 generally enables non-Brazilian investors to convert dividends, other distributions and sales proceeds received in connection with registered investments into foreign currency and to remit such amounts outside Brazil. Registration under Resolution No. 2,689 affords favorable tax

treatment to non-Brazilian portfolio investors who are not resident in a tax haven jurisdiction, which is defined under Brazilian tax laws as a country that does not impose taxes or where the maximum income tax rate is lower than 20% or that restricts the disclosure of shareholder composition or ownership of investments. See Taxation Brazilian Tax Considerations.

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In the event that a holder of ADSs exchanges those ADSs for the underlying class A preferred shares, the holder must:

- sell the class A preferred shares on the BM&FBOVESPA and rely on the depositary s electronic registration for five business days from the date of exchange to obtain and remit U.S. dollars outside Brazil upon the holder s sale of our class A preferred shares;

- convert its investment in class A preferred shares into a foreign portfolio investment under Resolution No. 2,689; or

- convert its investment in class A preferred shares into a direct foreign investment under Law No. 4,131 and obtain a certificate of foreign capital registration from the Central Bank.

The custodian is authorized to update the depositary s electronic registration to reflect conversions of ADSs into foreign portfolio investments under Resolution No. 2,689.

If a holder of ADSs elects to convert its ADSs into a foreign direct investment under Law 4,131, the conversion will be effected by the Central Bank after receipt of an electronic request from the custodian with details of the transaction. If a foreign direct investor under Law No. 4,131 elects to deposit its class A preferred shares into the ADR program in exchange for ADSs, such holder will be required to present to the custodian evidence of payment of capital gains taxes. The conversion will be effected by the Central Bank after receipt of an electronic request from the custodian with details of the transaction. See Taxation Brazilian Tax Considerations for details of the tax consequences to an investor residing outside Brazil of investing in our class A preferred shares in Brazil.

If a holder of ADSs wishes to convert its investment in class A preferred shares into either a foreign portfolio investment under Resolution No. 2,689 or a foreign direct investment under Law No. 4,131, it should begin the process of obtaining its own foreign investor registration with the Central Bank or with the CVM, as the case may be, in advance of exchanging the ADSs for class A preferred shares. A non-Brazilian holder of class A preferred shares may experience delays in obtaining a foreign investor registration, which may delay remittances outside Brazil, which may in turn adversely affect the amount, in U.S. dollars, received by the non-Brazilian holder.

Unless the holder has registered its investment with the Central Bank, the holder may not be able to convert the proceeds from the disposition of, or distributions with respect to, such class A preferred shares into foreign currency or remit those proceeds outside Brazil. In addition, if the non-Brazilian investor resides in a tax haven jurisdiction or is not an investor registered under Resolution No. 2,689, the investor will be subject to less favorable tax treatment than a holder of ADSs. See Taxation Brazilian Tax Considerations.

Resolution 2,689

All investments made by a non-Brazilian investor under Resolution No. 2,689 are subject to an electronic registration with the Central Bank. This registration permits non-Brazilian investors to convert dividend payments, interest on shareholders equity payments and proceeds from the sale of our share capital into foreign currency and to remit such amounts outside Brazil.

Under Resolution No. 2,689, non-Brazilian investors registered with the CVM may invest in almost all financial assets and engage in almost all transactions available to Brazilian investors in the Brazilian financial and capital markets without obtaining a separate Central Bank registration for each transaction, provided that certain requirements are fulfilled. Under Resolution No. 2,689, the definition of a non-Brazilian investor includes individuals, legal entities, mutual funds and other collective investment entities, domiciled or headquartered outside Brazil.

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Pursuant to Resolution No. 2,689, non-Brazilian investors must:

- appoint at least one representative in Brazil with powers to take action relating to its investments;
- appoint an authorized custodian in Brazil for its investments, which must be a financial institution duly authorized by the Central Bank and CVM;
- complete the appropriate foreign investor registration forms;
- register as a non-Brazilian investor with the CVM;
- register its investments with the Central Bank; and
- obtain a taxpayer identification number from the Brazilian federal tax authorities.

The securities and other financial assets held by a non-Brazilian investor pursuant to Resolution No. 2,689 must be registered or maintained in deposit accounts or under the custody of an entity duly licensed by the Central Bank or the CVM or be registered in registration, clearing and custody systems authorized by the Central Bank or by the CVM. In addition, the trading of securities held under Resolution No. 2,689 is restricted to transactions carried out on stock exchanges or through organized over-the-counter markets licensed by the CVM.

The offshore transfer or assignment of the securities or other financial assets held by non-Brazilian investors pursuant to Resolution No. 2,689 are prohibited, except for transfers resulting from a corporate reorganization effected abroad by a non-Brazilian investor, or occurring upon the death of an investor by operation of law or will.

Law 4,131

To obtain a certificate of foreign capital registration from the Central Bank under Law No. 4,131, a foreign direct investor must:

- register as a foreign direct investor with the Central Bank;
- obtain a taxpayer identification number from the Brazilian tax authorities;
- appoint a tax representative in Brazil; and
- appoint a representative in Brazil for service of process in respect of suits based on the Brazilian Corporation Law.

Foreign direct investors under Law No. 4,131 may sell their shares in both private or open market transactions, but these investors will generally be subject to less favorable tax treatment on gains with respect to our class A preferred shares. See Taxation Brazilian Tax Considerations.

Taxation

The following summary contains a description of the material Brazilian and U.S. federal income tax consequences of the purchase, ownership and disposition of class A preferred shares and ADSs, but it does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase any such

securities.

There is at present no income tax treaty between Brazil and the United States.

The description below is not intended to constitute a complete analysis of all tax consequences relating to the acquisition, ownership and disposition of class A preferred shares or ADSs. Prospective purchasers of our class A preferred shares or ADSs are advised to consult their own tax advisors in respect of the consequences that the purchase, ownership or disposition of our class A preferred shares or ADS might trigger under the laws of Brazil, the United States or any other jurisdiction in light of their particular investment circumstances.

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Brazilian Tax Considerations

The following discussion summarizes the material Brazilian tax consequences of the acquisition, ownership and disposition of class A preferred shares or ADSs by a holder that is not domiciled or resident in Brazil for purposes of Brazilian taxation and, in the case of a holder of class A preferred shares, which has registered its investment with the Central Bank, or in each case a non-Brazilian holder. The following discussion does not specifically address all of the Brazilian tax considerations applicable to any particular non-Brazilian holder, and each non-Brazilian holder should consult his or her own tax advisor concerning the Brazilian tax consequences of an investment in any of such securities.

Acquisition of ADSs or Class A Preferred Shares

The acquisition of ADSs or class A preferred shares by non-Brazilian holders is not a taxable event in Brazil. See Taxation of Gains Outside Brazil for further information on the tax implications arising from the exchange of existing class A preferred shares for ADSs, as well as those arising from the exchange of ADSs for class A preferred shares.

Taxation of Dividends

Dividends paid with respect to income earned since January 1, 1996, including dividends paid in kind to the depositary in respect of our class A preferred shares underlying the ADSs or to a non-Brazilian holder in respect of class A preferred shares, are not subject to any withholding tax in Brazil.

Dividends paid from profits generated before January 1, 1996 may be subject to Brazilian withholding income tax at variable rates, according to the tax legislation applicable to each corresponding year.

Interest Attributable to Shareholders Equity

Distributions of interest attributable to our shareholders equity in respect of our class A preferred shares or the ADSs as an alternative form of dividends are subject to Brazilian withholding tax at the rate of 15% (or 25% in the case of a non-Brazilian holder located in a tax haven jurisdiction (as defined below)). Since 1997 and in accordance with Laws Nos. 9,249/95 and 9,430/96, we may deduct these distributions in calculating the amount of the Social Contribution on Net Income and the income taxes that we owe, provided that each such distribution is approved by our shareholders in a general meeting and complies with the limits established by Brazilian tax legislation.

Taxation of Gains Outside Brazil

Until December 31, 2003, the sale or other disposition of ADSs or class A preferred shares entered into by and between non-Brazilian holders outside Brazil was not subject to Brazilian income tax, as such a transaction did not involve payments by a person located in Brazil. Brazilian Law No. 10,833/03 provides that, commencing on February 1, 2004, the acquiror, individual or legal entity resident or domiciled in Brazil, or the acquiror s attorney-in-fact, when such acquiror is resident or domiciled abroad, shall be responsible for the retention and payment of the income tax applicable to capital gains under Article 18 of Law 9,249 of December 26, 1995 earned by the individual or legal entity resident or domiciled abroad who disposes of property located in Brazil.

The Brazilian tax authorities have recently issued a normative instruction confirming that, pursuant to Law No. 10,833/03, these tax authorities intend to assess income tax on capital gains earned by non-Brazilian residents whose assets are located in Brazil. Holders of the ADSs outside of Brazil may have grounds to assert that Brazilian Law No. 10,833/03 does not apply to sales or other dispositions of ADSs as ADSs are not assets located in Brazil. However, the

sale or other disposition of class A preferred shares abroad may be subject to the provisions of Brazilian Law No. 10,833/03. Any capital gains arising from sales or other dispositions outside Brazil would be subject to Brazilian income tax at the rate of 15% or 25% if the investor is located in a tax haven jurisdiction. Brazilian Law No. 10,833/03 requires the purchaser of our class A preferred shares outside Brazil or its attorney-in-fact in Brazil to withhold the tax. A disposition of class A preferred shares can only occur abroad if any investor decides to cancel its investment in ADSs and register the underlying class A preferred shares as a direct foreign investment under Law No. 4,131/62.

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Taxation of Gains in Brazil

The exchange of ADSs for class A preferred shares is not subject to Brazilian tax. A holder of the ADSs may exchange its ADSs for the underlying class A preferred shares, sell the class A preferred shares on a Brazilian stock exchange and remit abroad the proceeds of the sale within five business days from the date of exchange (in reliance on the depositary s electronic registration), with no tax consequences.

Upon receipt of the underlying class A preferred shares in exchange of ADSs, a non-Brazilian investor will be entitled to register with the Central Bank the U.S. dollar value of such shares as a foreign portfolio investment under Resolution No. 2,689/00. See Exchange Controls and Registered Capital. The sale or disposition of class A preferred shares on a Brazilian stock exchange is exempt from capital gains tax, provided that such shares are held by a non-Brazilian holder as a foreign portfolio investment under Resolution No. 2,689/00. The preferential treatment afforded under Resolution 2,689 is not available to investors resident or domiciled in tax haven jurisdictions.

Upon receipt of the underlying class A preferred shares, a non-Brazilian holder is also entitled to register with the Central Bank the U.S. dollar value of such shares as a foreign direct investment under Law 4,131/62. See Exchange Controls and Registered Capital. A 15% capital gains tax is applicable to the sale or other disposition of preferred class A shares in Brazil where such shares are held by a non-Brazilian holder as a foreign direct investment and the transaction is performed outside a Brazilian stock exchange. If the non-Brazilian holder is domiciled in a tax haven jurisdiction, the income tax rate will be 25%.

If the sale or other disposition of such shares is carried out on a Brazilian stock exchange, the capital gains on the sale or disposition will be taxed at a rate of 15%. This rate applies to all transactions carried out on a Brazilian stock exchange by non-Brazilian holders regardless of whether or not they are domiciled in tax haven jurisdictions. In these transactions, the gain realized is calculated based on the amount registered with the Central Bank. As from January 1, 2005, a withholding tax of 0.005% will also be assessed on the sales price or other disposition value of shares sold or disposed of in transactions carried out on a Brazilian stock exchange. The withholding tax, to be offset against tax due on eventual capital gain, must be withheld by one of the following entities: (1) the agent receiving the sale or disposition order from the client; (2) the stock exchange responsible for registering the transactions; or (3) the entity responsible for the settlement and payment of the transactions.

The deposit of class A preferred shares in exchange for ADSs is not subject to Brazilian tax, provided that these shares are held by the non-Brazilian holder as a foreign portfolio investment under Resolution No. 2,689/00. In the event our class A preferred shares are held by the non-Brazilian holder as a foreign direct investment under Law No. 4,131/62, the deposit of these shares in exchange for ADSs is subject to payment of Brazilian capital gains tax at the rate of 15% (25% in the case of a non-Brazilian holder located in a tax haven jurisdiction).

The current preferential treatment for non-Brazilian holders of ADSs and non-Brazilian holders of class A preferred shares under Resolution No. 2,689/00 may not continue in the future.

Any exercise of preemptive rights relating to our class A preferred shares will not be subject to Brazilian taxation. Gains on the sale or assignment of preemptive rights relating to our class A preferred shares by the depositary may be subject to Brazilian taxation. Tax authorities may attempt to tax such gains even when the sale or assignment of such rights takes place outside Brazil, based on the provisions of Law No. 10,833/03. These authorities may allege that the preemptive rights relate to assets located in Brazil (the class A preferred shares) and demand payment of capital gains tax at the rate of 15% or 25% (if the beneficiary of the payments is resident of a tax haven jurisdiction). If the preemptive rights are assigned or sold in Brazil, capital gains tax will apply at a rate of 15% (25% in the case of a non-Brazilian holder located in a tax haven jurisdiction). Sales or assignments of preemptive rights effected on

Brazilian stock exchanges are exempt from income tax, provided that such preemptive rights relate to shares registered as a foreign portfolio investment under Resolution No. 2,689/00.

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Other Brazilian Taxes

There are no Brazilian inheritance, gift or succession taxes applicable to the ownership, transfer or disposition of class A preferred shares or ADSs by a non-Brazilian holder except for gift and inheritance taxes which are levied by some states of Brazil on gifts made or inheritances bestowed by individuals or entities not resident or domiciled in Brazil or domiciled within the state to individuals or entities resident or domiciled within such state in Brazil. There are no Brazilian stamp, issue, registration or similar taxes or duties payable by holders of class A preferred shares or ADSs.

Under Decree 6,306 of December 14, 2007, the amount in *reais* resulting from the conversion of the proceeds received by a Brazilian entity from a foreign investment in the Brazilian securities market (including those in connection with the investment in our class A preferred shares or ADSs and those made under the provisions of Resolution No. 2,689/00 of the National Monetary Council) is subject to the IOF transaction tax. The IOF tax rate for most of these transactions is currently 0.38%. Foreign exchange transactions in connection with the investment in our class A preferred shares made under the provisions of Resolution No. 2,689/00 of the National Monetary Council, within a stock, securities or futures exchange environment are currently not subject to the IOF tax. Transactions of same nature performed outside stock, securities or futures exchange environment may be subject to the IOF tax at a 1.5% rate. Remittances of dividends and interest on net equity made by companies whose shares are traded on the BM&FBOVESPA to non-Brazilian holders are not subject to the IOF tax. The Minister of Finance has the legal power to increase the rate to a maximum of 25%. Any such increase will be applicable only prospectively.

IOF is also assessed on transactions executed on a stock exchange. As of the date hereof, Article 32, Paragraph 2, of Decree No. 6,306 imposes an IOF tax on such transactions at a 0% rate. The Minister of Finance is empowered to establish the applicable IOF tax rate. Under Law 8,894 of June 21, 1994, such IOF tax rate may be increased at any time to a maximum of 1.5% per day, but any such increase will only be applicable to transactions occurring after such increase becomes effective.

Until December 31, 2007, CPMF tax was levied at a rate of 0.38% on all fund transfers in connection with financial transactions in Brazil. Payments of dividends on our class A preferred shares and the ADSs were subject to the CPMF tax. However, at the end of 2007, the Brazilian Congress rejected the extension of the CPMF tax, and, as of January 1, 2008, the CPMF was extinguished. The Federal Government is considering establishing a tax with the same characteristics of CPMF, but no bill has yet been presented to Congress.

Residents of Tax Haven Jurisdictions

The general rules establish that any income, capital gains or earnings received by a beneficiary resident in a tax haven jurisdiction is subject to income tax at the rate of 25%. A tax haven is a location where no income tax is imposed or where its maximum applicable rate is lower than 20%. A country will also be deemed a tax haven if its internal laws require that the identity of shareholders or members of corporate entities organized and existing under the jurisdiction of such country be kept secret or otherwise not be disclosed. Tax benefits granted through the provisions of Resolution No. 2,689/00 and Annex V to Resolution No. 1,289/87 are not applicable to residents in a so-called tax haven jurisdiction. In this case, such investors shall be taxed according to the same rules that are applicable to Brazilian residents. Dividends are not affected by tax haven jurisdiction rules.

Registered Capital

The amount of an investment in class A preferred shares held by a non-Brazilian holder as a foreign direct investment under Law No. 4,131/02 or a foreign portfolio investment under Resolution No. 2,689/00 or in ADSs held by the depositary representing such holder, as the case may be, is eligible for registration with the Central Bank; such

registration (the amount so registered is referred to as registered capital) allows the remittance outside Brazil of foreign currency, converted at the commercial market rate, acquired with the proceeds of distributions on, and amounts realized with respect to disposition of, such class A preferred shares. The registered capital for class A preferred shares purchased in the form of ADSs, or purchased in Brazil and deposited with the depositary in exchange for an ADS, is equal to their purchase price in U.S. dollars paid by the purchaser. The registered capital for class A preferred shares that are withdrawn upon surrender of ADSs is the U.S. dollar equivalent of (1) the average price of our class A preferred shares on the Brazilian stock exchange on which the greatest number of such class A preferred shares was sold on the day of withdrawal, or (2) if no class A preferred shares were sold on such day, the average price of class A preferred shares that were sold in the fifteen trading sessions immediately preceding such withdrawal. The U.S. dollar value of our class A preferred shares is determined on the basis of the average commercial market rates quoted by the Central Bank on such date (or, if the average price of class A preferred shares is determined under clause (2) of the preceding sentence, the average of such average quoted rates on the same fifteen dates used to determine the average price of our class A preferred shares).

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A non-Brazilian holder of class A preferred shares may experience delays in effecting the registration of registered capital, which may delay remittances abroad. Such a delay may adversely affect the amount, in U.S. dollars, received by the non-Brazilian holder. See Exchange Controls and Item 3. Key Information Risk Factors Risks Relating to Ou Class A Preferred Shares and the ADSs.

U.S. Federal Income Tax Considerations

The following is a discussion of the material U.S. federal income tax consequences that may be relevant with respect to the acquisition, ownership and disposition of our class A preferred shares or ADSs, which are evidenced by ADRs. This description addresses only the U.S. federal income tax considerations of U.S. holders (as defined below) that will hold class A preferred shares or ADSs as capital assets. This description does not address tax considerations applicable to holders that may be subject to special tax rules, such as banks, financial institutions, insurance companies, real estate investment trusts, grantor trusts, regulated investment companies, dealers or traders in securities or currencies, tax-exempt entities, pension funds, persons that received our class A preferred shares or ADSs pursuant to an exercise of employee stock options or rights or otherwise as compensation for the performance of services, persons that will hold our class A preferred shares or ADSs as a position in a straddle or as a part of a hedging , conversion or other risk reduction transaction for U.S. federal income tax purposes, persons that have a functional currency other than the U.S. dollar, persons that will own our class A preferred shares or ADSs through partnerships or other pass through entities, holders subject to the alternative minimum tax, certain former citizens or long-term residents of the United States or holders that own (or are deemed to own) 10% or more (by voting power) of our shares.

This description does not address any state, local or non-U.S. tax consequences of the acquisition, ownership and disposition of our class A preferred shares or ADSs. Moreover, this description does not address the consequences of any U.S. federal tax other than income tax, including but not limited to the U.S. federal estate and gift taxes. This description is based on (i) the Internal Revenue Code of 1986, as amended (the Code), existing, proposed and temporary U.S. Treasury Regulations and judicial and administrative interpretations thereof, in each case as in effect and available on the date of this annual report and (ii), in part, on the representations of the depositary and the assumption that each obligation in the deposit agreement and any related agreement will be performed in accordance with its terms. All of the foregoing are subject to change, which change could apply retroactively and could affect the tax consequences described below.

As used below, a U.S. holder is a beneficial owner of a class A preferred share or ADS that is, for U.S. federal income tax purposes, (i) an individual citizen or resident of the United States, (ii) a corporation organized under the laws of the United States, any state thereof or the District of Columbia, (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source, or (iv) a trust if (a) a court within the United States is able to exercise primary supervision over its administration and (b) one or more U.S. persons have the authority to control all of the substantial decisions of such trust. As used below, a Non-U.S. holder is a beneficial owner of a class A preferred share or ADS that is neither a U.S. holder nor a partnership (or other entity treated as a partnership for U.S. federal income tax purposes).

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

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The class A preferred shares will be treated as equity for U.S. federal income tax purposes. In general, for U.S. federal income tax purposes, a holder of an ADR evidencing an ADS will be treated as the beneficial owner of our class A preferred shares represented by the applicable ADS. The U.S. Treasury Department has expressed concern that depositaries for ADSs, or other intermediaries between the holders of shares of an issuer and the issuer, may be taking actions that are inconsistent with the claiming of U.S. foreign tax credits by U.S. holders of such receipts or shares. Accordingly, the analysis regarding the availability of a U.S. foreign tax credit for Brazilian taxes and sourcing rules described below could be affected by future actions that may be taken by the U.S. Treasury Department.

Taxation of Dividends

Subject to the discussion under Passive Foreign Investment Company Rules, in general, the gross amount of a distribution made with respect to a class A preferred share or ADS (which for this purpose shall include distributions of interest attributable to shareholders equity before any reduction for any Brazilian taxes withheld therefrom) will, to the extent made from the current or accumulated earnings and profits of our company, as determined under U.S. federal income tax principles, constitute a dividend to a U.S. holder for U.S. federal income tax purposes. For taxable years beginning on or before December 31, 2010, non-corporate U.S. holders may be taxed on dividends from a qualified foreign corporation at the lower rates applicable to long-term capital gains (*i.e.,* gains with respect to capital assets held for more than one year). A foreign corporation is treated as a qualified foreign corporation with respect to dividends received from that corporation on shares or ADSs that are readily tradable on an established securities market in the United States. U.S. Treasury Department guidance indicates that the ADSs (which are listed on the NYSE), but not our class A preferred shares, are readily tradable on an established securities market in the United States. Thus, subject to the discussion below under Passive Foreign Investment Company Rules, dividends that we pay on the ADSs, but not on our class A preferred shares, currently meet the conditions required for these reduced tax rates. There, however, can be no assurance that the ADSs will be considered readily tradable on an established securities market in later years. Furthermore, a U.S. holder s eligibility for such preferential rate is subject to certain holding period requirements and the non-existence of certain risk reduction transactions with respect to the ADSs. Such dividends will not be eligible for the dividends received deduction generally allowed to corporate U.S. holders. Subject to the discussion below under Passive Foreign Investment Company Rules, if a distribution exceeds the amount of our company s current and accumulated earnings and profits, it will be treated as a non-taxable return of capital to the extent of the U.S. holder s tax basis in our class A preferred share or ADS on which it is paid and thereafter as capital gain. Our company does not maintain calculations of our earnings and profits under U.S. federal income tax principles. Therefore, U.S. holders should expect that distributions by our Company generally will be treated as dividends for U.S. federal income tax purposes.

A dividend paid in *reais* will be includible in the income of a U.S. holder at its value in U.S. dollars calculated by reference to the prevailing spot market exchange rate in effect on the day it is received by the U.S. holder in the case of our class A preferred shares or, in the case of a dividend received in respect of ADSs, on the date the dividend is received by the depositary, whether or not the dividend is converted into U.S. dollars. Assuming the payment is not converted at that time, the U.S. holder will have a tax basis in *reais* equal to that U.S. dollar amount, which will be used to measure gain or loss from subsequent changes in exchange rates. Any gain or loss realized by a U.S. holder that subsequently sells or otherwise disposes of *reais*, which gain or loss is attributable to currency fluctuations after the date of receipt of the dividend, will be ordinary gain or loss. The amount of any distribution of property other than cash will be the fair market value of such property on the date of distribution.

The gross amount of any dividend paid (which will include any amounts withheld in respect of Brazilian taxes) with respect to a class A preferred share or ADS will be subject to U.S. federal income taxation as foreign source dividend income, which may be relevant in calculating a U.S. holder s foreign tax credit limitation. Subject to limitations under U.S. federal income tax law concerning credits or deductions for foreign taxes and certain exceptions for short-term

and hedged positions, any Brazilian withholding tax will be treated as a foreign income tax eligible for credit against a U.S. holder s U.S. federal income tax liability (or at a U.S. holder s election, may be deducted in computing taxable income if the U.S. holder has elected to deduct all foreign income taxes for the taxable year). The limitation on foreign taxes eligible for the U.S. foreign tax credit is calculated separately with respect to specific baskets of income. For this purpose, the dividends should generally constitute passive category income , or in the case of certain U.S. holders, general category income. The rules with respect to foreign tax credits are complex, and U.S. holders are urged to consult their own tax advisors regarding the availability of the foreign tax credit under their particular circumstances.

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Subject to the discussion under Information Reporting and Backup Withholding, a Non-U.S. holder of class A preferred shares or ADSs generally will not be subject to U.S. federal income or withholding tax on dividends received on such shares or ADSs, unless such income is effectively connected with the conduct by such Non-U.S. holder of a trade or business in the United States.

Sale, Exchange or Other Disposition of Class A Preferred Shares or ADSs

A deposit or withdrawal of class A preferred shares by a holder in exchange for an ADS that represent such shares will not result in the realization of gain or loss for U.S. federal income tax purposes. A U.S. holder generally will recognize capital gain or loss upon a sale, exchange or other disposition of a class A preferred share or ADS held by the U.S. holder or the depositary, as the case may be, in an amount equal to the difference between the U.S. holder s adjusted basis in our class A preferred share or ADS (determined in U.S. dollars) and the U.S. dollar amount realized on the sale, exchange or other disposition. If a Brazilian tax is withheld on the sale, exchange or other disposition of a share, the amount realized by a U.S. holder will include the gross amount of the proceeds of that sale, exchange or other disposition before deduction of the Brazilian tax. In the case of a non-corporate U.S. holder, the maximum marginal U.S. federal income tax rate applicable to capital gain will generally be lower than the maximum marginal U.S. federal income tax rate applicable to ordinary income (other than, as discussed above, certain dividends) if such holder s holding period for such class A preferred share or ADS exceeds one year (i.e., such gain is a long-term capital gain). Capital gain, if any, realized by a U.S. holder on the sale or exchange of a class A preferred share or ADS generally will be treated as U.S. source income for U.S. foreign tax credit purposes. Consequently, in the case of a disposition or deposit of a class A preferred share or ADS that is subject to Brazilian tax, the U.S. holder may not be able to use the foreign tax credit for that Brazilian tax unless it can apply the credit against U.S. tax payable on other income from foreign sources in the appropriate income category, or, alternatively, it may take a deduction for the Brazilian tax if it elects to deduct all of its foreign income taxes. The deductibility of capital losses is subject to limitations under the Code.

The initial tax basis of class A preferred shares or ADSs to a U.S. holder is the U.S. dollar value of the *reais*-denominated purchase price determined on the date of purchase. If our class A preferred shares or ADSs are treated as traded on an established securities market, a cash basis U.S. holder, or, if it elects, an accrual basis U.S. holder, will determine the dollar value of the cost of such class A preferred shares or ADSs by translating the amount paid at the spot rate of exchange on the settlement date of the purchase. The conversion of U.S. dollars to *reais* and the immediate use of that currency to purchase class A preferred shares or ADSs generally will not result in taxable gain or loss for a U.S. holder.

With respect to the sale or exchange of class A preferred shares or ADSs, the amount realized generally will be the U.S. dollar value of the payment received determined on (i) the date of receipt of payment in the case of a cash basis U.S. holder and (ii) the date of disposition in the case of an accrual basis U.S. holder. If our class A preferred shares or ADSs are treated as traded on an established securities market, a cash basis taxpayer, or, if it elects, an accrual basis taxpayer, will determine the U.S. dollar value of the amount realized by translating the amount received at the spot rate of exchange on the settlement date of the sale.

Subject to the discussion below under Information Reporting and Backup Withholding, a Non-U.S. holder of class A preferred shares or ADSs generally will not be subject to U.S. federal income or withholding tax on any gain realized on the sale or exchange of such shares or ADSs unless (i) such gain is effectively connected with the conduct by such Non-U.S. holder of a trade or business in the United States or (ii) in the case of any gain realized by an individual Non-U.S. holder, such holder is present in the United States for 183 days or more in the taxable year of such sale or exchange and certain other conditions are met.

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Passive Foreign Investment Company Rules

A Non-U.S. corporation will be classified as a passive foreign investment company, or a PFIC, for U.S. federal income tax purposes in any taxable year in which, after applying certain look-through rules, either (1) at least 75 percent of its gross income is passive income or (2) at least 50 percent of the average value of its gross assets is attributable to assets that produce passive income or is held for the production of passive income. Passive income for this purpose generally includes dividends, interest, royalties, rents and gains from commodities and securities transactions.

Based on certain estimates of its gross income and gross assets and the nature of its business, our company believes that it will not be classified as a PFIC for its taxable year ended December 31, 2009. The company's status in future years will depend on its assets and activities in those years. The company has no reason to believe that its assets or activities will change in a manner that would cause it to be classified as a PFIC for the taxable year ended December 31, 2010 or any future year, but there can be no assurance that the company will not be considered a PFIC for any taxable year. If we were a PFIC, a U.S. holder of class A preferred shares or ADSs generally would be subject to imputed interest charges and other disadvantageous tax treatment with respect to any gain from the sale or exchange of, and certain distributions with respect to, the shares or ADSs (including the loss of the potential reduced tax rate on certain dividends described above).

If we were a PFIC, a U.S. holder of class A preferred shares or ADSs could make a variety of elections that may alleviate certain of the tax consequences referred to above, and one of these elections may be made retroactively. However, it is expected that the conditions necessary for making certain of such elections will not apply in the case of the class A preferred shares or ADSs. U.S. holders should consult their own tax advisers regarding the tax consequences that would arise if the company were treated as a PFIC.

Information Reporting and Backup Withholding

U.S. backup withholding tax and information reporting requirements generally apply to certain payments to certain non-corporate holders of shares. Information reporting generally will apply to payments of dividends on, and to proceeds from the sale or redemption of, our class A preferred shares or the ADSs made within the United States or by a U.S. payor or U.S. middleman to a holder of our class A preferred shares or the ADSs, other than an exempt recipient, including a corporation, a payee that is not a U.S. person that provides an appropriate certification and certain other persons. Backup withholding tax will apply to any payments of dividends on, or the proceeds from the sale or redemption of, class A preferred shares or the ADSs within the United States or by a U.S. payor or U.S. middleman to a holder, other than an exempt recipient, if such holder fails to furnish its correct taxpayer identification number or otherwise fails to comply with, or establish an exemption from, such backup withholding tax requirements. Under recently passed legislation, U.S. backup withholding tax and information reporting requirements are extended to all holders, including corporations other than tax-exempt corporations, for payments made after December 31, 2011. The backup withholding tax rate is 28% for taxable years through 2010.

Backup withholding is not an additional tax. You generally will be entitled to credit any amounts withheld under the backup withholding rules against your U.S. federal income tax liability or a refund of the amounts withheld provided the required information is furnished to the Internal Revenue Service in a timely manner.

New Legislation

Newly enacted legislation requires certain U.S. holders who are individuals, estates or trusts to pay a 3.8% tax on, among other things, dividends and capital gains from the sale or other disposition of shares of common stock for

taxable years beginning after December 31, 2012. In addition, for taxable years beginning after March 18, 2010, new legislation requires certain U.S. holders who are individuals to report information relating to an interest in our class A preferred shares or the ADSs, subject to certain exceptions (including an exception for our class A preferred shares or the ADSs held in accounts maintained by certain financial institutions). U.S. holders are urged to consult their tax advisers regarding the effect, if any, of new U.S. federal income tax legislation on their ownership and disposition of our ordinary shares.

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The above description is not intended to constitute a complete analysis of all tax consequences relating to ownership and disposition of class A preferred shares or ADSs. Prospective purchasers should consult their own tax advisors concerning the tax consequences of their particular situations.

Documents on Display

Statements contained in this annual report regarding the contents of any contract or other document filed as an exhibit to this annual report summarize their material terms, but are not necessarily complete, and each of these statements is qualified in all respects by reference to the full text of such contract or other document.

We are subject to the periodic reporting and other informational requirements of the Exchange Act applicable to a foreign private issuer. Accordingly, we are required to file with or furnish to the U.S. Securities and Exchange Commission, or the SEC, reports and other information, including annual reports on Form 20-F and reports on Form 6-K.

As a foreign private issuer, we are exempt under the Exchange Act from, among other things, the rules prescribing the furnishing and content of proxy statements, and members of our board of directors and board of executive officers and our principal shareholders are exempt from reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act. In addition, as a foreign private issuer, we will not be required under the Exchange Act to file periodic reports and financial statements with the SEC as frequently or as promptly as U.S. companies whose securities are registered under the Exchange Act.

You may inspect and copy reports and other information that we file with or furnish to the SEC at the SEC s Public Reference Room located at 100 F Street, N.E., Washington D.C. 20549. Copies of these materials may be obtained by mail from the SEC s Public Reference Room at prescribed rates. The public may obtain information on the operation of the SEC s Public Reference Room by calling the SEC in the United States at 1-800-SEC-0330. In addition, the SEC maintains an internet website at www.sec.gov from which you can electronically access these materials.

We also file financial statements and other periodic reports with the CVM, which are available for investor inspection at the CVM s offices located at Rua Sete de Setembro, 111, 2nd floor, Rio de Janeiro, RJ, and Rua Formosa, 367, 20th floor, São Paulo, SP. The telephone numbers of the CVM in Rio de Janeiro and São Paulo are +55-21-3233-8390 and +55-11-2146-2000, respectively.

Copies of our annual report on Form 20-F and documents referred to in this annual report and our bylaws are available for inspection upon request at our headquarters at Av. das Nações Unidas, 8,501, São Paulo, SP CEP 05425-070 Brazil. Our filings are also available to the public through the internet at our website at www.braskem.com.br. The information included on our website or that might be accessed through our website is not included in this annual report and is not incorporated into this annual report by reference.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risks arising from our normal business activities. These market risks, which are beyond our control, principally involve the possibility that changes in interest rates, exchange rates or commodity prices will adversely affect the value of our financial assets and liabilities or future cash flows and earnings. Market risk is the potential loss arising from adverse changes in market rates and prices.

In order to mitigate the market risks to which we are exposed, we have used, and we may use, foreign currency, interest rate, commodity derivative instruments, cash and receivables. At December 31, 2009, we had cross-currency

and interest rate swaps with an aggregate notional amount of R$2,338.7 million maturing between January 2010 and July 2014. These cross-currency and interest rate swaps match certain of our foreign currency-denominated debt obligations.

It is our policy to assess the potential and consolidated impact of market risks and to mitigate assessed risks in accordance with our risk management policy. Our risk management policy, which has been in effect since April 2004, seeks to mitigate our exposure to exchange rate risks with the objective of maintaining coverage of principal and interest settlements maturing within the following 12 months for, at a minimum:

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- 60% of our total U.S. dollar-denominated indebtedness that is related to exports, or trade finance, excluding advances on currency contracts with a remaining maturity of up to six months and advances on export contracts; and

- 75% of our total in U.S. dollar-denominated indebtedness unrelated to exports, or non-trade finance.

Compliance with this policy varies based upon applicable market conditions, credit availability and our cash balances.

We do not enter into derivative transactions for speculative purposes and do not have any target forward operations or operations involving other similar derivatives.

At December 31, 2009, we had US$753.1 million in U.S. dollar-denominated cash equivalents and other investments, which may partially offset the effects of any depreciation of the *real* against the U.S. dollar on our ability to service our U.S. dollar-denominated debt to the extent of these U.S. dollar-denominated cash equivalents and other investments.

Interest Rate Risk

Our variable interest rate exposure is primarily subject to the variations of the TJLP rate and the CDI rate for *real*-denominated borrowings and short-term cash investments.

With respect to Brazilian interest rates:

- the short-term domestic CDI rate decreased to 8.55% per annum at December 31, 2009 from 13.64% per annum at December 31, 2008; and

- the TJLP was decreased to 6.00% at December 31, 2009 from 6.25% at December 31, 2008.

The table below provides information about our significant interest-rate sensitive instruments:

	Payment Schedule Breakdown by Type of Interest Rate At December 31, 2009 Expected Maturity Date							
	2010	**2011**	**2012**	**2013**	**2014**	**Thereafter**	**Total**	**Fair Value (1)**
	(in millions of *reais,* unless otherwise indicated)							
LIABILITIES:								
Loans and financings (excluding debentures):								
Fixed rate, denominated in U.S. dollars	R$74.0	R$255.8	R$506.0	R$505.0	R$435.3	R$2,873.8	R$4,649.9	R$7,305.9
Average interest rate.	8.3%	8.2%	8.2%	8.2%	8.6%	8.9%	9.0%	
Variable rate, denominated in U.S. dollars	646.0	188.6	236.1	383.4	141.9	14.6	1,614.9	1,621.2
Average interest rate (over LIBOR).	1.9%	1.9%	1.5%	1.4%	1.8%	2.6%	1.8%	
Fixed rate, denominated in Japanese yen	40.9	40.6	20.4				101.9	502.1
Average interest rate.	1.0%	1.0%	1.0%				1.0%	

Fixed rate, denominated in *reais*.	175.4	61.6	33.2	33.2	33.2	128.3	464.9	363.6
Average interest rate.	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	
Variable rate, denominated in *reais* (excluding debentures).	338.7	391.4	271.3	241.2	200.2	4.9	1,447.7	1,437.0
Average interest rate (over TJLP) .	2.8%	2.9%	2.8%	2.8%	3.0%	10.2%	2.8%	
Variable rate, denominated in *reais* (excluding debentures).	237.6	200.0	200.0	50.0			687.6	807.1
Average interest rate (% of CDI)	117.2%	117.5%	117.5%	117.5%			117.4%	
Loans and financings (excluding debentures) before proportional consolidation	1,512.6	1,138.0	1,266.9	1,212.8	810.6	3,026.0	8,966.9	12,036.9
Loans and financings, of proportionally consolidated companies	5.0	4.3				5.9	15.2	15.2
Total loans and financings (excluding debentures).	1,517.6	1,142.3	1,266.9	1,212.9	810.6	3,031.8	8,982.1	12,052.1
Debentures:								
Variable rate, denominated in *reais*.	316.7	500.0					816.7	822.4
Average interest rate (% of CDI) .	103.7%	103.5%					103.6%	
Debentures before proportional consolidation	316.7	500.0					816.7	822.4
Debentures of proportionally consolidated companies								
Total debentures.	316.7	500.0					816.7	822.4
ASSETS:								
Cash and cash equivalents and other instruments:								
Variable rate, denominated in U.S. dollars	1,311.3						1,311.3	1,311.3
Variable rate, denominated in *reais*.	1,762.9						1,762.9	1,762.9
Cash and cash equivalents and other investments, before proportional consolidation	3,074.2						3,074.2	3,074.2
Cash and cash equivalents and other investments of proportionally consolidated companies	74.0						74.0	74.0
Total cash and cash equivalents and other investments.	3,148.2						3,148.2	3,148.2

———————

(1) Represents the net present value of the future cash flows from the obligations converted into *reais* at fair market value at December 31, 2009.

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In the event that the average interest rate applicable to our financial assets and debt in 2010 were 1% higher than the average interest rate in 2009, our financial income would increase by approximately R$30.5 million and our financial expenses would increase by approximately R$18.8 million.

Foreign Currency Exchange Rate Risk

Our liabilities that are exposed to foreign currency exchange rate risk are primarily denominated in U.S. dollars. To partially offset our risk of any devaluation of the *real* against the U.S. dollar, we currently maintain available liquid resources denominated in U.S. dollars and may enter into derivative contracts. Because we borrow in the international markets to support our operations and investments, we are exposed to market risks from changes in foreign exchange rates and interest rates.

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The table below provides information about our significant foreign currency exposures:

Payment Schedule Breakdown by Currency
At December 31, 2009

	Expected Maturity Date							
	2010	**2011**	**2012**	**2013**	**2014**	**Thereafter**	**Total**	**Fair Value (1)**
	(in millions of *reais*)							
LIABILITIES:								
Loans and financings:								
Loans and financings (excluding debentures):								
Denominated in U.S. dollars	R$720.0	R$444.4	R$742.0	R$888.5	R$577.2	R$2,892.7	R$6,264.8	R$8,927.2
Denominated in Japanese yen	40.9	40.6	20.4				101.9	502.1
Denominated in *reais.*	751.7	653.0	504.6	324.5	233.4	133.0	2,600.2	2,607.6
Loans and financings (excluding debentures) before proportional consolidation.	1,512.6	1,138.0	1,266.9	1,213.0	810.6	3,025.8	8,966.9	12,036.9
Loans and financings, of proportionally consolidated companies.	5.0	4.3				5.9	15.2	15.2
Total loans and financings (excluding debentures)	1,517.6	1,142.3	1,266.9	1,212.9	810.6	3,031.8	8,982.1	12,052.1
Debentures:								
Denominated in *reais*.	316.7	500.0					816.7	822.4
Total debentures, including current portion	316.7	500.0					816.7	822.4
ASSETS:								
Cash and cash equivalents and other investments:								
Denominated in U.S. dollars	1,311.3						1,311.3	1,311.3
Denominated in *reais*.	1,762.9						1,762.9	1,762.9
Cash and cash equivalents and other investments, before proportional consolidation.	3,074.2						3,074.2	3,074.2
Cash and cash equivalents and other investments of proportionally consolidated companies.	74.0						74.0	74.0
Total cash and cash equivalents and other investments	3,148.2						3,148.2	3,148.2

(1) Represents the net present value of the future cash flows from the obligations converted into *reais* at fair market value at December 31, 2009.

Our foreign currency exposures give rise to market risks associated with exchange rate movements of the *real* against the U.S. dollar. Foreign currency-denominated liabilities at December 31, 2009 consisted primarily of U.S. dollar-denominated debt. Our U.S. dollar-denominated debt, including short-term debt and current portion of long-term debt, was R$6,264.8 million (US$3,598.0 million) at December 31, 2009 and R$8,954.9 million (US$3,831.8 million) at December 31, 2008. This foreign currency exposure is represented by debt in the form of notes, bonds, pre-export finance facilities and working capital loans. Our cash and funds available in U.S. dollars partially protect us against exposure arising from the U.S. dollar-denominated debt.

In the event that the *real* were to devalue by 10% against the U.S. dollar during 2010 as compared to the *real*/U.S. dollar exchange rate at December 31, 2009, our financial expenses indexed to the dollar in 2010 would increase by approximately R$892.7 million, and our financial income would increase by approximately R$130.4 million.

Commodity Prices

We do not currently hedge our exposure to changes in prices of naphtha, our principal raw material, which are linked to international market prices denominated in U.S. dollars of naphtha and other petroleum derivatives. We do not hedge this exposure, in part, because a portion of our sales are exports payable in foreign currencies and linked to the international market prices of these commodities denominated in U.S. dollars and, in part, because the prices of our polyethylene, polypropylene and PVC products sold in domestic markets generally reflect changes in the international market prices of these products denominated in U.S. dollars, converted into *reais*. 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 can effectively pass on the resulting increased cost in *reais* to our customers in Brazil. Accordingly, if the U.S. dollar price of naphtha increases precipitously or the *real* devalues 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 could materially adversely affect our results of operations and financial condition. See Risk Factors Risks Relating to Our Company and the Petrochemical Industry.

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ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

The depositary, The Bank of New York Mellon, collects its fees for the delivery and surrender of ADSs directly from investors depositing shares or surrendering ADSs or from intermediaries acting for them. The depositary also collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The depositary may collect its annual fee for depositary services by deductions from cash distributions or by directly billing investors or by charging the book-entry system accounts of participants acting for them. The depositary may generally refuse to provide fee-attracting services until its fees for those services are paid.

Persons depositing or withdrawing shares must pay:

- US$5.00 (or less) per 100 ADSs (or portion of 100 ADSs) for the issuance of ADSs, including issuances resulting from a distribution of shares or rights or other property;

- US$5.00 (or less) per 100 ADSs (or portion of 100 ADSs) for the cancellation of ADSs for the purpose of withdrawal, including in the event of the termination of the deposit agreement;

- US$0.02 (or less) per ADS (or portion thereof) for any cash distribution;

- in the event of distributions of securities (other than our Class A preferred shares), a fee equivalent to the fee for the execution and delivery of ADRs referred to above which would have been charged, as a result of the deposit of such securities (treating such securities as Class A Preferred Shares for the purposes of this fee);

- registration or transfer fees for the transfer and registration of shares on our share register to or from the name of the depositary or its agent when you deposit or withdraw shares;

- expenses of the depositary for (1) cable, telex and facsimile transmissions (when expressly provided in the deposit agreement) and (2) converting foreign currency to U.S. dollars;

- taxes and other governmental charges the depositary or the custodian have to pay on any ADS or share underlying an ADS, for example, stock transfer taxes, stamp duty or withholding taxes, as necessary; and

- any charges incurred by the depositary or its agents for servicing the deposited securities, as necessary.

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Subject to certain terms and conditions, the Bank of New York Mellon has agreed to reimburse us for certain expenses it incurs that are related to establishment and maintenance expenses of the ADS program, including the standard out-of-pocket maintenance costs for the ADRs, which consist of the expenses of postage and envelopes for mailing annual and interim financial reports, printing and distributing dividend checks, electronic filing of U.S. Federal tax information, mailing required tax forms, stationery, postage, facsimile, and telephone calls. There are limits on the amount of expenses for which the depositary will reimburse us, but the amount of reimbursement available to us is not necessarily tied to the amount of fees the depositary collects from investors.

During the year ended December 31, 2009, we received from the depositary of our ADSs approximately US$683 thousand which was used for general corporate purposes such as the payment of costs and expenses associated with (1) the preparation and distribution of proxy materials, (2) the preparation and distribution of marketing materials and (3) consulting and other services related to investor relations.

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PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

Not applicable.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

Not applicable.

ITEM 15. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Our chief executive officer and our chief financial officer are responsible for establishing and maintaining our disclosure controls and procedures. These controls and procedures were designed to ensure that information that we are required to disclose in the reports that we file under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the applicable rules and forms of the SEC, and that it is accumulated and communicated to our management, including our chief executive officer and our chief financial officer , as appropriate to allow timely decisions regarding required disclosure. We performed an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2009 under the supervision of our chief executive officer and our chief financial officer . Based on our evaluation, our chief executive officer and our chief financial officer concluded that our disclosure controls and procedures were effective as of December 31, 2009.

Management s Annual Report on Internal Control over Financial Reporting and Report of Independent Registered Public Accounting Firm

We are filing herewith our management s report on internal control over financial reporting and the opinion thereon issued by our independent registered public accounting firm. Our management s report on internal control over financial reporting is included in this annual report on page F-2 and the opinion issued by our independent registered public accounting firm is included in the report of PricewaterhouseCoopers Auditores Independentes that is included in this annual report on page F-4.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting that occurred during the year ended December 31, 2009 that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

Our fiscal council currently includes an audit committee financial expert within the meaning of this Item 16A. Our fiscal council has determined that Marcos Antonio Silva Menezes is our fiscal council financial expert. Mr. Menezes biographical information is included in Item 6. Directors, Senior Management and Employees Directors and Senior Management Fiscal Council. Mr. Menezes is independent, as that term is defined in Rule 303A.02 of the New York Stock Exchange s Listed Company Manual.

ITEM 16B. CODE OF ETHICS

We have adopted a code of ethics that applies to members of our board of directors, fiscal council and board of executive officers, as well as to our other employees. A copy of our code of ethics may be found on our website at www.braskem.com.br. The information included on our website or that might be accessed through our website is not included in this annual report and is not incorporated into this annual report by reference.

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ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Audit and Non-Audit Fees

The following table sets forth the fees billed to us by our independent registered public accounting firm, PricewaterhouseCoopers Auditores Independentes, during the fiscal years ended December 31, 2009 and 2008.

	Year ended December 31,	
	2009	2008
	(in millions of *reais*)	
Audit fees(1)	R$6.7	R$11.9
Audit-related fees(2)	0.1	1.6
Tax fees(3)	0.1	1.0
All other fees.		
Total fees.	R$6.9	R$14.5

(1) Audit fees consist of the aggregate fees billed by PricewaterhouseCoopers Auditores Independentes in connection with the audit of our annual financial statements, interim audits, interim reviews of our quarterly financial information, issuance of comfort letters, procedures as related to audit of income tax provisions and related reserves in connection with the audit and review of financial statements and review of documents filed with the CVM and the SEC.

(2) Audit-related fees consist of the aggregate fees billed by PricewaterhouseCoopers Auditores Independentes for internal control reviews.

(3) Tax fees consist of the aggregate fees billed by PricewaterhouseCoopers Auditores Independentes for tax compliance reviews.

Pre-Approval Policies And Procedures

Our fiscal council and board of directors have approved an Audit and Non-Audit Services Pre-Approval Policy that sets forth the procedures and the conditions pursuant to which services proposed to be performed by our independent auditors may be pre-approved. This policy is designed to (1) provide both general pre-approval of certain types of services through the use of an annually established schedule setting forth the types of services that have already been pre-approved for a certain year and, with respect to services not included in an annual schedule, special pre-approval of services on a case by case basis by our fiscal council and our independent auditors, and (2) assess compliance with the pre-approval policies and procedures. Our management periodically reports to our fiscal council the nature and scope of audit and non-audit services rendered by our independent auditors and is also required to report to our fiscal council any breach of this policy of which our management is aware.

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

We are relying on the general exemption from the listing standards relating to audit committees contained in Rule 10A-3(c)(3) under the Exchange Act for the following reasons:

- we are a foreign private issuer that has a fiscal council, which is a board of auditors (or similar body) established and selected pursuant to and as expressly permitted under Brazilian law;

- Brazilian law requires our fiscal council to be separate from our board of directors;

- members of our fiscal council are not elected by our management, and none of our executive officers is a member of our fiscal council;

- Brazilian law provides standards for the independence of our fiscal council from our management;

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- our fiscal council, in accordance with its charter, makes recommendations to our board of directors regarding the appointment, retention and oversight of the work of any registered public accounting firm engaged (including, the intermediation of disagreements between our management and our independent auditors regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for our company, as Brazilian law requires that our board of directors appoint, retain and oversee the work of our independent public accountants;

- our fiscal council (1) has implemented procedures for receiving, retaining and addressing complaints regarding accounting, internal control and auditing matters, including the submission of confidential, anonymous complaints from employees regarding questionable accounting or auditing, and (2) has authority to engage independent counsel and other advisors as it determines necessary to carry out its duties; and

- our company compensates our independent auditors and any outside advisors hired by our fiscal council and provides funding for ordinary administrative expenses incurred by the fiscal council in the course of its duties.

We do not believe that our reliance on this general exemption will materially adversely affect the ability of our fiscal council to act independently and to satisfy the other requirements of the listing standards relating to audit committees contained in Rule 10A-3 under the Exchange Act.

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

On February 19, 2008, we announced that our board of directors had authorized a share repurchase program under which we were authorized to repurchase up to 19,862,411 class A preferred shares at market prices over the BM&FBOVESPA at any time and from time to time from March 6, 2008 through March 6, 2009. As of December 31, 2008, we had repurchased 10,099,500 of our class A preferred shares under this program and we were authorized to repurchase an additional 9,762,911 of our class A preferred shares under this program on or prior to March 6, 2009. We did not make any repurchases under this program in the year ended December 31, 2009 and this program has expired.

ITEM 16F. CHANGE IN REGISTRANT S CERTIFYING ACCOUNTANT

Not Applicable.

ITEM 16G. CORPORATE GOVERNANCE

On November 4, 2003, the SEC approved the final corporate governance rules established by the NYSE. According to these rules, foreign private issuers that are listed on the NYSE, such as Braskem, are subject to a more limited set of corporate governance requirements than those imposed on U.S. domestic issuers. As a foreign private issuer, Braskem must comply with the following four requirements imposed by the NYSE:

- Braskem must satisfy the audit committee requirements of Rule 10A-3 under the Exchange Act;

- Braskem s Chief Executive Officer must promptly notify the NYSE in writing if any executive officer of Braskem becomes aware of any material non-compliance with any of the applicable NYSE corporate governance rules;

- Braskem must provide a brief description of any significant ways in which Braskem s corporate governance practices differ from those required to be followed by U.S. domestic issuers under the NYSE corporate governance

rules; and

- Braskem must submit an executed written affirmation annually to the NYSE and an interim written affirmation to the NYSE each time a change occurs to Braskem s board of directors or any committees of Braskem s board of directors that are subject to Section 303A, in each case in the form specified by the NYSE.

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Significant Differences

The significant differences between Braskem s corporate governance practices and the NYSE s corporate governance standards are mainly due to the differences between the U.S. and Brazilian legal systems. Braskem must comply with the corporate governance standards set forth under the Brazilian Corporation Law, the rules of the CVM and the applicable rules of the BM&FBOVESPA, as well as those set forth in Braskem s bylaws.

The significant differences between Braskem s corporate governance practices and the NYSE s corporate governance standards are set forth below.

Independence of Directors and Independence Tests

In general, the NYSE corporate governance standards require listed companies to have a majority of independent directors and set forth the principles by which a listed company can determine whether a director is independent. However, under the NYSE corporate governance standards, a listed company (whether U.S or foreign) of which more than 50% of the voting power is held by another company (a controlled company), need not comply with the following NYSE corporate governance standards:

- A controlled company need not have a majority of independent directors;

- A controlled company need not have a nominating/corporate governance committee composed of independent directors with a charter that complies with the NYSE corporate governance rules; and

- A controlled company need not have a compensation committee composed of independent directors with a charter that complies with the NYSE corporate governance rules.

Because a majority of the voting power of Braskem s capital stock is directly controlled by Odebrecht, Braskem is a controlled company, and would therefore not be required to have a majority of independent directors if it were a U.S. domestic issuer.

Although Brazilian Corporation Law and Braskem s by-laws establish rules in relation to certain qualification requirements of its directors, neither Brazilian Corporation Law nor Braskem s by-laws require that Braskem have a majority of independent directors nor require Braskem s board of directors or management to test the independence of Braskem s directors before such directors are appointed.

Executive Sessions

The NYSE corporate governance standards require non-management directors of a listed company to meet at regularly scheduled executive sessions without management.

According to the Brazilian Corporation Law, up to 1/3 of the members of Braskem s board of directors can be elected to management positions. The remaining non-management directors are not expressly empowered to serve as a check on Braskem s management, and there is no requirement that those directors meet regularly without management. Notwithstanding the foregoing, Braskem s board of directors consists entirely of non-management directors, and therefore Braskem believes it would be in compliance with this NYSE corporate governance standard.

Nominating/Corporate Governance and Compensation Committees

The NYSE corporate governance standards require that a listed company have a nomination/corporate governance committee and a compensation committee, each composed entirely of independent directors and each with a written charter that addresses certain duties. However, as a controlled company, Braskem would not be required to comply with these requirements if it were a U.S. domestic company.

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Braskem is not required under Brazilian law to have, and accordingly does not have, a nominating/corporate governance committee. Currently, all of Braskem s directors are nominated by certain of its shareholders, including Odebrecht, pursuant to shareholders agreements and Braskem s Bylaws.

Braskem is not required under Brazilian law to have a compensation committee. However, Braskem has a personnel and organization committee, which is a subcommittee of its board of directors which is responsible for, among other things, analyzing proposals and making recommendations to Braskem s board of directors with respect to the total compensation paid to Braskem s management, including Braskem s chief executive officer. This committee, however, does not evaluate the performance of the chief executive officer in light of corporate goals and objectives. Under Brazilian Corporation Law, Braskem s shareholders establish the aggregate compensation of its directors and executive officers, including benefits and allowances, at a general shareholder s meeting based on the recommendation of Braskem s board of directors.

Audit Committee and Audit Committee Additional Requirements

The NYSE corporate governance standards require that a listed company have an audit committee with a written charter that addresses certain specified duties and that is composed of at least three members, all of whom satisfy the independence requirements of Rule 10A-3 under the Exchange Act and Section 303A.02 of the NYSE s Listed Company Manual.

As a foreign private issuer that qualifies for the general exemption from the listing standards relating to audit committees set forth in Section 10A-3(c)(3) under the Exchange Act, Braskem is not subject to the independence requirements of the NYSE corporate governance standards. See Item 16D. Exemptions From The Listing Standards For Audit Committees.

Shareholder Approval of Equity Compensation Plans

The NYSE corporate governance standards require that shareholders of a listed company must be given the opportunity to vote on all equity compensation plans and material revisions thereto, subject to certain exceptions.

Under Brazilian Corporation Law, shareholder pre-approval is required for the adoption and revision of any equity compensation plans. Braskem does not currently have and does not currently expect to implement any equity compensation plans.

Corporate Governance Guidelines

The NYSE corporate governance standards require that a listed company must adopt and disclose corporate governance guidelines that address certain minimum specified standards which include: (1) director qualification standards; (2) director responsibilities; (3) director access to management and independent advisors; (4) director compensation; (5) director orientation and continuing education; (6) management succession; and (7) annual performance evaluation of the board of directors.

Braskem has adopted the BM&FBOVESPA s corporate governance rules for Level 1 companies and must also comply with certain corporate governance standards set forth under Brazilian Corporation Law. See Item 9. The Offer and the Listing Regulation of Brazilian Securities Markets BM&FBOVESPA Corporate Governance Standards. The Level 1 rules do not require Braskem to adopt and disclose corporate governance guidelines covering the matters set forth in the NYSE s corporate governance standards. However, certain provisions of Brazilian Corporation Law that are applicable to Braskem address certain aspects of director qualifications standards and director responsibilities.

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Code of Business Conduct and Ethics

The NYSE corporate governance standards require that a listed company must adopt and disclose a code of business conduct and ethics for directors, officers and employees and promptly disclose any waivers of the code for directors or officers. Each code of business conduct and ethics should address the following matters: (1) conflicts of interest; (2) corporate opportunities; (3) confidentiality; (4) fair dealing; (5) protection and proper use of company assets; (6) compliance with laws, rules and regulations (including insider trading laws); and (7) encouraging the reporting of any illegal or unethical behavior.

Although the adoption of a code of ethics is not required by Brazilian law, Braskem has adopted a code of ethics applicable to its directors, officers and employees, which addresses each of the items listed above. Braskem s code of ethics is available on Braskem s website at www.braskem.com.br. The information included on our website or that might be accessed through our website is not included in this annual report and is not incorporated into this annual report by reference. No waivers of the provisions of the code of ethics are permitted, except that the restrictions on outside activities do not apply to Braskem s directors and members of its fiscal council.

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PART III

ITEM 17. FINANCIAL STATEMENTS

We have responded to Item 18 in lieu of responding to this item.

ITEM 18. FINANCIAL STATEMENTS

Reference is made to Item 19 for a list of all financial statements filed as part of this annual report.

ITEM 19. EXHIBITS

(a) Financial Statements

Braskem Financial Statements

Management s Report on Internal Controls over Financial Reporting.	F-2
Report of Independent Registered Public Accounting Firm.	F-3
Consolidated Balance Sheets as of December 31, 2009 and 2008.	F-5
Consolidated Statements of Operations for the years ended December 31, 2009, 2008 and 2007	F-7
Statements of Changes in Shareholders Equity for the years ended December 31, 2009, 2008 and 2007	F-8
Consolidated Statements of Cash Flows for the years ended December 31, 2009, 2008 and 2007.	F-9
Consolidated Statements of Value Added for the years ended December 31, 2009, 2008 and 2007.	F-11
Notes to the Consolidated Financial Statements.	F-12

Copesul Financial Statements

Unaudited Consolidated Balance Sheet at March 31, 2007 and December 31, 2006.	F-143
Unaudited Interim Consolidated Statement of Income for the three month periods ended March 31, 2007 and 2006.	F-144
Unaudited Interim Statement of Changes in Shareholders Equity for the three month periods ended March 31, 2007 and 2006	F-145

Unaudited Interim Consolidated Statement of Changes in Financial Position for the three month periods ended March 31, 2007 and 2006. F-146
Unaudited Interim Consolidated Statement of Cash Flows for the three months ended March 31, 2007 and 2006. F-147
Notes to the Consolidated Financial Statements. F-148

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(b) List of Exhibits

Exhibit Number	Exhibit
1.01	By-laws, as amended (English translation).
2.01	Amended and Restated Deposit Agreement, dated as of March 3, 2008, among Braskem S.A., The Bank of New York and all and all Owners and holders from time to time of American Depositary Shares issued thereunder (incorporated by reference to Exhibit 1 to Form F-6 of Braskem S.A. filed on February 22, 2008).
2.02	The total amount of long-term debt securities of our company and its subsidiaries under any one instrument does not exceed 10% of the total assets of our company and its subsidiaries on a consolidated basis. We agree to furnish copies of any or all such instruments to the SEC upon request.
3.01	Shareholders Agreement of BRK Investimentos Petroquímicos S.A. and Braskem S.A., dated as of February 8, 2010, among Odebrecht S.A., Odebrecht Serviços e Participações S.A., Petróleo Brasileiro S.A. Petrobras, and Petrobras Química S.A. Petroquisa, and BRK Investimentos Petroquímicos S.A. and Braskem S.A., as intervening parties (English translation).
3.02	Memorandum of Understanding Regarding Shareholders Agreement, dated July 20, 2001, among Odebrecht Química S.A., Petroquímica da Bahia S.A., PETROS Fundação Petrobras de Seguridade Social and PREVI Caixa de Previdência dos Funcionários do Banco do Brasil (English translation) (incorporated by reference to Exhibit 3.05 to Form 20-F of Braskem S.A. filed on June 30, 2003).
3.03	Shareholders Agreement Entered into between the Controlling Shareholders of Trikem S.A. and BNDES Participações S.A. BNDESPAR, with Trikem S.A acting as Intervening Party (English translation) (incorporated by reference to Exhibit 3.3 to Form 20-F of Braskem S.A. filed on June 30, 2008).
3.04	Fourth Addendum to the Shareholders Agreement Entered into between the Controlling Shareholders of Trikem S.A. and BNDES Participações S.A. BNDESPAR (English translation)(incorporated by reference to Exhibit 3.4 to Form 20-F of Braskem S.A. filed on June 30, 2008).
4.01	Protocol and Justification of Merger of Petroquímica Triunfo S.A. into Braskem S.A. dated April 7, 2009 (English translation)(incorporated by reference to Form 6-K of Braskem S.A. filed on April 15, 2009).
4.02	Investment Agreement, dated as of January 22, 2010, among Odebrecht S.A., Odebrecht Serviços e Participações S.A., Petróleo Brasileiro S.A. Petrobras, Petrobras Química S.A. Petroquisa, Braskem S.A. and UNIPAR União de Indústrias Petroquímicas S.A. (English translation).
4.03	Braskem S.A. Long-Term Incentive Plan (English translation)(incorporated by reference to Exhibit 4.23 to Form 20-F of Braskem S.A. filed on June 23, 2006).
4.04	Amendment and Restatement of Section 7 of Braskem s Long-Term Incentive Plan, adopted at Extraordinary Shareholder s Meeting on April 7, 2006 (English translation)(incorporated by reference to

Exhibit 4.24 to Form 20-F of Braskem S.A. filed on June 23, 2006).

8.01 List of subsidiaries (incorporated by reference to note 4 to our audited consolidated financial statements included elsewhere in this annual report).

12.01 Certification of Principal Executive Officer dated May 28, 2010 pursuant to Exchange Act Rules 13a-15(e) and 15d-15(e).

12.02 Certification of Principal Financial Officer dated May 28, 2010 pursuant to Rules 13a-15(e) and 15d-15(e).

13.01 Certifications of Principal Executive Officer and Principal Financial Officer dated May 28, 2010 pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

June 1, 2010

BRASKEM S.A.

By /s/ Bernardo Gradin
Name: Bernardo Gradin
Title: Chief Executive Officer

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MANAGEMENT S REPORT ON INTERNAL CONTROLS OVER FINANCIAL REPORTING

The management of Braskem S.A. ("Braskem" or the "Company"), including the CEO and CFO, is responsible for establishing and maintaining adequate internal controls over financial reporting.

The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. The Company's internal control over financial reporting includes those policies and procedures that (a) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (b) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (c) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of the effectiveness of internal control to future periods are subject to the risk that controls may become inadequate because of changes in conditions, and that the degree of compliance with the policies or procedures may deteriorate.

Braskem's management has assessed the effectiveness of the Company's internal controls over financial reporting as of December 31, 2009 based on the criteria established in Internal Control - "Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") and, based on such criteria, Braskem's management has concluded that, as of December 31, 2009, the Company's internal control over financial reporting is effective.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2009 has been audited by PricewaterhouseCoopers Auditores Independentes, an independent registered public accounting firm, as stated in their report which appears herein.

May 28, 2010

By:	/s/ Bernardo Afonso de Almeida Gradin	/s/ Marcela Aparecida Drehmer Andrade
	Bernardo Afonso de Almeida Gradin	Marcela Aparecida Drehmer Andrade
	Chief Executive Officer	Chief Financial Officer

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Braskem S.A.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, of changes in shareholders' equity, of cash flows and of value added present fairly, in all material respects, the financial position of Braskem S.A. and its subsidiaries at December 31, 2009 and 2008, and the results of their operations, their cash flows and their value added for each of the three years in the period ended December 31, 2009, in conformity with accounting practices adopted in Brazil. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2009, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying "Management's Report on Internal Control Over Financial Reporting". Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Accounting practices adopted in Brazil vary in certain significant respects from accounting principles generally accepted in the United States of America ("U.S. GAAP"). Information relating to the nature and effect of such differences is presented in Note 35 to the consolidated financial statements.

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A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Salvador, Brazil, May 31, 2010.

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5

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Braskem S.A. and Its Subsidiaries

Consolidated Balance Sheets at December 31
In millions of reais

Assets	**Note**	**2009**	**2008 Retrospectively revised**
Current assets			
Cash and cash equivalents	4	2,663.6	2,429.7
Other investments	5	466.8	518.9
Trade accounts receivable	6	1,297.1	996.2
Inventories	7	1,919.1	2,948.1
Taxes recoverable	9	505.9	610.7
Deferred income tax and social contribution	20(b)	59.2	59.6
Prepaid expenses	10	22.3	65.8
Other receivables		113.3	123.1
		7,047.3	7,752.1
Non-current assets			
Long-term receivables			
Other investments	5	17.8	11.6
Trade accounts receivable	6	58.8	47.1
Hedge accounting operations		5.3	-
Inventories	7	29.3	20.6
Taxes recoverable	9	1,259.8	1,201.8
Deferred income tax and social contribution	20(b)	973.4	654.5
Judicial deposits and compulsory loan	11	154.6	120.1
Related parties	8	100.7	45.9
Other assets		69.2	46.1
		2,668.9	2,147.7
Permanent assets			

Investments			
Associated companies	12	20.7	23.0
Other investments		8.6	13.8
Property, plant and equipment	13	10,044.2	10,278.4
Intangible assets, including goodwill	14	2,336.0	2,378.7
Deferred charges	15	71.6	108.2
		12,481.1	12,802.1
Total assets		22,197.3	22,701.9

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Braskem S.A. and Its Subsidiaries

Consolidated Balance Sheets at December 31
In millions of reais **(continued)**

Liabilities and shareholders' equity	**Note**	**2009**	**2008 Retrospectively revised**
Current liabilities			
Suppliers		3,823.5	4,906.7
Loans and financing	17	1,504.1	2,120.0
Debentures	18	316.7	26.3
Salaries and payroll charges		270.0	218.1
Taxes, charges and contributions		1,171.5	105.6
Hedge operations	25	52.6	31.5
Income tax and social contribution		-	0.3
Interest on own capital and dividends payable	21	2.9	6.6
Advances from customers		29.8	49.0
Other liabilities	22	135.4	141.1
		7,306.5	7,605.2
Non-current liabilities			
Suppliers		23.2	18.7
Loans and financing	17	7,439.3	9,039.8
Debentures	18	500.0	800.0
Hedge operations	25	31.6	77.9
Taxes and contributions	19	1,218.5	1,231.2
Long-term incentives	21	7.7	10.4
Deferred income tax and social contribution	20(b)	848.8	23.3
Private pension plans	31	23.2	20.0
Other liabilities	22	206.0	195.6
		10,298.3	11,416.9

Shareholders' equity	23		
Capital		5,473.2	5,375.8
Capital reserves		416.7	396.1
Fair-value adjustments		(66.3)	(102.1)
Treasury shares		(11.9)	-
Accumulated deficit		(1,219.2)	(1,990.0)
		4,592.5	3,679.8
Total liabilities and shareholders' equity		22,197.3	22,701.9

The accompanying notes are an integral part of these financial statements

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Braskem S.A. and Its Subsidiaries

Consolidated Statements of Operations at December 31

In millions of reais

	Note	2009	2008	2007 Retrospectively revised
Gross sales				
Domestic market		15,038.2	18,736.3	17,912.6
Foreign market		4,427.7	4,284.1	4,524.8
Taxes, freight and returns on sales		(4,217.6)	(5,060.9)	(4,794.9)
Net sales revenue		15,248.3	17,959.5	17,642.5
Cost of sales and services rendered		(12,664.8)	(15,140.8)	(14,331.4)
Gross profit		2,583.5	2,818.7	3,311.1
Operating expenses (income)				
Selling		535.6	492.7	554.2

General and administrative		638.3	674.4	684.5
Depreciation and amortization		123.7	543.6	486.6
Other operating income, net	27	(134.2)	(86.0)	(131.5)
		1,163.4	1,624.7	1,593.8
Operating profit before equity accounting and financial income		1,420.1	1,194.0	1,717.3
Equity accounting				
Equity in the results of investees		(5.4)	(10.9)	(0.1)
Amortization of (goodwill)/negative goodwill, net		-	(40.4)	(74.0)
Provision for loss		(6.7)	(9.7)	(0.9)
Other		-	(2.7)	10.4
		(12.1)	(63.7)	(64.6)
Financial income (expenses)	26			
Financial expenses		694.0	(4,403.1)	212.1
Financial income		(328.0)	718.6	(588.8)
		366.0	(3,684.5)	(376.7)
Operating profit (loss)		1,774.0	(2,554.2)	1,276.0
Other income and expenses, net	28	(132.5)	(158.7)	(67.2)
Profit before income tax and social contribution		1,641.5	(2,712.9)	1,208.8
Income tax and social contribution				
Current		(11.4)	(23.6)	(224.1)
Social contribution - Financing Law No. 11,941/09		(339.3)	-	-
Deferred		(523.0)	301.8	(103.3)
Income (loss) before minority interests		767.8	(2,434.7)	881.4
Statutory employees' profit sharing		-	(18.9)	(18.7)
Minority interests		-	(38.5)	(240.9)
Net income (loss) for the year		767.8	(2,492.1)	621.8
Shares outstanding at the end of the year (thousands)		519,422	507,541	432,838

Net income (loss) per share at year end - R$	1.4782	(4.9101)	1.4366

The accompanying notes are an integral part of these financial statements

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Braskem S.A. and Its Subsidiaries

Statements of Changes in Shareholders' Equity

In millions of reais

			Capital reserve			Revenue reserve			
	Note	Capital	Tax incentives	Other	Legal reserve	Tax incentives	Profit retention	Fair value adjustments	Treasur share
Adjusted balances at January 1, 2007		3,508.3	396.2	0.6	72.8	11.9	676.0	-	(255.6
Capital increase	23(a)	1,132.7	-	-	-	-	-	-	(2.0
Dividends not redeemed and expired		-	-	-	-	-	-	-	
Transfer to reserve		-	-	-	-	-	0.2	-	
Fair value adjustments	23(g)	-	-	-	-	-	-	-	
Net income for the year		-	-	-	-	-	-	-	
Appropriations		-	-	-	-	-	-	-	
Legal reserve		-	-	-	27.2	-	-	-	
Tax incentives reserve	23(c)	-	-	-	-	49.5	-	-	
Proposed dividends	23(f)	-	-	-	-	-	-	-	
Transfer to profit retention reserve	23(f)	-	-	-	-	-	237.6	-	
At December 31, 2007		4,641.0	396.2	0.6	100.0	61.4	913.8	-	(257.6
Capital increase	23(a)	734.8	-	-	-	-	-	-	
		-	-	-	-	-	-	-	

Dividends not redeemed and expired									
Repurchase of shares	23(d)	-	-	-	-	-	-	-	(186.8
Cancellation of shares	23(d)	-	-	-	-	-	(444.4)	-	444.
Reversal of tax incentives	23(c)	-	(0.7)	-	-	-	-	-	
Fair value adjustments	23(g)	-	-	-	-	-	-	(102.1)	
Loss for the year		-	-	-	-	-	-	-	
Appropriations		-	-	-	-	-	-	-	
Profit retention reserve	23(f)	-	-	-	-		(469.4)	-	
Tax incentive reserve	23(c)	-	-	-	-	(61.4)	-	-	
Legal reserve	23(f)	-	-	-	(100.0)	-	-	-	
Others		-	-	-	-	-	-	-	
At December 31, 2008		5,375.8	395.5	0.6	-	-	-	(102.1)	
Capital increase	23(a)	97.4	-	-	-	-	-	-	
Dividends not redeemed and expired		-	-	-	-	-	-	-	
Treasury stock	23(d)	-	-	-	-	-	-	-	(11.9
Goodwill reserve	1(b.6)	-	-	20.6	-	-	-	-	
Fair value adjustment	23(g)	-	-	-	-	-	-	35.8	
Net income for the year		-	-	-	-	-	-	-	
At December 31, 2009		5,473.2	395.5	21.2	-	-	-	(66.3)	(11.9

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

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Braskem S.A. and Its Subsidiaries

Consolidated Statements of Cash Flow
Years Ended December 31
In millions of reais

	2009	2008 Retrospectively revised	2007 Retrospectively revised
Net income (loss) before income tax and social contribution	1,641.5	(2,712.9)	1,208.8
Adjustment to reconcile net income to cash provided			
Depreciation, amortization and depletion	1,054.6	1,224.3	1,178.9
Amortization of goodwill, net	6.8	40.4	106.2
Equity in results of associated companies	5.4	10.9	0.1
Adjustments to realization value of investments	(2.7)	2.7	(11.6)
Loss on disposal and impairment of permanent assets	79.5	48.0	30.0
Exclusion of the gain on assignment of right of use among associated companies	4.8	35.8	-
Interest and monetary and exchange variations, net	(1,003.8)	3,275.1	(78.2)
Other	-	(17.1)	(49.6)
	1,786.1	1,907.2	2,384.6
Cash generation before changes in operating working capital	1,786.1	1,907.2	2,384.6
Decrease (increase) in assets			
Other investments	(40.3)	(102.6)	253.9
Trade accounts receivable	(252.2)	492.8	220.3
Inventories	1,062.4	(681.7)	28.3
Taxes recoverable	93.2	(205.3)	203.4
Prepaid expenses	44.4	7.3	48.4
Dividends received	2.3	8.8	2.0
Judicial deposits	-	-	(17.1)
Other receivables	(44.7)	(19.5)	58.0

Increase (decrease) in liabilities			
Suppliers	(1,092.3)	1,962.4	286.2
Taxes and contributions payable	388.8	17.2	(178.9)
Tax incentives	(2.7)	5.6	53.1
Advances from customers	(19.2)	25.6	(12.2)
Other liabilities	58.0	(27.3)	(7.5)
Cash arising from transactions	1,983.8	3,390.5	3,322.5
Interest paid	(594.7)	(643.3)	(541.1)
Income taxes and contributions payable	(24.0)	(121.0)	(377.4)
Net cash provided by operating activities	1,365.1	2,626.2	2,404.0
Proceeds from sale of permanent assets	2.9	250.2	28.8
Acquisitions of property, plant and equipment	(829.8)	(1,404.2)	(1,277.2)
Acquisitions of subsidiaries	(5.5)	(653.8)	(1,345.5)
Acquisitions of intangible asset	(17.5)	(278.1)	(1,155.4)
Deferred charges	-	(56.6)	(23.6)
Effect of cash from subsidiaries acquired	7.0	58.9	193.8
Net cash used in investing activities	(842.9)	(2,083.6)	(3,579.1)

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Braskem S.A. and Its Subsidiaries

Consolidated Statements of Cash Flow
Years Ended December 31
In millions of reais **(continued)**

	2009	2008 Retrospectively revised	2007 Retrospectively revised
Short-term debt			
Issuances	1,401.7	2,659.3	4,339.5
Repayment	(1,577.1)	(5,164.7)	(5,895.8)
Long-term debt			

Issuances	1,212.1	4,330.4	3,579.8
Repayment	(1,324.1)	(1,353.0)	(399.6)
Related parties			
Issuances	-	-	2.0
Repayment	-	-	(5.8)
Dividends paid to shareholders and minorities	(0.9)	(301.0)	(43.8)
Share issuance	-	1.7	1.5
Repurchase of shares	-	(186.8)	(60.2)
Other	-	11.0	0.6
Net cash provided by (used in) financing activities	(288.3)	(3.1)	1,518.2
Increase (decrease) in cash and cash equivalents	233.9	539.5	343.1
Represented by			
Cash and cash equivalents, at the beginning of the year	2,429.7	1,890.2	1,547.1
Cash and cash equivalents, at the end of the year	2,663.6	2,429.7	1,890.2
Increase (decrease) in cash and cash equivalents	233.9	539.5	343.1

Major non-cash transactions

The main transactions not affecting cash have been excluded from the statement cash flows and are described below:

2009
Acquisition of Triunfo (Note 1 (b) (x))
Capitalization of advance for future capital increase of Isatec by Braskem.

2008
. Capital increase through merger of shares issued by Grust;
.. Effects from the mergers of Copesul and IPQ (Note 1 (b.3));
.. Capital reduction of Braskem Participações; and
.. Capitalization of advance for future capital increase of IPQ by Ipiranga Química.

2008 and 2007
Issue of Company shares and use of treasury shares to acquire minority interests in its subsidiaries made in three separate steps (See Notes 1(c) (ii) and (v) for the dates of the acquisitions) affecting minority interests and share capital in the amount of R$ 19.2 and R$ 105.3 for Politeno and Polialden respectively.

2007
Conversion of debentures into shares in the amount of R$ 1,113.6 under Brazilian GAAP (Note 21(a)).

Advance to Ultrapar as a result of the acquisition of preferred shares held by minority shareholders of companies acquired in the amount of R$ 633.5 under Brazilian GAAP. (Note 11(c)).

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

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Braskem S.A. and Its Subsidiaries

Consolidated Statements of Value Added
Years Ended December 31
In millions of reais

	2009	2008 Retrospectively revised	2007 Retrospectively revised
1. Revenues	19,261.8	22,685.6	22,203.0
Sales of goods, products and services	19,303.9	22,730.9	22,151.7
Other revenues (expenses) net	19.3	(33.1)	64.2
Allowance for doubtful accounts - expense	(61.4)	(12.2)	(12.9)
2. Inputs acquired from third parties	(15,213.4)	(19,024.1)	(18,098.1)
Costs of goods, products and services sold	(13,896.0)	(17,548.0)	(16,598.5)
Materials, electric power, services from third parties and others	(1,288.8)	(1,411.8)	(1,499.6)
Loss on assets	(28.6)	(64.3)	-
3. Gross value added (1-2)	4,048.4	3,661.5	4,104.9
4. Depreciation, amortization and depletion	(1,054.6)	(1,224.3)	(1,178.9)
5. Net value added produced by the Company (3-4)	2,993.8	2,437.2	2,926.0
6. Value added received in transfer	(339.8)	654.9	(653.4)
Equity in results of investees	(5.3)	(10.9)	(0.1)
Financial income	(328.0)	718.6	(588.8)
Others	(6.5)	(52.8)	(64.5)
7. Total value added to be distributed (5+6)	2,654.0	3,092.1	2,272.6
8. Distribution of value added			
Personnel	482.2	561.8	588.9
-Direct remuneration	360.0	439.2	491.7

-Benefits	83.4	84.5	67.7
-Employment Compensation Guarantee Fund (F.G.T.S)	38.8	38.1	29.5
Taxes and contributions	1,905.5	538.7	1,040.7
- Federal	1,585.1	221.3	1,478.5
- State	316.8	316.4	(444.0)
- Municipal	3.6	11.0	6.2
Remuneration of third parties' capital	(501.5)	4,445.2	(219.7)
Interest	(727.3)	4,351.0	(336.5)
Rental	225.8	94.2	116.8
Remuneration of shareholders' equity	767.8	(2,453.6)	862.7
- Interest on shareholders' equity/dividends			278.5
- Income (Loss) for the year and accumulated balances	767.8	(2,492.1)	(78.5)
Minority interest in retained profits	-	38.5	240.9
Legal reserve	-	-	27.3
Profit retention	-	-	241.8
Tax incentives	-	-	49.5
Adjustments from Law No. 11.638	-	-	103.2
Total value added to be distributed	2,654.0	3,092.1	2,272.6

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

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Braskem S.A. and Its Subsidiaries

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1 Operations

(a) Braskem S.A. ("Braskem" or the "Company") is a publicly-held corporation headquartered in Camaçari, State of Bahia, with 17 production units located in the States of Alagoas, Bahia, São Paulo and Rio Grande do Sul, that manufactures basic petrochemicals such as ethane, propene and benzene, in addition to gasoline and GPF (cooking gas). In the thermoplastic resins segment, the units produce polyethylene, polypropylene and PVC. Additionally, Braskem imports and exports products chemicals, petrochemicals, fuels and manufactures and supplies inputs used by companies located at the Northeast and Southern Petrochemical Complexes, such as steam, water, compressed air, electric energy. The Company also provides a number of services to and holds interests in other companies, as partner or shareholder. Braskem's parent company is Odebrecht S.A. which at December 31, 2009 held, directly and indirectly, 62.3% of the voting capital.

In May 2007, Braskem announced the deactivation of the DMT production unit and the temporary suspension of production of PET, both established at the Petrochemical Complex of Camaçari. At that time, a study was initiated for the possible retaking of production of PET from a new technological route that would guarantee competitive costs for the polyester chain in Brazil. Part of the equipment of the DMT unit has been used by other plants of the Company and part of it has been intended for disposal as scrap.

In December 2008, the Company announced withdrawal from its business relating to PET (polyethylene therephtholste) as studies initiated in 2007 indicated the unfeasibility of producing that resin on a competitive basis. The net book value of the remaining assets has been written off the statement of operations of the year ended 2008 (Notes 13(b) and 28).

In May 2009, the Company announced the suspension of the production of caprolactam, a raw material used in the manufacture of nylon 6 and the temporary closure of its plant located in the Northeast Petrochemical Complex. The decision was based on a through assessment of the business, taking into account difficulties experienced in the Brazilian caprolactam market in recent years, as well as the impacts of the global economic crisis. The Company is monitoring the development in the caprolactam market to ascertain a potential resumption of operations of this plant (Notes 13(b) and 28).

In September 2009, Varient Distribuidora de Resinas Ltda ("Varient") was formed to carry out the distribution of Braskem resins. This company was organized from the verification of assets of IQ Soluções & Química S.A. ("Quantiq"), the new corporate name of Ipiranga Química S.A.

In October 2009, the Company decided to cease operations, as from January 31, 2010, of its plant located in São Paulo, where PVC specialty resins were manufactured. The main raw material of this unit is MVC (vynyl monochloride) that is transferred from the Braskem plant located in Camaçari, State of Bahia. The logistics required to make this basic input available in São Paulo was considered as unfeasible. To maintain the sales of PVC resins, the Company began to import this product. The São Paulo unit will be maintained as a product distribution center with

capacity to store and distribute other Braskem resins in addition to PVC specialties.

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(b) Corporate Restructuring

Since its inception on August 16, 2002, the Company has undergone a major corporate restructuring process, disclosed to the market through material event notices. The major developments during 2007, 2008 and 2009 can be summarized as follows:

(i) Merger of Politeno Indústria e Comércio S.A. ("Politeno")

At the Extraordinary General Meeting held on April 2, 2007 shareholders approved the merger of Politeno, based on its shareholders' equity as of December 31, 2006, amounting to R$ 499.0. The exchange ratio of Politeno shares for Braskem shares was determined based on the companies' shareholders' equity at book value, based on appraisal reports issued by an independent appraisal firm.

The Company's share capital was increased by R$ 19.2 to R$ 3,527.4 through the issuance of 1,533,670 Class A preferred shares and now comprises 123,978,672 common, 247,154,278 Class A preferred and 803,066 Class B preferred shares.

In order to maintain the current capital structure of Braskem, comprising 1/3 common shares and 2/3 preferred shares, the conversion of 486,530 Class A preferred shares into common shares was approved.

The final amount paid for the shares was computed in November 2007, based on Politeno's average performance over the 18 months subsequent to the execution of the purchase and sale agreement, in accordance with the difference between the prices of polyethylene and those of ethylene in the Brazilian market, audited by an independent appraisal firm appointed by Braskem and the former shareholders of Politeno. The balance due from Braskem, amounting to R$ 247.5, was paid in January 2008 and as of December 31, 2007, was recorded in current liabilities under "Creditors for investments acquisition". This provision gave rise to goodwill of R$ 174.1.

(ii) Acquisition of Ipiranga Group

On April 18, 2007, Ultrapar Participações S.A. ("Ultrapar") for itself and acting as agent for the Company and Petróleo Brasileiro - S.A. - Petrobras ("Petrobras"), acquired for R$ 2,113.1 the equivalent to 66.2% of common shares and 13.9% of preferred shares issued by Refinaria de Petróleo Riograndense S.A. ("RPR"), 69.2% of common shares and 13.5% of preferred shares issued by Distribuidora de Produtos de Petróleo Ipiranga S.A. ("DPPI"), and 3.8% of common shares and 0.4% of preferred shares issued by Companhia Brasileira de Petróleo Ipiranga ("CBPI"), held by the controlling shareholders of the Ipiranga Group. The Company and Petrobras paid part of the purchase price (R$ 651.9) pursuant to an agency agreement among the parties.

Pursuant to the agreement among Ultrapar, Braskem and Petrobras, the Company now controls certain petrochemical assets, represented by IQ Soluções & Química S.A. ("IQ"), Ipiranga Petroquímica S.A. ("IPQ") and IPQ's interest in Companhia Petroquímica do Sul ("Copesul"). Assets associated with oil refining operations held by RPR are shared equally by Petrobras, Ultrapar and Braskem.

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Under the agreement, Ultrapar was responsible for carrying out a corporate reorganization of the acquired companies, with the purpose of segregating the assets assigned to each acquiring company. The stages of this process included the following:

(a) Tag-along public tender offer for the acquisition of the common shares of RPR, DPPI and CBPI;
(b) Merger of outstanding shares of RPR, DPPI and CBPI into Ultrapar; and
(c) Segregation of assets, as follows: (i) transfer of the petrochemical assets then held by Ultrapar, to be subsequently delivered to Braskem and Petrobras, in accordance with the agency agreement; and (ii) spin-off of CBPI in order to transfer the northern distribution assets to a subsidiary of Petrobras

As referred to in item (a) above, on October 22, 2007 a public tender offer auction was carried out for the acquisition of outstanding common shares of DPPI and RPR, at a price per share of R$ 112.9 and R$ 107.1, respectively. The acquisition included (i) 82% of outstanding common shares of RPR, thus increasing Ultrapar's interest in voting share capital from 61.6% to 93.1%, and (ii) 77% of outstanding common shares of DPPI, thus increasing Ultrapar's interest in voting share capital from 84.2% to 96.1%.The total amount disbursed was R$ 473.0, of which Braskem paid R$ 203.7.

The CBPI auction was conducted on November 8, 2007. The offer price was R$ 64.9 per share. Through a public tender offer on October 5, 2007 the Company's subsidiary EDSP58 Participações Ltda. ("EDSP58") acquired 34,040,927 common shares of Copesul for R$ 38.0 per share, representing 98.63% of the total shares eligible to participate in the offer. The financial settlement occurred on October 10, 2007 and the amount paid was approximately R$ 1,294.2, of which Braskem paid R$ 776.5. On October 18, 2007 the Brazilian Securities Commission (Comissão de Valores Mobiliários, or "CVM") approved the delisting of Copesul's common shares from the São Paulo Stock Exchange BOVESPA.

As less than 5% of Copesul's share capital remained outstanding, Copesul's board of directors negotiated directly with these shareholders and purchased their common shares, offering the same price per share that was offered in the public tender offer.

On December 6, 2007 the merger of EDSP58 into Copesul was approved. As a consequence, 35,710,357 common shares in Copesul held by EDSP58 were cancelled and Copesul's share capital was decreased by R$ 378.4, resulting in share capital at December 31, 2007 of R$ 531.6.

On June 28, 2007 Braskem's indirect subsidiary EDSP67 Participações S.A. acquired 100% of the outstanding shares of IPQ, representing 7.61% of its total share capital. Braskem paid R$ 117.9 for this acquisition. As a result of this acquisition, the CVM approved the delisting request of IPQ on July 18, 2007.

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(iii) Acquisition of shares and merger of Tegal

On April 30, 2007 Braskem acquired 3.11% and 1.06% of quotas in TEGAL - Terminal de Gases Ltda. ("Tegal"), owned by Oxiteno Nordeste S.A. Indústria e Comércio ("Oxiteno") and Dow Brasil Nordeste Industrial Ltda., respectively. Following the acquisition, Braskem held 100% of the capital of Tegal, a company located in the Aratu Port, at Camaçari, Bahia, that provides services for the storage and movement of liquefied gases. The amount paid by Braskem was R$ 1.1, giving rise to goodwill of R$ 0.5, fully amortized to the statement of operations, in accordance with CVM Instruction 247/96.

At the Extraordinary General Meeting held on July 31, 2007, shareholders approved the merger of Tegal, based on its shareholders' equity as of May 31, 2007, amounting to R$ 12.9. Changes in shareholders' equity between May 31, 2007 and the date of merger were recognized in the statement of operations of Braskem.

(iv) Conversion of ODBPAR INV S.A. Debentures

On June 18, 2007, Odebrecht S.A. ("Odebrecht"), through ODBPAR INV S.A. ("ODBPAR INV"), exercised its right to convert into shares of Braskem 100% of its 59,185 convertible subordinated debentures, in accordance with the indenture, upon maturity of the debentures. The debentures were converted into shares of Braskem on July 31, 2007 (Note 23(a)).

(v) Acquisition and sale of Petroflex shares

On August 15, 2007, the Company exercised its right of first refusal to acquire shares issued by Petroflex Indústria e Comércio S.A. ("Petroflex") owned by SPQ Investimentos e Participações Ltda., a subsidiary of Suzano, due to the sale of control of such subsidiary to Petrobras.

Upon transfer of the shares, on October 31, 2007, Braskem's interest in the total share capital of Petroflex increased from 20.1% to 33.5%, and its interest in the voting share capital increased from 20.1% to 33.6%. The right of first refusal was exercised at the book value of Petroflex, and in September 2007, the Company paid R$ 61.0 for this acquisition.

In December 2007, Braskem, in conjunction with UNIPAR - União de Indústrias Petroquímicas S.A. ("UNIPAR") and other minority shareholders in Petroflex, entered into a Share Purchase Agreement under which the Company agreed to sell all its shares in Petroflex which had been classified as an Investment held for sale at the book value of the net investment of R$136.7, to Lanxess Deutschland GmbH for an aggregate price of R$

252.1. On April 1, 2008, this transaction was completed.

(vi) Petrobras transaction

On November 30, 2007, Braskem entered into an investment agreement with our controlling shareholder Odebrecht, Petrobras, Petroquisa and Odebrecht's subsidiary Nordeste Química S.A. Norquisa ("Norquisa"), which we refer to as the "Petrobras Investment Agreement". We refer to the transactions under the Petrobras Investment Agreement collectively as the "Petrobras Transaction". Under the Petrobras Investment Agreement, the Petrobras Transaction was completed in two phases. In the first phase Petroquisa contributed the following assets to Braskem:

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36.4% of the voting and total share capital of Copesul;

40.0% of the voting and total share capital of IQ, which in turns owns all of the outstanding share capital of IPQ;

40.0% of the voting and total share capital of Paulínia.

In the second phase Petroquisa contributed the following assets to Braskem:

Up to 100% of the total and voting share capital of Triunfo, at the option of Petrobras and Petroquisa, Note 1(b.x).

In exchange for these assets, Braskem issued an aggregate of 13,387,157 shares Class A Petroquisa.

As a result of the completion of the Petrobras Transaction, Petrobras and Petroquisa owned, directly and indirectly, 25.3% of our total share capital, including 31.0% of our voting share capital, and Braskem owned, directly and indirectly:

. all of the outstanding share capital of Copesul;
. all of the outstanding share capital of IQ, which, in turn, owns all of the outstanding share capital of IPQ;
. all of the outstanding share capital of Paulínia;
. all of the outstanding share capital of Triunfo.

The Petrobras Transaction has been implemented through an exchange of shares (substituição de ações) approved in the Extraordinary General Meeting held on April 30, 2009, by the shareholders of Braskem, Copesul, IQ, IPQ, Paulínia and Triunfo.

(vii) Capital increase of Petroquímica Paulínia S.A. ("Petroquímica Paulínia")

On November 16, 2007, the Company and Petrobras increased the share capital of Petroquímica Paulínia with shares of CPP - Companhia Petroquímica Paulista ("CPP") at market value. On November 20, 2007 the merger of CPP into Petroquímica Paulínia was approved.

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(viii) Acquisition of Grust Holdings

On May 30, 2008, the acquisition by Braskem at book value of Grust Holdings S.A. ("Grust"), then a wholly-owned subsidiary of Petroquisa, was approved. At that date, Grust directly or indirectly held the following petrochemical assets: (i) 36.4% of the voting capital of Copesul, (ii) 40.0% of the voting capital of IPQ, (iii) 40.0% of the voting capital of IQ, and (iv) 40.0% of the voting capital of Petroquímica Paulínia. After the merger, Braskem holds 99.1% of the voting capital of Copesul and 100% of the voting capital of IPQ, IQ and Petroquímica Paulínia. The latter was a jointly-controlled entity with Petroquisa.

Under the acquisition, Petroquisa received 46,903,320 new common and 43,144,662 new Class A preferred shares issued by Braskem, in accordance with the following exchange ratio determined based on the economic values of Grust and Braskem, as stated in reports of specialized firms: 0.067419126039 common and 0.062016407480 Class A preferred shares issued by Braskem for each one (1) common share issued by Grust. Braskem, in turn, received 695,697,538 common shares in Grust held by Petroquisa. As a result of the merger of shares, Braskem's capital was increased by R$ 720.7, equal to the book value of Grust's shareholders' equity as of March 31, 2008.

The Extraordinary Shareholders' Meeting of subsidiary Grust held on July 10, 2008 approved a capital increase from R$ 695.7 to R$ 797.8, without the issue of new shares, through the capitalization of current earnings determined as of June 30, 2008, in the amount of R$ 102.1.

The Extraordinary Shareholders' Meeting of subsidiary IPQ held on July 16, 2008 approved a capital increase through the contribution by Grust of its interest in Copesul, in the amount of R$ 302.6. Accordingly, IPQ's capital increased from R$ 349.5 to R$ 652.1, through the issue of 11,938,022,669 common shares.

The Extraordinary Shareholders' Meeting of subsidiary Grust, held on July 28 2008, approved a capital reduction by R$ 797.8, to ten reais (R$ 10.0), with the ensuing cancellation of 695,697,528 common shares. As a result, the following assets, at book value as of June 30, 2008, were returned to Braskem:

(i) 174,429,784,996 common shares in IQ, in the amount of R$ 398.5;
(ii) 11,938,022,669 common shares in IPQ, in the amount of R$ 302.6, and
(iii) 112,000 common shares in Petroquímica Paulínia, in the amount of R$ 96.7.

Following the transfer, Braskem directly held 100.0% of the voting capital of IQ and Petroquímica Paulínia, 26.0% of the voting capital of IPQ, and 59.9% of the voting capital of Copesul.

(ix) Merger of Copesul and IQ

The Extraordinary Shareholders' Meetings held on September 11, 2008 approved the merger of Copesul into IPQ. As a result of such merger, the capital of IPQ increased by R$ 585.3, from R$ 652.1 to R$ 1,237.4, through the issue of

23,695,195,295 preferred shares. The increase was based on Copesul's shareholder's equity at net book value as of July 31, 2008 (the transaction base date), under the terms and conditions set out in the "Protocol and Justification" dated August 22, 2008, which established the exchange ratio in accordance with the economic values of IPQ and Copesul, under which each one (1) Copesul share was exchanged for 524 IPQ preferred shares. Equity variations in Copesul between the base date and the merger date were fully reflected in IPQ, under equity in the results of subsidiary and associated companies.

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The Extraordinary Shareholders' Meetings of Braskem and IQ held on September 30, 2008 approved the partial spin-off of IQ, where the spun-off assets, relating to interests in IPQ and ISATEC - Pesquisa, Desenvolvimento e Análises Químicas Ltda. ("ISATEC") were transferred to the Company.

On the same date, Extraordinary Shareholders' Meetings approved the mergers, into Braskem, of IPQ and Petroquímica Paulínia under the terms and conditions set out in the merger protocol and justification, dated September 12, 2008. Additionally, the Company's capital was increased by R$ 14.1, from R$ 5,361.7 to R$ 5,375.8, through the issue of 1,506,061 Class A preferred shares, which were appropriated to remaining shareholders of IPQ, who are now Braskem shareholders.

(x) Merger of Triunfo

The Extraordinary Shareholders' Meetings of Braskem and Petroquímica Triunfo S.A. ("Triunfo") held in April and May 2009, respectively, approved the acquisition of Triunfo by the Company. This represented the last stage of the agreement entered into on November 30, 2007, between Petróleo Brasileiro S.A. - Petrobras ("Petrobras"), Petroquisa, Odebrecht S.A. ("Odebrecht") and Nordeste Química S.A. - Norquisa ("Norquisa"). The merged net assets of Triunfo, at book value as of December 31, 2008 (the transaction base date), under the terms and conditions set out in the "Protocolo de Justificação", amounted to R$ 118.0. Of this total, R$ 97.4 was allocated to a capital increase of the Company (Note 23(a)), and R$ 20.6 was allocated to the capital reserve account. A total of 13,387,157 Braskem class "A" preferred shares were issued and delivered to Triunfo shareholders, at the rate of 0.210428051882238 Braskem class "A" preferred share to one (1) Triunfo either common or class "A" preferred share.

Upon completion of this last stage, Petrobras, through its subsidiary Petroquisa, holds 59,014,254 common and 72,966,174 class "A" preferred shares in Braskem, corresponding to 25.3% and 31.0% of the Company's total and voting capital, respectively.

(c) Administrative Council for Economic Defense - CADE

In July, 2008, CADE approved the acquisition of the petrochemical assets of the Ipiranga Group by Braskem and Petrobras. The only one recommendation done by CADE was to adjust the clause related non competition between the sellers, which it is limited for the active market where they operated.

At the same decision, CADE also approved the investment agreement in which Petrobras incorporated shares in Braskem through its minority participation in Copesul, IPQ, IQ and Petroquímica Paulínia.

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With this decision from CADE, there are no more restrictions to manage and incorporation of the assets involved on this acquisition.

(d) Corporate governance

Braskem agreed to comply with Level 1 of the Corporate Governance Standards of the Bovespa, which mainly commits the Company to (i) provide additional information to the market; and (ii) increase the percentage of capital available for trading in the market.

2 Presentation of the Financial Statements

In compliance with CVM Deliberation 505/06, on February 12, 2010, the Company's Executive Board authorized the issuance of the original financial statements in accordance with accounting practices adopted in Brazil. Subsequently, the Company's Executive Board determined the inclusion of subsequent events described in Notes 34(c), (d) and (e). For purposes of filing with the SEC, the authorization to issue these financial statements was granted on May 28, 2010 and all adjusting and non-adjusting subsequent events have been considered by management and reflected in these financial statements, as appropriate, through this date. These adjustments resulted in a decrease of net income from R$ 917.2 to the amount of R$ 767.8 and the shareholders' equity from R$ 4,741.9 to the amount of R$ 4,592.5, which are presented in Note 19(vi).

The Company financial statements for 2009, 2008 and 2007 were prepared according to the accounting practices adopted in Brazil, which comprise Law No. 6,404/76, as amended (the Brazilian Corporation Law), pronouncements, guidelines and interpretations of the Accounting Pronouncements Committee ("CPC"), and the rules of the Brazilian Securities Commission ("CVM") as well as other rules issued. The purpose of CPC is to study and disclose accounting and auditing principles, standards and rules. The adoption of CPC's pronouncements, technical guidance and interpretation is subject to the approval of CVM, the Brazilian Central Bank and other regulatory bodies.

Changes in Brazilian Corporate Law

On December 28, 2007 and December 4, 2008, respectively, Law No. 11,638/07 and Provisional Measure ("Provisional Measure") No. 449 were enacted amending and introducing new provisions to Law No. 6,404 (Brazilian Corporate Law). The main objective of the Law and the Provisional Measure was to update Brazilian corporate legislation to allow for the accounting practices adopted in Brazil to converge with those of the International Financial Reporting Standards (IFRS), as issued by the International Accounting Standard Board (IASB). The application of the Law and Provisional Measure is mandatory for annual financial statements for years beginning on or after January 1, 2008.

According to the Law, the Accounting Pronouncement Committee (Comitê de Pronunciamentos Contábeis -CPC), an

independent, not-for-profit organization represented by listed companies, investors, analysts, the accounting profession, auditors and the academy, and supervised by the financial markets regulators (CVM and Brazilian Central Bank) will be responsible to develop the Accounting Pronouncements (CPCs) that would in the future bring convergence with IFRS.

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The purpose of the Accounting Pronouncements Committee - CPC is the study and issuance of accounting and audit principles, rules and standards. The adoption of the pronouncements and technical guidelines issued by the CPC depends upon approval by the CVM, the Brazilian Central Bank or other regulatory agencies.

For the Company, the pronouncements and guidelines of the CPC that have been approved by the CVM and are also valid for the 2009 financial statements are described below:

		Approval act by CVM	
CPC Pronouncement	**Subject matter**	**Deliberation**	**Approval date**
CPC 01	Impairment of assets	527/07	11.01.07
CPC 02R	Effects in exchange rates, changes and conversion of financial statements	534/08	01.29.08
CPC 03R	Statement of cash flows - DFC	547/08	08.13.08
CPC 04	Intangible assets	553/08	11.12.08
CPC 05	Disclosures on related parties	560/08	12.11.08
CPC 06	Leasing	554/08	12.11.08
CPC 07	Government grants and subsidies	555/08	11.12.08
CPC 08	Transaction costs and premium on issue of securities at the issue of marketable securities	556/08	11.12.08
CPC 09	Statements of value added - DVA	557/08	11.12.08
CPC 12	Adjustment to present value	564/08	12.17.08
CPC 13	First-time adoption of Law No. 11,638/07 and Law No. 11,941/09	565/08	12.17.08
CPC 14	Financial instruments: recognition, measurement and evidence	(*)	12.17.08

(*) CPC guidance "OCPC" 03 approved by Circular Letter/CVM/SNC/SEP/ 03/2009 on 11.19.09 superseded CPC 14.

(a) Presentation of financial statements for 2008

On January 28, 2010, CVM issued Deliberation 624 that approved the review document 1 covering certain CPC pronouncements, including CPC 03. Pursuant to this Deliberation, the Company made the following changes:

CPC 03: The revision of CPC03 gave rise to changes in the criterion to determine cash equivalents and, for this reason, the amount of R$ 181,883 was transferred from "Cash and cash equivalents" to "Marketable securities" in the balance sheet for the year ended December 31, 2008 (Notes 4 and 5). The amended CPC is referred to as CPC 03R . Also, CPC 03R has recommended that all interest paid be classified under operating activities. Braskem decided to follow the CPC 03 recommendation of classifying all interest paid under operating activities and has thus reclassified the interest capitalized under investing activities amounting to R$71.1and R$70.4 for the years ended December 31, 2008 and 2007 respectively.

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(b) Transition Tax Regime (RTT)

The amounts presented in the financial statements as of December 31, 2009 and 2008 considered the adoption of the Transition Tax Regime ("RTT"), by the Company and its subsidiaries with head offices in Brazil, as established by Law No. 11,941/09, the purpose of which is to maintain the tax neutrality of the amendments to the Brazilian corporate legislation, introduced by Law No. 11,638/07 and Law No. 11,941/09. The permanent option for the RTT was made upon submission of the Statement of Corporate Economical and Tax Information -DIPJ for calendar year of 2008. The transition tax effects, whenever applicable, generated as a result of the adoption of the RTT, are described in the note on deferred income tax (IR)and social contribution (CSL). (Note 20(b1)).

The consolidated financial statements prepared by the Company for statutory purposes, which include the stand-alone financial statements of Braskem S.A. (parent company), were filed with the CVM on March 3, 2010. The financial statements presented herein do not include the parent company's stand-alone financial statements and are not intended to be used for statutory purposes.

(c) Triunfo

For comparison purposes between the financial statements for the years ended December 31, 2009 and 2008, the acquisition of Triunfo, which took place on May 5, 2009, must be considered (Note 1(b)(x)). Triunfo was consolidated as from January 1, 2009. The balance sheet and statement of operations of Triunfo for the year ended December 31, 2008 can be summarized as follows:

Balance Sheet at December 31, 2008

	2008
Assets	
Current assets	
Cash and cash equivalents	1.7
Marketable securities	7.1
Trade accounts receivable	62.8
Inventories	66.1
Tax credits	19.5

Other accounts receivable	4.7
Prepaid expenses	0.1
	162.0
Non current assets	
Deferred IR and CS	6.5
Judicial deposits	3.4
Other	0.1
Investments	12.0
Property, plant & equipment	27.0
	49.0
Total of Assets	211.0

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Liabilities	**2008**
Current liabilities	
Accounts payable to suppliers	2.5
Loans and financing	32.2
Taxes and contributions payable	2.9
Dividends payable	8.7
Other accounts payable	9.4
	55.7
Long-term liabilities	
Loans and financing	30.3
Taxes and contributions	7.0
	37.3
Shareholders' equity	
Capital	63.3
Capital reserves	7.1
Profit reserves	40.5
Treasury shares	(1.2)
Equity valuation adjustment	8.3
	118.0
Total	211.0

Year ended

	December 31, 2008
Statement of operations	
Net revenues	581.8
Cost of products sold	(476.1)
Gross profit	105.7
Operating expenses, net	(51.3)
Operating profit	54.4
Other expenses, net	(3.0)
Profit before income tax and social contribution	51.4
Provision for income tax and social contribution	(14.1)
Net income before minority	37.3
Employees and management profit sharing	(2.2)
Net income for the year	35.1

3 Significant Accounting Practices

3.1 Adoption of Law No. 11,638/07 in 2008

A number of changes were made to accounting practices adopted in Brazil in 2008 as a result of adoption of Law No. 11,638/07. The Company opted to retroactively apply the new accounting practices using an opening balance sheet of January 1, 2006, as the starting point according to the corporate legislation amended by Law

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No. 11,638/07 and Provisional Measure 449/08. The changes in accounting practices impacted the statement of operations, balance sheet and cash flow statements and the financial information of the years ended on December 31, 2007 has, therefore, been retrospectively revised.

The following notes detail the equity and income statement adjustments resulting from the first-time adoption of Law No. 11,638/07 and Provisional Measure 449/08 to include (a) a summary of the changes in accounting practices that affected the opening balances on January 1, 2006; and (b) a summary of the effects on the statement of operations and shareholders' equity for the years ended December 31, 2007 resulting from the adoption of the said legislation.

(a) Summary of the changes in accounting practices which affected the opening balances at January 1, 2007.

(i) Deferred charges

Balances of the deferred charges existing on December 31, 2006, mainly related to goodwill based on the expectation of future profitability in the amount of R$ 1,531.0 (January 1, 2006 - R$ 1,689.4) were reclassified to intangible assets. Other balances in the amount of R$ 212.9 were written-off against the accumulated deficit on January 1, 2006, and only the pre-operating expenses that will be maintained up to their total realization by means of amortization or write-off will remain in deferred charges.

(ii) Adjustments to present value

Certain short-term accounts payable have been adjusted to present value based on specific interest rates that reflect cash settlement of these liabilities as regards term, risk, currency, pre-established or post-established payment condition, based on the opening balance of the date of transition as provided by CPC 13.

The effect of the adjustment to present value resulting from the first-time adoption of Law No. 11,638/07 and Provisional Measure 449/08 has been recorded in accumulated deficit.

(iii) Tax incentive

The portions of tax incentives received for investments are now recorded in the account "Income tax and social contribution - current" in the statement of operation. Upon the appropriation of net income, these incentives were transferred to the account "Tax incentives reserve", in stockholders' equity.

(b) Summary of the effects of adoption of Law No. 11,638/07 and Provisional Measure 449/08

The reconciliations of net income and shareholders' equity as at December 31, 2007 after and before considering the effect of adopting Law No. 11,638/07 and Provisional Measure 449/08,are described below and referenced to the item descriptions above.

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	2007
Net income before the effects of Law No. 11,638/07 and Provisional Measure 449/08 (as previously reported)	547.6
(i) Reversal of amortization deferred charges	59.5
(ii) Write-off of deferred charges	(34.8)
(iii) Tax incentives	49.5
Total adjustments arising from adoption of the Law and Provisional Measure	74.2
Net income for the year ended on December 31 as presented	621.8

	2007
Shareholders' equity at December 31, before the effects of Law No. 11,638/07 and Provisional Measure 449/08 (as previously reported)	5,757.0
Adjustments on the date of transition:	
Accumulated effects from prior years	(103.2)
Impacts on both results and shareholders' equity:	
(i) Reversal of deferred charges	59.5
(ii) Write-off of deferred charges	(34.8)
Shareholders' equity at December 31 as presented	5,678.5

3.2 Summary of significant accounting practices

(a) Use of estimates

In the preparation of the consolidated financial statements, it is necessary to utilize estimates to record certain assets, liabilities and other transactions. Therefore, these financial statements include various estimates relating to the selection of the useful lives of property and equipment, intangible assets and market value financial instruments, measurement of services earned under long-term contracts, provisions for contingent liabilities, determination of provisions for income tax and social contribution, and other matters. Although these estimates have been made with the highest accuracy possible, they may not materialize.

(b) Foreign currency and functional currency

The Company's management has established that its functional currency is the Real, according to the rules described in CPC 02.

Transactions in foreign currency (i.e., all those transactions that are not carried out in functional currency) are converted at the exchange rate of the date of each transaction. Monetary assets and liabilities in foreign currency are converted into functional currency at the exchange rate of the date of the financial statements. Gains and losses due to exchange rate movements on monetary assets and liabilities are recognized in the statement of operations. Non-monetary assets and liabilities in foreign currency are converted based on the exchange rates of the transaction dates or on the date of the fair value evaluation whenever fair value is used.

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(c) Revenue recognition and other operational items

Income and expenses are recognized on the accruals basis.

Revenue from the sale of goods is recognized in the statement of operations when the significant risks and rewards of ownership have been transferred to the buyer. Transfer of ownership occurs when the goods are delivered to the client or to their freight carriers, depending upon the sales terms. Freight expenses are reported within net sales and amounted to R$ 681.5, R$ 612.0 and R$ 579.5 in 2009, 2008 and 2007, respectively.

The provision for income tax and value-added tax on sales and services ("ICMS") expenses are recorded gross of the tax incentive portions, and the amounts related to tax exemptions and tax reductions are recorded in the statement of operations for the year.

Considering the provisions of CVM Deliberation 273/98, of August 20, 1998, and CVM Instruction No. 371/02, of June 27, 2002, the deferred income tax and social contribution are stated at their probable realizable value, expected to occur as described in Note 20(b).

Monetary and exchange variations of foreign currency assets and liabilities are classified as financial income and financial expenses, respectively.

The Company has recognized in the results of each year the change in market value of derivative instruments related to liabilities indexed to foreign currency or international interest rates, except for those accounted for as hedging instruments.

The net profit per share is calculated based upon the number of shares existing on the year-closing date. Earnings per share are calculated based on the number of outstanding shares on the balance sheet date.

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(d) Current assets

(d.1) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, demand account balances with banks and similar institutions and highly liquid investments. They are readily convertible into known amounts of cash and have an insignificant risk of changes in value.

(d.2) Financial instruments

- **Classification and measurement**

The Company classifies its financial instruments in the following categories: (i) for trading (ii) loans and receivables, (iii) held to maturity and (iv) available-for-sale. The classification depends upon the purpose for which the financial instruments have been acquired. Management determines the classification of its financial instruments upon initial recognition.

(i) Financial assets held for trading

Financial assets held for trading with the intention of being traded actively and frequently, including derivatives, are measured at fair value, unless they have been designated as hedges. Financial assets held for trading are classified as current assets. Gains or losses resulting from changes in the fair value of financial assets held for trading are recognized in the statement of operations for the year.

(ii) Loans and receivables

Loans and receivables that are non-derivative financial assets with fixed or determinable payments, not quoted in an active market, are included in this category as current assets, except those with a maturity date that exceeds 12 months subsequent to the balance sheet date (these are classified as noncurrent assets). The Company's loans and receivables consist of loan agreement balances, current accounts with related companies, accounts receivables from clients, other accounts receivables, and cash and cash equivalents, except short-term investments. Loans and receivables are accounted for at amortized cost, using the effective interest rate method.

(iii)

Financial assets held to maturity

Assets held to maturity are those financial assets that are not classified as loans and receivables due to being quoted in an active market. These financial assets are acquired with the intention and ability to hold the portfolio of assets to maturity. Assets held to maturity are recorded at historic cost plus earnings, recognized in the statement of operations for the year. The Company held-to-maturity assets primarily comprise investment fun subordinated quotas, classified as long term receivables.

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(iv) Financial assets available for sale

Financial assets available for sale are non-derivatives that are designated in that category or that have not been classified in any other category. They are included in non-current assets, unless management intends to dispose of the investment before 12 months subsequent to the balance sheet date. Financial assets available for sale are accounted for at fair value. Interest earned on assets available for sale, calculated using the effective interest rate method, is recognized in the statement of operations. The change in fair value is recorded in equity, net of taxes, in the Fair value adjustments account, and is taken to the statement of operations in the event of the asset's derecognition or when there is objective evidence of a decline in fair value of the asset (impairment).

- **Fair value**

The fair values of publicly-quoted investments are based on the current share purchase price. For those financial assets with no active market or public quotation, the Company establishes the fair value by means of valuation techniques. These techniques include the use of recent transactions carried out with third parties, reference to other instruments that are substantially similar, the analysis of discounted cash flows and the standard models of option pricing that use information generated by the market, rather than by the Company's management, to the extent possible.

The Company evaluates, on the date of the balance sheet, whether there is objective evidence that a financial asset or a group of financial assets is recorded at a value that exceeds its recoverable value (impairment). In the event of such evidence for the financial assets available for sale, the cumulative loss - measured as the difference between the cost of acquisition and the current fair value, minus any loss by impairment of this financial asset previously recognized in the results - is removed from equity and recognized in the statement of operations.

- **Derivative financial instruments and hedge activities**

The Company uses derivative financial instruments to protect itself from foreign exchange and interest rate risk.

Derivatives are initially recognized at their fair value and the attributable transaction costs are recognized in the statement of operations as incurred. Subsequent to initial recognition, the derivatives are measured at fair value and changes are accounted for in the statement of operations, except as described below for the hedge accounting:

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. **Cash flow hedges**

Changes in the fair value of derivative instruments that are designated for the purposes of cash flow hedging are recognized directly in equity, for the portion of the gain or loss that is determined to be an effective hedge. Any remaining gain or loss (that is not related to an effective hedge) is recognized in the statement of operations.

In the event that the hedge instrument does not comply with the criteria for hedge accounting, expires or is sold, terminated or exercised, hedge accounting is discontinued prospectively. Accrued gains or losses previously recognized in equity are immediately transferred to the statement of operations for the year.

The Company recognized liabilities related to hedge accounting, the characteristics of which satisfy the requirements of CPC 14. The documentation that is required in order to apply hedge accounting, as provided in CPC 13, was complete as of December 31, 2009.

(d.3) Trade accounts receivable

Accounts receivables from clients are recorded at invoiced value, adjusted to present value, and where applicable are shown net of any deduction of the allowance for doubtful accounts. The allowance for doubtful accounts consists of amounts considered sufficient to cover probable losses on realization of the receivables, taking into account the Company's loss history.

The methodology used by the Company to record the allowance for doubtful accounts encompasses 100% of the amounts more than 180 days overdue, 50% of the amounts more than 90 days overdue, and 100% of the amounts under judicial collection process. The allowance also includes those amounts arising from a second renegotiation with customers, as well as all amounts arising from the first renegotiation and receivable within more than 24 months. Accounts receivable from related companies are not taken into consideration in the calculation of this allowance.

(d.4) Inventories

Inventories are stated at average purchase or production cost, which is lower than replacement cost or realization value. Finished products include freight up to the point of sale. Imports in transit are stated at the accumulated cost of each import. Inventories of consumable materials ("Warehouse") are classified in current assets or non-current assets, considering their history of consumption. The Company records a provision equal to 90% of the maintenance materials put up for sale, according to the assessment of the technical departments of the plants.

(d.5) Deferred taxes

Deferred income tax and social contribution are calculated on tax losses and expenses temporarily non-deductible for the calculation of current income tax and social contribution. Recognition occurs to the extent that it is probable that

future taxable profit will be available to offset the temporary differences, based upon internal income projections using future economic scenarios that may be subject to change. Periodically, the deferred tax amounts recognized are reassessed in accordance with CVM Deliberation 273/98, of August 20, 1998, and CVM Instruction 371/02, of June 27, 2002.

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(d.6) Other assets

Other assets are stated at realizable values including, where applicable, accrued income and monetary variations, or at cost in the case of prepaid expenses.

(e) Non-current assets

(e.1) Shareholdings in subsidiaries, jointly-controlled entities and associated companies

Investments in jointly-controlled entities and associated companies are recorded on the equity method, when the Company either holds over 20% of its common shares or has significant influence over its administration.

Investments recognized at equity method may contain amounts of goodwill / (negative goodwill) subject to amortization. In the consolidated financial, due to its nature, this goodwill is reclassified to fixed assets and amortized over the same period of the useful life as the related fixed assets.

Other investments are recognized at acquisition cost, less any provision for loss in value where applicable.

(e.2) Property, plant and equipment

Property, plant and equipment are shown at acquisition or construction cost and include capitalized financing charges incurred during the construction period. Capitalized financing charges are added to assets and depreciated as from the date they become operational.

As from January 2006, in accordance with IBRACON Technical Interpretation 01/2006, the Company records all programmed maintenance shutdown expenses in property, plant and equipment, under "Machinery, equipment and facilities". Such stoppages occur at scheduled intervals from two to six years and the related expenses are depreciated through the beginning of the next maintenance shutdown.

Depreciation of property, plant and equipment is recorded on a straight-line basis at the rates stated in Note 13, which consider the estimated useful lives of the assets.

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(e.3) Intangible assets

Intangible assets comprise assets acquired from third parties (including those acquired through a business combination) and those internally generated by the Company. The following criteria are applied:

- Acquired from third parties through a business combination - Goodwill based on the expectation of future profitability, arising from acquisitions involving business combinations, is not amortized as from January 1, 2009, but instead has its recoverable value periodically tested for any indication of loss in value on an annual basis.

- Intangible assets acquired from third parties - Intangible assets with defined useful lives are measured at acquisition cost less amortization. Amortization is calculated on a straight-line basis, at the rates stated in Note 14, which considers the estimated useful lives of the assets. Intangible assets with indefinite lives are not amortized as from January 1, 2009, but instead have their recoverable values periodically tested for any indication of loss in value on an annual basis.

The Company records research expenses in the statement of operations.

(e.4) Deferred Charges

At December 31, 2009 the Company opted to maintain in deferred charges, only the expenses incurred during the period of construction of industrial plants (pre-operating expenses). These expenses are amortized over 5 years from the beginning of operations of the respective industrial plant.

(e.5) Judicial deposits

Judicial deposits are deducted from the related contingent liabilities or classified as assets if there is no corresponding contingency, pursuant to CVM Deliberation 489/05.

(e.6) Impairment

The recoverable value of property and equipment and other noncurrent assets including goodwill and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

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(f) Current and non-current liabilities

Current and non-current liabilities are stated at known or estimated amounts, including accrued charges and monetary and exchange adjustments. Where applicable, current and non-current liabilities are recognized at present value, on a transaction by transaction basis, based upon interest rates that reflect the term, currency and risk of each transaction. The change in present value is reflected in the statement of operations over the term of effectiveness of the agreement based on the amortized cost and the effective interest rate method.

(f.1) Adjustment to present value

In accordance with CPC 12, the Company discounts purchases with credit terms in up to one year, such as napthta, to present value, based on the estimated spot price for the related products and services.

Although all purchases are under normal industry conditions within one year, under CPC 12 "Adjustment to Present Value" these purchases are initially recorded based on an estimated cash payment basis, discounting the invoice amount payable to the date of the purchase agreement base. Present value discounts related to these purchases are recorded at the time the purchase contracts are signed and are reversed through the income statement over the duration of the credit term.

(f.2) Loans

Loans are recognized, initially, at fair value, net of expenses incurred in the transaction structuring (transaction costs). Subsequently, the loans are recognized at amortized cost, including charges and interest incurred during the period.

Non-convertible debentures are recognized using the same method as for loans.

(f.3) Contingencies

Contingencies are presented net of the associated judicial deposits, in accordance with CVM Deliberation 489/05.

(f.4) Provision for loss in investments

Provision for loss in investments is recognized over an investee's unsecured liability and accounted as a non-current liability against equity in earnings.

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(f.5) Pension plan

Liabilities related to defined benefit pension plans are measured at the present value of the benefit obligation on the balance sheet date less the market value of the pension plan assets, adjusted by actuarial gains or losses and costs of past services. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by an estimate of future cash outflows, using the public securities interest rates, the maturity dates of which are close to the maturity dates of the related liabilities.

Actuarial gains and losses arising from changes in actuarial assumptions and amendments to pension plans are charged or credited to the statement of operations over the average time of remaining service of the related employees.

For defined contribution plans the Company pays contributions to privately-administered pension plans on compulsory, contractual or voluntary bases. As soon as contributions have been made, the Company has no further obligations in relation to additional payments. Periodic contributions are included in the personnel costs.

(f.6) Other provisions

A provision is recognized in the balance sheet when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and when a reliable estimate of the amount can be made.

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(g) Consolidated financial statements

The consolidated financial statements were prepared in accordance with the consolidation principles set forth in the Brazilian Corporate Law and rules of the CVM and include the financial statements of Braskem, its subsidiaries, jointly-controlled companies, and special purpose entities ("SPEs") in which the Company has direct or indirect share control, as shown below:

		Direct and indirect interest in total capital - %	
	Head office (Country)	**2009**	**2008**
Foreign subsidiaries			
Braskem America Inc. ("Braskem America")	USA	100.00	100.00
Braskem Argentina S.R.L ("Braskem Argentina") (i)	Argentina	-	100.00
Braskem Europe B.V. ("Braskem Europa")	Holland	100.00	100.00
Braskem Finance Limited ("Braskem Finance")	Cayman Islands	100.00	100.00
Braskem Incorporated ("Braskem Inc.")	Cayman Islands	100.00	100.00
Braskem Petroquímica S.A. ("IPQ Argentina")	Argentina	100.00	100.00
Braskem Petroquímica Chile Limitada ("Braskem Chile")	Chile	100.00	100.00
IPQ Petroquímica Chile Limitada ("IPQ Chile")	Chile	100.00	100.00
Natal Trading (ii)	British Virgin Islands	-	100.00
Copesul International Trading INC. ("CITI") (ii)	British Virgin Islands	-	100.00
Local subsidiaries			
Braskem Distribuidora Ltda. and subsidiaries	Brazil	100.00	100.00
Braskem Participações S.A. ("Braskem Participações")	Brazil	100.00	100.00
Companhia Alagoas Industrial - CINAL ("CINAL")	Brazil	100.00	100.00
Copesul and subsidiaries	Brazil	-	-
Grust Holdings S.A. ("Grust") (iii)	Brazil	-	100.00
Ideom Tecnologia Ltda. ("Ideom") (v)	Brazil	100.00	-

IQ Soluções Químicas S.A. ("Quantiq") and its subsidiaries	Brazil	100.00	100.00
ISATEC-Pesquisa, Desenv. e Análises Quím. Ltda. ("ISATEC")	Brazil	100.00	100.00
CCI- Comercial Importadora S.A. ("CCI") (iv)	Brazil	-	100.00
Petroquímica Paulínia S.A. ("PPSA")	Brazil	-	-
Politeno Empreendimentos Ltda. ("Politeno Empreendimentos")	Brazil	100.00	100.00
Varient Distribuidor de Resinas Ltda. ("Varient") (viii)		100.00	-
Jointly-controlled entity			
CETREL S.A. - Empresa de Proteção Ambiental ("CETREL")	Brazil	53.66	54.24
Polietilenos de America S.A. ("POLIAMERICA")	Venezuela	49.00	49.00
Polipropileno Del Sur S.A. ("PROPILSUR")	Venezuela	49.00	49.00
Special Purpose Entities ("SPEs")			
Sol-Fundo de Aplicação em Cotas de Fundos de Investimento ("FIQ Sol") (vii)	Brazil	100.00	100.00

(i) Company merged into Braskem Petroquímica S.A. (IPQ Argentina) in March 2009

(ii) Subsidiaries merged into Braskem Inc. in December 2009

(iii) Company wound up in June 2009

(iv) Company merged into Braskem Importação e Exportação Ltda. In September 2009

(v) Subsidiary company as from January 2009

(vi) Proportionately consolidated investments pursuant to CVM Instruction 247/96

(vii) Fund consolidated in compliance with CVM Instruction 408/04

(viii) Company formed in September 2009 from Quantiq (Note 1(a))

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

Minority equity and in the income of the subsidiaries have been presented separately in the balance sheets and in the results of the consolidated years, respectively. At December 31, 2009, Braskem had no more minority interest. Goodwill grounded on appreciation of property, plant and equipment has been reclassified to the specific account that grounded it in accordance with CVM Instruction 247/96. Negative goodwill has been reclassified to "Other accounts payable" in non-current liabilities.

The balance sheets and statements of operations of jointly-controlled companies and SPE, adjusted to the Company accounting practices, can be summarized as follows:

(g.1) Jointly-controlled entities

		CETREL (i)
Balance sheets	**2009**	**2008**
Assets		
Current assets	85.9	60.2
Non-current assets	-	-
Long-term receivables	30.7	31.5
Other investments	-	0.4
Property and equipment	146.7	138.0
Intangible assets	2.5	2.2
Deferred charges	0.8	0.9
Total assets	266.6	233.2
Liabilities and shareholders' equity		
Current liabilities	31.3	26.0
Non-current liabilities	35.9	34.8
Shareholders' equity	199.4	172.4
Total liabilities and shareholders' equity	266.6	233.2

Statements of income		
Net sales	102.1	98.8
Cost of services rendered	(67.6)	(63.7)
Gross profit	34.5	35.1
Operating expenses, net	(15.5)	(15.0)
Other expenses and income, net	0.3	(1.3)
Financial result	4.2	-
Profit before income tax and social contribution	23.5	18.8
Income tax and social contribution		
Current and deferred income tax and social contribution	(4.9)	14.7
Net income for the year	18.6	33.5

(i) Balance sheet and Statement of operations excluding revaluation reserve.

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Balance sheets	PROPILSUR 2009	POLIMERICA 2009
Assets		
Current assets	44.1	44.4
Non-current assets	24.1	45.9
Total assets	68.2	90.3
Liabilities and shareholders' equity		
Current liabilities	14.7	25.7
Non-current liabilities	58.7	70.4
Shareholders' equity (negative equity)	(5.2)	(5.8)
Total liabilities and shareholders' equity	68.2	90.3
Statements of operations		
Operating expenses, net	(8.1)	(7.4)
Financial results	2.6	1.4
Loss for the year	(5.5)	(6.0)

(g.2) Special Purpose Entity

		FIQ Sol
	2009	2008
Assets	1,418.5	1,714.4
Shareholders' equity	1,418.5	1,714.4
Total liabilities and shareholders' equity	1,418.5	1,714.4

Net income for the year	181.6	63.1

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(g.3) Non-consolidated jointly-controlled entity

Pursuant to paragraph 1, article 23 of CVM Instruction 247/96 and authorization by CVM Letter SNC 005/2010, the Company has not proportionally consolidated the financial statements of jointly-controlled subsidiary Refinaria de Petróleo Riograndense S.A. ("RPR").

This subsidiary s financial statement is not significant and does not effect, in any material aspect, the Company s consolidated financial statements.

These subsidiaries summary balance sheets and statements of operations, adjusted to the Company s accounting practices, are as follows:

		RPR
Balance sheets	**2009**	**2008**
Assets		
Current assets	198.6	42.5
Non-current assets		
Long-term receivables	0.1	0.1
Other investments	-	0.4
Property, plant and equipment	40.6	34.9
Total assets	239.3	77.9
Liabilities and shareholders equity		
Current liabilities	197.0	94.5
Non-current liabilities	56.5	36.0
Negative equity	(14.2)	(52.6)
Total liabilities and shareholders equity	239.3	77.9
Statement of operations		
Net sales	752.9	512.8

Cost of sales	(659.1)	(528.2)
Gross profit	93.8	(15.4)
Operating expenses, net	(21.7)	(44.8)
Operating profit before financial result	72.1	(60.2)
Financial results	(29.1)	(3.0)
Results from discontinued operations	0.5	25.4
Profit before income tax and social contribution	43.5	(37.8)
Current income tax and social contribution	(12.7)	-
Net income (loss) for the year	30.8	(37.8)

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4 Cash and Cash Equivalents

	2009	2008 Retrospectively revised
Cash and banks	314.5	145.9
Financial investments		
Domestic (i)	1,558.1	1,654.1
Foreign	791.0	629.7
	2,663.6	2,429.7

(i) In 2008, with the change introduced by CPC03, management reclassified the amount of R$ 181.9 to "Marketable securities" (Note 2.a(i)).

Domestic financial investments in Brazil are mainly represented by quotas in Braskem exclusive funds (FIQ Sol) which, in turn, hold quotas in local investment funds, such as fixed-income, multimarket, credit rights funds, as well as other fixed-income instruments and time deposits. The financial investments abroad mainly consist of sovereign fixed income instruments or instruments issued by major financial institutions with high marketability. The financial investments have been classified as maintained for negotiation and are measured at fair value by the income. Such resources are allocated so as to:

(i) seek a return that is compatible with the maximum volatility determined by the investment and risk policy;
(ii) obtain a reasonable spread on the consolidated portfolio;
(iii) reduce credit risk arising from a concentration in a small number of investments; and
(iv) follow market interest rate variations both in Brazil and abroad.

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Marketable Securities

	2009	2008 Retrospectively revised
Government securities issued abroad	261.9	331.4
Shares held for trading (i)	25.7	-
Investment funds (ii)	179.2	181.9
Subordinated quotas of credits right investment fund and others		5.6
	466.8	518.9
Long-term receivables		
Investment funds	15.8	11.6
Other	2.0	-
	17.8	11.6
Total	484.6	530.5

(i) Eletrobrás preferred shares arising from the conversion of compulsory deposits (Note 11).

(ii) Amounts as of December 31, 2008 were reclassified from "Cash and cash equivalents" (Notes 2.a(i) and 4).

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Public securities issued abroad are represented by treasuries bonds issued by the U.S. Federal Government and were classified by the Company as "available for sale", at average interest rate of 0.8% per year, (2008 - 0.9% per year). The part corresponding to the variation of the fair value was recorded in the "Adjustments of equity valuation" account in the shareholders' equity (Note 23(g)).

6 Trade Accounts Receivable

	2009	2008
Customers		
Domestic market	1,082.9	1,484.5
Foreign market	855.7	897.2
Discounted trade receivables	-	(551.3)
Advances on export prepayment bills	(361.9)	(588.4)
Allowance for doubtful accounts	(220.8)	(198.7)
	1,355.9	1,043.3
Non-current assets	(58.8)	(47.1)
Current assets	1,297.1	996.2

The Company adopts an additional policy for realizing domestic trade accounts, by selling its receivables to investment funds with credit rights.

The Company carried out a trade bill discount receivables transaction with a financial institution, undertaking to reimburse it in the event of default of the customers.

Changes in the allowance for doubtful accounts are as follows:

	2009	2008 Retrospectively	2007 Retrospectively

		revised	revised
At the beginning of the year	198.7	164.4	153.3
Addition for the full consolidation of merged companies	22.2	22.1	45.3
Additions classified as selling expenses	61.4	20.6	44.1
Recovery of credits from bad debt	(61.5)	(8.4)	(31.3)
Write-off of bad debts	-	-	(24.9)
At the end of the year	220.8	198.7	186.5

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7 Inventories

	2009	2008
Finished products and work-in-process	1,079.7	1,383.1
Raw materials, production inputs and packaging	377.2	631.1
Maintenance materials (i)	366.5	388.6
Advances to suppliers	8.9	167.9
Imports in transit and others	116.1	398.0
	1,948.4	2,968.7
Non-current maintenance materials (i)	(29.3)	(20.6)
Current assets	1,919.1	2,948.1

(i) Based on management's expectation of utilization, part of the maintenance materials inventory was reclassified to non-current maintenance materials.

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

Changes in the provision due to adjustments made to the realizable values of the maintenance materials inventories can be summarized as follows:

	2009	2008 Retrospectively revised	2007 Retrospectively revised
At the beginning of the year	14.1	19.3	16.3
Additions and (reductions) taken to the statement of operations	3.3	(5.2)	3.0
At the end of the year	17.4	14.1	19.3

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8 Related Parties

	Balances as of December 31, 2009						Balances as o
	Current assets	Long-term receivables	Current liabilities	Long-term liabilities	Current assets	Long-term receivables	Current liabilities
	Trade accounts receivable	Related parties	Suppliers and Loans	Suppliers	Trade accounts receivable	Related parties	Suppliers and loans
Jointly-controlled company							
CETREL	-	-	1.5	-	-	-	0.1
RPR	1.1	-	10.3	-	-	-	-
Associated company							
Borealis	12.3	-	-	-	0.2	-	-
Related parties							
Refinaria Alberto Pasquallini REFAPS S.A.	-	-	154.5	-	10.4	-	53.5
Construtora Norberto Odebrecht S.A. ("CNO")	-	-	9.7	-	8.7	-	0.1
Petrobras	31.0	49.6	480.7	21.4	28.4	45.9	238.8
Petrobras International Finance Company (PIFCo)	-	-	545.2 (i)	-	-	-	738.0 (i)
Outros	7.3	-	-	-	-	-	-

Joint-ventures							
Propilsur	-	51.1	-	-	-	-	-
Balance at the end of the year	51.7	100.7	1,201.9	21.4	47.7	45.9	1,030.5

(i) Financing remunerated at exchange variation +4-month Libor + interest of 1% p.a.

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	2009			2008				Utili
	Products sales/ revenues	Utilities, services and raw material purchases	Interest income (expenses)	Products sales/ revenues	Utilities, services and raw material purchases	Interest income (expenses)	Products sales/ revenues	serv mat purcha
Subsidiary								
Copesul	-	-	-	-	-	-	-	4
Jointly-controlled companies								
CETREL	0.4	23.8	-	0.1	22.9	-	0.1	
RPR	140.4	83.0	-	-	-	-	-	
Petroflex	-	-	-	-	-	-	336.3	
Associated companies								
Borealis	155.4	-	2.0	157.2	-	-	143.0	
Related parties								
Refinaria Alberto Pasqualini - REFAP S.A. (related party of Copesul)	-	1,243.5	-	12.6	377.7	-	543.2	1,6
CNO	-	94.2	-	-	205.2	-	-	1
Monsanto Nordeste S.A. (related party of CETREL)	-	-	-	-	-	-	13.7	

Petrobras (*)	521.5	4,766.7	(4.6)	492.5	5,972.6	(45.6)	286.1	5,7
Petrobras International Finance ("PIFCo")	-	-	(12.1)	-	-	-	-	
Odebrecht	-	-	-	-	-	-	-	
Other	-	-	-	-	-	-	1.7	
	817.7	6,211.2	(14.7)	662.4	6,578.4	(45.6)	1,324.1	7,9

(*) The Company is dependent on Petrobras for the supply of raw materials.

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Relationship with related parties

	Main activity and relationship with Company
Jointly-controlled entities	
CETREL	Services of treatment of residual waters and organic waste for the Company and other companies of the Petrochemical Complex of Camaçari.
RPR	Naphtha supply to the Company
Associated company	
Borealis	Sale of plastic raw-material to the advanced packaging market, infrastructure and automotive and production of agricultural fertilizers, melamine, phenol, acetone and olefins. The Company is its main supplier of raw-materials.
Post-employment benefit plans	
CopesulPrev	Private defined contribution plan for the employees of the merged company Copesul not included in the Petros plan.
Fundação Francisco Martins Bastos (FFMB)	Private suplementary pension entity with defined benefits, with the purpose of managing and executing pension benefit plans of the employees of the Ipiranga group.
Odeprev - Odebrecht Previdência	Defined contribution pension plan.
Petros	Refined benefit plan for part of the employees of the merged company Copesul.
Related companies	

REFAP	Naphtha and propene supply.
CNO	Provides services of maintenance and projects to improve plant efficiency.
Petrobras	Naphtha supply.

Transactions between the Company and related parties are carried out at prices and terms and conditions equivalent to those with third parties, using: (i) for the purchase of propene, the price available in the international market; and (ii) for the purchase of naphtha from Petrobras and REFAP, the price available in the European market.

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Key management personnel

Expenses for the year	**2009**	**2008**	**2007**
Remuneration			
Short-term benefits to employees and managers	26.2	47.1	45.5
Post-employment benefits	0.2	0.3	0.4
Other long-term benefits	-	3.6	2.2
Employment contract termination benefits	-	0.3	0.4
Total	26.4	51.3	48.5
Long-term incentives			
Investment units	2.9	0.7	0.1
Total	2.9	0.7	0.1
Balances			
Long-term incentives	-	7.7	10.5
Total	-	7.7	10.5

9 Taxes

Recoverable

	2009	2008
Excise tax (IPI) (standard operations)	25.6	28.3
Value-added Tax on Sales and Services (ICMS) (a)	1,069.1	1,201.0
Social Integration Program (PIS) and Social Contribution on Revenues (COFINS)	203.8	164.2
PIS - Decrees-Law Nos. 2,445 and 2,449/88	55.2	55.2
Income tax and social contribution	266.2	217.6
Tax on Net Income (ILL) (b)	59.5	57.3
Other	86.3	88.9
Total	1,765.7	1,812.5
Current assets	(505.9)	(610.7)
Non-current assets	1,259.8	1,201.8

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(a) Value-added tax on sales and services - ICMS

The Company has accrued ICMS tax credits during the latest fiscal years on account of taxation rate differences between incoming and outgoing inputs and products; domestic outgoing products under incentive (subject to deferred taxation); and export sales. The Brazilian states of Bahia and Rio Grande do Sul account for the greater bulk of these tax credits, as most business unites are located there.

The management of the Company has given priority to a number of actions aimed at the optimal use of such credits and, currently, no losses are expected from realization of those credits. The actions taken by the management comprise, among others:

- Executing a settlement agreement with the Rio Grande do Sul state authorities, capping the use of ICMS tax credits at R$ 8.3 monthly to offset with monthly ICMS tax debts owed by units located in said state, and upholding full deferral of ICMS tax on naphtha imports.

- Obtaining from Bahia state authorities a greater reduction in the tax base of ICMS levied on imported petrochemical naphtha (down to an actual rate of 5.8%), as per article 347, paragraphs 9 and 10 of the Bahia State ICMS Regulations (Decree No. 11,059 of May 19, 2008).

- Executing, in November 2009 and without prejudice to the above item, a settlement agreement with the Bahia state, ensuring the applicability of State Decree No. 11,807 (dated October 27, 2009) by which the ICMS tax rate levied on domestic naphtha acquired in Bahia will be phased down from the current 11.8% to 0% until March 2011.

- Executing a settlement with the Rio Grande do Sul state for further use of ICMS tax credits at R$ 9,600/year in future capital expenditures in that state.

- Starting feedstock imports under specific customs prerogatives, thus ensuring a lower generation of ICMS credits.

- Expanding the ICMS tax base on fuel sales to industrial refiner (from 40.0% to 100%), as provided for in article 347 of the Bahia State ICMS Regulations.

- Replacing co-product exports with domestic transactions.

- Using the privileges set out in customs laws when importing feedstock, thus generating less ICMS tax credits.

Considering the tax rule that puts a cap on short-term use of ICMS credits in capital expenditures and the Company's management projections over the term for realization of the other credits, at December 31, 2009, the amount of R$ 703.3, for parent and consolidated (2008 - R$ 904.3, for parent and consolidated), was recorded as non-current assets.

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(b) Tax on net income - ILL

Tax on Net Income (ILL) refers to a credit paid by our subsidiary Copesul between 1989 and 1991, as this tax was considered unconstitutional by Federal Senate Resolution 82 of November 18, 1996. Copesul has taken measures at the administrative level to offset this credit against other taxes.

In December 2002, Copesul posted such tax credits on its accounting statements, as outside counsel determined that the favorable outcome was probable, given the existence of the aforesaid Federal Senate Resolution. The Higher Tax Appeals Chamber has already acknowledged Copesul's entitlement to restitution of unduly paid ILL. The National Treasury lodged an extraordinary appeal for reversal of the above decision so that the term for restitution claims does not start running as from publication of such Senate Resolution, but rather as from the triggering event. According to the opinion of the Company's legal advisors, the Braskem management believes that the Full Board of the Taxpayers Council will uphold such decision.

(c) IPI tax credits

Zero rate IPI

On December 19, 2002 the Federal Supreme Court (STF), based on other precedents, reviewed an extraordinary appeal lodged by the National Treasury and affirmed an earlier decision by the Regional Federal Court (TRF), 4th Circuit, recognizing the right to IPI tax credits relating to acquisition of raw materials taxed at a zero rate, when related to transactions involving the facilities of OPP Química S.A. ("OPP Química", which has merged into the Company) located in the State of Rio Grande do Sul. This STF determination confirmed the entitlement to IPI credits on these acquisitions of raw materials, covering the ten-year period prior to the filing date and accruing interest at the SELIC benchmark rate to the date of actual use of the credits. This lawsuit was filed by OPP Química in July 2000 seeking for the adoption of the non-cumulative tax principle to said facilities.

The STF decision was challenged by the National Treasury via a special appeal known as "*agravo regimental*".

In this special appeal, the National Treasury is no longer challenging the Company's right to the IPI tax credit from acquisition of raw materials taxed at a zero rate, but rather alleging inaccuracies in the court's determination as to non-taxed inputs and raw materials, the restatement of tax credits, and the calculation rate. According to the opinion of the legal advisors, all these aspects have already been settled in the STF and TRF court decisions favorable to OPP Química, or, in some cases, in STF full-bench precedents. For this reason, the Company's view is that the special appeal referred to above poses only a remote risk of changes in the OPP Química decision, although the STF itself has revisited this matter on the merits in a similar lawsuit by another taxpayer.

In light of the above aspects referring to the extent of the "*agravo regimental*", OPP Química recorded tax credits of R$ 1,030.1 in December 2002, and the Company used those credits to offset IPI itself and other federal tax debts.

Such credits were used up in the first quarter of 2005.

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In a judgment session held on December 11, 2007, the STF First Panel granted the "*agravo regimental*" on the argument that the extraordinary appeal should be reviewed by said Panel again. Such STF determination, published on March 27, 2009, did not clearly state the subject matters to be revisited, but the opinions rendered by most justices who make up the STF First Panel could suggest that the only matters to be entertained by STF would be those raised in the "*agravo regimental*"; in this case, Braskem's right to use IPI tax credits would not be revisited by the STF.

Braskem filed a motion for clarification (*embargos de declaração*) of such obscurity and omission in the STF finding, and believed (in reliance on the opinion of its legal advisors) that the STF First Panel would grant this appeal and make it clear that the new judgment on the extraordinary appeal could only revolve around the subject matters raised in the "*agravo regimental*".

Even though management believed (in reliance on the opinion of its outside legal advisors) that the res judicata would be eventually confirmed by STF in hearing the Company's motion for clarification, the Superior Court of Justice (STJ) issued Precedent 401 in October 2009, where it ruled that the limitation period for a suit on the judgment would only start running when no further appeal is available against the ultimate court finding (i.e., only after *res judicata*).

In view of this STJ finding, even if STF eventually confirmed (in hearing the motion for clarification) Braskem's entitlement to the IPI tax credits from acquisition of raw materials taxed at a zero rate, the decision could be reversed on account of a suit on the judgment filed by the Federal Government. The likelihood of a favorable outcome for Braskem in a potential suit on the judgment had thus become remote.

In light of the foregoing, the Company s management concluded (based on the opinion of its legal advisors) that it would be in the Company's best interests to file for voluntary termination of the lawsuit and then adhere to the federal tax installment program established by Provisional Measure 470 of October 13, 2009, thus substantially reducing the default charges and fines imputable to the Company. In late November 2009, the Company adhered to the installment payment program and filed for voluntary termination of the lawsuit. Further details are available in Note 19(v).

10 Prepaid Expenses

Prepaid expenses refer to expenditures whose benefits or the provision of services to the Company will take place over subsequent fiscal years. They are represented substantially by insurance premiums (Note 29), as shown in the next table. They will not be realized in cash, but rather by appropriation to future results

	2009	2008
Insurance premiums	19.9	62.2
Other	2.4	3.6

22.3	65.8

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11 Judicial Deposits and Compulsory Loan - Long-term Receivables

	2009	2008
Judicial deposits		
Tax contingencies	87.0	68.4
Labor and other claims	63.6	31.5
Compulsory loan		
Eletrobrás	4.0	20.2
	154.6	120.1

12 Investments

(a) Information on investments

	Common shares	2009 Total	2008 Total	Interest in total share capital - % 2009	Interest in total share capital - % 2008	Interest in voting share capital - % 2009	Interest in voting share capital - % 2008
Jointly-controlled companies							
CETREL	820	820	820	53.66	54.24	53.66	54.24
Associated companies							
Borealis	18,989	18,989	18,949	20.00	20.00	20.00	20.00
Sansuy Administração, Participação, Representação e Participação, Representação e Serviços Ltda	-	-	271	20.00	20.00	20.00	20.00

CODEVERDE			10,239	10,239	10,099	35.75	35.65	35.75	35.65

Financial information about associated companies, excluding non-mandatory asset revaluation effects, on a basis consistent with the Company's accounting policies is presented below:

	Adjusted net income (loss) for the year			Adjusted shareholders' equity (unsecured liabilities)		
	2009	**2008**	**2007**	**2009**	**2008**	**2007**
Associated companies						
Borealis	9.7	12.7	11.4	103.4	115.2	119.3
Sansuy			(5.5)	2.0	2.0	(30.9)

	Borealis	**2009 Total**	**2008 Total**
At January 1	23.0	23.0	23.8
Equity in the results	(0.1)	(0.1)	2.2
Sale of investment	-	-	-
Dividends	(2.2)	(2.2)	(3.0)
Other	-	-	
At December 31	20.7	20.7	23.0

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Share prices of related parties' shares listed on the São Paulo Stock Exchange are presented below:

			Share price	
	Type	**Code**	**2007**	**Trading unit**
Petroflex (*)	ON	PEFX3	17.10	1 share
	PNA	PEFX5	16.50	1 share

(*) Sold in 2008.

(b) Information on investments in the main jointly-controlled companies proportionally consolidated under CVM Instruction No. 247

CETREL

The principal activity of CETREL is to provide services of environmental protection and controls to petrochemical companies. Goodwill relating to this investment is based on the fair value of assets and will be amortized through July 2015.

Advance for the acquisition of investments

This balance comprises expenditures for the acquisition of the Ipiranga Group petrochemical assets, as mentioned in Note 1(c). The acquisition of RPR, DPPI and CBPI shares was carried out in three steps, as follows:

- In April 2007, the Company purchased common and preferred shares held by the controlling shareholders of the Ipiranga Group. In this connection, Braskem made an advance of R$ 651.9 to Ultrapar. In accordance with the shareholders' agreement entered into with Ultrapar and Petrobras, as from the date of this purchase, Braskem took over management of the Ipiranga Group s petrochemical assets. As the new controller of these assets in April 2007 the Company began to fully consolidate IQ, IPQ and Copesul. The Company holds a 13.4% interest in the total share capital of IQ.

- In October and November 2007, the Company purchased common and preferred shares held by minority shareholders of RPR, DPPI and CBPI, as provided for in the Brazilian Corporate Law. In connection with this acquisition, Braskem made an advance of R$ 203.7 to,Ultrapar and recorded a 17.9% interest in the total share capital of Ipiranga Química for purposes of consolidating these assets.

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In December 2007, Ultrapar merged the preferred shares owned by minority shareholders in the acquired companies, and afterwards held 100% of the shares in RPR, DPPI and CBPI. Upon completion of this stage, the Company recorded the last purchase price installment to be assigned to Ultrapar in the amount of R$ 633.5 to be disbursed when the Company receives the IQ shares from Ultrapar, which occurred in February 2008. This installment has been recorded in "Advance for acquisition of investment" against "Creditors on acquisition of investments". Following the accounting recognition of this stage of the acquisition process, the Company began to record a 60% interest in the total share capital of IQ for purposes of consolidation of these assets.

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In addition to the amounts allocated to the purchase of shares, the Company considered as part of the investment cost those expenses directly associated with the process, which amounted to R$ 41.5 up to December 31, 2008 (December 31, 2007 - R$ 22.0). Taking into consideration all disbursements already made, in June 2008 the Company recorded goodwill of R$ 73.6 attributed to future profitability, and of R$ 996.8 (December 31, 2007 -R$ 1,050.9), attributed to appreciation of property, plant and equipment.

Between April and December 2007, the Company recorded R$ 30.7 as equity in the earnings of IQ. During the same period, the amount of R$ 22.9 was charged to results as realization of goodwill underlying this acquisition.

(c) Petroquímica Paulínia

On April 25, 2008, the industrial plant of Petroquímica Paulínia was inaugurated. The unit has a production capacity of 350,000 tons a year of polypropylene, and is located in the municipality of Paulínia, in the State of São Paulo.

Until March 2008, this company was jointly controlled with Petroquisa. With the merger of the shares issued by Grust in July of 2008 (Note 1(b)(viii)), Braskem became holder of 100% of the voting capital of that subsidiary. On September 30, 2008, Petroquímica Paulínia was taken over by Braskem (Note 1(b)(ix).

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13 Property, Plant and Equipment

			2009	2008	Average annual depreciation rates - %
	Cost	Accumulated depreciation	Net	Net	
Land	82.0		82.0	83.1	-
Buildings and improvements	1,429.6	(565.0)	864.6	895.3	3.0
Machinery, equipment and facilities	12,781.0	(4,994.5)	7,786.5	7,385.6	6.9
Mines and wells	24.3	(8.6)	15.7	16.5	9.0
Furniture and fixtures	118.0	(55.4)	62.6	41.6	10.0
Information technology equipment	113.7	(89.7)	24.0	29.8	20.0
Projects in progress	1,010.8	-	1,010.8	1,608.7	-
Laboratory/security equipment	99.8	(23.1)	76.7	75.1	10.0
Other	193.6	(72.3)	121.3	142.7	16.0
	15,852.8	(5,808.6)	10,044.2	10,278.4	

Braskem recorded reductions in the recoverable amount of its DMT plant when production was stopped in 2007 amounting to R$ 13.8 based on its estimated sales value. In 2008 further reductions in the recoverable amounts were recorded, totaling R$ 144.1, relating to the DMT, PET and Caprolactam plants amounts amounting to R$ 11.7, R$ 102.8 and R$ 29.6, respectively. The additional provision for DMT related to an adjustment on the expected sales price of the plant due to worsening market conditions in 2008. In December 2008, Braskem advised the market about its withdrawal from the business of producing PET and the transfer to other plants of certain equipment that could be used while the remaining machines, equipment and installations were expected to be disassembled and sold for an insignificant amount. Due to market conditions during 2008 in relation to caprolactam, that plant was no longer considered to be able to recover its net book value based on expected future cash flows from operations and a reduction in the recoverable amount of the caprolactam plant was recorded. This expense, of R$ 29.6, represented the difference between the present value of the cash flow obtained from producing and selling that product and the net book value of the respective industrial unit. Principal assumptions for preparing the cash flow included using (i) the

discount rate for similar business, and (ii) sales prices based on observable industry cycles.

On-going projects mainly represent projects for expanding the capacity of the industrial units and operational improvements to increase the working life of machines and equipment and projects in the areas of health, safety and environment.

During 2009, management reviewed the definition of the useful lives of its plants and, for this purpose, engaged a specialized firm that prepared a valuation report, the main characteristic of which is the view of goods grouped by families of components, similarly to the views of maintenance and engineering areas. In this context, the report identifies the remaining useful lives for assets in use and total useful lives for new assets. The new estimates were implemented as from January 1, 2009. The monthly increase in depreciation was approximately R$ 15,000. The review is in line with ruling standards.

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(a) Changes to property, plant and equipment

	2009	2008
Balance at beginning of the year	10,278.4	8,404.1
(+) Acquisitions	829.8	1,712.2
(-) Write-offs	(49.2)	(22.0)
(-) Transfers	(61.5)	(163.8)
(+) Corporate Activities (i)	27.1	1,228.1
(-) Depreciation/depletion	(956.2)	(736.1)
(-) Reduction to recoverable amount	(24.2)	(144.1)
Balance at the end of the year	10,044.2	10,278.4

(i) Includes mergers of companies, opening balances of consolidated companies beginning from the acquisition and write-off from deconsolidation of companies in the process of disposal (Note 1(c)).

The corporate changes shown in the box above that occurred during the 2009 financial year are shown as follows:

	2009
Addition through merger of Petroquímica Triunfo	27.1

(b) Provision for impairment

As required by CPC 01, at December 31, 2009, the Company assessed the recoverable value of its cash generating units by using the current value of cash flows from the production and marketing of products or the assets selling value. Discount rates of 11.14% per year and perpetual cash flows were used to determine the cash flows.

Cash flows from all cash generating units were higher than the total value of the related assets.For those plants, the activities were permanently discontinued (Note 1 (a)) and the land, building and machines equipment that will be used by the Company were segregated. A provision was recorded for the net value of all other assets, considering that such assets may be sold for a negligible amount.

As to the PVC specialties plant, whose activities were suspended as announced in October 2009 (Note 1(a)), the values of land and buildings that will be used to distribute finished products continue to be recorded. On the other hand, management decided to record a full provision for the net value of machinery and equipment amounting to R$25.0, given the impossibility of forecasting the cash flows from a potential resumption of production or sale of these assets.

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14 Intangible assets

	Cost	Accumulated depreciation	2009 Net	2008 Net	Average annual depreciation rates - %
Goodwill grounded on future profitability	3,211.5	(1,130.8)	2,080.7	2,074.5	(i)
Brands and patents	83.5	(26.9)	56.6	88.4	5.2
Licensing rights for internal use of operating systems	286.5	(87.8)	198.7	215.8	12.7
	3,581.5	(1,245.5)	2,336.0	2,378.7	

(i) The goodwill grounded on future profitability was amortized up to December 31, 2008, taking into account the maximum period of 10 years. As from 2009, this type of goodwill will no longer be systematically amortized, being subject to the annual impairment test, pursuant to the provisions of CPC 01.

Changes in intangible assets

	2009	2008
Balance at beginning of the year	2,378.7	2,614.6
Write-offs	(4.7)	(35.7)
Transfers from PP&E	13.7	207.0
Acquisitions/merger (i)	17.5	31.0
Amortization	(69.2)	(438.2)
Balance at the end of the year	2,336.0	2,378.7

(i) Comprises goodwill based on future earnings from Triunfo's business combination amounting to R$ 17.0 and goodwill merged from Copesul and IPQ amounting R$ 1,060.1.

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15 Deferred Charges

			2009	2008	
	Cost	Accumulated amortization	Net	Net	Annual amortization rate - %
Pre-operating expenses	139.8	(68.2)	71.6	108.2	20
	139.8	(68.2)	71.6	108.2	

The balance at December 31, 2009 relates to expenses incurred during the construction period of industrial plants (pre-operating expenses), that are amortized over five years. The Company elected to maintain the balance at December 31, 2008 up to its full amortization, subject to review for impairment, as provided in article 299-A of Law No. 11,941/09.

16 Adjustments to Present Value

In accordance with CPC 12, the Company segregates financial charges on the sale and purchase of goods with extended credit terms but within one year. In 2009 and 2008, this procedure covered a portion of naphtha purchases, in particular those carried out abroad, considering the difference in invoice and related Antwerp, Rotterdan and Amsterdam ("ARA") spot price as financial charges.

Financial charges on these purchases are recorded upon registration of invoices and reversed through the statement of operations over the duration of the credit term. Changes in the consolidated financial charges in 2009 and 2008 are as follows:

	2009	2008
At the beginning of the year	76.1	32.8
Charges included in	168.3	126.7

purchases		
Charges taken to income	(141.9)	(83.5)
Charges yet to be appropriated	102.5	76.0

The balance of financial charges yet to be appropriated in next years is classified as a reducer of the suppliers account.

All other purchase and sale transactions carried out by the Company are within the terms of its operating flow. For such transactions, the Company understands that accounts receivable and payable are measured at their respective present values.

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17 Loans and Financing

			Consolidated	
		Annual financial charges	**2009**	**2008**
Foreign currency				
Eurobonds		Note 17(a)	2,250.0	3,023.1
Advances on exchange contracts		US$ exchange variation + average interest of 6.61%	1.1	149.9
Export prepayment		Note 17(b)	2,669.6	4,000.3
Medium - Term Notes		US$ exchange variation + average interest of 11.75%	457.7	618.7
Raw material financing	2008	US$ exchange variation + average interest of 4.08%	16.1	21.5
BNDES	2009	Average interest of 7.52% + floating rate (UMBNDES) (i)	14.6	-
	2008	Average interest of 7.90% + floating rate (UMBNDES) (i)		33.6
	2009	US$ exchange variation + average interest of 6.26%	181.3	-
	2008	US$ exchange variation + average interest of 6.55%	-	202.7
Working capital	2009	US$ exchange variation + average interest of 7.64%	674.4	-
	2008	US$ exchange variation + average interest of 7.66%	-	905.2
Project financing (NEXI)		Yen exchange variation + interest of 0.95% above TIBOR (note 17(c))	101.9	195.7
Financial funding costs, net		Note 17(i)	(28.0)	(45.8)

Local currency				
Working capital	2009	Floating rate (92 to 119.09% of CDI)	687.6	-
	2009	Fixed interest of 9.93% + TR	79.5	-
	2008	Floating rate (92 to 117.50% of CDI)	-	363.6
FINAME	2009	Average interest of 4.68% + TJLP	0.2	-
	2008	Average interest of 4.57% + TJLP	-	2.0
BNDES	2009	Average fixed interest of 2.83% +TJLP	1,374.3	-
	2008	Average fixed interest of 2.90% +TJLP	-	1,376.7
BNB	2009	Fixed interest of 9.47%	389.6	-
	2008	Fixed interest of 8.54%	-	255.4
FINEP		Floating rate (TJLP)	84.2	57.2
Transaction cost			(10.7)	-
Total			8,943.4	11,159.8
Current liabilities			(1,504.1)	(2,120.0)
Noncurrent liabilities			7,439.3	9,039.8

(i) UMBNDES = BNDES monetary unit.

(a)

U.S. dollar - denominated notes and bonds

In June 2008, subsidiary Braskem Finance obtained borrowings of US$ 500 million in Eurobonds, with a 7.25% per year coupon (effective rate of 7.39% per year), maturing in 2018, priced at 99.127% of face value, with a return to the investor of 7.375% per year. This amount was used to amortize part of the bridge loan taken out for the acquisition of the petrochemical assets of the Ipiranga Group in 2007.

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The Company's U.S. dollar - denominated notes and bonds positions are summarized as follows:

Date	Amounts in US$ million	Maturity	Percentage interest per year	2009	2008
July 1997	150	June 2015	9.38	263.2	353.2
June 2005	150	None	9.75	262.2	352.0
April 2006	200	None	9.00	354.4	475.7
September 2006	275	January 2017	8.00	495.2	667.8
June 2008	500	June 2018	7.25	875.0	1,174.4
				2,250.0	3,023.1

(b) Export prepayments

On October 9, 2008, Braskem Inc., a subsidiary of the Company, concluded a five-year export pre-payment transaction, in the amount of US$ 725 million, with interest of Libor + 1.75% per year (effective rate of 2.12% per year), and a three-year grace period. This transaction was an extension of the bridge-loan taken out for the acquisition of the petrochemical assets of the Ipiranga Group and delisting the merged company Copesul. Subsequently, an interest swap transaction was carried out that locked the Libor quotation for the period of the transaction at 3.85% per year. Consequently, the cost of the export pre-payment transaction will change from Libor + 1.75% per year to 5.6% per year. (Note 25 f.3(i.b)).

Compositions of transactions:

Date	Amounts in US$ million	Maturity	Interest (% per year)	2009	2008

Jun 2005	10.0	Jun 2009	US$ exchange variation + 3-month Libor + 1.88	-	11.7
Jul 2005	10.0	Jun 2010	US$ exchange variation + 6-month Libor + 2.05	3.5	14.0
May 2006	10.0	May 2009	US$ exchange variation + 6-month Libor + 0.70	-	23.5
May 2006	20.0	Jan 2010	US$ exchange variation + 12-month Libor + 0.30 (i)	-	48.9
Jul 2006	95.0	Jul 2013	US$ exchange variation + 6-month Libor + 1.00	74.2	114.2
Jul 2006	75.0	Jul 2014	US$ exchange variation + 6-month Libor + 0.78	119.7	178.3
Mar 2007	35.0	Mar 2014	US$ exchange variation + 6-month Libor + 1.60	61.3	82.7
Apr 2007	150.0	Apr 2014	US$ exchange variation + 6-month Libor + 0.77	262.8	354.6
Oct 2007	315.5	Jan 2010	US$ exchange variation + 3-month Libor + 0.35	545.2	738.0
Nov 2007	150.0	Nov 2011	US$ exchange variation + 6-month Libor + 1.40	261.8	351.8
Feb 2008	150.0	Feb 2009	US$ exchange variation + average interest 1.59	-	362.4
Oct 2008	725.0	Oct 2013	US$ exchange variation + 6 month Libor + 1.75	1,269.2	1,720.2
May 2009	20.0	Jan 2011	US$ exchange variation + 6-month Libor + 4.06	36.3	-
Aug 2009	20.0	Jul 2011	US$ exchange variation + 6-month Libor + 5.00	35.6	-
				2,669.6	4,000.3

(i) Transaction settled in September 2009.

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(c) Project financing (NEXI)

In March and September 2005, the Company obtained Japanese yen-denominated loans from Nippon Export and Investment Insurance, in the amounts of ¥ 5,256.5 million (R$ 136.5) and ¥ 6,628.2 million (R$ 141.5), respectively, to finance several investment projects, including the "Braskem +" program. These loans bear annual interest of 0.95% above the Tokyo Interbank Rate (TIBOR) plus exchange variation, payable semi-annually.

The principal is payable in 11 installments, commencing in March 2007, with final maturity in March 2012. The financing contracts include insurance that guarantees 95% of commercial risk amounts and 97.5% of political risk amounts.

As part of its risk management policy (Note 25 f.3(i.a)), the Company entered into a swap contract for the total amount of these loans which, in effect, changes the annual interest rate and exchange variation to 101.85% of CDI for the tranche drawn down in March 2005, and 103.98% of CDI and 104.29% of CDI for two tranches drawn down in September 2005. The swap contract was entered into with a leading foreign bank and its maturity, currencies, rates and amounts are matched to the financing contracts. The effect of this swap contract is recorded in financial results under monetary variation of financing (Note 26).

(d) Working capital financing - local currency

In March 2009, the Company completed a transaction to raise R$ 603.9 from Caixa Econômica Federal. The financing term is 4 years, with a one-year grace period for repayment of principal. The total cost of the debt is 117.5% of CDI (effective rate of 123.67% of CDI), with interest paid on a quarterly basis up to the end of the grace period, and on a monthly basis thereafter. The financing may be prepaid at any time, with no additional cost for Braskem.

(e) Repayment schedule

Long-term loans will mature as follows:

	2009	2008
2010	-	639.2
2011	1,132.5	868.2
2012	1,260.3	1,258.6
2013	1,209.7	1,401.7
2014 and thereafter	3,836.8	4,872.1
	7,439.3	9,039.8

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(f) Guarantees

The Company and its subsidiaries have provided securities for short and long-term financing, as stated below:

	Maturity	Total guaranteed	Loan amount	Guarantees
BNB	June 2016	215.0	215.0	Mortgage, machinery & equipment
BNDES	July 2017	1,557.3	1,557.3	Mortgage, machinery & equipment
NEXI	June 2012	101.9	101.9	Insurance premium
Working Capital	March 2013	181.2	603.9	Exporting Credit Note
FINEP	October 2015	84.2	84.2	Mortgage and surety bond
Prepayments	June 2018	61.3	61.3	Mortgage and surety bond
Other institutions	June 2012	16.1	16.1	Surety/endorsement and promissory notes
Total		2,217.0	2,639.7	

(g) Capitalized interest

As described in Note 3.2(e.2), the Company adopts the accounting practice of capitalizing interest on financing during the period of asset construction. The Company's policy is to apply the weighted average financial charge rate on the debt to the balance of projects in progress, including exchange and monetary variation. This amount is limited to the amount of charges incurred in the period.

The average rate used during the period was -11.86% per year (2008 - 35.72% per year), and the amounts capitalized are as follows:

	2009	2008
Gross financial charges	(1.562.5)	3,013.0

Less: capitalized interest	94.5	(308.0)
Net financial charges	(1,468.0)	2,705.0

(h) Loan covenants

Certain loan agreements entered into by the Company establish limits for certain ratios involving the ability to incur debts and pay interest.

The first ratio imposes limits on the Company's indebtedness on account of our ability to generate EBITDA. This is calculated by dividing the Company's net debt by its EBITDA for the last twelve months. This ratio is calculated in Reais or dollars, depending on contract terms. If calculated in dollars, the closing PTAX is used for assessing the net debt and the average dollar for the last four quarters for calculating the EBITDA.

The second ratio to be found in the Company's contracts is the division of the EBITDA by net interest, which represents the difference between interest paid and received. This ratio is verified on a quarterly basis and is only calculated in dollars.

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Below is a summary of the outstanding transactions and their limiting factors:

Transaction	Indicator	Currency
Debentures 13th and 14th	Net Debt / EBITDA < 4.5	R$
Nexi financing	Net Debt / EBITDA < 4.5 EBITDA / net interest > 1.5	US$
Medium-Term Notes	Net Debt / EBITDA < 4.5	R$
Export prepayments	Net Debt / EBITDA < 4.5 EBITDA / net interest > 2.0	US$

EBITDA for these transactions is calculated as follows:

Consolidated

Debentures 13th and 14th	EBITDA=GP (-) GAS (+) DAC (+/-) OIE
Nexi and Export prepayments and Medium-Term Notes	EBITDA=GP (-) GAS (+) DAC (+/-) OIE (+) DIOC

GP=Gross profit

GAS=General, administrative and selling expenses

DAC=Depreciation allocated to cost of sales

OIE=Other operating income and expenses

DIOC=Dividends and interest on own capital received from non consolidated companies

The penalty for non-compliance with these covenants is the possibility of accelerated debt maturity, except for Debenture and Medium-term Notes transactions. In this case, the debt maturity can only be accelerated should a new debt be issued and the cap indicator, after the issue, is above 4.5.

All commitments assumed are fulfilled as of December 31, 2009.

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(i) Transaction costs (funding for transactions)

Costs incurred to structure certain financing transactions were considered as part of the transaction costs, pursuant to CPC 08. Changes in such costs are as follows:

	2009				2008		
	Export prepayments	Eurobonds	Working capital	Total	Export prepayments	Eurobonds	Total
At the beginning of the year	30.0	15.8	-	45.8	-	-	-
Incurred costs	-	-	16.0	16.0	31.3	16.6	47.9
Amortization	(6.5)	(1.4)	(5.3)	(13.1)	(1.3)	(0.8)	(2.1)
Exchange variation	(6.0)	(3.9)	-	(9.9)	-	-	-
Balance to appropriate	17.5	10.5	10.7	38.8	30.0	15.8	45.8

The amounts to be recognized in the statement of operations are as follows:

	2009				2008		
	Export prepayments	Eurobonds	Working capital	Total	Export prepayments	Eurobonds	Total
2009					7.5	1.7	9.1
2010	5.8	1.2	6.6	13.6	7.4	1.7	9.1
2011	5.6	1.2	2.9	9.7	7.2	1.7	8.9
2012	4.2	1.2	1.2	6.7	5.5	1.7	7.1
2013	1.9	1.3	-	3.2	2.4	1.7	4.1
2014 and	-	5.6	-	5.6	-	7.3	7.5

thereafter							
	17.5	10.5	10.7	38.8	30.0	15.8	45.8

18 Debentures

Issue	Unit value - R$	Maturity	Remuneration	Remuneration payment	2009	2008
13th (i)	10	June 2010	104.1% of CDI	Biannually as from December 2005	302.3	303.5
14th (i)	10	September 2011	103.5% of CDI	Biannually as from March 2007	514.4	522.8

(i) Public issue of non-convertible debentures.

The changes in debentures during 2009 and 2008 were as follows:

	2009	2008
Balance at the beginning of the year	826.3	820.5
Accrued interest and financial charges	80.5	99.4
Repayments and conversions	(90.1)	(93.6)
Balance at the end of the year	816.7	826.3
Less: Current liabilities	(316.7)	(26.3)
Non-current liabilities	500.0	800.0

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19 Taxes and Contributions Payable - Long-term Liabilities

	2009	2008
Current liabilities		
IPI (regular transactions)	31.2	22.1
PIS and COFINS (regular transactions)	14.9	13.8
Income tax and social contribution	16.9	12.0
V.A.T (ICMS)	42.7	24.2
Installment - Law No. 11,941/09 (vi)	73.4	-
Installment Program - Provisional Measure 470/09 (v)	958.1	-
Installment Program (PAES) - Law No. 10,864/03 (iv)	7.3	8.1
Other	27.0	25.4
	1,171.5	105.6
Non-current liabilities		
IPI - credit on exports (i)	-	731.1
IPI - zero percent rate (ii)	-	330.3
IPI - consumption materials; property, plant and equipment	-	44.9
PIS and COFINS - Law No. 9,718/98 (iii)	8.0	60.8
Education contribution, SAT and INSS	41.3	41.2
Installment Program - Law No. 11,941/09 (vi)	1,147.3	-
PAES - Law No. 10,684/03 (iv)	34.4	28.7
Other	51.7	58.3
Judicial deposits	(64.2)	(64.1)
	1,218.5	1,231.2

(i)

IPI tax credit on exports (Crédito-prêmio)

The Company, by itself and through absorbed companies, challenged the term of effectiveness of the IPI tax credit (*crédito-prêmio*) introduced by Decree-law No. 491/69 as an incentive to manufactured product exports. Lower courts had granted most lawsuits to that end.

In hearing the appeal lodged by another taxpayer seeking court recognition of its entitlement to use such tax benefit until present, the Superior Court of Justice (STJ) upheld its rejection to such prospective use and affirmed that the aforementioned tax benefit expired in 1990. As constitutional issues were at dispute, the STF was summoned, in early September 2009, to make a final determination over this matter. Despite the arguments raised by taxpayers, STF sided with the STJ ruling and found that entitlement to the IPI tax credit on exports ceased in October 1990.

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In view of this STF determination, in late November 2009 the Company filed for voluntary termination of this lawsuit and adhered to the federal tax installment program under Provisional Measure 470 of 2009 (Note 19(v)).

(ii) IPI - Zero rate

Absorbed companies OPP Química, Trikem and Polialden had filed lawsuits claiming IPI tax credits from the acquisition of raw materials and inputs that were exempt, non-taxed or taxed at a zero rate. Lower courts had granted most lawsuits to that end.

In a decision rendered in February 2007 on a case unrelated to the Company, the STF found against the right to offset zero-rate IPI credits by a tight majority (6 to 5). In June 2007, the full bench of the STF ruled, by majority opinion, that prospective-only effects could not be given to an STF decision that later reversed an erstwhile taxpayer-friendly determination made by the STF Full Bench itself. This ruling had a negative bearing on judgment of the cases involving absorbed companies OPP Química and Trikem in Bahia, leading to payments in the amount of R$ 127.3 (August 2007). By the same token, a portion of the amount underlying the lawsuit involving absorbed company Polialden (R$ 99.6) was settled in October 2007.

The Company still enjoyed a favorable court decision on the lawsuit lodged by its absorbed company Trikem in Alagoas, but the management, which was aware of the unfavorable outcome in the similar dispute as described above, filed for voluntary termination of the lawsuit and adhered to the federal tax installment program under Provisional Measure 470 of 2009 (Note 19(v)).

(iii) PIS and COFINS - Law No. 9,718 of 1998

The sums posted by the Company as noncurrent liabilities primarily refer to the lawsuits filed by the Company and by the absorbed companies to challenge the constitutionality of the COFINS tax rate increase from 2% to 3% as per Law No. 9,718/98. Despite the STF decision in November 2005 upholding said escalation, the STF itself revisited this matter in terms of the general implications from such unconstitutionality and reiterated its stand favorably to lawfulness of the tax rate escalation. In view of this, the Company is likely to qualify these sums for the federal tax installment program under Law No. 11,941 of 2009.

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(iv) Special Installment Program - PAES - Law No. 10,684 of 2003

Merged companies IPQ and Trikem, as well as subsidiary CINAL, adhered to the PAES program instituted by Federal Law No. 10,684 of 2003.

IPQ adhered to this installment payment scheme, after cancellation of supporting certificates (DCCs) originated from acquisition and offsetting of third-party credits. For its part, Trikem opted for such scheme after filing for voluntary termination of the lawsuit challenging the COFINS tax rate escalation from 2% to 3% (instituted by Law 9,718 of 1998).

Even though the Company had met all legal requirements and payments were being made as and when due, the National Treasury Attorney's Office (PFN) disqualified Trikem for PAES on two different occasions, and the Company obtained a court relief reinstating it to PAES in these two events.

The Company opted to exercise the right granted under Law No. 11,941 of 2009 for installment payment of the outstanding debt under PAES, thus terminating all litigations related to its disqualification from the former tax relief scheme.

(v) Installment Payment Program under Provisional Measure 470 of 2009

Based on the opinion of its outside legal advisors and in view of the benefits offered under Provisional Measure 470 of October 13, 2009, notably: (i) the substantial reduction in fines, interest and statutory charges; and (ii) the possibility of using the outstanding balance of tax losses and CSL negative tax base for settlement of debts, management filed for voluntary termination of the lawsuits and administrative appeals by which the Company sought acknowledgment of the tax credits deriving from acquisition of inputs taxed at a zero rate as well as the IPI tax credits, and also confirmed its adherence to the tax relief scheme introduced by the Provisional Measure.

The consolidated debt enjoyed a reduction in default and official fines (100%), one-off fines (90%), default interest (90%), and statutory charges (100%), and will be settled in twelve monthly installments.

The amounts covered by this installment payment program are described below:

Zero rate IPI tax credit	1,883.3
IPI tax credit (*credito-prêmio*)	480.1
	2,363.4
Use of negative tax base	(285.6)
Use of tax losses	(939.5)
Installment payment amount	1,138.3

Installments paid	(189.7)
Updating at the SELIC benchmark rate	9.5
Balance in December 2009 - Current liabilities	958.1

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As shown in Note 19(i) and (ii), the Company's non-current Liabilities comprised some amounts payable on account of use of tax credits deriving from open litigation concerning the IPI tax at zero rate and IPI tax credits. Upon adhering to the installment payment program under Provisional Measure 470 0f 2009, the Company posted additional liabilities at R$ 1,152.2, followed by a counter entry in Other operating results. This same result item reflected a credit deriving from tax losses and CSL negative base at R$ 1,225.1, which was used in partial settlement of the outstanding debt.

As established by the Provisional Measure, the Company will no longer be entitled to any arrears interest relief in the following events: (i) if it fails to pay three installments, whether consecutive or not, or (ii) if it fails to pay up to two installments, even when all other ones have been paid. In the second case, to avoid the loss, the Company must settle them before paying the last installment.

(vi) Installment Payment Program under Law No. 11,941 of 2009

Law No. 11,941 of 2009 laid down the conditions for adherence to the federal tax installment program. These conditions comprise, among others: (i) a payment term of up to 180 months; (ii) variable discounts in fines, interest and charges, depending on the payment term; (iii) the possibility of using the balance of tax losses and CSL negative base to settle fines and interest. Braskem adhered to this installment payment program in the manner prescribed by said law, and has been paying the respective installments (at the minimum values) since November 30, 2009.

Based upon an analysis of the chances of success in the lawsuits and administrative cases to which it is a party, Braskem has already defined to qualify some of them for this installment program, covering the following issues: (i) Social Contribution on Income; (ii) IPI on acquisition of fixed assets and inventory; and (iii) COFINS deriving from the judicial dispute over the rate escalation from 2% to 3% under Law No. 9,718 of 1998 (Note 19(iii)). The Company's management has opted for payment in 180 monthly installments.

As of December 31, 2009, the amount under this item refers to the CSL tax during the base periods from 1989 through 2007, as follows:

CSL	1,137.9
Inclusion of new CSL cases and arrears interest	368.2
REFIS discount	(285.9)
Installment amount	1,220.2
Updating at the Selic benchmark rate	0.5
Balance as of December 2009	1,220.7

Current liabilities	(73.4)
Non-current liabilities	1,147.3

The total CSL debt of R$ 1,137.9 was posted in the statement of operations as follows: (i) R$ 304.9, corresponding to the tax amount, under "Social contribution - installment payment Law No. 11,941/09; (ii) R$ 833.0, corresponding to arrears interest, in Tax debts under financial expenses (Note 26). Discount of R$ 285.9 was posted as Tax debts.

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On March 1, 2010 Braskem included certain additional social contribution cases in the REFIS tax amnesty program and assumed an additional obligation under the REFIS program in the amount of R$ 368.2, which was considered a subsequent adjusting event and reflected in the December 31, 2009 financial statements, including R$ 241.7 in the statement of operations and R$ 126.5 reclassified from taxes payable to installment program.

Pursuant to the Law, the Company will no longer be entitled to arrears interest relief in the event of defaulting the payment of three installments, whether consecutive or not.

20 Income Tax and Social Contribution on Net Income

(a) Income tax and social contribution reconciliation

	2009	2008 Retrospectively revised	2007 Retrospectively revised
Net income (loss) before income tax, social contribution and minority interest	1,641.5	(2,712.9)	1,208.7
Income tax and social contribution (expense) benefit at statutory rate of 34%	(558.1)	922.4	(411.0)
Income tax on equity results	(18.2)	0.1	(3.9)
Tax effects of non submission to social contribution on net income (CSL)	-	(246.4)	52.3
Other permanent differences	43.4	37.3	(20.7)
Effects of non recognition of deferred tax on tax losses	-	(484.7)	-
Social contribution recorded on temporary adjustments of prior years	87.3	-	-
Effects of installment program (Note 19 (v) and (vi))	(53.1)	-	-
Realization (recording) of deferred income tax	(22.1)	49.5	55.9
Adjustments in merged companies	(7.7)	-	-
Prior year adjustments	(5.9)	-	-
Income and social contribution (expense) benefit	(534.4)	278.2	(327.4)
Social contribution - installment program Law No. 11,941/09	(339.3)	-	-

Effect of income tax and social contribution on income	(873.7)	278.2	(327.4)
Current	(11.4)	(23.6)	(224.1)
Social contribution - installment program Law No. 11,941/09	(339.3)	-	-
Deferred	(523.0)	301.8	(103.3)
Total income tax and social contribution in income	(873.7)	278.2	(327.4)

As the Company recorded tax losses in 2009, no income tax exemption/abatement benefit occurred during the year. The tax losses were essentially driven by the adoption of the cash basis for the taxation of exchange variation gains and amortization of goodwill grounded on future profitability.

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(b) Deferred income tax and social contribution taxes

(b.1) Composition of deferred income tax and social contribution

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:

Composition of deferred income tax

	2009	2008
Assets		
Tax losses	507.3	409.1
Amortized goodwill	122.2	167.2
Temporary provisions	73.5	82.9
Effects of Laws Nos.11,638/07 and 11,941/09	45.6	22.8
Other temporary differences	19.8	21.9
	768.4	703.9
Current assets	59.2	59.5
Non-current assets	709.2	644.4
Total Assets	768.4	703.9
Liabilities		
Effects of Laws Nos. 11,638/07 and 11,941/09	132.0	2.6
Exchange variations	487.2	-
Other temporary differences	6.7	18.5
	625.9	21.1
Non-current liabilities	625.9	21.1
Total Liabilities	625.9	21.1

Composition of deferred social contribution

	2009	2008
Assets		
Tax losses	182.2	-
Amortized goodwill	44.8	-
Temporary provisions	23.4	-
Effects of Laws Nos. 11,638/07 and 11,941/09	12.1	-
Other temporary differences	1.7	10.1
	264.2	10.1
Non-current assets	264.2	10.1
Total Assets	264.2	10.1
Liabilities		
Effects of Laws Nos. 11,638/07 and 11,941/09	47.5	-
Exchange variations	175.4	-
Other temporary differences	-	2.5
	222.9	2.5
Current liabilities	-	0.3
Non-current liabilities	222.9	2.2
Total Liabilities	222.9	2.5

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(b.2) Changes in deferred income and social contribution taxes

	2009	2008	2007
Deferred Income tax assets			
Opening balance	703.9	476.6	393.2
Merged balance of subsidiaries	(1.2)	(15.4)	111.0
Amortization reorganization expenses and structured transactions	(10.7)	-	22.8
Deferred IR on tax losses	85.9	256.2	(118.1)
Deferred IR on amortized goodwill of merged companies	5.8	54.8	85.8
Deferred IR realized on amortized goodwill of merged companies	-	(38.5)	(31.9)
Deferred IR on temporary provisions	(16.2)	(29.8)	13.8
Derivatives	0.9	-	-
Closing balance	768.4	703.9	476.6
Deferred CSL assets			
Opening balance	10.1	-	-
Merged balance of subsidiaries	-	10.1	-
Deferred CSL on tax losses	253.8	-	-
Derivatives	0.3	-	-
Closing balance	264.2	10.1	-
Deferred Income tax liabilities			
Opening balance	21.1	62.8	14.8
Effects of Laws Nos. 11,638/07 and 11,941/09	132.0	2.5	-
Merged balance of subsidiary	-	5.6	-
Exchange variation - cash basis	487.2	-	-
Realization (recording) of deferred IR	(14.4)	(49.8)	48.0

Closing balance	625.9	21.1	62.8
Deferred CSL liabilities			
Opening balance	2.4	-	-
Adjustment - Laws Nos. 11,638/07 and 11,941/09	47.5	-	-
Exchange variation - cash basis	175.4	-	-
Realization (recording) of deferred CSL	(2.4)	2.4	-
Closing balance	222.9	2.4	-

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(c) Changes in tax losses

	IR	CSL
Balance of IR and CSL tax losses at 01.01.09	3,529.8	2,942.5
Income tax and social contribution losses at 05.05.09 (i)	228.3	230.5
Amortization under Provisional Measure 470/09 (Note 19(v))	(3,758.1)	(3,173.0)
Income tax and social contribution losses recorded from 05.06.09 and 12.31.2009	2,020.9	2,022.9
Balance of tax losses (IR and CSL) at 12.31.2009	2,020.9	2,022.9

(i) Tax period ended upon the merger of Triunfo

(d) Estimated realization period of deferred income tax and social contribution assets

Deferred income tax and social contribution assets are limited to those amounts whose offsetting is supported by projections of taxable income for up to ten years, discounted to present value, performed by the Company. Additionally, the compensation of income tax and social contribution losses are limited up to 30% of taxable income in addition to the benefits of tax exemption and reduction.

Considering assumptions for prices, exchange rates, interest rates, market growth and other relevant variables behind its business plan, management prepared the plan as of December 31, 2009, based on the expectation of future taxable income. The studies conducted show that income tax and social contribution credits on tax losses that are expected to be realized between 2010 and 2014.

Deferred income tax and social contribution credits on tax losses are expected to be realized as follows:

2010	25.7
2011	-
2012	96.5
2013	257.2
2014	308.0
	687.4

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Deferred IR and CSL credits on goodwill are expected to be realized as follows:

2010	61.9
2011	50.6
2012	31.0
2013	17.9
2014	1.4
2015 to 2017	3.5
2018 to 2019	0.7
	167.0

The accounting records of deferred income tax and social contribution assets do not consider the portion of amortized goodwill on investments in merged companies, that are expected to be realized in a period in excess of ten years, in the amount of R$ 3.2 (2008 - R$ 3.6).

With respect to temporarily non-deductible expenses, deferred income tax and social contribution were recorded on those tax expenses that are currently being challenged at court and other operating expenses, such as the provision for doubtful accounts.

Given that the income tax and social contribution taxable basis arises not only from earnings that may actually generated, but also from the existence of non-taxable revenues, non-deductible expenses, tax incentives and other variables, there is no immediate correlation between the Company net income and income tax and social contribution results. Accordingly, the expected utilization of tax credits should not be taken as an indication of the Company future results.

(e) Social Contribution on Net Income ("CSL")

In view of the discussions over the constitutionality of Law No. 7,689 of 1988, the Company and its merged companies OPP Química, Trikem and Polialden filed civil lawsuits against payment of CSL. The resulting court decision favorable to these companies became final and conclusive. However, the Federal Government filed an appeal on the judgment (*ação rescisória*) challenging the decisions on the lawsuits filed by the Company, Trikem and Polialden, on the argument that - after the final decision favorable to those companies - the full bench of the STF declared the constitutionality of this tax except for 1988. The suit on the judgment is pending STJ and STF review of a number of appeals concerning the specific matter.

Although management, based on the opinion of its legal advisors, believes that a potential unfavorable outcome could only be effective as from the fiscal year when it is rendered and, accordingly, assessments levied by the National Treasury against Braskem should be considered void, recent decisions by higher courts and the Administrative Board of Tax appeals have emphasized the merit over formal aspects. In this regard, certain acts that were originally flawed ended up by being sustained, for the sake of the economics of the judicial process.

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In the light of such uncertainties and the reductions in interest and fines made available by Law No. 11,941/09, the Company management, in reliance on the analysis of its legal advisors, elected to withdraw its charges regarding the legality of the collections and to include the amounts in question in the federal tax installment program established by the above mentioned law.

It should be noted that the Company, always based on the opinion of its legal counsel, decided to exclude from the installment program those amounts that are required as isolated fines. In effect, in recent times, the Taxpayers Council has consistently rendered decisions (including on lawsuits where the Company is a party) stating that simultaneously imposing an isolated and a regular fine on the same taxable event is illegal. Fines being discussed amount to R$ 113.9 at December 31, 2009.

Furthermore, considering that the federal government did not file a suit on the judgment in the case of OPP Química, management understands that, from a legal perspective, the first final decision favorable to the company still holds. Accordingly, assessment levied by the Federal Revenue against OPP Química will also not be included in the installment program. The amount involved, retrospectively revised by inflation and the benchmark rate is R$ 217.8.

Finally, the Company is still considering challenging in court the penalties imposed by tax authorities. Management, based on the opinion of its legal advisors, understands that until such time as its request to withdraw charges at the administrative and judicial levels is formally acknowledged, there are no overdue payments to be made to the federal government. These amounts equal R$ 175.3.

(f) Tax Incentives

(f.1) Corporate income tax

Until calendar year 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, and the three polyethylene plants at Camaçari have the same right until base years 2011, 2012 and 2016, and PVC plant at Camaçari also has until 2013. The PVC plants in Alagoas and the PET plant at Camaçari are exempt from corporate income tax on the results of their industrial operations until 2008.

Production of caustic soda, chloride, ethylene dichloride and caprolactam has the benefit of the 75% decrease in the income tax rate up to 2012.

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(f.2) Value-added tax - ICMS

The Company has ICMS tax incentives granted by the State of Alagoas through State of Alagoas Integrated Development Program - PRODESIN. This incentive is designed to foster the installation and expansion of industrial facilities in the State, and was credited to "Other operating income".

21 Long-term Incentive Plan

In September 2005, the Company s Shareholders' Meeting approved a benefits plan called "Long-term Incentives", not based on Company's shares, by means of which employees designated annually by management may acquire securities issued by the Company and entitled "Investment unit", "Alpha" unit. The purpose among others is to strengthen the convergence of interests in creating long-term value among Braskem's employees and shareholders, foster the sense of ownership and encourage view and the commitment of the employees to long-term results.

The investment unit does not confer on the holder the condition of shareholder of Braskem, or any right or privilege inherent to that condition, especially the right to vote and other political rights.

Each year the board of directors approves eligible participants, the number of investment units to be issued, the percentage of the Company's contribution in the case of acquisition by employees, as well as the number of units offered per participant. A participant's acceptance implies payment in cash of the amount assigned to him or her and the execution of a unit purchase agreement. Braskem then issues the related investment unit certificate.

The investment unit is issued in the 1st semester of each year, at its value is updated annually according to the average quotation of the Company's Class A preferred shares at the end of the dealing period on the BOVESPA in the months of October and March. In addition to the variation in its nominal value, the Investment unit earns the equivalent of the dividend and/or equity interest distributed by Braskem.

There are three types of Investment units:

. the unit acquired by the participant (known as "Alpha");

. the unit received by the participant by way of the Braskem counterparty (known as "Beta"); and

. the unit received by the participant by way of income (known as "Gama").

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The Investment unit (and its corresponding certificate) are issued on a very personal basis and may only be sold to Braskem by means of redemption on the following conditions:

. from year five following the first acquisition, the acquiring party may redeem up to 20% of the accrued balance of their investment units; and

. from year six, redemption is limited to 10 % of the accrued balance.

The composition and fair value of units on December 31, 2009 and 2008 are as follows:

	2009		2008	
	Number	**Value**	**Number**	**Value**
Investment Units				
Issued (Alfa Units)	672,753	4.3	707,661	9.5
Granted as incentive (Beta Units)	665,268	3.4	705,361	0.9
Total	1,338,021	7.7	1,413,022	10.4

22 Other Accounts Payable

	2009	2008
Credit notes	1.2	37.1
Commissions/allowances from customers	17.6	42.4
Insurance premiums	15.6	12.7

Provision for restoration of environmental damages (i)	57.8	51.2
Market value of derivative instruments	27.1	-
Sundry judicial provisions (ii)	85.2	68.0
Advances from customers	38.0	37.5
Leasing agreements	18.7	-
Other accounts payable	80.2	87.8
Total	341.4	336.7
Non-current liabilities	(206.0)	(195.6)
Current liabilities	135.4	141.1

(i) The Company has a provision for future expenditures for the recovery of environmental damages at some of its plants.

(ii)Based on the opinion of its outside legal advisors, the Company provides the litigation amounts that are considered as a probable loss. The provision amount for civil and labor suits is computed including the amount claimed by the authors and the historic percentage of the Company to settle such suits (Note 24).

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The composition of the provisions is shown below:

	2009	2008
Labor claims	25.2	17.5
Tax claims	50.2	47.1
Civil claims	1.7	1.3
Other contingencies	8.1	2.1
	85.2	68.0

23 Shareholders' Equity

(a) Capital

At December 31, 2009, subscribed and paid-in capital is R$ 5,473.2, comprising 520,928,154 shares with no par value of which 190,462,446 are common shares, 329,871,890 are class "A" preferred shares, and 593,818 are class "B" preferred shares.

At December 31, 2007 the Company's subscribed and paid-up capital was R$ 4,641.0, divided into 449,432,611 shares, comprising 149,810,870 common shares, 298,818,675 Class A preferred shares, and 803,066 Class B preferred shares, with no par value. At the same date, the Company's authorized capital comprised 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.

At the Extraordinary General Meeting held on April 2, 2007, shareholders approved the merger of Politeno into the Company (Note 1(b)(i)). As a result, the Company's capital was increased by R$ 19.1 to R$ 3,527.4 through the issue of 1,533,670 Class A preferred shares. The conversion of 486,530 Class A preferred shares into common shares was also approved.

As a result of the exercise of the right to convert the 1st Issue debentures (Note 1(b)(iv)), the Company's capital was increased by R$ 1,113.6 on July 31, 2007 to total capital of R$ 4,641.0, through the issuance of 77,496,595 shares, comprising 25,832,198 common shares and 51,664,397 Class A preferred shares.

At December 31, 2008, the Company's subscribed and paid-up capital was R$ 5,375.8, divided into 507,540,997 shares, comprising 190,462,446 common shares, 316,484,733 Class A preferred shares, and 593,818 Class B preferred shares, with no par value. At the same date, the Company's authorized capital comprised 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.

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At the Extraordinary Shareholders' Meeting held on May 30, 2008, a capital increase was approved on account of the merger of Grust shares (Note 1(b)(viii)), by issuing 46,903,320 common and 43,144,662 class "A" preferred shares, with the capital going from R$ 4,641.0 to R$ 5,361.7.

On September 30, 2008, as a result of the merger of IPQ (Note 1(b)(ix)), the Company's capital was increased by R$ 14.1, from R$ 5,361.7 to R$ 5,375.8, through the issue of 1,506,061 class "A" preferred shares.

In May 2009, by virtue of the merger of Triunfo (Note 1(b)(x)), the Company's capital was increased by R$ 97.4, from R$ 5,375.8 to R$ 5,473.2, through the issue of 13,387,157 class "A" preferred shares.

The Company is authorized to increase its capital, irrespective of a change in its by-laws, up to the limit of 684,972,510 shares, being 228,324,170 common, 456,054,522 class "A" preferred, and 593,818 class "B" preferred shares. In any event, the number of preferred shares with no voting rights or with limited voting rights shall not exceed the limit of 2/3 of the Company's total capital.

(b) Share rights

Preferred shares do not carry voting rights, but they have a priority right to a minimum non-cumulative annual dividend of 6% per annum of their nominal value, depending on the availability of net income for distribution. Only Class A preferred shareholders share the remaining net income equally with the common shares and common shares are entitled to dividends only after priority dividends have been paid to the holders of preferred shares. The Class A preferred shareholders also share equally with common shares in the distribution of shares resulting from the incorporation of other reserves to capital. Class B preferred shares are not convertible into common shares. However, at the end of the non-transfer period provided under applicable law, Class B preferred shares can be converted into Class A preferred shares at any time, at the ratio of two Class B preferred shares for each Class A preferred share.

Class A and Class B preferred shares have priority in the return of capital in the event of liquidation of Braskem. All shareholders are entitled to an annual mandatory dividend of 25% of adjusted net income for the year, in accordance with the Brazilian Corporate Law.

As set forth in shareholders' agreement and memorandum of understanding, the Company has a target to distribute dividends corresponding to not less than 50% of the net income for the year, as long as the required reserve amounts are sufficient to allow for the efficient operation and development of the Company's businesses. However the legal obligation of the Company is the mandatory dividend of 25%.

Under the terms of U.S. dollar-denominated medium-term notes, the payment of dividends or interest on own capital is capped at two times the minimum dividends accorded to preferred shares under the Company's bylaws.

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(c) Tax incentives reserve

Prior to the adoption of Law No. 11,638/07 and Provisional Measure 449/08, income tax incentives (Note 20(f)) were classified in a capital reserve account without transiting through the statement of operations. Beginning January 1, 2006, this tax incentives, are taken to the statement of operations and may be subsequently appropriated to a revenue reserve following a management proposal ratified by the shareholders' meeting.

Regardless of the change determined by Law No. 11,638/07 and Provisional Measure 449/08, this incentive may only be used for increasing the capital or absorbing losses.

(d) Treasury shares

- On February 19, 2008, a 12-month share repurchase program was approved with an approximate investment of R$ 252.0 for the repurchase of up to 19,862,411 class "A" preferred shares. Under this program, 10,099,500 class "A" preferred shares were repurchased up to December 22, 2008, at the average cost of R$ 10.63 per share. The low and high amounts of such acquisitions were R$ 6.03 and R$ 13.85 per share.

- On March 6, 2008, the cancellation of 16,595,000 class Braskem class "A" preferred shares held in treasury was approved, amounting to R$ 244.5 at December 31, 2007.

- On April 28, 2008, the Company announced to the market the dissent of shareholders owning 2,108,823 common and 209,048 class "B" preferred shares over the ratification of the transaction intended to acquire the control of the Ipiranga Group petrochemical assets. The dissenting shareholders exercised their appraisal rights and the shares were reimbursed on March 1, 2008, at the book value of R$ 13.50 per share as of December 31, 2007, for a total of R$ 31.3.

- On May 30, 2008, the shareholders of Braskem Participações approved a capital reduction and the transfer to the Company of 580,331 common and 290,165 class "A" preferred shares of that company, in the amount of R$ 13.1.

- On July 2, 2008, the company announced the dissent of shareholders owning 3,562,590 common and 200 class "B" preferred shares over the merger of shares in Grust Holdings S.A. The reimbursement was made at the share book value, determined as of December 31, 2007, corresponding to R$ 13.50 per share, for a total of R$ 48.1.

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On December 22, 2008, the cancellation of 16,850,657 shares, comprising 6,251,744 common, 10,389,665 class "A" preferred, and 209,248 class "B" preferred shares was approved, that were accounted for the total value of R$ 199,904. This cancellation, together with the one approved on March 6, totaling R$ 444.4, was written off from the retention of profits for expansion account.

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. At December 31, 2009, treasury shares comprised 1,506,060 class "A" preferred shares in the amount of R$ 11.9, arising from the interest held in Braskem by merged company Triunfo. The total value of these shares, computed based on the average quotation at the exchange session of December 31, 2009, is R$ 20.5.

(e) Revenue reserves

At December 31, 2007, this balance relates to the retention of earnings to meet the requirements of expansion projects included in the Company business plan, according to the capital budget proposed by management and submitted to the approval of the Shareholders' Meeting, as provided in article 196 of the Brazilian Corporation Law. In 2008, the Company used this reserve to absorb the cancellation of treasury shares and part of the loss for 2008, in the amounts of R$ 444.4 and R$ 445.8, respectively.

(f) Appropriation of net income

In accordance with the Company's by-laws, net income for each year, adjusted in accordance with Brazilian Corporate Law, will be appropriated as follows: (i) 5% for constitution of the legal reserve, up to 20% of capital; and (ii) 25% for payment of non-cumulative mandatory dividends, observing the legal and statutory advantages of the preferred shares. In the case of loss the accumulated income reserve is appropriated to eliminate such losses. Additionally, if the loss is greater than accumulated income reserve the Company can reduce capital to eliminate such losses.

When the priority dividend amount paid to the preferred shares is equal to or higher than 25% of the adjusted net income for the year, calculated in accordance with Article 202 of the Brazilian Corporate Law, the full mandatory dividend is paid. If there is a remaining mandatory dividend after the payment of priority dividends, it will be used as follows: (i) for the payment to common shares of a dividend up to the limit of the priority dividend of preferred shares; and (ii) if there is a remaining balance, in the distribution of an additional dividend, to common shares and Class A preferred shares on the same basis, so that each common share and Class A preferred share receives the same dividend.

Net income for 2009 was used to absorb part of the accumulated deficit and, for this reason, management did not distribute any amount by way of dividends or equity interest for that year.

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(g) Fair-value adjustments

This account comprises the fair-value adjustments which have impacted the shareholders' equity without affecting the Company's statement of operations for the current period, but will in the future.

At December 31, 2009 and 2008 the Company had the following balances:

	2009	2008
Financial instruments at fair-value, classified as available-for-sale, net of income tax (Note 5)	1.1	8.0
Parent Company's hedge operation (Note 25(f.3)(iii))	(67.4)	(110.1)
	(66.3)	(102.1)

24 Contingencies

(a) Labor and Social Security
Collective Bargaining Agreement - Section 4

The Petrochemical, Plastics, Chemicals and Related Industry Workers Union in the State of Bahia (SINDIQUÍMICA) and the Employers' Association of the Petrochemical and Synthetic Resins Industries in the State of Bahia (SINPEQ) are disputing in court the validity of a wage and salary indexation clause contained in the collective bargaining agreement (*convenção coletiva de trabalho*), given the matter of public policy involved, namely, the adoption of an economic stabilization plan in 1990 that put a limit on wage adjustments. The Company ran plants in the region in 1990, and is a member of SINPEQ.

The employees' labor union seeks retrospective adjustment of wages and salaries. In December 2002, the STF affirmed an erstwhile decision from the Superior Labor Court (TST), determining that economic policy legislation should prevail over collective bargaining agreements and, as such, no adjustment was due. In 2003, SINDIQUÍMICA appealed this decision by means of a motion for clarification, which was rejected by unanimous opinion on May 31, 2005.

On October 24, 2005, SINDIQUÍMICA filed a plea known as *embargos de divergência*. This plea was forwarded to the General Prosecutor Office of the Republic, which rendered an opinion fully favorable to SINPEQ in November 2006. Judgment on this appeal started on June 28, 2007, but was adjourned as one of the judges asked for further

access to the case records.

In reliance on the opinion of its legal advisors, management believes that SINPEQ is likely to prevail in this suit and, as such, no amount was provisioned for.

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National Social Security Institute - INSS

The Company is party to several social security disputes in the administrative and judicial spheres, totaling approximately R$ 273.3 (updated by the SELIC rate) as of December 31, 2009.

In reliance on the legal advisors' opinion that the Company stands good chances of success in these cases, management believes that no sum is payable in connection with these notices and, as such, no amount was provided.

Other labor and social security contingencies

- In the second quarter of 2005, the Chemical and Petrochemical Industry Workers Unions in Triunfo (RS) and Camaçari (BA) filed several lawsuits for recovery of unpaid overtime. The Company has presented its answers accordingly, and - in reliance on the legal advisors' opinion - the Company's management does not expect to be defeated.

- As of December 31, 2009, the Company and its subsidiaries figured as defendant in 1,475 suits for damages and labor claims (already including those mentioned above), totaling approximately R$ 420.6 (2008 -R$ 223.3). According to the opinion of legal advisors, most of these suits are likely to be found for the Company. For the cases entailing a probable defeat, the Company and its subsidiaries have provisioned for R$ 26.8.

(b) Tax

Offsetting of tax credits

From May through October 2000, absorbed companies OPP Química and Trikem offset their own federal tax debts with IPI tax credits (*créditos-prêmio*) 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 others. 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 (*portarias*) 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 (*dívida ativa*) at R$ 276.6 were posted in December 2005 concerning the Company's tax debts originating from purportedly undue offsetting procedures.

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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 counsels to both companies labeled the likelihood of success in those cases as probable.

On October 3, 2005, the Federal Supreme Court (STF) 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 absorbed companies and duly recognized by DERAT/SP are confirmed, and for this reason they also hold that the tax liabilities being imputed to the Company are not due. The Federal Government filed a suit on the judgment (*ação rescisória*) against this decision, and Assignor is likely to be defeated in light of the STF determination that the IPI tax credits expired on October, 5, 1990.

Further, the legal advisors to Assignor and to the Company, in addition to a jurist when inquired of his opinion on this specific issue, advocated that the tax liabilities purportedly related to offsetting procedures carried out by the absorbed companies should have become time-barred and, as such, could no longer be claimed by the tax authorities. Nevertheless, recent decisions rendered by the STJ and by the Administrative Tax Appeals Board confirmed that the DCTF validly formalizes a tax liability, irrespective of its being related to offsetting procedures.

Faced with mounting legal uncertainties over this issue and to take advantage of the reduction in interest and fine payments under Provisional Measure 470 of 2009, the Company's management (in reliance on the opinion of its outside legal advisors) opted to move for voluntary termination of this dispute and then qualify the corresponding sums for the federal tax installment program (Note 19(v)).

The Company will consider the legal measures available to claim recourse against the Assignor for the sums paid to the National Treasury, as per the assignment contract executed in 2000.

Corporate Income Tax (IRPJ) and Social Contribution on Net Income (CSLL)

In 1999, the Federal Revenue Office (SRF) served notice on merged company Copesul charging a supposedly delinquent IRPJ and CSL tax for the 1994 base period, relating to monetary adjustment of balance sheet items and equity accounting results due to the accounting of dividends distributed by a subsidiary abroad. The updated dispute comes to R$ 21,724. An appeal lodged by the National Treasury at the Higher Tax Appeals Chamber (CSRF) is pending judgment. According to the legal advisors, the likelihood of a favorable outcome for this case is reasonably possible.

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	Book value		Fair value	
	2009	**2008**	**2009**	**2008**
Cash and cash equivalents (Note 4)				
Financial Investments in Brazil				
Investments in FIQ Sol	1,239.2	1,551.2	1,239.2	1,551.2
Fixed-income investments	318.9	102.9	318.9	102.9
	1,558.1	1,654.1	1,558.1	1,654.1
Financial investments abroad				
Investments funds in foreign currency	58.5	107.5	58.5	107.4
Time Deposits	732.5	522.2	732.5	522.2
	791.0	629.7	791.0	629.6
Marketable securities (Note 5)				
U.S. Treasury bonds	261.8	331.5	261.8	331.5
Shares held for trading	25.8	-	25.8	-
Investments in FIQ Sol	179.2	181.8	179.2	181.8
	466.8	513.3	466.8	513.3

Financing (Note 17)				
Foreign currency				
Advances on Exchange contracts	1.1	149.9	1.0	149.9
Working capital	674.4	905.2	674.4	905.2
BNDES	195.9	236.3	195.9	236.3
Eurobonds	2,250.0	3,023.1	2,426.8	2,440.4
Raw material financing	16.1	21.5	16.1	21.5
Medium-Term Notes	457.7	618.7	559.8	643.0
Export prepayements	2,669.6	4,000.3	2,669.6	4,000.3
Project financing (NEXI)	101.9	195.7	101.9	195.7
	6,366.7	9,150.7	6,645.5	8,592.3
Local currency				
Working capital	767.1	363.6	767.1	363.6
FINAME	0.2	2.0	0.2	2.0
BNDES	1,374.3	1,376.7	1,374.3	1,376.7
BNB	389.6	255.4	389.6	255.4
FINEP	84.2	57.2	84.2	57.2
	2,615.4	2,054.9	2,615.4	2,054.9
Debentures (Note 18)				
Debentures	816.7	826.3	810.0	803.4
	816.7	826.3	810.0	803.4

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Detailed information about these financial instruments can be found in the explanatory notes to Cash and cash equivalents (Note 4), Securities (Note 5), Financings (Note 17) and Debentures (Note 18).

(a) Risk management

The Company is exposed to market risk arising from variations in commodity prices, foreign exchange rates and interest rates, and to credit risk arising from the possibility of default by its counterparties in financial investments, accounts receivable and derivatives.

The Company adopts procedures for managing market and credit risks, in line with a Financial Management Policy and a Risk Management Policy. The aim of risk management is to protect the Company's cash flow and reduce the threats to financing its operating working capital and investment programs.

(b) Exposure to foreign exchange risks

The Company has commercial transactions denominated in or indexed to foreign currencies. The prices of the Company's inputs and products are denominated in or strongly influenced by international commodity quotations, which are usually denominated in U.S. dollars. Furthermore, the Company has used long-term financing in foreign currencies, which leads to exposure to changes in the foreign exchange rates between the *real* and the foreign currencies. The Company manages its foreign currencies exposure using a combination of foreign currency debt, foreign currency investments and derivatives. The Company's foreign exchange risk management policy contemplates maximum and minimum cover limits which must be obeyed, and which are continually monitored.

(c) Exposure to interest rate risks

The Company is exposed to the risk that variations in floating interest rates lead to an increase in financial expenses with future interest payments. The floating-rate foreign currency debt is subject mainly to fluctuations in LIBOR. Domestic currency debt is subject mainly to the variation of the Long-Term Interest Rate (TJLP), pre-fixed rates in Reais and daily variation of the CDI rate.

(d) Exposure to commodity risks

The Company is exposed to fluctuations in the price of several petrochemical commodities, especially its main raw material, naphtha. Because the Company seeks to transfer to its selling prices the effect of price changes in its raw materials, arising from changes in international quotations for naphtha, part of its sales may be carried out under fixed-price contracts or contracts stating maximum and/or minimum fluctuation ranges. Such contracts are commercial agreements or derivative contracts relating to future sales. On December 31, 2009, the Company had no outstanding contracts of this nature.

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(e) Exposure to credit risk

The Company is subject to concentration of credit risk in connection with bank accounts, financial investments and other accounts receivable, which expose the Company to risks relating to the financial institutions involved. In order to manage the credit risk, the Company keeps its bank accounts and financial investments with large financial institutions, weighting the concentrations in line with the institutions' ratings and the prices observed in the Credit Default Swaps (CDS) market, as well as entering into netting agreements that minimize the overall credit risk arising from the various financial transactions carried out among the parties.

In regard to customer credit risk, the Company protects itself by making detailed analyses before granting credit and by obtaining real and pro forma guarantees, when deemed necessary. Counterparty limits and credit quality are reviewed on a daily basis, taking into account their ratings and the prices prevailing in the Credit Default Swap ("CDS") market.

(f) Derivative instrument transactions

The Company uses derivative financial instruments for the following purposes:

(f.1) Hedging

Hedging activities are executed in line with the Company's policies. The financial management policy includes a continuous short-term hedge program for foreign exchange risk arising from its transactions and financial items. Other market risks are covered on a case-by-case basis. In general, the Company assesses the need for hedging when analyzing prospective transactions and seeks to undertake made-to-measure hedging for the transactions under consideration, in addition to preserving the hedge for the entire period of the transaction being covered.

The Company may elect to designate derivatives for hedging by applying Hedge Accounting pursuant to CPC 14. Designation of the hedge is not mandatory. The Company will usually elect to designate derivatives as a hedge when it is expected that the application of hedge accounting will afford a significant improvement in demonstrating the off-setting effect of the derivatives on the variations of the items being hedged.

At December 31, 2009, the Company held financial derivative contracts with a total nominal amount of R$ 2,382.3 (2008 - R$ 1,974.0), of which R$ 269.7 relates to hedge transactions for the financing of projects and R$ 2,102.6 relate to export prepayment transactions (see f.3(i.b) below). There are not derivatives that were used for other purposes. In July 2009, the Company carried out a U.S. dollar future sale for a notional value of US$ 285,000 thousand that was settled in August 2009 to hedge cash flows from the U.S. dollar exchange variation, thus generating a gain of R$ 47.7 (Note 25 f.3)).

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(f.2) Modifying the return on other instruments

The Company may use and has used derivatives to modify the return on investments, the interest rate or the indexation of financial liabilities, based on judgements made regarding the most appropriate conditions for the Company. When the modified return risk is substantially lower for the Company by using derivatives, the transaction is considered hedged. When the Company uses derivatives to modify investment returns, it seeks to match the obligations it will have by virtue of the derivative with the rights represented by the investments. When it uses derivatives to modify the interest rate or indexation on liabilities, it seeks to match the rights it will have by virtue of the derivative with the obligations represented by the liabilities. These transactions involving modification of investment returns, interest rates or indexation on financial commitments are undertaken for an amount not exceeding that of the underlying investment or commitment. The Company does not leverage its positions using derivatives. As of December 31, 2009 the Company had no transactions with this purpose.

(f.3) Monetization of certain risks

The Company may use derivatives to monetize certain risks it considers acceptable on account of its exporting profile. By monetizing a risk, Braskem receives financial income in exchange for compensating the counterparty should a specific event occur. As of December 31, 2009 the Company had no transactions with this purpose.

All derivative financial instruments held on December 31, 2009 were entered into on the OTC market with large financial counterparties and supported by global derivatives agreements in Brazil or abroad.

The derivative financial instruments are shown on the balance sheet at their fair value, as assets or liabilities. The derivative financial instruments are classified as trading instruments, as is mandatory. The periodic variances in the fair value of the derivatives are recognized in the statement of operations as financial revenue or expense in the same period in which they occur, except when the derivative is designated and qualifies for cash flow hedge accounting for the period in question.

The fair values of the derivatives are obtained as follows:

(a) From public sources in the case of exchange-traded derivatives;
(b) Using discounted cash flow models when the derivative is a forward purchase or sale or a swap contract*;* and
(c) Using option contract evaluation models, such as the Black-Scholes model, when the derivative contains option features.

The valuation assumptions (model input) are obtained from sources that reflect current observable market prices, particularly interest rate curves and forward currency prices disclosed on the Commodities and Futures Exchange, spot foreign exchange rates disclosed by the Brazilian Central Bank, and international interest rate curves disclosed by recognized quotation services such as Bloomberg or Reuters.

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As of December 31 of 2009, the Company had no derivatives that required non-observable assumptions for calculating their fair value.

The table below shows all transactions using derivative financial instruments in existence on December 31, 2008, or those that produced financial results during the 2008 fiscal year. The "receipts (payments)" column shows the amounts received or paid for the settlements undertaken during 2008, while the "income (expense)" column shows the effect recognized as financial income or expense due to settlements and movements in the fair value of the derivatives during 2008:

Identification	Notional value	Maturity	Purpose	Receipts (payments)	Income (expense) (R$)	Fair value 2009	Fair value 2008
YEN-CDI swap (Note 25, f.3i(i.a))	BRL 279.7	June, 2012	Exchange hedge of NEXI financing	BRL (20.9)	BRL (53.5)	BRL (27.1)	BRL 5.6
Interest rate swap (Libor-fixed)	USD 725.0	October, 2013	Interest rate hedge (designated for hedge accounting)	BRL (12.4)	BRL (9.5)	BRL (73.3)	BRL (109.4)
Interest rate swap (Libor-fixed)	USD 457.5	July, 2014	Interest rate hedge (designated for hedge accounting)	BRL (3.9)	BRL (2.0)	BRL (5.5)	
U.S. dollar future sale	USD 285.0	August, 2009	Exchange hedge of cash flows	BRL 47.7	BRL 47.7		

(i) Transactions outstanding on December 31, 2009

As of December 31, 2009, the Company had the following derivative financial instruments:

(i.a) Project financing (NEXI) - linked swaps

On December 31, 2009, the Company had four currency swap contracts with a total nominal value of R$ 279.7, contracted for hedging yen-denominated financings with floating interest rates, maturing in March and June 2012. The purpose of these swaps is to offset the risk of fluctuations in the yen-*real* foreign exchange rate arising from the financings, and to offset the risk of variation in future expenses with interest payments. The terms, amount, settlement dates and yen interest rates of the swaps are matched to the terms of the financing. The Company intends to hold these swaps until the financing is settled.

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The characteristics of each swap transaction are listed below:

Identification	National value (in million of R$)	Interest rate	Maturity	Fair value 2009	Fair value 2008
Swap NEXI I	29.0	104.29% of CDI	Jun- 12	(1.9)	2.2
Swap NEXI II	136.5	101.85% of CDI	Mar-12	(18.5)	(6.6)
Swap NEXI III	91.9	103.98% of CDI	Jun-12	(5.6)	7.6
Swap NEXI IV	22.3	103.98% of CDI	Jun-12	(1.1)	2.3
	279.7			(27.1)	5.5

These contracts may require Braskem to make guarantee deposits under certain conditions. On December 31, 2009, Braskem had no guarantee deposits outstanding in connection with these derivatives. The counterparties in the transactions are prime banks with 'A' credit ratings or better from rating agencies Moody's, Standard & Poor's or Fitch, which in accordance with the discount rates used to reflect the counterparty credit risk.

The Company elected not to designate these swaps for hedge accounting, since the main risk protected, the risk of foreign exchange rate fluctuation, is represented by the simultaneous movements in foreign exchange rates for the financing. As a result, the resulting change in the fair value of the swaps is recorded as financial income or expense in the period in which they occur. In 2009, the Company recognized income of R$ 53.5 for the changes in fair value of these swaps between December 31, 2008 and December 31, 2009.

(i.b) Export prepayment-linked interest rate swaps

The Company and Braskem Inc., its subsidiary, had, on December 31, 2009, 16 interest rate swap contracts with a total nominal value of USD 1,182.5 million, which it had entered into for export prepayment debt contracted in US dollars and at LIBOR-based floating interest rates in October 2008 and April 2009, maturing in October 2013 and July 2014 (Note 17(b)). Under these swaps, Braskem Inc. receives floating rates (LIBOR) and pays fixed rates in a manner that matches the prepayment debt cash flow. The objective of these swaps is to offset the variation in future financial debt expenses caused by LIBOR rate fluctuation. The terms, amount, settlement dates and floating interest rates match those of the debt. The Company intends to hold these swaps until the financing is settled.

These swaps were designated as cash flow hedges for the fluctuating Libor risk on specified debt, for the purposes of hedge accounting. The changes in the fair value of the derivatives designated as cash flow hedges that are highly effective in offsetting cash flow variations in the hedged item are recognized in the shareholders' equity under fair-value adjustments up to the date on which the respective variation of the hedged item impacts the result. The impact of LIBOR on the hedged item is expected to impact the results in each debt interest period, beginning on the disbursement date and continuing to its maturity date.

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The Company tests the effectiveness of these hedges on the closing date of each reporting period using the accrued monetary offset method. Under this method, the hedge is considered effective if the cash flow variation of the derivatives is between 80% and 125% of the variation of the hedged item caused by the risk being covered. The effectiveness test on December 31, 2009 showed that the derivatives were highly effective in offsetting the variations in the hedged item caused by LIBOR fluctuations during the period from when the derivatives were contracted until the end of the reporting period, and that all other conditions that qualify these instruments for hedge accounting were met. As a result, the effective portion of the variation in the fair value of the derivatives, in the amount of R$ 12.1 (Note 25, f.3(iii)), was recorded as the Fair-value adjustments account. The Company also reclassified from that account to financial income the amount of R$ 11.5 referring to the portion of the offset effect of the derivatives on the hedged item, for in 2009.

The characteristics of the swap transactions are listed below:

Braskem Inc.:

	Notional value			Fair value	
Identification	**US$ million**	**Interest rate**	**Maturity**	**2009**	**2008**
Swap EPP I	100.0	3.9100	Oct/13	(10.4)	(15.7)
Swap EPP II	100.0	3.9100	Oct/13	(10.4)	(15.7)
Swap EPP III	100.0	3.9525	Oct/13	(10.7)	(16.0)
Swap EPP IV	25.0	3.8800	Oct/13	(2.6)	(3.8)
Swap EPP V	50.0	3.5675	Oct/13	(4.3)	(6.2)
Swap EPP VI	100.0	3.8800	Oct/13	(10.3)	(15.4)
Swap EPP VII	50.0	3.5800	Oct/13	(4.4)	(6.3)
Swap EPP VIII	100.0	3.8225	Oct/13	(10.0)	(14.9)
Swap EPP IX	100.0	3.8850	Oct/13	(10.3)	(15.4)
	725.0			(73.4)	(109.4)
		Current liabilities		(41.8)	(31.5)
		Non-current liabilities		(31.6)	(77.9)

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Braskem S.A.:

Identification	Notional value US$ million	Interest rate	Maturity	Fair value 2009
Swap EPP X	35.0	2.5000	Mar/14	(1.1)
Swap EPP XI	75.0	1.9500	Jul/14	(2.1)
Swap EPP XII	100.0	2.1200	Nov/13	(0.1)
Swap EPP XIII	50.0	2.1500	Nov/13	0.1
Swap EPP XIV	50.0	2.6400	Apr/14	(0.8)
Swap EPP XV	100.0	2.6200	Apr/14	(0.5)
Swap EPP XVI	47.5	1.6700	Jun/13	(1.0)
	457.5			(5.5)
		Current liabilities		(10.8)
		Non-current assets		5.3

The Interest rate column in the above table includes the fixed contract fee which the Company pays in exchange for receiving LIBOR.

These contracts may require the subsidiary Braskem Inc. to make guarantee deposits under certain conditions. On December 31, 2009, Braskem Inc. had no guarantee deposits outstanding in connection with these derivatives. The counterparties in these transactions are prime banks with "A" credit ratings or better from rating agencies Moody's, Standard & Poor's or Fitch, which is in accordance with the discount rates used to reflect the counterparty credit risk.

The risk value of the derivatives held by the Company on December 31, 2009, defined as the greatest loss that may result in one month, in 95% of the cases, in normal market conditions, was estimated by the Company at R$ 131.6 for the swaps EPP and R$ 23.9 for the swaps NEXI.

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(ii) Exposure by counterparty

Outstanding exposure of the Company to the risk of counterparty default in derivative financial instruments is listed in the table below, taking into account the market values of the derivatives plus the guarantees:

Counterparty	Principal	Exposure 2009
Barclays	84.5	(0.1)
BBVA	355.6	(20.9)
BES	444.5	(3.3)
Calyon	311.2	(17.6)
Citibank	292.0	(17.0)
Deutsche Bank	151.1	(2.1)
HSBC	133.4	0.1
JP Morgan	136.5	(18.4)
Santander	473.5	(26.6)
	2,382.3	(105.9)

(iii) Components of the fair value adjustments account due to hedge transactions

The Company has designated certain derivatives as "cash flow hedge", which created final balances of fair value adjustment. The summary of changes to equity evaluation adjustments is given below:

Item	Fair value balance in Dec/08	Reclassifications to expense in 2009 by achievement of competence	Activities of hedges' effective portions	AA balance in December, 2009
Swaps EPP Braskem Inc.	(110.1)	10.1	36.1	(63.9)

Swaps EPP Braskem S.A.	-	2.0	(5.5)	(3.5)
	(110.1)	12.1	30.6	(67.4)

The components of the highly effective offset and the ineffective portion of the variation in the fair value of the derivatives, as well as the reclassification of the amounts referring to the hedges having achieved their competence in the period were recognized as follows:

	Fair value		**3. Gain (loss) in**	**3.a Recognized in revenues**	**3.b Recognized**
Item	**2009**	**2008**	**the period, of:**	**(expenses)**	**in AAP**
Swaps EPP Braskem Inc.	(73.3)	(110.1)	36.1	(9.5)	45.6
Swaps EPP Braskem S.A.	(5.5)	-	(5.5)	(2.0)	(3.5)
Total	(78.8)	(110.1)	30.6	(11.5)	42.1

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(a) Sensitivity analysis

Financial instruments, including derivatives, are subject to variations in their fair value arising from fluctuations in commodity prices, foreign exchange rates, interest rates, shares and shares indices, price indices and other variables. The sensitivity analysis of derivative and non-derivative financial instruments to these variables is shown below.

(i) Risk selection

The Company selected the three market risks that may most affect the value of the financial instruments it holds, being: (a) the US dollar-Real foreign exchange rate; (b) the Yen-*real* foreign exchange rate; and (c) the LIBOR floating interest rate.

For the purposes of the sensitivity analysis of risk, the Company shows currency exposures as if they were independent, that is, without reflecting the exposure to one foreign exchange rate to the risk of variation in other foreign exchange risks that might be indirectly influenced by it.

(ii) Scenario selection

Pursuant to CVM Instruction No. 475/08, the Company includes three scenarios in the sensitivity analysis, one of which is probable and with the other two representing scenarios with potential adverse effects for the Company. In preparing the adverse scenarios, the Company considered only the impact of the variables on the financial instruments, including derivatives, and on the items covered by hedge transactions. It did not take into account the global impact on the Company's operations, such as that involving a revaluation inventories and future income and expenses. Since the Company manages its exchange exposure on a net basis, adverse effects verified when the US dollar rises against the *real* can be offset by the opposite effects on the operating results of the Company.

The probable scenario considered was the one published by the FOCUS study disclosed by the Central Bank of Brazil on December 26, 2009. In the case of the interest rate variables not included in the FOCUS study, the probable scenario taken into account was the percentage variation of the CDI. In the case of the foreign exchange rate variables not included in the FOCUS study, the probable scenario taken into account was the percentage variation of the US dollar against the Brazilian *real*.

The possible adverse and extreme scenarios for the US dollar-*real* foreign exchange rate considered, respectively, a rise of 25% and 50% in the quotation of the *real* in relation to the dollar at the close of 2009.

The possible adverse and extreme scenarios for the Yen-Real foreign exchange rate considered, respectively, a rise of 25% and 50% in the quotation of the yen in *reais* in relation to the yen at the close of 2009.

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The possible adverse and extreme scenarios for the LIBOR interest rate considered, respectively, a drop of 25% and 50% in the LIBOR quotation in relation to its at the end of level 2009.

The sensitivity results in the tables below show the variations in the value of the financial instruments in each scenario, with the exception of table (v), which shows the variations in future cash flows.

(iii) Sensitivity to the US Dollar-Real foreign exchange rate

The sensitivity of each financial instrument, including derivatives and the items they cover, to variations in the US dollar-*real* foreign exchange rate is shown in the table below.

Instrument	Probable	Possible adverse (25%)	Extreme adverse (50%)
Advances of exchange contracts		(0.2)	(0.5)
BNDES	(0.9)	(45.3)	(90.7)
Eurobonds	(11.4)	(562.5)	(1,125.0)
Raw material financing	(0.1)	(4.0)	(8.0)
Investment Funds in foreign currency	0.2	14.4	28.9
Medium Term Notes	(2.3)	(114.4)	(228.9)
Export pre-payments	(3.1)	(154.3)	(308,583)
Time Deposits	3.7	183.1	366.2
U.S. Treasury bonds	1.3	65.5	131.0
Export pre-payment, debt on exports, and hedge, as follows			
Pre-payment debt	(10.4)	(513.1)	(1,026.2)
Swap EPP (see f, f.3, i.b)	10.3	510.9	1,021.8

(iv) Sensitivity to the Yen-Real foreign exchange rate

The sensitivity of each financial instrument, including derivatives and the items they cover, to variations in the yen-*real* foreign exchange rate is shown in the table below.

Instrument	Probable	Possible adverse (25%)	Extreme adverse (50%)
Financing for projects (NEXI), and hedge, as follows			
Debt (NEXI)	(0.5)	(25.5)	(51.0)
Swaps (NEXI) (see (f3).i.a)	0.5	25.5	51.0

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(v) Sensitivity of future cash flows to floating Libor interest rates

The sensitivity of future interest income and expenses of each financial instrument, including the effect of derivatives and the items they cover, is shown in the table below. The figures represent the impact on financial income (expense) taking into account the average term of the respective instrument.

Instrument	Probable	Possible adverse (25%)	Extreme adverse (50%)
BNDES		(0.7)	(1.4)
Working capital/Structured transactions	(0.4)	(9.1)	(18.0)
Raw material financing			
Export pre-payments	-	(0.2)	(0.4)
Export pre-payment debt, and hedge, as follows			
Pre-payment debt	(0.5)	(9.9)	(19.6)
Swap EPP (see f.3, i.b)	0.5	9.9	19.6

26 Financial Income (Expenses)

	2009	2008	2007
Financial income			
Interest income	182.3	139.7	134.7
Monetary variation	62.7	30.8	36.9
Gains on derivative transactions	83.9	65.8	47.3
Exchange variation on foreign currency assets	(687.1)	466.3	(825.6)
Other	30.2	16.0	17.9
	(328.0)	718.6	(588.8)

Financial expenses			
Interest on financing and related parties	(637.4)	(560.1)	(470.3)
Monetary variation	(205.5)	(214.9)	(213.2)
Losses on derivative transactions	(48.8)	31.0	(44.8)
Tax liabilities	(964.6)	(90.6)	-
Tax expenses	(33.4)	(65.3)	(274.7)
Discounts granted	(143.0)	(121.9)	(137.6)
Exchange variation on foreign currency liabilities	2,929.3	(3,212.6)	1,546.7
Amortization of transactions costs	(13.1)	(2.1)	-
Adjustment to presente value	(141.8)	(83.5)	-
Other	(47.7)	(83.1)	(194.7)
	694.0	(4,403.1)	212.1
Financial income (expenses), net	366.0	(3,684.5)	(376.7)

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27 Other Operating Income (Expenses)

	2009	2008	2007
Income (expenses)			
Rental of facilities and assignment of right of use	1.5	12.2	24.3
Tax incentives and recovery of taxes	107.8	77.7	135.9
Social security indemnifications	12.9	-	-
Other operating income/(expenses), net	12.0	(3.9)	(28.7)
	134.2	86.0	131.5

28 Other income and expenses, net

	2009	2008	2007
Income (expenses)			
Sale of interest in Petroflex (Note 1(v))	0.2	130.5	-
Change of interest in investments	-	-	(35.5)
Sale of permanent assets	-	-	(2.0)
Provision for loss on investments	(1.1)	(10.2)	-
Impairment and provision for retirement of assets	(42.4)	(170.9)	(13.8)
	-	(42.8)	-

Reversal of gains from merger			
Write-down of discontinued projects	(60.3)	(10.8)	-
Other operating income (expenses), net	(28.9)	(54.5)	(15.9)
	(132.5)	(158.7)	(67.2)

29 Insurance Coverage

Braskem and its subsidiaries, pursuant to policy approved by the Board of directors, have an extensive risk management program that during 2009 enabled, for instance, the improved risk classification of the industrial units, which for the most part achieved the "Above standard" rating.

The insurance program provides coverage for all insurable corporate assets, as well as for potential losses involving interruption of production, by means of an "all risks"-type policy. This policy stipulates the amount for maximum probable damage, considered sufficient to cover any accidents, bearing in mind the nature of the Company's activity and the advice of its insurance consultants. The current policy was renewed for 18 months through early April 2010 and includes the following coverage:

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Coverage	Braskem US$ million	Quantiq R$
Maximum limit of indemnification for inventories, property, plant and equipment, and loss of profits, per event	2,000.0	71,751
Insured assets and loss of profits	17,079.7	71,751

Additionally, the Company takes out transportation, group life, sundry risks and vehicle insurance. The risk premises adopted are not part of the scope of the audit, and consequently have not been examined by our independent auditors.

30 Shares Traded Abroad - NYSE and LATIBEX

(a) American Depositary Shares ("ADS") program

The Company's ADSs are traded on the NYSE with the following characteristics:

- Type of shares: Class A preferred shares.
- Each ADS represents two shares, traded under the symbol "BAK".
- Foreign Depositary Bank: The Bank of New York ("BONY") - New York branch.
- Brazilian Custodian Bank: Banco Itaú S.A.

(b) LATIBEX

The Company class "A" preferred shares are traded on LATIBEX, the Madrid Stock Exchange's market for Latin American companies quoted in euros the shares are traded under the symbol "XBRK" and the Brazilian custodian bank is Banco Itaú S.A. The shares are traded in units.

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31 Private Pension Plans

The actuarial obligations relating to the pension and retirement plans are accrued in conformity with the procedures established by CVM Deliberation 371/2000.

(a) ODEPREV

The Company has a defined contribution plan for its employees. The plan is managed by ODEPREV -Odebrecht Previdência which was set up by Odebrecht S.A. as a private pension entity. ODEPREV offers its participants, employees of the sponsoring companies, the Optional Plan, a defined contribution plan, under which monthly and sporadic 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.

On December 31, 2009, the number of active participants in ODEPREV comprised 3,053 (2008 2,633) and the Company's and employees, contributions in 2009 amounted to R$ 6.9 (2008 R$ 9.8) and R$ 19.8 (2008 -R$ 18.8), respectively.

(b) PETROS - Fundação PETROBRAS de Seguridade Social ("PETROS")

- **PETROS Braskem Plan**

  On June 30, 2005, the Company informed PETROS - Fundação Petrobras de Seguridade Social of its intention to withdraw sponsorship of the defined benefit plan (Plano Petros Braskem). Such withdrawal was ratified by the Supplementary Pensions Department ("SPC", an entity of the Ministry of Social Security, whose role is to regulate and supervise private pension plans), on April 29, 2009. The financial settlement of the Plan took place during 2009, with 100% of the individual withdrawal reserves being made available to participants. More than 99% of the participants exercised their option for appropriation of funds, in accordance with the alternatives available. The sponsorship withdrawal process will be completed in 2010 with the payment of the surplus of the plan, after deduction of administrative expenses and payment to the remaining participants.

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. PETROS Copesul Plan

Braskem and a portion of its employees originally hired by merged company Copesul are sponsors of PETROS (Plano Petros Copesul), in defined benefit retirement plans.

At December 31, 2009, participants comprise 293 active employees (2008 - 393) and the Company's and employees' contributions were R$ 4.9 (2008 - R$ 6.2) and R$ 3.6 (2008 R$ 4.3), respectively.

As contemplated in the regulations of PETROS and applicable legislation, in the event the technical reserves are relatively insufficient, maintainers and participants will contribute additional financial funds, or benefits under the plan will be adapted to the resources available. Since the balance sheet date, no supplementary contribution was required.

In compliance with CVM Deliberation 371, dated September 13, 2000, the Company undertook an assessment of the actuarial liabilities on December 31, 2009, using the projected credit unit evaluation method based on actual information incurred up until November 30 of each year, with the following result:

	2009	2008
Fair value of plan assets	496.4	459.3
Present value of actuarial obligations	560.4	540.0
Present value of obligations in excess of assets	(64.0)	(80.7)
Actuarial liabilities, net	18.6	6.4
Unrecognized actuarial losses	(45.4)	(74.3)

Unrecognized actuarial losses relate to the profitability of the plan assets - differences between the actuarial assumptions and the actual, such differences are considered actuarial gains (losses). Braskem's policy is to recognize such gains (losses) as income (expense) only when their cumulative amounts exceed, at each year, the higher of the following limits: (i) 10% of the present value of the total actuarial obligation defined benefit and (ii) 10% of the fair value of plan assets. The portion to be recognized is amortized each year, with the amortization amount determined by dividing its amount by the average remaining service time estimated for the plan

participants.

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The main actuarial assumptions at the balance sheet date are as follows:

	2009	**2008**
Actual discount rate	6% p.a	6% p.a
Expected yield of plan assets	6% p.a	6% p.a
Salary real growth	1.7% up to retirement age	1.7% up to retirement age
Biometric bases		
Mortality for pension and savings (able individuals)	AT-2000	AT-2000
Mortality for pension and savings (disabled individuals)	C.A.P. (*) experience	C.A.P. (*) experience
Disability	Álvaro Vindas (**)	Álvaro Vindas (**)
Other charges	STEA (***) experience	STEA (***) experience

(*) C.A.P. - Retirees and Pensioners Fund (Caixa de Aponsentadoria e Pensionistas) used as a basis to develop the mortality table for actuarial computations.

(**) Álvaro Vindas - Disability Table used in actuarial computations.

(***) STEA - Serviços Técnicos de Estatística e Atuária Ltda.

(c) COPESULPREV - Plano Copesul de Previdência Complementar

The Board of Directors of Copesul, in May 2003, approved the institution of the Copesul Supplementary Pension Plan known as COPESULPREV, a closed plan under the defined contribution modality. This plan seeks to serve employees not covered by the former PETROS plan, today closed to new entrants. The plan is administered through PETROS - in an independent manner, with no links to any other pension plan managed by that entity today, in compliance with the provisions of Supplementary Law No. 109/2001.

On August 31, 2009, the Company communicated to COPESULPREV its withdrawal as a sponsor.

Until August 2009, the Company's and employees' contributions amounted to R$ 1.0 (2008 - R$ 1.6) and R$ 0.8 (2008 - R$ 1.3), respectively.

(d) Fundação Francisco Martins Bastos - FFMB

Since the merger of IPQ, the Company is a sponsor of Fundação Francisco Martins Bastos - FFMB, a private supplementary pension plan that was set up to manage and execute the defined benefit pension plan for the former Ipiranga Group employees.

In June 2009, the Company communicated to Fundação Francisco Martins Bastos its withdrawal as a sponsor, in conformity with the Fundação by-laws. The calculation of mathematical reserves of participants was completed in November 2009. In that month, the process was formally submitted to the approval of the Supplementary Social Security Secretary.

Until June 2009, the Company's and participants' contributions were equal to R$ 1.6 (2008 - R$ 1.9) and R$ 0.5 (2008 - R$ 1.0), respectively.

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(e) Triunfo Vida

Since the merger of Petroquímica Triunfo, the Company is a sponsor of Triunfo Vida, a private supplementary pension entity, designed to manage and execute the defined contribution pension plan for Petroquímica Triunfo employees.

At December 31, 2009, participants in this plan comprise 143 active employees. The Company's and participants' contributions were R$ 0.4 (2008 - none) and R$ 0.6 (2008 - R$ 0.7), respectively.

32 Raw Material Purchase Commitments

(i) Electric energy

The Company has purchase contracts of electric energy for consumption at its plants located in the States of Alagoas, Bahia and Rio Grande do Sul. The minimum annual commitment under such contracts, whose term is four years, is R$ 332.1.

(ii) Naphtha

In July 2009, a new contract for the supply of naphtha was entered into with Petrobras. The contract provides the supply of naphtha to the basic petrochemicals units located at the Southern Petrochemical Complex and the Northeast Petrochemical Complex. The agreed-upon naphtha price is based on a number of factors, such as the prices in the naphtha market and several other oil derivatives, the volatility of such prices in international markets, the U.S. dollar/real exchange rate, and the level of paraficinity of naphtha delivered. Also, the contract stipulates a minimum annual consumption of 2,100,000 tons and a maximum annual consumption of 5,979,600 tons which, at naphtha prices as of December 31, 2009, are equal to R$ 2,181.8 and R$ 6,212.6, respectively.

33 New Accounting Standards and Practices

During 2009, CPC issued, and CVM approved, new technical pronouncements and interpretations regarding the convergence with international accounting standards. The adoption of such materials is mandatory in 2010, with retroactive effect to 2009 for comparison purposes. Early adoption is optional, by adjusting 2008 comparative schedules.

In its Deliberation 603 of November 10, 2009, CVM addressed the presentation of Quarterly Financial Information ("ITRs") for 2010. Publicly-held companies may present their ITRs during 2010 in accordance with the accounting standards applicable until December 31, 2009, for a new presentation of previously filed forms upon the first-time adoption of the new standards.

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The Company is currently assessing the new documents and determining their accounting effects in order to comply with them in the course of 2010.

A list of technical pronouncements and interpretations that will impact the Company financial statements as from January 1, 2010 is provided below:

Pronouncements:

		CVM approval act	
CPC Pronouncement	**Subject matter**	**Deliberation**	**Approval date**
CPC 15	Business combinations	580/09	07.31.09
CPC 16	Inventories	575/09	06.05.09
CPC 18	Investment in associated companies	605/09	11.26.09
CPC 19	Investment in joint ventures	606/09	11.26.09
CPC 20	Funding costs	577/09	06.05.09
CPC 21	Interim statements	581/09	07.31.09
CPC 22	Segment reporting	582/09	07.31.09
CPC 23	Accounting policies, changes in estimates and errors	592/09	09.15.09
CPC 24	Subsequent event	593/09	09.15.09
CPC 25	Provision and contingent liabilities and assets	594/09	09.15.09
CPC 26	Presentation of the financial statements	595/09	09.15.09
CPC 27	Property, plant and equipment	583/09	07.31.09
CPC 28	Investment property	584/09	07.31.09
CPC 30	Revenues	597/09	09.15.09
CPC 31	Non-current assets held for sale and discontinued operations	598/09	09.15.09
CPC 32	Taxes on net income	599/09	09.15.09
CPC 33	Post-employment benefits (benefits to employees)	600/09	10.07.09
CPC 35	Separate statements	607/09	11.26.09
CPC 36	Consolidated statements	608/09	11.26.09

CPC 37	First-time adoption of IFRS	609/09	12.22.09
CPC 38 (i)	Financial instruments - recognition and measurement	604/09	11.19.09
CPC 39 (i)	Financial instruments - presentation	604/09	11.19.09
CPC 40 (i)	Financial instruments - evidence	604/09	11.19.09
CPC 43	First-time adoption of technical pronouncements 15 to 40	610/09	12.22.09

(i) CVM Deliberation 604 of 11/19/09 revoked CPC 14.

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Technical interpretations:

		CVM approval act	
Technical Interpretation ICPC	**Subject matter**	**Deliberation**	**Approval date**
ICPC-03	Leasing	613/09	12.22.09
ICPC-04	Stock-based payment	614/09	12.22.09
ICPC-05	Transactions with group shares and treasury shares	615/09	12.22.09
ICPC-06	Hedge of net investment in foreign operations	616/09	12.22.09
ICPC-08	Accounting for proposal of payment of dividends	601/09	10.07.09
ICPC-09	Individual, separate, consolidated financial statements and application of the equity method	618/09	12.22.09
ICPC-10	Property, plant and equipment and investment property	619/09	12.22.09
ICPC-11	Receipt of customer assets in transfer	620/09	12.22.09
ICPC-12	Changes in liabilities through inactivation	621/09	12.22.09

34 Subsequent Events

(a) Acquisition of Quattor Participações S.A.

On January 22, 2010, Braskem announced the completion of negotiations for the acquisition of Quattor Participações S.A. ("Quattor"), under an Investment Agreement executed on that date among Odebrecht, Petrobras, Braskem and Unipar. Under the Investment Agreement, Petrobras will be able to consolidate its major petrochemical assets in Braskem, which will continue to be a publicly-held company of the private sector with enhanced ability to compete in the international scene.

The Investment Agreement establishes that the Transaction will be carried out through the following stages:

(i) Formation of a holding, BRK Investimentos Petroquímicos S.A. ("BRK"), that will hold 100% of Braskem common shares currently held by Odebrecht and Petrobras;

(ii) Contribution of resources to BRK, which has occurred in April, made in cash, for a total of R$ 3.5 billion, by Odebrecht and Petrobras;

(iii) Capital increase in Braskem, by means of a private subscription by its shareholders, through the issue of common shares and class A preferred shares, having the same rights as the shares currently in issue, for the issue price of R$ 14.40 for each common or preferred share. The issue price was determined based on the average closing quotations of Braskem class A preferred shares on BM&FBovespa;

(iv) Acquisition by Braskem of Quattor shares held by Unipar;

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(v) Acquisition by Braskem of 100% of the shares in Unipar Comercial e Distribuidora S.A. ("Unipar Comercial") and 33.3% of the shares in Polibutenos S.A. Indústrias Químicas ("Polibutenos");

(vi) Merger into Braskem of Quattor shares held by Petrobras; and

(vii) Public offer through indirect disposal of the control of Quattor Petroquímica S.A. ("Quattor Petroquímica"), a subsidiary of Quattor.

Additionally, an Association Agreement entered into by and among Petrobras, Odebrecht and Braskem grants Braskem the right of first refusal to act as partner in projects at the Petrochemical Complex of the State of Rio de Janeiro - Comperj - and the Suape Petrochemical Complex, in the State of Pernambuco. Such projects are under way and are expected to increase the offer of basic petrochemicals, as well as resins, in the Brazilian market.

The Investment Agreement will be submitted to the appreciation of CADE - Administrative Council for Economic Defense, with the voluntary offer of an Agreement for the Reversibility of the Transaction - APRO.

(b) Acquisition of Sunoco Chemicals Inc.

On April 1, 2010, we acquired for US$356.0 million all of the outstanding capital stock of Sunoco Chemicals, which we have renamed Braskem PP Americas, Inc. The assets of Sunoco Chemicals consist of three polypropylene plants located in La Porte, Texas, Marcus Hook, Pennsylvania and Neal, West Virginia, with an aggregate annual production capacity of 950,000 tons, as well as a petrochemicals research facility in Pittsburgh, Pennsylvania, that account for approximately 13% of the installed production capacity PP in the United States.

(c) Ethane XXI Project

In November 2009, Braskem and IDESA - a listed petrochemical company in Mexico - were the winners in a bidding process carried out in Mexico for the implementation of a petrochemical project based on ethane in the Veracruz region, under a ten-year contract for the supply of 66,000 barrels/day of this input by PEMEX-Gas. As a result of the bidding process, Braskem and IDESA entered into a Memorandum of Understanding and, on February 23, 2010, executed a final agreement comprising: (i) an investment commitment, by Braskem-IDESA, for the construction of an ethane cracker to produce one million tons/year of ethane; and (ii) the construction of two polyethylene plants for the production of approximately 1 million tons/year of HDPE-LLDPE-LDPE

resins. The fixed investment forecast is around US$ 2.5 billion. The completion of the civil works and start-up of the units are scheduled for January 2015

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(d) Installment Payment Program - Law No. 11,941/09

As discussed in Note 19(vi), on March 1, 2010 (i.e. within the legal term), the Company withdrew the administrative and judicial appeals relating to taxes that will be settled in accordance with the installment schedule established by Law No. 11,941/09. The Federal Revenue Office is yet to make available the software intended to consolidate such debts. For this reason, the Company will continue to make nominal payments until such time as taxpayers have access to this consolidation feature.

(e) Increase in authorized share capital

The Extraordinary Shareholders' Meeting held on February 25, 2010 approved the increase in the Company s authorized share capital to 1,152,937,970 shares, comprising 535,661,731 common, 616,682,421 class "A" preferred, and 593,818 class "B" preferred shares. This increase is aimed at ensuring the timely implementation of the stages of the acquisition of Quattor refered to in Note 34(a) - in particular, with respect to the increase in the Company share capital.

(f) Issuance of 7.00% Notes due 2020

On May 7, 2010, we issued and sold US$400.0 million aggregate principal amount of our 7.00% Notes due 2020. Interest on these notes is payable semi-annually in arrears in May and November of each year and these notes mature on May 7, 2010. We used the proceeds of this offering to prepay a portion of the outstanding indebtedness of Quattor and our company.

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35 Summary of Main Differences Between Brazilian GAAP and U.S.GAAP

(a) Presentation of financial statements, consolidation basis and functional currency

As described in Note 2, the Company has elected to use the consolidated financial statements prepared in accordance with accounting practices adopted in Brazil (Brazilian GAAP) as its primary financial statements, for the purposes of filing with and listing at the Securities and Exchange Commission - SEC and New York Securities Exchange - NYSE, under the applicable rules to the U.S. Exchange Act of 1934. A summary of the main differences between Brazilian GAAP and accounting principles generally accepted in the United States (U.S. GAAP), applicable to the Company, are disclosed in this Note.

(i) Financial statements under Brazilian GAAP

Pursuant to Law 11638/07, Brazilian GAAP was amended in order to converge to International Financial Reporting Standards - IFRS as described in Note 2, for which financial statements were retrospectively revised under Brazilian GAAP for the year ended December 31, 2007.

Accordingly, the reconciliation to U.S. GAAP (Note 35 (x)) considers previously reported Brazilian GAAP balances and those adjustments made due to Law 11638/07, including those made retrospectively, as well as those that affected previously reported U.S. GAAP adjustments at reconciliation.

(ii) Consolidation basis

The consolidation basis varies from Brazilian GAAP to U.S. GAAP, whereby additional entities may be required to be consolidated under U.S. GAAP, and certain jointly-controlled entities are proportionally consolidated under Brazilian GAAP and recorded on the equity method under US GAAP. The consolidated condensed balance sheet and statement of operations comprise assets, liabilities, operations and subsidiaries of the following entities:

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		Controlling interest - %		
		2009	2008	2007
Operating and Trading Companies				
Braskem América Inc. (Braskem America)		100.00	100.00	100.00
Braskem Argentina S.R.L (Braskem Argentina)(i)		-	100.00	100.00
Braskem Chile Ltda. (IPQ Chile)		100.00	100.00	-
Braskem Distribuidora Ltda e sua controlada		100.00	100.00	100.00
Braskem Europe B.V.		100.00	100.00	100.00
Braskem Finance Limited		100.00	100.00	-
Braskem Importação e Exportação		100.00	100.00	100.00
Braskem Inc.		100.00	100.00	100.00
Braskem Participações S.A.		100.00	100.00	100.00
Braskem Petroquímica S.A. (IPQ Argentina)		100.00	100.00	60.00
Braskem Petroquímica Chile Ltda. (Braskem Chile)		100.00	100.00	60.00
Companhia Importadora S.A. - CCI	(ii)	-	100.00	62.70
Companhia Alagoas Industrial - CINAL		100.00	100.00	100.00
Copesul	(iii)	-	-	62.70
Copesul International Trading CITI	(iv)	-	100.00	62.70
Grust Holding S.A.	(v)	-	100.00	-
Ideom Tecnologia Ltda. (Ideom)		100.00	-	-
IQ Soluções & Químicas S.A. (Quantiq)		100.00	100.00	60.00
IQAG		100.00	100.00	60.00
IPQ	(iii)	-	-	60.00
ISATEC		100.00	100.00	60.00
Lantana		100.00	100.00	100.00
Natal Trading	(iv)	-	100.00	60.00
Petroquimica Paulínia S.A. (PPSA)	(iii)	-	-	60.00
Politeno Empreendimentos		100.00	100.00	99.99
Varient Distribuidora de Resinas Ltda		100.00	-	-

Variable Interest Entities				
Parin Fund	(vi)	-	-	100.00
Sol Fund		100.00	100.00	100.00

The locations of our businesses are disclosed in Note 3.2(g).

(i) Company legally merged into Braskem Petroquímica S.A (IPQ Argentina) in March 2009;

(ii) Company legally merged into Braskem Importação e Exportação Ltda. in September 2009;

(iii) Company legally merged into Braskem in September 2008;

(iv) Subsidiaries legally merged into Braskem Inc in December 2009.

(v) Company wound up in June 2009;

(vi) Fund liquidated in February 2008.

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(iii) Reporting and functional currency under U.S. GAAP

The Braskem Group management has concluded that the Brazilian Real is the functional and reporting currency for all companies presented herein.

(b) Supplementary inflation restatement in 1996 and 1997 for U.S. GAAP

Under Brazilian GAAP, inflation accounting was discontinued effective January 1, 1996. Prior to that date, Brazilian GAAP statements included indexation adjustments which partially accounted for the effect of inflation on property, plant and equipment, investments, deferred charges (together denominated "permanent assets") and shareholders' equity, and reported the net charge or credit in the statement of operations.

However, under U.S. GAAP, Brazil ceased to be treated as a highly inflationary economy only as from January 1, 1998, requiring additional indexation to the Brazilian Reais. Accordingly, the financial information for purposes of U.S. GAAP should include additional inflation restatement adjustments for 1996 and 1997 made by applying the General Price Index increases of 9.3% and 7.5%, respectively to reflect currency of constant purchasing power.

For purposes of the U.S. GAAP reconciliation, shareholders' equity under U.S. GAAP was increased by R$ 575.0 and R$ 618.5, at December 31, 2009 and 2008, respectively, due to the additional inflation remeasurement accounting, net of depreciation. These amounts generated increases in depreciation charges of R$ (43.5), R$ (37.2) and R$ (37.4) in 2009, 2008 and 2007 respectively.

(c) Property, plant and equipment

(i) Capitalized interest

Under Brazilian GAAP, since January 2006, the Company adopted the same methodology to capitalize interest as that adopted under U.S. GAAP, except for exchange variations capitalized under Brazilian GAAP and taken to the income statement under U.S. GAAP. Therefore, as from January 2006, except for exchange variations, there are no more differences between finance costs capitalized under Brazilian GAAP and U.S. GAAP. The depreciation of interest capitalized under U.S.GAAP before 2006 continues to be recorded based on the economic useful life of the underlying asset.

(ii) Impairment of Long-Lived Assets

Under Brazilian GAAP, companies are required to determine if discounted cash flow is sufficient to absorb the depreciation or amortization of long-lived assets in order to assess potential asset impairment. In the event that such discounted cash flow is insufficient to recover the carrying value, the assets, or groups of assets, are written down to recoverable values. In the event of a planned substitution of assets prior to the end of the original estimated useful life of the asset, depreciation of such an asset is accelerated to ensure that the asset is depreciated according to the estimated net realizable values at a future date of substitution.

U.S. GAAP requires evaluation of the carrying value of long-lived assets to be held and used, and for long-lived assets to be disposed of, whenever the changes in circumstances occur.

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The carrying value of long-lived assets is considered impaired if at the first step, the anticipated undiscounted cash flow from identified asset groups, representing the lowest level for which identifiable cash flow are largely independent of the cash flows of other groups of assets, is less than their carrying value. In that event, a loss is recognized at the second step based on the amount by which the carrying value exceeds the fair value of the assets by using the discounted cash flows generated by these assets or their net realizable value.

The Company has impaired assets related to the PET production plant under Brazilian GAAP since it had been discontinued during December 2008, for which the impairment charge amounted to R$ 102.8. Additionally, the Company also recorded an impairment of R$ 42.7 related to our caprolactam assets in 2008.

Also under Brazilian GAAP, in October 2009 the Company has impaired assets related to PVC Specialties, whose activities were temporary suspended and an impairment charge has been recorded, amounting to R$ 25.0.

Under U.S. GAAP as the carrying amounts of the assets are different because of the application of purchase accounting under U.S. GAAP and for purposes of reconciliation, a reversal of the impairment charge has been recorded amounting to R$ 31.7 as of December 31, 2008, of which R$ 4.6 was recognized in 2009.

(d) Deferred charges

Under Brazilian GAAP, since 2009, the Company does not defer pre-operating expenses and maintains deferred expenses composed by pre-operating costs incurred in the construction or expansion of a facility before it begins operations, which are subject to impairment test for recoverability, as described in Note 15.

For purposes of U.S. GAAP, all Brazilian GAAP deferred costs, other than those reclassified to property, plant and equipment, and goodwill generated on common control transactions, which is eliminated, have been charged to the income statement as incurred in the net amount of R$ 64.3, R$ (136.7) and R$ 42.2 in 2009, 2008 and 2007, respectively, including related annual amortization charges, that have been reversed under U.S. GAAP

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The reconciliation of the net adjustments to net income for all three years presented is set forth in the following table:

	2009	2008	2007
Charges written-down for those expenses deferred under Brazilian GAAP consolidated			
Pre-operating expenses	-	(129.4)	(2.5)
Organizational expenses	-	(27.3)	(22.1)
Other	-	-	(5.4)
	-	(156.7)	(30.0)
Reversal of amortization of amounts assigned to deferred charges under Brazilian GAAP			
Pre-operating expenses	37.0	20.0	48.4
Organizational expenses	27.3	-	18.2
Other	-	-	5.6
	64.3	20.0	72.2
Total U.S. GAAP adjustment	64.3	(136.7)	42.2

As a result of adjustments provided by Federal Law 11638/07, as disclosed in Note 2 and Note 35 (a)(i), deferred charges that used to be capitalized under Brazilian GAAP have been written-off against the income statement and shareholders´ equity and respective amortization charges that used to be allocated in the income statement were reverted for U.S. GAAP purposes in 2007, for which adjustments are described in the table below:

	2007
Capitalized charges previously written-down for U.S. GAAP purposes and reverted as a result of Federal Law 11638/07	
Organizational expenses	34.8
Charges written-off effect	34.8

Amortization charges previously derecognized for U.S. GAAP purposes and reverted as a result of Federal Law 11638/07	
Organizational expenses	(11.2)
Expenditures on restructuring	(48.3)
Amortization charges reversal effect	(59.5)

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Under U.S. GAAP all research and development costs are expensed as incurred and recorded in the statement of operations within general and administrative expense, whereas certain of such costs before Law 11.638/07 were capitalized as deferred charges under Brazilian GAAP. Expenditure on research and development totaled R$ 76.5 for the year ended December 31, 2007.

(e) Business combinations, purchase price allocation and goodwill

As mentioned in Note 1(b(viii)), on May 14, 2008, Braskem publicly announced an amendment made to the "Share Purchase Agreement" by assembling clauses increasing the participation of Braskem in the net assets of Quantiq, IPQ, and Petroquímica Paulínia to 100%, as well as Copesul to 99.17%.

As a consequence of the additional purchase in May 2008, Braskem has issued an additional total amount of 90,047,982 shares, comprising 46,903,320 common and 43,144,662 preferred shares to Petrobras, as a result of the incorporation of the remaining minority interests held by Petrobras in such investees, known as "Petrobras Petrochemical Assets", within the Brazilian petrochemical industry reorganization process.

The acquisition of such additional shares was concluded as of May 30, 2008, under which Copesul and IPQ were merged into Braskem during September, 2008.

As mentioned in Note 1 (b(x)), on April 30 and May 5, 2009, the Extraordinary Shareholders Meetings of Braskem and Triunfo approved, respectively, the merger of Triunfo into Braskem.

(i) Purchase Price Allocation

Quantiq, IPQ, Copesul and Petroquímica Paulínia

Under Brazilian GAAP, the business combination resulting in the acquisition of remaining interests held by Petrobras in Quantiq, IPQ, Copesul and Petroquímica Paulínia was accounted for under historical cost, where neither goodwill nor additional paid-in-capital were computed. The consolidation of Quantiq, IPQ, Copesul has been made since April 1, 2007. Petroquímica Paulínia has been fully consolidated as from April 2008.

Under U.S. GAAP, the acquisition of the remaining interests held by Petrobras in Copesul, Quantiq, IPQ and Petroquímica Paulínia has been accounted for under the purchase accounting method. The fair value of the consideration given, in the form of shares issued by Braskem to Petrobras, was determined by the market price of shares issued at the time the transaction was announced and term of exchange was defined, on May 14, 2008.

Net assets acquired by Braskem in Quantiq, IPQ, Copesul and Petroquímica Paulínia have been fair valued as of the closing date of the transaction, May 30, 2008.

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The fair value of the shares issued by Braskem was allocated as follows:

Company	% acquired	R$ millions
Ipiranga Química S.A. (Quantiq)	40.0	47.3
Ipiranga Petroquímica S.A.	40.0	227.5
Copesul Cia. Petroquímica do Sul	36.5	779.3
Petroquímica Paulínia S.A.	40.0	171.2
Total Purchase Price		1,225.3

Fair values of total assets less liabilities of these acquired companies, after the allocation of negative goodwill to reduce goodwill and property, plant and equipment at the consolidated level in the amount of R$ 4.9 and R$ 1,069.1 in the case of IPQ and Copesul, respectively, are as follows:

	Quimica	Ipiranga Petroquimica	Copesul	Petroquímica Paulínia
Cash and cash equivalents	16.9	29.8	1.4	0.3
Current assets	247.9	769.7	1,854.2	139.0
Non-current assets	21.2	111.6	377.9	22.8
Property, plant & equipment	61.6	568.6	1,803.7	751.4
Current liabilities	(219.3)	(408.5)	(1,094.7)	(107.3)
Non-current liabilities	(13.5)	(888.4)	(1,966.3)	(595.0)
Fair value of net assets	114.8	182.8	976.2	211.2
Interest acquired (%)	40.0	40.0	36.47	40.0
Fair value of assets acquired	45.9	73.1	356.0	84.5
Fair value of consideration paid	(47.3)	(227.5)	(779.3)	(171.2)
Book value in May 30, 2008	(46.3)	(44.1)	(1,034.9)	-
Goodwill related to minority interest ASC 810 in 2007	(45.7)	(391.4)	-	-

Minority interest acquired	82.8	589.9	1,458.2	-
Goodwill	10.6	-	-	86.7

On September 30, 2008 Braskem, purchased 0.71% of interest in IPQ. With such purchase, Braskem held 100.0% of total shares of IPQ. Braskem issued shares amounting to R$ 14.1, under Brazilian GAAP. The fair value of the shares at September 30, 2008 was R$ 16.1, which generated an additional paid in capital of R$ 2.0 under U.S. GAAP. The reversal of minority interest previously recorded under ASC 810 - Consolidation was R$ 33.2, which generated a negative goodwill of R$17.1 recorded against the goodwill previously recognized under U.S. GAAP.

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Triunfo Purchase Price

Under Brazilian GAAP, the business combination resulting in the acquisition of the interest in Triunfo was accounted for under historical cost, where goodwill in the amount of R$ 17.0 has been computed as a result of acquisition expenses allowed to be capitalized under Brazilian GAAP, whereas for U.S. GAAP reporting purposes these expenses must be recognized in the statement of operations.

Under U.S. GAAP, the acquisition of Triunfo has been recognized as a gain on a bargain purchase in accordance with ASC 805. The net assets acquired by Braskem in Triunfo have been fair valued as of the closing date of the transaction, May 05, 2009.

The fair value of the consideration paid composed by 13,387,157 Braskem class A preferred shares issued by Braskem for the Triunfo acquisition was R$ 92.5 at the acquisition date.

Additionally, the business combination settles a preexisting relationship between the companies, an intangible asset related to the supply contracts of raw materials by Braskem to Triunfo previously recognized when Braskem acquired Copesul. The fair value of the settlement was R$ 27.5.

Fair value of total assets less liabilities of Triunfo, under U.S. GAAP, is as follows:

	May 05, 2009
Cash and cash equivalents	6.9
Current assets	130.8
Non-current assets	24.7
Property, plant & equipment	168.2
Current liabilities	(23.3)
Non-current liabilities	(79.0)
Fair value of net assets	228.3
Interest acquired (%)	100.0
Fair value of assets acquired	228.3
Fair value of consideration paid	(92.5)
Loss on settlement of preexisting relationship	(27.5)
Gain attributable	108.3

Under U.S. GAAP, as a result of the transaction aforementioned, a gain was recognized in the statement of operations in the amount of R$ 108.3.

Triunfo assets were merged into Braskem, permitting an economic gain for the shareholders due to business combination synergies.

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(ii) Goodwill

Differences in relation to Brazilian GAAP mainly arise from (i) non-recognition of goodwill arising from transactions between parties under common control under U.S. GAAP (Note 35 (g)); (ii) valuation of assets and liabilities acquired at their fair value at the date of acquisition, aforementioned, generating only a reduction in the statement of operations under U.S. GAAP by the amortization derived from the fair value accounting method; and (iii) reversal of Brazilian GAAP amortization expense related to the goodwill up to December 31, 2008, for which under U.S. GAAP a impairment test is required annually instead of amortization. Following this criteria, as from 2009 under Brazilian GAAP, goodwill based on the expectation of future profitability is no longer amortized and is also tested for impairment on an annual basis, as disclosed at Note 14.

Reconciliation from Brazilian GAAP to U.S. GAAP may be expressed by the following differences in accounting treatment for business combination as follows:

	2009	2008	2007
Realization/Depreciation of fair value assets under U.S. GAAP			
Inventories	-	(31.1)	(8.7)
Intangible assets	(13.0)	(18.9)	(14.5)
Property, plant & equipment (a)	(92.0)	84.8	19.7
Subtotal	(105.0)	34.8	(3.5)
Goodwill impaired	-	(17.4)	-
Reversal of goodwill amortization expenses under Brazilian GAAP - Note 14	-	433.3	409.7
Gain attributable from Triunfo acquisition	105.7	-	-
Other (b)	(15.2)	-	(33.3)
Net adjustment to income statement	(14.5)	450.7	372.9

(a) Changes in 2009 are related to revision in the useful lives of plants, as described in Note 13.

(b) In 2009, mainly represented by the reversal of capitalized expenses in the amount of R$ 17.0.

Under Brazilian GAAP, goodwill shall be allocated to property, plant and equipment based on the fair value of fixed assets and intangible productive assets. As a result of the changes described above, goodwill based on profitability shall be allocated as intangible assets.

In addition, under Brazilian GAAP, for those companies previously acquired and already fully merged into Braskem, the goodwill balance at the date of each legal merger has been reclassified to property, plant and equipment, for which the balances amount to R$ 937.7 as of September 30, 2008, related to the acquisition of Copesul.

Under Brazilian GAAP, negative goodwill is accounted for as other accounts payable within non-current liabilities and the related income has been recognized in the income statement according to the remaining useful life of economic benefit. As of December 31, 2009 the balance of negative goodwill amounts to R$ 16.0 (2008 -R$ 22.1).

Under U.S. GAAP, changes in net goodwill balances totaling R$ 1,156.9 as of December 31, 2009 and 2008 may be demonstrated as follows:

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		Petrochemicals		Chemical	
	Basic	**Vinyls**	**Polyolefins**	**distribution**	**Total**
Goodwill balances gross	151.8	3.0	1,776.3	136.5	2,067.6
Accumulated impairment losses			(379.0)		(379.0)
December 31, 2007 (net)	151.8	3.0	1,397.3	136.5	1,688.6
Business combination	(148.7)	-	(321.5)	(44.1)	(514.3)
Impairment	(3.1)	-	(14.3)	-	(17.4)
December 31, 2008 (net)	-	3.0	1,061.5	92.4	1,156.9
Goodwill arisen from RPR capital increase (a)	-	-	-	4.9	4.9
Impairment (a)	-	-	-	(4.9)	(4.9)
Goodwill balances gross	3.1	3.0	1,454.8	97.3	1.558,2
Accumulated impairment losses	(3.1)	-	(393.3)	(4.9)	(401.3)
December 31, 2009 (net)	-	3.0	1,061.5	92.4	1,156.9

(a) On March 18, 2009, the Company paid up shares in this jointly-controlled entity, at that time, recorded negative equity. For this reason, for both U.S. GAAP and Brazilian GAAP, the contribution amount was treated as goodwill without justification which was accordingly derecognized. As of December 31, 2009, RPR s negative equity is not relevant.

For purposes of U.S. GAAP reconciliation, no goodwill and negative goodwill amortization under Brazilian GAAP have been reversed in 2009 (2008 - R$ 433.3 and 2007 - R$ 409.7).

(iii) Impairment of goodwill and intangibles for business combinations

For purposes of U.S. GAAP, goodwill impairment is determined using a two-step process. The first step of the goodwill impairment test is to identify a potential impairment by comparing the fair value of a reporting unit with its carrying amount, including goodwill. The estimates of fair value of a reporting unit are determined

using a discounted cash flow analysis. A discounted cash flow analysis requires one to make various judgmental assumptions including assumptions about future cash flows, growth rates and discount rates. The assumptions about future cash flows and growth rates are based on the Company's budget and business plans. Discount rate assumptions are based on an assessment of the risk inherent in the respective reporting units. If the carrying amount of a reporting unit exceeds its fair value, the second step of the goodwill impairment test is performed to measure the amount of impairment loss, if any.

The second step of the goodwill impairment test compares the implied fair value of the reporting unit's goodwill with the carrying amount of that goodwill. If the carrying amount of the reporting unit's goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equals to that excess. The implied fair value of goodwill is determined in the same manner as the amount of goodwill recognized in a business combination.

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Under Brazilian GAAP, goodwill is analyzed in relation to its future recovery based on total estimated future profitability and discounted cash flows.

The company has been testing for impairment on goodwill balances. Under Brazilian GAAP and U.S. GAAP an impairment of R$ 4.9 of goodwill arisen from a capital increase in the subsidiary RPR has been recorded for the year-ended December 31, 2009 (2008 - R$ 17.4 under U.S. GAAP).

(f) Equity earnings for interests in investees and respective U.S. GAAP adjustments

Under BR GAAP, the equity investee Cetrel is proportionally consolidated according to Instruction CVM 247/96. Under U.S. GAAP such equity investee is accounted for under the equity method.

Prior to December 1, 2007, we proportionally consolidated the results of Petroflex Indústria e Comércio S.A. (Petroflex), in our consolidated financial statements. As a result of our entering into an agreement in December 2007 to sell our interests in Petroflex, we accounted for our interest in Petroflex in our Brazilian GAAP financial statements using the equity method as from December 1, 2007. In April 2008, we sold all of our share capital in Petroflex.

We have fully consolidated the results of Paulínia and its subsidiaries in our consolidated financial statements under USGAAP as from June 2008. On September 30, 2008, IPQ and Paulínia were legally merged into Braskem.

For purposes of the U.S. GAAP reconciliation, the effects in the statement of operations of U.S. GAAP adjustments on equity investees amounted to R$ (3.5), referring to Cetrel and Borealis in 2009, R$ (9.2) related to Cetrel, Codeverde and Borealis in 2008, R$ (5.8) considering Cetrel, Petroflex and Paulínia in 2007 before the merger.

U.S. GAAP adjustments are primarily related to fixed assets indexation, deferred capitalized charges, capitalized interest and related deferred income tax of these affiliates.

(g) Transactions giving rise to distributions to and contributions from shareholders according to U.S. GAAP

Transactions between parties under common control and transactions including exchange of shares with shareholders gave rise to goodwill and negative goodwill under Brazilian GAAP which are treated as capital distributions and contributions, respectively, under U.S. GAAP:

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	2009	2008
Acquisition of ESAE and related transactions (i)	(363.2)	(363.2)
OPP preferred shares transaction (ii)	(1,814.6)	(1,814.6)
Contributions from shareholders (iii)	406.5	406.5
Subtotal	(1,771.3)	(1,771.3)
Additional Paid-In-Capital APIC Grust Acquisition (iv)	506.6	506.6
Capital distribution - Triunfo Acquisition (v)	(25.5)	-
Subtotal	481.1	506.6
Total	(1,290.2)	(1,264.7)

(i) Acquisition of ESAE and Related Transactions

Under Brazilian GAAP, the acquisition of ESAE was accounted for at book value in 2001. Under U.S. GAAP, the acquisition would be accounted for using the purchase method with the assets acquired and the liabilities assumed from third parties recorded at fair value. The portions of net assets that were already held by the Odebrecht Group would be maintained at their existing book values, and the excess of the proportional amount of the purchase price over these book values would be considered a distribution to the Odebrecht Group in the amount of R$ 363.2.

Investment acquired	Purchase price	Value of investments	Goodwill	Capital distribution
30.99% of Politeno	739.4	141.9	373.8	223.7
42.64% of Polialden	658.4	157.3	387.8	113.3
	1,397.8	299.2	761.6	337.0

Subtotal (100% - Braskem Participações)				
100% of Proppet	51.1	10.6	14.3	26.2
	1,448.9	309.8	775.9	363.2

Under U.S. GAAP, the total payment of R$ 1,448.9 made in the acquisition of ESAE and related transactions is divided into payments made to third parties and payments made to companies under common control, as follows:

	Common control transactions				**Third party transactions**	
	Payment made	**Book value**	**Capital distribution**	**Purchase price**	**Net assets at fair value**	**Goodwill**
100% Braskem Participações	381.1	44.1	337.0	1,016.7	255.1	761.6
100% Proppet	39.1	12.8	26.2	12.0	(2.3)	14.3
Total	420.2	56.9	363.2	1,028.7	252.8	775.9

Nova Camaçari acquired Braskem Participações through the acquisition of the entire share capital of ESAE and Intercapital and the acquisition of an 11.76% direct interest in Conepar. Nova Camaçari acquired Intercapital for total consideration of R$ 445.0, of which R$ 381.0 was paid to members of the Odebrecht Group and the remaining R$ 64.0 was paid to members of the Mariani Group (Pronor Petroquímica S.A. and Companhia Brasileira de Poliolefinas). The net assets acquired from the Odebrecht Group were valued at a carryover basis of R$ 44.1, while the net assets acquired from the Mariani Group were valued at fair value of R$ 16.1.

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(ii) OPP Preferred Shares Transaction

Under Brazilian GAAP, since the terms of the exchange of Braskem and OPP preferred shares were based on the appraised economic value of each company, the transaction was accounted for on that basis.

Under U.S. GAAP, the common control transaction would be recorded at the book value of OPP PP's consolidated net assets as of July 25, 2001. On that date the difference between consideration paid and the net liabilities of OPP PP under U.S. GAAP was R$ 1,814.6 and the issuance of Braskem shares to the Odebrecht Group would, therefore, be considered a distribution in that amount.

The fair value of the stock issued by the Company for the acquisition of OPP PP was R$ 1,268.4 on August 16, 2002. At that time OPP PP had a negative carryover book basis of R$ 546.2 under U.S. GAAP, resulting in a capital distribution of R$ 1,814.6 under U.S. GAAP. The Company adjusted the Brazilian GAAP shareholders' equity to reflect the U.S. GAAP capital distribution of R$ 1,814.6 and made corresponding adjustments to deferred charges, property, plant and equipment and goodwill recorded in investments.

(iii) Contributions from shareholders

Under Brazilian GAAP, the acquisition of 46.4% of minority interests of Trikem was undertaken through exchange of shares and accounted for on that basis. Under U.S. GAAP, the difference between the book and the fair value of the shares issued was recorded as additional paid in capital. Accordingly, during 2004, this transaction generated a contribution from shareholders amounting to R$ 339.4.

Also, during 2004, the Company acquired minority interests of Polialden utilizing shares held in treasury. Under U.S. GAAP, the difference between the book value and the market value of the shares amounting to R$ 46.5 was recorded as additional paid in capital.

The Company acquired, during May 2006, minority interests representing 32.6% of the total share capital of Polialden, by the issuance of 7,878,725 Class A preferred shares. Under Brazilian GAAP, the Class A preferred shares were issued based upon the book value. Under U.S. GAAP, the difference raised between the book and the fair-value of these shares issued was recorded as an additional paid in capital. This transaction generated a contribution to shareholders amounting to R$ 5.9 at that time.

(iv) Additional Paid-In-Capital - APIC - Grust acquisition

Under Brazilian GAAP, the acquisition of remaining interests held by Petrobras in Quantiq, IPQ, Copesul and Petroquímica Paulínia, during 2008 was concluded based on the book value of assets exchanged between Braskem and Petrobras as described in Note 35 (e)(i).

Under U.S. GAAP, such acquisition was made considering the fair market value of Braskem shares issued to Petrobras and the capital increase recorded for Brazilian GAAP purposes. As a result, the value of shares issued under U.S.GAAP was greater than that acquired under Brazilian GAAP for which an additional paid-in-capital -APIC in the amount of R$ 506.6 has been recorded based on this difference. The capital increase recorded under Brazilian GAAP, as described in Note 23 (a), amounted to R$ 734.8 (with no related APIC recorded).

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(v) Capital Distribution - Triunfo acquisition

Under Brazilian GAAP, the purchase price of Triunfo share capital was accounted for under Brazilian GAAP historical cost of the net assets acquired, in the amount of R$ 118.0, as described in Note 1 (b(x)).

Under U.S. GAAP, the purchase price was the fair value of Braskem shares issued to Triunfo shareholders, amounting to R$ 92.5. As a consequence a capital distribution in the amount of R$ (25.5) has been recorded in the additional paid-in-capital account.

(h) Guarantees

The fair value of guarantees is initially determined by consideration of data in observable markets and comparable transactions by using probability-weighted discounted cash flow models.

At December 31, 2008, the Company has not directly endorsed guarantees on financing agreements of the affiliate entities, because of the sale of Petroflex and merger of Petroquímica Paulínia, according to Note 35 (f).

In 2007 the amounts guaranteed were R$ 339.7. This represents the maximum potential amount of future (undiscounted) payments that the Company could be required to make under the guarantees. In addition, the Company has some commitments regarding purchase agreements as stated in the Note 32.

As of December 31, 2009 or 2008, recognition of liabilities for these obligations is neither required nor contingent.

(i) Pension plan

In determining the pension and other post-retirement benefit obligations for Brazilian GAAP purposes, Brazilian Accounting Standard NPC 26 is effective for financial statements beginning with the year ended December 31, 2001.

As permitted by NPC 26, the transitional obligation, which is the difference between a plan's net assets and the projected benefit obligation at that date, was fully recognized as a direct charge to retained earnings.

After January, 2002 under U.S. GAAP, ASC 715 - Compensation - Retirement Benefits is effective for fiscal years beginning after 1988. As from such date, when an initial transition obligation determined based on an actuarial valuation is recognized, actuarial gains and losses, as well as unexpected variations in plan assets and the projected benefit obligation and the effects of amendments, settlements and other events, would be recorded in accordance with these standards and therefore result in deferral differences. Through 1997, these amounts were treated as non-monetary and were indexed for inflation. U.S. GAAP also requires recognition of an additional minimum liability.

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Unrecognized actuarial gains and losses are amortized either over the estimated future service period of employees or over the estimated remaining period until the plan final settlement, whichever the less.

Although the calculation of the sufficiency funded status has been the same since December 31, 2001, differences arise on (i) actuarial gains and losses as there is initially no actuarial gain or loss as of December 31, 2001, (ii) the recognition of the initial transition obligation and (iii) the minimum liability under U.S. GAAP.

ASC 715 Compensation - Retirement Benefits requires an employer to recognize the overfunded or underfunded status of a defined benefit pension and post-retirement plan (other than a multiemployer plan) as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year in which the changes occur through comprehensive income of a business entity or changes in unrestricted net assets of a not-for-profit organization. ASC 715 also requires an employer to measure the funded status of a plan as of the date of its year-end statement of financial position, with limited exceptions.

We are required to initially recognize the funded status of our defined benefit pension and post-retirement plans and to provide the required disclosures since December 31, 2006. Reconciliation from Brazilian GAAP to U.S. GAAP may be expressed by the following items as follows:

	2009	2008	2007
Brazilian GAAP net periodic pension cost	(21.7)	(0.6)	(23.6)
Reconciling difference on recognition of unrealized actuarial gain (loss) to U.S. GAAP, including business combination	4.6	(12.1)	3.2
U.S. GAAP net periodic pension cost	(17.1)	(12.7)	(20.4)

The summary of the sufficiency of funds and amounts recorded in the U.S. GAAP condensed balance sheet as at December 31, 2009 and 2008 as well as at the condensed statement of operations for 2009, 2008 and 2007 regarding pension liabilities in accordance with ASC 715 Compensation Retirement Benefits, for Braskem and its investees are as follows:

Pension Accounting

		2009	2008	2007
(i)	Change in Projected Benefit Obligations - PBO			
	Benefit obligation at the beginning of year	(1,155.1)	(1,160.8)	(459.4)

Service Cost	(10.1)	(13.0)	(8.1)
Interest Cost	(58.0)	(61.0)	(81.9)
Actuarial gain / loss	27.3	82.0	(124.7)
Effects from business combination relating to consolidation of Quantiq, IPQ and Copesul	-	-	(551.8)
Settlement	499.4	(29.8)	-
Benefits paid	30.4	27.5	65.1
Projected Benefit Obligation at the end of year	(666.1)	(1,155.1)	(1,160.8)

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		2009	2008	2007
(ii)	Change in plan assets			
	Fair value of plan assets at the beginning of year	1,046.5	1,148.5	406.5
	Gain (loss) on plan assets	99.5	(88.6)	241.4
	Employer contribution	6.5	7.5	9.9
	Employee contribution	6.8	6.6	-
	Effects from business combination relating consolidation of Quantiq, IPQ and Copesul	-	-	554.9
	Benefits paid from plan assets	(30.4)	(27.5)	(64.2)
	Settlement	(497.7)	-	-
	Fair value of plan assets at the end of year	631.2	1,046.5	1,148.5
(iii)	Funded status = (ii) - (i)	(34.9)	(108.6)	(12.4)
	Prior service cost	10.9	11.5	14.2
	Unrecognized actuarial loss (gain)	0.5	72.3	(12.7)
	Accrued pension cost	(23.5)	(24.8)	(10.9)
	Accrued pension cost	(23.5)	(24.8)	(10.9)
	Accumulated other comprehensive income (loss)	(11.4)	(83.8)	(1.5)
	Minimum pension liability	(34.9)	(108.6)	(12.4)

Supplemental benefits are primarily related to medical care assistance, dental assistance, life insurance coverage and fringe benefits.

As Braskem and its investees have already recognized the liability for the unfunded status, unrecognized loss has been accounted for as a debit to a separate account within shareholders' equity by the initial application of ASC 715-20-65 which had neither impacted assets/liabilities nor shareholders' equity.

In addition, the pension plan for which each company is entitled to participate is not considered to be a multi-employer plan.

Pension charges to the income statement, known as net periodic pension cost, may be expressed as follows:

		2009	2008	2007
(iv)	Pension costs (gain)			
	Service cost	10.1	13.0	8.1
	Interest cost	58.0	60.8	95.2
	Expected return on plan assets	(48.7)	(57.5)	(80.3)
	Amortization of prior service cost	1.7	2.8	2.0
	Net effect of business combinations	2.8	-	-
	Employee contributions	(6.8)	(6.4)	(4.6)
	Net periodic pension cost	17.1	12.7	20.4
(v)	Actuarial assumptions			
	Discount rate for determining projected benefit obligations	10.6	10.5	11.3
	Expected long-term rate of return on plan assets	10.6	10.5	11.3
	Rate of compensation increase	6.3	6.1	0.0
	Projected annual inflation rate (included in the above percentages)	4.3	4.2	5.0

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Plan Suspension

In June 2005, the Company communicated to its employees the permanent suspension of Petros Braskem defined benefit plan on June 30, 2005. As a result, the Company recorded a curtailment gain of R$ 11.5 which was recorded as a reduction of the unrecognized actuarial losses. The settlement of Braskem plan at Petros Braskem has been finally properly approved by the Brazilian Secretary for Complementary Pension during April 2009, as mentioned in Note 31.

In June 2009, the Company communicated the permanent suspension of FFMB Fundação Francisco Martins Bastos, which is under analysis by the Brazilian Secretary for Complementary Pension. The net assets of the plan corresponding to the Company, and that may be in the future used to settle the Retirement Fund, amount to R$ 118.6 as of December 31, 2009. As a result, the Company disclosed it was expected that the plan would be settled within 12 months and the unrecognized actuarial losses, recorded within the Other Comprehensive Income account within shareholders equity, in June 2009 were amortized over this 12 month period.

Plan assets

The fair value measurement by category of assets for the Copesul and FFMB plans is as follows as of December 31, 2009:

			2009	
	Total	**Level 1**	**Level 2**	**Level 3**
Cash and cash equivalents	0.6	0.6	-	-
Accounts receivable	1.5	1.5	-	-
Certificate of bank deposits	30.6	30.6	-	-
Debt securities - corporate	5.5	-	5.1	0.4
Debt securities government	112.7	112.7	-	-

(i)				
Investment fund - fixed income (ii)	190.4	190.4	-	-
Investment fund equity (iii)	134.5	134.5	-	-
Equity securities (iv)	117.4	117.4	-	-
Real state	29.9	-	-	29.9
Loans to participants	8.1	-	-	8.1
	631.2	587.7	5.1	38.4

The defined benefit plans Petros Copesul and FFMB have the majority of its assets allocated as follows:

(i) Brazilian government debt securities mainly represented by National Treasury Notes - NTN (62%) and Treasury Financial Bills LFT (37%);
(ii) investment in fixed income funds mainly represented by investment fund in quotas of other funds (42%) and exclusive fund of prime financial institution (24%);
(iii) equity investment fund substantially represented by equity fund with quotas of large national companies; and
(iv) equity securities substantially represented by shares of large national companies.

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Defined contribution plan

For the year-ended December 31, 2009 contributions by the Company to these defined contribution plans amounted to R$ 8.2 (2008 - R$ 11.4; 2007 - R$ 5.9). The Company expects to contribute R$ 11.5 for the year ending December 31, 2010.

	2009	2008	2007
Odeprev	6.8	9.8	5.9
Copesulprev	1.0	1.6	-
Triunfo Vida	0.4	-	-
Total	8.2	11.4	5.9

(j) Earnings per share

Under U.S. GAAP, because the preferred and common shares have different voting and liquidation rights, basic and diluted earnings per share have been calculated using the "two-class" method, pursuant to ASC 260 Earnings per share, which provides computation, presentation and disclosure requirements for earnings per share.

The two-class method is an earnings allocation formula that determines earnings per share for preferred and common shares according to the dividends to be paid as required by the Company's by-laws and participation rights in undistributed earnings.

Basic earnings per common share are computed by dividing net income by all common shares outstanding during the year. ASC 260-10-45-60 limits loss allocation only to participating securities which have (1) the right to profit sharing in the Company, and (2) an objective and determinable contractual obligation for participation in the Company's losses. As preferred shares do not have a determinable contractual obligation for participation in the Company's losses, no losses are allocated to them.

All type and classes of shares are equally entitled to receive a minimum dividend amount equal to 6% of its book value prevailing at the latest year-end financial statements.

The table below presents the determination of U.S. GAAP net income available to common and preferred shareholders and weighted average common and preferred shares outstanding used to calculate basic and diluted earnings per share for each of the years presented under U.S. GAAP.

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	December 31, 2009			
	Common Share	Class A Preferred Shares	Class B Preferred Shares	Total
Minimum 6% dividend	31.2	201.1	0.4	232.7
Undistributed earnings allocation	-	-	-	-
Total undistributed earnings	31.2	201.1	0.4	232.7
Weighted average numbers of shares				
Basic	190.5	324.4	0.6	515.4
Diluted	190.5	323.5	0.6	514.5
Basic and diluted earnings per thousand outstanding shares - (whole reais) - R$				
Basic	0.16	0.62	0.64	
Diluted	0.16	0.62	0.64	

	December 31, 2008			
	Common Share	Class A Preferred Shares	Class B Preferred Shares	Total
Undistributed earnings allocation	(1,826.7)	-	-	(1,826.7)
Total undistributed earnings	(1,826.7)	-	-	(1,826.7)
Weighted average numbers of shares				
Basic	177.2	310.7	0.8	488.7

Diluted	177.2	302.8	0.7	477.9
Basic and diluted earnings per thousand outstanding shares - (whole reais) - R$				
Basic	(10.31)			
Diluted	(10.48)			

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	December 31, 2007			
	Common Share	Class A Preferred Shares	Class B Preferred Shares	Total
Minimum 6% dividend	86.8	191.1	0.6	278.5
Induced conversion of Class A preferred shares into Common shares		3.3		3.3
Undistributed earnings allocation	251.8	553.9	1.6	807.3
Total undistributed earnings	338.6	748.3	2.2	1,089.1
Weighted average numbers of shares				
Basic	122.4	269.3	0.8	392.5
Diluted	132.3	294.5	0.8	427.6
Basic and diluted earnings per thousand outstanding shares - (whole reais) - R$				
Basic	2.77	2.78	2.75	
Diluted	2.56	2.54	2.75	

(k) Comprehensive income

Under Brazilian GAAP, the concept of comprehensive income is not adopted as of December 31, 2009. Under U.S. GAAP, ASC 220 Comprehensive Income, it is required to disclosure comprehensive income. Comprehensive income is comprised by net income and other comprehensive income that includes charges or credits directly to equity which are not the result of transactions with owners. For Braskem and its investees, the components of comprehensive income are related to the net income added/subtracted by changes in minimum pension liability and the effective portion of the gain or loss on a derivative instrument designated as cash flow hedge (Note 35(x)(c)(iii)).

(l) Capital raising costs

Under Brazilian GAAP, costs incurred on issuance of equity securities issued through December 31, 2005 were accounted as deferred charges in the balance sheet. As required by CVM "Ofício-Circular" 01/2006, the costs of issuance of equity securities issued as from 2006 will be accounted as non recurrent expenses in the operational results. No capital issuance costs were incurred in 2009, 2008 and 2007.

As a result of Federal Law 11638/07 disclosed in Note 2, costs incurred on issuance of equity securities previously capitalized under Brazilian GAAP have been written-off against income statement.

(m) Income taxes

Under Brazilian GAAP, according to CVM Deliberation 273/98 and CVM Instruction 371/02, the deferred income tax asset represents the estimated amount to be recovered.

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Additionally, under Brazilian GAAP, recognition of deferred tax assets (DTA) requires historical evidence of taxable profits, limits recognition of DTA to future projections of taxable profits based on a study over a 10 year period and future limits recognition of DTA based on a calculation of discounted future profits. Within these limitations, Braskem recognized the maximum potential DTA under Brazilian GAAP.

Under U.S. GAAP, deferred taxes are accrued on all temporary tax differences. Deferred tax assets and liabilities are classified as current or long-term based on the classification of the asset or liability underlying the temporary difference.

According to ASC 740 - Income Taxes, Brazilian nominal rate is applied for U.S. GAAP reporting purposes and there is no limit to the period in which irrevocable tax credits may be realized, whereas under Brazilian GAAP that period is limited to ten years. At December 31, 2008 a valuation allowance in the amount of R$ 502.0 was reversed under U.S. GAAP and because of the realization period limit, this amount was not recorded for Brazilian GAAP purposes. However, as a result of the change in the Brazilian nominal rate applicable to Braskem (as disclosed in Note 20(e)) for the fiscal year ended December 31, 2009 Braskem has utilized these credits and therefore the previous valuation allowance has been reversed under Brazilian GAAP at December 31, 2009, and therefore for purposes of reconciliation this amount has been reversed under U.S. GAAP.

The adjustment for deferred taxes is disclosed in the U.S. GAAP reconciliation for the statement of operations under U.S. GAAP in the amount of R$ (211.1), R$ 346.6 and R$ 94.6 in 2009, 2008 and 2007, respectively.

Each year the company files income tax returns in the various national taxing jurisdictions in which it operates. These tax returns are subject to examination and possible challenge by the taxing authorities. Positions challenged by the taxing authorities may be settled or appealed by the company. With few exceptions, the Company and subsidiaries are no longer subject to Brazilian federal, state and local, nor non-Brazilian income tax examinations by various tax authorities for years before December 31, 2004.

Uncertainties in income taxes are recognized in the company's financial statements in accordance with ASC 740 Income Taxes, which defines criteria that an individual income tax position must meet for any part of the benefit of that position to be recognized in an enterprise's financial statements and provides guidance on measurement, derecognition, classification, accounting for interest and penalties, accounting in interim periods, disclosure, and transition.

In accordance with the transition provisions, the Company adopted ASC 740, for uncertain tax provisions effective January 1, 2007, for which there are neither unrecognized tax benefits to be disclosed under this rule nor interests and penalties accounted for by the Company. Interest and penalties raised on tax uncertain position are recognized as interest expense within income statement until tax benefits are considered to be "more likely than not" realizable for settling/netting them under tax and accounting rules.

There are neither accrued interests nor penalties during 2009, 2008 and 2007 in the condensed statement of operations since it is more likely than not that Braskem and subsidiaries will not have any adjustment to its tax returns filed to various tax authorities.

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(n) Income tax incentives

Under Brazilian GAAP, through December 31, 2007, the various tax incentives of the Company (in the form of tax reduction or exemption for defined periods) may be accounted for directly as capital reserve within shareholders' equity.

As a result of Federal Law 11638/07 disclosed in Note 23 (c), the income tax incentive under Brazilian GAAP has been recorded directly as income within the statement of operations for all years presented.

The U.S. GAAP adjustment previously reported reflected by Federal Law 11638/07 has been properly reverted in the reconciliation table presented in Note 35 (x)(a), in the amount of R$ 49.5 as of December 31, 2007

(o) Consolidation of variable interest entities

Under Brazilian GAAP, until the year ended 2003, in respect of the accounting treatment for the Braskem trade receivable securitization program, the transfer of receivables to the fund was treated as a sale of receivables and the discount on the sale was immediately recorded in the statement of operations. In August 2004, CVM issued CVM Instruction 408 providing for the inclusion of Special Purpose Entities in the consolidated financial statement of publicly - held companies and therefore those entities have been consolidated since 2004.

	SOL Fund		Parin Fund		Consolidated	
Description	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**
Net Assets	1,418.5	1,714.4	-	-	1,418.5	1,714.4
Net Income	118.5	60.3	-	2.8	118.5	63.1

The Company adopted in 2008 ASC 860-50-35, which resolves issues regarding recognition for all servicing financial asset or liability and its measurement methods. The standard did not have a significant impact on its financial position, results of operations or cash flows upon implementation.

(p) Dividends

Under Brazilian GAAP, the Company's executive officers propose a dividend distribution from earnings, which is recorded. Under U.S. GAAP, the amount of dividends exceeding the minimum mandatory dividend is not

deemed declared before the distribution is approved by the shareholders. For purposes of reconciliation, for 2009 and 2008 no minimum mandatory dividends were calculated or distributed.

Under Braskem's by laws, interest on own capital may be paid up upon authorization of the Board of Directors but is only considered declared when approved by the shareholders.

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(q) Long-term share incentive plan

ASC 718 Compensation Stock Options, requires the measuring and recording of the cost of employee services in exchange for awards of equity instruments based on the fair value of those awards (with limited exceptions). Awards granted shall be classified as liability awards. That cost will be recognized over the period during which the employee is required to provide the service in exchange for the award. No compensation cost should be recognized for equity instruments for which employees do not render the requisite service. ASC 718 requires entities to initially measure the cost of employee services received in exchange for an award of liability instruments based on its current fair value. Changes in fair value during the requisite service period will be recognized as compensation cost over that period. The grant date fair value and the fair value of each reporting period of employee share options are estimated using the Black-Scholes option-pricing model.

As described in further details below, the Company has granted a long-term share incentive plan (the "Plan") to certain employees, which have acquired investment certificates at prices below market at the time of the issuance. The market value of the options granted will be recognized for U.S. GAAP purposes as expense over the period in which the services are rendered. The fair value of the certificates classified as liability award will be reassessed each reporting date. The award is classified as liabilities because the employees have the right to receive cash. As a result there will be no issuance of additional shares by the Company despite investment certificates that were issued been valued in accordance with the Company stock prices traded in the Brazilian capital markets. Thus, also, there is no dilutive effect for earnings per share purposes.

Braskem's Plan entitles officers and employees involved in strategic plans of the Company to buy investment certificates, up to pre-defined maximum quantities. The investment certificates bought by the participants are named alpha. The costs to employees of the certificates are equivalent to the average value of one Class A Preferred Share negotiated at Bovespa from the months of October through March of previous year to the purchase.

For each "alpha" acquired by participant, the Company may grant up to one "beta" certificate, which is legally equal to that "alpha" purchased. In addition, each beneficiary of the plan is entitled to receive "gama" certificates in each year, corresponding to the dividends and interest in own capital paid by the Company to preferred shares. "Gama" certificates which were not collected by participant during each year are transformed into "alpha" certificates at the following year. Alpha and gama certificates represent the right to receive the fair value of a Class A Preferred at vesting.

Braskem Board of Directors approved the maximum amount of 672,753 alpha certificates to be offered to participants. The certificates are generally offered to the participants in April of each year. Following the offer,

the participants generally have 30 days to acquire by payment the certificates. Only certificates bought by the participants are considered granted since certificates offered and not paid do not generate any benefit to the participant. The amount deposited by the employees was initially recognized as a liability for both Brazilian and U.S. GAAP and totaled R$ 7.7 as of December 31, 2009 (2008 - R$ 10.5).

Under Brazilian GAAP, the liability is updated based on the average value of one Class A Preferred Share negotiated at Bovespa from the months of October through March, annually, and outstanding quantities of certificates.

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According to the Plan, 20% of the balance of alpha and beta certificates vests after 5 years of continuous service and the remaining balance vests at the rate of 10% per year after the 6th year. After the 10th year, beta certificates not redeemed are transformed to alpha certificates and the employee has no further incentive for that grant. Gama certificates vests and are paid to the employees when dividends and interest on own capital is paid to the Company's shareholders. Gama certificate provide the employee with a cash flow similar to one preferred share and are valued as such for the purposes of the amounts initially deposited. The beta certificate is considered to generate an incentive similar to a share option scheme, employees may be awarded shares if they remain employees for a number of years.

Under U.S. GAAP, the Company accounts for alpha and beta certificates in accordance with ASC 718. The beta certificate is a considered a liability award, compensation cost has been recognized as the fair value of beta certificate at each reporting date.

The fair value of beta certificates for these options was estimated at the date of grant using a Black-Scholes-Merton option pricing model with the following weighted-average assumptions:

			2009
	3rd grant	2nd grant	1st grant
Statistical and financial-economic variables	**01/04/2008**	**01/04/2007**	**01/04/2006**
Risk-free interest rate, net of inflation effect - %	8.75	8.75	8.75
Dividend yield - %	6.00	6.00	6.00
Volatility at Brazilian capital markets - %	74.46	74.46	74.46
Exercise price - in R$	8.76	9.42	10.19
Stock market price at year end - in R$	14.08	14.08	14.08
Expected life of the option - in years	7.90	6.70	5.40

The weighted average grant fair values of the beta certificates was R$ 14.21, R$ 15.03 and R$ 18.14 per beta certificate at the time of grant in 2008, 2007 and 2006, respectively. Beta certificates have an intrinsic value equal to the value of a preferred share which is approximately the exercise price disclosed above.

A summary of certificate (alpha) activity under the Plan as of December 31, and changes during the year then ended is presented below:

	Weighted average unit exercise price (R$)		Alpha certificates (units)	
	2009	**2008**	**2009**	**2008**
Outstanding as of January 1	15.08	16.22	707,661	285,180
Granted		14.21		422,481
Exercised	11.08	-	(34,908)	-
Expired/cancelled		-		-
Outstanding as of December 31	15.29	15.08	672,753	707,661

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Under U.S. GAAP, expenses related to beta certificates are recorded based on the term that the participants are expected to provide services to the Company, limited to the contractual life of the Plan, considering computation by using the Black-Scholes-Merton pricing model, as well.

For purposes of the U.S. GAAP reconciliation, shareholders equity under U.S. GAAP registered R$ 1.1 at December 31, 2008 representing reconciliation adjustments of prior years. For the year ended December 31, 2009, there are no longer GAAP differences in the accounting of Braskem s Plan and, therefore, the adjustment has been reversed by decreasing R$ 1.1 in the income statement and no impact is recognized in the shareholders equity under U.S. GAAP at December 31, 2009.

(r) Proportional consolidation of jointly-controlled entities

Under Brazilian GAAP, jointly-controlled entities must be consolidated using the proportional consolidation method. Proportional consolidation requires the share of the assets, liabilities, income and expenses to be combined on a line-by-line basis with similar items in the Company's financial statements.

Under U.S. GAAP, jointly-controlled entities are recorded under the equity method, where investment of such holders are registered as equity investment and pro-rated net income are considered as equity earnings in affiliates, within statement of operations, all of them prepared in accordance with U.S. GAAP.

For purposes of presentation of condensed balance sheet and statement of operations, the Company has reversed total net assets of jointly-controlled entities in the amount of R$ 116.3 at December 31, 2009 (2008 - R$ 92.7).

Earnings in equity affiliate under U.S. GAAP, recorded in the statement of operations, of such proportionally consolidated companies under Brazilian GAAP, amounts to R$ (1.5), R$ 19.0 and R$ 12.1, in 2009, 2008 and 2007, respectively.

(s) Fair Value Measurements

ASC 820 Fair Value Measurements and Disclosures formally defines fair value, creates a standardized framework for measuring fair value in generally accepted accounting principles ("GAAP"), and expands fair value measurement disclosures.

ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction

between market participants on the measurement date. The Company policy for fair valuing these financial instruments uses best and most relevant observable inputs.

ASC 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

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The standard aforementioned describes three levels of inputs that may be used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets or liabilities method;

Level 2 - Observable markets are fair valued by using either present value or expected present value methods - deterministic model;

Level 3 - Mostly known as hybrid methodology since applies both deterministic and probabilistic models. Observable and unobservable variables are determined and computed by using either estimated cash flow or expected cash flow methods. Unobservable variables that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities are determined on probabilistically path basis.

In addition, in February 2008, the ASC 820-10-15-1A defers the effective date for nonfinancial assets and nonfinancial liabilities except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis to fiscal years beginning after November 15, 2008.

ASC 825-10-05-5 permits the company to choose to measure many financial instruments and certain other items at fair value. The Company did not adopt ASC 825-10-05-5 in its financial statements.

(i) Cash and cash equivalents

Cash and cash equivalents denominated in Brazilian Reais and US dollars were fair valued by using quoted market prices to determine their fair value, all them included in Level 1 hierarchy of ASC 820.

(ii) Marketable securities

Marketable securities primarily include publicly-traded government bonds and securities, private banking securities and investment funds for which active quoted market prices are used to classify such securities under Level 1 hierarchy of ASC 820.

When quoted market prices are neither relevant nor traded, the Company uses quotes from independent pricing service providers based on recent trading activity and other relevant information including market interest rate

curves, all classified as Level 2 under ASC 820 hierarchy.

(iii) Loans (short and long-term debt)

The Company uses observable market inputs, including pricing on recent closed market transactions, to value loans which are included in Level 2, for which the Company used quotes from independent experts and other relevant information including market interest rate curves, all them classified as Level 2 under ASC 820 hierarchy.

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(iv) Loans (debentures, eurobonds and medium term notes)

Liquidity and trading deals for debentures, eurobonds and medium term notes for the Company principal market has just few transactions.

The Company uses quotes from observable market inputs provided by valuation experts based on recent trading activity and other relevant information including market interest rate curves, all them classified as Level 2 under ASC 820 hierarchy for purposes of fair value disclosure.

Under Brazilian GAAP loans are recorded at amortized cost, less transaction costs.

(v) Disclosure of fair value for financial instruments

Fair value of assets and liabilities under Brazilian GAAP and related hierarchy level under ASC 820 as of December 31, 2009 may be expressed as follows:

			ASC 820 hierarchy	
	Note	December 31, 2009	Level 1	Level 2	Level 3
Assets					
Cash and cash equivalents	4 and 5	314.5	314.5		
Marketable securities - trading	4 and 5	1,762.3	1,285.4	476.9	
Marketable securities - available	4 and 5	1,020.4		1,020.4	
Marketable securities - Long term	5	17.8		17.8	
Liabilities					
Derivatives	25 (f)	67.3		67.3	
Short term debt	17 and 18	1,820.8		1,820.8	
Long-term debt	17 and 18	7,939.3		7,939.3	

The unrealized gain on available for sale securities amounted to R$ 1.1 as of December 2009 (2008 R$ 8.0), which was recognized directly in equity as other comprehensive income .

(vi) Derivatives

In December 2008 Brazilian accounting authorities issued a mandatory standard relating to financial instruments and derivatives, known as CPC 14. Under Brazilian GAAP derivatives should be measured and recognized as disclosed in Note 25.

Under U.S. GAAP, ASC 815 Derivatives and Hedging establishes the accounting treatment for both derivatives and embedded derivative. Embedded derivative instruments shall be separated from the host contract and accounted for as a derivative instrument if and only if all of the following criteria are met: (a) the economic characteristics and risks of the embedded derivative instrument are not clearly and closely related to the economic characteristics and risks of the host contract; (b) the contract that embodies both the embedded derivative instrument and the host contract is not remeasured at fair value under otherwise applicable generally accepted accounting principles with changes in fair value reported in earnings as they occur; and (c) a separate instrument with the same terms as the embedded derivative instrument would be a derivative instrument subject to the requirements of ASC 815.

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In addition, under Brazilian GAAP the Company has accounted for certain 2008 hedging activities as cash flow hedges by debiting charges raised from transactions with derivatives directly within shareholders´ equity. Under U.S. GAAP, these 2008 transactions did not qualify as hedge accounting and a related reversal to income statement in the amount of R$ 46.2 as of December 31, 2009 (2008 - R$ 110.1) for U.S. GAAP reconciliation purposes.

At December 31, 2009 under Brazilian GAAP and U.S. GAAP, the Company accounted for certain 2009 transactions as cash flow hedges, deferring a loss of R$ 3.4 within shareholders equity, Note 35 (x)(c)(iii).

For U.S. GAAP purposes, the Company has bifurcated the embedded derivatives of sales contracts. For purposes of reconciliation, the fair value of embedded derivatives amounted to R$ 3.5 in the year ended December 31, 2007. There has been no embedded derivatives as of December 31, 2009 and 2008.

Derivative instruments which were outstanding as of December 31, 2009 and 2008 may be shown as follows:

				December 31, 2009
Derivative	**Index**	**Notional (in thousands)**	**Maturity**	**Fair value**
Assets (purchasing):				
i. Interest rate Swaps *	Libor	725,000	October 2013	1,252.9
ii. Currency Swaps **	Yen	279,657	June 2012	253.5
iii Interest rate Swaps *	Libor	457,500	July 2014	794.6
Total unrealized gain and total asset				2,301,0
Liabilities (selling):				
iv. Interest rate Swaps *	CDI	725,000	October 2013	(1,326.2)
v. Currency Swaps **	R$	279,657	June 2012	(280.6)
vi Interest rate Swaps *	CDI	457,500	July 2014	(800.1)
Total unrealized loss and total liability				(2,406.9)
				(105.9)

Net unrealized result and
financial position

* Interest rate swaps are related to purchasing agreements of LIBOR rate for six-months and selling agreements to Brazilian domestic variable interest rate (CDI plus average spreads of 3.9%) and vice-versa all them contracted with Bilbao Viscaya Bank, Calyon, Santander, Citibank, Barclay, Deutsche Bank, HSBC and Banco Espírito Santo.

** Currency swaps are related to purchase of yen contract currencies and sale of Brazilian domestic variable interest rate (CDI plus average spreads of 3.9%) and vice-versa all them contracted with JP Morgan, ABN Amro Bank and Citibank.

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				December 31, 2008
Derivative	**Index**	**Notional (in thousand)**	**Maturity**	**Fair value**
Assets (purchasing):				
i. Interest rate Swaps *	Libor	725,000	October 2013	1,723.2
ii. Currency Swaps **	Yen	279,657	June 2012	295.8
Total unrealized gain and total asset				2,019,0
Liabilities (selling):				
iii. Interest rate Swaps *	CDI	725,000	October 2013	(1,832.6)
iv. Currency Swaps **	R$	279,657	June 2012	(290.2)
Total unrealized loss and total liability				(2,122.8)
Net unrealized result and financial position				(103.8)

* Interest rate swaps are related to purchasing agreements of LIBOR rate for six-months and selling agreements to Brazilian domestic variable interest rate (CDI plus average spreads of 3.9%) and vice-versa all them contracted with Bilbao Viscaya Bank, Calyon, Santander and Citibank.

** Currency swaps are related to purchase of yen contract currencies and sale of Brazilian domestic variable interest rate (CDI plus average spreads of 3.9%) and vice-versa all them contracted with JP Morgan, ABN Amro Bank and Citibank.

(t) Classification of statement of operations line items

Under Brazilian GAAP, in addition to the issues noted above, the classifications of certain income and expense items are presented differently from U.S. GAAP. We have retrospectively revised our statement of operations under Brazilian GAAP to present a condensed statement of operations in accordance with U.S. GAAP (Note 35(x)(c)(ii)).

The reclassifications are summarized as follows:

(i) Under Brazilian GAAP, discounts granted are classified as financial expenses. Under U.S. GAAP they are classified as deductions of sales;

(ii) Under Brazilian GAAP, gains and losses on the disposal or impairment of permanent assets are classified as other income and expenses, net . Under U.S. GAAP, gains and losses on the disposal or impairment of property, plant and equipment are classified as adjustments to operating income;

(iii) Under Brazilian GAAP, shipping costs are deducted from gross revenues and handling costs are recorded as selling expenses, whereas under U.S. GAAP such costs are included in cost of sales;

(iv) Under Brazilian GAAP, recovery of indirect taxes on net interest income was recorded under other operating income, whereas under U.S. GAAP, such recoveries are recorded under the same line item as the taxes were initially recorded (interest income, net). As a result, R$ 3.3 has been reclassified from other operating income to interest expenses during 2008 and R$ 110.7 during 2007. No reclassification has been recorded for the year-ended December 31, 2009;

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(v) Under Brazilian GAAP DMT, PET and Caprolactam units were discontinued as of 2008 and 2007, for which an impairment on assets was provisioned as other income and expenses, net based on the difference between the fair market value and respective book value of such assets, consistent with ASC 360, for which under U.S. GAAP it was classified as an operating expense.

(vi) Under Brazilian GAAP, the impacts of the 2009 REFIS tax amnesty (Note 19 (v)) were recorded in the income statement line item "other operating income/expense". Under U.S. GAAP, the impacts of REFIS should be recorded in the respective line items generating the following reclassifications: (i) a debit of R$ 122.1 from other operating expense to financial expenses ; and (ii) a credit of R$ 1,225.1 from other operating income to deferred income tax .

(u) Classification of balance sheet line items

Under Brazilian GAAP, the classification of certain balance sheet items is presented differently from U.S. GAAP. We have retrospectively revised our consolidated balance sheet under Brazilian GAAP to present a condensed consolidated balance sheet in accordance with U.S. GAAP (Note 35(x)(c)(i)).

The reclassifications are summarized as follows:

(i) Under U.S. GAAP, certain deferred charges were reclassified to property, plant and equipment and others, directly to expense, and goodwill on legally merged companies within deferred charges was reclassified to goodwill accordingly to its nature;

(ii) Under Brazilian GAAP advances to suppliers of raw materials and maintenance material are classified as inventories; such advances are classified as other receivables under U.S. GAAP;

(iii) Under Brazilian GAAP discounted trade receivables are classified as trade accounts receivable; such items are classified as short-term debt under U.S. GAAP;

(iv) Under Brazilian GAAP, pursuant to CVM Deliberation 489/05, the Company states judicial deposits net of the corresponding contingent liabilities; according to U.S. GAAP, these deposits were fully stated as long-term receivables;

(v) Under Brazilian GAAP, certain marketable securities and certificates of deposit were classified as cash and cash equivalents as of December 31, 2008, whereas under U.S. GAAP some of those investments were not

considered cash and cash equivalent. As result, a reclassification to marketable securities was recognized in the amount of R$ 1,677.8.

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(v) Segment reporting

Under Brazilian GAAP, there is no obligation to present disaggregated information with respect to the operating segments of an enterprise. Under U.S. GAAP, ASC 280 Segment Reporting, requires that public enterprises disclose certain information about segments on the basis that top management uses to allocate resources among segments and evaluate their performance.

Braskem has the following operating segments:

- Basic Petrochemicals - comprising basic petrochemical production activities and supply of electricity, steam and compressed air to second generation producers. This segment is dependent on Petrobras for supply of raw material.

- Polyolefins - comprising activities related to the production of polyethylene and polypropylene.

- Vinyls - comprising activities related to the production of PVC, caustic soda and chlorine. One client represents 13.0%, 15.0% and 11.8% of Vinyl's revenues for the years ended December 31, 2009, 2008 and 2007, respectively.

- Chemical Distribution - comprising activities related to the distribution of polyethylene, polypropylene and basic petrochemicals of Quantiq and Varient.

In 2008, we implemented an organizational structure under which the operations of our former Business Development business unit were split; our caprolactam production operations are now included in our Basic Petrochemicals business unit and the remaining operations of our former Business Development unit are now included in our Polyolefins business unit. As required by ASC 280, the Company retrospectively revised segment information for all periods presented.

The Company evaluates and manages segment performance based on information generated from its statutory accounting records maintained in accordance with accounting practices adopted in Brazil and reflected in its consolidated financial statements.

In addition, management evaluates jointly controlled companies under the equity method as the Company does not control these companies. Additionally, operating income figures presented in operating segments information does not include financial expenses, financial income and investment in associated companies.

Information on total assets for each segment as at December 31, 2009 and 2008 under Brazilian GAAP is as follows:

	2009	**2008**
Polyolefins	7,018.5	7,432.6
Vinyls	2,786.9	2,811.8
Basic Petrochemicals	12,174.2	12,194.0
Chemical Distribution	217.7	263.5
Total assets	22,197.3	22,701.9

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Investments in affiliates in each business segment were immaterial in the periods presented herein.

The Company's sales under Brazilian GAAP may be shown as follows:

	2009	2008	2007
Domestic sales	11,121.1	13,973.8	13,435.1
Exports from Brazil	4,127.2	3,985.7	4,207.4
Total net sales	15,248.3	17,959.5	17,642.5

Information on the geographical composition of the Company's sales, under Brazilian GAAP, is as follows:

	2009	2008	2007
Destination of exports from Brazil			
U.S.A	940.8	1,119.6	1,151.5
Argentina	703.2	891.3	916.7
Switzerland	455.3	321.1	353.9
Netherlands	232.2	170.7	188.1
Singapore	223.4	42.6	52.1
United Kingdom	220.2	16.9	18.7
Mexico	213.8	175.5	180.5
Colombia	148.6	14.2	14.6
Barbados	102.7	42.0	43.3
Uruguay	95.5	105.7	108.7
Chile	87.3	156.8	161.2
Spain	67.4	64.7	71.3

China	62.2	54.7	66.9
Paraguay	57.7	47.1	48.4
Portugal	53.4	49.6	54.8
Italy	44.4	65.1	71.8
Bolivia	43.9	50.1	51.5
Belgium	21.7	51.6	56.9
Germany	9.2	228.2	251.6
Other	344.3	318.2	344.9
Total exports	4,127.2	3,985.7	4,207.4
Domestic sales	11,121.1	13,973.8	13,435.1
Total net sales	15,248.3	17,959.5	17,642.5

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Information on segment results for 2009, 2008 and 2007 is as follows:

	Operating segments						
	Vinyls	**Polyolefins**	**Basic Petrochemicals**	**Chemical Distribution**	**Total segments**	**Eliminations and adjustments (*)**	**Braskem consolidated before CVM 247 (*)**
Net sales revenue	1,536.4	7,216.9	11,144.2	548.9	20,446.4	(5,243.6)	15,202.8
Cost of sales	(1,506.9)	(6,503.5)	(9,720.9)	(470.2)	(18,201.5)	5,563.5	(12,638.0)
Gross profit	29.5	713.4	1,423.3	78.7	2,244.9	319.9	2,564.8
Operating expenses (income)							
Selling, general and administrative	(149.4)	(531.9)	(367.0)	(55.6)	(1,103.9)	(62.4)	(1,166.3)
Depreciation and amortization	(2.7)	(20.5)	(16.7)	(4.9)	(44.8)	(78.3)	(123.1)
Other, net	15.2	1.8	35.0	1.3	53.3	80.7	134.0
	(136.9)	(550.6)	(348.7)	(59.2)	(1,095.4)	(60.0)	(1,155.4)
Operating income	(107.4)	162.8	1,074.6	19.5	1,149.5	259.9	1,409.4

(*) "CVM 247" refers to proportional consolidation under Brazilian GAAP (Note 3.g) and "Braskem consolidated before CVM 247" includes depreciation at R$ 925.4 within this cost of sales.

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	Operating Segments						
	Vinyls	**Polyolefins**	**Basic Petrochemicals**	**Chemical Distribution**	**Total segments**	**Eliminations and adjustments (*)**	**Braskem consolidated before CVM 247 (*)**
Net sales revenue	2,052.8	7,534.0	14,257.5	601.8	24,446.1	(6,532.9)	17,913.2
Cost of sales	(1,573.6)	(6,256.3)	(13,026.9)	(510.4)	(21,367.2)	6,252.5	(15,114.7)
Gross profit	479.2	1,277.7	1,230.6	91.4	3,078.9	(280.4)	2,798.5
Operating expenses (income)							
Selling, general and administrative	(174.1)	(525.8)	(415.0)	(52.7)	(1,167.6)	7.7	(1,159.9)
Depreciation and amortization	(3.2)	(27.5)	(16.2)	(5.8)	(52.7)	(490.3)	(543.0)
Other, net	8.5	38.5	63.7	2.5	113.2	(26.1)	87.1
	(168.8)	(514.8)	(367.5)	(56.0)	(1,107.1)	(508.7)	(1,615.8)
Operating income	310.4	762.9	863.1	35.4	1,971.8	(789.1)	1,182.7

(*) "CVM 247" refers to proportional consolidation under Brazilian GAAP (Note 3.g) and "Braskem consolidated before CVM 247" includes depreciation at R$ 677.5 within this cost of sales.

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	Operating Segments						
	Vinyls	**Polyolefins**	**Basic Petrochemicals**	**Chemical Distribution**	**Total segments**	**Eliminations and adjustments (*)**	**Braskem consolidated before CVM 247 (*)**
Net sales revenue	1,789.4	7,411.0	13,036.1	392.6	22,629.1	(5,654.4)	16,974.7
Cost of sales	(1,438.1)	(6,070.3)	(11,574.5)	(338.9)	(19,421.8)	5,598.0	(13,823.8)
Gross profit	351.3	1,340.7	1,461.6	53.7	3,207.3	(56.4)	3,150.9
Operating expenses (income)							
Selling, general and administrative	(201.7)	(517.2)	(410.6)	(39.1)	(1,168.6)	(61.5)	(1,230.1)
Depreciation and amortization	(2.1)	(19.6)	(19.0)	(4.3)	(45.0)	(439.5)	(484.5)
Other, net	25.9	(59.5)	22.1	(0.7)	(12.2)	142.8	130.6
	(177.9)	(596.3)	(407.5)	(44.1)	(1,225.8)	(358.2)	(1,584.0)
Operating income	173.4	744.4	1,054.1	9.6	1,981.5	(414,6)	1,566.9

(*) "CVM 247" refers to proportional consolidation under Brazilian GAAP (Note 3.g) and "Braskem consolidated before CVM 247" includes depreciation at R$ 728.7 within this cost of sales.

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(w) Present Value Adjustment

Under Brazilian GAAP, as required by CPC 13, certain short-term accounts payable have been adjusted to present value as described in Note 3.1 (a)(ii).

Under USGAAP, in accordance with ASC 835-30 Interest Imputation of Interest such payables shall not be discounted if the transactions are with suppliers in the normal course of business and due within one year or less. For purposes of reconciliation, the Company has reversed at December 31, 2009 the amounts of R$ (102.5) in shareholders equity (2008 R$ (76.0)) and R$ (26.5) within statement of operations (2008 R$ (43.2)).

(x) Reconciliation from Brazilian GAAP to U.S. GAAP

(a) Statement of Operations - net income balances

	Note 35	2009	2008	2007
Net (loss) income under Brazilian GAAP as adjusted by Federal Law 11638/07		767.8	(2,492.1)	621.8
Adjustment of Federal Law 11638/07 (Note 2)				
Reversal of amortization charges for previously capitalized expenses	(d)	-	-	(59.5)
Deferred capitalized charges written-off	(d)	-	-	34.8
Tax incentive recorded as income	(n)	-	-	(49.5)
Net (loss) income under Brazilian GAAP attributable to Braskem S.A. shareholders		767.8	(2,492.1)	547.6
Net (loss) income under Brazilian GAAP attributable to noncontrolling interest		-	38.5	240.9
Net income under Brazilian GAAP		767.8	(2,453.6)	788.5
Depreciation of additional indexation of permanent assets for 1996 and 1997	(b)	(43.5)	(37.2)	(37.4)

Capitalized interest/reversal of foreign exchange gain/(loss) capitalized, net	(c)	152.5	(217.5)	35.3
Amortization of capitalized interest	(c)	4.1	(31.7)	(34.8)
Impairment charges adjustment	(c)	(4.6)	31.7	-
Deferred charges, net	(d)	64.3	(136.7)	42.2
Business Combination adjustments / Effects of U.S. GAAP adjustments	(e)	(14.5)	450.7	372.9
Pension plan	(i)	4.6	(12.1)	3.2
Tax incentives	(n)	-	-	49.5
Amortization of capital raising costs	-	-	-	5.8
Effects of U.S. GAAP adjustments on Investees	(f)	(3.5)	(9.2)	(5.8)
Adjustment to present value (Law 11638)	(w)	(26.5)	(43.2)	
Long-term share incentive plan	(q)	(1.1)	-	0.6
Embedded Derivatives	(s) (vi)	-	3.5	(3.5)
Cash Flow Hedge reversal	(s) (vi)	46.2	(110.1)	-
Other	-	-	(8.6)	12.9
Valuation allowance reversal on deferred tax	(m)	(502.0)	502.0	-
Deferred income tax on adjustments above	(m)	(211.1)	346.6	94.6
Net income under U.S. GAAP		232.7	(1,725.4)	1,324.0
Reconciliation of net(loss) income attributable to noncontrolling interest				
Noncontrolling interest under Brazilian GAAP		-	38.5	240.9
Noncontrolling interest under U.S.GAAP adjustments above		-	62.8	(6.0)
Less: Noncontrolling interests under U.S.GAAP		-	101.3	234.9
Net (loss) income under U.S. GAAP attributable to Braskem S.A shareholders		232.7	(1,826.7)	1,089.1

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(b) Balance Sheet - shareholders' equity balances

	Note 35	2009	2008
Shareholders' equity under Brazilian GAAP		4,592.5	3,679.8
Additional indexation of permanent assets for 1996 and 1997	(b)	1,135.8	1,135.8
Depreciation of additional indexation of permanent assets for 1996 and 1997	(b)	(560.8)	(517.3)
Capitalized interest, net	(c)	506.6	354.1
Amortization of capitalized interest	(c)	(432.0)	(436.1)
Impairment charges adjustment	(c)	29.6	34.2
Deferred charges, net	(d)	(125.0)	(189.3)
Business Combination adjustments / Effects of U.S. GAAP adjustments	(e)	1,020.0	1,034.5
Distributions to shareholders	(g)	(1,771.3)	(1,771.3)
Pension plan (i)	(i)	(5.2)	(57.6)
U.S. GAAP adjustments on investees	(f)	(9.5)	(6.0)
Adjustment to present value (Law 11638)	(w)	(102.5)	(76.0)
Long-term share incentive plan	(q)	-	1.1
Additional Paid-In-Capital - APIC	(g)(iv) and (v)	481.1	506.6
Other	-	(5.4)	(5.4)
Valuation allowance reversal on deferred tax	(m)	-	502.0
Deferred income tax adjustments	(m)	(374.5)	(163.4)
Shareholders' equity under U.S. GAAP - as computed		4,379.4	4,025.7

(i) Pension plan adjustments to U.S. GAAP shareholders' equity are shown net of deferred income tax impacts on other comprehensive income of R$ 3.9 in 2009, R$ 26.3 in 2008 and R$ 0.5 in 2007.

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(c) U.S. GAAP condensed financial information

Based on the reconciling items and discussion above, the Company consolidated balance sheet, statement of operations and statement of changes in shareholders' equity under U.S. GAAP have been prepared as a condensed format as follows:

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

Assets	2009	2008
Current assets		
Cash and cash equivalents	2,591.6	751.9
Marketable securities	466.8	2,173.3
Trade accounts receivable, net	1,651.0	2,236.7
Taxes recoverable	499.3	609.0
Deferred income tax	58.8	59.3
Inventories	1,908.4	2,923.9
Prepaid expenses	67.4	65.7
Other receivables	135.4	145.4
	7,378.7	8,965.2
Equity investment in affiliates	134.0	113.7
Goodwill	1,156.9	1,156.9
Property, plant and equipment	11,572.2	11,683.4
Non-current assets		
Trade accounts receivable	56.8	47.1
	17.8	46.0

Receivables from related parties		
Prepaid expenses	-	65.6
Inventories, net	29.3	20.6
Intangible assets	337.2	404.3
Indirect taxes recoverable	1,259.8	1,201.8
Deferred income tax	1,033.0	1,146.5
Restricted deposits for legal proceedings	221.7	187.8
Other receivables	248.2	63.4
	3,203.8	3,183.1
Total assets	23,445.6	25,102.3

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Liabilities and shareholders' equity	**2009**	**2008**
Current liabilities		
Suppliers	3,913.1	4,512.9
Payroll and related charges	265.8	213.5
Taxes on income payable	-	3.5
Other taxes payable	1,168.9	102.1
Fair market value of derivatives payable	-	8.9
Short-term debt, including current portion of long-term debt	1,874.1	3,644.3
Hedge accounting	10.8	-
Debentures	316.7	24.2
Advances from customers	29.4	247.0
Dividends payable	2.9	0.3
Other	176.2	168.9
	7,757.9	8,925.6
Non-current liabilities		
Suppliers	23.2	-
Long-term debt	7,454.3	9,066.6
Debentures	500.0	800.0
Taxes and contributions payable	1,277.1	1,290.0
Deferred income tax	1,761.4	596.9
Other	292.3	397.5
	11,308.3	12,151.0
Braskem S.A. shareholders' equity	4,379.4	4,025.7
Total liabilities and shareholder's equity	23,445.6	25,102.3

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

	2009	2008	2007
Gross sales	19,217.0	23,163.0	21,640.6
Value-added taxes, discounts and returns	(3,635.8)	(5,241.9)	(4,353.2)
Net sales	15,581.2	17,921.1	17,287.4
Cost of sales	(13,493.8)	(15,525.4)	(14,415.0)
Gross profit	2,087.4	2,395.7	2,872.4
Operating income (expenses)			
Selling, general and administrative	(1,169.3)	(1,231.6)	(1,315.0)
Depreciation and amortization	(58.4)	(342.3)	(57.4)
Impairment on assets	(34.1)	(118.4)	(1.5)
Installment program - IPI	(1,030.1)		
Other, net	75.1	61.3	83.0
Operating income	(129.4)	764.7	1,581.5
Interest income/(expense)			
Interest income	(326.5)	2,162.1	652.3
Interest expenses	1,051.6	(5,739.5)	(788.8)
Income before income tax, earnings in equity affiliates and minorities interest	595.7	(2,812.7)	1,445.0
Income tax benefit (expense)			
Current	(9.7)	(21.6)	(183.0)
Social contribution of prior years	(339.3)	-	-
Deferred	(9.8)	1,077.3	(19.4)

Income before earnings in equity affiliates	236.9	(1,757.0)	1,242.6
Earnings in equity affiliates	(4.2)	31.6	81.4
Net income (loss) for the year	232.7	(1,725.4)	1,324.0
Less: Net income attributable to noncontrolling interest	-	101.3	234.9
Net income (loss) for the year attributable to Braskem S.A. shareholders	232.7	(1,826.7)	1,089.1

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(iii) Condensed changes in shareholders' equity under U.S. GAAP

	2009			2008					
	OCI	Other equity accounts	Total Equity	OCI	Other equity accounts	Noncontrolling interest	Total Equity	OCI	Ot equ accou
At beginning of the year	955.2	3,070.5	4,025.7	2,837.2	2,194.7	2,060.3	7,092.2	1,748.1	1,21
Comprehensive income of the year	232.7	-	232.7	(1,826.7)	-	101.3	(1,725.4)	1,089.1	
Change in minimum pension liability	47.8	-	47.8	(55.3)	-	-	(55.3)	-	
Total comprehensive income	1,235.7	3,070.5	4,306.2	955.2	2,194.7	2,161.6	5,311.5	2,837.2	1,21
Capital increase	-	118.0	118.0	-	734.8	-	734.8	-	1,13
Contribution from shareholders APIC	-	(25.5)	(25.5)	-	506.6	-	506.6	-	
Repurchase of treasury shares	-	(11.9)	(11.9)	-	(186.8)	-	(186.8)	-	
Purchase of noncontrolling shares	-	-	-	-	-	(2,161.6)	(2,161.6)	-	
Assets for sale	-	(6.9)	(6.9)	-	8.0	-	8.0	-	
	-	-	-	-	(32.8)	-	(32.8)	-	

Adjustments to present value (Law 11638)									
Dividends	-	2.9	2.9	-	(154.0)	-	(154.0)	-	(154
Effective cash flow hedge	-	(3.4)	(3.4)	-	-	-	-	-	
At end of the year	1,235.7	3,143.7	4,379.4	955.2	3,070.5	-	4,025.7	2,837.2	2,19

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COPESUL - Companhia Petroquímica do Sul and subsidiaries

Consolidated Balance Sheets
In millions of reais

	3/31/2007 Unaudited	12/31/2006
Assets		
Current assets		
Cash and cash equivalents (Note 4)	272	201
Marketable securities (Note 5)	41	38
Customers		
Local customers	129	180
Foreign customers	198	75
Export drafts - billed (Note 16)	(75)	(1)
Swap receivables (Note 6)	87	64
Inventories (Note 7)	541	571
Taxes and charges recoverable (Note 8)	113	115
Prepaid expenses (Note 9)	11	14
Other accounts receivable	9	5
	1,326	1,262
Noncurrent assets		
Long-term receivables		
Marketable securities (Note 5)	1	1
Taxes and charges recoverable (Note 8)	147	137
Judicial deposits (Note 10)	9	9
Prepaid expenses (Note 9)	4	4
Loans to third parties	1	2
Claims receivable and other	2	2
	164	155
Permanent assets		
Investments (Note 11)	7	10
Property, plant and equipment (Note 12)	994	1,030
Deferred charges (Note 13)	10	10
	1,011	1,050
	1,175	1,205
Total assets	2,501	2,467
Liabilities and stockholders equity		
Current liabilities		

Suppliers (Note 14)	275	354
Loans and financing (Note 15)	87	50
Export drafts - to be invoiced (Note 16)	85	39
Taxes and charges payable (Note 17)	33	45
Social and labor contributions and charges	42	45
Proposed dividends		185
Interest on own capital	1	17
Income tax and social contribution (Note 18)	105	44
Swaps and options payable (Note 6)	43	23
Advances from customers	7	5
Profit sharing and other	17	34
	695	841
Noncurrent liabilities		
Long-term liabilities		
Loans and financing (Note 15)	99	107
Export drafts - to be invoiced (Note 16)	133	139
Income tax and social contribution (Note 18)	37	37
Provision for contingencies (Note 24)	36	34
Actuarial liability - PETROS (Note 25)	8	9
	313	326
Stockholders equity (Note 19)		
Capital	910	850
Capital reserve	238	296
Revaluation reserve	68	75
Revenue reserve	79	79
Retained earnings	198	
	1,493	1,300
Total liabilities and stockholders equity	2,501	2,467

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

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COPESUL - Companhia Petroquímica do Sul and subsidiaries

Unaudited Interim Consolidated Statements of Operations
In millions of reais, except when otherwise indicated

	Quarter ended 3/31/2007	Quarter ended 3/31/2006
Gross sales		
Sale of petrochemical products and utilities		
Local market	1,939	1,703
Foreign market	229	157
	2,168	1,860
Taxes, contributions and freight on sales		
ICMS	(228)	(233)
PIS, COFINS, CIDE and ISS	(194)	(186)
Freight	(19)	(14)
	(441)	(433)
Net sales and services	1,727	1,427
Cost of products, utilities and services	(1,397)	(1,176)
Gross profit	330	251
Operating (expenses) income		
Selling	(18)	(8)
General and administrative	(13)	(11)
Management fees	(1)	(1)
Depreciation and amortization	(3)	(3)
Other operating income (expenses), net (Note 21)	(1)	10
	(36)	(13)
Operating profit before financial result	294	238
Financial result (Note 20)		
Financial expenses	(154)	(51)
Financial income	159	49
	5	(2)
Operating profit	299	236

Non-operating result		
Non operating income		1
Non-operating expenses	(3)	(6)
	(3)	(5)
Income before income tax and social contribution	296	231
Provision for income tax and social contribution (Note 18)	(102)	(78)
Deferred income tax and social contribution (Note 18)	5	1
Net income of the period before profit sharing	199	154
Profit sharing	(6)	(5)
Net income of the period	193	149
Outstanding shares at the end of the period (in thousands)	150,217	150,217
Net income per share (in R$)	1.28	0.99

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

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COPESUL - Companhia Petroquímica do Sul and subsidiaries

Unaudited Interim Statement of Changes in Stockholders Equity
In millions of reais, except per share amounts

	Capital	Capital reserve Fiscal incentives	Revaluation reserve	Revenue reserve Legal	Retained earnings	Total
At December 31, 2005	750	341	108	48		1,247
Prior year adjustment					38	38
Capitalization of capital reserve - FUNDOPEM	100	(100)				
Fiscal incentives						
FUNDOPEM		18				18
Program for Technological and Industrial Development - PDTI		8				8
Realization of revaluation reserve						
Revaluation - 1983			(1)		1	
Revaluation - 1989			(7)		7	
Income tax and social contribution on realized revaluation reserve					(2)	(2)
Net income for the period					149	149
At March 31, 2006	850	267	100	48	193	1,458
At December 31, 2006	850	296	75	79		1,300
Capitalization of capital reserve - FUNDOPEM	60	(60)				
Fiscal incentives - PDI - Technological Research and Industrial Development		2				2
Realization of revaluation reserve						
Revaluation - 1989			(7)		7	
Income tax and social contribution on realized revaluation reserve					(2)	(2)
Net income for the period					193	193
At March 31, 2007	910	238	68	79	198	1,493

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

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COPESUL - Companhia Petroquímica do Sul and subsidiaries

Consolidated Statements of Changes in Financial Position
In millions of reais

	Quarter ended 3/31/2007 Unaudited	Quarter ended 3/31/2006 Unaudited
Financial resources were provided by		
Operations		
Net income for the period	193	149
Expenses (income) not affecting working capital		
Depreciation	57	57
Amortization	1	
Provision for administrative, civil and labor contingencies	1	(1)
Monetary and exchange variations of long -term liabilities		
Long-term liabilities	(6)	(6)
Long-term receivables		(2)
Disposals of property, plant and equipment	3	2
Income tax and social contribution		
Long-term receivables	(2)	(18)
Realization of revaluation reserve	(2)	(2)
	245	179
Third parties		
Decrease in long-term receivables		
Marketable securities		18
Related parties	(6)	1
Prepaid expenses	1	2
Increase in long-term liabilities		
Financial institutions		2
Fiscal incentives of FUNDOPEM and Program for Technological and		
Industrial Development - PDTI	2	25
	(3)	48

Other		
Effect on working capital from the change in the accounting procedure adjustments		(22)
		(22)
Total funds provided	242	205
Financial resources were used for		
Long-term receivables		
Taxes and charges recoverable	2	3
Loans to third parties and other		1
Permanent assets		
Property, plant and equipment	22	15
Transfer from long-term to current liabilities		
Financial institutions	8	5
Total funds used	32	24
Increase in working capital	210	181
Current assets		
At the end of the period	1,326	971
At the beginning of the period	1,262	908
	64	63
Current liabilities		
At the end of the period	695	577
At the beginning of the period	841	695
	(146)	(118)
Increase in working capital	210	181

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COPESUL - Companhia Petroquímica do Sul and subsidiaries

Unaudited Interim Consolidated Statements of Cash Flows
In millions of reais

	Quarter ended 3/31/2007	Quarter ended 3/31/2006
Net income of the period	193	149
Expenses (income) not affecting cash		
Depreciation	57	57
Amortization	1	
Provision for administrative, civil and labor contingencies	1	(1)
Monetary and exchange variations		(2)
Interest and monetary variations on current assets		
Interest	1	(6)
Monetary and exchange variations	(10)	(13)
Disposals of property, plant and equipment and other	3	
Swap difference receivable, net	(23)	(8)
Swap and options difference payable, net	21	(3)
Deferred income tax and social contribution	(5)	(1)
Trade accounts receivable	(72)	18
Trade notes linked to the FIDC		3
Inventories	29	38
Other accounts receivable - current and long-term	(3)	(86)
Suppliers	(79)	4
Other accounts payable - current and long-term	28	33
Fiscal incentives - FUNDOPEM and PDTI	2	25
Net cash provided by operating activities	144	207
Marketable securities in current and long-term investments		
Investments	(36)	(26)
Redemptions	32	8
Loans to third-parties -Receipts	1	2
Additions to property, plant and equipment	(21)	(15)
Net cash used in investing activities	(24)	(31)
Loans, financing and export drafts		
Issuances	321	241

Repayments	(169)	(278)
Interest on own capital	(17)	(21)
Dividends paid	(184)	(68)
Net cash used in financing activities	(49)	(126)
Net change in cash and cash equivalents	71	50
Initial cash and cash equivalents balance	201	113
Final cash and cash equivalents balance	272	163
Net change in cash and cash equivalents	71	50

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

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COPESUL - Companhia Petroquímica do Sul and subsidiaries

Notes to the consolidated financial statements
at March 31, 2007 and 2006 (Unaudited) and December 31, 2006
In millions of reais, except when otherwise indicated

1 Operations

The Company, headquartered in Triunfo, Rio Grande do Sul, is a closely-held corporation and its main objectives are (a) manufacture, sale, import and export of chemical and petrochemical products and fuel; (b) production and distribution of goods, as well as rendering services to companies of the Southern Petrochemical Complex and management of the logistic services pertinent to its waterway and terrestrial terminals; and (c) participation in other companies as quotaholder or stockholder.

The main suppliers of raw materials in the local market are PETROBRAS - Petróleo Brasileiro S.A. and Refinaria Alberto Pasqualini - REFAP S.A. and overseas, the companies Sonatrach SPA and Repsol YPF S.A.

The Company s main customers are located in the Petrochemical Complex in Triunfo, Rio Grande do Sul. Additionally, the Company s sales of hydrocarbon solvents and fuels are made both in the domestic and international markets, and the latter being mainly to Mercosur (Southern Common Market) and the United States.

2 Presentation of the financial statements

The financial statements for the three-months ended March 31, 2007 for legal and regulatory purposes were approved by the Company s Board of Directors on April 24, 2007 (the financial statements for the year ended December 31, 2006 were approved on January 30, 2007).

The consolidated financial statements were prepared and are being presented in accordance with accounting practices adopted in Brazil, based on the provisions included in Brazilian Corporate Law as well as the Brazilian Securities Commission (CVM) standards and procedures. The financial statements presented here do not include the parent company s stand-alone financial statements and are not intended for statutory purposes.

The preparation of financial statements requires the use of estimates to account for certain assets and liabilities and other transactions. Therefore, the Company s financial statements include estimates referring to the selection of useful lives of fixed assets, provisions for contingent liabilities and determination of income tax liabilities. Actual results may differ from such estimates.

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COPESUL - Companhia Petroquímica do Sul and subsidiaries

Notes to the consolidated financial statements
at March 31, 2007 and 2006 (Unaudited) and December 31, 2006
In millions of reais, except when otherwise indicated

3 Significant accounting practices

The accounting practices adopted in the presenting consolidated financial statements as of March 31, 2007 are consistent with those disclosed in the audited financial statements as of December 31, 2006.

(a) Consolidated financial statements

These consolidated financial statements include the wholly-owned subsidiaries Copesul International Trading, Inc., CCI - Comercial Importadora S.A., and Fundo de Investimento Financeiro Multimercado Copesul, a mutual fund whose quotas are wholly-owned by the Company. In the consolidation process, intercompany balances, income, expenses, and unrealized profits arising from intercompany transactions were eliminated, as well as investments in subsidiaries.

(b) Marketable securities and swap receivables and payables

These assets are recorded at cost plus accrued income up to the balance sheet date (accrual basis), adjusted to market value, when lower.

(c) Allowance for doubtful accounts

The Company has no allowance for doubtful accounts, since losses are not expected to occur in relation to accounts receivable.

(d) Inventories

Inventories are stated at average cost of acquisition or production, adjusted to market value, when lower.

(e) Investments

Investments are recorded at acquisition cost and adjusted to market value, when applicable.

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COPESUL - Companhia Petroquímica do Sul and subsidiaries

Notes to the consolidated financial statements
at March 31, 2007 and 2006 (Unaudited) and December 31, 2006
In millions of reais, except when otherwise indicated

(f) Property, plant and equipment

Property, plant and equipment are stated at cost, plus revaluation, less accumulated depreciation combined with the following aspects:

Capitalization of the financial charges incurred during the construction period of property, plant, and equipment.

Depreciation of property, plant and equipment, calculated on the straight-line basis in accordance with the estimated useful lives of assets, supported by an independent appraisal report, using the rates mentioned in Note 12.

Revaluations of property, plant and equipment made in 1983 and 1989 based on appraisals carried out by independent appraisers.

(g) Deferred charges

Deferred charges include pre-operating expenses related to expansion, projects for new products, development of systems, and organizational restructuring expenditures, amortized at the rate of 20% per annum (p.a.), Note 13.

(h) Rights and obligations

Rights are stated at cost or realization value, including, when applicable, earnings and monetary restatements and exchange rate variations. Liabilities are recognized at their known or estimated values, including corresponding charges, monetary restatements and exchange rate variations when applicable.

(i) Income tax and social contribution

Provision for income tax is recorded with the inclusion of the portion of fiscal incentives. Deferred taxes were recognized considering current rates for income tax and social contribution on tax losses and temporary differences, to the extent that realization is considered probable, as shown in Note 18.

(j) Determination of results of operations

Income and expenses are determined on the accrual basis.

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COPESUL - Companhia Petroquímica do Sul and subsidiaries

Notes to the consolidated financial statements
at March 31, 2007 and 2006 (Unaudited) and December 31, 2006
In millions of reais, except when otherwise indicated

(k) Reclassifications in the statement of operations

In order to be consistent with the presentation criteria followed by the Braskem group, in the preparation of this financial statements, the Company made certain changes in the classification criteria used in prior periods, which for comparative purposes were also made to the financial information for the year ended December 31, 2006 and for the three-months ended March 31, 2006 presented herewith. The reclassifications were as follows:

i. Sale of services and resale of goods were distributed between domestic and foreign market;

ii. Freight expenses are currently presented as deductions from gross revenues while previously were considered selling expenses;

iii. Depreciation and amortization are separately disclosed which before were included as selling expenses and general and administrative expenses, as appropriate; and

iv. Deferred income tax and social contribution are separately presented. In prior periods were presented together with current income tax expense under provisions for income tax and social contribution.

Below is a summary of the effects:

	3/31/2007 (Unaudited)		
	Previous criterion	**Reclassifications**	**Current criterion**
Domestic market	1,735	204	1,939
Sale of services and resale of goods	204	(204)	
	1,939		1,939
Taxes, contributions, and freight on sales	(421)	(19)	(440)
Selling	(40)	21	(19)
General and administrative	(14)	1	(13)
Depreciation and amortization		(3)	(3)
Management and employees profit sharing	(6)	6	
Provision for income tax and social contribution	(97)	(5)	(102)
Deferred income tax and social contribution		5	5
	(578)	6	(572)

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COPESUL - Companhia Petroquímica do Sul and subsidiaries

Notes to the consolidated financial statements
at March 31, 2007 and 2006 (Unaudited) and December 31, 2006
In millions of reais, except when otherwise indicated

	3/31/2006 (Unaudited)		
	Previous criterion	Reclassifications	Current criterion
Domestic market	1,691	12	1,703
Sale of services and resale of goods	12	(12)	
	1,703	-	1,703
Taxes, contributions, and freight on sales	(419)	(14)	(433)
Selling	(25)	17	(8)
General and administrative	(12)	1	(11)
Depreciation and amortization		(3)	(3)
Management and employees profit sharing	(5)	5	
Provision for income tax and social contribution	(76)	(2)	(78)
Deferred income tax and social contribution		1	1
	(537)	5	(532)

(l) Statement of cash flows

The consolidated statement of cash flows is prepared in accordance with the Accounting Standards and Procedures - NPC no. 20 of IBRACON (Institute of Independent Auditors of Brazil).

4 Cash and cash equivalents

The investments included in this account have a term of no longer than 90 days.

	3/31/2007 Unaudited	12/31/2006
Cash and banks	1	7
Investments in Fundo Investimento Financeiro Multimercado		
Copesul:		
Bank Deposit Certificates - CDB	43	88

Financial Treasury Bills - LFT	14	13
National Treasury Bills	1	1
Investment Funds	13	12
Simple debentures and other	110	43
Interest bearing account	8	-
Overnight and term deposits	82	37
	272	201

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COPESUL - Companhia Petroquímica do Sul and subsidiaries

Notes to the consolidated financial statements
at March 31, 2007 and 2006 (Unaudited) and December 31, 2006
In millions of reais, except when otherwise indicated

5 Marketable Securities

	3/31/2007 Unaudited	12/31/2006
Term deposit	42	39
Total	42	39
Current assets	41	38
Long-term receivables	1	1

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COPESUL - Companhia Petroquímica do Sul and subsidiaries

Notes to the consolidated financial statements
at March 31, 2007 and 2006 (Unaudited) and December 31, 2006
In millions of reais, except when otherwise indicated

6 Swap receivables and payables

The Company entered into transactions involving US dollar options, called Box Options as shown and commented below with the sole purpose of investing cash at a more attractive rate. Besides that, it also contracted Swap operations aiming to obtain maximization of the profitability earned by Fundo de Investimento Financeiro Multimercado Copesul , which is managed by COPESUL and whose custodian and manager is Banco Santander Brasil S.A.

On March 31, 2007 and December 31, 2006, the assets and liabilities of Fundo de Investimento Financeiro Multimercado Copesul were distributed among the various accounts of the balance sheet in accordance with the nature of the respective accounts in compliance with Instruction CVM 408/2004.

(a) Amounts receivable

	3/31/2007 Unaudited	12/31/2006
Swap receivables	7	27
Options - Fixed income Box Operations	80	37
	87	64

(b) Amounts payable

	3/31/2007 Unaudited	12/31/2006
Swap payable	4	23
Options payable	39	
	43	23

Box options are combined operations that involve purchase and sale of options in US dollars for the same maturity at a certain price, so that, regardless of the future US dollar rate, the Company previously knows the net result of those operations. It is similar, therefore, to fixed income operations. The value paid for the options, called a premium, refers to the amount invested by the Company and the sum redeemed will be the premium plus the earned pre-fixed return. In parallel to the contracting of purchase and sale operations of options, the Company uses Swaps with the purpose of exchanging the fixed income yield for the variance of Interbank Deposit Certificates -CDI.

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COPESUL - Companhia Petroquímica do Sul and subsidiaries

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at March 31, 2007 and 2006 (Unaudited) and December 31, 2006
In millions of reais, except when otherwise indicated

7 Inventories

Inventories are represented as follows:

	3/31/2007 Unaudited	12/31/2006
Raw materials	367	379
Finished products	89	99
Resupply and other materials	73	73
Chemical and intermediate products	12	20
	541	571

8 Taxes and charges recoverable

This account is represented as follows:

	Current		Long-term	
	3/31/2007 Unaudited	12/31/2006	3/31/2007 Unaudited	12/31/2006
Deferred taxes				
Deferred income tax on temporary additions (a)	4	2	12	11
Deferred social contribution on temporary additions (a)	2		4	4
	6	2	16	15
Other taxes and charges recoverable				
Prepaid IRPJ	32			
Prepaid CSLL	17			
Withholding tax	1			
CSLL recoverable		12		
Tax on Net Income (ILL) (b)			54	54
			27	28

ADIR - Additional State Income Tax (c)				
ICMS on acquisition of property, plant and equipment (d)	9	8	10	10
PASEP recoverable (e)		15	33	23
COFINS recoverable		3		
COFINS on acquisition of property, plant and equipment (f)	2	2	2	2
Prepaid ICMS (g)	43	72		
ICMS recoverable	3	1		
IPI recoverable (h)			5	5
	107	113	131	122
	113	115	147	137

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COPESUL - Companhia Petroquímica do Sul and subsidiaries

Notes to the consolidated financial statements
at March 31, 2007 and 2006 (Unaudited) and December 31, 2006
In millions of reais, except when otherwise indicated

(a) The Company recorded deferred assets on the loss of its subsidiary Copesul International Trading, Inc. - CITI in view of the loss in March 2007, which were offset with profits during this year. The Company also recorded deferred tax assets on temporary differences in current assets and long-term receivables in accordance with the expectation of their realization. The credits totaled R$22 (R$17 on December 31, 2006) and are expected to be realized as follows:

	%	
Year	**3/31/2007**	**12/31/2006**
	Unaudited	
2007	27.76	12.90
2008	*	*
2009 and after	72.24	87.10
	100.00	100.00

(b) This refers to the tax credit of Tax on Net Income - ILL paid from 1989 to 1991 and was recognized in accounting terms in the assets of December 2002 as this tax was considered unconstitutional according to Resolution of the Federal Senate No. 82 of November 18, 1996 and republished on November 22, 1996. The Company is seeking administratively the right of compensation of this credit with other taxes.

(c) On March 31, 2007, the Company had recorded a receivable of R$27 (R$28 on December 31, 2006) relating to Additional State Income Tax (ADIR), for which the Company was awarded a final favorable judgment, and a security to cover court-ordered debts was issued. This security should be received at its original amount, in cash, plus legal interest, in successive and equal annual installments over a maximum ten-year period, from 2001. Up to March 31, 2007, no installment had been settled on its maturity, but they may be offset in future years against State taxes, as determined by Article 2 of Constitutional Amendment 30 of September 13, 2000. As a means of precaution, the Company filed an appeal in order to avoid the first installment becoming time-barred as well as to offset the ICMS tax credit with ICMS payable generated in its operations.

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COPESUL - Companhia Petroquímica do Sul and subsidiaries

Notes to the consolidated financial statements
at March 31, 2007 and 2006 (Unaudited) and December 31, 2006
In millions of reais, except when otherwise indicated

(d) As from August 2000, the Company started recording the ICMS credits paid on acquisitions of property, plant and equipment, as determined by Complementary Law 102 dated July 11, 2000. The credits to be offset are as follows:

Year	3/31/2007 Unaudited	12/31/2006
2007	7	8
2008	7	7
2009	3	3
2010	2	*
	19	18
Current assets	9	8
Long-term receivables	10	10

(e) During 2006 the Company recognized a PASEP judicial tax credit in the amount of R$45, seeking the right to carry out the payments in accordance with Complementary Law 8/70, using as a calculation basis the revenue of the sixth month prior to the occurrence of the taxable event, in light of Resolution No. 49/95 of the Federal Senate in a final decision. This credit was recognized in the income statement for the year 2006 in the accounts of other net operating income in the amount of R$14 and financial income of R$30.

The changes in this credit are shown below:

	3/31/2007 Unaudited	12/31/2006
Beginning balance	38	
PASEP credit with final favorable judgment		45
Amount of credit compensated with PIS	(5)	(7)
PASEP balance	33	38

Currently the Company has the right to make the offset of the PASEP credit with PIS and under orientation of its legal advisors filed a judicial claim for the right to offset it with other federal taxes.

(f) The Company recognizes PIS and COFINS recoverable credits on the acquisitions of property, plant and equipment, which will be realized in 24 and 48 months depending on the asset acquired as permitted by Law 10865/04

and Decree 5222/04.

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COPESUL - Companhia Petroquímica do Sul and subsidiaries

Notes to the consolidated financial statements
at March 31, 2007 and 2006 (Unaudited) and December 31, 2006
In millions of reais, except when otherwise indicated

(g) During the year 2006, the Company advanced the amounts related to ICMS on future sales in the amount of R$72. The offset of the prepaid ICMS is being done in 10 monthly and consecutive payments, with charges adjusted by the Unidade Padrão Fiscal do RS -UPF (Standard Fiscal Unit of RS), having begun in January 2007. The prepayment amount not yet offset on March 31, 2007 totals R$43.

(h) The Company recognizes an IPI credit on the acquisitions of raw materials used in the production process, despite these products being defined as zero rate . In order to use these credits, every quarter they are offset with federal taxes in accordance with Decree 4544/2002 and paragraph 4, article 16 of the Regulatory Instruction No. 460/2004 of the Brazilian Revenue Secretariat. The long-term balance refers to the IPI Credit Premium that was judicially recognized and will be realized by the end of 2008.

9 Prepaid Expenses

Prepaid expenses comprise payments made in advance, relating to benefits or services to be received by the Company in future years.

Realization will not be in cash, but by appropriation to the results of operations, as follows:

	Realization terms	3/31/2007 Unaudited	12/31/2006
Insurance	Up to Nov/2007 (Dec/06 to Nov/2007)	7	10
Chemical products (catalysts)	Up to Sep/2018 (Dec/06 to Sep/2018)	8	8
Total		15	18
Current assets		11	14
Long-term receivables		4	4

The long-term portion refers to chemical products (catalysts) which are used as agents that promote a chemical reaction in the production of basic petrochemicals. Their average useful life and amortization period is 6 years.

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COPESUL - Companhia Petroquímica do Sul and subsidiaries

Notes to the consolidated financial statements
at March 31, 2007 and 2006 (Unaudited) and December 31, 2006
In millions of reais, except when otherwise indicated

10 Judicial deposits

	3/31/2007 Unaudited	12/31/2006
Tax claims:		
Income tax	2	2
CIDE on technical assistance services	4	4
IRRF on technical assistance services	1	1
	7	7
Labor claims	2	2
	9	9

The Company has made judicial deposits and has recorded a provision for contingencies relating to income taxes and CIDE in connection with lawsuits, as described in Note 24 (a).

11 Investments

(a) Information on investments:

	3/31/2007 Unaudited	12/31/2006
Other Investments	7	10
	7	10

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COPESUL - Companhia Petroquímica do Sul and subsidiaries

Notes to the consolidated financial statements
at March 31, 2007 and 2006 (Unaudited) and December 31, 2006
In millions of reais, except when otherwise indicated

(b) Information on subsidiaries

Copesul International Trading, Inc. - CITI has the function of performing Trading Company operations and prepares its financial statements in Brazilian Real.

	Parent company	
Copesul International Trading, Inc. - CITI	**3/31/2007 Unaudited**	**12/31/2006**
Capital	99	99
Stockholders equity	97	116
Holding percentage - total and voting capital	100%	100%
Number of shares	98,529,157	98,529,157

	3/31/2007 Unaudited	**3/31/2006 Unaudited**
Income (loss) in the period/year	(5)	17

12 Property, plant and equipment

			3/31/2007 Unaudited		
	Annual depreciation rates % (*)	**Revalued and restated cost**	**Accumulated depreciation**	**Net**	**12/31/2006 Net**
Equipment and installations					
Operations	10	2,010	(1,503)	507	535
Utilities	10	911	(840)	71	79
Storage and transfers	10	434	(341)	93	98
Maintenance Stoppage - CVM Del. No. 489/05 (**)	21	92	(39)	53	57
Other (***)	15	89	(70)	19	20

Buildings and construction	4	56	(23)	33	33
Improvements	4	22	(11)	11	10
Land		38		38	38
Construction in progress		150		150	141
Maintenance Stoppage in Progress - CVM					
Del. No. 489/05		19		19	19
		3,821	(2,827)	994	1,030

(*) weighted-average rate that reflects the depreciation expense (Note 3 (f)).

(**) supported by appraisal reports issued by specialized companies.

(***)information technology equipment, furniture and fixtures, among others are included in this account.

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Certain items of fixed assets were given as guarantee for financing operations, as shown in Note 15 (d).

(a) Revaluations

Revaluations of property, plant and equipment made in 1983 and 1989, based on appraisal reports issued by specialized companies, produced the following effects on the balance sheet:

	3/31/2007 (Unaudited)			12/31/2006
	Revaluation	Accumulated realization	Net	Net
Equipment and installations	1,339	(1,317)	22	28
Buildings and construction	17	(7)	10	11
Improvements	7	(3)	4	4
Land	32		32	32
Total	1,395	(1,327)	68	75
Revaluation reserve			68	75

Realizations of the revaluation reserve occur through depreciation and disposals of the revalued assets each year. The amounts realized are transferred directly to retained earnings, on which the effects of income tax and social contribution are also considered at the current rates.

The Company did not set up a provision for deferred income tax and deferred social contribution on the balance of the revaluation reserve, since CVM Deliberation 183/95 determines that such provision is only required on revaluations made as from July 1, 1995. The revaluation reserve is taxable when realized through depreciation and disposals of items. Considering current tax legislation, the revaluation reserve is subject to future taxation estimated as follows:

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Statement of the calculation used to estimate future income tax and social contribution on the revaluation reserve:

	3/31/2007 Unaudited	12/31/2006
Income tax:		
Balance of revaluation reserve	68	75
Revaluation reserve on land	(31)	(31)
Income tax calculation basis	37	44
Income tax (rate - 25%)	(9)	(11)
Social contribution:		
Income tax calculation basis	37	44
Difference regarding IPC/BTNF on revaluation reserve balance	(18)	(22)
Social contribution calculation basis	19	22
Social contribution (rate - 9%)	(2)	(2)
Income tax and social contribution	(11)	(13)

During this quarter, the portion of R$7 (R$33 during year 2006) was transferred to retained earnings upon realization of the revaluation reserve, as shown in the changes in shareholders equity. The tax effect on the realization was R$2 (R$10 during year 2006).

(b) Acquisitions of property, plant and equipment

COPESUL invested the amount of R$21 in the first quarter 2007. The main investments are R$4 -operational reliability, technological updating, and profitability increase projects to be implemented during the PGM that is forecasted to take place in 2008; R$5 - industrial automation programs; R$6 - replacement of coils and technological updating of the furnaces and R$4 - conversion of the MTBE unit to ETBE. The remaining balance of R$2 refers to various investment projects. In the year 2006 COPESUL invested the amount of R$126. The main investments are R$38 - direct investments to make feasible the General Maintenance Stoppage (PGM); R$19 - operational reliability, technological updating, and profitability increase projects to be implemented during the PGM that is forecasted to take place in 2008; R$19 - industrial automation programs; R$10 -replacement of coils and technological updating of the furnaces; R$5 - building of Butadiene Unit, and R$7 - conversion of the MTBE unit to ETBE. The remaining balance of R$28 refers to various investment projects.

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13 Deferred charges

Deferred charges comprise:

	Annual amortization rates % (p.a.)	3/31/2007 Unaudited			12/31/2006
		Restated cost	Accumulated amortization	Net	Net
Development programs	20	63	(53)	10	10
		63	(53)	10	10

14 Suppliers

	3/31/2007 Unaudited	12/31/2006
Local	51	94
Foreign	224	260
	275	354

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15 Loans and financing

(a) Liabilities for loans and financing are as follows:

	Index	Annual charges (%)*	3/31/2007 Unaudited	12/31/2006
Foreign currency				
Financing (investments) - US$2 million	Currency basket and US$	9.04	4	4
Financing and loans (US$25 million)	Currency Basket	10.11	51	7
			55	11
Local currency				
Loans and financing	TJLP	11.53	37	40
Hot money, NCE and BACEN Resolution 2770	CDI	12.95	13	23
Financing (Investments)	TJLP	9.64	81	83
			131	146
			186	157
Current liabilities			87	50
Long-term liabilities			99	107

* weighted-average rate that reflects the charges on loans.
NCE - Export Credit Note
CDI - Interbank Deposit Certificate
TJLP - Long-Term Interest Rate
BACEN - Brazilian Central Bank

(b) The changes in loans and financing were as follows:

	Short-term	Long-term	Total
At December 31, 2005	288	84	372

Additions	604	47	651
Interest	28		28
Transfer to short-term	24	(24)	
Linked	(893)		(893)
Monetary and exchange variations	(1)		(1)
At December 31, 2006	50	107	157
Additions	116		116
Interest	4		4
Transfer to short-term	8	(8)	
Linked	(90)		(90)
Monetary and exchange variations	(1)		(1)
At March 31, 2007 (Unaudited)	87	99	186

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During the third quarter of 2006, the Company entered into a credit line agreement with BNDES -Banco Nacional de Desenvolvimento Econômico e Social in the amount of R$338 for future investment in order to improve its manufacturing facilities. By March 31, 2007 the Company had used R$43 of this credit line.

(c) Long-term financing falls due as follows:

Year	3/31/2007 Unaudited	12/31/2006
2008	25	33
2009	30	30
2010	23	22
2011	13	14
2012	8	8
	99	107

(d) Guarantees

The foreign currency financing are guaranteed in part by the mortgage of plant 2 and by letter of guarantee.

Local currency financing via FINEM and FINAME programs is guaranteed by Plant 2 and by the financed machinery and equipment, respectively.

The financing contracted with the Banco Nacional de Desenvolvimento Econômico e Social -BNDES, on September 9, 2005, amounting to R$50, for the installation of a pyrolysis furnace, has as a fiduciary guarantee a letter of guarantee issued by the Banco Regional de Desenvolvimento do Extremo Sul - BRDE. For the rest of the investment financing, the Company placed plant 2 as guarantee.

The Company is the guarantor of working capital loans of its subsidiary amounting to R$45 through the issuing of promissory notes.

The NCE operations in the amount of R$3 (R$23 at December 31, 2006) are guaranteed by COPESUL itself in the same NCE contracted document.

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The Company has given secondary guarantees to financial institutions in relation to vendor transactions for Braskem S.A. and the amount of the principal is R$585 (R$613 at December 31, 2006). Losses are not expected for the Company as a result of these obligations.

Additionally, in March 2007, the Company placed R$1 (R$1 at December 31, 2006) as a guarantee of energy purchase operations (National Operator of the Electric System - ONS), recorded in long-term marketable securities.

16 Export drafts

The changes in advances contracted with financial institutions relating to exports to be invoiced are as follows:

	Billed	To be invoiced		
	Current assets	Current liabilities	Long-term liabilities	Total
At December 31, 2005	18	1	91	110
Additions		531	138	669
Interest		13		13
Transfer to short-term		35	(35)	
New export receivables	527	(527)		
Amortization	(545)	(12)	(49)	(606)
Monetary and exchange variations	1	(2)	(6)	(7)
At December 31, 2006	1	39	139	179
Additions		205		205
Interest		3		3
New export receivables	159	(159)		
Amortization	(84)	(2)		(86)
Monetary and exchange variations	(1)	(1)	(6)	(8)
At March 31, 2007 (Unaudited)	75	85	133	293

Export drafts to be invoiced bear exchange variation plus average interest of 7.55% p.a. (7.11% p.a. in 2006), which are recorded in the statement of income as financial expenses.

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Long-term export drafts falls due as follows:

Year	3/31/2007 Unaudited	12/31/2006
2009	72	75
2010	61	64
	133	139

17 Taxes and charges payable

	3/31/2007 Unaudited	12/31/2006
ICMS payable	18	22
ICMS - tax replacement	3	3
CIDE on fuels payable	11	16
IRRF on interest on own capital payable		3
Other retentions payable	1	1
	33	45

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18 Income tax and social contribution

(a) Composition of deferred income tax and social contribution

	3/31/2007 Unaudited		12/31/2006	
	Income tax	Social contribution	Income tax	Social contribution
Calculation basis for deferred income tax and social contribution				
Provision for administrative, civil and labor contingencies	30	30	29	29
Provision for fiscal contingencies - IR and CIDE on services abroad	5	5	5	5
Provision for contingencies - pension plan	9	9	9	9
Exchange variation - deferred	(25)	(25)	(26)	(26)
Provision for employee profit-sharing	5	5		
Other provisions	10	9	8	8
Copesul International Trading tax loss	5	5		
Accelerated depreciation Law 11.051/05		(18)		(15)
Accelerated depreciation incentive	(4)	*	(4)	
Deferred taxes calculation basis	35	20	21	10
Deferred income tax (25%)	9		5	
Deferred social contribution (9%)		2		1
Deferred total taxes	9	2	5	1
Assets				
Short-term	4	2	2	
Long-term	12	4	11	4
	16	6	13	4
Liabilities				

Long-term	(7)	(4)	(8)	(3)
	(7)	(4)	(8)	(3)
	9	2	5	1

	3/31/2007 Unaudited		12/31/2006	
	Income tax	**Social contribution**	**Income tax**	**Social contribution**
Changes in the deferred taxes in the result	4	1	(2)	(2)

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The deferred income tax and social contribution assets and liabilities arose from temporary differences and are recognized in accounting terms taking into consideration the probable realization of these taxes based on forecasts of future results prepared and founded on internal assumptions and on future economic scenarios that can, however, undergo changes.

(b) Estimated realization period

The values of the assets, net of the deferred tax liabilities, have the following expectations of realization:

Year	3/31/2007 Unaudited	12/31/2006
2007	6	1
2010	(1)	(1)
2011	(4)	(4)
2015 and 2016	10	10
	11	6

Since the taxable basis of the income tax and social contribution arises from not only the profit that can be generated, but also the existence of non-taxable income, non-deductible expenses, fiscal incentives, and other variables, there is not an immediate correlation between the Company s net income and the result of income tax and social contribution. Therefore, the expectation of using the tax credits should not be taken as the only indicator of the Company s future results.

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(c) Reconciliation of income tax and social contribution

	3/31/2007 Unaudited	03/31/2006 Unaudited
Income before income tax and social contribution	296	231
Social contribution on net income (CSLL)		
Social contribution (9%)	(27)	(21)
Permanent additions		
Realization of revaluation reserve - difference in IPC/BTNF	(1)	
Equity in losses of subsidiares		(1)
Other	(1)	(1)
Permanent exclusions		
Equity in earnings of subsidiaries		1
CITI tax credit/loss	1	
Other	1	
Social contribution expense	(27)	(22)
Income tax (IR)		
Income tax (25%)	(74)	(58)
Permanent additions		
Equity in losses of subsidiaries	(1)	(2)
Other	(2)	
Permanent exclusions		
Equity in earnings of subsidiaries		2
CITI tax credit/loss	1	
Fiscal incentives	1	1
Other		1
Income tax expense	(75)	(56)
Total income tax and social contribution in the income statement	(102)	(78)

During 2007 and 2006, the taxation basis was annual taxable income, with an election for payment by monthly estimate.

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(d) Fiscal incentives

The Company exercised its rights to fiscal incentives of PDTI - Program for Technological and Industrial Development based on Law No. 9532/97, Decree No. 949/93 and on Ordinance No. 130/02 of the Ministry of Science and Technology (MCT) up to the year 2005. Beginning in 2006, the Company migrated to the incentives of PDI - Technological Research and Technological Innovation Development resulting from Law 11,196/05, Decree No. 5.798/06 and of MCT Ordinance No. 782/06 with income tax and social contribution incentive of R$1 in the present quarter. Fiscal incentives in child and adolescent fund, and operations of a cultural and artistic nature were also used during 2007 as well as the PAT - Program for the Worker s Nutrition, reaching a total of R$2 (R$1 in the same period of 2006). These incentives were recorded directly as reductions of the IRPJ accounts in the statement of income.

19 Stockholders equity

(a) Capital

The Company s stockholder composition at March 31, 2007 and 2006 is shown below.

STOCKHOLDERS	Number of shares	(%)
Ipiranga Group (i)	44,255,077	29.46
Braskem Group / Odebrecht	44,255,077	29.46
Petrobras Química S.A. - PETROQUISA	23,482,008	15.63
Other	38,225,005	25.45
Total	150,217,167	100.00

On March 5, 2007, as approved at the Ordinary/Extraordinary General Meeting, the Company carried out a capital increase in the amount of R$ 60 by the capitalization of fiscal incentive reserves of FUNDOPEM, without changing the number of original shares.

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(b) Relevant fact

Acquisition of the Ipiranga Group

A Relevant Fact was published in the press on March 19, 2007 that deals with the acquisition of the Ipiranga Group by Ultrapar Participações S.A. (Ultrapar) in the capacity of agent for the account and order of Braskem and Petrobras. Braskem and Petrobras will own the petrochemical assets represented by Ipiranga Química S.A., Ipiranga Petroquímica S.A. (IPQ) and by the latter s interest in Copesul, in the proportion of 60% for Braskem and 40% for Petrobras.

On April 18, 2007, Braskem and Copesul announced by a Relevant Fact that Braskem, through its subsidiary EDSP58 Participações S.A. (Offeror), together with Unibanco - União de Bancos Brasileiros S.A., as intermediary institution (Intermediary), submitted a request for registering a public tender offer for the acquisition of Copesul shares (Offer) to delist it from the São Paulo Stock Exchange - BOVESPA (BOVESPA) as provided for in article 4, paragraph 4 of Law no. 6,404/76 and the CVM Instruction no. 361/02 and in compliance with the information already disclosed by the Relevant Fact published on March 19, 2007. The Offeror is a corporation with capital held by Braskem and by Petróleo Brasileiro S.A. - Petrobras, in the proportion of 60% and 40%, respectively.

The appraisal report on the above-mentioned Offer, issued by Calyon Corporate Finance Brasil -Consultoria Financeira Ltda., dated April 16, 2007, was sent on April 18 to the Brazilian Securities Commission - CVM (CVM) and is available for anyone interested at the São Paulo Stock Exchange - Bovespa, at Braskem s headquarters, and at the Offeror, the Intermediary, at Copesul, as well as at CVM, and was also available beginning on that date, at the following electronic addresses: www.braskem.com.br, www.copesul.com.br, www.bovespa.com.br, and www.cvm.gov.br, as established by article 8, paragraph 5, of CVM Instruction no. 361/02.

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Tender Offer for shares of Copesul (Offer):

On October 5, 2007, Braskem and Copesul by means of a Relevant Fact, which has been copied below, informed the result of the Tender Offer for Copesul shares (Offer):

Braskem S.A. (Braskem), for the account and through its controlled company EDSP58 Participações S.A. (Offeror) and Copesul - Companhia Petroquímica do Sul (Copesul), in compliance to the terms of CVM Instruction no. 358/02, inform that in the Tender Offer for the Acquisition of Common Shares Issued by Copesul (Offer) held on this date in the electronic trading system of the São Paulo Stock Exchange - Bovespa, the Offeror purchased 34,040,927 (thirty-four million, forty thousand, nine hundred and twenty seven) common shares of Copesul, which represent more than 2/3 (two-thirds) of the outstanding shares.

Since more than 2/3 (two-thirds) of the shares in circulation were purchased, after verifying compliance with the norms that apply to the Offer, the Brazilian Securities Commission (CVM) delisted Copesul on October 17, 2007.

During 3 (three months) from the offer date, the holders of Copesul shares may sell their shares to the Offeror for the same price as during the Offer, updated through the date of the actual payment, according to the notification of the Offer published on August 14, 2007.

Furthermore, considering that the remaining shares in circulation are less than 5% (five percent) of the total shares, Copesul s Board of Directors will call a Stockholders General Meeting to discuss the purchase of these shares for the price of the Offer, according to paragraph 5 of article 4 of Law no. 6,404/76.

According to the terms of Ruling 361/02, Bovespa has 4 business days to send to CVM the final reports regarding the auction.

(c) Capital reserves

Capital reserves are made up as follows:

	3/31/2007 Unaudited	12/31/2006
FUNDOPEM	223	284
Fiscal incentives - PDI - Technological Research and Technological Innovation Development	15	12
	238	296

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In September 1998, the Company started to set up a capital reserve based on the financial incentive of the Company Operation Fund (FUNDOPEM) - RS, according to Law 6427 of October 18, 1972 and amendments. The incentive was granted to the Company through Decree 38502, of May 11, 1998, and the benefit obtained is 50% of ICMS due for a maximum period of 8 years, beginning in September 1998 until August 2006. The amount accumulated since the beginning of the benefit, recorded as a capital reserve in stockholders equity was R$610, of which R$386 (R$326 at December 31, 2006) was used to increase capital, as approved at the General Meetings in 2007, 2006, 2004, 2003, 2001, and 2000.

Beginning in 2003, the Company obtained the benefit of fiscal incentives of PDTI - Fiscal incentives - PDI - Technological Research and Technological Innovation Development based on Law No. 9532/97 and No. 11196/05, Decrees No. 949/93 and 5798/06 and on Ordinance No. 130/02 and No. 783/06 of the Ministry of Science and Technology. There is a 60-month period in which these benefits must be used, beginning from March 2002 and terminating in February 2007. During this quarter, the Company recorded the benefit of this fiscal incentive in the amount of R$2 directly in the stockholders equity.

(d) Revaluation reserve

The realization of the revaluation reserve, based on depreciation, write-offs or disposals of the corresponding revalued assets, is transferred to retained earnings, also considering the tax effects of the provisions constituted.

The tax charges levied on the revaluation reserve are recognized as this reserve is realized since they are previous to the publication of the CVM Deliberation No. 183/95. The tax charges levied on these reserves total R$11 (R$13 on December 31, 2006) as shown in Note 12(a).

(e) Prior year adjustments

The adjustment can be summarized as shown below.

	2006
Provision for programmed maintenance (i)	66
Taxes (ii)	(28)
Prior year adjustment - Total	38

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(i) Up to December 31, 2005, the Provision for Programmed maintenance was set up considering the estimated costs of programmed maintenance, especially the general stoppage that occurs every six years. The stoppage of Plant 1 occurred in the first half of 2001 and the next one should be in 2008. The stoppage of Plant 2 took place in November 2005 and the next one is planned for November 2011. In accordance with the provisions contained in CVM Deliberation no. 489, dated October 3, 2005, that approved and made mandatory for listed companies the Accounting Pronouncement and Standard - NPC No. 22 (Provisions, Liabilities and Contingent Assets and Liabilities), issued by the Brazilian Institute of Independent Auditors - IBRACON which establishes that no provision is recognized for costs that need to be incurred to operate in the future. The only liabilities recognized in the balance sheet of an entity are those that exist at the balance sheet date. Thus, the effects of the adoption of the procedures described above were recognized as a prior year adjustment due to a change in accounting practice, on January 1, 2006, charged directly to retained earnings. The effects of adopting this new accounting practice, net of the tax effects, are as follows:

	2006
Reversal of the provision set up on December 31, 2005, net of the tax effects	45
Capitalization of the expenses incurred with previous stoppages in property, plant and equipment, net of the tax effects	41
Depreciation accumulated up to December 31, 2005 on the expenses incurred with previous stoppages in property, plant and equipment that were capitalized.	(20)
	66

(ii) On November 2001, COPESUL filed a Restitution Request of the Tax on Net Income - ILL with the Brazilian Revenue and Customs Secretariat seeking a compensation for the ILL paid from 1990 to 1992 as this tax has been considered unconstitutional according to the Federal Senate Resolution No. 82 of November 22, 1996. See Note 9.(a).

In December 2002, the Company recognized this credit because the legal advisors considered this a legal right. When originally recorded the credit the Company has not recognized the corresponding IRPJ and CSLL payable on the monetary correction of the credit. During 2006 the Company recognized the amount of R$28 as a tax payable. The monetary variations recorded in 2002 represents taxable income and during 2006 the Company recorded the corresponding tax payable against retained earnings as a correction of an error.

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20 Financial result

The Company s financial result in the first quarter 2007, compared with 2006, is as follows:

	3/31/2007 Unaudited	3/31/2006 Unaudited
Financial income		
Earnings on financial investments	2	4
Revenue with derivatives of Fundo de Investimento Financeiro		
Multimercado Copesul	158	42
Monetary variations on assets	3	4
Exchange variations on assets	(6)	(4)
Interest on loans receivable	1	3
Other financial income	1	
	159	49
Financial expenses		
Interest and charges on loans and financing	(7)	(11)
Expense with derivatives of Fundo de Investimento Financeiro		
Multimercado Copesul	(151)	(34)
Monetary variations on liabilities		(1)
Exchange variations on liabilities	14	7
Other financial expenses	(10)	(12)
	(154)	(51)
Net financial result	5	(2)

21 Other operating income (expenses), net

	3/31/2007 Unaudited	03/31/2006 Unaudited
Operating income		
Recovery of PIS, COFINS and ICMS	1	2
Other		7

	1	9
Operating expenses		
Taxes, charges and contributions		
Provisions for administrative, civil, and labor contingencies	(1)	
Profit sharing	(1)	1
	(2)	1
Other operating income (expenses) - net	(1)	10

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(i) In 2005, according to provisions in Law No. 9363/96, the Company recalculated the presumed IPI credit on petrochemical naphtha acquisitions made from April 2002 to January 2004, establishing an additional credit of R$16, which was completely compensated with federal taxes that same year and the taxes levied on the recognized credit were paid in order to avoid future challenges by the tax authorities. This payment was recognized in accounting terms in the group of recoverable taxes.

22 Financial Instruments

The Company evaluated its assets and liabilities in relation to market and/or realizable values through available information and evaluation methodologies established by management. However, both the interpretation of market data and the selection of valuation methods require considerable judgment and reasonable estimates to produce the appropriate realizable value. Consequently, the estimates presented do not necessarily indicate the amounts that can be realized in the current market. The use of different market hypotheses and/or methodologies for estimates can have a significant effect on estimated realizable values.

Valuation of the financial instruments

The Company s main asset and liability financial instruments at March 31, 2007, as well as the criteria for their valuation/evaluation are described below.

(a) Cash and banks, financial investments, accounts receivable, other current assets and accounts payable

The amounts recorded are similar to their realizable values.

(b) Investments

The investments are mainly in a privately held subsidiary, recorded on the equity method of accounting, in which the Company has a strategic interest. Considerations of the market value of shares held are not applicable.

(c) Financing

These are subject to interest at normal market rates, as mentioned in Note 15 (a). The estimated market value was calculated based on the present value of the future disbursement of cash, using interest rates that are available to the Company for the issuance of debts with similar maturities and terms.

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(d) Interest rate risk

This risk derives from the possibility of the Company incurring losses due to fluctuations in the interest rates that would increase the financial expenses related to loans and financings from the market. The Company made contracts of derivatives to hedge against the risk in some operations and it is also continually monitoring the market interest rate with the objective of evaluating the need of contracting new operations in order to protect itself from the risk of the volatility of these rates.

(e) Exchange rate risk

This risk derives from the possibility of the Company incurring losses due to fluctuations in the exchange rates that would reduce the nominal values billed or increase the amounts owed to the market.

Since part of the Company s revenues (around 10%) is in US dollars, the main strategy is that this serves as a natural hedge for its liability operations recorded in foreign currency.

At March 31, 2007, the Company had assets and liabilities denominated in US dollars in the amount of US$60 million and US$133 million, respectively, and it had no instrument to protect this exposure on that date.

(f) Derivatives

The net exchange exposure is as follows:

	3/31/2007 Unaudited	12/31/2006
Financing and export drafts in US$	(273)	(189)
Assets in US$	124	34
Derivative instruments in US$	45	11
Net exposure	(104)	(144)

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The book value and market value of the main financial instruments are as follows:

	3/31/2007 Unaudited		12/31/2006	
	Book value	Market value	Book value	Market value
Cash and banks	272	272	200	200
Swaps and options receivable	87	87	64	64
Marketable securities	42	42	39	39
Locked exchange contract advance receivable			2	2
Loans to third parties	1	1	2	2
Financial institutions	(185)	(185)	(156)	(156)
Export drafts billed and to be invoiced	(293)	(294)	(180)	(178)
Swaps and options payable	(44)	(44)	(23)	(23)
	(120)	(121)	(52)	(50)

Asset swap operations in US dollars and liability at a fixed rate were contracted in order to minimize the effect of the variations of the exchange rates on liabilities. As for the cash operations, the Company opted to use time deposits indexed to the US dollar.

At March 31, 2007, the Company had lock-in operations on exchange not yet settled on operations for purchasing raw material in the amount of US$24 million (US$109 million at December 31, 2006) equivalent to R$48 (R$232 at December 31, 2006).

As shown above, the accounting values of the financial instruments are recorded at levels that are close to the market.

23 Insurance

The Company s policy is to contract insurance at levels adequate for the risks involved with its operations. Considering the characteristics of its risks, management contracts insurance under the concept of maximum possible loss in a single event, and maintains coverage for operational risks, civil responsibilities and loss of profits. Also, the Company contracts transportation, group life, sundry risks and vehicle insurance.

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24 Contingencies

On the dates of the financial statements, the Company presented the following liabilities and the corresponding judicial deposits related to the contingencies, as determines CVM Instruction no. 489 of October 3, 2005 that approved the IBRACON Pronouncement no. 22 as to forecasts, liabilities, liability contingencies, and asset contingencies:

	Judicial deposits		Provisions for contingencies	
	3/31/2007	12/31/2006	3/31/2007	12/31/2006
	Unaudited		Unaudited	
Tax contingencies (a)	7	7	5	5
Labor and social security contingencies (b)	2	2	28	27
Civil complaints (c)			3	2
	9	9	36	34

The Company is a party to labor, civil, and tax claims as well as others in progress and is discussing these issues at both the administrative and judicial levels and these are backed by judicial deposits when applicable. The provisions for the losses from these processes are estimated and updated by management based on the opinion of its external legal advisors.

(a) Tax contingences

With respect to the Income Tax and Economic Domain Intervention Contribution (CIDE) on payment of technical assistance services, the Company has been judicially questioning the legality of charging these taxes since August 2002 and has made judicial deposits. The purpose of the process is to avoid double taxation with respect to the countries with which Brazil has tax treaties and provisions have been made in the same amounts as judicial deposits as shown in Note 10.

(b) Labor and social security contingencies

The Company has ongoing labor claims, mainly related to salary equalization and overtime. A provision for these contingencies was recorded considering the estimates of the legal advisors for probable loss. Judicial deposits were made when required. The Company is a party to labor, civil, and tax claims as well as others in progress and is discussing these at both the administrative and judicial levels, backed by judicial deposits when applicable.

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Furthermore, the Company has made provision for labor losses related to suits filed by the Petrochemical Industry Labor Union of Triunfo concerning the rights claimed by the Company s shift workers to receive overtime, due to alleged delays during transfer and change of shifts. A partial grant was given in trial court in favor of the workers claims to overtime. However, in appellate court on December 11, 2006 an ordinary appeal was filed by Copesul and the expectation is the total or at least partial reversal of the unfavorable decision in the 4th Regional Labor Court of Appeals.

(c) Civil contingencies

The main lawsuits are related to complaints made by contracted workers related to losses that supposedly occurred as a result of various economic plans.

Possible losses

The Company has suits of both tax and civil nature involving risks of loss classified by the management as possible, but not probable, based on the evaluation of its legal advisors and for which no provisions have been set up.

(d) Tax claims

The Brazilian Revenue Secretariat (SRF) raised an assessment against Copesul in 1999, referring to IRPJ and CSLL for 1994, in connection with the monetary restatement of the balance sheet and equity method adjustment, arising from accounting recognition of dividends distributed by its subsidiary overseas. The adjusted amount on September 30, 2006 was R$21. In 2002, the investee filed an appeal with the Taxpayer Board, which was judged in 2005 with a result totally favorable to Copesul. The court decision of the Taxpayer Board was published in the 4th quarter of 2006 and an appeal was made by the Attorney of the Internal Revenue Service to the High Court of Appeals for Fiscal Matters, to which the Company has already offered a brief of respondent. This lawsuit now awaits the decision of this Court.

(e) Civil claims

A civil lawsuit is still outstanding against Copesul brought by the minority stockholder Petroquímica Triunfo S.A., questioning aspects involved in the privatization process related to the conversion of preferred shares into common shares before the privatization auction and the preference for subscription of shares in relation to the bidders in the auction. Management and the legal advisors do not expect losses to arise from this lawsuit.

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25 Pension plan

The Company and its employees contribute to PETROS - Fundação Petrobras de Seguridade Social, in connection with retirement and defined benefit pension plans. In 2006, the global contribution rate was 12.93% on the total of income of employees linked to the plan. The Company contributed during the first quarter of 2007 with R$1 (R$6 in the year 2006).

According to the regulations of the PETROS - Fundação Petrobras de Seguridade Social Benefits Plan and pertinent legislation, in case of a significant shortfall of technical reserves, the sponsors and participants will contribute additional financial resources, or there should be an adjustment of the benefits of the plan to the available funds. Up to the present date no such contribution was needed.

In May 2003, the Board of Directors approved the Complementary Pension Plan called COPESULPREV, a closed defined contribution plan. This plan aims to provide benefits to employees not included in the old PETROS plan, which is now closed to new members. Plan management will be carried out through Fundação PETROBRAS de Seguridade Social - PETROS, in an independent manner, not linked to any other pension plan managed by that entity, in compliance with Complementary Law 109/2001.

26 Related parties

According to CVM Deliberation 26/86, related parties are defined as those entities, whether individuals or companies, with which the Company has the possibility of contracting, in the broad sense of this word, other than those which might apply to transactions with independent third parties, not subject the Company s managerial control or any other influence.

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(a) Assets and Liabilities

	3/31/2007 Unaudited	12/31/2006
Assets		
Current - Credits - Customers		
Local customers		
Braskem S.A.	29	39
Ipiranga Petroquímica S.A.	8	15
Refinaria Alberto Pasqualini - REFAP S.A.	5	5
Petróleo Brasileiro S.A. - PETROBRAS	4	*
	46	59
Foreign Customers		
Ipiranga Trading	121	*
	121	*
	167	59

	3/31/2007 Unaudited	12/31/2006
Liabilities		
Current liabilities		
Suppliers		
Braskem S.A.	3	3
Ipiranga Petroquímica S.A.	3	3
Refinaria Alberto Pasqualini - REFAP S.A.	16	20
Petróleo Brasileiro S.A. - PETROBRAS	4	37
	26	63

(b) Statement of Operations Accounts

	3/31/2007 Unaudited	3/31/2006 Unaudited
Operations		

Gross sales and/or Services		
Braskem S.A.	650	650
Ipiranga Petroquímica S.A.	476	461
Refinaria Alberto Pasqualini - REFAP S.A.	42	5
Ipiranga Trading	129	
	1,297	1,116
Purchases		
Braskem S.A.	7	3
Ipiranga Petroquímica S.A.	7	3
Refinaria Alberto Pasqualini - REFAP S.A.	325	160
Petrobras Brasileiro S.A. - PETROBRAS	221	300
Braskem Incorporated Limited		42
	560	508

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27 Subsequent events

(a) Law 11,638

Law 11,638, published in the Official Daily Government Newspaper (DOU) of December 28, 2007, modified several provisions of the Brazilian Corporate Law, effective January 1, 2008.

The major amendments include the following matters which, in the opinion of management, may change the presentation of the financial statements and the criteria for determining the financial position and the results of Copesul and its subsidiaries as from January 1, 2008:

The Statement of Changes in Financial Position (DOAR) will be discontinued and replaced with the Statement of Cash Flows (DFC). For publicly-held companies, the Statement of Added Value (DVA) will be mandatory. Copesul already discloses DFC in its annual reports, as supplementary information.

Property, plant and equipment will be segregated in intangible assets and tangible assets. The non current assets group will be composed of long-term assets, investments, tangible assets, intangible assets and deferred charges. Intangible assets will include acquired goodwill.

A new line item has been created under shareholders' equity: 'market value adjustments". Market value adjustments to shareholders' equity, although not included in net income for the year under the accrual basis of accounting, will comprise counter entries to increases or decreases in the value ascribed to assets and liabilities, as a result of their valuation at market levels and the exchange variation of corporate investments abroad.

Deferred charges will be comprised only the expenditures incurred through December 31, 2007. As from January 1, 2008, all expenses previously recorded under deferred charges will be recognized in the income statement.

Tax incentives will no longer be classified as capital reserves, but as part of net income for the year. Based on a resolution of management, the Annual Shareholders' Meeting may appropriate a portion of profits corresponding to these incentives to a Tax Incentive Reserve, recorded as part of revenue reserves, and which may be excluded from the calculation basis of mandatory dividends.

The law also changed the valuation criteria of assets and liabilities, in particular:

o Assets and liabilities arising from long-term transactions, as well as from material short-term transactions, will be required to be adjusted to present value, in accordance with International Financial Reporting Standards;
o "Available for sale" securities or "trading" securities will be required to be recorded at market value; and
o All other financial instruments will be required to be recorded at restated or adjusted cost, in accordance with their likely realization value, if lower.

In the event of a merger, amalgamation or demerger transaction between unrelated parties or involving an effective transfer of control, the assets and liabilities of the merged or split- off entity will be recorded at their market value.

Interests of debentures and participations of employees and management, even in the form of financial instruments, and of assistance or pension plan institutions or funds for which are not expenses, will be included in the statement of operations for the year.

Corporations will not be allowed to record revaluation reserves. The new law allows to either maintain existing balances and realize such balances in accordance the current standards or reverse the balances until the end of 2008.

(b) Merger of the Company into Ipiranga Petroquímica

The Extraordinary Shareholders' Meeting held on September 11, 2008 approved the merger of the Company into Ipiranga Petroquímica, a subsidiary of Braskem S.A.

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INDEX TO EXHIBITS

Exhibit Number	Exhibit
1.01	By-laws, as amended (English translation).
3.01	Shareholders Agreement of BRK Investimentos Petroquímicos S.A. and Braskem S.A., dated as of February 8, 2010, among Odebrecht S.A., Odebrecht Serviços e Participações S.A., Petróleo Brasileiro S.A. Petrobras, and Petrobras Química S.A. Petroquisa, and BRK Investimentos Petroquímicos S.A. and Braskem S.A., as intervening parties (English translation).
4.02	Investment Agreement, dated as of January 22, 2010, among Odebrecht S.A., Odebrecht Serviços e Participações S.A., Petróleo Brasileiro S.A. Petrobras, Petrobras Química S.A. Petroquisa, Braskem S.A. and UNIPAR União de Indústrias Petroquímicas S.A. (English translation).
12.01	Certification of Principal Executive Officer dated May 28, 2010 pursuant to Exchange Act Rules 13a-15(e) and 15d-15(e).
12.02	Certification of Principal Financial Officer dated May 28, 2010 pursuant to Rules 13a-15(e) and 15d-15(e).
13.01	Certifications of Principal Executive Officer and Principal Financial Officer dated May 28, 2010 pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.