BRASKEM SA
Form 20-F
April 10, 2012

As filed with the Securities and Exchange Commission on April 10, 2012

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, 2011

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)

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(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, 2011 was:

451,669,063 Common Shares, without par value

349,402,736 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 x No

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 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, the official currency of the United States.

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 April 5, 2012, the exchange rate for *reais* into U.S. dollars was R$1.8301 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$1.8758 to US$1.00 at December 31, 2011, R$1.6662 to US$1.00 at December 31, 2010 and 1.741 to US$1.00 at December 31, 2009, in each case, as reported by the Central Bank. The *real*/U.S. dollar exchange rate fluctuates widely, and the selling rate at April 5, 2012 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, 2006.

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, 2011 of R$1.8758 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. Our consolidated financial statements at December 31, 2011 and 2010 and for the three years ended December 31, 2011 have been audited, as stated in the report appearing herein, and are included in this annual report.

We have prepared our consolidated financial statements included in this annual report in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board, or IFRS.

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 IHS, Inc., or IHS. 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 derive information relating to Brazilian imports and exports from the System for Analyzing International Trade (*Sistema de Análise das Informações de Comércio Exterior*), or ALICE-Web, produced by the Brazilian Secretary of International Trade (*Secretaria de Comércio Exterior*) and the Brazilian Secretary of Development, Industry and Trade (*Ministério do Desenvolvimento, Indústria e Comércio Exterior*).

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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.

We provide information regarding domestic apparent consumption of some of our products, based on information available from the Brazilian government, Institute of Applied Economic Research (*Instituto de Pesquisa Econômica Aplicada*), or IPEA, and ABIQUIM. Domestic apparent consumption is equal to domestic production plus imports minus exports. Domestic apparent consumption for any period may differ from actual consumption because this measure does not give effect to variations of inventory levels in the petrochemical supply chain.

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 some of the amounts included in this annual report. As a result, numerical figures shown as totals in some tables may not be arithmetic aggregations of the amounts 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 numerous 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 progress in integrating the operations of companies or assets that we may acquire 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 “Item 3. Key Information—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.

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 selected financial data at December 31, 2011 and 2010 and for the three years ended December 31, 2011 have been derived from our audited consolidated financial statements, prepared in accordance with IFRS, and included in this annual report.

This financial information should be read in conjunction with "Presentation of Financial and Other Information," "Item 5. Operating and Financial Review and Prospects" and our audited consolidated financial statements and the related notes thereto, which are 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, 2007 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." We prepare individual financial statements in accordance with Brazilian GAAP for certain purposes, including for the calculation of dividends.

	For the Year Ended December 31,			
	2011(1)	**2011**	**2010(2)**	**2009**
	(in millions of US$, except per share data and as indicated)	**(in millions of *reais*, except per share data and as indicated)**		
Statement of Operations Data:				
Net sales revenue	US$17,686.4	R$33,176.2	R$25,494.8	R$16,136.1
Cost of sales and services rendered	(15,629.6)	(29,318.0)	(21,411.8)	(13,529.7)
Gross profit	2,056.8	3,858.2	4,083.0	2,606.4
Selling expenses	(183.2)	(343.7)	(383.5)	(298.8)
Distribution expenses	(256.2)	(480.5)	(335.5)	(300.7)
General and administrative expenses	(546.8)	(1,025.7)	(969.9)	(648.3)
Research and development expenses	(52.8)	(99.1)	(78.8)	(63.1)
Equity in results of investees	(0.7)	(1.4)	20.3	3.2

Gain from business combinations			975.3	102.1
Other operating (expenses) income, net	11.8	22.1	(96.0)	3.7
Operating profit before financial result	1,028.9	1,929.9	3,215.0	1,404.3
Financial expenses	(1,905.4)	(3,574.2)	(1,696.9)	685.4
Financial income	410.1	769.3	369.4	(331.3)
Profit before income tax and social contribution	(466.4)	(875.0)	1,887.4	1,758.4
Income tax and social contribution	191.0	358.2	2.0	(1,359.9)
Net income	US$(275.4)	R$(516.8)	R$1,889.5	R$398.5
Net income attributable to controlling shareholders	US$(279.9)	R$(525.1)	R$1,895.3	R$398.5
Net income attributable to non-controlling shareholders	4.4	8.3	(5.8)	—
Earnings (loss) per share:				
Basic:				
Common shares	(0.3508)	(0.6580)	2.7037	0.7551
ADS common shares	(0.3739)	(0.7013)	5.4073	1.5102
Preferred class “A” shares	(0.3508)	(0.6580)	2.5904	0.7842
ADS preferred class “A” shares	(0.3739)	(0.7013)	5.1809	1.5684
Diluted:				
Common shares	(0.3506)	(0.6577)	2.7031	0.7554
ADS common shares	(0.7013)	(1.3155)	5.4062	1.5108
Preferred class “A” shares	(0.3506)	(0.6577)	2.5898	0.7845
ADS preferred class “A” shares	(0.7013)	(1.3155)	5.1797	1.5690

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(1) Translated for convenience only using the selling rate as reported by the Central Bank at December 31, 2011 for *reais* into U.S. dollars of R$1.8758=US$1.00.

(2) Includes Braskem America as from April 1, 2010, Quattor Participações S.A., or Quattor (whose name was subsequently changed to Braskem Qpar S.A., or Braskem Qpar), and the subsidiaries, Unipar Comercial e Distribuidora S.A., or Unipar Comercial, and Polibutenos S.A. Indústrias Químicas, or Polibutenos, as from May 1, 2010.

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	At and For the Year Ended December 31,			
	2011(1)	2011	2010(2)	2009
	(in millions of US$, except as indicated)	(in millions of *reais*, except as indicated)		
Balance Sheet Data:				
Cash, cash equivalents and available-for-sale investments	US$1,592.3	R$2,986.8	R$2,624.3	R$2,945.0
Short-term trade accounts receivable	982.9	1,843.8	1,894.6	1,666.5
Inventories	1,931.7	3,623.5	3,015.7	1,721.8
Property, plant and equipment, net	10,997.0	20,628.2	19,366.3	10,947.7
Total assets	19,913.7	37,354.2	34,477.5	23,371.8
Short-term loans and financing (including current portion of long-term loans and financing)	742.0	1,391.8	1,206.4	1,890.5
Short-term debentures (including current portion of debentures)	—	—	517.7	316.7
Long-term loans and financing	7,331.8	13,753.0	11,004.3	7,434.9
Long-term debentures	10.2	19.1	—	500.0
Share capital	4,287.9	8,043.2	8,043.2	5,473.2
Shareholders' equity (including non-controlling interest)	5,305.0	9,951.2	10,408.3	4,978.6
Other Financial and Operating Information:				
Cash Flow Information:				
Net cash provided by (used in):				
Operating activities	US$1,480.7	R$2,777.5	R$2,720.4	R$598.7
Investing activities	(1,528.1)	(2,866.5)	(2,387.6)	(824.7)
Financing activities	263.7	494.7	(388.3)	495.3
Other Information:				
Capital expenditures:				
Property, plant and equipment	US$1,200.8	R$2,252.5	R$1,689.0	R$811.7
Investments in other companies	330.1	619.2	939.4	(1.5)
Domestic Sales Volume Data (in thousands of tons):(3)				
Ethylene	—	3,097.4	2,949.9	2,253.2
Propylene	—	1,123.1	1,212.1	994.6
Polyethylene	—	1,524.9	1,546.8	1,048.4
Polypropylene	—	1,149.8	1,086.9	698.5
Polyvinyl chloride (PVC)	—	484.0	504.9	457.4

(1) Translated for convenience only using the selling rate as reported by the Central Bank at December 31, 2011 for *reais* into U.S. dollars of R$1.8758=US$1.00.

(2) Includes Braskem America as from April 1, 2010, Quattor and the subsidiaries, Unipar Comercial and Polibutenos as from May 1, 2010.

(3) Including intra-company sales within our company. Intra-company sales of ethylene totaled approximately 2,606,100 in 2011, 2,511,500 tons in 2010 and approximately 1,928,300 tons in 2009. Intra-company sales of propylene totaled approximately 905.400 in 2011, approximately 926,300 tons in 2010 and approximately 628,800 tons in 2009.

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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 payments 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.

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	Reais per U.S. Dollars			
Year	**High**	**Low**	**Average**	**Period End**
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
2010	1.881	1.655	1.759	1.666
2011	1.902	1.535	1.675	1.876

	Reais per U.S. Dollars	
Month	**High**	**Low**
September 2011	1.902	1.604
October 2011	1.886	1.689
November 2011	1.894	1.727
December 2011	1.876	1.783
January 2012	1.868	1.739
February 2012	1.738	1.702
March 2012	1.833	1.715
April 2012 (through April 5)	1.832	1.826

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Source: Central Bank

Risk Factors

Risks Relating to Our Company and the Petrochemical Industry

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

The 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, including as follows:

- 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. Prices in the Brazilian petrochemical industry follow the global petrochemical industry, and 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, as global and Brazilian demand for petrochemicals is strongly correlated with economic growth.

A variety of petrochemical companies have announced plans to build additional ethylene production capacity, primarily in Asia and the Middle East. According to IHS, 25.5 million tons of annual ethylene capacity are scheduled to be commissioned between 2012 and 2016.

Based on historical growth of demand for polyethylene, polypropylene and polyvinyl chloride, or PVC, we believe that the additional capacity introduced in the market in 2011 and 2010 and expected to be introduced in the market during the next several years will be absorbed by the market in the medium-term. However, in the short term, 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.

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Global macroeconomic factors have had, and may continue to have, adverse effects on the margins that we realize on our products.

The global economic slowdown since September 2008 had a negative effect on economic growth in Brazil and has had, and may continue to have, a negative effect on economic growth in the countries to which we export our products. Europe's sovereign debt crisis adversely impacted the global financial system in the second half of 2011, leading to slowing demand for petrochemicals. In 2011, the Brazilian economy slowed and registered GDP growth of 2.7% as compared to 7.5% in 2010. Demand for thermoplastic resins remained relatively unchanged in 2011. Uncertainty persists regarding the pace of recovery in the global economy. The United States has shown signs of improvement; however, the potential intensification of the sovereign debt crisis in Europe, particularly Greece, Spain, Italy, Ireland and Portugal, have led to increased uncertainty regarding the economic recovery in this region. In addition, social unrest, changes in governing regimes and military actions in the Middle East, sanctions and other actions relating to Iran, or similar events that may occur in the future may lead to unpredictable effects on the global economy or the economies of the affected regions.

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 and interest rates. We believe that continued slow growth in the global economy, coupled with the increase in global capacity in the petrochemical industry, may lead to reduced profitability of the global petrochemical industry, and consequently reduced margins for our products. In addition, disruptions in the global balance between supply and demand may impair our ability to export our products in response to a decline in domestic demand for these products. A prolonged slowdown in economic activity in our key export markets could continue to reduce demand for some of our products and lead to increased margin pressure by importers into Brazil, which would adversely affect our results of operations.

We face competition from producers of polyethylene, polypropylene, PVC and other petrochemical products.

We face competition in Brazil from foreign producers of polyethylene, polypropylene, PVC and other petrochemical products. Our U.S. operations face competition in the United States from other U.S. producers of polypropylene. Our German operations face competition in Europe and the other export markets that it serves from European and other foreign producers of polypropylene. 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 and set the prices for polypropylene sold in the United States with reference to industry indices or based on negotiations with its customers. We generally set the prices for our second generation products exported from Brazil based on international spot market prices. As a result of the announced commissioning of new ethylene capacity, particularly in the Middle East and in China, coupled with the increased competitiveness of gas-based ethylene producers in United States as a result of their relatively lower raw material costs, 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. In addition, the appreciation of the *real* against the U.S. dollar, as has occurred during recent periods, increases the competitiveness of prices of imported products in *reais,* which has increased the competition in Brazil from other producers of second generation 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 used by our Basic Petrochemicals Unit and, indirectly, in our other business units. Naphtha accounted, directly and indirectly, for approximately 48.6% of our consolidated cost of sales and services rendered in 2011.

We purchase naphtha for use by our Basic Petrochemical Unit from Petróleo Brasileiro S.A.—Petrobras, or Petrobras, at prices based on a variety of factors, including the Amsterdam-Rotterdam-Antwerp market prices of naphtha and a variety of 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.

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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.

The average Amsterdam-Rotterdam-Antwerp market price of naphtha in U.S. dollars increased by 30.6% to US$931.12 per ton in 2011 from US$712.98 per ton in 2010. The U.S. dollar price of naphtha was volatile during 2011, mainly due to speculation and supply disruptions in the petroleum market, increasing from an average of US$854.33 per ton in January 2011 to an average of US$1,052.68 per ton in April 2011, then declining to US$864.61 per ton in November 2011, before increasing to US$876.69 per ton in December 2011. Since December 31, 2011, the price of naphtha in U.S. dollars increased, to an average of US$1,072.85 during March 2012. The price of naphtha in U.S. dollars may continue to be volatile. In addition, the fluctuations of the U.S. dollar in the future may effectively increase 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 we are unable to pass on these increased costs to our customers and could result in reduced sales volumes of our products.

Social unrest and changes in governing regimes in the Middle East, have had and may continue to have negative effects on oil production and price volatility, consequently driving naphtha and petrochemical prices higher worldwide. Volatility of the price of naphtha and the upward trend in the price of petroleum and naphtha have effects on the price competitiveness of our naphtha-based crackers and our resins. Because pricing trends for naphtha, ethane and propane have diverged in recent years to a greater extent than has been the case historically, producers of ethylene and resin products derived from ethane and propane generally have experienced lower unit raw material costs than naphtha-based producers of these products. As a consequence, significant increases in the pricing differential between naphtha and gas increases the competitiveness of products derived from ethane and propane and may result in pricing pressure in the international markets and the vulnerability of our company to increasing competition in Brazil from imported products.

New natural gas reserves in North America may reduce the global prices of polyethylene, which would reduce our gross margin and negatively affect our overall financial performance.

In recent years, the use of ethane derived from natural gas as a feedstock for the production of ethylene has increased as a result of the divergence between the cost of natural gas and oil (from which naphtha and condensate are derived). Natural gas reserves have increased, particularly in North America, as the technology to extract natural gas from shale has improved. In order to improve their global competitiveness, most U.S. ethylene producers with the raw material flexibility to use ethane as a feedstock have converted to the use of the ethane feedstocks. IHS expects that the global petrochemical market will realize the full impact of the increased use of ethane feedstocks in ethylene production through 2018.

As a result of these new natural gas reserves in North America, (1) natural gas has returned as a low-cost alternative to oil-based products and (2) additional gas production has increased the competitive pricing pressures on ethane. If these trends continue, new competitors may be attracted to the ethylene market. North American polyethylene producers have benefited from the low-cost position of natural gas prices, and the resulting increased competitiveness of North American polyethylene producers could decrease the global and domestic price of polyethylene, which would reduce our gross margin and negatively affect our overall financial performance.

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 2008 and the third quarter of 2011, 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.

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We depend on Petrobras to supply us with a substantial portion of our naphtha, ethane and propane requirements.

Petrobras is the only Brazilian supplier of naphtha and has historically supplied approximately 70% of the naphtha consumed by our Basic Petrochemicals Unit. Petrobras produces most of the naphtha it sells to us and imports the balance. Petrobras currently is also the only Brazilian supplier of ethane and propane and has historically supplied all of the ethane and propane consumed by our subsidiary Rio Polímeros S.A., or RioPol, which operates the petrochemical complex located in Duque de Caxias in the State of Rio de Janeiro, or the Rio de Janeiro Complex.

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, ethane or propane supply contracts with our company, which provide 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 Unit and Vinyls Unit depend on our basic petrochemicals plants 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 the polyethylene plants of our Polyolefins Unit and the principal supplier of propylene to the polypropylene plants of our Polyolefins Unit. Because the cost of storing and transporting ethylene and propylene is substantial and there is inadequate infrastructure in Brazil to permit the importing of large quantities of these products, our polyolefins plants in Brazil and our Vinyls Unit are highly dependent on ethylene and propylene supplied by our basic petrochemicals plants and production volumes of, and net sales revenue from, polyolefins and vinyls products would decrease, and our overall financial performance would be negatively affected, in the event of the following:

- any significant damage to the facilities of our Basic Petrochemicals Unit through which ethylene or propylene is produced, or to the pipeline or other facilities that connect our polyolefins plants or vinyls plants to our basic petrochemicals plants, whether as a consequence of an accident, natural disaster, fire or otherwise;

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

- any significant reduction in the supply of ethane or propane to our subsidiary RioPol, as ethane and propane are the principal raw materials used by RioPol in the production of ethylene and propylene.

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We depend on Petrobras for a significant portion of the propylene that we use in Brazil to produce polypropylene.

During 2011, 43.4% of the propylene used by our Polyolefins Unit was supplied by Petrobras. Because the cost of storing and transporting propylene is substantial and there is inadequate infrastructure in Brazil to permit the importation of large quantities of these products, we are highly dependent on propylene supplied by Petrobras and production volumes of, and net sales revenue from, polypropylene products would decrease, and our overall financial performance would be negatively affected, in the event of the following:

- significant damage to Petrobras' refineries or to any of the pipelines connecting our polypropylene plants to Petrobras' facilities, whether as a consequence of an accident, natural disaster, fire or otherwise; or

- any termination by Petrobras of the supply contracts with our company, which provide that Petrobras may terminate the contracts for a number of reasons described in "Item 4. Information on the Company—Polyolefins Unit—Raw Materials of Our Polyolefins Unit."

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 "BBB— (stable)" and a foreign currency rating for our company of "BBB— (stable)," Moody's maintains a local currency rating for our company of "Baa3 (stable)" and a foreign currency rating for our company of "Baa3 (stable)," and Fitch maintains a local currency rating for our company of "BBB-/Stable Outlook" and a foreign currency rating for our company of "BBB-/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 ADSs.

Odebrecht S.A., or Odebrecht, directly or through its wholly-owned subsidiaries Odebrecht Serviços e Participações S.A., or OSP, and BRK Investimentos Petroquímicos S.A., or BRK, owns 38.1% of our outstanding share capital, including 50.1% of our voting share capital. Designees of Odebrecht constitute a majority of the members of our board of directors. Under a shareholders' agreement to which OSP and Petrobras are parties, which we refer to as the Petrobras Shareholders' Agreement, we have agreed to undertake certain actions only after Odebrecht and Petrobras 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 "Item 7. 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 — which could affect the holders of our class A preferred shares and the American Depositary Shares, or ADSs.

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 holds 36.0% of our outstanding share capital , including 47.0% of our voting 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 naphtha purchase agreements with Petrobras, 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.

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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. Acquisitions involve risks, including the following:

- failure of the acquired businesses to achieve expected results;
- possible inability to retain or hire key personnel of the 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.

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 Mexico, Venezuela and Peru in connection with local joint venture partners. The project in Mexico, Project Ethylene XXI, is in the most advanced level of implementation. For more information about Project Ethylene XXI, see "Item 4. Information on the Company—Capital Expenditures—Joint Venture Projects—Project Ethylene XXI."

If we proceed with any of these projects, our joint venture companies will undertake significant capital expenditure programs to implement them. 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 or complying with applicable 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 of this equipment; and

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- 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 lead to increase competition from imports and cause us to lower our domestic prices, which would likely result in lower net sales revenue and could negatively affect our overall financial performance.

Historically, tariffs on imports have been established by the federal government; see “Item 4. Information on the Company—Petrochemical Industry Overview—Brazilian Petrochemical Industry—Pricing and Tariffs.” However, in the past years, 5 states in Brazil have established tax benefits to attract imports at local ports in order to raise revenue and develop local ports. Industry and union leaders allege that such legislation creates a subsidy for imported products, thereby harming local industry, and are disputing these incentives. There are currently 13 actions pending with the Supreme Federal Court (*Supremo Tribunal Federal*), or STF, regarding the constitutionality of the tax benefits. The federal government of Brazil has also prioritized eliminating (1) incentives for imported goods at local ports, and (2) the states’ abilities to offer tax incentives to attract import operations by reducing the rate on interstate operations of 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 the ICMS (VAT), a state value-added tax on sales and services. The Brazilian Senate is debating a resolution to reduce the ICMS rate for imported goods from 12% to 4% and is expected to vote on this resolution in the second quarter of 2012.

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 and Germany that we have acquired as part of the Sunoco Chemicals Acquisition described under “Item 4. Information on the Company—History and Development of Our Company—Sunoco Chemicals

Acquisition," and Dow Polypropylene Acquisition described under "Item 4. Information on the Company—History and Development of Our Company—The Dow Polypropylene Acquisition," are subject to extensive U.S. and German federal, state and local 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.

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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. For example, in May 2011, our Alagoas chlor-alkali plant experienced a chlorine leak and rupture of equipment caused by an abnormal and unpredictable increase in the concentration of trichloramine generated in this plant's production process. As a result of the chlorine leak, approximately 150 local residents were examined for respiratory contamination by the emergency room of a local hospital. All were released within 24 hours. The equipment rupture resulted in the hospitalization of five employees of Mills Estruturas e Serviços de Engenharia S.A. working at this plant, three of whom were released from the hospital the following day. As a result of these incidents, our chlor-alkali plant was temporarily shut down for approximately two weeks.

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

Labor unrest may materially and adversely affect our operations.

Labor unrest in our plants and facilities may have a material adverse effect on our financial condition or results of operations. In June 2010, Braskem America's collective bargaining agreement with the United Steel, Paper & Forestry, Rubber, Manufacturing, Energy Allied-Industrial & Service Workers International Union with respect to its employees of its Neal, West Virginia plant expired. In August 2010, the unionized employees at this plant went on strike. During the strike, the plant operated under the supervision of management. In May 2011, Braskem America entered into a new collective bargaining agreement management with this union covering the unionized employees of this plant with a term that expires in May 2015. Although we believe that we maintain good relations with our employees, future labor actions, including strikes, could have a material adverse effect on our financial performance.

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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. Although we do not believe that the current president, Dilma Rouseff, will significantly alter the current policies, we cannot assure you that the policies that may be implemented by the Brazilian federal or state governments will not 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 on several occasions 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 8.7% in 2006 and 17.2% in 2007. In 2008, primarily as a result of the international financial crisis, foreign investors removed billions of reais from the Brazilian Securities, Commodities and Futures Exchange (*BM&FBOVESPA S.A. – Bolsa de Valores, Mercadorias e Futuros*), or the BM&FBOVESPA, resulting in the depreciation of the *real* by 31.9% against the U.S. dollar. During 2009 and 2010, the *real* appreciated by 25.5% and 4.3% against the U.S. dollar, respectively. During 2011, the *real* depreciated by 12.6% against the U.S. dollar

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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 ADS. 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 amount of R$9,615.2 million (US$5,125.9 million) at December 31, 2011, representing 63.4% of our consolidated indebtedness, excluding transaction costs. Our indebtedness denominated in dollars represented 63.2% of our consolidated indebtedness, net of transaction costs, and our indebtedness denominated in Japanese yen represented 0.2% of our consolidated indebtedness, net of transaction costs. At December 31, 2011, we had US$530.7 million in U.S. dollar-denominated cash and cash equivalents.

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. For example, the 12.6% depreciation of the *real* against the U.S. dollar in 2011 was the primary factor in the substantial increase in our net financial expenses in 2011, which was, in turn, a significant factor in our net loss for 2011.

The prices of naphtha, our most important raw material, and of some of our other raw materials, are denominated in or linked to the U.S. dollar. Naphtha accounted, directly and indirectly, for 48.6% of our consolidated cost of sales and services rendered in 2011. When the *real* depreciates against the U.S. dollar, the cost in *reais* of our U.S. dollar-denominated and U.S. dollar-linked raw materials increases, and our operating income in *reais* may decrease to the extent that we are unable to pass on these cost increases to our customers as occurred in the latter half of 2011 and may occur again in the future.

In a recent effort to strengthen the *real* against the dollar, on March 29, 2011, the Brazilian government implemented a 6% Tax on Foreign Exchange Transactions (*Imposto sobre Operações de Crédito, Câmbio e Seguro, ou relativas a Títulos e Valores Mobiliários*), or IOF/Exchange Tax, applicable to foreign exchange transactions related to financings from foreign financial institutions with an average life of less than five years and reduced the IOF/Exchange Tax for foreign financings with an average life of more than five years to 0%.

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 7.9% in 2007, 9.1% in 2008, (1.4)% in 2009, 11.3% in 2010 and 5.0% in 2011. 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 may contribute 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, 2011, we had, among other debt obligations, R$2,549.2 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$2,148.9 million of loans and financing and debentures that were subject to the Interbank Deposit Certificate (*Certificado de Depósito Interbancário*), or CDI rate, and R$2,038.3 million of loans and financing that were subject to the London Interbank Offered Rate, or 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. 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.

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. 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 63,4% of our indebtedness on a consolidated basis at December 31, 2011. 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 ADS.

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

Holders of our class A preferred shares or the ADSs may not receive any dividends or interest on shareholders' equity.

According to our by-laws, we must generally pay our shareholders at least 25% of our annual net income as dividends or interest on shareholders' equity, as calculated and adjusted under Brazilian GAAP (which, for this purpose, is identical to IFRS). This adjusted net income may be capitalized, used to absorb losses or otherwise retained as allowed under Brazilian GAAP and may not be available to be paid as dividends or interest on shareholders' equity. The Brazilian Corporation Law allows a publicly traded company like ours to suspend the mandatory distribution of dividends in any particular year if our board of directors informs our shareholders that such distributions would be inadvisable in view of our financial condition or cash availability. Holders of our class A preferred shares or the ADSs may not receive any dividends or interest on shareholders' equity in any given year if our board of directors makes such a determination or if our operations fail to generate net income.

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Our class A preferred shares and the ADSs have limited voting rights and are not entitled to vote to approve corporate transactions, including mergers or consolidations of our company with other companies, or the declaration of dividends.

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, or the declaration of dividends. See "Item 10. Additional Information—Description of Our Company's By-laws—Voting Rights."

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

Under Brazilian law, only shareholders registered as such in our corporate books may attend our shareholders' meetings. All class A preferred shares underlying the ADSs are registered in the name of the depositary. ADS holders may exercise the 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.

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.

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If holders of the ADSs exchange them for class A preferred shares, they may risk temporarily losing, or being limited in, the ability to remit foreign currency abroad and certain Brazilian tax advantages.

The Brazilian custodian for the preferred shares underlying the ADSs must obtain an electronic registration number with the Central Bank to allow the depositary to remit U.S. dollars abroad. ADS holders benefit from the electronic certificate of foreign capital registration from the Central Bank obtained by the custodian for the depositary, which permits it to convert dividends and other distributions with respect to the class A preferred shares into U.S. dollars and remit the proceeds of such conversion abroad. If holders of the ADSs decide to exchange them for the underlying preferred shares, they will only be entitled to rely on the custodian's certificate of registration with the Central Bank for five business days after the date of the exchange. Thereafter, they will be unable to remit U.S. dollars abroad unless they obtain a new electronic certificate of foreign capital registration in connection with the preferred shares, which may result in expenses and may cause delays in receiving distributions. See "Item 10. Additional Information—Exchange Controls."

Also, if holders of the ADSs that exchange the ADSs for our Class A preferred shares do not qualify under the foreign investment regulations, they will generally be subject to less favorable tax treatment of dividends and distribution on, and the proceeds from any sale of, our preferred shares. See "Item 10. Additional information—Exchange Controls" and "Item 10. Additional Information—Taxation—Brazilian Tax Considerations."

Holders of the ADS*s 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.

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

We are a corporation (*sociedade por ações*) 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. In addition, because a substantial portion of our assets and all of our directors and officers reside outside the United States, any judgment obtained in the United States against us or any of our directors or officers may not be collectible within the United States. 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.

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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, Petrobras 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 or class A preferred shares in the United States may not be entitled to the same preemptive rights as Brazilian shareholders have, pursuant to Brazilian legislation, in the subscription of shares resulting from capital increases made by us.

Under Brazilian law, if we issue new shares in exchange for cash or assets as part of a capital increase, subject to certain exceptions, we must grant our shareholders preemptive rights at the time of the subscription of shares, corresponding to their respective interest in our share capital, allowing them to maintain their existing shareholding percentage. We may not legally be permitted to allow holders of ADSs or class A preferred shares in the United States to exercise any preemptive rights in any future capital increase unless (1) we file a registration statement for an offering of shares resulting from the capital increase with the U.S. Securities and Exchange Commission, or the SEC, or (2) the offering of shares resulting from the capital increase qualifies for an exemption from the registration requirements of the Securities Act. At the time of any future capital increase, we will evaluate the costs and potential liabilities associated with filing a registration statement for an offering of shares with the SEC and any other factors that we consider important in determining whether to file such a registration statement. We cannot assure the holders of the ADSs or class A preferred shares in the United States that we will file a registration statement with the SEC to allow them to participate in any of our capital increases. As a result, the equity interest of such holders in our company may be diluted.

Brazilian tax laws may have an adverse impact on the taxes applicable to the disposition of our ADSs and preferred shares.

According to Law No. 10,833, enacted on December 29, 2003, if a nonresident of Brazil disposes of assets located in Brazil, the transaction will be subject to taxation in Brazil, even if such disposition occurs outside Brazil or if such disposition is made to another nonresident. Dispositions of our ADSs between nonresidents, however, are currently not subject to taxation in Brazil. Nevertheless, in the event that the concept of “disposition of assets” is interpreted to include the disposition between nonresidents of assets located outside Brazil, this tax law could result in the imposition of withholding taxes in the event of a disposition of our ADSs made between nonresidents of Brazil. Due to the fact that as of the date of this annual report Law No. 10,833/2003 has no judicial guidance as to its application, we are unable to predict whether an interpretation applying such tax laws to dispositions of our ADSs between nonresidents could ultimately prevail in Brazilian courts. See “Item 10. Additional Information—Taxation—Brazilian Tax Considerations.”

The relative volatility and liquidity of the Brazilian securities markets may adversely affect holders 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$2,294 billion (US$1,223 billion) at December 31, 2011 and an average daily trading volume of R$5.7 billion (US$3.4 billion) for 2011. 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$13.1 trillion at December 31, 2011 and the NYSE recorded an average daily trading volume of US$71.8 billion for 2011. There is also significantly greater concentration in the Brazilian securities markets. The ten largest companies in terms of market capitalization represented approximately 54% of the aggregate market capitalization of the BM&FBOVESPA at December 31, 2011. The ten most widely traded stocks in terms of trading volume accounted for approximately 47% of all shares traded on the BM&FBOVESPA in 2011. 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.

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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 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.

The imposition of IOF taxes may indirectly influence the price and volatility of our ADSs and preferred shares.

Brazilian law imposes the IOF/Exchange Tax, on the conversion of *reais* into foreign currency and on the conversion of foreign currency into *reais*. Brazilian law also imposes the Tax on Transactions Involving Bonds and Securities, or the IOF/Bonds Tax, on transactions involving securities, including those carried out on a Brazilian stock exchange. The objective of these taxes is to slow the pace of speculative inflows of foreign capital into the Brazilian market and the appreciation of the real against the U.S. dollar.

The IOF/Exchange Tax levies a 6% flat rate on capital inflows from non-residents who invest in the Brazilian stock exchange, futures and commodities exchanges, including inflows that serve as margin guarantees in these transactions. As of December 2011, however, the 6.0% rate was reduced to 0% on the following capital inflows from non-residents: (1) investments in securities bearing a variable rate of return that are purchased on the Brazilian stock exchange, futures and commodities exchanges; (2) acquisition of stocks in public offerings on the Brazilian stock exchange or subscriptions of capital increases; (3) investments in Brazilian stocks using funds derived from the cancelation of "depositary receipts"; (4) certain investments in private equity or emerging companies investment funds (FIP and FIEE) and funds of these funds; and (5) conversion of foreign direct investments in stocks under Law 4,131/62 into foreign investment in stocks under Resolution 2,689/00.

In March 2012, Brazilian federal regulators clarified that the 0% rate also applies to investments in Brazilian depository receipts representing shares of foreign companies and traded in Brazilian stock exchanges.

Additionally, the transfers of shares traded on the stock exchange with the purpose of enabling the issuance of ADSs are subject to the IOF/Bonds Tax at a rate of 1.5%, which is designed to correct an asymmetry created by the IOF/Exchange Tax.

The Brazilian government may increase the rate of the IOF/Exchange Tax to a maximum of 25% of the amount of the foreign exchange transaction at any time, but such an increase would only apply to future foreign exchange transactions. The imposition of these taxes may discourage foreign investment in shares of Brazilian companies, including our company, due to higher transaction costs, and may negatively impact the price and volatility of our ADSs and preferred shares on the NYSE and the BM&FBOVESPA. See "Item 10. Additional information—Taxation—Brazilian Tax Considerations."

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ITEM 4. INFORMATION ON THE COMPANY

We are the largest producer of thermoplastic resins in the Americas, based on annual production capacity of our 28 plants in Brazil, five plants in the United States and two plants in Germany at December 31, 2011. We are the only producer of ethylene, polyethylene and polypropylene in Brazil. We produce a diversified portfolio of petrochemical and thermoplastic products and have a strategic focus on thermoplastic resins, including polyethylene, polypropylene and PVC. We are also the third largest Brazilian-owned private sector industrial company, based on net sales revenue in 2010 (the latest year for which such information is available). We recorded net sales revenue of R$33,176.2 million and a net loss of R$516.8 million during the year ended December 31, 2011.

As of December 31, 2011, our business operations were organized into four production business units and one distribution business unit, which corresponded to our principal production processes, products and services. Our business units were as follows:

- Basic Petrochemicals, which includes our production and sale of basic petrochemicals at the Northeastern Complex, the Southern Complex, the São Paulo Complex and the Rio de Janeiro Complex and our supply of utilities produced at these complexes to second generation producers, including some producers owned or controlled by our company. This segment accounted for net sales revenue of R$23,080.9 million, or 55.3% of the net sales revenue of all reportable segments, including net sales to our other business units, and had an operating margin of 7.1% in 2011;

- Polyolefins, which includes the production and sale of polyethylene and polypropylene produced by our company in Brazil. This segment accounted for net sales revenue of R$12,710.7 million, or 30.5% of the net sales revenue of all reportable segments, including net sales to our other business units, and had an operating margin of 2.5% in 2011;

- International Business, which includes the operations of Braskem America, which consist of the production and sale of polypropylene in the United States and the operations of the polypropylene business in the United States and Germany that we acquired from Dow Chemical Company, or Dow, and the production of “green” polyethylene in Brazil. This segment accounted for net sales revenue of R$3,427.5 million, or 8.2% of the net sales revenue of all reportable segments, including net sales to our other business units, and had a negative operating margin of 0.4% in 2011;

- Vinyls, which includes our production and sale of PVC, caustic soda and ethylene dichloride, or EDC. This segment accounted for net sales revenue of R$1,730.9 million, or 4.1% of the net sales revenue of all reportable segments, including net sales to our other business units, and had a negative operating margin of 3.2% in 2011; and

- Chemical Distribution, which includes the operations of QuantiQ and distributes petrochemical products manufactured by our company and other domestic and international companies. This segment accounted for net sales revenue of R$774.9 million, or 1.9% of the net sales revenue of all reportable segments, including net sales to our other business units, and had an operating margin of 7.3% in 2011.

Strategy of Our Company

Our strategic goal is to be the world leader in the production of chemicals from renewable resources and/or using production processes that generate fewer emissions, which we refer to as sustainable chemistry, by 2020.

The key elements of our strategy include:

- ***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 research centers in Rio Grande do Sul (Brazil), and in Pittsburgh, Pennsylvania (United States), which develop processes, products and applications for the petrochemical sector and which, at December 31, 2011, collectively had approximately 298 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.

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- ***Acquisition of Traditional and Renewable Feedstocks at Competitive Prices***. 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 25% and 30% 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, we are acquiring naphtha under supply arrangements with suppliers in Latin America and North Africa.

In addition, we are seeking to diversify the raw materials that we use for our production processes. As part of the Quattor Acquisition described under "—History and Development of Our Company—Quattor Acquisition," we acquired RioPol, which uses ethane and propane as its principal feedstocks, and Quattor Química S.A., or Quattor Química, which uses light refinery hydrocarbons as feedstocks for a portion of its production. Braskem Idesa 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, 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 the new petrochemical complex in Peru that we are evaluating with Petróleos del Peru—PetroPeru S.A., or PetroPeru, will, if implemented, use low cost ethane in their production processes.

We are also investing in projects in Brazil to increase our use of ethanol, a renewable feedstock that is widely used in the Brazilian market. In September 2010, we opened our new plant that produces ethylene using sugarcane based ethanol, a 100% renewable resource. We use this ethylene as a raw material to make "green" polyethylene.

- ***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 America:

Ø In April 2010, we formed BI, our joint venture in Mexico, 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 two polyethylene plants with a combined annual production capacity of 1.0 million tons of high density polyethylene, or HDPE and low density polyethylene, or LDPE; and

Ø We have entered into a memorandum of understanding with PetroPeru 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 or developed by us 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.

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- ***New Business Opportunities***. We are pursuing business opportunities by developing new and specialized products and technologies, including the following:

Ø We are continuing to develop manufacturing processes 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 we began using in September 2010 in our new plant that produces ethylene using sugarcane based ethanol, a 100% renewable resource, and (2) a process to produce "green" polypropylene in partnership with Novozymes, a world leader in the production of industrial enzymes;

Ø We are continuing to develop a specialized production process for linear low density polyethylene, or LLDPE and LDPE that permits us to produce thermoplastics with distinctive characteristics for the flexible packaging industry, including greater resistance to impact and punctures, higher 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 UHMWPE, and other products, including UTEC fibers that we expect to market for applications in the manufacture of armor and the anchoring of offshore oil platforms.

- ***Technological Development to Support Our Growth and Vision.*** We are seeking a strong position in the technological development of sustainable chemistry by investing in research, development and innovation focused on the following:

Ø Technologies that will break with the current technological model and that have not yet been developed or are under development;

Ø Technologies that have been proven from a technical standpoint but are still unavailable for purchase in the market; and

Ø Technologies that have been developed and are available for purchase in the market, which we use to maintain and improve the competitiveness of our existing business.

We developed an internal infrastructure to focus on new technologies, which included the reorganization of our research and development departments in 2011 and the hiring of research and other personnel to develop these technologies. Our research and development expenditures increased in 2011 and are expected to increase in 2012 to support the growth of our research and development activities.

We are pursuing opportunities to partner with leading companies in the industry to develop new technologies and to advance the development of conventional technologies. We have taken an important step in developing this strategy by entering into joint development and supply agreements with Ineos Europe Limited, or Ineos, a leading developer of technologies for the global petrochemical industry, through which we will license polyethylene technologies to produce HDPE and LLDPE in future projects. Under this agreement, we and Ineos will also conduct joint research and development for these new polyethylene platforms. Some of the technology we are licensing in connection with this strategic partnership will be applied in our Project Ethylene XXI in Mexico. For more information about Project Ethylene XXI, see "—Capital Expenditures—Joint Venture Projects—Project Ethylene XXI."

In addition, we are intensifying our program to develop and produce certain catalysts for our plants that are otherwise available only from a single source or a small number of suppliers, and we continue to seek to improve our production processes in order to achieve lower production costs and greater operational efficiency.

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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 petrochemical complex located in Camaçari in the State of Bahia, or 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 (registered with the Board of Trade of the State of Bahia under company registry No. 29300006939) and were renamed Copene Petroquímica do Nordeste S.A. In 2002, we changed our corporate name to Braskem S.A.

The following discussion highlights the important developments in our business since January 1, 2009.

Triunfo Acquisition

In May 2009, we acquired Petroquímica Triunfo S.A., or Triunfo, which merged 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 petrochemical complex located in Triunfo in the State of Rio Grande do Sul, or the Southern Complex, with an annual production capacity of 160,000 tons. We have consolidated the results of Triunfo into our consolidated financial statements as of January 1, 2009.

Sunoco Chemicals Acquisition

On April 1, 2010, we acquired all of the outstanding capital stock of Sunoco Chemicals, which we have renamed Braskem America, for US$350.7 million, excluding acquisition costs. The assets of Braskem America consist of three polypropylene plants located in La Porte, Texas, Marcus Hook, Pennsylvania and Neal, West Virginia, with an aggregate annual production capacity of 980,000 tons, as well as a petrochemicals research facility in Pittsburgh, Pennsylvania. As a result of our acquisition of Braskem America, we have consolidated the results of the Braskem America into our financial statements as from April 1, 2010.

Strategic Rationale for the Sunoco Chemicals Acquisition

Through the Sunoco Chemicals Acquisition, we have taken 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 America 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.

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. We prepaid these loans in full on July 22, 2011.

Quattor Acquisition

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

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- 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$659.5 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 RioPol held by BNDESPAR. Quattor was a holding company that, at the time of this acquisition, owned, 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, for an aggregate amount of R$27.1 million, and 33.3% of the outstanding share capital of Polibutenos from Unipar for an aggregate amount of R$22.4 million.

- In June 2010, we completed a merger of shares transaction in which we issued an aggregate of 18,000,087 of our common shares in exchange for the remaining shares of Quattor that we did not own.

- In December 2010, we completed a tender offer in which we acquired an additional 0.1% of the share capital of Quattor Petroquímica for R$1.8 million.

In addition to these transactions, in May 2010, we purchased 33.3% of the outstanding share capital of Polibutenos from, Chevron Oronite do Brasil Ltda, or Chevron Brasil, for an aggregate amount of R$22.5 million. As a result of these acquisitions, Polibutenos became our wholly-owned subsidiary.

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, and Petrobras granted to BNDESPAR an option to sell to Petrobras 127,189,783 common shares of RioPol and 20 preferred shares of RioPol, representing 10.0% of the total share capital of RioPol. As part of the Quattor Acquisition, we assumed Unipar's obligation under this option.

In August 2010, BNDESPAR exercised its option to sell 60% of the RioPol shares that it held to Braskem for R$210.0 million and 40% of the RioPol shares that it held to Petrobras for R$116.4 million. Payment for the shares acquired by Braskem will be made in three annual installments beginning in June 2015 and the amounts of each installment will be adjusted by the TJLP plus 2.5% per annum from June 2008 until the respective payment dates.

Background and History of Quattor

In August 2007, Petrobras acquired control of Suzano Petroquímica S.A., or 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., or Polietilenos União, 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.

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In June 2009, PQU and Polietilenos União merged to form Quattor Química.

Strategic Rationale for the Quattor Acquisition

Through the Quattor Acquisition, we have taken 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 and light refinery hydrocarbons 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 Quattor, we have consolidated the results of Quattor and its subsidiaries into our financial statements as from May 1, 2010. As a result of our acquisition of control of Unipar Comercial, we consolidated the results of Unipar Comercial into our financial statements as from May 1, 2010 until its merger with QuantiQ, on January 3, 2011. As a result of our acquisition of control of Quattor, we consolidated the results of Polibutenos into our financial statements as from May 1, 2010. On September 1, 2010, Polibutenos and Quattor Química merged with and into Quattor.

CADE Review of the Quattor Acquisition

The Quattor Acquisition was approved by CADE on February 23, 2011. As a condition to approval, we have agreed to (1) notify CADE prior to entering into any future resin import contracts containing exclusivity clauses or extending any existing contracts containing exclusivity clauses and (2) periodically provide, on a confidential basis, information related to our agreements and activities relating to the import and sale of resins.

Reorganization of the Quattor Companies

In June 2010, Braskem acquired from Quattor all of the shares of RioPol and Quattor Petroquímica owned by Quattor and Braskem's capital in Quattor was reduced by R$2,578.4 million. As a result of this transaction, RioPol and Quattor

Petroquímica became direct subsidiaries of Braskem.

In August 2010, BNDESPAR exercised its option to sell 60% of the RioPol shares that it held to Braskem for R$210.0 million and 40% of the RioPol shares that it held to Petrobras for R$116.4 million. Payment for the shares acquired by Braskem will be made in three annual installments beginning in June 2015 and the amounts of each installment will be adjusted by the TJLP plus 2.5% per annum from June 2008 until the respective payment dates.

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In August 2010, we completed a share exchange (*incorporação de ações*) transaction in which we issued an aggregate of 2,434,890 of our class A preferred shares to the holders of the RioPol shares that we did not own in exchange for their shares of RioPol. As a result of this transaction, RioPol became a wholly-owned subsidiary of Braskem.

In September 2010, Polibutenos and Quattor Química merged with and into Quattor. In December 2011, Quattor was renamed Braskem Qpar S.A., which we refer to as Braskem Qpar.

Quattor Petroquímica Share Exchange

On December 27, 2010, we completed a share exchange (*incorporação de ações*) transaction in which we issued an aggregate of 398,175 of our class A preferred shares to the holders of the Quattor Petroquímica shares that we did not own in exchange for their shares of Quattor Petroquímica. As a result of this transaction, Quattor Petroquímica became a wholly-owned subsidiary of Braskem. In April 2011, Quattor Petroquímica S.A. was renamed Braskem Petroquímica S.A., or Braskem Petroquímica.

The Dow Polypropylene Acquisition

On September 30, 2011, we acquired the polypropylene business of Dow, under a purchase agreement that we had entered into in July 2011, or the Dow Polypropylene Acquisition. This business is conducted through four polypropylene plants located in Freeport and Seadrift, Texas, United States and Wesseling and Schkopau, Germany. In addition to these plants, under the purchase agreement we acquired inventory, accounts receivable, business know-how, certain product and process technology, and customer contracts and lists. As a result of the completion of the Dow Polypropylene Acquisition, we believe that we have the largest polypropylene production capacity of United States producers and we now have a manufacturing presence in the European polypropylene market.

The requirements for this acquisition were met by all of the parties involved on October 3, 2011. However, as provided under the terms of the purchase agreement, the assets, liabilities and results of the acquired polypropylene business were assumed retroactively on October 1, 2011. As a result, the results of the acquired polypropylene business were consolidated in our financial statements as from October 1, 2011.

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Our Corporate Structure

The following chart presents our ownership structure and the corporate structure of our principal subsidiaries as of the date of this annual report. The percentages in bold italics represent the direct or indirect percentage of the voting share capital owned by each entity, and the percentages not in bold italics represent the direct or indirect percentage of the total share capital owned by each entity.

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(1) Includes 28.2% owned by BRK and 9.88% owned by OSP, each of which is a wholly-owned subsidiary of Odebrecht.

(2) Braskem owns 96.9% of the shares of Braskem Qpar directly and Braskem Petroquímica owns the remaining 3.1% of the shares of Braskem Qpar.

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.

In recent years, the use of ethane derived from natural gas as a feedstock for the production of ethylene has increased as a result of the divergence between the cost of natural gas and oil (from which naphtha and condensate are derived). Natural gas reserves have increased, particularly in North America, as the technology to extract natural gas from shale has improved. In order to improve their global competitiveness, most U.S. ethylene producers with the raw material flexibility to use ethane as a feedstock have converted to the use of the ethane feedstocks. Approximately 13% of U.S. ethylene production from 2008 to 2011, or four million tons, was converted into ethane as a feedstock. Since 2008, total natural gas production from shale gas in the United States has increased by 15%, or by 270 million barrels per day, and natural gas production in the United States is expected to increase by approximately 440 million barrels per day between 2011 and 2015. However, additional infrastructure, including pipelines, fractionators and terminals, will need to be added in order to accommodate this increase in supply. IHS expects that the global petrochemical market will realize the full impact of the increased use of ethane feedstocks in ethylene production through 2018.

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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 xylene), 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 approximately 56% of the world's ethylene production. The use of ethane as a feedstock increased to approximately 34% of the world's ethylene production and will likely continue to increase as a result of shale gas developments in North America. The petrochemical industries in South America, Asia and Europe predominantly use naphtha as feedstock, while those in the Middle East and North America primarily use ethane, propane or butane.

IHS reports that annual global ethylene production capacity in 2011 was 147.4 million tons. The table below sets forth annual global ethylene production capacity by region for 2011.

Region	**Ethylene Production Capacity (million of tons per year)**
Northeast Asia	35.1
North America	33.4
Middle East	27.1
Western Europe	24.0
Southeast Asia	10.0
South America	5.6
CIS and Baltic States	3.8
Indian Subcontinent	4.1
Central Europe	2.4
Africa	1.9
Total	147.4

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Source: IHS

A number of petrochemical companies have announced plans to build significant additional ethylene production capacity, primarily in the Middle East and Asia. According to IHS, 25.5 million tons of annual ethylene capacity are scheduled to be commissioned between 2012 and 2016. 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.

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.

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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); and
- polypropylene and acrylonitrile (each produced from propylene).

Approximately 60% of all global ethylene production is used to produce polyethylene. Annual global capacity of polyethylene, polypropylene and PVC resins in 2011 was approximately 207.1 million tons, concentrated in Asia, followed by Europe and North America. IHS estimates that by 2016 annual production capacity of these resins will increase by approximately 39.2 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.

Set forth below is a graph showing the Asia Resin Price – Naphtha Cost spread of HDPE from 2002 through 2011.

Source: IHS

Third Generation Producers

Third generation producers (also known as converters) 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);

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- 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.

Latin American Petrochemical Industry

IHS reports that annual ethylene production capacity by producers in Latin America in 2011 was 6.8 million tons. We own and operate all of the ethylene capacity in Brazil. The table below sets forth annual global ethylene production capacity by country for 2011.

Country	**Ethylene Production Capacity (thousands of tons per year)**
Brazil	3,925
Mexico	1,382
Argentina	880
Venezuela	600
Colombia	100
Chile	49
Total	6,831

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Source: IHS; 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, which commenced operations in 1978, uses naphtha as its principal raw material and had an annual ethylene production capacity of 1,280,000 tons at December 31, 2011;

- the Southern Complex, which commenced operations in 1982, uses naphtha as its principal raw material and had an annual ethylene production capacity of 1,452,000 tons at December 31, 2011;

- the petrochemical complex located in Capuava in the State of São Paulo, or the São Paulo Complex, which commenced operations in 1972, uses naphtha as its principal raw material and had an annual ethylene production capacity of 700,000 tons at December 31, 2011; and

- the Rio de Janeiro Complex, which commenced operations in 2005, uses ethane and propane as its principal raw materials and had an annual ethylene production capacity of 520,000 tons at December 31, 2011.

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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.

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. We acquired the crackers in the São Paulo Complex and the Rio de Janeiro Complex in April 2010.

At December 31, 2011, there were approximately 50 second generation producers operating in Brazil. 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 11,500 third generation producers operating in Brazil.

Petrobras' Role in Supply of Feedstocks to 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. During 2011, Petrobras supplied 74.0% of the naphtha consumed by our company, and the remaining naphtha consumed by our company was imported.

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.

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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 Colombia are not subject to tariffs and imports of suspension PVC from Venezuela are subject to reduced tariffs of 5.6% under the *Programa de Liberalização Comercial*, under which imports from these countries are lower than generally applicable tariffs.

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 (*Câmara de Comércio Exterior*), or CAMEX, of the Ministry of Development, Industry and Trade. In 2005, the anti-dumping tariff regime was changed so that tariffs were assessed on a sliding scale (from 0% to 16.0% and 0% to 18.0% for the U.S. and Mexico, respectively), in which the rate of tariffs is determined based on a variety of factors, including the price of the products and the likelihood that imports of these products will adversely affect local industry. In September 2011, however, CAMEX changed the application of the anti-dumping practices for imports from the U.S. to an *ad valorem* rate of 16%, maintaining the sliding scale for Mexico.

Since 2008, imports of suspension PVC from 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 0% and 18.9%, depending on the producer, as a result of the imposition of anti-dumping duties by CAMEX. These duties will expire in August 2013, unless extended.

Additionally, in December 2010, CAMEX imposed on an additional anti-dumping tariff of 10.6% on polypropylene imports for a period of five years. The Brazilian anti-dumping tariff regime is schedule to expire in December 2015.

In 2011, approximately 30% of Brazilian polyethylene, polypropylene and PVC resins were imported products, which reflected a 20% annual increase in the volume of resins imported. We believe this was largely attributable to the policies of several Brazilian ports to reduce the amount of import tariffs on these products. For more information, see “Item 3. Key Information—Risk Factors—Risks Relating to Our Company and the Petrochemical Industry—Future adjustments in tariffs on imports that compete with our products could cause us to lower our prices.”

Supply and Demand

Per capita consumption of polyethylene, polypropylene and PVC resins in Brazil has grown by a compound annual growth rate of 5.3% between 1996 and 2011, reaching 24.9 kilograms per person in 2011 according to reports of IHS. However, Brazilian consumption of these resins is significantly lower than the consumption in the United States (65.9 kilograms per person), Western Europe (57.0 kilograms per person), and Japan (48.2 kilograms per person) reported by IHS.

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.

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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 Apparent Consumption
		(thousands of tons)		
Olefins(1)				
2011	5,520.0	3.8	227.8	5,296.0
2010	5,119.0	0.2	252.7	4,866.5
2009	5,462.6	0.1	229.7	5,233.0
Aromatics(2)				
2011	1,446.0	2.9	398.1	1,050.8
2010	1,399.2	0.3	509.9	889.5
2009	1,448.3	1.5	507.4	942.4
Polyolefins(3)				
2011	3,956.0	1,058.2	1,303.8	3,711.0
2010	4,134.4	881.8	1,105.1	3,911.1
2009	3,851.2	696.8	1,356.6	3,191.4
PVC				
2011	696.5	477.7	1.4	1,172.8
2010	724.9	387.0	2.2	1,109.7
2009	689.5	285.8	42.0	933.3

(1) Includes ethylene, propylene and butadiene.

(2) Includes benzene, toluene and xylene.

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

Source: ABIQUIM, ALICE-Web and Braskem estimates

North American Polypropylene Industry

The polypropylene industry in North America consists of 10 companies, including our company, with an aggregate annual production capacity of approximately 9 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 North America and elsewhere in the world. Based on published rated industry

capacities, we are the largest producer of polypropylene in the United States. The rated capacity of our polypropylene plants at December 31, 2011 was approximately 1,425,000 tons per year, or approximately 16% of total industry capacity in North America.

European Polypropylene Industry

The polypropylene industry in Europe consists of 28 companies, including our company, with an aggregate annual production capacity of approximately 11.6 million tons of polypropylene. In general, polypropylene is primarily utilized in injection molding, fiber applications, film and sheet plastic. Polypropylene is more exposed to the durable goods sector than HDPE, as polypropylene is used in significant quantities by the automotive sector. In 2008 and 2009, demand in the automotive industry was particularly weak. However, automotive production has recovered since 2010, which was largely caused by increased exports of European premium cars. Over the next five years, this sector is expected to keep pace with or outpace other polypropylene end use segments. The rated capacity of our polypropylene plants at December 31, 2011 was approximately 550 thousand tons per year, or approximately 4,72% of total industry capacity in Europe.

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Basic Petrochemicals Unit

At December 31, 2011, 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$23,080.9 million in 2011, or 55.3% of the net sales revenue of all reportable segments. Net sales revenue generated by sales to our other business units was R$8,708.6 million during 2011, representing 37.7% of the net sales revenue of our Basic Petrochemicals Unit.

Prior to May 1, 2010, our Basic Petrochemicals Unit was comprised of the operations conducted by our company in the Northeastern Complex and the Southern Complex. As a result of our acquisition of control of Quattor in April 2010, we have consolidated the results of Quattor and its subsidiaries in our consolidated financial statements and included the results of the basic petrochemicals operations conducted at the São Paulo Complex and the Rio de Janeiro Complex in our Basic Petrochemicals segment as from May 1, 2010.

Our Basic Petrochemicals Unit produces:

- olefins, such as ethylene, polymer and chemical grade propylene, butadiene, isoprene and butene-1;
- BTX products;
- fuels, such as automotive gasoline and liquefied petroleum gas, or LPG;
- intermediates, such as cumene; 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 second generation producers in each of the petrochemical complexes in which we operate and other companies located outside of these complexes, and renders services to those producers. In 2011, 70.9% of our Basic Petrochemicals Unit's net sales revenue (including intra-company sales) was derived from the sale of basic petrochemicals, 18.9% from the sale of naphtha and condensate, 4.5% from the sale of fuels, 3.3% from the sale of intermediates, and 2.4% from the sale of utilities and services. In 2011, 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.

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, a variety of aromatics, including BTX products, and intermediates, such as cumene, 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, nylon fibers, ethyl benzene (which is used to make styrene monomer/polystyrene), linear alkyl benzene, purified terephthalic acid, dimethyl terephthalate, bisphenol A, a feedstock for the production of polycarbonate resins, phthalic anhydride, plasticizers and paint.

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

	Year Ended December 31,		
	2011	2010(1)	2009
	(thousands of tons)		
Domestic sales(2):			
Ethylene	491.3	438.4	325.0
Propylene	217.7	322.3	365.9
Cumene	290.9	195.5	—
Butadiene	252.9	224.6	148.0
BTX products(3)	679.6	643.6	538.6
Others	463.0	483.7	333.0
Total domestic sales of basic petrochemicals	2,395.4	2,308.1	1,710.5
Total export sales of basic petrochemicals	1,087.5	1,201.2	1,132.8
Total sales of basic petrochemicals	3,482.9	3,509.3	2,843.3

(1) Includes sales from the São Paulo Complex and the Rio de Janeiro Complex as from May 1, 2010.

(2) In addition, we had the following intra-company sales:

- approximately 2,606,100 tons of ethylene in 2011, 2,511,500 tons of ethylene in 2010 and 1,928,300 tons in 2009;

- approximately 905,400 tons of propylene in 2011, 926,300 tons of propylene in 2010 and 626,200 tons in 2009; and

- approximately 23,100 tons of benzene in 2011 152,700 tons of benzene in 2010 and 25,300 tons of benzene in 2009.

(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.

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.

Condensate

Condensate is a low-density mixture of hydrocarbon liquids that are present in gaseous form 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.

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Intermediates

Cumene is the principal intermediate produced by the Basic Petrochemical Unit. Also known as isopropyl benzene, it is produced using benzene and propylene as raw materials. Cumene is used as an intermediate in the synthesis of chemical compounds such as phenol and acetone.

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 second generation producers in each of the petrochemical complexes in which we operate and other companies located outside of these complexes. 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);

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

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

- two 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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The table below sets forth the primary products of our Basic Petrochemicals Unit, annual production capacity at December 31, 2011 and annual production for the years presented (including, as noted below, production of plants that we have acquired prior to our acquisition of these plants).

Primary Products	Annual Production Capacity	Production For the Year Ended December 31, 2011	2010(1)	2009(1)
		(in tons, except automotive gasoline)		
Olefins:				
Ethylene	3,752,000	3,119,158	3,276,626	3,086,103
Propylene	1,585,000	1,411,098	1,520,142	1,429,813
Butadiene	366,000	314,534	321,708	294,603
Aromatics:				
Benzene	979,000	818,666	908,779	887,684
Cumene	320,000	295,529	286,284	243,940
Toluene(2)	195,000	133,717	149,202	130,956
Para-xylene	203,000	139,211	161,163	148,383
Ortho-xylene	126,000	73,843	91,402	82,089
Mixed xylenes(2)	166,000	95,555	88,801	95,800
Fuels and Fuel Additives:				
Automotive gasoline(3)	1,256,000	867,951	1,088,788	943,092
MTBE(4)	—	—	—	47,655
ETBE(4)	372,000	284,241	310,939	235,812

(1) We only generated revenue from sales of these products from the São Paulo Complex and the Rio de Janeiro Complex as from May 1, 2010, as a result of the Quattor Acquisition.

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

(3) Automotive gasoline in cubic meters.

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

In March 2011, we commenced construction of a new butadiene plant in the Southern Complex. We expect that this plant will have an annual production capacity of 100,000 tons and will commence operations in July 2012.

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 60.3% of the total cost of sales of our Basic Petrochemicals Unit during 2011, and naphtha accounted for 48.6% of our direct and indirect consolidated cost of sales and services rendered during 2011.

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

	2012	2011	2010	2009
Average(1)	US$1,031.57	US$931.15	US$712.85	US$533.52
Month ended:				
January	950.61	854.71	715.41	352.68
February	1,026.88	881.64	680.83	397.74
March	1,072.85	981.43	731.41	398.35
April (through April 5)	1,075.94	1,052.68	736.82	425.55
May		986.41	681.24	477.22
June		933.32	659.26	568.69
July		979.80	629.01	556.28
August		940.13	663.58	641.98
September		940.05	682.77	596.38
October		882.35	755.20	628.98
November		864.61	780.33	677.25
December		876.69	841.30	684.13

(1) The information in the “Average” row represents the mean average monthly naphtha prices during each respective year.

Source: IHS

Supply Contracts and Pricing of the Basic Petrochemicals Unit

Naphtha

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

	Year Ended December 31,		
	2011	2010	2009
Brazil	74.7%	65.5%	64.7%
Algeria	12.6	15.5	16.6
Argentina	6.3	5.3	9.3
Others	6.4	13.7	9.4
Total	100%	100%	100%

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.

In May 2006, Quattor Química (currently known as Braskem Qpar) and Petrobras entered into a Petrochemical Naphtha Purchase and Sale Contract for the supply of naphtha to our basic petrochemicals plants located in São Paulo Complex, which superseded a previous naphtha supply agreement between the parties. In October 2010, this contract was amended to extend the term of this contract until February 2014 and to provide that the contract is 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 the terms of our amended naphtha supply contract:

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

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

- we agree to provide Petrobras with a firm commitment order for naphtha each year;

- the price that we pay 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) 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 180 days; (3) we transfer 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 Braskem Qpar'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 Braskem Qpar that may conflict with the execution of contract's object; or (6) the dissolution, bankruptcy or liquidation of Braskem Qpar.

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Supply Arrangements with SONATRACH

La Société Nationale pour la Recherche, la Production, le Transport, la Transformation et la Commercialisation des Hydrocarbures, or SONATRACH (an Algerian national petroleum company), is one of our suppliers 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. 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 from other sources to meet the supply needs of our basic petrochemicals plants in the Northeastern Complex and the Southern Complex.

Other Supply Contracts

As part of our strategy to diversify our sources of supply of naphtha, we are acquiring naphtha under annual supply arrangements with suppliers in Argentina, Venezuela and other countries in Latin America and North Africa.

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.

Ethane and Propane

Ethane and propane are the principal raw materials that we use 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 we purchase varies primarily based on changes in the U.S. dollar-based international price of these feedstocks.

In December 2000, RioPol and Petrobras entered into an ethane and propane supply agreement. The initial term of this contract expires in 2020 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 our basic petrochemical plant in the Rio de Janeiro Complex exclusively for use as a raw material;

- we are required to purchase and Petrobras is required to deliver a minimum annual volume of ethane and/or propane;

- we agree 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 we 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) our 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) 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; and (4) the dissolution, bankruptcy or liquidation of RioPol.

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Since commencing operations in 2006, RioPol's production of basic petrochemicals was adversely affected by the irregular supply of raw materials. In order to improve the reliability of the supply of raw materials to RioPol, Petrobras undertook a project to improve 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 were completed during the second quarter of 2011 and these improvements have substantially eliminated the irregular supply of raw materials to the RioPol plant. As a result, this plant is now capable of regularly operating at its annual production capacity of 500,000 tons of ethylene.

Light Refinery Hydrocarbons

In January 2005, Quattor and Petrobras entered into an agreement for the purchase and sale of a chain of light refinery hydrocarbons, from which we separate ethylene and propylene. This agreement provides that we 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 us 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 our basic petrochemical plant in the São Paulo Complex exclusively for use as raw materials;

- we are 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) our 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) we transfer 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 our economic group; (4) the dissolution or bankruptcy of Braskem Qpar; and (5) a change of entity type, merger, sale, spin-off or any other corporate reconstruction of Braskem Qpar that conflicts with or impedes the execution of contract's object.

Utilities

We self-generate approximately 35% of the Northeastern Complex's energy consumption requirements, and the remainder is furnished by Companhia Hidro Elétrica do São Francisco, 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 27% 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.

We self-generate approximately 16% 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.

We purchase 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.

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Sales and Marketing of Our Basic Petrochemicals Unit

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 52.9% of our Basic Petrochemicals Unit's total net sales revenue (excluding intra-company sales) during the year ended December 31, 2011.

The following table sets forth our net sales revenue derived from domestic and export sales, excluding inter-company sales, by our Basic Petrochemicals Unit for the years indicated:

	For the Year Ended December 31,		
	2011	**2010**	**2009**
	(in millions of *reais*)		
Net sales revenue:			
Domestic sales	R$7,271.0	R$6,122.0	R$4,140.3
Export sales:			
Europe	3,423.2	1,391.9	683.5
North America	2,102.8	1,210.3	847.8
South America (excluding Brazil)	564.4	534.3	292.2
Asia	253.5	220.1	188.5
Other	757.6	621.8	161.6
	7,101.5	3,978.4	2,173.6
	R$14,372.5	R$10,100.4	R$6,313.9

Domestic Sales of Basic Petrochemicals

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 Innova S.A., or Innova, that expires in August 2015, Oxiteno do Nordeste S.A. that expires in December 2021, Lanxess Participações Ltda., or Lanxess, that expires in December 2015, and Rhodia Poliamida e Especialidades Ltda. that expires in October 2018. The Innova and Oxiteno supply contracts are automatically renewable for additional terms of five or 10 years, respectively, unless one party notifies the other of its intention not to renew. The other purchasers supply contracts may be renewed pursuant to prior negotiation between the parties 12 months before the expiration of the applicable contract. 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 34% of the price is determined by reference to Northwest Europe prices and the remaining 66% is determined by reference to the North American contract prices. We determine the domestic price of butadiene by reference to the U.S. Gulf contract price, and our price for butadiene, unlike our prices for our other basic petrochemical products, include freight costs. We set the domestic prices of our BTX products, including benzene, para-xylene, ortho-xylene and toluene 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.

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Export Sales of Basic Petrochemicals

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.

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 30.8% of our Basic Petrochemicals Unit's net sales revenue during 2011.

Additionally, we have applied our expertise in commodities trading to increase our resale operations of naphtha and oil derivatives in the international markets. In order to meet our crackers' naphtha requirements (in terms of timing, pricing and quality), we maintain an excess supply of naphtha and resell the surplus on the spot market. We expect resale operations to reach an average of R$233.3 million per month in 2012.

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 881,100 cubic meters of type "A" automotive gasoline in 2011.

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$920.8 million in 2011, and export net sales revenue of our Basic Petrochemicals Unit from automotive gasoline was R$22.6 million in 2011.

Utilities

We produce electric power, steam, treated water and compressed air for our own use and for sale to other second generation producers in each of the petrochemical complexes in which we operate and other companies located outside of these complexes. We set the prices of utilities based on our production costs. In 2011, our net sales revenue from sales of utilities (including sales to our other business units) was R$552.0 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.

During the past several years, as the relative cost of naphtha and gas as feedstocks for petrochemical crackers has diverged, many naphtha crackers, such as our company, have seen their margins come under increasing pressure as crackers using gas as a feedstock have become low-cost producers in the global markets. However, as gas crackers are unable to produce the co-products and byproducts that naphtha crackers generate, such as propylene, butadiene and BTX products, the prices of these products in the international markets have increased. In addition, lower operating rates at U.S oil refineries in 2011 reduced the availability of propylene in the international markets. As a result of the increased prices available for these co-products and byproducts, our net sales revenue from export sales of these products of substantially increased and we believe that this increase in net sales revenue from exports of these products will continue in future periods in which the relative competitiveness of cracker feedstocks is disrupted. 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 was disrupted due to the impact of the global economic downturn on consumers of these products. A disruption of the balance between supply and demand for our olefins products occurred again at the end of 2011 as a result of the reduction in global market demand. 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, 2011, 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$12,710.7 million during 2011, or 30.5% of the net sales revenue of all reportable segments.

Prior to May 1, 2010, our Polyolefins was comprised of the operations conducted by our company at nine polyethylene plants and three polypropylene plants located in the Northeastern Complex, the Southern Complex and one plant in the state of Sao Paulo. As a result of our acquisition of control of Quattor in April 2010, we have consolidated the results of Quattor and its subsidiaries in our consolidated financial statements, and we have included in our Polyolefins segment as from May 1, 2010 the results of the polyolefins operations conducted in the four polyethylene plants and three polypropylene plants acquired as part of the Quattor Acquisition.

Products of Our Polyolefins Unit

Our Polyolefins Unit produces:

- polyethylene, including LDPE, LLDPE, 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
- the trend towards replacing traditional packaging materials, such as glass and paper, with plastics.

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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.

	Year Ended December 31,		
	2011	2010(1)	2009
	(thousands of tons)		
Domestic sales:			
Polyethylene(2)	1,462.3	1,487.5	990.7
Polypropylene	1,149.8	1,086.9	698.5
EVA	42.6	42.9	22.9
PET	—	—	18.0
Other	20.1	16.4	34.8
Total domestic sales	2,674.8	2,633.7	1,764.9
Total export sales	1,303.4	1,079.9	950.0
Total Polyolefins Unit sales	3,978.2	3,713.6	2,714.9

(1) Includes sales of the polyethylene and polypropylene plants acquired as part of the Quattor Acquisition as from May 1, 2010.

(2) Excludes EVA.

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, food packaging, extrusion coating, diapers and hygienic articles, as well as in applications that require impact resistance and stiffness, as water storage tanks, technical parts and industrial containers. LLDPE is used in applications that require greater sealing capacity and better mechanical resistance, including plastic films and flexible food packaging. 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.

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, or 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.

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Production Facilities of Our Polyolefins Unit

At December 31, 2011, our Polyolefins Unit owned 19 production facilities. Our Polyolefins Unit operates seven plants located in the Southern Complex, five plants located in the Northeastern Complex, five plants located in the São Paulo Complex and two plants located in the Rio de Janeiro Complex.

The table below sets forth for each of our primary polyolefins products, our annual production capacity at December 31, 2011 and annual production for the years presented. We only generated revenue from sales of polyethylene and polypropylene plants as from May 1, 2010, as a result of the Quattor Acquisition.

Primary Products	Annual Production Capacity (in tons)	Production For the Year Ended December 31, 2011	2010	2009
			(in tons)	
Polyethylene:				
LDPE/EVA(1)	801,000	687,964	731,461	715,158
HDPE/LLDPE/UHMWP(2)	2,230,000	1,703,171	1,805,315	1,654,811
Polypropylene(3)	1,965,000	1,565,493	1,587,906	1,485,531

(1) Represents capacity and production at five plants with swing line capable of producing two types of resins.

(2) Represents capacity and production at eight plants with swing line capable of production two types of resins. Capacity varies depending on actual production demands.

(3) Represents capacity and production at six plants.

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 86.5% of our Polyolefins Unit's total variable cost of production during 2011. Our Polyolefins Unit purchases ethylene and propylene from our Basic Petrochemicals Unit at prices determined by reference to international market prices for ethylene. During 2011, our Polyolefins Unit purchased all of its ethylene requirements and 56.6% of its propylene requirements from our Basic Petrochemicals Unit.

Propylene Contracts with Petrobras and its Subsidiaries

In March 2007, we entered into two five-year propylene supply contracts with Refinaria Alberto Pasqualini S.A., or REFAP, a refinery that is owned and operated by Petrobras. 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. These contracts expire in February 2013.

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.

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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 refinery that is owned and operated by Petrobras. Since June 2009, we have received propylene under this contract from Refinaria do Planalto Paulista, or REPLAN, and REVAP.

Between May 2001 and February 2006, Quattor Petroquímica and Petrobras entered into five propylene supply contracts. These contracts have initial terms expiring at various dates between May 2016 through February 2026 and two of these contracts are automatically renewable for additional five-year terms, 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 these contracts:

- Petrobras has agreed to sell and deliver propylene to our polypropylene 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 us annually;

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

- the price that we pay for propylene under these contracts is based primarily on ICIS-LOR’s prices for propylene in the U.S. Gulf Coast; and

- 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.

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 occurs, although some of these contracts require that the force majeure event continues for more than 180 days; (3) we transfer 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 Braskem Petroquímica's management or corporate purposes that conflicts with the object of the contract; (5) the dissolution, bankruptcy or liquidation of Braskem Petroquímica; and (6) a change of entity type, merger, sale, spin-off or any other corporate reconstruction of Braskem Petroquímica that conflicts with or impedes the execution of contract's object.

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Other Materials and Utilities

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

Our Unipol® plants in the Northeastern Complex and Rio de Janeiro Complex use catalysts supplied to us by Univation Technologies. Our HDPE plant in the São Paulo Complex uses catalysts supplied to us by W.R. Grace & Co. 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.

Our Basic Petrochemicals Unit supplies most of the steam and water requirements of our Polyolefins Unit's facilities. We purchase steam and water for our polyethylene plant in the Rio de Janeiro Complex from Lanxess. We purchase water for our polyethylene plants located in Santo André from Petrobras' Refinaria de Capuava (RECAP) or Serviço Municipal de Saneamento Ambiental de Santo André (SEMASA).

We purchase electric power for each of our polyolefins plants, other than our plants in the Northeastern Complex, from third parties pursuant to long-term power purchase agreements. In the Northeastern Complex, our polyolefins plants purchase their electric power requirements 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 1,330 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 20.4% of our Polyolefins Unit's total net sales revenue during 2011. No customer of our Polyolefins Unit accounted for more than 3.0% of our total net sales revenue in 2011, 2010 or 2009.

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The following table sets forth our net sales revenue derived from domestic and export sales by our Polyolefins Unit for the years indicated:

	For the Year Ended December 31,		
	2011	2010	2009
	(in millions of *reais*)		
Net sales revenue:			
Domestic sales	R$9,174.1	R$8, 616.4	R$5,287.0
Export sales:			
South America (excluding Brazil)	1,704.7	1,569.8	1,027.4
Europe	871.6	660.6	457.4
North America	702.5	356.8	340.4
Asia	200.2	151.6	239.8
Other	58.2	32.4	60.4
	3,537.2	2,771.2	2,125.4
	R$12,711.3	R$11,387.6	R$7,412.4

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 six distributors and has entered into formal agreements with three of these distributors, all of which by their terms expire in 2015.

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.

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 office in Argentina which we use to consolidate our marketing efforts in Argentina. Our Polyolefins Unit has a sales office 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 office 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.

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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.

In the last few years, some Brazilian states have encouraged imports of polyethylene and polypropylene, as well as final products made from these polymers, by providing tax benefits to imported goods. However, the domestic industry is pressuring the Brazilian federal government to reestablish competitiveness of local industry by eliminating those benefits for imported products in the near future. For more information, see “Item 3. Key Information—Risk Factors—Risks Relating to Our Company and the Petrochemical Industry—Future adjustments in tariffs on imports that compete with our products could cause us to lower our prices.”

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

We are the only producer of polyethylene and polypropylene in Brazil. We compete with polyolefins producers located in South America and with other importers of these products. In 2011, the reduced global demand for polyolefins, together with the appreciation of the *real* against the U.S. dollar and the incentives granted to imports by certain ports, resulted in a 16.0% increase in Brazilian polyethylene and polypropylene imports, which represented 29.0% of Brazilian polyolefin consumption in 2011.

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.

International Business Unit

Our International Business Unit includes:

- the operations of Braskem America, which we acquired in April 2010 and consist of three polypropylene plants in the United States that we acquired in April 2010 and two additional polypropylene plants in the United States that we acquired as part of the Dow Polypropylene Acquisition in September 2011;

- the operations of the two polypropylene plants in Germany that we acquired as part of the Dow Polypropylene Acquisition in September 2011; and

- the operation of our “green” polyethylene plant, which commenced production in September 2010.

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At December 31, 2011, our International Business Unit's facilities had the largest annual polypropylene production capacity in the United States. Our International Business Unit generated net sales revenue of R$3,427.5 million during 2011, or 8.2% of the net sales revenue of all reportable segments.

On April 1, 2010, we acquired all of the outstanding capital stock of Sunoco Chemicals. The principal assets of Sunoco Chemicals consisted of 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 America in our consolidated financial statements as from April 1, 2010 and have included the results of Braskem America in our International Business segment as from that date.

On September 30, 2011, we acquired Dow's polypropylene business in the Dow Polypropylene Acquisition. The principal assets of this business consisted of four polypropylene plants located in Freeport and Seadrift, Texas, United States and Wesseling and Schkopau, Germany. As a result of the Dow Polypropylene Acquisition, we have fully consolidated the results of these assets in our consolidated financial statements as from October 1, 2011 and have included the results of these assets in our International Business segment as from that date.

Products of Our International Business Unit

Our International Business Unit produces polypropylene and "green" polyethylene. The sales volume of polypropylene by this unit was 1,016,800 tons and 639,800 tons in 2011 and 2010, respectively. For a description of the uses of our polypropylene products, see "—Polyolefins Unit." Our "green" ethylene plant, which produces ethylene that we use to produce "green" polyethylene, has an annual production capacity of 200,000 tons of ethylene.

Production Facilities of the International Business Unit

The table below sets forth the annual production capacity at December 31, 2011 of the International Business Unit's polypropylene plants in the United States and Germany and the annual production for the years presented (including, as noted below, production of the plants that we have acquired prior to our acquisition of these plants).

In addition to the polypropylene described below, our International Business Unit produces "green" polyethylene at our Southern Complex in Brazil.

Plant	Annual Production Capacity	Production For the Year Ended December 31, 2011	2010	2009
		(in tons)		
United States(1)	1,450,000	1,246,790	1,321,953	1,243,557
Germany(2)	545,000	523,097	517,238	490,928

(1) In the United States, we acquired production capacity of 920,000 tons of polypropylene per year which has been included in our results of operations as from April 1, 2010, as a result of the Sunoco Acquisition, and we acquired production capacity of 505,000 tons of polypropylene per year which has been included in our results of operations as

from October 1, 2011, as a result of the Dow Acquisition.

(2) In Germany, we acquired production capacity of 545,000 tons of polypropylene per year which has been included in our results of operations as from October 1, 2011, as a result of the Dow Acquisition.

Since October 2010, we have temporarily closed one of the production lines of our La Porte, Texas plant with an annual production capacity of 100,000 tons. We are evaluating whether to reconfigure this plant for another use or to decommission it permanently. We have undertaken an efficiency enhancement project for the other production line of this plant which has increased its annual production capacity by 40,000 tons.

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Raw Materials of Our International Business Unit

Propylene

The most significant direct cost associated with the production of polypropylene by our International Business Unit is the cost of purchasing propylene.

We acquire propylene for our La Porte, Texas plant from a limited partnership that we formed with a leading basic petrochemicals producer, involving an ethylene facility of that producer in La Porte, Texas. Under the terms of the partnership agreement, the partnership has agreed to provide us through 2018 with sufficient propylene to produce up to 69% of the La Porte, Texas plant's annual capacity, priced on a cost-based formula that includes a fixed discount that declines until 2018.

Under a separate agreement, a leading propylene producer in the U.S. gulf coast market has agreed to provide us with sufficient propylene to produce up to 27% of the La Porte, Texas plant's annual capacity at market prices. This contract expires in December 2013.

We acquire propylene for our Marcus Hook, Pennsylvania plant under a supply agreement and a tolling agreement entered into with Sunoco Inc. (R&M), or Sunoco, in connection with the Sunoco Chemicals Acquisition. Under this supply agreement, Sunoco has agreed to provide us with sufficient propylene to produce between 49% and 60% of the Marcus Hook, Pennsylvania plant's annual capacity. 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. The pricing formula for propylene under this supply agreement is based on market prices.

On December 1, 2011, Sunoco announced the idling of its oil refinery in Marcus Hook, Pennsylvania, which supplies propylene under this supply agreement. As a result, while we are no longer receiving deliveries of propylene from the Marcus Hook refinery under this supply agreement, we are currently receiving deliveries of propylene from Sunoco's Philadelphia refinery. On December 9, 2011, Sunoco notified us that it intended to terminate this supply agreement in June 2012. However, until such time, Sunoco has informed us that it intends to continue to provide propylene for the Marcus Hook polypropylene plant from its Philadelphia refinery and/or from other sources. In addition, we are currently sourcing additional propylene feedstock from other sources and are in discussions to obtain feedstock supplies under long-term arrangements from other refineries in the Northeast. At this time, we believe that, provided Sunoco continues to supply us until June 2012 or we are successful in sourcing additional feedstock supply, the operations and capacity utilization of our Marcus Hook, Pennsylvania plant will not be materially adversely affected. Additionally, our supply agreement with Sunoco contains a provision requiring them to pay us a fee for early termination of this contract. We believe that our ability to deliver propylene products to contract customers of our U.S. polypropylene operations will not be significantly affected to the extent we can divert production from our other U.S. plants. As a result, we do not expect that the closure of Sunoco's Marcus Hook refinery will have a significant adverse effect on our consolidated results of operations.

Under the tolling agreement, Sunoco has agreed, subject to certain capacity limitations, to convert refinery grade propylene into polymer grade propylene for us. Sunoco charges us 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.

In addition, we acquire propylene for our Marcus Hook, Pennsylvania plant from a leading propylene producer in the northeastern U.S. market under a supply agreement that provides for the purchase of sufficient propylene to produce up to 19% of the Marcus Hook, Pennsylvania plant's annual capacity. This contract expires in March 2013, and is automatically renewable for consecutive one-year terms, unless cancelled by one of the parties. The pricing formula for propylene under this supply agreement is based on market prices.

We acquire propylene for our Neal, West Virginia plant from the Kentucky refinery of a leading propylene producer in the mid-western U.S. market under a supply agreement that provides for the purchase of sufficient propylene to produce at least 37% of the Neal, West Virginia plant's annual capacity. This contract expires in February 2014, 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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We acquire propylene for our Freeport, Texas and Seadrift, Texas plants under a supply agreement that provides for the supply of all of the propylene requirements of these plants. This supply agreement expires in March 2013. The pricing formula for propylene under this supply agreement is based on market prices. We believe that we will be able to replace this supply of propylene upon the expiration of this agreement from other sources upon terms at least as favorable to our company as the terms of this agreement.

We acquire propylene for our Schkopau plant under a supply agreement that provides for the supply of all of the propylene requirements of this plant. This supply agreement expires in March 2021, and is automatically renewable for consecutive one-year terms, unless cancelled by one of the parties. The pricing formula for propylene under this supply agreement is based on market prices.

We acquire propylene for our Wesseling plant under a supply agreement that provides for the supply of all of the propylene requirements of this plant. This agreement will expire in December 2016 and is renewable until December 2021. The pricing formula for propylene under this supply agreement is based on market prices.

Catalysts and Other Materials

We purchase our catalysts for the polypropylene plants of our International Business Unit 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 the polypropylene production process of these plants such that the loss of any single supplier would not have a material adverse effect on our operations at these plants.

Utilities

Utilities and site services for our plants in Marcus Hook (Pennsylvania), Freeport, Seadrift and La Porte (Texas), Neal (West Virginia) and Wesseling and Schkopau (Germany) are either self-generated or provided under various supply and service agreements. Steam, water, fire water, waste water treatment, natural gas, electricity and other services are provided under various agreements that are automatically renewable, unless cancelled by one of the parties.

Sales and Marketing of Our International Business Unit

Our International Business Unit sells polypropylene products to approximately 475 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 International Business 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 International Business Unit accounted for 41% of our International Business Unit’s total net sales revenue during 2011 and 47% during 2010.

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The following table sets forth our net sales revenue derived from domestic and export sales by our International Business Unit for the years indicated:

	For the Year Ended December 31,	
	2011	2010
	(in millions of *reais*)	
Net sales revenue:		
South America	22.1	—
Europe	419.3	—
North America	2,969.3	1,697.8
Asia	16.8	—
Other	—	—
	R$3,427.5	R$1,697.8

Approximately 50% of the sales of polypropylene by the International Business Unit are made under long-term supply agreements with our 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.

We market the remainder of the polypropylene production of the International Business Unit through (1) our direct sales force that seeks to establish supply relationships with customers, (2) a select number of distributors authorized to represent the Braskem brand in the U.S. and European markets, (3) resellers that trade these products under private labels in the North American and European markets, and (4) traders that resell these products in the export markets.

Renewables Operations

In September 2010, we commenced production of ethylene at a new plant located in the Southern Complex that produces “green” ethylene using sugar cane ethanol received through the Santa Clara Terminal as its primary raw material. This plant has an annual production capacity of 200,000 tons of ethylene.

In connection with the construction of this ethylene plant, we undertook a series of efficiency enhancement projects at our polyethylene plants in the Southern Complex as a result of which we increased the annual production capacity of our HDPE/LLDPE plants by 25,000 tons as of the commencement of production of our new ethylene plant in September 2010. We use the ethylene produced by our new ethylene plant for use in the production of “green” polyethylene for which we are able to charge a premium due to its favorable carbon footprint. As a result of our commencement of production of “green” polyethylene, we are the world’s first producer of polyethylene manufactured completely from renewable resources and the current leader of the biopolymers market, in terms of capacity.

We are currently evaluating the construction of a new propylene plant that will use sugarcane ethanol as its primary raw material. We will use the propylene produced by this plant in the production of “green” polypropylene. We expect that this plant will have a minimum annual production capacity of 30,000 tons and, if approved by our board of directors, this plant is expected to commence operations in the second half of 2013.

Ethanol Supply Contracts

In March 2010, we entered into an ethanol supply contract with a major producer of ethanol to supply our new facility that produces ethylene using sugar cane ethanol. The agreement took effect in August 2010. Under this contract, we are required to purchase an annual supply of ethanol sufficient to meet approximately 26% of the capacity of this ethylene plant. The price that we pay under this contract is determined by reference to the monthly price of combustible hydrated alcohol as published by the Center for Advanced Studies in Applied Economics of the Superior School of Agriculture (*Centro de Estudos Avançados em Economia Aplicada da Escola Superior de Agricultura – CEPEA/ESALQ). The initial term of this agreement expires in July 2015 and this agreement is renewable for a term to be agreed upon by both parties.*

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We also purchase ethanol under a variety of additional ethanol supply contracts of varying duration with other ethanol producers. The price that we pay for ethanol under most of these contracts is determined by reference to market indexes. In addition, we purchase ethanol on the spot market from time to time to supplement the supplies that we obtain under these contracts.

Competition

The International Business Unit 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, our competitive position is primarily based on raw material and production costs, selling prices, product quality, product technology, manufacturing technology, access to new markets, proximity to the market and customer service and support.

Vinyls Unit

We are the leading producer of PVC in Brazil, based on sales volumes in 2011. At December 31, 2011, our PVC production facilities had the third largest annual production capacity in Latin America. Our Vinyls Unit generated net sales revenue of R$1,730.9 million in 2011, or 4.1% of our net sales revenue of all reportable segments.

Our Vinyls Unit is the only vertically integrated producer of PVC in Brazil. Our PVC production is integrated through our production of chlorine, ethylene and other raw materials. Our Vinyls Unit also manufactures caustic soda, which is used by producers of aluminum and paper, EDC and chlorine.

In 2011, we had an approximate 43% 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.

	Year Ended December 31,		
	2011	**2010**	**2009**
		(thousands of tons)	
Domestic sales:			
PVC(1)	484.0	504.8	457.4
Caustic soda	422.1	470.3	402.2
Other(2)	111.7	112.0	100.3
Total domestic sales	1,017.8	1,087.1	959.9
Total export sales	24.0	95.3	139.0
Total Vinyls Unit sales	1,041.8	1,182.4	1,099.0

(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.

PVC and EDC

We produce suspension PVC in various grades. 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.

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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, or VCM, 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 is currently being 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 93.9% of our EDC production in 2011 for further processing into PVC and sold the remainder mainly in the 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 6.1% of our caustic soda production in 2011 and sold the remainder to third parties.

Production Facilities of Our Vinyls Unit

We own four vinyls production facilities. Two of our facilities are located in the Northeastern Complex, and two others are located in the State of Alagoas.

The table below sets forth for each of our primary vinyls products, our annual production capacity at December 31, 2011 and annual production for the years presented.

	Annual	**Production**		
	Production	**For the Year Ended December 31,**		
Primary Products	**Capacity**	**2011**	**2010**	**2009**
		(in tons)		
PVC(1)	510,000	438,895	475,559	477,534
Caustic Soda(2)	539,000	366,923	460,773	435,908
EDC(3)	520,000	387,315	493,177	468,123

(1) Represents capacity at two plants and production at three plants, including production during 2010 and 2009 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.

We are constructing 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 VCM 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 May 2012.

In May 2011, our Alagoas chlor-alkali plant experienced a chlorine leak, which was caused by the failure of certain equipment, and a different piece of equipment in the same plant ruptured. The cause of both events was an abnormal and unpredictable increase in the concentration of trichloramine generated in this plant's production process. As a result of these incidents, our chlor-alkali plant was temporarily shut down on May 21, 2011 and resumed operations on June 9, 2011.

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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 53.1% of our Vinyls Unit's total cost of sales in 2011. 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 35.3% of our Vinyls Unit's total cost of sales in 2011. 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. The power purchase agreement with CEAL is 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 this contract are based upon tariffs regulated by the Brazilian National Electrical Energy Agency (*Agência Nacional de Energia Elétrica*).

Salt

We used approximately 668,000 tons of salt during 2011. Salt accounted for 0.5% of our Vinyls Unit's total cost of sales in 2011. 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. Our plants in Alagoas supply their own utilities requirements.

Sales and Marketing of Our Vinyls Unit

Net sales to our 10 largest Vinyls Unit customers accounted for 45.2% of our Vinyls Unit's total net sales revenue during 2011. One customer accounted for 14.8% of our Vinyl Unit's total sales revenue in 2011, 16.0% in 2010 and 13.0% in 2009. One customer accounted for 60.9% of our total external EDC sales in 2011, 58.9% in 2010 and 62.5% in 2009, and our largest caustic soda customer accounted for 9.3% of total caustic soda sales in 2011, 10.8% in 2010 and 9.4% in 2009.

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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The following table sets forth our net sales revenue derived from domestic and export sales by our Vinyls Unit for the years indicated:

	For the Year Ended December 31,		
	2011	2010	2009
	(in millions of *reais*)		
Net sales revenue:			
Domestic sales	R$1,716.4	R$1,726.4	R$1,511.1
Export sales:			
North America	—	8.5	54.6
Europe	—	—	29.3
Asia	12.7	61.0	9.3
South America (excluding Brazil)	1.4	2.8	9.0
Other	—	0.6	—
	14.1	72.9	102.2
	R$1,730.5	R$1,799.3	R$1,613.3

Domestic Sales

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. 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. Although we have historically exported EDC, we do not expect to continue exports in the future due to the expected opening of our new PVC plant in Alagoas in 2012, as a result of which we expect to use all of the EDC we produce internally.

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 72.2% of our caustic soda sales in 2011 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.

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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:

- 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.

In the last few years, some Brazilian states have encouraged imports of polyethylene and polypropylene, as well as final products made from these polymers, by providing tax benefits to imported goods. However, the domestic industry is pressuring the Brazilian federal government to reestablish competitiveness of local industry by eliminating those benefits for imported products in the near future. For more information, see “Item 3. Key Information—Risk Factors—Risks Relating to Our Company and the Petrochemical Industry—Future adjustments in tariffs on imports that compete with our products could cause us to lower our prices.”

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.