

## IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (1) QUALIFIED INSTITUTIONAL BUYERS (“QIBs”) (WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT, AS AMENDED (THE “SECURITIES ACT”)) OR (2) NON-US PERSONS (WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT) OUTSIDE THE U.S.

**IMPORTANT: You must read the following before continuing.** The following applies to the offering memorandum following this page, and you are advised to read this carefully before reading, accessing or making any other use of the offering memorandum. In accessing the offering memorandum, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT, OR THE SECURITIES LAWS OF ANY STATE OF THE U.S. OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE U.S. OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE LAWS OF OTHER JURISDICTIONS. THE OFFERING MEMORANDUM AND THE OFFER OF THE NOTES ARE ONLY ADDRESSED TO AND DIRECTED AT PERSONS IN MEMBER STATES OF THE EUROPEAN ECONOMIC AREA WHO ARE “QUALIFIED INVESTORS” WITHIN THE MEANING OF ARTICLE 2(1)(E) OF THE PROSPECTUS DIRECTIVE (DIRECTIVE 2003/71/EC) AND RELATED IMPLEMENTATION MEASURES IN MEMBER STATES (“QUALIFIED INVESTORS”). IN ADDITION, IN THE UNITED KINGDOM THE OFFERING MEMORANDUM IS ONLY BEING DISTRIBUTED TO PERSONS WHO HAVE PROFESSIONAL EXPERIENCE IN MATTERS RELATING TO INVESTMENTS FALLING WITHIN ARTICLE 19(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005, AND OTHER PERSONS TO WHOM IT MAY OTHERWISE LAWFULLY BE COMMUNICATED (ALL SUCH PERSONS TOGETHER REFERRED TO AS “RELEVANT PERSONS”). ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THIS OFFERING MEMORANDUM RELATES IS AVAILABLE ONLY TO (I) IN THE UNITED KINGDOM, RELEVANT PERSONS, AND (II) IN ANY MEMBER STATE OF THE EUROPEAN ECONOMIC AREA OTHER THAN THE UNITED KINGDOM, QUALIFIED INVESTORS, AND WILL BE ENGAGED IN ONLY WITH SUCH PERSONS. IN ADDITION, NO PERSON MAY COMMUNICATE OR CAUSE TO BE COMMUNICATED ANY INVITATION OR INDUCEMENT TO ENGAGE IN INVESTMENT ACTIVITY, WITHIN THE MEANING OF SECTION 21 OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (THE “FSMA”), RECEIVED BY IT IN CONNECTION WITH THE ISSUE OR SALE OF THE NOTES OTHER THAN IN CIRCUMSTANCES IN WHICH SECTION 21(1) OF THE FSMA DOES NOT APPLY TO US.

THE FOLLOWING OFFERING MEMORANDUM MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

**Confirmation of your Representation:** In order to be eligible to view this offering memorandum or make an investment decision with respect to the securities, investors must be either (1) QIBs or (2) non-US persons (within the meaning of Regulation S under the Securities Act) outside the U.S. This offering memorandum is being sent at your request and by accepting the e-mail and accessing this offering memorandum, you shall be deemed to have represented to us that (1) you and any customers you represent are either (a) QIBs or (b) non-U.S. persons (within the meaning of Regulation S under the Securities Act) and that the electronic mail address that you gave us and to which this offering memorandum has been delivered is not located in the U.S., and (2) that you consent to delivery of such offering memorandum by electronic transmission.

You are reminded that this offering memorandum has been delivered to you on the basis that you are a person into whose possession this offering memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorized to, deliver this offering memorandum to any other person.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the initial purchasers or any affiliate of the initial purchasers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the initial purchasers or such affiliate on behalf of the issuer in such jurisdiction.

This offering memorandum has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission, and consequently neither the initial purchasers, nor any person who controls them nor any of their directors, officers, employees nor any of their agents nor any affiliate of any such person accept any liability or responsibility whatsoever in respect of any difference between this offering memorandum distributed to you in electronic format and the hard copy version available to you on request from the initial purchasers.

**Braskem**  
**US\$250,000,000**  
**Braskem Finance Limited**  
*(Incorporated in the Cayman Islands)*  
**7.375% Perpetual Bonds**  
 Unconditionally Guaranteed by  
**Braskem S.A.**  
*(Incorporated in the Federative Republic of Brazil)*

Braskem Finance Limited, or “Braskem Finance,” is offering US\$250.0 million in aggregate principal amount of its 7.375% Perpetual Bonds pursuant to this offering, or the “new bonds.” The new bonds will be additional bonds issued under the indenture, dated as of October 4, 2010, pursuant to which Braskem Finance initially issued US\$450.0 million in aggregate principal amount of its 7.375% Perpetual Bonds, or the “initial bonds.” The new bonds will have identical terms as the initial bonds, other than the issue date and issue price, and will constitute part of the same series as, and vote together as a single class with, the initial bonds. The new bonds and the initial bonds will share the same ISIN and CUSIP numbers and be fungible, except that the new bonds offered and sold in offshore transactions under Regulation S shall be issued and maintained under temporary ISIN and CUSIP numbers during a 40-day distribution compliance period commencing on the issue date. References to the “bonds” refer to the new bonds and the initial bonds collectively, unless the context otherwise requires.

Interest on the bonds will accrue at a rate of 7.375% per year. Interest on the new bonds is payable quarterly in arrears on January 4, April 4, July 4 and October 4 of each year, commencing on April 4, 2012.

The bonds will be perpetual bonds with no fixed final maturity date and will be repaid only in the event that we redeem or repurchase the bonds or upon acceleration due to an event of default, as described under “Description of the Bonds.”

Braskem Finance or Braskem S.A., or “Braskem,” may redeem the bonds, in whole or in part, at 100% of their principal amount plus accrued interest and additional amounts, if any, on or after October 4, 2015; provided that at least US\$100,000,000 aggregate principal of the bonds must remain outstanding following any partial redemption. We may also redeem the bonds, in whole but not in part, at any time upon the occurrence of specified events relating to Brazilian or Cayman Islands tax law, as set forth in this offering memorandum. See “Description of the Bonds—Redemption.”

If a specified Change of Control event occurs as described in this offering memorandum, unless Braskem or Braskem Finance has exercised its option to redeem the bonds, Braskem will be required to offer to purchase the bonds at 101% of their principal amount plus accrued interest and additional amounts, if any.

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

We will apply to the Singapore Exchange Securities Trading Limited, or the “SGX-ST,” for permission to list the new bonds on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this offering memorandum. Admission to the Official List of the SGX-ST is not to be taken as an indication of the merits of the bonds or our company.

**Investing in the bonds involves risks. See “Risk Factors” beginning on page 18.**

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

The bonds are being offered pursuant to an exemption from prospectus requirements under the Directive 2003/71/EC of the European Union, and this offering memorandum has not been approved by a competent authority within the meaning of that Directive.

**Price: 100.375% plus accrued interest from January 4, 2012.**

Purchasers of new bonds will be required to pay accrued interest totaling US\$2,048,611.11, or US\$8.19 per US\$1,000 principal amount of bonds, from and including January 4, 2012 up to (but excluding) February 14, 2012, the date we expect to deliver the new bonds.

The initial purchasers expect to deliver the bonds to purchasers on or about February 14, 2012 in book-entry form only through the facilities of The Depository Trust Company, or “DTC,” for the accounts of its direct and indirect participants, including Euroclear Bank S.A./N.V. and Clearstream Banking, *société anonyme*.

*Joint Bookrunners and Lead Managers*

**Deutsche Bank Securities**

**HSBC**

**Itaú BBA**

The date of this offering memorandum is February 9, 2012.

## TABLE OF CONTENTS

	Page
Incorporation by Reference .....	iv
Presentation of Financial and Other Information.....	vi
Forward-Looking Statements .....	i
Summary.....	1
Risk Factors .....	18
Use of Proceeds .....	23
Exchange Rates .....	24
Capitalization.....	25
The Dow Polypropylene Acquisition .....	27
Other Recent Developments.....	32
Description of the Bonds .....	37
Form of the Bonds .....	57
Taxation.....	61
Notice to Investors.....	69
Enforcement of Civil Liabilities .....	71
Plan of Distribution .....	73
Legal Matters.....	77
Independent Registered Public Accounting Firm .....	77
Available Information.....	77

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

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

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

Neither the initial purchasers nor any of their directors, affiliates, advisors or agents make any representation or warranty, express or implied, as to the accuracy or completeness of the information contained in this offering memorandum. Nothing contained in this offering memorandum is, or shall be relied upon as, a promise or representation by the initial purchasers or by any of their directors, affiliates, advisors or agents as to the past or future. We have furnished the information contained in this offering memorandum.

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

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

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

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

#### **NOTICE TO MEMBERS OF THE PUBLIC OF THE CAYMAN ISLANDS**

**SECTION 175 OF THE COMPANIES LAW (2011 REVISION) OF THE CAYMAN ISLANDS PROVIDES THAT AN EXEMPTED COMPANY (SUCH AS BRASKEM FINANCE) THAT IS NOT LISTED ON THE CAYMAN ISLANDS STOCK EXCHANGE IS PROHIBITED FROM MAKING ANY INVITATION, WHETHER DIRECTLY OR INDIRECTLY, TO THE PUBLIC IN THE CAYMAN ISLANDS TO SUBSCRIBE FOR ANY OF ITS BONDS. EACH PURCHASER OF THE BONDS AGREES THAT NO INVITATION MAY BE MADE TO THE PUBLIC IN THE CAYMAN ISLANDS TO SUBSCRIBE FOR THE BONDS.**

#### **NOTICE TO PROSPECTIVE INVESTORS WITHIN BRAZIL**

**THE BONDS (AND RELATED GUARANTEES) HAVE NOT BEEN, AND WILL NOT BE, REGISTERED WITH THE BRAZILIAN SECURITIES COMMISSION (*COMISSÃO DE VALORES MOBILIÁRIOS*), OR THE “CVM.” THE BONDS MAY NOT BE OFFERED OR SOLD IN BRAZIL, EXCEPT IN CIRCUMSTANCES THAT DO NOT CONSTITUTE A PUBLIC OFFERING OR UNAUTHORIZED DISTRIBUTION UNDER BRAZILIAN LAWS AND REGULATIONS. THE BONDS (AND RELATED GUARANTEES) ARE NOT BEING OFFERED INTO BRAZIL. DOCUMENTS RELATING TO THE OFFERING OF THE BONDS, AS WELL AS INFORMATION CONTAINED THEREIN, MAY NOT BE SUPPLIED TO THE PUBLIC IN BRAZIL, NOR BE USED IN CONNECTION WITH ANY OFFER FOR SUBSCRIPTION OR SALE OF THE BONDS TO THE GENERAL PUBLIC IN BRAZIL.**

#### **NOTICE TO NEW HAMPSHIRE RESIDENTS**

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

**PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.**

**INTERNAL REVENUE SERVICE CIRCULAR 230 DISCLOSURE**

**PURSUANT TO INTERNAL REVENUE SERVICE CIRCULAR 230, WE HEREBY INFORM YOU THAT THE DESCRIPTION SET OUT HEREIN WITH RESPECT TO U.S. FEDERAL TAX ISSUES WAS NOT INTENDED OR WRITTEN TO BE USED, AND SUCH DESCRIPTION CANNOT BE USED, BY ANY TAXPAYER FOR THE PURPOSE OF AVOIDING ANY PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER UNDER THE U.S. INTERNAL REVENUE CODE. SUCH DESCRIPTION WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE BONDS. TAXPAYERS SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.**

## INCORPORATION BY REFERENCE

We are incorporating by reference into this offering memorandum the following information contained in documents that we have filed with or furnished to the SEC:

- the following information in our annual report on Form 20-F for the year ended December 31, 2010, which we refer to as the Braskem Annual Report, and which we filed with the SEC on June 10, 2011:
  - the information under the caption “Presentation of Financial and Other Information” on pages ii and iii of the Braskem Annual Report;
  - the information contained in Part I on pages 1 through 180 of the Braskem Annual Report; and
  - the consolidated financial statements of our company, including the reports thereon, contained on pages F-1 through F-123 of the Braskem Annual Report;
- our Supplement Segment Information for the year ended December 31, 2010 contained in a Form 6-K which we furnished to the SEC on June 15, 2011, which we refer to as the Supplemental Segment Information Report;
- the information contained in our Form 6-K relating to our pro forma financial information for the year ended December 31, 2010, which we refer to as the Pro Forma Report, and which we furnished to the SEC on June 15, 2011;
- our unaudited consolidated interim financial statements at September 30, 2011 and for the nine-month periods ended September 30, 2011 and 2010 contained in a Form 6-K which we furnished to the SEC on November 17, 2011, which we refer to as the Third Quarter Financial Statement Report; and
- our Management’s Discussion and Analysis of Financial Condition and Results of Operations at September 30, 2011 and for the nine-month periods ended September 30, 2011 and 2010 contained in a Form 6-K which we furnished to the SEC on November 18, 2011, which we refer to as the Third Quarter MD&A Report.

Incorporation by reference of information contained in the Braskem Annual Report, the Supplemental Segment Information Report, the Third Quarter Financial Statement Report, the Third Quarter MD&A Report and the Pro Forma Report means that (1) this information is considered part of this offering memorandum, and (2) we can disclose important information to you by referring to the portions of the Braskem Annual Report that we incorporate by reference, the Supplemental Segment Information Report, the Third Quarter Financial Statement Report, the Third Quarter MD&A Report and the Pro Forma Report.

The information in the portions of the Braskem Annual Report that we incorporate by reference, the Supplemental Segment Information Report, the Third Quarter Financial Statement Report, the Third Quarter MD&A Report and the Pro Forma Report is an important part of this offering memorandum. The portions of the Braskem Annual Report that we incorporate by reference, the Supplemental Segment Information Report, the Third Quarter Financial Statement Report, the Third Quarter MD&A Report and the Pro Forma Report contain important information about our company and our results of operations and financial condition.

The statements contained in the portions of the Braskem Annual Report that we incorporate by reference that have been updated in the Supplemental Segment Information Report are deemed to be modified or superseded for purposes of this offering memorandum to the extent that statements contained in the Supplemental Segment Information Report modifies or supersedes those statements.

Any statement contained in the portions of the Braskem Annual Report that we incorporate by reference, the Supplemental Segment Information Report, the Third Quarter Financial Statement Report, the Third Quarter MD&A

Report and the Pro Forma Report will be deemed to be modified or superseded for purposes of this offering memorandum to the extent that a statement contained herein modifies or supersedes that statement.

You should read “Available Information” for information on how to obtain the Braskem Annual Report, the Supplemental Segment Information Report, the Third Quarter Financial Statement Report, the Third Quarter MD&A Report and the Pro Forma Report or other information relating to our company.

## PRESENTATION OF FINANCIAL AND OTHER INFORMATION

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

On February 6, 2012, the exchange rate for reais into U.S. dollars was R\$1.725 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\$1.8544 to US\$1.00 at September 30, 2011, R\$1.6942 to US\$1.00 at September 30, 2010, R\$1.6662 to US\$1.00 at December 31, 2010, R\$1.7412 to US\$1.00 at December 31, 2009 and R\$2.3370 to US\$1.00 at December 31, 2008, in each case, as reported by the Central Bank. The *real*/U.S. dollar exchange rates fluctuate widely, and the selling rate at February 6, 2012 may not be indicative of future exchange rates. See “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 “Summary—Summary Historical and Pro Forma Financial and Other Information,” “Capitalization” and elsewhere in this offering memorandum from *reais* into U.S. dollars using the selling rate as reported by the Central Bank at September 30, 2011 of R\$1.8544 to US\$1.00. These translations should not be considered representations that any such amounts have been, could have been or could be converted into U.S. dollars at that or at any other exchange rate. Such translations should not be construed as representations that the *real* amounts represent or have been or could be converted into U.S. dollars as of that or any other date.

### Financial Statements

#### *Braskem Financial Statements*

We maintain our books and records in *reais*. The financial information of Braskem contained in this offering memorandum has been derived from the records and financial statements of Braskem, and includes our unaudited consolidated interim financial statements at September 30, 2011 and for the nine-month periods ended September 30, 2011 and 2010, which are incorporated into this offering memorandum by reference to the Third Quarter Financial Statement Report, and our audited consolidated financial statements at December 31, 2010 and 2009 and for each of the years ended December 31, 2010 and 2009, which are incorporated into this offering memorandum by reference to the Braskem Annual Report.

We have prepared our consolidated financial statements at December 31, 2010 and 2009 and for each of the years ended December 31, 2010 and 2009, which are incorporated by reference into this offering memorandum, in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, or IFRS. Our consolidated annual financial statements at December 31, 2010 and 2009 and for each of the years ended December 31, 2010 and 2009 are our first annual consolidated financial statements to be prepared in accordance with IFRS. IFRS 1, or the “First-time Adoption of International Reporting Standards,” has been applied in preparing these financial statements.

We have prepared our unaudited consolidated interim financial statements at September 30, 2011 and for the nine-month periods ended September 30, 2011 and 2010, which are incorporated into this offering memorandum, in accordance with (1) accounting practices adopted in Brazil, or “Brazilian GAAP,” which include the pronouncements issued by the Brazilian Accounting Standards Committee (*Comitê de Pronunciamentos Contábeis*), or the “CPC,” and (2) IFRS.



Until December 31, 2009, we prepared our consolidated financial statements in accordance with accounting practices adopted in Brazil in effect on and prior to December 31, 2009, or “Prior Brazilian GAAP,” which are based on:

- Brazilian Law No. 6,404, dated December 15, 1976, as amended, or the “Brazilian Corporation Law;”
- the rules and regulations of the CVM; and
- the accounting standards issued by the CPC.

When preparing our 2010 consolidated financial statements under IFRS, management amended certain accounting, valuation and consolidation methods in the Prior Brazilian GAAP financial statements to comply with IFRS. The comparative figures in respect of 2009 have been restated to reflect these adjustments. Reconciliations and descriptions of the effect of the transition from Prior Brazilian GAAP to IFRS are included in note 4 to our consolidated financial statements.

### ***Quattor Financial Statements***

We acquired 60% of the outstanding share capital of Quattor Participações S.A., or “Quattor” (whose name was subsequently changed to Braskem Qpar S.A., or “Braskem Qpar”), in late April 2010 and acquired the remainder of the outstanding share capital of Quattor in June 2010. As a result of these transactions, we have fully consolidated the results of Quattor and its subsidiaries into our financial statements as from May 1, 2010.

We have incorporated into this offering memorandum by reference to the Pro Forma Report the unaudited consolidated interim financial statements of Quattor at March 31, 2010 and for the three-month periods ended March 31, 2010 and 2009, prepared in accordance with Prior Brazilian GAAP. Quattor maintained its books and records in *reais*.

Prior Brazilian GAAP differs in certain respects from IFRS. We have not identified or quantified those differences. No reconciliation to IFRS of Quattor’s unaudited consolidated interim financial statements has been prepared for the purpose of this offering memorandum or for any other purpose. There can be no assurance that reconciliation would identify material quantitative differences as well as disclosure and presentation differences between Quattor’s financial statements prepared in accordance with Prior Brazilian GAAP and financial statements prepared under IFRS.

Consistent with Prior Brazilian GAAP, Quattor’s unaudited consolidated interim financial statements at March 31, 2010 and for the three-month periods ended March 31, 2010 and 2009 were prepared in accordance with CVM Instruction No. 247, dated March 27, 1996, as amended, or “Instruction 247.” Instruction 247 required Quattor to proportionally consolidate the financial statements of Polibutenos S.A. Indústrias Químicas, or “Polibutenos,” a company that was jointly controlled by Quattor with Unipar—União de Indústrias Petroquímicas S.A., or “Unipar,” and Chevron Oronite do Brasil Ltda., or “Chevron Brasil,” at those dates and for those periods. Polibutenos was not deemed a subsidiary of Quattor for accounting purposes.

### ***Braskem Finance Financial Statements***

We have not included any financial statements for Braskem Finance in this offering memorandum. Braskem Finance does not, and will not, publish financial statements, except for such financial statements which Braskem Finance may be required under the laws of the Cayman Islands to publish. In addition, Braskem Finance will not furnish to the trustee or the holders of the bonds any financial statements of, or other reports relating to, Braskem Finance. Braskem Finance does not have any operations independent from Braskem. Braskem Finance’s obligations under the bonds will be fully and unconditionally guaranteed by Braskem. The financial statements of Braskem Finance have been fully consolidated in the consolidated financial statements of Braskem for dates and periods ending after December 28, 2007 (the date of incorporation of Braskem Finance).

## Special Note Regarding Non-GAAP Financial Measures

The body of generally accepted accounting principles is commonly referred to as “GAAP.” For this purpose, a non-GAAP financial measure is generally defined by the SEC as one that purports to measure historical or future financial performance, financial position or cash flows but excludes or includes amounts that would not be so adjusted in the most comparable GAAP measure. From time to time, we may disclose so-called non-GAAP financial measures, primarily Adjusted EBITDA, which in our case comprises net income (loss) before income tax and social contribution, financial income (expenses), and expenses from depreciation and amortization, adjusted by the exclusion of the effect of results from equity investments, results from business combinations and results from disposal or impairment of property, plant and equipment, intangibles and investments. The non-GAAP financial measures described in this offering memorandum are not a substitute for the GAAP measures of earnings. Our determination of Adjusted EBITDA does not purport to be SEC or CVM-compliant. Other companies may calculate Adjusted EBITDA differently.

Our management believes that disclosure of Adjusted EBITDA provides useful information to investors, financial analysts and the public in their review of our operating performance and their comparison of our operating performance to the operating performance of other companies in the same industry and other industries.

## Market Share and Other Information

We make statements in this offering memorandum and in the Braskem Annual Report about our market share in the petrochemical industry in Brazil and our production capacity relative to that of other petrochemical producers in Brazil, Latin America, the United States and the world. We have made these statements on the basis of information obtained from third-party sources that we believe are reliable. We have calculated our Brazilian market shares with respect to specific products by dividing our domestic net sales volumes of these products by the total Brazilian domestic consumption of these products as estimated by the Brazilian Chemical Industry Association (*Associação Brasileira da Indústria Química*), or “ABIQUIM.” We derive information regarding the production capacity of other companies in the Brazilian petrochemical industry and the estimated total Brazilian domestic consumption of petrochemical products principally from reports published by ABIQUIM. We derive information regarding the production capacity of other companies in the global petrochemical industry, the United States petrochemical industry and the Latin American petrochemical industry, international market prices for petrochemicals products and per capita consumption in certain geographic regions, principally from reports published by Chemical Markets Associates, Inc., or “CMAI.” We derive information regarding the size of the chemical distribution industry and our market share in this industry principally from reports published by the Brazilian Chemical and Petrochemical Distributors Association (*Associação Brasileira dos Distribuidores de Produtos Químicos e Petroquímicos*). We 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*).

We have no reason to believe that any of this information is inaccurate in any material respect. However, neither we nor the initial purchasers have independently verified the production capacity, market share, market size or similar data provided by third parties or derived from industry or general publications.

We provide information regarding domestic apparent consumption of some of our products, based on information available from ABIQUIM and our internal estimates. 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 offering memorandum:

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

## **Rounding**

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

## FORWARD-LOOKING STATEMENTS

This offering memorandum contains forward-looking statements. Some of the matters discussed concerning our business operations and financial performance include forward-looking statements within the meaning of the Securities Act or the U.S. Securities Exchange Act of 1934, 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 polypropylene business of the Dow Chemical Company, which we acquired on September 30, 2011 in a transaction we refer to as the Dow Polypropylene Acquisition, as well as 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” in the Braskem Annual Report and under “Risk Factors” in this offering memorandum.

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 neither we nor the initial purchasers 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.

## SUMMARY

*This summary highlights information presented in greater detail elsewhere in this offering memorandum. This summary is not complete and does not contain all the information you should consider before investing in the bonds. You should carefully read this entire offering memorandum and the Braskem Annual Report, the Supplemental Segment Information Report, the Third Quarter Financial Statement Report, the Third Quarter MD&A Report and the Pro Forma Report, each of which is incorporated by reference herein, including “Risk Factors” included herein and “Item 3. Key Information—Risk Factors” in the Braskem Annual Report, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in the Third Quarter MD&A Report, our unaudited consolidated interim financial statements included in the Third Quarter Financial Statement Report, “Item 5: Operating and Financial Review and Prospects,” included in the Braskem Annual Report, “Results of Operations for the Year Ended December 31, 2010 Compared with Year Ended December 31, 2009” in the Supplemental Segment Information Report, and our consolidated financial statements included in the Braskem Annual Report, before investing. See “Presentation of Financial and Other Information” included herein and in the Braskem Annual Report for information regarding our consolidated financial statements, exchange rates, definitions of technical terms and other introductory matters.*

### **Braskem**

We are the largest producer of thermoplastic resins in the Americas, based on annual production capacity of our 35 plants in Brazil and the United States at September 30, 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 polyethylene, polypropylene and polyvinyl chloride, or “PVC.” We are also the third largest Brazilian-owned private sector industrial company, based on net sales revenue in 2010. We recorded net sales revenue of R\$24,465.8 million and a net loss of R\$316.0 million during the nine-month period ended September 30, 2011, and net sales revenue of R\$25,494.8 million and net income of R\$1,889.5 million during the year ended December 31, 2010.

Following the approval of our acquisition of Quattor and its subsidiaries by the Administrative Council for Economic Defense (*Conselho Administrativo de Defesa Econômica*), or “CADE,” in February 2011, we implemented a new organizational structure that we believe reflects our business activities and corresponds to our principal products and production processes. Our business operations are now organized into four production business units and one distribution business unit, which correspond to our principal production processes, products and services. Our business units are as follows:

- Basic Petrochemicals, which accounted for net sales revenue of R\$17,503.9 million, or 56.1% of the net sales revenue of all segments, including net sales to our other business units, and had an operating margin of 8.5% during the nine-month period ended September 30, 2011, and net sales revenue of R\$17,794.6 million, or 53.2% of the net sales revenue of all segments, including net sales to our other business units, and had an operating margin of 9.3% during the year ended December 31, 2010;
- Polyolefins, which accounted for net sales revenue of R\$9,691.3 million, or 31.1% of the net sales revenue of all segments, including net sales to our other business units, and had an operating margin of 2.9% during the nine-month period ended September 30, 2011, and net sales revenue of R\$11,386.5 million, or 34.0% of the net sales revenue of all segments, including net sales to our other business units, and had an operating margin of 7.4% during the year ended December 31, 2010;
- Foreign Business, which includes the operations of Braskem America Inc., or “Braskem America,” which we have consolidated into our financial statements as from April 1, 2010 and which accounted for net sales revenue of R\$2,108.9 million, or 6.8% of the net sales revenue of all segments, including net sales to our other business units, and had an operating margin of 1.3% during the nine-month period ended September 30, 2011, and net sales revenue of R\$1,697.8 million, or 5.1% of the net sales revenue of all segments, including net sales to our other business units, and had an operating margin of 3.1% during the year ended December 31, 2010;

- Vinyls, which accounted for net sales revenue of R\$1,306.3 million, or 4.2% of the net sales revenue of all segments, including net sales to our other business units, and had a negative operating margin of 3.4% during the nine-month period ended September 30, 2011, and net sales revenue of R\$1,799.3 million, or 5.4% of the net sales revenue of all segments, including net sales to our other business units, and had a negative operating margin of 2.9% during the year ended December 31, 2010; and
- Chemical Distribution, which accounted for net sales revenue of R\$570.2 million, or 1.8% of the net sales revenue of all segments, including net sales to our other business units, and had an operating margin of 6.4% during the nine-month period ended September 30, 2011, and net sales revenue of R\$777.9 million, or 2.3% of the net sales revenue of all segments, including net sales to our other business units, and had an operating margin of 4.5% during the year ended December 31, 2010.

### ***Basic Petrochemicals Unit***

Our Basic Petrochemicals Unit owns and operates the basic petrochemicals production facilities located in each of the petrochemical complexes in Brazil. Our Basic Petrochemicals Unit had one of the largest annual production capacities of all first generation producers in Latin America at September 30, 2011. This unit owns and operates the raw materials centers serving:

- the petrochemical complex located in Camaçari in the State of Bahia, or the “Northeastern Complex,” which had an annual ethylene production capacity of 1,280,000 tons at September 30, 2011;
- the petrochemical complex located in Triunfo in the State of Rio Grande do Sul, or the “Southern Complex,” which had an annual ethylene production capacity of 1,452,000 tons at September 30, 2011;
- the petrochemical complex located in Capuava in the State of São Paulo, or the “São Paulo Complex,” which had an annual ethylene production capacity of 700,000 tons at September 30, 2011; and
- the petrochemical complex located in Duque de Caxias in the State of Rio de Janeiro, or the “Rio de Janeiro Complex,” which had an annual ethylene production capacity of 520,000 tons at September 30, 2011.

Our raw materials centers produce:

- olefins, such as ethylene, polymer and chemical grade propylene, butadiene, isoprene and butene-1;
- aromatics, such as benzene, toluene, and xylenes (including para-xylene, ortho-xylene and mixed xylene), which we refer to as “BTX products;”
- fuels, such as automotive gasoline and liquefied petroleum gas, or “LPG;” and
- ethyl tertiary butyl ether, or “ETBE,” solvent C9 and pyrolysis C9.

The basic petrochemicals 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.

### ***Polyolefins Unit***

As of September 30, 2011, our Polyolefins Unit had polyolefins production facilities located in each of the petrochemicals complexes in Brazil, and had an annual polyethylene production capacity of 3,060,000 tons and an annual polypropylene production capacity of 1,965,000 tons, the largest annual production capacities of all second generation producers in Latin America at that date.

Our Polyolefins Unit produces:

- polyethylene, including low density polyethylene, or “LDPE,” linear low density polyethylene, or “LLDPE,” high density polyethylene, or “HDPE,” ultra high molecular weight polyethylene, or “UHMWP;”
- polypropylene; and
- ethyl vinyl acetate copolymer, or “EVA.”

The sale of polyethylene products generated 55.5% and the sale of polypropylene products generated 41.2% of our Polyolefins Unit’s net sales revenue during the nine-month period ended September 30, 2011.

### ***Foreign Business Unit***

As of September 30, 2011, our Foreign Business Unit had seven polypropylene plants in the United States and Germany with an annual polypropylene production capacity of 1,970,000 tons.

### ***Vinyls Unit***

We are the leading producer of PVC in Brazil, based on sales volumes during the nine-month period ended September 30, 2011 and the year ended December 31, 2010. At September 30, 2011, our PVC production facilities had an annual PVC production capacity of 510,000 tons and an annual caustic soda production capacity of 539,000 tons. Our Vinyls Unit owns and operates plants located in the Northeastern Complex, and in Marechal Deodoro and Maceió in the State of Alagoas.

Our Vinyls Unit is the only vertically integrated producer of PVC in Brazil. Our PVC production is integrated through our production of chlorine and other raw materials. Our Vinyls Unit also manufactures caustic soda, which is used by producers of aluminum and paper; ethylene dichloride, or “EDC;” and chlorine, which we use to manufacture EDC.

We had an approximate 43% and 47% share of the Brazilian PVC market during the nine-month period ended September 30, 2011 and the year ended December 31, 2010, respectively, based on sales volumes of our Vinyls Unit. During the nine-month period ended September 30, 2011 and the year ended December 31, 2010, 72.6% and 71.6% of our Vinyls Unit’s net sales revenue, respectively, was derived from the sale of PVC products, 23.7% and 21.4%, respectively, was derived from the sale of caustic soda and the remainder from the sale of other products, including EDC.

### ***Chemical Distribution Unit***

Our Chemical Distribution Unit is the largest Brazilian distributor of chemical and petrochemical products, with a market share of approximately 28% during the year ended December 31, 2010. Our Chemical Distribution Unit distributes products manufactured by our Basic Petrochemicals Unit, as well as products from more than 90 domestic and international companies. Our Chemical Distribution Unit distributes products in a broad range of market segments, including: agrochemicals, rubber and general purpose chemicals; food and feed; flavor and fragrance; cosmetics and pharmaceuticals; household and other industrial segments; engineering plastics; and paints, resins, adhesives and civil construction.

### ***Strategy***

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 are seeking to establish close, long-term relationships with our customers, which foster customer loyalty during periods of lower demand, by providing technological support and solutions to our customers, and developing new products and applications.
- ***Acquisition of Feedstocks at Competitive Prices***—we have ongoing programs to reduce operating costs by diversifying our sources of feedstocks and energy and negotiating more competitive terms for these raw materials in our production processes.
- ***Expansion in Selected International Markets***—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 independently or in conjunction with third parties.
- ***New Business Opportunities***—we are pursuing new business opportunities by developing new and specialized products, such as “green” polyethylene and polypropylene, specialized production processes for LLDPE and LDPE, and new applications for UHMWP.
- ***Technological Independence***—we are seeking to build a strong position in the technological development of sustainable chemistry by investing in research, development and technological innovation focused on transformative, emerging and conventional technologies.

### **Principal Shareholder**

Our controlling shareholder is BRK Investimentos Petroquímicos S.A., or “BRK,” a company wholly-owned by Odebrecht Serviços e Participações S.A., or “OSP,” which is wholly-owned by Odebrecht S.A., or “Odebrecht.” Odebrecht, directly or through its subsidiaries OSP and BRK, owns 38.1% of our outstanding share capital, including 50.1% of our voting share capital.

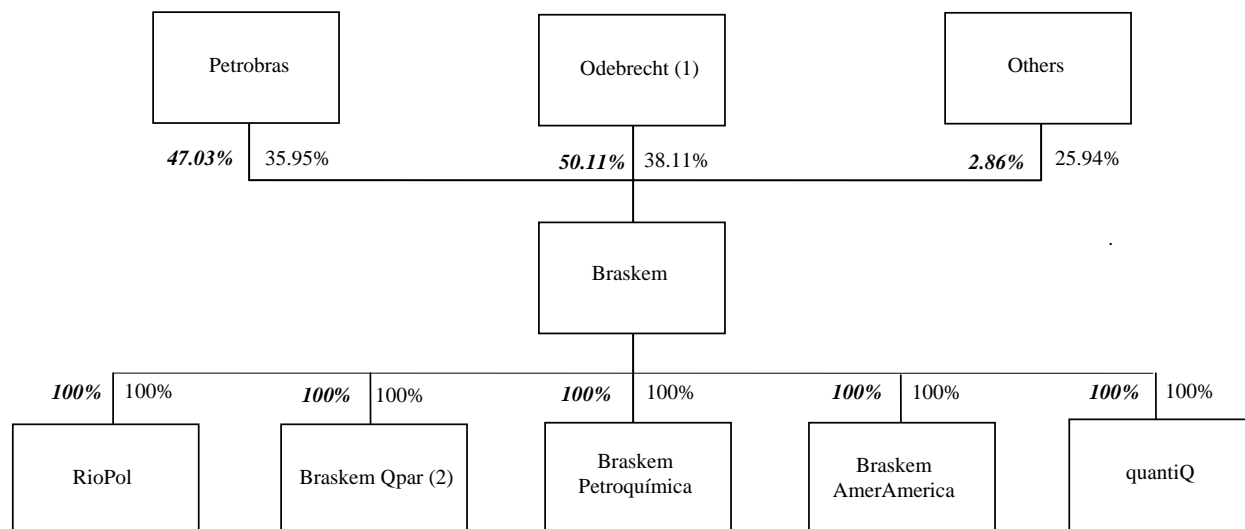
Odebrecht is a member of a group of companies controlled by the Odebrecht family, which we refer to as the “Odebrecht Group.” The Odebrecht Group is one of the 10 largest Brazilian-owned private sector conglomerates based on net sales revenue in 2010 (the latest year for which such information is available).

Our other principal shareholder is Petróleo Brasileiro S.A.—Petrobras, or “Petrobras,” which owns 36.0% of our outstanding share capital, including 47.0% of our voting share capital. Petrobras is a government-owned integrated oil and gas company that is the largest corporation in Brazil and one of the largest companies in Latin America in terms of revenues. Petrobras operates most of Brazil’s producing oil and gas fields, holds a large base of proved reserves and a fully developed operational infrastructure, operates substantially all the refining capacity in Brazil, participates in most aspects of the Brazilian natural gas market and is active in 28 other countries.

The Odebrecht Group is a party to shareholders’ agreements and a memorandum of understanding relating to, among other matters, the voting and transfer of our shares with (1) Petrobras, (2) the pension fund of Petrobras (*Fundação Petrobras de Seguridade Social—Petros*), or “Petros,” and the pension fund of Banco do Brasil S.A. (*Caixa de Previdência dos Funcionários do Banco do Brasil*), or Previ, and (3) BNDES Participações S.A., or BNDESPAR.



The following chart presents our ownership structure and the corporate structure of our principal subsidiaries on the date of this offering memorandum. 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.



- (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 S.A., or Braskem Petroquímica, owns the remaining 3.1% of the shares of Braskem Qpar.

### **Dow Polypropylene Acquisition**

On September 30, 2011, we acquired the polypropylene business of the Dow Chemical Company, or Dow, under an investment agreement that we had entered into in July 2011. This business is conducted through polypropylene plants located in Freeport, Texas, Seadrift, Texas, Wesseling, Germany, and Schkopau, Germany, which have an aggregate annual polypropylene production capacity of 1,050,000 tons. In addition to these plants, under the investment agreement we acquired inventory, business know-how, certain product and process technology, and customer contracts and lists. As a result of the completion of this acquisition, which we refer to as 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. We will fully consolidate the results of these assets in our consolidated financial statements as from October 1, 2011. For more information regarding the Dow Polypropylene Acquisition, see “The Dow Polypropylene Acquisition.”

### **Braskem Finance**

Braskem Finance is a direct wholly-owned subsidiary of Braskem. Braskem Finance is an exempted company which was incorporated with limited liability under the laws of the Cayman Islands on December 28, 2007. The address of the registered office of Braskem Finance is PO Box 309, Uglund House, Grand Cayman, KY1-1104, Cayman Islands.

At February 6, 2012, Braskem Finance’s authorized share capital consisted of 10,000 common shares, par value US\$1.00 per share. One share has been issued as fully paid and non-assessable and is owned by Braskem.

The memorandum and articles of association of Braskem Finance provide for a board of directors composed of not less than one member. All directors of Braskem Finance are appointed by Braskem. The directors of Braskem Finance are Rui Chammas, Marcela Aparecida Drehmer Andrade and Mauricio Roberto de Carvalho Ferro. Mr.

Chammas, Mr. Ferro and Ms. Drehmer are executive officers of Braskem. As directors of Braskem Finance, subject to compliance with customary fiduciary duties of directors of Cayman Islands companies, they act in accordance with the interests of Braskem, the sole shareholder of Braskem Finance.

Under Braskem Finance's Memorandum of Association, Braskem Finance is permitted to engage in any act or activity that is not prohibited under any law for the time being in force in the Cayman Islands. However, Braskem Finance's ability to incur indebtedness (other than the bonds and other indebtedness ranking equally with the bonds), make investments, pay dividends or distributions on its capital stock, redeem its capital stock or incur liens on its property and assets are substantially limited.

Braskem Finance is not required by Cayman Islands law to publish, and does not publish, financial statements for any period. However, if it publishes any financial statements in the future, these financial statements will be made available free of charge at the office of the Singapore listing agent or sent to you upon request of Braskem Finance or the trustee. Braskem Finance does not have subsidiaries or hold any equity investments.

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

## The Offering

*The following summary contains basic information about the bonds and the guarantees and is not intended to be complete. It does not contain all of the information that is important to you. For a more complete understanding of the bonds, please refer to the section of this offering memorandum entitled "Description of the Bonds."*

<b>Issuer</b> .....	Braskem Finance Limited
<b>Guarantor</b> .....	Braskem S.A.
<b>Bonds offered</b> .....	US\$250.0 million in aggregate principal amount of 7.375% Perpetual Bonds. The new bonds will be additional bonds issued under the indenture, dated as of October 4, 2010, pursuant to which Braskem Finance initially issued US\$450.0 million in aggregate principal amount of its 7.375% perpetual bonds. The new bonds will have identical terms and conditions as the initial bonds, other than the issue date and issue price, and will constitute part of the same series as, and vote together as a single class with, the initial bonds. The new bonds and the initial bonds will share the same ISIN and CUSIP numbers and be fungible, except that the new bonds offered and sold in offshore transactions under Regulation S shall be issued and maintained under temporary ISIN and CUSIP numbers during a 40-day distribution compliance period commencing on the issue date.
<b>Issue price</b> .....	100.375%, plus accrued interest, from (and including) January 4, 2012 to (but excluding) February 14, 2012.
<b>Maturity date</b> .....	The bonds are perpetual bonds with no fixed final maturity date and no sinking fund provisions.
<b>Interest payment dates on new bonds</b> .....	January 4, April 4, July 4 and October 4 of each year, commencing on April 4, 2012.
<b>Interest on the new bonds</b> .....	The new bonds will bear interest from January 4, 2012 at the annual rate of 7.375%, payable quarterly in arrears on each interest payment date. Interest on the bonds will be computed on the basis of a 360-day year comprised of twelve 30-day months.
<b>Ranking</b> .....	The bonds will be senior unsecured obligations of Braskem Finance. At September 30, 2011, Braskem Finance had outstanding debt in the aggregate amount of US\$2,707.1 million.  Braskem's guarantees will be senior unsecured obligations of Braskem ranking: <ul style="list-style-type: none"><li>• equal in right of payment to other existing and future senior unsecured debt of Braskem;</li></ul>

- senior in right of payment to Braskem’s subordinated debt; and
- effectively subordinated to debt and other liabilities (including subordinated debt and trade payables) of Braskem’s subsidiaries (other than Braskem Finance) and to secured debt of Braskem to the extent of such security.

At September 30, 2011, Braskem had total consolidated debt, net of transaction costs, of R\$14,229.2 million (US\$7,673.2 million), of which R\$4,326.7 million (US\$2,333.2 million) was unsecured debt of Braskem, R\$2,264.1 million (US\$1,220.9 million) was secured debt of Braskem, R\$ 2,599.3 million (US\$1,401.7 million) was debt of Braskem’s subsidiaries and special purpose entities (other than Braskem Finance), and R\$19.0million (US\$10.2 million) was debt of Refinaria de Petróleo Rio-grandense S.A., or “RPR,” which we consolidate on a proportional basis as required by IFRS.

**Optional redemption** ..... Braskem Finance or Braskem may, at its option, redeem the bonds, in whole or in part, on or after October 4, 2015 at 100% of their principal amount plus accrued and unpaid interest and additional amounts, if any, to the redemption date; provided that at least US\$100.0 million aggregate principal of the bonds must remain outstanding following any partial redemption.

**Tax redemption**..... Braskem Finance or Braskem may redeem the bonds, in whole but not in part, at 100% of their principal amount plus accrued and unpaid interest and additional amounts, if any, to the redemption date upon the occurrence of specified events relating to Brazilian or Cayman Islands tax law. See “Description of the Bonds—Redemption—Tax Redemption.”

**Purchase of the bonds upon Change of Control Event** ..... If a specified Change of Control event occurs as described herein, unless Braskem Finance or Braskem has exercised its option to redeem the bonds, Braskem will be required to offer to purchase the bonds at a price equal to 101% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, to the purchase date. See “Description of the Bonds—Purchase of Bonds Upon Change of Control Event.”

<b>Additional amounts</b> .....	Payments of interest on the bonds or payments on the guarantees will be made after withholding and deduction for any Brazilian or Cayman Islands taxes as set forth under “Taxation.” Braskem Finance or Braskem will pay such additional amounts as will result in receipt by the holders of bonds of such amounts as would have been received by them had no such withholding or deduction for Brazilian or Cayman Islands taxes been required, subject to certain exceptions described under “Description of the Bonds—Additional Amounts.”
<b>Covenants of Braskem Finance</b> .....	The indenture will prohibit the incurrence of debt (other than the bonds and other indebtedness ranking equally with the bonds) by Braskem Finance and will impose certain other limitations and restrictions on Braskem Finance as described under “Description of the Bonds—Additional Limitations on Braskem Finance and Braskem.”
<b>Covenants of Braskem</b> .....	The indenture will limit the creation of liens by Braskem and its subsidiaries and will permit Braskem to consolidate or merge with, or transfer all or substantially all of its assets to, another person only if it complies with certain requirements. However, these covenants are subject to a number of important exceptions. See “Description of the Bonds—Covenants.”
<b>Events of default</b> .....	The indenture will set forth the events of default applicable to the bonds, including an event of default triggered by cross-acceleration of other debt of Braskem and its significant subsidiaries in a total amount of US\$100.0 million or more. See “Description of the Bonds—Events of Default.”
<b>Further issuances</b> .....	We may from time to time without notice to or consent of the holders of the bonds, further issue additional bonds (in an unlimited principal amount) of the same series as the initial bonds.
<b>Substitution of issuer</b> .....	Braskem Finance may, without the consent of the holders of the bonds and subject to certain conditions, be replaced and substituted by Braskem or any wholly-owned subsidiary of Braskem as principal debtor in respect of the bonds. See “Description of the Bonds—Substitution of the Issuer.”
<b>Form and denomination; settlement</b> .....	The bonds will be issued in the form of global bonds in fully registered form without interest coupons, as described under “Form of the Bonds.” The global bonds will be exchangeable or transferable, as the case may be, for definitive certificated bonds in fully registered form without interest coupons only in limited circumstances.

The bonds will be issued in registered form in denominations of US\$100,000 and integral multiples of US\$1,000 in excess thereof. See “Description of the Bonds—Form, Denomination and Title” and “Form of the Bonds.”

The bonds will be delivered in book-entry form through the facilities of The Depository Trust Company, or “DTC,” for the accounts of its participants, including Euroclear Bank S.A./N.V., as operator of the Euroclear System, or “Euroclear,” and Clearstream Banking, S.A., or “Clearstream,” and will trade in DTC’s Same-Day Funds Settlement System.

**Use of proceeds** ..... The net proceeds from the sale of the new bonds are estimated to be approximately US\$247.7 million, after deducting the fees and estimated expenses of the offering (excluding interest accrued on the new bonds from January 4, 2012 to February 14, 2012). We intend to use the net proceeds of this offering to prepay a portion of our short-term and long-term indebtedness and for general corporate purposes.

**Notice to investors**..... The bonds have not been registered under the Securities Act and are subject to limitations on transfers, as described under “Notice to Investors.”

**Listing** ..... We will apply to the SGX-ST for permission to list the new bonds on the SGX-ST. We cannot assure you that this listing will be accepted, or if accepted, that the new bonds will remain so listed. The bonds will be traded on the SGX-ST in minimum board lot size of US\$200,000 for so long as the bonds are listed on the SGX-ST.

If the listing of the bonds on the SGX-ST would, in the future, require us to publish financial information either more regularly than we otherwise would be required to, or according to accounting principles which are materially different from the accounting principles which we would otherwise use to prepare our published financial information, we may seek an alternative admission to listing, trading and/or quotation for the bonds by another listing authority, stock exchange and/or quotation system.

**Governing law** ..... The indenture, the bonds and the guarantees will be governed by the laws of the State of New York.

**Trustee, registrar, paying agent and transfer agent** ..... The Bank of New York Mellon.

**Principal paying agent**..... The Bank of New York Mellon Trust (Japan), Ltd.

## Summary Historical and Pro Forma Financial and Other Information

### *Summary Historical Financial and Other Information*

The following summary financial information at December 31, 2010 and 2009 and for the two years ended December 31, 2010 have been derived from our audited consolidated financial statements, prepared in accordance with IFRS, and included in the Braskem Annual Report. The summary financial data at September 30, 2011 and for the nine-month periods ended September 30, 2011 and 2010 have been derived from our unaudited consolidated financial statements included in the Third Quarter Financial Statement Report. The results for the nine-month period ended September 30, 2011 are not necessarily indicative of the results to be expected for the entire year ending December 31, 2011.

This financial information should be read in conjunction with (1) “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our unaudited consolidated interim financial information at September 30, 2011 and for the nine-month periods ended September 30, 2011 and 2010 and the related notes thereto, each of which is included in the Third Quarter MD&A Report, (2) “Item 5: Operating and Financial Review and Prospects,” “Item 11: Quantitative and Qualitative Disclosures about Market Risk,” and our audited financial statements and the related notes thereto, each of which is included in the Braskem Annual Report, and (3) “Results of Operations for the Year Ended December 31, 2010 Compared with Year Ended December 31, 2009” in the Supplemental Segment Information Report.

	For the Nine-Month Period Ended September 30,			For the Year Ended December 31,		
	2011(1)	2011	2010	2010(1)(2)	2010(2)	2009
	(in millions of US\$)	(in millions of reais)		(in millions of US\$)	(in millions of reais)	
<b>Statement of Operations Data:</b>						
Net sales revenue.....	US\$13,193.4	R\$24,465.8	R\$18,528.3	US\$13,748.3	R\$25,494.8	R\$16,136.1
Cost of sales and services rendered.....	(11,487.4)	(21,302.2)	(15,650.2)	(11,546.5)	(21,411.8)	(13,529.7)
Gross profit.....	1,706.0	3,163.6	2,878.1	2,201.8	4,083.0	2,606.4
Selling expenses.....	(136.7)	(253.5)	(286.6)	(206.8)	(383.5)	(298.8)
Distribution expenses.....	(191.8)	(355.6)	(221.7)	(180.9)	(335.5)	(300.7)
General and administrative expenses.....	(420.0)	(778.9)	(643.3)	(523.0)	(969.9)	(648.3)
Research and development expenses.....	(36.9)	(68.5)	(58.2)	(42.5)	(78.8)	(63.1)
Equity in results of investees.....	(1.1)	(2.1)	25.2	10.9	20.3	3.2
Gain from business combinations.....	—	—	975.3	525.9	975.3	102.1
Other operating (expenses) income, net.....	(22.1)	(40.9)	(69.8)	(51.8)	(96.0)	3.7
Operating profit before financial result.....	897.4	1,664.1	2,599.0	1,733.7	3,215.0	1,404.3
Financial expenses.....	(1,510.7)	(2,801.4)	(1,111.5)	(915.1)	(1,696.9)	685.4
Financial income.....	325.5	603.6	325.2	199.2	369.4	(331.3)
Profit (loss) before income tax and social contribution.....	(287.8)	(533.7)	1,812.7	1,017.8	1,887.4	1,758.4
Income tax and social contribution.....	117.4	217.7	(279.6)	1.1	2.0	(1,359.9)
Net income (loss).....	<u>US\$(170.4)</u>	<u>R\$(316.0)</u>	<u>R\$1,533.1</u>	<u>US\$1,018.9</u>	<u>R\$1,889.5</u>	<u>R\$398.5</u>

- (1) Translated for convenience only using the selling rate as reported by the Central Bank at September 30, 2011 for *reais* into U.S. dollars of R\$1.8544=US\$1.00.
- (2) Includes Braskem America as from April 1, 2010 and Quattor and its consolidated subsidiaries, Unipar Comercial and Polibutenos as from May 1, 2010. For more information regarding our accounting of the acquisition of Quattor, see note 36 of our audited consolidated financial statements at December 31, 2010 and 2009 and for each of the years ended December 31, 2010 and 2009 in the Braskem Annual Report.

	At September 30,		At December 31,		
	2011(1)	2011	2010(1)(2)	2010(2)	2009
	(in millions of US\$, except as indicated)	(in millions of reais, except as indicated)	(in millions of US\$, except as indicated)	(in millions of reais, except as indicated)	
<b>Balance Sheet Data:</b>					
Cash, cash equivalents and short-term financial investments(3) .....	US\$1,855.4	R\$3,440.6	US\$1,542.6	R\$2,860.6	R\$3,118.6
Short-term trade accounts receivable.....	1,372.0	2,544.2	1,021.7	1,894.6	1,666.5
Long-term financial investments .....	16.6	30.8	15.5	28.7	15.8
Inventories .....	1,859.0	3,447.4	1,626.2	3,015.7	1,721.8
Property, plant and equipment, net .....	10,723.7	19,886.1	10,443.4	19,366.3	10,947.7
Total assets .....	19,908.2	36,917.7	18,592.3	34,477.5	23,371.8
Short-term loans and financing (including current portion of long-term loans and financing) .....	754.6	1,399.3	650.6	1,206.4	1,890.5
Short-term debentures (including current portion of debentures).....	—	—	279.2	517.7	316.7
Long-term loans and financing .....	6,908.6	12,811.3	5,934.2	11,004.3	7,434.9
Long-term debentures .....	10.0	18.5	—	—	500.0
Share capital .....	4,337.4	8,043.2	4,337.4	8,043.2	5,473.2
Shareholders' equity (including non-controlling interest).....	5,433.1	10,075.2	5,612.8	10,408.3	4,978.6

- (1) Translated for convenience only using the selling rate as reported by the Central Bank at September 30, 2011 for *reais* into U.S. dollars of R\$1.8544=US\$1.00.
- (2) Includes Braskem America as from April 1, 2010 and Quattor and its consolidated subsidiaries, Unipar Comercial and Polibutenos as from May 1, 2010. For more information regarding our accounting of the acquisition of Quattor, see note 36 of our audited consolidated financial statements at December 31, 2010 and 2009 and for each of the years ended December 31, 2010 and 2009 in the Braskem Annual Report.
- (3) At December 31, 2010 and 2009, “short-term financial investments” includes short-term available-for-sale securities and short-term held-to-maturity securities.



	At and For the Nine-Month Period Ended September 30,			At and For the Year Ended December 31,		
	2011(1)	2011	2010	2010(1)(2)	2010(2)	2009
	(in millions of US\$, except as indicated)	(in millions of reais, except as indicated)		(in millions of US\$, except as indicated)	(in millions of reais, except as indicated)	
<b>Other Financial and Operating Information:</b>						
<b>Cash Flow Information:</b>						
Net cash provided by (used in):						
Operating activities.....	US\$1,341.6	R\$2,487.8	R\$2,095.0	US\$1,467.0	R\$2,720.4	R\$598.7
Investing activities.....	(800.4)	(1,484.2)	(2,076.7)	(1,287.5)	(2,387.6)	(824.7)
Financing activities.....	(184.9)	(342.9)	426.2	(209.4)	(388.3)	495.3
<b>Other Information:</b>						
Capital expenditures:						
Property, plant and equipment.....	(795.1)	(1,474.5)	(907.4)	(910.8)	(1,689.0)	(811.7)
Investments in other companies.....	—	—	(747.6)	(506.6)	(939.4)	1.5
<b>Adjusted EBITDA and ratios for twelve month periods</b>						
Adjusted EBITDA(3)(4)(5)(6).....	2,243.6	4,160.7	3,200.4	2,063.1	3,825.8	2,337.1
Net debt to Adjusted EBITDA ratio(3)(5)(6).....		2.6x	3.1x		2.6x	3.0x
Adjusted EBITDA to interest expense ratio(3)(5)(6).....		6.0x	5.2x		6.3x	5.5x
<b>Domestic Sales Volume Data (in thousands of tons):(7)</b>						
Ethylene.....		2,348.5	2,160.3		2,949.9	2,253.2
Propylene.....		851.7	904.3		1,212.1	994.6
Polyethylene.....		1,156.4	1,120.5		1,546.8	1,048.4
Polypropylene.....		866.1	766.0		1,086.9	698.5
PVC.....		361.5	374.8		504.9	457.4

(1) Translated for convenience only using the selling rate as reported by the Central Bank at September 30, 2011 for reais into U.S. dollars of R\$1.8544=US\$1.00.

(2) Includes Braskem America as from April 1, 2010 and Quattor and its consolidated subsidiaries, Unipar Comercial and Polibutenos as from May 1, 2010. For more information regarding our accounting of the acquisition of Quattor, see note 36 of our audited consolidated financial statements at December 31, 2010 and 2009 and for each of the years ended December 31, 2010 and 2009 in the Braskem Annual Report.

(3) The indenture governing the bonds will not have any financial covenants. See “Description of the Bonds—Covenants.” We have included a calculation of our Adjusted EBITDA, our interest expense, our net debt to Adjusted EBITDA ratio and our Adjusted EBITDA to interest expense ratio as (1) our management uses such measures to measure our operating performance, and (2) we believe that information about these measures are important for investors to understand our liquidity.

We define (1) “Adjusted EBITDA” as net income (loss) before income tax and social contribution, financial income (expenses) and expenses from depreciation and amortization, adjusted by the exclusion of the effect of results from equity investments, results from business combinations and results from disposal or impairment of property, plant and equipment, intangibles and investments, (2) “total debt” as current and long-term loans and financing and debentures, (3) “interest expense” as the sum of derivative results, interest on outstanding loans and financing and interest on debentures, net of interest accrued on any deposit or bank account, (4) “net debt to Adjusted EBITDA ratio” as of any date as the ratio of (i) our total debt less cash and cash equivalents and financial investments to (ii) our Adjusted EBITDA for the then most recently concluded period of four consecutive fiscal quarters, and (5) “Adjusted EBITDA to interest expense ratio” as of any date as the ratio of our Adjusted EBITDA for the then most recently concluded period of four consecutive fiscal quarters to our interest expense for the then most recently concluded period of four consecutive fiscal quarters.

We define “net debt” as total debt, comprising current and long-term loans and financing and debentures, less cash and cash equivalents and financial investments. Net debt is not recognized under Brazilian GAAP or IFRS or any other generally accepted accounting principles.

Other companies may calculate net debt and Adjusted EBITDA differently, and therefore this presentation of net debt and Adjusted EBITDA may not be comparable to other similarly titled measures used by other companies.

Adjusted EBITDA is not recognized under Brazilian GAAP or IFRS or any other generally accepted accounting principles as a measure of financial performance and should not be considered as a substitute for net income or loss, cash flow from operations or other measures of operating performance or liquidity determined in accordance with Brazilian GAAP or IFRS. Adjusted EBITDA is not intended to represent funds available for dividends or other discretionary uses by us because those funds are required for debt service, capital expenditures, working capital and other commitments and contingencies. Adjusted EBITDA presents limitations that impair its use as a measure of our profitability since it does not take into consideration certain costs and expenses that result from our business that could have a significant effect on our net income, such as financial expenses, taxes, depreciation, capital expenses and other related charges.

- (4) The following table sets forth a reconciliation of our net income (loss) to our Adjusted EBITDA for the 12-month periods ended September 30, 2011 and 2010 and for the years ended December 31, 2010 and 2009.

	For the Twelve-Month Period Ended September 30,			For the Year Ended December 31,		
	2011(a)	2011	2010	2010(a)	2010	2009
	(in millions of US\$)	(in millions of reais)		(in millions of US\$)	(in millions of reais)	
Net income (loss) .....	US\$21.8	R\$40.5	R\$145.7	US\$1,018.9	R\$1,889.5	R\$398.5
Financial expenses, net .....	1,477.0	2,739.0	1,648.5	715.9	1,327.5	(354.1)
Income tax and social contribution .....	(269.1)	(499.1)	1,035.1	(1.1)	(2.0)	1,359.9
Depreciation and amortization .....	968.5	1,796.0	1,353.4	866.3	1,606.4	1,038.1
Results from equity investments .....	3.7	6.9	(21.1)	(10.9)	(20.3)	(3.2)
Results from business combinations .....	—	—	(961.2)	(525.9)	(975.3)	(102.1)
Results from disposal of property, plant and equipment and investments .....	41.7	77.4	—	—	—	—
Adjusted EBITDA .....	<u>US\$2,243.6</u>	<u>R\$4,160.7</u>	<u>R\$3,200.4</u>	<u>US\$2,063.1</u>	<u>R\$3,825.8</u>	<u>R\$2,337.1</u>

- (a) Translated for convenience only using the selling rate as reported by the Central Bank at September 30, 2011 for *reais* into U.S. dollars of R\$1.8544=US\$1.00.

- (5) Adjusted EBITDA, the net debt to Adjusted EBITDA ratio and the Adjusted EBITDA to interest expense ratio included in the columns for the nine-month periods ended September 30, 2011 and September 30, 2010 were calculated based on Adjusted EBITDA and interest expense for the 12-month periods ended September 30, 2011 and 2010, respectively.
- (6) The following table sets forth the calculation of our interest expense and the calculation of our net debt to Adjusted EBITDA ratio and our Adjusted EBITDA to interest expense ratio for the 12-month periods ended September 30, 2011 and 2010 and for the years ended December 31, 2010 and 2009.

	For the Twelve-Month Period Ended September 30,			For the Year Ended December 31,		
	2011(a)	2011	2010	2010(a)	2010	2009
	(in millions of US\$)	(in millions of reais)		(in millions of US\$)	(in millions of reais)	
Adjusted EBITDA .....	US\$2,243.6	R\$4,160.7	R\$3,200.4	US\$2,063.1	R\$3,825.8	R\$2,337.1
<b>Net Debt:</b>						
Total debt .....	US\$7,673.2	R\$14,229.2	R\$13,449.8	US\$6,863.9	R\$12,728.4	R\$10,142.1
Cash and cash equivalents .....	(1,754.7)	(3,254.0)	(3,096.2)	(1,415.2)	(2,624.3)	(2,683.1)
Financial investments .....	(117.2)	(217.4)	(413.7)	(142.9)	(265.0)	(451.3)
Net debt .....	<u>US\$5,801.3</u>	<u>R\$10,757.7</u>	<u>R\$9,939.9</u>	<u>US\$5,305.8</u>	<u>R\$9,839.1</u>	<u>R\$7,007.7</u>

	For the Twelve-Month Period Ended September 30,			For the Year Ended December 31,		
	2011(a)	2011	2010	2010(a)	2010	2009
	(in millions of US\$)	(in millions of reais)		(in millions of US\$)	(in millions of reais)	
<b>Interest Expenses:</b>						
Derivative results.....	US\$28.9	R\$53.6	R\$(3.4)	US\$(1.6)	R\$(2.9)	R\$(35.0)
Interest on outstanding loans and financing.....	465.3	862.8	782.1	442.8	821.1	559.8
Interest on outstanding debentures.....	28.6	53.0	64.3	32.5	60.2	80.6
Interest accrued on any deposit or bank account.....	(150.7)	(279.4)	(227.3)	(144.2)	(267.4)	(182.4)
Interest expenses.....	<u>US\$372.1</u>	<u>R\$690.0</u>	<u>R\$615.7</u>	<u>US\$329.5</u>	<u>R\$611.0</u>	<u>R\$423.0</u>
Net debt to Adjusted EBITDA ratio.....		2.6x	3.1x		2.6x	3.0x
Adjusted EBITDA to interest expense ratio.....		6.0x	5.2x		6.3x	5.5x

(a) Translated for convenience only using the selling rate as reported by the Central Bank at September 30, 2011 for *reais* into U.S. dollars of R\$1.8544=US\$1.00.

- (7) Including intra-company sales within our company. Intra-company sales of ethylene totaled approximately 1,980,100 tons during the nine-month period ended September 30, 2011, approximately 1,834,200 tons during the nine-month period ended September 30, 2010, approximately 2,511,500 tons in 2010 and approximately 1,928,300 tons in 2009. Intra-company sales of propylene totaled approximately 689,000 tons during the nine-month period ended September 30, 2011, approximately 649,000 tons during the nine-month period ended September 30, 2010, approximately 926,300 tons in 2010 and approximately 628,800 tons in 2009.

### ***Summary Unaudited Pro Forma Combined Financial Information***

The following summary unaudited pro forma combined financial information has been derived from the unaudited pro forma combined financial information, including the bonds thereto, which is included in the Pro Forma Report. The unaudited pro forma combined financial information was prepared with Braskem's acquisition of all of the share capital of Quattor held by Unipar, which represented 60% of Quattor's outstanding share capital, and its acquisition of the remaining 40% of the share capital of Quattor from Petroquisa in exchange for 18,000,087 million common shares of Braskem assumed to have occurred on January 1, 2010. The unaudited pro forma combined financial information was prepared to give effect to the following transactions as if they had occurred on January 1, 2010:

- Quattor's prepayment in March 2010 of its outstanding indebtedness to the International Finance Corporation, or the IFC, in the aggregate amount of R\$264.1 million;
- Quattor's prepayment in April 2010 of its outstanding indebtedness to the Export-Import Bank of the United States, or the Exim Bank, and under its loan agreements guaranteed by Servizi Assicurativi del Commercio Estero, or SACE, in the aggregate amount of R\$504.2 million; and
- Quattor's prepayment of other outstanding indebtedness in the aggregate amount of R\$3,145.5 million with the proceeds of Braskem's capital increase.

The unaudited pro forma combined financial information has not been prepared in accordance with Regulation S-X under the Securities Act, or Regulation S-X. The unaudited pro forma combined financial information is provided for illustrative purposes only and does not purport to represent what the actual consolidated results of operations or the consolidated financial position of our company would have been if Braskem's capital increase and the acquisition of Quattor had occurred on the dates assumed, and it is not necessarily indicative of our future consolidated results of operations or consolidated financial position. The unaudited pro forma combined financial information does not, for example, reflect (1) any integration costs that may be incurred as a result of the acquisition of Quattor, (2) any synergies, operating efficiencies and cost savings that may result from the acquisition of Quattor, (3) any benefits that may be derived from the combined company's growth prospects, or (4) changes in prices and exchange rates subsequent to the dates of the unaudited pro forma combined financial information.

The unaudited pro forma combined financial information should be read in conjunction with the Unaudited Pro Forma Combined Financial Information contained in the Pro Forma Report. The unaudited pro forma combined information set forth therein was derived from our audited consolidated financial statements for the year ended December 31, 2010 included in the Braskem Annual Report, the unaudited consolidated interim financial statements of Quattor for the three-month period ended March 31, 2010 included in the Pro Forma Report, and financial information with respect to Quattor's results of operations for the one-month period ended April 30, 2010, as well as the effects of IFRS adjustments, elimination of intercompany transactions, adjustments to conform the presentation of the statement of income to Braskem's policies and the effects of the business combinations which will affect Braskem in future periods.

See "Unaudited Pro Forma Combined Financial Information" included in the Pro Forma Report for a discussion of the assumptions and adjustments used in the preparation of the summary pro forma combined financial information.

**For the Year Ended  
December 31, 2010**  
**(in millions of reais)**

**Summary Unaudited Pro Forma Combined Statement of Operations Information:**

Net sales revenue .....	R\$27,123.2
Cost of sales.....	(22,884.1)
Gross profit.....	<u>4,239.1</u>
Income (expenses):	
Selling .....	(459.8)
Distribution .....	(335.5)
General and administrative .....	(1,019.3)
Research and development .....	(78.8)
Equity in the results of investees.....	19.3
Gain from business combinations .....	—
Impairment of fixed assets .....	—
Other operating income, net.....	(160.9)
	<u>(2,035.0)</u>
Operating profit before financial result .....	2,204.1
Financial income (expense), net:	
Financial expenses.....	(1,868.3)
Financial income .....	377.8
	<u>(1,490.5)</u>
Profit before income tax and social contribution.....	713.6
Income tax and social contribution—current.....	(110.3)
Income tax and social contribution—deferred.....	(26.2)
	<u>(136.5)</u>
Net income (loss) for the period .....	<u><u>R\$577.1</u></u>

## RISK FACTORS

*The Braskem Annual Report, which is incorporated by reference in this offering memorandum, includes extensive risk factors relating to our company, the petrochemical industry and Brazil. Prospective purchasers of bonds should carefully consider the risks discussed below and in the Braskem Annual Report, as well as the other information included in or incorporated by reference into this offering memorandum, before deciding to purchase any bonds. Our business, results of operations, financial condition or prospects could be negatively affected if any of these risks occurs, and as a result, the trading price of the bonds could decline and you could lose all or part of your investment.*

*The risk factors discussed below and in the Braskem Annual Report are not the only risks that we face, but are the risks that we currently consider to be material. There may be additional risks that we currently consider immaterial or of which we are currently unaware, and any of these risks could have similar effects to those set forth below and in the Braskem Annual Report.*

### **Risks Relating to the Bonds and the Guarantees**

***The bonds have no maturity date or sinking fund provisions and are not redeemable at the option of holders of bonds.***

The bonds have no fixed final maturity date or any sinking fund provisions and are not redeemable at the option of holders of bonds. As a result, holders of the bonds will be entitled to receive a return of the principal amount of their investment only if the issuer elects to redeem or repurchase the bonds or in the event of acceleration due to an event of default.

***The treatment of the bonds for U.S. federal income tax purposes is uncertain and the bonds may be treated as an equity interest in a partnership or a passive foreign investment company***

The U.S. tax characterization of the bonds is not certain. Braskem Finance believes that the bonds would be characterized for U.S. federal income tax purposes as either: (1) equity in a partnership or (2) equity in a passive foreign investment company. The characterization of the bonds under the two alternatives is materially different. See “U.S. Federal Income Taxation.”

***Because Braskem Finance has no operations of its own, holders of the bonds must depend on Braskem to provide Braskem Finance with sufficient funds to make payments on the bonds when due.***

Braskem Finance, a wholly-owned subsidiary of Braskem incorporated in the Cayman Islands, has no operations other than the issuing and making payments on the bonds and other indebtedness ranking equally with the bonds, and using the proceeds therefrom as permitted by the documents governing these issuances, including lending the net proceeds of the bonds and other indebtedness incurred by Braskem Finance to Braskem and subsidiaries of Braskem. Accordingly, the ability of Braskem Finance to pay principal, interest and other amounts due on the bonds and other indebtedness will depend upon the financial condition and results of operations of Braskem and its subsidiaries that are creditors of Braskem Finance. In the event of an adverse change in the financial condition or results of operations of Braskem and its subsidiaries that are creditors of Braskem Finance, these entities may be unable to service their indebtedness to Braskem Finance, which would result in the failure of Braskem Finance to have sufficient funds to repay all amounts due on or with respect to the bonds.

***Payments on Braskem’s guarantees will be junior to Braskem’s secured debt obligations and effectively junior to debt obligations of Braskem’s subsidiaries and jointly controlled companies.***

The bonds will be fully guaranteed by Braskem on an unsecured basis. The Braskem guarantees will constitute senior unsecured obligations of Braskem. The guarantees will rank equal in right of payment with all of Braskem’s other existing and future senior unsecured indebtedness. Although the guarantees will provide the holders of the bonds with a direct, but unsecured claim on Braskem’s assets and property, payment on the

guarantees will be subordinated to secured debt of Braskem to the extent of the assets and property securing such debt. Payment on the guarantees will also be structurally subordinated to the payment of secured and unsecured debt and other creditors of Braskem's subsidiaries and jointly controlled companies.

Upon any liquidation or reorganization of Braskem, any right of the holders of the bonds, through enforcement of the guarantees, to participate in the assets of Braskem, including the capital stock of its subsidiaries and jointly controlled entities, will be subject to the prior claims of Braskem's secured creditors, and to participate in the assets of Braskem's subsidiaries and jointly controlled entities will be subject to the prior claims of the creditors of its subsidiaries and jointly controlled entities. The indenture relating to the bonds includes a covenant limiting the ability of Braskem and its subsidiaries to create or suffer to exist liens, although this limitation is subject to significant exceptions.

At September 30, 2011, Braskem had total consolidated debt, net of transaction costs, of R\$14,229.2 million (US\$7,673.2 million), of which R\$4,326.7 million (US\$2,333.2 million) was unsecured debt of Braskem, R\$2,264.1 million (US\$1,220.9 million) was secured debt of Braskem, R\$ 2,599.3 million (US\$1,401.7 million) was debt of Braskem's subsidiaries and special purpose entities (other than Braskem Finance), and R\$19.0million (US\$10.2 million) was debt of RPR, which we consolidate on a proportional basis as required by IFRS.

Braskem conducts a portion of its business operations through subsidiaries and jointly controlled companies, including Braskem Qpar, Braskem Petroquímica (formerly Quattor Petroquímica S.A.), Rio Polímeros S.A., or "RioPol," Braskem America and IQ Soluções & Química, or "QuantiQ." In servicing payments to be made on its guarantees of the bonds, Braskem will rely, in part, on cash flows from these subsidiaries and jointly controlled companies, mainly in the form of dividend payments and interest on shareholders' equity. The ability of these subsidiaries and jointly controlled entities to make dividend payments to Braskem will be affected by, among other factors, the obligations of these entities to their creditors, requirements of Brazilian corporate and other law, and restrictions contained in agreements entered into by or relating to these entities.

***Braskem's obligations under the guarantees are subordinated to certain statutory preferences.***

Under Brazilian law, Braskem's obligations under the guarantees are subordinated to certain statutory preferences. In the event of a liquidation, bankruptcy or judicial reorganization of Braskem, such statutory preferences, including post-petition claims, claims for salaries, wages, social security, taxes and court fees and expenses and claims secured by collateral, among others, will have preference over any other claims, including claims by any investor in respect of the guarantees. In such event, enforcement of the guarantees may be unsuccessful, and bondholders may be unable to collect amounts that they are due under the bonds.

***Braskem may not be able to purchase the bonds upon a specified Change of Control event.***

Upon the occurrence of a specified Change of Control event, Braskem will be required to offer to purchase each holder's bonds at a price equal to 101% of their principal amount plus accrued and unpaid interest. At the time of any specified Change of Control event, Braskem may not have sufficient financial resources to purchase all of the bonds that holders may tender in connection with any such change of control offer.

***We may incur additional indebtedness ranking equal to the bonds and the guarantees.***

The indenture will permit Braskem and its subsidiaries, including Braskem Finance, to incur additional debt, including debt that ranks on an equal and ratable basis with the bonds and the guarantees. If Braskem or any of its subsidiaries incur additional debt or provide guarantees that rank on an equal and ratable basis with the bonds or the guarantees, as the case may be, the holders of that debt (and beneficiaries of those guarantees) would be entitled to share ratably with the holders of the bonds in any proceeds that may be distributed upon Braskem's insolvency, liquidation, reorganization, dissolution or other winding up. This would likely reduce the amount of any liquidation proceeds that would be available to be paid to you.

***Developments in other markets may adversely affect the market value of the bonds.***

The market price of the bonds may be adversely affected by declines in the international financial markets and world economic conditions. Brazilian securities markets are influenced, to varying degrees, by economic and market conditions in other countries, especially those in Latin America. Although economic conditions are different in each country, investors' reaction to developments in one country may affect the securities markets and the securities of issuers in other countries, including Brazil. The recent global economic and financial crisis has had a significant negative impact on the economies of countries around the world. Developed economies like the United States have sustained some of the most direct effects while some emerging economies like that of China and Brazil have suffered substantial but comparatively milder effects. More recently, several European economies have revealed significant macroeconomic imbalances. We cannot assure you that the market for Brazilian securities will not continue to be affected negatively by events elsewhere, or that such developments will not have a negative impact on the market value of the bonds.

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

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

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

***The foreign exchange policy of Brazil may affect the ability of Braskem to make money remittances outside Brazil in respect of the guarantees.***

Under current Brazilian regulations, Brazilian companies are not required to obtain authorization from the Central Bank in order to make payments under guarantees in favor of foreign persons, such as the holders of the bonds. We cannot assure you that these regulations will continue to be in force at the time Braskem is required to perform its payment obligations under the guarantees. If these regulations or their interpretation are modified and an authorization from the Central Bank is required, Braskem would need to seek an authorization from the Central Bank to transfer the amounts under the guarantees out of Brazil or, alternatively, make such payments with funds held by Braskem outside Brazil. We cannot assure you that such an authorization will be obtained or that such funds will be available. If such authorization is not obtained, we may be unable to make payments to bondholders in U.S. dollars. If we are unable to obtain the required approvals, if needed for the payment of amounts owed by Braskem through remittances from Brazil, we may have to seek other lawful mechanisms to effect payment of amounts due under the bonds. However, we cannot assure you that other remittance mechanisms will be available in the future, and even if they are available in the future, we cannot assure you that payment on the bonds would be possible through such mechanism.

***Judgments of Brazilian courts enforcing Braskem's obligations under the guarantees would be payable only in reais.***

If proceedings are brought in the courts of Brazil seeking to enforce Braskem's obligations under the guarantees, Braskem would not be required to discharge its obligations in a currency other than *reais*. Any judgment obtained against Braskem in Brazilian courts in respect of any payment obligations under the guarantees would be expressed in *reais*. We cannot assure you that this amount in *reais* will afford you full compensation of the amount sought in any such litigation.



***We cannot assure you that a judgment of a U.S. court for liabilities under U.S. securities laws would be enforceable in Brazil or the Cayman Islands, or that an original action can be brought in Brazil or the Cayman Islands against Braskem or Braskem Finance or their respective officers and directors for liabilities under U.S. securities laws.***

Braskem Finance is an exempted company incorporated with limited liability under the laws of the Cayman Islands. Braskem is a corporation organized under the laws of Brazil. All of the directors of Braskem Finance, all of the directors and officers of Braskem and some of the advisors named herein reside in Brazil or elsewhere outside the United States, and all or a significant portion of the assets of such persons may be located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States or other jurisdictions outside Brazil upon such persons, or to enforce against such persons judgments predicated upon the civil liability provisions of the U.S. federal securities laws or the laws of such other jurisdictions. In addition, it may not be possible to bring an original action in Brazil against Braskem for liabilities under applicable securities laws. Furthermore, as most of our assets are located in Brazil, any action for enforceability of the guarantees would likely need to be validated by the courts of Brazil. We cannot assure you that such judicial validation would be obtained in a timely manner or at all. See “Enforcement of Civil Liabilities.”

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

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

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

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

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

***The bonds are subject to transfer restrictions.***

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

In addition, we are relying upon an exemption from the Prospectus Directive to offer the bonds to investors in member states of the EEA which have implemented the Prospectus Directive. Any future offer or sale of bonds in any member state of the EEA which has implemented the Prospectus Directive must be for a minimum purchase price or a minimum consideration of at least €100,000 or the equivalent in other currency.

***Brazilian bankruptcy laws may be less favorable to you than bankruptcy and insolvency laws in other jurisdictions.***

If we are unable to pay our indebtedness, including our obligations under the guarantees, then we may become subject to bankruptcy proceedings in Brazil. The bankruptcy laws of Brazil currently in effect are significantly different from, and may be less favorable to creditors than, those of certain other jurisdictions. For example, bondholders may have limited voting rights at creditors’ meetings in the context of a court reorganization proceeding. In addition, any judgment obtained against us in Brazilian courts in respect of any payment obligations under the guarantees normally would be expressed in the *real* equivalent of the U.S. dollar amount of such sum at the exchange rate in effect (1) on the date of actual payment, (2) on the date on which such judgment is rendered, or (3) on the date on which collection or enforcement proceedings are started against us. Consequently, in the event of our bankruptcy, all of our debt obligations that are denominated in foreign currency, including the guarantees, will be converted into *reais* at the prevailing exchange rate on the date of declaration of our bankruptcy by the court. We cannot assure you that such rate of exchange will afford full compensation of the amount invested in the bonds plus accrued interest.

## **USE OF PROCEEDS**

We expect the net proceeds to Braskem Finance from the sale of the new bonds to be approximately US\$247.7 million, after deducting the fees and estimated expenses of the offering (excluding interest accrued on the new bonds from January 4, 2012 to February 14, 2012).

We intend to use the net proceeds of this offering to prepay a portion of our short-term and long-term indebtedness and for general corporate purposes.

## 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 "Item 3. Key Information—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" in the Braskem Annual Report, and "Risk Factors—Risks Relating to the Bonds and the Guarantees—Restrictions on the movement of currency out of Brazil may impair the ability of holders of the bonds to receive interest and other payments on the bonds" and "Risk Factors—Risks Relating to the Bonds and the Guarantees—The foreign exchange policy of Brazil may affect the ability of Braskem to make money remittances outside Brazil in respect of the guarantees."

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.

Year	Reais per U.S. Dollar			
	High	Low	Average	Period End
2006 .....	R\$2.371	R\$2.059	R\$2.168	R\$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

Month	Reais per U.S. Dollar	
	High	Low
August 2011 .....	1.633	1.555
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 (through February 6) .....	1.738	1.722

Source: Central Bank

## CAPITALIZATION

The following table sets forth our consolidated debt and capitalization at September 30, 2011, derived from our unaudited consolidated interim balance sheet at September 30, 2011 prepared in accordance with IFRS:

- on an actual historical basis;
- as adjusted for the following transactions subsequent to September 30, 2011:
  - a loan disbursement in October 2011 of R\$250.0 million under a credit export note facility that we entered into with a Brazilian financial institution, of which R\$91.6 million was prepaid in December 2011;
  - disbursements in the aggregate amount of US\$70.0 million under a foreign exchange contract (ACC — *Adiantamento sobre Contrato de Câmbio*), or “ACC,” that we entered into with a Brazilian financial institution in November 2011;
  - a loan disbursement of R\$400.0 million under a credit export note facility that we entered into with a Brazilian financial institution in November 2011;
  - a loan disbursement of US\$50.0 million under a loan agreement that we entered into with an international financial institution in November 2011;
  - a loan disbursement of R\$200.0 million under an agricultural credit note facility that we entered into with a Brazilian financial institution in December 2011;
  - a loan disbursement of US\$50.0 million under a loan agreement that we entered into with an international financial institution in December 2011;
  - disbursements in the aggregate amount of R\$229.9 million under credit facilities that we entered into with a Brazilian financial institution in December 2011;
  - a loan disbursement of US\$50.0 million under a loan agreement that we entered into with an international financial institution in December 2011; and
  - the issuance of US\$250.0 million 5.75% Notes due 2021, which closed in February 2012.

You should read this table in conjunction with (1) “Use of Proceeds” and “Summary Historical and Pro Forma Financial and Other Information,” each of which is included in this offering memorandum, and (2) “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” which is included in the Third Quarter MD&A Report, and (3) our unaudited consolidated interim financial statements and the related notes thereto, which is included in the Third Quarter Financial Statement Report.

	<b>At September 30, 2011</b>			
	<b>Historical</b>		<b>As Adjusted</b>	
	<b>(in millions of US\$(1))</b>	<b>(in millions of reais)</b>	<b>(in millions of US\$(1))</b>	<b>(in millions of reais)</b>
<b>Short-term debt (including accrued interest and current portion of long-term debt):</b>				
<i>Real</i> -denominated debt (including debentures):				
Secured(2) .....	US\$309.0	R\$573.0	US\$309.0	R\$573.0
Unsecured .....	168.4	312.3	253.8	470.7
	<u>477.4</u>	<u>885.3</u>	<u>562.8</u>	<u>1,043.7</u>
Foreign currency-denominated debt:				
Secured(2) .....	49.4	91.7	49.4	91.7
Unsecured .....	227.7	422.3	297.7	552.1
	<u>277.1</u>	<u>514.0</u>	<u>347.2</u>	<u>643.8</u>
Total short-term debt .....	<u>US\$754.5</u>	<u>R\$1,399.3</u>	<u>US\$910.0</u>	<u>R\$1,687.5</u>
<b>Long-term debt:</b>				
<i>Real</i> -denominated debt (including debentures):				
Secured(2) .....	US\$1,091.4	R\$2,023.8	US\$1,215.3	R\$2,253.7
Unsecured .....	1,077.1	1,997.4	1,400.7	2,597.4
	<u>2,168.5</u>	<u>4,021.2</u>	<u>2,616.0</u>	<u>4,851.1</u>
Foreign currency-denominated debt:				
Secured(2) .....	179.2	332.4	179.2	332.4
Unsecured .....	4,560.7	8,457.3	4,960.7	9,199.1
	<u>4,739.9</u>	<u>8,789.7</u>	<u>5,139.9</u>	<u>9,531.5</u>
Long-term debt of proportionally consolidated companies .....	10.2	19.0	10.2	19.0
Total long-term debt .....	<u>6,918.6</u>	<u>12,829.9</u>	<u>7,766.1</u>	<u>14,401.6</u>
<b>Equity attributable to the shareholders of Braskem</b> .....				
	5,433.1	10,075.2	5,433.1	10,075.2
Total capitalization (long-term debt plus equity attributable to the shareholders of Braskem) .....	<u>US\$12,351.7</u>	<u>R\$22,905.1</u>	<u>US\$13,199.2</u>	<u>R\$24,476.8</u>

(1) Translated for convenience only using the selling rate as reported by the Central Bank at September 30, 2011 for *reais* into U.S. dollars of R\$1.8544=US\$1.00.

(2) Our secured debt is secured by accounts receivable and certain of our property, plant and equipment.

There has been no material change in our capitalization since September 30, 2011, except as disclosed above.

## 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. 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 will be consolidated in our financial statements as from October 1, 2011.

### Production Facilities

The table below sets forth the annual production capacity at December 31, 2010 of each of the polypropylene plants that we have acquired in the Dow Polypropylene Acquisition and the annual production for the years presented.

<b>Polypropylene Plant</b>	<b>Annual Production Capacity</b>	<b>Production For the Year Ended December 31,</b>		
		<b>2010</b>	<b>2009</b>	<b>2008</b>
		(in tons)		
Freeport, Texas .....	320,000	301,004	245,761	244,304
Seadrift, Texas .....	185,000	180,949	177,796	176,772
Schkopau, Germany.....	320,000	318,548	312,596	314,662
Wesseling, Germany.....	225,000	198,690	178,332	200,522

### Raw Materials

#### *Propylene*

The most significant direct cost associated with the production of polypropylene by the polypropylene plants that we have acquired in the Dow Polypropylene Acquisition is the costs of purchasing propylene. We acquire propylene for the plants located in the U.S under a supply agreement that provides for the supply of all of our requirements. 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 the Schkopau plant under a supply agreement that provides for the supply of all of our requirements. 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 the Wessling plant under a supply agreement that provides for the purchase of sufficient propylene to produce at least 89% of the annual capacity of this plant. This supply agreement expires in March 2021 and is not renewable. The pricing formula for propylene under this supply agreement is based on market prices.

### ***Catalysts and Other Materials***

We purchase catalysts for the polypropylene plants that we have acquired in the Dow Polypropylene Acquisition 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 processes 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 and Site Services***

Utilities and site services for the Freeport and Seadrift, Texas plant are provided under various supply and service agreements entered into in connection with the Dow Polypropylene Acquisition. Steam, water, fire water, waste water treatment, natural gas and other services are provided under a site services agreement that expires in 2031 and is automatically renewable for consecutive five-year terms, unless either party provides notice of its intention not to renew at least 18 months prior to the expiration of the then current term. Electricity is provided by the same supplier under a separate supply agreement.

Utilities for the Wesseling, Germany plant are provided by utility companies that serve the geographic area in which this plant is located.

Utilities and site services for the Schkopau, Germany plant are provided under a site services agreement entered into in connection with the Dow Polypropylene Acquisition. Under this agreement, the supplier provides electricity, steam, water, fire water, waste water treatment and other services. The site services agreement expires in 2031 and is automatically renewable for consecutive five-year terms, unless either party provides notice of its intention not to renew at least 18 months prior to the expiration of the then current term.

### **Sales and Marketing**

We sell the polypropylene that is produced by the polypropylene plants that we have acquired in the Dow Polypropylene Acquisition globally, with a majority of the customers of this business in the United States, Canada, Mexico and Europe.

Approximately one-half of the sales of polypropylene produced at the U.S. plants and approximately 75% of the sales of polypropylene produced at the German plants are made under supply agreements with our customers. We also market polypropylene production of these plants through (1) our direct sales force that seeks to establish supply relationships with domestic and foreign customers, (2) distributors of branded products in the U.S. and European markets, (3) resellers that trade these products under private labels in the U.S and European markets, and (4) traders that resell these products in the export markets.

### **Competition**

The Dow polypropylene business is largely a commodities business and competes with 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, the competitive position of this business 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.

### **Logistics**

The production facilities of the polypropylene plants that we acquired from Dow are located in petrochemical complexes and receive delivery of propylene, their basic raw material, through pipelines connected to basic petrochemical production facilities and refineries located in close proximity to these plants.



Products produced at these polypropylene plants are shipped to our customers by truck, rail, and coastal or ocean-going vessels. As part of the Dow Polypropylene Acquisition, we acquired approximately 1,400 railcars and assumed the leases of approximately 50 railcars that we use to deliver products produced by the plants in the United States.

## **Technology**

We have succeeded Dow with respect to several non-exclusive agreements with a number of leading petrochemical companies to use certain technology and catalysts for the acquired polypropylene business. Some of the license agreements used by the acquired polypropylene business allow us to use the licensed technology in both existing and future plants. If any of the arrangements or licenses under which we use third-party technology to conduct the acquired polypropylene business were terminated or no longer available to us, we believe that we would be able to replace this technology with comparable or better technology from other sources.

We do not pay any continuing royalties under any of the arrangements or licenses used by the acquired polypropylene business. Most of the license agreements used by the acquired polypropylene business do not require us to pay any continuing royalties. Under the license agreements that require continuing royalty payments, we pay royalties on a quarterly basis based on the volume of the products produced using the licensed technology.

## **Employees**

As a result of the Dow Polypropylene Acquisition, the employees of Dow's polypropylene business are now our employees. As of September 30, 2011, Dow's polypropylene business had 186 employees.

None of the U.S.-based employees of the acquired polypropylene business are represented by union. In Europe, the employees of the acquired polypropylene business are represented by a Workers Council. Approximately 50% of the employees at the Schkopau plant are represented by the union Sozialpolitische Ausschüsse Berlin and Ost and covered under tariff agreements with that union. None of the employees at the Wesseling plant are represented by a union. We believe that Dow has had good ongoing relations with the employees of the acquired polypropylene business and the Workers Council, unions and tariff groups that represent them.

Historically, Dow has offered the employees of its polypropylene business the ability to participate in a variety of health and welfare benefit plans. As part of the process of integrating the operations of the Dow polypropylene business into ours, we expect to continue to offer these plans to the employees of the acquired polypropylene business in Europe for a period of two years and to adopt plans similar to the plans offered by Braskem for the employees of the acquired polypropylene business in the U.S.

Dow has historically offered qualified defined benefit pension plans to the employees of its polypropylene business. These plans included a defined benefit pension plan and post-retirement medical benefits. We will continue to offer these plans to the employees of the acquired polypropylene business in Europe. As part of the process of integrating the operations of this business into our U.S. operations, we intend to offer an enhanced 401(k) plan to the employees of the acquired polypropylene business in the U.S. and are reviewing options with respect to making a post-retirement Retiree Health Savings Account benefit available to all Braskem employees in the U.S., including the employees of the acquired polypropylene business in the U.S.

## **Environmental Regulation**

### *Environmental Regulation in the United States*

The operations in the U.S. of the polypropylene business that we acquired from Dow are subject to the same United States federal, state and local laws and regulations governing the discharge of effluents and emissions into the environment and the handling and disposal of industrial waste and otherwise relating to the protection of the environment as the polypropylene plants of Braskem America in Texas. For more information about these

laws and regulations, see “Item 4. Information on the Company—Environmental Regulation—Environmental Regulation in the United States” in the Braskem Annual Report.

At our Freeport and Seadrift, Texas facilities, we are required to maintain air, radiation and waste management permits from the Texas Commission on Environmental Quality and local agreements relating to the treatment of industrial wastewaters. Our air operating permits expire in 2014 and 2013, respectively. The radiation, waste and wastewater treatment permits and agreements have no expiration date.

### ***Environmental Regulation in Germany and the European Union***

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

At our Schkopau and Wesseling, Germany facilities, we are required to maintain air, radiation and waste management permits from the German government and local agreements relating to the treatment of industrial wastewaters. These permits and agreements have no expiration date.

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

Our European facilities are subject to existing European greenhouse gas regulations and a cap and trade program relating to emissions. These facilities have already been provided with credits necessary to cover existing operations. The current cap and trade credit allocations end in 2012 and will be renewed for the period 2013 to 2020.

We are not aware of any new environmental regulations that would affect our European operations. Accordingly, we cannot estimate the potential financial impact of any future European Union or German environmental regulations.

### **Insurance**

We carry separate insurance for the polypropylene plants that we acquired as part of the Dow Polypropylene Acquisition against material damage and consequent business interruption through “all risks” policies with a total replacement value of US\$1.2 billion for these plants. Our insurance coverage for these plants is underwritten in the U.S. insurance market by large insurance companies. Approximately 75% of this insurance coverage is reinsured in the international insurance market. These “all risks” policies are in force until September 2012. The material damage insurance for the polypropylene plants that we acquired as part of the Dow Polypropylene Acquisition provides insurance coverage for losses due to accidents resulting from fire, explosion, boiler and machinery breakdown, among others. This coverage has a maximum indemnification limit of US\$500 million per event (combined material damage and business interruption coverage, excluding wind damage, which has a maximum indemnification limit of \$200 million per event) and has deductibles of US\$15 million for each plant. The business interruption coverage provides insurance for losses resulting from interruptions due to any material damage covered by the policy. The losses are covered until the plant production is fully re-established, with maximum indemnity periods of 24 months.

We also have a third-party liability policy for the operations of the polypropylene plants that we acquired as part of the Dow Polypropylene Acquisition, which covers losses for damages caused to third parties from our operations, including sudden environmental pollution.

## **Antitrust Matters**

We submitted the terms and conditions of the Dow Polypropylene Acquisition for analysis by the European antitrust authorities on August 26, 2011 and the final clearance was granted on September 28, 2011.

We submitted the terms and conditions of the Dow Polypropylene Acquisition to the U.S. Federal Trade Commission on August 16, 2011. The early termination of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act was approved effective September 9, 2011.

In accordance with the Brazilian antitrust regulation, we submitted the terms and conditions of the Dow Polypropylene Acquisition to CADE for review on August 17, 2011. The Brazilian antitrust authorities will determine whether this transaction negatively impacts competitive conditions in the markets in which we compete or adversely affects consumers in these markets. There can be no assurances that the Brazilian antitrust authority will approve the Dow Polypropylene Acquisition as currently structured or that this authority will not impose additional conditions on the Dow Polypropylene Acquisition.

## OTHER RECENT DEVELOPMENTS

*The following discussion of developments since December 31, 2010 affecting our Company should be read in conjunction with the description of the Brazilian petrochemical industry, the history of our company and the description of our business and strategy set forth in “Item 4: Information on the Company” and “Item 8: Financial Information—Legal Proceedings” included in our 2010 Form 20-F.*

The following is a summary of major transactions entered into, and other developments affecting, our company since December 31, 2010.

### **Financial Transactions**

#### ***Agricultural Credit Note Facility (Nota de Crédito Agrícola)***

In February 2011, Braskem entered into an agricultural credit note facility with a Brazilian financial institution in an aggregate principal amount of R\$250.0 million. The loan proceeds will be used for the acquisition of agricultural products (ethanol) directly from producers and their cooperatives. Principal on this loan is due in two payments of R\$50.0 million in February 2013 and R\$200.0 million in February 2014. This loan bears interest at a floating rate of approximately 99% of the Interbank Deposit Certificate (*Certificado de Depósito Interbancário*), or CDI, and interest is payable on the principal payment dates.

#### ***Export Prepayment Agreement***

In February 2011, Braskem entered into a loan agreement with two international financial institutions in the aggregate amount of US\$200.0 million. The loan proceeds will be used (i) to build a new facility at the existing industrial unit in the Southern Complex, which will have an annual production capacity of 200,000 tons of HDPE and LDPE from bioethanol derived from sugarcane and non-grain feedstock and (ii) to upgrade facilities at the Southern Complex, Northeastern Complex and Alagoas and Southeastern Complex. Interest is payable semi-annually in February and August. This loan bears interest at a floating rate based on LIBOR plus 1.20% per annum and matures in February 2021.

#### ***Issuance of 5.75% Notes due 2021***

In April 2011, we issued and sold, through Braskem Finance, US\$750.0 million aggregate principal amount of our 5.75% Notes due 2021. Interest on these notes is payable semi-annually in arrears in April and October of each year and these notes mature on April 15, 2021. We used the proceeds of this offering to prepay a portion of our outstanding indebtedness.

#### ***Tender Offer for 2014 Notes, 2015 Notes and 2017 Notes***

In April 2011, Braskem Finance completed tender offers that it had made for any and all of our outstanding 2014 Notes, 2015 Notes and 2017 Notes. In these tender offers, we repurchased US\$165.7 million aggregate principal amount of the 2014 Notes, US\$84.7 million aggregate principal amount of the 2015 Notes, and US\$144.3 million aggregate principal amount of the 2017 Notes.

#### ***Redemption of 9.00% Perpetual Bonds***

In April 2011 we redeemed all of our outstanding 9.00% Perpetual Bonds in the aggregate principal amount of US\$200.0 million.

#### ***Credit Export Note Facility with a Brazilian Financial Institution***

In April 2011, Braskem entered into an export note facility with a Brazilian financial institution in an aggregate principal amount of R\$450.0 million. The loan proceeds will be used to produce petrochemical products to be exported between April 2011 and March 2019. Interest is payable quarterly in January, April, July

and October of each year. The loan bears interest at a floating rate of approximately 112.5% of CDI and matures in April 2019.

#### ***Agricultural Credit Note Facility (Nota de Crédito Agrícola)***

In June 2011, Braskem entered into an agricultural credit note facility with a Brazilian financial institution in an aggregate principal amount of R\$80.0 million. The loan proceeds will be used for the acquisition of agricultural products (ethanol) directly from producers and their cooperatives. Principal on this loan is due in June 2014. This loan bears interest at a floating rate of approximately 98.5% of CDI and interest is payable on the principal payment date.

#### ***Issuance of 7.125% Notes due 2041***

In July 2011, we issued and sold US\$500.0 million aggregate principal amount of our 7.125% Notes due 2041. Interest on these notes is payable semi-annually in arrears in January and July of each year and these notes mature on July 22, 2041. We used the proceeds of this offering to prepay a portion of our outstanding indebtedness.

#### ***Credit Export Note Facility with a Brazilian Financial Institution***

In August 2011, Braskem entered into an export note facility with a Brazilian financial institution in an aggregate principal amount of R\$400.0 million. The loan proceeds will be used to produce petrochemical products to be exported between August 2011 and August 2019. Interest is payable quarterly in February, May, August and November of each year. The loan bears interest at a floating rate of approximately 112.5% of CDI and matures in August 2019.

#### ***Share Repurchase Program***

On August 26, 2011, we announced that our board of directors had authorized a share repurchase program under which we were authorized to repurchase up to 12,162,504 class A preferred shares at market prices over the Brazilian Securities, Commodities and Futures Exchange (*BM&FBOVESPA S.A.—Bolsa de Valores, Mercadorias e Futuros*), or the “BM&FBOVESPA,” at any time and from time to time prior to August 28, 2012. Shares that are repurchased will be held in treasury and may be resold or cancelled. As of February 6, 2012, we had repurchased 1,405,000 class A preferred shares for an aggregate of R\$19.8 million.

#### ***Loan Agreements with Brazilian and International Financial Institutions***

From September to December 2011, Braskem Europe, as borrower, and Braskem, as guarantor, entered into four loan agreements and Braskem America, as borrower, and Braskem, as guarantor, entered into one loan agreement, each in the aggregate amount of US\$50.0 million, with Brazilian and international financial institutions. The loan proceeds will be used to finance the manufacturing and sale of chemical, petrochemical and ethanol-based products by Braskem America, Braskem Europe or Braskem, or for general corporate purposes. The loans bear interest at LIBOR plus 1.70% to LIBOR plus 2.25%, and mature between March 2015 and December 2016.

#### ***Borrowings under ACCs***

In October 2011, we entered into two ACCs with a Brazilian financial institution in the aggregate principal amount of US\$50.0 million in connection with export of petrochemical products. Under the contracts, we are obligated to export goods in the amount of US\$50.0 million by October 8, 2012.

In November 2011, we entered into three ACCs with a Brazilian financial institution in the aggregate principal amount of US\$70.0 million in connection with export of petrochemical products. Under the contracts, we are obligated to export goods in the amount of US\$70.0 million by November 1, 2012.

### ***Credit Export Note Facility with a Brazilian Financial Institution***

In October 2011, we entered into a credit export note facility with a Brazilian financial institution in an aggregate principal amount of R\$250.0 million in connection with the production of goods or services to be exported. Interest accrues annually and is payable in April 2012. The loan bears interest at a floating rate of approximately 108.30% of CDI and matures in April 2012.

### ***Credit Export Note Facility with a a Brazilian Financial Institution***

In November 2011, Braskem entered into an export note facility with a Brazilian financial institution in an aggregate principal amount of R\$400.0 million. The loan proceeds will be used to for the production and export of exportable goods. The loan bears interest at a floating rate of approximately 112.5% of CDI payable quarterly and matures in November 2019.

### ***Credit Facilities with a Brazilian Development Bank***

In November 2011, we entered into a credit line with a Brazilian development bank in the aggregate principal amount of R\$2,460.0 million under a revolving stand-by credit facility (*Contrato de Abertura de Limite de Crédito*), or “CALC” facility. The interest rates for each tranche are based on the Long Term Interest Rate (*Taxa de Juros de Longo Prazo*), or “TJLP” rate and vary from TJLP plus 2.05% *per annum* to TJLP plus 2.45% *per annum* based on the project to be financed. Interest and the outstanding principal related to each disbursement are payable in successive monthly installments to be paid from February 2013 to January 2018.

In December 2011, we extended the revolving stand-by credit facility with a Brazilian development bank that we had entered into in June 2007 until June 2013.

### ***Agricultural Credit Note Facility (Nota de Crédito Agrícola)***

In December 2011, Braskem entered into an agricultural credit note facility with a Brazilian financial institution in an aggregate principal amount of R\$200.0 million. The loan proceeds will be used for the acquisition of agricultural products (ethanol) directly from producers and their cooperatives. This loan bears interest at a floating rate of approximately of 103% of CDI payable at maturity and matures in December 2013.

### ***Reopening of 5.75% Notes due 2021***

In February 2012, we issued and sold US\$250.0 million aggregate principal amount of our 5.75% Notes due 2021. The notes were issued as a reopening of our US\$750.0 million 5.75% Notes due 2021, which were originally issued in April 2011. Interest on these notes is payable semi-annually in arrears in April and October of each year and the notes mature on April 15, 2021. We used the proceeds of such offering to prepay a portion of our short-term and long-term indebtedness.

## **Other Recent Developments**

### ***Power Blackout in Northeast Brazil***

On February 4, 2011, a failure in the power grid serving all of the states in Brazil’s Northeast caused a power blackout that led to an unscheduled stoppage of our basic petrochemicals, polyolefins and vinyls plants in the States of Bahia and Alagoas, including our plants at the Northeastern Complex and the plants of our Vinyls Unit.

This power failure caused damage to our basic petrochemicals plants in the Northeastern Complex, which required us to undertake certain repairs to our plants and reduced the capacity utilization of these plants and the related plants of our Polyolefins Unit and our Vinyls Unit as we ramped up production to normal utilization levels following this power failure. We estimate that as a result of this power failure, production of ethylene was

reduced by approximately 90,000 tons during the nine-month period ended September 30, 2011, with consequent declines in production of polyethylene, polypropylene and vinyls products.

We understand that the power failure did not occur as a result of a structural problem in the power grid, but rather from a unique set of circumstances that we do not expect to recur. We estimate that the physical losses and impacts from the power blackout reduced our net income for the nine-month period ended September 30, 2011 by approximately R\$230 million, and are considering available claims under our insurance policies to recover the loss of profit deriving from this power failure.

#### ***Settlement of Strike Against Braskem America***

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 after a three-year term, and Braskem America engaged in negotiations with this union relating to a new collective bargaining agreement. In August 2010, the unionized employees at this plant went on strike. During this strike, the plant continued to operate under the supervision of management. In May 2011, Braskem America entered into a new collective bargaining agreement with this union with a term that expires in May 2015.

#### ***Casualty Incident at Alagoas Chlor-Alkali Plant***

On May 21, 2011, our Alagoas chlor-alkali plant experienced a chlorine leak, which was caused by the failure of certain equipment. On May 23, 2011, a different piece of equipment in the same plant ruptured. This equipment rupture did not involve any leakage of chlorine. 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 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 of the date of this offering memorandum, all of these workers have been released from the hospital.

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. These events have not had any material adverse impact on our consolidated results of operations.

#### ***Peru Initiative***

In November 2011, Braskem and Petroleos del Perú – Petroperú S.A., or "Petroperu," executed a new memorandum of understanding to continue studying the technical and economic feasibility of developing, constructing and operating an ethylene and polyethylene plant with annual production capacity of up to approximately 1,200,000 tons using ethane from Peru as its raw material. This memorandum of understanding has a one-year term, and is automatically renewable for consecutive one-year terms, unless cancelled by one of the parties. If the implementation of this project is approved, this project would be located in a new integrated petrochemical complex on the Pacific coast of Peru.

#### ***José Olefins Project***

Petroquímica de Venezuela, S.A., or "Pequiven," and Braskem have agreed to postpone all developments related to Polietilenos de America, S.A., or "Polimerica," a joint venture with Pequiven in which we and Pequiven each own 49% of the share capital, and to instead focus our joint efforts on Polipropileno del Sur, S.A., or "Propilsur." As such, we do not currently foresee the implementation of the Polimerica project as originally contemplated.

### ***Project Ethylene XXI***

We and Grupo IDESA Sociedad Anónima de Capital Variable, or “Idesa,” have formed a joint venture to develop, construct and operate an olefins complex to be located in the Coatzacoalcos Petrochemical Complex in the Mexican state of Veracruz. We had previously estimated that the total cost of this project to the joint venture would be approximately US\$2.5 billion (excluding financing costs), but have recently revised this to US\$3.1 billion (excluding financial costs and initial working capital needs).

### ***Disruption of Long-Term Propylene Supply Contract in U.S.***

On December 1, 2011, Sunoco Inc. (R&M), or “Sunoco,” announced the idling of its oil refinery in Marcus Hook, Pennsylvania, which supplies propylene to our nearby polypropylene plant. As a result, while we are no longer receiving deliveries of propylene from the Marcus Hook refinery under our long-term supply agreement with Sunoco, we are currently receiving deliveries of propylene from Sunoco’s Philadelphia refinery. On December 9, 2011, Sunoco notified us that the supply agreement will be terminated 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 this plant will not be materially adversely affected. 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.

### ***Developments related to the COMPERJ and Suape Projects***

On December 14, 2011 we entered into a non-binding memorandum of understanding with Odebrecht, OSP and Petrobras and Petroquisa that governs the development of the Rio de Janeiro Petrochemical Complex (*Complexo Petroquímica do Rio de Janeiro*), or “COMPERJ,” an integrated petrochemical complex to be located in Itaboraí in the State of Rio de Janeiro. According to the memorandum of understanding, Braskem and Petrobras will jointly prepare the development of COMPERJ’s petrochemical facility and will continue negotiations to reach the most efficient structure based on the analysis of all technical, environmental, financial, legal and tax aspects involved in the project. This will include an evaluation of whether Braskem will assume control of the existing assets of COMPERJ. Additionally, in September 2011, our board of directors approved a budget to develop the second phase of this project.

With respect to the integrated petrochemical complex to be located in Ipojuca in the State of Pernambuco that is under development by Petrobras, or “Suape,” the current expectation is that it will begin operations in the first semester of 2012. We expect to reach a decision regarding our participation in the Suape project in 2012.

### ***Split Off of Petroquisa’s interest in BRK and Merger of Petroquisa into Petrobras***

On January 27, 2012, OSP, Petrobras and Petroquisa approved a partial split off (*cessão*) in which BRK transferred a portion of its shares of our company to Petrobras and Petroquisa in proportion to the amount of their respective investments in BRK. The remaining shares were retained by BRK, which became a wholly-owned subsidiary of OSP.

On the same date, the shareholders of Petrobras voted to merge its subsidiary Petroquisa into Petrobras. This merger did not affect the level of Petrobras’s direct and indirect ownership in Braskem.



## DESCRIPTION OF THE BONDS

Braskem Finance will issue the bonds offered in this offering, or the “new bonds” pursuant to the indenture, dated as of October 4, 2010, among Braskem Finance, Braskem, as guarantor, The Bank of New York Mellon, as trustee (which term includes any successor as trustee under the indenture), and The Bank of New York Mellon Trust (Japan), Ltd., as principal paying agent, under which Braskem Finance initially issued US\$450.0 million in aggregate principal amount of its 7.375% Perpetual Bonds, or the “initial bonds.” The new bonds will have identical terms as the initial bonds, other than the issue date and issue price, and will constitute part of the same series as, and vote together as a single class with, the initial bonds. The new bonds and the initial bonds will share the same ISIN and CUSIP numbers and be fungible, except that the new bonds offered and sold in offshore transactions under Regulation S shall be issued and maintained under temporary ISIN and CUSIP numbers during a 40-day distribution compliance period commencing on the issue date. Braskem Finance has, under the indenture, appointed a registrar, paying agents and a transfer agent, which are identified on the inside back cover page of this offering memorandum. A copy of the indenture, including the form of the bonds, is available for inspection during normal business hours at the offices of the trustee and any of the other paying agents set forth on the inside back cover page of this offering memorandum. The trustee or any paying agent will also act as transfer agent and registrar in the event that Braskem issues certificates for the bonds in definitive registered form as set forth in “Form of Bonds—Individual Definitive Bonds.”

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

You will find the definitions of capitalized terms used in this section under “—Certain Definitions.” For purposes of this section of this offering memorandum, references to “Braskem” refer only to Braskem S.A. and not to its subsidiaries. References to the “bonds” refer to the new bonds and the initial bonds collectively, unless the context otherwise requires.

### General

The new bonds:

- will be senior unsecured obligations of Braskem Finance;
- will be issued in an aggregate principal amount of US\$250.0 million in this offering;
- will be perpetual bonds with no fixed final maturity date;
- will be subject to optional redemption or tax redemption as described under “—Redemption—Optional Redemption” and “—Redemption—Tax Redemption”;
- will be issued in denominations of US\$100,000 and integral multiples of US\$1,000 in excess thereof;
- will be represented by one or more registered bonds in global form and may be exchanged for bonds in definitive form only in limited circumstances; and
- will be unconditionally guaranteed on a senior unsecured basis by Braskem.

Interest on the new bonds:

- will accrue at the rate of 7.375% per annum;
- will accrue from January 4, 2012;

- will be payable in cash quarterly in arrears on January 4, April 4, July 4 and October 4 of each year, commencing on April 4, 2012;
- will be payable to the holders of record on the December 20, March 20, June 20 and September 20 immediately preceding the related interest payment dates; and
- will be computed on the basis of a 360-day year comprised of twelve 30-day months.

Principal of, and premium, if any, and interest and any additional amounts on, the bonds will be payable, and the transfer of bonds will be registrable, at the office of the trustee, and at the offices of the paying agents and transfer agents, respectively. Braskem Finance initially will maintain a principal paying agent in Japan.

If any payment is due on a bond on a day that is not a business day, payment will be made on the day that is the next business day. Payments postponed to the next business day in this situation will be treated under the indenture as if they were made on the original payment date. No interest will accrue on the postponed amount from the original payment date to the next day that is a business day.

Braskem Finance may from time to time, without notice to or consent of the bondholders, create and issue an unlimited principal amount of additional bonds under the same terms and conditions as the bonds in all respects, except for the issue date, the issue price and the first payment of interest thereon. Any such additional bonds will be consolidated with and will form a single series and vote together with the previously outstanding bonds for all purposes hereof.

### **Braskem Guarantee**

Braskem will unconditionally guarantee, on a senior unsecured basis, Braskem Finance's payment obligations under the bonds and the indenture. The obligations of Braskem under the guarantees will rank:

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

At September 30, 2011, Braskem had total consolidated debt, net of transaction costs, of R\$14,229.2 million (US\$7,673.2 million), of which R\$4,326.7 million (US\$2,333.2 million) was unsecured debt of Braskem, R\$2,264.1 million (US\$1,220.9 million) was secured debt of Braskem, R\$ 2,599.3 million (US\$1,401.7 million) was debt of Braskem's subsidiaries and special purpose entities (other than Braskem Finance), and R\$19.0million (US\$10.2 million) was debt of RPR, which we consolidate on a proportional basis as required by IFRS.

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

### **Ranking**

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

## **Redemption**

The bonds will not be redeemable, except as described below.

### ***Optional Redemption***

The bonds will be redeemable, at the option of Braskem Finance or Braskem, in whole or in part, at any time on or after October 4, 2015, at 100% of the principal amount of the bonds to be redeemed, plus accrued and unpaid interest thereon and any additional amounts payable with respect thereto; *provided* that, if the bonds are redeemed in part, at least US\$100.0 million aggregate principal amount of the bonds must remain outstanding following any partial redemption.

### ***Tax Redemption***

The bonds will be redeemable, at the option of Braskem Finance, Braskem or any successor, in whole, but not in part, at 100% of the principal amount thereof, plus accrued and unpaid interest thereon and any additional amounts payable with respect thereto, only if (1) Braskem Finance, Braskem or any successor has or will become obligated to pay additional amounts as discussed under “—Additional Amounts” with respect to such bonds or the related guarantees (i) in excess of the additional amounts that Braskem Finance, Braskem or any successor would pay if payments in respect of the bonds or the related guarantees were subject to deduction or withholding for Brazilian Taxes (as defined under “—Additional Amounts”) at a rate of (A) 15% generally in case of any taxes imposed by Brazil, or (B) 25% in case of taxes imposed by Brazil on amounts paid to residents of countries which do not impose any income tax or which impose it at a maximum rate lower than 20% or where the laws of that country or location impose restrictions on the disclosure of (x) shareholding composition; (y) the ownership of the investment; or (z) the beneficial ownership of income paid to non-resident persons, pursuant to Law No. 9,779, dated January 19, 1999 or (ii) in respect of deduction or withholding for Cayman Islands Taxes (as defined under “—Additional Amounts”), in either case, as a result of any change in, or amendment to, the laws or regulations of Brazil or the Cayman Islands (or the jurisdiction of any successor) or any political subdivision or governmental authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment occurs after the date of the indenture, and (2) such obligation cannot be avoided by Braskem Finance, Braskem or any successor taking reasonable measures available to it; *provided, however*, that for this purpose reasonable measures will not include any change in Braskem Finance’s, Braskem’s or any successor’s jurisdiction of incorporation or organization or location of its principal executive office or registered office. No such notice of redemption will be given earlier than 60 days prior to the earliest date on which Braskem Finance, Braskem or any successor, as the case may be, would be obligated to pay such additional amounts if a payment in respect of such bonds or the related guarantees were then due.

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

### ***General Provisions for Optional or Tax Redemption***

Braskem Finance or Braskem will mail, or cause to be mailed, a notice of redemption to each holder (which, in the case of global bonds, will be DTC) by first-class mail, postage prepaid, at least five business days and not more than 60 days prior to the redemption date, to the address of each holder as it appears on the register maintained by the registrar. A notice of redemption will be irrevocable.

In the event that less than all of the bonds are to be redeemed at any time, selection of bonds for redemption will be made by the trustee in compliance with the requirements governing redemptions of the principal securities exchange, if any, on which bonds are listed or if such securities exchange has no requirement governing redemption or the bonds are not then listed on a securities exchange, on a pro rata basis or by lot (or, in the case of bonds issued in global form, based on a method that most nearly approximates a pro rata selection in accordance with the procedures of DTC). If bonds are redeemed in part, the remaining outstanding amount of any bond must be at least equal to US\$100,000 and be an integral multiple of US\$1,000.

Unless Braskem Finance or Braskem defaults in the payment of the redemption price, on and after the redemption date interest will cease to accrue on the bonds called for redemption.

Braskem Finance or Braskem may enter into an arrangement under which Braskem or a subsidiary of Braskem may, in lieu of redemption by Braskem Finance or Braskem, purchase for a purchase price equal to the full redemption price any bond to be redeemed pursuant to provisions described under “—Optional Redemption” or “—Tax Redemption.”

### **Purchase of Bonds Upon Change of Control Event**

Not later than 30 days following a Change of Control that results in a Ratings Decline, Braskem, acting on behalf of Braskem Finance, will make directly or by a Designated Affiliate, an Offer to Purchase all outstanding bonds at a purchase price equal to 101% of the principal amount thereof, plus accrued and unpaid interest thereon and any additional amounts payable with respect thereto.

An “Offer to Purchase” must be made by written offer, which will specify the principal amount of bonds subject to the offer and the purchase price. The offer must specify an expiration date (the “Expiration Date”) not less than 30 days or more than 60 days after the date of the offer and a settlement date for purchase (the “Purchase Date”) not more than five business days after the Expiration Date. The offer must include information concerning the business of Braskem and its subsidiaries which it believes will enable the holders to make an informed decision with respect to the Offer to Purchase. The offer will also contain instructions and materials necessary to enable holders to tender bonds pursuant to the offer. Braskem will comply with Rule 14e-1 under the Exchange Act (to the extent applicable) and all other applicable laws in making any Offer to Purchase, and the above procedures will be deemed modified as necessary to permit such compliance.

A holder may tender all or any portion of its bonds pursuant to an Offer to Purchase, subject to the requirement that any portion of a bond tendered must be in a multiple of US\$1,000 principal amount and that the minimum tender of any holder must be no less than US\$100,000. Holders shall be entitled to withdraw bonds tendered up to the close of business on the Expiration Date. On the Purchase Date, the purchase price will become due and payable on each bond accepted for purchase pursuant to the Offer to Purchase, and interest on bonds purchased will cease to accrue on and after the Purchase Date.

Braskem will not be required to make an Offer to Purchase upon a Change of Control that results in a Ratings Decline if (1) a third party makes the Offer to Purchase in the manner, at the times and otherwise in compliance with the requirements set forth in the indenture applicable to an Offer to Purchase made by Braskem and purchases all bonds properly tendered and not withdrawn under the Offer to Purchase, or (2) a notice of redemption for all outstanding bonds has been given pursuant to the indenture unless and until there is a default in payment of the applicable redemption price. Notwithstanding anything to the contrary contained herein, an Offer to Purchase may be made in advance of a Change of Control, conditioned upon the consummation of such Change of Control, if a definitive agreement is in place for the Change of Control at the time the Offer to Purchase is made.

“Change of Control” means:

(1) any “person” or “group” (as such terms are used for purposes of Sections 13(d) and 14(d) of the Exchange Act), other than one or more Permitted Holders or a group that includes one or more Permitted Holders in which such Permitted Holder or Permitted Holders hold and have voting power over at least a majority of the Voting Stock of Braskem held by such group, is or becomes the “beneficial owner”

(as such term is used in Rule 13d-3 under the Exchange Act), directly or indirectly, of more than 50% of the total voting power of the Voting Stock of Braskem, including as a result of any merger or consolidation transaction including Braskem; or

(2) the Permitted Holders, directly or indirectly, cease to have the power to direct or cause the direction of the management and policies of Braskem, whether through the ownership of voting securities, by contract or otherwise.

“Designated Affiliate” means, at any time, one or more Persons (a) designated by Braskem to be the purchaser of bonds under an Offer to Purchase and (b) whose management and policies Braskem directs or has the power to direct, whether by contract or otherwise, including the power to cause such Person or Persons to purchase the bonds in whole or in part in connection with an Offer to Purchase.

“Investment Grade” means BBB- or higher by Standard & Poor’s, Baa3 or higher by Moody’s or BBB- or higher by Fitch, or the equivalent of such global ratings by Standard & Poor’s, Moody’s or Fitch.

“Permitted Holder” means each of (1) Odebrecht S.A. and its Affiliates and (2) Petróleo Brasileiro S.A. – Petrobras and its Subsidiaries.

“Person” means any corporation, partnership, joint venture, trust, limited liability company or unincorporated organization.

“Rating Agency” means each of (1) Standard & Poor’s, (2) Moody’s and (3) Fitch, or their respective successors.

“Ratings Decline” means that at any time within 90 days after the earlier of the date of public notice of a Change of Control and the date on which Braskem or any other Person publicly declares its intention to effect a Change of Control, (i) in the event the bonds are assigned an Investment Grade rating by at least two of the Rating Agencies prior to such public notice or declaration, the rating assigned to the bonds by at least two of the Rating Agencies is below an Investment Grade rating; or (ii) in the event the ratings assigned to the bonds by at least two of the Rating Agencies prior to such public notice or declaration are below an Investment Grade rating, the rating assigned to the bonds by at least two of the Rating Agencies is decreased by one or more categories (*i.e.*, notches); *provided* that, in each case, any such Ratings Decline is expressly stated by the applicable Rating Agencies to have been the result of the Change of Control.

“Voting Stock” means, with respect to Braskem as of any date, the capital stock of Braskem that is at the time entitled to vote generally in the election of the Board of Directors of Braskem and in respect of other matters presented at shareholders’ meetings of Braskem.

### **Open Market Purchases**

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

### **Payments**

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

Braskem Finance will make payments of principal of and premium, if any, and interest on the bonds to the principal paying agent (as identified on the inside back cover page of this offering memorandum), which will pass such funds to the trustee and the other paying agents or to the holders. See “Taxation—Brazilian Taxation.” Upon any issuance of individual definitive bonds, Braskem Finance will appoint and maintain a paying agent in

Singapore, for so long as the bonds are listed on the SGX-ST and the rules of such exchange so require. See “Form of Bonds—Individual Definitive Bonds.” In such event, an announcement will be made through the SGX-GT and will include all material information with respect to the delivery of the definitive bonds, including details of the paying agent in Singapore. Upon any change in the paying agent or registrar, Braskem Finance will publish a notice in a leading daily newspaper of general circulation in Singapore (which is expected to be *The Business Times*, Singapore Edition), for so long as the bonds are listed on the SGX-ST and the rules of such exchange so require. See “Form of Bonds—Individual Definitive Bonds.”

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

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

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

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

### **Form, Denomination and Title**

The bonds will be issued in fully registered form without coupons attached in minimum denominations of US\$100,000 and integral multiples of US\$1,000 in excess thereof.

Bonds sold in offshore transactions in reliance on Regulation S will be represented by one or more permanent global bonds in fully registered form without coupons deposited with a custodian for and registered in the name of a nominee of DTC for the accounts of Euroclear and Clearstream. Bonds sold in reliance on Rule 144A will be represented by one or more permanent global bonds in fully registered form without coupons deposited with a custodian for and registered in the name of a nominee of DTC. Bonds represented by the global bonds will trade in DTC’s Same-Day Funds Settlement System and secondary market trading activity in such bonds will therefore settle in immediately available funds. There can be no assurance as to the effect, if any, of settlements in immediately available funds on trading activity in the bonds. Beneficial interests in the global bonds will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its

direct and indirect participants, including Euroclear and Clearstream. Except in certain limited circumstances, definitive registered bonds will not be issued in exchange for beneficial interests in the global bonds. See “Form of Bonds—Global Bonds.”

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

### **Transfer of Bonds**

Bonds may be transferred in whole or in part in an authorized denomination upon the surrender of the bond to be transferred, together with the form of transfer endorsed on it duly completed and executed, at the specified office of the registrar or the specified office of any transfer agent.

Each new bond to be issued upon exchange of bonds or transfer of bonds will, within three business days of the receipt of a request for exchange or form of transfer, be mailed at the risk of the holder entitled to the bond to such address as may be specified in such request or form of transfer.

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

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

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

### **Additional Amounts**

All payments by Braskem Finance or Braskem in respect of the bonds or the related guarantees, as the case may be, will be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments, fees or other governmental charges of whatever nature (and any fines, penalties or interest related thereto) imposed or levied by or on behalf of Brazil or the Cayman Islands or any political subdivision or authority of or in Brazil or the Cayman Islands having power to tax (“Brazilian Taxes” or “Cayman Islands Taxes,” respectively), unless such withholding or deduction is required by law. In that event, Braskem Finance or Braskem, as the case may be, will pay to each holder such additional amounts as may be necessary in order that every net payment made by Braskem Finance or Braskem, as the case may be, on each bond or the related guarantees after deduction or withholding for or on account of Brazilian Taxes or Cayman Islands Taxes will not be less than the amount then due and payable on such bond. The foregoing obligation to pay additional amounts, however, will not apply to or in respect of:

- (1) any tax, assessment or other governmental charge which would not have been imposed but for the existence of any present or former connection between a holder (or between a fiduciary, settlor, beneficiary, member or shareholder of such holder, if such holder is an estate, a trust, a partnership or a corporation), on the one hand, and Brazil or the Cayman Islands, on the other hand (including, without limitation, such holder (or such fiduciary, settlor, beneficiary, member or shareholder) being or having been a citizen or resident thereof or having been engaged in a trade or business or present therein or having, or having had, a permanent establishment therein), other than the mere receipt of such payment or the ownership or holding of a bond or the related guarantees;

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

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

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

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

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

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

(8) any combination of the above.

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

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

Braskem Finance or Braskem will provide the trustee with the official acknowledgment of the relevant taxing authority (or, if such acknowledgment is not available, other reasonable documentation) evidencing any payment of Brazilian Taxes or Cayman Islands Taxes in respect of which Braskem Finance or Braskem has paid any additional amounts. Copies of such documentation will be made available to the holders of the bonds or the paying agents, as applicable, upon request therefor.

All references in this offering memorandum to principal of, premium, if any, and interest on the bonds will include any additional amounts payable by Braskem Finance or Braskem, as the case may be, in respect of such principal, such premium, if any, and such interest.



## Covenants

The indenture contains the following covenants:

### *Limitation on Liens*

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

(1) any Lien existing on the date of the indenture, and any extension, renewal or replacement thereof or of any Lien referred to in clauses (2), (3) or (4) below; *provided, however*, that the total amount of Debt so secured is not increased, other than any increase reflecting premiums, fees and expenses in connection with such extension, renewal or replacement;

(2) any Lien on any property or assets (including Capital Stock of any person) securing Debt incurred for purposes of financing the acquisition, construction or improvement of such property or assets including related transaction fees and expenses (or securing Debt incurred to refinance a bridge or other interim financing that is initially incurred for the purpose of financing such acquisition, construction or improvement of such property or assets including related transaction fees and expenses) after the date of the indenture; *provided* that (a) the aggregate principal amount of Debt secured by the Liens will not exceed (but may be less than) the cost (i.e., purchase price) of the property or assets so acquired, constructed or improved and (b) the Lien is incurred before, or within 365 days after the completion of, such acquisition, construction or improvement and does not encumber any other property or assets of Braskem or any Subsidiary; and *provided, further*, that to the extent that the property or asset acquired is Capital Stock, the Lien also may encumber other property or assets of the person so acquired;

(3) any Lien securing Debt for the purpose of financing all or part of the cost of the acquisition, construction or development of a project; *provided* that the Lien in respect of such Debt is limited to assets (including Capital Stock of the project entity) and/or revenues of such project with an aggregate value of not more than the amount of such Debt; and *provided, further*, that the Lien is incurred before, or within 365 days after the completion of, that acquisition, construction or development and does not apply to any other property or assets of Braskem or any Subsidiary;

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

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

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

any Subsidiary is a party or deposits for the payment of rent, in each case made in the ordinary course of business;

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

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

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

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

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

(12) Liens securing obligations under hedging agreements not for speculative purposes;

(13) any Lien on the inventory or receivables and related assets of Braskem or any Subsidiary securing the obligations of such person under any lines of credit or working capital facility or in connection with any structured export or import financing or other trade transaction; *provided* that the aggregate amount of receivables securing Debt will not exceed (a) with respect to transactions secured by receivables from export sales, 80% of Braskem's consolidated gross revenues from export sales for the most recently concluded period of four consecutive fiscal quarters; or (b) with respect to transactions secured by receivables from domestic sales, 80% of such Person's consolidated gross revenues from sales for the most recently concluded period of four consecutive fiscal quarters; and *provided, further*, that Advance Transactions will not be deemed transactions secured by receivables for purpose of the above calculation; and

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

Solely for purposes of this "Limitation on Liens" covenant (but not the "Consolidated Total Assets" definition), and notwithstanding the "Subsidiary" definition, a corporation, association, partnership or other business entity that constitutes a joint venture or similar entity between Braskem and/or one or more of its Subsidiaries, on the one hand, and one or more persons, on the other, and that would otherwise be a Subsidiary will not be deemed to be a Subsidiary (and, therefore, not subject to this covenant); *provided* that such joint venture or similar entity is not fully consolidated in the financial statements of Braskem (and instead is proportionately consolidated under Brazilian Securities Commission Instruction No. 247, as amended, or any successor provision because it is jointly controlled by Braskem and/or its Subsidiaries, on the one hand, and such other persons, on the other); and *provided, further*, that the Debt secured or to be secured by Liens is incurred to finance the business of such joint venture or similar entity or property or assets owned or hereafter acquired, directly or indirectly, by it.

For the avoidance of doubt, a Lien permitted by this “Limitation on Liens” covenant need not be permitted solely by reference to a single clause permitting such Lien, but may be permitted in part by such clause and in part by one or more other clauses of this covenant otherwise permitting such Lien.

### ***Limitation on Consolidation, Merger or Transfer of Assets***

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

(1) the resulting, surviving or transferee person (if not Braskem) will be a person organized and existing under the laws of Brazil, the United States of America, any State thereof or the District of Columbia, any other country that is a member country of the European Union or of the Organization for Economic Co-operation and Development on the date of the indenture, or any other country whose long-term foreign currency-denominated debt has an Investment Grade rating from either Standard & Poor’s or Moody’s as of the effective date of such transaction, and such person expressly assumes, by a supplemental indenture to the indenture, executed and delivered to the trustee, all the obligations of Braskem under the indenture, the bonds and the guarantees; and

(2) the resulting, surviving or transferee person (if not Braskem), if not organized and existing under the laws of Brazil, undertakes, in such supplemental indenture, to pay such additional amounts in respect of principal and premium, if any, and interest as may be necessary in order that every net payment made in respect of the guarantees related to the bonds after deduction or withholding for or on account of any present or future tax, penalty, fine, duty, assessment or other governmental charge imposed by such other country or any political subdivision or taxing authority thereof or therein will not be less than the amount of principal and premium, if any and interest then due and payable on the guarantees related to the bonds, subject to the same exceptions set forth under clauses (1) through (8) under “—Additional Amounts,” but replacing existing references in such clauses to Brazil and the Cayman Islands with references to such other country;

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

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

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

### ***Reporting Requirements***

Braskem will provide the trustee with the following reports (and will also provide the trustee with sufficient copies of the reports referred to in clauses (1) through (3) below for distribution, at Braskem’s expense, to all holders of bonds):

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

(2) an English language version of its unaudited quarterly financial statements prepared in accordance with Brazilian GAAP (including, as supplementary information, an unaudited condensed consolidated balance sheet and an unaudited condensed consolidated statement of operations, in each case, prepared in accordance with Brazilian GAAP), promptly upon such financial statements becoming available

but not later than 60 days after the close of each fiscal quarter (other than the last fiscal quarter of its fiscal year);

(3) simultaneously with the delivery of each set of financial statements referred to in clause (1) above, an officers' certificate stating whether, to the knowledge of the officers executing such officers' certificate after due inquiry, a Default or Event of Default exists on the date of such certificate and, if a Default or Event of Default exists, setting forth the details thereof and the action which Braskem Finance or Braskem, as the case may be, is taking or proposes to take with respect thereto; and

(4) within five business days after any director or executive officer of Braskem Finance or Braskem, as the case may be, becomes aware of the existence of a Default or Event of Default, an officers' certificate setting forth the details thereof and the action which Braskem Finance or Braskem, as the case may be, is taking or proposes to take with respect thereto.

The above reports may be delivered by Braskem to the trustee in physical or electronic form, as determined by Braskem.

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

#### **Additional Limitations on Braskem Finance and Braskem**

The indenture contains the following covenants:

- Braskem Finance will not engage in any business, or conduct any operations, other than to finance the operations of Braskem and its subsidiaries and activities that, in the good faith judgment of Braskem Finance's directors and officers, are reasonably ancillary thereto (including, without limitation, on-lending of funds, repurchases of Debt permitted to be issued by the indenture, entering into transactions involving Hedging Obligations relating to such Debt and investments permitted by the indenture);
- Braskem Finance will not incur any Debt other than (1) the bonds and (2) any other indebtedness which (i) ranks equally with the bonds or (ii) is subordinated to the bonds;
- Braskem Finance will not make any investments, other than (1) investments in the bonds and any other indebtedness of Braskem Finance or (2) investments of the proceeds of the bonds or any other indebtedness of Braskem Finance in Braskem or any subsidiary of Braskem;
- Braskem Finance will not pay any dividends or distributions on its shares, or redeem any of its shares; and
- Braskem Finance will not incur any Liens on any of its assets, except for any Liens imposed by operation of law.

Braskem, as the sole shareholder of Braskem Finance, and Braskem Finance will also agree in the indenture that, for so long as any of the bonds is outstanding neither Braskem nor Braskem Finance will take any corporate action with respect to:

- the consolidation or merger of Braskem Finance with or into any other person, except that Braskem Finance may merge with Braskem or a Wholly-owned Subsidiary;

- the voluntary liquidation, wind-up or dissolution of Braskem Finance while Braskem Finance is the issuer of the bonds, unless Braskem fully and unconditionally assumes all of the obligations of Braskem Finance, including the bonds; or
- the transfer or disposition by Braskem of Braskem Finance to any person other than a Wholly-owned Subsidiary, except as permitted under “—Covenants—Limitation on Consolidation, Merger or Transfer of Assets.”

### **Substitution of the Issuer**

Braskem Finance may, without the consent of any holder of the bonds, be substituted by (a) Braskem or (b) any Wholly-owned Subsidiary of Braskem as principal debtor in respect of the bonds (in that capacity, the “Substituted Issuer”); *provided* that the following conditions are satisfied:

(1) such documents will be executed by the Substituted Issuer, Braskem Finance, Braskem and the trustee as may be necessary to give full effect to the substitution, including a supplemental indenture under which the Substituted Issuer assumes all of Braskem Finance’s obligations under the indenture and the bonds and, unless Braskem’s then existing guarantees remain in full force and effect, substitute guarantees issued by Braskem in respect of the bonds (collectively, the “Issuer Substitution Documents”);

(2) if the Substituted Issuer is organized in a jurisdiction other than the Cayman Islands, the Issuer Substitution Documents will contain covenants (1) to ensure that each holder of the bonds has the benefit of a covenant in terms corresponding to the obligations of Braskem Finance in respect of the payment of additional amounts (but replacing references to the Cayman Islands with references to such other jurisdiction); and (2) to indemnify each holder and beneficial owner of the bonds against all taxes or duties (a) which arise by reason of a law or regulation in effect or contemplated on the effective date of the substitution, which may be incurred or levied against such holder or beneficial owner of the bonds as a result of the substitution and which would not have been so incurred or levied had the substitution not been made and (b) which are imposed on such holder or beneficial owner of the bonds by any political subdivision or taxing authority of any country in which such holder or beneficial owner of the bonds resides or is subject to any such tax or duty and which would not have been so imposed had the substitution not been made;

(3) Braskem Finance will deliver, or cause the delivery, to the trustee of opinions from internationally recognized counsel in the jurisdiction of organization of the Substituted Issuer, the Cayman Islands and the United States as to the validity, legally binding effect and enforceability of the Issuer Substitution Documents and specified other legal matters, as well as an officers’ certificate as to compliance with the provisions described under this section;

(4) the Substituted Issuer will appoint a process agent in the Borough of Manhattan in The City of New York to receive service of process on its behalf in relation to any legal action or proceedings arising out of or in connection with the bonds, the indenture and the Issuer Substitution Documents;

(5) no Event of Default has occurred or is continuing; and

(6) the substitution will comply with all applicable requirements under the laws of the jurisdiction of organization of the Substitute Issuer, the Cayman Islands and Brazil.

Upon the execution of the Issuer Substitution Documents, any substitute guarantees and compliance with the other conditions in the indenture relating to the substitution, the Substituted Issuer will be deemed to be named in the bonds as the principal debtor in place of Braskem Finance and Braskem Finance will be released from all of its obligations under the bonds and the indenture, including, without limitation, compliance with the covenants described under “—Additional Limitations on Braskem Finance and Braskem.”

Not later than 10 business days after the execution of the Issuer Substitution Documents, the Substituted Issuer will give notice thereof to the holders of the bonds.

Notwithstanding any other provision of the indenture, Braskem will (unless it is the Substituted Issuer) do or cause to be done all acts and things and promptly execute and deliver any documents or instruments, including any substitute guarantees and a legal opinion of internationally recognized Brazilian counsel, that may be required, or that the trustee may reasonably request, to ensure that Braskem's guarantees are in full force and effect for the benefit of the holders and beneficial owners of the bonds following the substitution.

## Events of Default

An "Event of Default" occurs if:

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

(2) Braskem Finance or Braskem defaults in the payment of the principal (including premium, if any, and any related additional amounts) of any bond when the same becomes due and payable upon redemption, or otherwise;

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

(4) Braskem or any Significant Subsidiary defaults under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Debt for money borrowed by Braskem or any such Significant Subsidiary (or the payment of which is guaranteed by Braskem or any such Significant Subsidiary) whether such Debt or guarantee now exists, or is created after the date of the indenture, which default (a) is caused by failure to pay principal of or premium, if any, or interest on such Debt after giving effect to any grace period provided in such Debt on the date of such default ("Payment Default") or (b) results in the acceleration of such Debt prior to its express maturity and, in each case, the principal amount of any such Debt, together with the principal amount of any other such Debt under which there has been a Payment Default or the maturity of which has been so accelerated, totals US\$100.0 million (or the equivalent thereof at the time of determination) or more in the aggregate;

(5) one or more final judgments or decrees for the payment of money of US\$100.0 million (or the equivalent thereof at the time of determination) or more in the aggregate are rendered against Braskem or any Significant Subsidiary and are not paid (whether in full or in installments in accordance with the terms of the judgment) or otherwise discharged and, in the case of each such judgment or decree, either (a) an enforcement proceeding has been commenced by any creditor upon such judgment or decree and is not dismissed within 60 days following commencement of such enforcement proceedings or (b) there is a period of 60 days following such judgment during which such judgment or decree is not discharged, waived or the execution thereof stayed; or

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

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

The trustee is not to be charged with knowledge of any Default or Event of Default or knowledge of any cure of any Default or Event of Default unless either (i) an attorney, authorized officer or agent of the trustee with direct responsibility for the indenture has actual knowledge of such Default or Event of Default or (ii)

written notice of such Default or Event of Default has been given to the trustee by Braskem Finance, Braskem or any holder.

In the case of any Event of Default referred to in clauses 4(a) and/or 4(b) above, such Event of Default will be automatically rescinded or annulled if the Payment Default and/or the acceleration of the Debt referred to therein is remedied or cured by Braskem or such Significant Subsidiary or waived by the holders of such Debt within 60 days after the Payment Default and/or acceleration in respect of such Debt.

If an Event of Default (other than an Event of Default specified in clause (6) above) occurs and is continuing, the trustee or the holders of not less than 25% in principal amount of the bonds then outstanding may declare all unpaid principal of and accrued interest on all bonds to be due and payable immediately, by a notice in writing to Braskem Finance, and upon any such declaration such amounts will become due and payable immediately. If an Event of Default specified in clause (6) above occurs and is continuing, then the principal of and accrued interest on all bonds will become and be immediately due and payable without any declaration or other act on the part of the trustee or any holder.

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

#### **Defeasance**

Braskem Finance or Braskem, as the case may be, may at any time terminate all of its obligations with respect to the bonds (“defeasance”), except for certain obligations, including those regarding any trust established for a defeasance and obligations to register the transfer or exchange of the bonds, to replace mutilated, destroyed, lost or stolen bonds and to maintain agencies in respect of bonds. Braskem Finance or Braskem, as the case may be, may at any time terminate its obligations under certain covenants set forth in the indenture, and any omission to comply with such obligations will not constitute a Default or an Event of Default with respect to the bonds issued under the indenture (“covenant defeasance”). In order to exercise either defeasance or covenant defeasance, Braskem Finance or Braskem must irrevocably deposit in trust, for the benefit of the holders of the bonds, with the trustee money or U.S. government obligations, or a combination thereof, in such amounts as will be sufficient, in the opinion of an internationally recognized firm of independent public accountants expressed in a written certificate delivered to the trustee, without consideration of any reinvestment, to pay the principal of, the premium, if any, and interest on the bonds to redemption and comply with certain other conditions, including the delivery of an opinion of counsel as to certain tax matters.

#### **Amendment, Supplement, Waiver**

Subject to certain exceptions, the indenture, the bonds or the guarantees may be amended or supplemented with the written consent of the holders of at least a majority in principal amount of the bonds then outstanding, and any Default or Event of Default and its consequences may be waived with the consent of the holders of at least a majority in principal amount of the bonds then outstanding. However, without the consent of each holder of an outstanding bond affected thereby, no amendment may:

- (1) reduce the rate of or extend the time for payment of interest on any bond;
- (2) reduce the principal of any bond;
- (3) reduce the amount payable upon redemption of any bond or change the time at which any bond may be redeemed;

- (4) change the currency for payment of principal of, premium, if any, or interest on, any bond;
- (5) impair the right to institute suit for the enforcement of any payment on or with respect to any bond;
- (6) waive a Default or Event of Default in the payment of principal of, premium, if any, and interest on, the bonds;
- (7) amend or modify any provisions of the guarantees in a manner that would materially and adversely affect the holders;
- (8) reduce the principal amount of bonds whose holders must consent to any amendment, supplement or waiver; or
- (9) make any change in the amendment or waiver provisions which require each holder's consent.

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

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

Braskem Finance, Braskem and the trustee may, without notice to or the consent or vote of any holder of the bonds, amend or supplement the indenture, the bonds or the guarantees for the following purposes:

- (1) to cure any ambiguity, omission, defect or inconsistency (including, without limitation, any inconsistency between the text of the indenture, the bonds or the guarantees and the description of the indenture, the bonds or the guarantees contained in this offering memorandum);
- (2) to comply with the covenant described under “—Covenants—Limitation on Consolidation, Merger or Transfer of Assets”;
- (3) to add guarantees or collateral with respect to the bonds;
- (4) to add to the covenants of Braskem Finance or Braskem for the benefit of holders of the bonds;
- (5) to surrender any right conferred by the indenture upon Braskem Finance or Braskem;
- (6) to evidence and provide for the acceptance of an appointment by a successor trustee;
- (7) to comply with any requirements of the SEC in connection with any qualification of the indenture under the U.S. Trust Indenture Act of 1939, as amended;
- (8) to provide for the issuance of additional bonds; or
- (9) to make any other change that does not materially and adversely affect the rights of any holder of the bonds.



## **Notices**

For so long as bonds in global form are outstanding, notices to be given to holders will be given to the depositary, in accordance with its applicable policies as in effect from time to time. If bonds are issued in individual definitive form, notices to be given to holders will be deemed to have been given upon the mailing by first class mail, postage prepaid, of such notices to holders of the bonds at their registered addresses as they appear in the trustee's records. In addition, so long as the bonds are listed on the SGX-ST and the rules of such exchange so require, notices will also be published in a leading English language newspaper having general circulation in Singapore (which is expected to be *The Business Times*, Singapore Edition). Any such notice will be deemed to have been delivered on the date of first publication.

## **Trustee**

The Bank of New York Mellon is the trustee under the indenture.

The indenture contains provisions for the indemnification of the trustee and for its relief from responsibility. The obligations of the trustee to any holder are subject to such immunities and rights as are set forth in the indenture.

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

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

## **Governing Law and Submission to Jurisdiction**

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

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

## **Currency Indemnity**

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

originally due to such holder, such holder will, by accepting a bond, be deemed to have agreed to repay such excess. In any event, Braskem Finance or Braskem as the case may be, will indemnify the recipient against the cost of making any such purchase.

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

### **Certain Definitions**

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

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

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

“Brazil” means the Federative Republic of Brazil.

“Brazilian GAAP” means accounting practices adopted in Brazil, which are based on the Brazilian Corporation Law, the rules and regulations issued by the CVM and the accounting standards issued by the CPC, in each case as in effect from time to time.

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

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

“Consolidated Total Assets” means the total amount of assets of Braskem and its Subsidiaries as set forth in the most recent financial statements delivered by Braskem to the trustee in accordance with “—Covenants— Reporting Requirements.”

“CVM” means the Brazilian Securities Commission (*Comissão de Valores Mobiliários*).

“Debt” means, with respect to any person, without duplication:

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

(b) all Capital Lease Obligations of such person;

(c) all obligations of such person issued or assumed as the deferred purchase price of property, all conditional sale obligations of such person and all obligations of such person under any title retention agreement (but excluding trade accounts payable or other short-term obligations to suppliers payable within 360 days, in each case arising in the ordinary course of business);

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

(e) all Hedging Obligations;

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

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

if and to the extent any of the preceding items (other than letters of credit and Hedging Obligations) would appear as a liability upon a balance sheet of the specified Person prepared in accordance with Brazilian GAAP.

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

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

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

“holder” means the person in whose name a bond is registered in the register.

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

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

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

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

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

“Wholly-owned Subsidiary” means a Subsidiary of which at least 95% of the Capital Stock (other than directors’ qualifying shares) is owned by Braskem or another Wholly-owned Subsidiary.

## FORM OF THE BONDS

Bonds sold in offshore transactions in reliance on Regulation S will be represented by a permanent global bond or bonds in fully registered form without interest coupons (the “Regulation S Global Bond”) and will be registered in the name of a nominee of DTC and deposited with a custodian for DTC. Bonds sold in reliance on Rule 144A will be represented by a permanent global bond or bonds in fully registered form without interest coupons (the “Restricted Global Bond” and, together with the Regulation S Global Bond, the “global bonds”) and will be deposited with a custodian for DTC and registered in the name of a nominee of DTC.

The bonds will be subject to certain restrictions on transfer as described in “Notice to Investors.” A beneficial interest in the Regulation S Global Bond may be transferred to a person who takes delivery in the form of an interest in the Restricted Global Bond only upon receipt by the paying agent of a written certification from the transferor (in the form provided in the indenture) to the effect that such transfer is being made to a person whom the transferor reasonably believes to be a “qualified institutional buyer” within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States or any other jurisdiction (a “Restricted Global Bond Certificate”). This certification requirement will apply to such transfers until at least the 40th day after the later of the commencement of the offering and the closing date of this offering; *provided, however*, that we may extend the time period during which this certification is required at our discretion. Beneficial interests in the Restricted Global Bond may be transferred to a person who takes delivery in the form of an interest in the Regulation S Global Bond only upon receipt by the paying agent of a written certification from the transferor (in the form provided in the indenture) to the effect that such transfer is being made in accordance with Rule 903 or Rule 904 of Regulation S or Rule 144 under the Securities Act (a “Regulation S Global Bond Certificate”). Any beneficial interest in one of the global bonds that is transferred to a person who takes delivery in the form of an interest in the other global bond will, upon transfer, cease to be an interest in such global bond and become an interest in the other global bond and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in such other global bond for as long as it remains an interest.

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

### Global Bonds

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

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

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

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

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

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

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

DTC has advised that it will take any action permitted to be taken by a holder of bonds (including the presentation of bonds for exchange as described below) only at the direction of one or more DTC Participants to whose account or accounts with DTC interests in the global bonds are credited and only in respect of such

portion of the aggregate principal amount of the bonds as to which such DTC Participant or DTC Participants has or have given such direction. However, in the limited circumstances described above, DTC will exchange the global bonds for individual definitive bonds (in the case of bonds represented by the Restricted Global Bond, bearing a restrictive legend), which will be distributed to its participants. Holders of indirect interests in the global bonds through DTC Participants have no direct rights to enforce such interests while the bonds are in global form.

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

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

Although DTC, Euroclear and Clearstream have agreed to the foregoing procedures in order to facilitate transfers of interests in the Regulation S Global Bond and in the Restricted Global Bond among participants and accountholders of DTC, Euroclear and Clearstream, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of Braskem Finance, Braskem or any agent will have any responsibility for the performance of DTC, Euroclear or Clearstream or their respective participants, indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations.

### **Individual Definitive Bonds**

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

Upon the issue of individual definitive bonds, we will appoint and maintain a paying agent in Singapore, for so long as the bonds are listed on the SGX-ST and the rules of such exchange so require. In such event, an announcement shall be made through the SGX-GT and will include all material information with respect to the delivery of the definitive bonds, including details of the paying agent in Singapore. Upon any change in the paying agent or registrar, Braskem Finance will publish a notice in a leading daily newspaper of general circulation in Singapore (which is expected to be *The Business Times* (Singapore Edition)).

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

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



## TAXATION

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

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

### **Cayman Islands Tax Considerations**

The following is a discussion of certain Cayman Islands income tax consequences of an investment in the bonds. The discussion is a general summary of present law, which is subject to prospective and retroactive change. It is not intended as tax advice, does not consider any investor's particular circumstances, and does not consider tax consequences other than those arising under Cayman Islands law.

Payments of interest and principal on the bonds will not be subject to taxation in the Cayman Islands, and no withholding will be required on the payment of interest and principal to any holder of the bonds. In addition, gains derived from the disposal of the bonds will not be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance tax or gift tax.

No stamp duty is payable in respect of the issue of the bonds. The bonds themselves (if in definitive form) will be stampable if they are executed in or brought into the Cayman Islands. An instrument of transfer in respect of a bond is stampable if executed in or brought into the Cayman Islands.

Braskem Finance has been incorporated under the laws of the Cayman Islands as an exempted company with limited liability and, as such, obtained on January 15, 2008 an undertaking from the Governor in Cabinet of the Cayman Islands in the following form:

#### **The Tax Concessions Law 1999 Revision Undertaking as to Tax Concessions**

In accordance with the provision of Section 6 of The Tax Concessions Law (1999 Revision), the Governor in Cabinet undertakes with Braskem Finance Limited (the "Company").

1. That no law which is hereafter enacted in the Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and
2. In addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable:
  - 2.1. on or in respect of the shares, debentures or other obligations of the Company; or
  - 2.2. by way of the withholding in whole or part, of any relevant payment as defined in Section 6(3) of the Tax Concessions Law (1999 Revision).
3. These concessions shall be for a period of twenty years from the date hereof.

## **Brazilian Taxation**

The following discussion is a general description of certain Brazilian tax aspects of the bonds applicable to an individual, entity, trust or organization that is not a resident or domiciled in Brazil for purposes of Brazilian taxation (“Non-Resident Holder”) and does not purport to be a comprehensive description of the tax aspects of the bonds. The earnings of foreign companies and persons not resident in Brazil are taxed in Brazil when derived from Brazilian sources or when the transaction giving rise to such earnings involves assets in Brazil.

Investors should note that, as to the discussion below, other income tax rates or treatment may be provided for in any applicable tax treaty between Brazil and the country where the Non-Resident Holder is domiciled. Investors should also note that there is no tax treaty between Brazil and the United States.

### ***Payments on the Bonds made by Braskem Finance and Gains on the Bonds***

Generally, a Non-Resident Holder is taxed in Brazil only when income is derived from Brazilian sources or gains are realized on the disposition of assets located in Brazil.

Therefore, as Braskem Finance will be considered, for tax purposes, as domiciled abroad, any income (including interest) paid by it in respect of the bonds issued in favor of Non-Resident Holders is not subject to withholding or deduction in respect of Brazilian income tax or any other taxes, duties, assessments or governmental charges in Brazil, provided that such payments are made with funds held by Braskem Finance outside of Brazil.

Capital gains generated outside Brazil as a result of a transaction between two non-residents of Brazil with assets located in Brazil are subject to income tax in Brazil, according to Article 26 of Law No. 10,833, enacted on December 29, 2003. Based on the fact that the bonds are issued and registered abroad and, thus, will not fall within the definition of assets located in Brazil for purposes of Law No. 10,833, gains on the sale or the disposition of the bonds made outside Brazil by a Non-Resident Holder to another are not subject to Brazilian taxes. Notwithstanding the foregoing, considering the general and unclear scope of this legislation and the absence of judicial guidance in respect thereof, we cannot assure prospective investors that such interpretation of this law will prevail in the courts of Brazil. If the income tax is deemed to be due, the gains may be subject to income tax in Brazil at a rate of 15%, or 25% if such Non-Resident Holder is located in a tax haven jurisdiction (i.e., countries which do not impose any income tax or which impose it at a maximum rate lower than 20% or where the laws impose restrictions on the disclosure of ownership composition or securities ownership).

### ***Payments on the Bonds Made by Braskem as Guarantor***

In case Braskem – as Guarantor – is required to make any payment under the bonds (with the exception of the amount of the principal) to a Non-Resident Holder, the Brazilian tax authorities could try to impose withholding income tax at a rate of 15% (or 25% if the Non-Resident Holder is located in a country or jurisdiction that does not impose any income tax or that imposes an income tax at a minimum rate of less than 20%).

In the event Braskem is required to withhold or deduct amounts for any taxes or other governmental charges imposed by Brazil, Braskem will pay such additional amounts as are necessary to ensure that the holders of the new notes receive the same amount as such holders would have received without such withholding or deduction, subject to certain exceptions. See “Description of Notes—Additional Amounts.”

In addition to withholding income tax, Brazilian law imposes a Tax on Foreign Exchange Transactions (*Imposto sobre Operações de Crédito, Câmbio e Seguro, ou relativas a Títulos e Valores Mobiliários*), or “IOF/Exchange tax,” due on the conversion of reais into foreign currency and on the conversion of foreign currency into reais. Currently, the IOF/Exchange tax rate for almost all foreign currency exchange transactions, including foreign exchange transactions in connection with payments under the guarantees by Braskem to Non-Resident Holders, is 0.38%. The Brazilian government is permitted to increase this rate at any time up to 25%. Any such increase in rates may only apply to future foreign exchange transactions and not retroactively.

### *Stamp, Transfer or Similar Taxes*

Generally, there are no stamp, transfer or other similar taxes in Brazil applicable to the transfer, assignment or sale of the bonds outside Brazil, nor any inheritance, gift or succession tax applicable to the ownership, transfer or disposition of the bonds, except for gift and inheritance taxes imposed in some states of Brazil on gifts and bequests by the Non-Resident Holder to individuals or entities domiciled or residing within such Brazilian states.

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

### **U.S. Federal Income Taxation**

The following summary describes the principal U.S. federal income tax consequences to U.S. Holders, defined below, of ownership of the bonds. This summary only applies to bonds held as capital assets and does not discuss all the tax consequences that may be relevant to a holder in light of its particular circumstances or to holders subject to special rules, such as

- financial institutions,
- insurance companies,
- tax-exempt organizations,
- real estate investment trusts,
- regulated investment companies,
- grantor trusts,
- persons who own, directly or indirectly, 10% or more (by vote, value or capital or profits interest) of the equity (including any bonds treated as equity for U.S. federal income tax purposes) of Braskem Finance,
- dealers or traders in securities or currencies,
- certain former citizens or long-term residents of the United States,
- persons that will hold the bonds as a position in a “straddle” or as a part of a “hedging,” “conversion” or other rate reduction transaction for U.S. federal income tax purposes, or
- persons that have a functional currency other than the U.S. dollar.

Moreover, this description does not address the U.S. federal estate and gift tax or alternative minimum tax consequences of the acquisition, ownership or retirement of bonds. Each prospective purchaser should consult its tax advisor with respect to the U.S. federal, state, local and foreign tax consequences of acquiring, holding and disposing of bonds.

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

For purposes of this summary, a “U.S. Holder” is a beneficial owner of the bonds who, for U.S. federal income tax purposes, is:

- an individual who is a citizen or resident of the United States;
- a corporation created or organized in or under the laws of the United States or any state thereof (including the District of Columbia);
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust (1)(a) the administration over which a U.S. court can exercise primary supervision and (b) all of the substantial decisions of which one or more U.S. persons have the authority to control, or (2) that was in existence on August 20, 1996 and that validly elects under applicable Regulations to be treated as a U.S. person for U.S. federal income tax purposes.

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

Persons considering the purchase of the bonds should consult their own tax advisors with regard to the application of the U.S. federal income tax laws to their particular situations as well as any tax consequences arising under the laws of any state, local or foreign taxing jurisdictions.

#### *Internal Revenue Service Circular 230 Disclosure*

**Pursuant to Internal Revenue Service Circular 230, we hereby inform you that the description set forth herein with respect to U.S. federal tax issues was not intended or written to be used, and such description cannot be used, by any taxpayer for the purpose of avoiding any penalties that may be imposed on the taxpayer under the Code. Such description was written to support the promotion or marketing of the bonds.**

**This description is limited to the U.S. federal tax issues described herein. It is possible that additional issues may exist that could affect the U.S. federal tax treatment of the bonds, or the matter that is the subject of the description noted herein, and this description does not consider or provide any conclusions with respect to any such additional issues. Each taxpayer should seek advice based on the taxpayer’s particular circumstances from an independent tax advisor.**

#### *Characterization of the Bonds*

The tax characterization of an instrument as debt or equity for U.S. federal income tax purposes is based on applicable law, and the facts and circumstances, existing at the time the instrument is issued. Although no single factor is dispositive, instruments that are perpetual and, therefore, lack a fixed maturity date, are generally treated as equity for U.S. federal income tax purposes. Accordingly, we believe that the bonds should not be treated as indebtedness for U.S. federal income tax purposes and should be treated as either (1) equity in a partnership or (2) equity in a passive foreign investment company (“PFIC”). No ruling will be sought from the U.S. Internal Revenue Service (the “IRS”) regarding the proper characterization of the bonds. Accordingly, there can be no assurance as to which alternative the IRS or the courts would select or that the IRS or the courts will not take a position different from the alternatives expressed herein. Prospective purchasers should consult their tax advisors regarding the U.S. tax characterization of the bonds.

#### *Characterization of Braskem Finance*

Braskem Finance should be treated as a “foreign eligible entity” under the Regulations relating to entity classification for business entities, which Regulations would treat Braskem Finance as an association taxable as

a corporation in the absence of an election by Braskem Finance to be classified as a pass-through entity for U.S. federal tax purposes. An entity classification election for Braskem Finance has previously been filed electing to treat Braskem Finance as a disregarded entity. Therefore, the issuance of the bonds will cause Braskem Finance to be treated as a partnership for U.S. federal income tax purposes. Notwithstanding treatment as a partnership, under Section 7704 of the Code, partnerships that are “publicly traded partnerships” are treated in the same manner as corporations for U.S. federal income tax purposes, except in the case of publicly traded partnerships that recognize “qualifying income” (e.g., certain interest, dividends and certain capital gains) equal to at least 90% of their gross income (the “Qualifying Income Test”). It is not clear whether Braskem Finance will meet the requirements of the Qualifying Income Test. If Braskem Finance meets the requirements of the Qualifying Income Test, then it will be treated as a partnership for U.S. federal income tax purposes. If Braskem Finance does not meet the requirements of the Qualifying Income Test, then it will be treated as a corporation for U.S. federal income tax purposes.

### ***If the Bonds are Treated as Equity in a Partnership***

If Braskem Finance is classified as a partnership for U.S. federal tax purposes, each U.S. Holder would be required to report on its U.S. federal income tax return its allocable share of Braskem Finance’s income, gains, losses, deductions and credits for Braskem Finance’s taxable year ending within or with such U.S. Holder’s taxable year, whether or not cash or other property associated with such income or gain is distributed to such U.S. Holder. Certain limitations may apply with respect to a U.S. Holder’s ability to deduct expenses incurred (or deemed to be incurred) by Braskem Finance (or the timing of such deductions). The character and source of items of income and gain derived by a U.S. Holder from Braskem Finance would be determined as if such U.S. Holder had directly recognized such income and gain. A U.S. Holder’s allocable share of Braskem Finance’s income over the life of the bond would not be expected to exceed the aggregate interest payments that such U.S. Holder receives over the life of the bond. Braskem Finance does not intend to provide the information a U.S. Holder may need to report its allocable share of Braskem Finance’s income, gains, losses, deductions and credits for any taxable year. Therefore, U.S. Holders may not have the information necessary to properly report their allocable share of Braskem Finance’s income, gains, losses, deductions and credits for any taxable year. U.S. Holders are urged to consult with their tax advisors.

Even if Braskem Finance currently meets the requirements of the Qualifying Income Test, there is no assurance that it will continue to meet the requirements of the Qualifying Income Test in the future. If Braskem Finance ceases to meet the requirements of the Qualifying Income Test in the future, it will be treated as if it transferred all of its assets, subject to liabilities, to a newly formed corporation, on the first day of the year in which Braskem Finance fails to meet the Qualifying Income Test, in return for stock in that corporation, and then distributed that stock to the holders of the bonds in liquidation of their interests in Braskem Finance. This deemed contribution and liquidation may result in gain recognition for a U.S. Holder to the extent the U.S. Holder’s proportionate share of the fair market value of each asset of Braskem Finance exceeds such U.S. Holder’s proportionate share of Braskem Finance’s adjusted basis in each such asset. U.S. Holders will be subject to the same rules described below under the heading “If the Bonds are Treated as Equity in a PFIC” with respect to their ownership interests in such newly formed corporation. U.S. Holders are urged to consult their tax advisors regarding the tax consequences if Braskem Finance ceases to meet the requirements of the Qualifying Income Test in the future.

Subject to applicable limitations on foreign tax credits, a U.S. Holder that is subject to U.S. federal income taxation generally should be entitled to elect to treat foreign taxes withheld from such U.S. Holder’s share of Braskem Finance’s income as foreign income taxes eligible for credit against such U.S. Holder’s U.S. federal income tax liability. Other complex tax rules may also limit the availability or use of foreign tax credits, depending on each U.S. Holder’s particular circumstances. U.S. Holders are urged to consult their tax advisors regarding the availability of the foreign tax credit under their particular circumstances.

In addition, under Section 6038B of the Code and the Regulations issued thereunder, a U.S. Holder would be subject to certain information reporting requirements applicable to transfers of money to a foreign partnership in excess of U.S. \$100,000 within a 12-month period with respect to an acquisition of bonds if such U.S. Holder paid more than U.S. \$100,000 for the bonds. Substantial penalties may apply to the failure to comply with these requirements.

### ***If the Bonds are Treated as Equity in a PFIC***

In the event that the bonds are treated as ownership interests in Braskem Finance and Braskem Finance is classified as a corporation for U.S. federal income tax purposes, it will be a non-U.S. corporation. A non-U.S. corporation will be classified as a PFIC for U.S. federal income tax purposes in any taxable year in which, after applying certain lookthrough rules, either (1) at least 75 percent of its gross income is “passive income” or (2) at least 50 percent of the average value of its gross assets is attributable to assets that produce “passive income” or is held for the production of passive income. Passive income for this purpose generally includes interest and dividends.

Based on the nature of Braskem Finance’s activities, Braskem Finance believes that a significant portion of its gross income will be passive income and believes that it will be classified as a PFIC in the current taxable year and in the future. Under the PFIC rules, a special tax regime will apply to both (a) any “excess distribution” from Braskem Finance (generally, a U.S. Holder’s ratable portion of distributions in any year which are greater than 125% of the average annual distribution received by such holder in the shorter of the three preceding years or such holder’s holding period) and (b) any gain realized on the sale or other disposition of the bonds. Under this regime, any excess distribution and realized gain will be treated as ordinary income and will be subject to tax as if (a) the excess distribution or gain had been realized ratably over a U.S. Holder’s holding period, (b) the amount deemed realized had been subject to tax in each year of that holding period at the highest marginal rate, and (c) the interest charge generally applicable to underpayments of tax had been imposed on the taxes deemed to have been payable in those years.

To the extent that interest paid on a bond to a U.S. Holder is not an excess distribution, such a payment will be includible in a U.S. Holder’s income as dividend income to the extent such payment is paid out of Braskem Finance’s current or accumulated earnings and profits as determined under U.S. federal income tax principles. Interest on the bonds will not be eligible for the preferential tax rate generally applicable to dividends paid by a “qualified foreign corporation” to non-corporate U.S. Holders. The interest will be included in a U.S. Holder’s gross income as ordinary income and will not be eligible for the dividends received deduction generally allowed to corporate U.S. Holders. To the extent, if any, that the amount of any distribution exceeds Braskem Finance’s current and accumulated earnings and profits as determined under U.S. federal income tax principles, it will be treated as a tax-free return of capital to the extent of a U.S. Holder’s adjusted tax basis in the bonds. Braskem Finance does not maintain calculations of its earnings and profits under U.S. federal income tax principles, and, therefore, U.S. Holders should expect that any interest that is not an excess distribution will be treated as dividends for U.S. federal income tax purposes.

Interest paid to a U.S. Holder with respect to bonds will be treated as foreign source income, which may be relevant in calculating a U.S. Holder’s foreign tax credit limitation. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. For this purpose, interest generally will constitute “passive income,” or “general category income.” Special rules apply to the amount of foreign tax credits that a U.S. Holder may claim on a distribution from a PFIC, and in certain cases, on a disposition of stock of a PFIC. Prospective purchasers should consult their tax advisors regarding the application of such rules.

In general, a U.S. Holder of bonds will recognize gain or loss upon the sale or exchange of the bonds equal to the difference between the amount realized and such holder’s adjusted tax basis in the bonds. Initially, the tax basis of a U.S. Holder should equal the amount paid for a bond. Upon the direct disposition of bonds, any gain to a U.S. Holder will be taxable under the PFIC regime as previously described.

Where a company that is a PFIC meets certain reporting requirements, a U.S. Holder could avoid certain adverse PFIC consequences described above by making a “qualified electing fund” (“QEF”) election to be taxed currently on its proportionate share of the PFIC’s ordinary income and net capital gains. In order to comply with the requirements of a QEF election, a U.S. Holder must receive certain information from Braskem Finance. Because Braskem Finance does not intend to provide the information that a holder would need in order to make such an election, a U.S. Holder of bonds will not be able to avoid some of the tax consequences just described by electing to treat Braskem Finance as a QEF.

If the bonds are “regularly traded” on a “qualified exchange,” a U.S. Holder may make a mark-to-market election with respect to the bonds, which may help to mitigate the adverse tax consequences resulting from Braskem Finance’s status as a PFIC. The bonds will be treated as “regularly traded” in any calendar year in which more than a *de minimis* quantity of bonds are traded on a qualified exchange on at least 15 days during each calendar quarter. A “qualified exchange” includes a foreign exchange that is regulated by a governmental authority in which the exchange is located and with respect to which certain other requirements are met. The IRS has not yet identified specific foreign exchanges that are “qualified” for this purpose. If a U.S. Holder makes the mark-to-market election, for each year in which Braskem Finance is a PFIC, the holder will generally include as ordinary income the excess, if any, of the fair market value of the bonds at the end of the taxable year over their adjusted tax basis, and will be permitted an ordinary loss in respect of the excess, if any, of the adjusted tax basis of the bonds over their fair market value at the end of the taxable year (but only to the extent of the net amount of previously included income as a result of the mark-to-market election). If a U.S. Holder makes the election, the holder’s tax basis in the bonds will be adjusted to reflect any such income or loss amounts. Any gain recognized on the sale or other disposition of bonds will be treated as ordinary income. U.S. Holders are urged to consult their tax advisors regarding the availability and advisability of making a mark-to-market election in their particular circumstances.

If a U.S. Holder recognizes gain on a disposition of the bonds, receives interest on the bonds or has a mark-to-market election in effect, the U.S. Holder generally will be required to file an IRS Form 8621 with respect to Braskem Finance, generally with the U.S. Holder’s income tax return for that year. Additionally, Section 1298(f) of the Code creates an additional annual filing requirement for U.S. persons who are shareholders of a PFIC. This section does not describe what information will be required to be included in the additional annual filing, but rather grants the Secretary of the U.S. Treasury authority to decide what information must be included in such annual filing. U.S. Holders should consult with their tax advisors concerning their annual filing requirement.

### ***Substitution of the Issuer***

Braskem Finance may, subject to certain conditions, be replaced and substituted by Braskem or any Wholly-owned Subsidiary of Braskem as principal debtor in respect of the bonds (see “Description of the Bonds—Substitution of the Issuer”), which may result in certain adverse tax consequences to holders. If the Substituted Issuer is organized in a jurisdiction other than the Cayman Islands, the Substituted Issuer and Braskem will have an obligation to indemnify and hold harmless each holder of the bonds against all taxes or duties which arise by reason of a law or regulation in effect or contemplated on the date such substitution becomes effective, which may be incurred or levied against such holder as a result of any substitution described under “Description of the Bonds—Substitution of the Issuer” and which would not have been so incurred or levied had such substitution not been made. Holders are urged to consult their own tax advisors regarding any potential adverse tax consequences to them that may result from a substitution of the issuer.

### ***Foreign Asset Reporting***

Certain U.S. Holders who are individuals are required to report information relating to an interest in the bonds, subject to certain exceptions (including an exception for bonds held in accounts maintained by U.S. and certain financial institutions). U.S. Holders are urged to consult their tax advisors regarding the effect, if any, of new U.S. federal income tax legislation on their ownership and disposition of bonds.

### ***Backup Withholding Tax and Information Reporting Requirements***

U.S. backup withholding tax and information reporting requirements generally apply to certain payments to certain holders. Information reporting generally will apply to the interest payments on, and to proceeds from the sale or redemption of, bonds made within the United States or by a U.S. payor or U.S. middleman to a holder of bonds, other than an exempt recipient. A payor will be required to withhold backup withholding tax from any interest payment on, or the proceeds from the sale or redemption of, bonds within the United States or by a U.S. payor or U.S. middleman to a holder, other than an exempt recipient, if such holder fails to furnish its correct taxpayer identification number or otherwise fails to comply with, or establish an exemption from, such backup withholding tax requirements.

Backup withholding is not an additional tax. A holder generally will be entitled to credit any amounts withheld under the backup withholding rules against their U.S. federal income tax liability provided the required information is furnished to the IRS in a timely manner.

**The above summary is not intended to constitute a complete analysis of all U.S. federal income tax consequences relating to the ownership of bonds. Prospective purchasers of bonds should consult their own tax advisors concerning the tax consequences of their particular situations.**



## NOTICE TO INVESTORS

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

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

### **Purchasers' Representations and Restrictions on Resale and Transfer**

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

- (1) It is purchasing the bonds for its own account or an account with respect to which it exercises sole investment discretion and it and any such account is either (a) a qualified institutional buyer and is aware that the sale to it is being made in reliance on Rule 144A or (b) a non-U.S. person that is outside the United States;
- (2) It acknowledges that the bonds have not been registered under the Securities Act or with any securities regulatory authority of any jurisdiction and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below;
- (3) It understands and agrees that bonds initially offered in the United States to qualified institutional buyers will be represented by one or more global bonds and that bonds offered outside the United States in reliance on Regulation S will also be represented by one or more global bonds;
- (4) It will not resell or otherwise transfer any of such bonds except (a) to Braskem Finance or Braskem, (b) within the United States to a qualified institutional buyer in a transaction complying with Rule 144A, (c) outside the United States in compliance with Rule 903 or 904 under the Securities Act, (d) pursuant to another applicable exemption from registration under the Securities Act (if available), or (e) pursuant to an effective registration statement under the Securities Act;
- (5) It agrees that it will give to each person to whom it transfers the bonds notice of any restrictions on transfer of such bonds;
- (6) It acknowledges that prior to any proposed transfer of bonds (other than pursuant to an effective registration statement or in respect of bonds sold or transferred either pursuant to Rule 144A or Regulation S) the holder of such bonds may be required to provide certifications relating to the manner of such transfer as provided in the indenture;
- (7) It acknowledges that the trustee, registrar or transfer agent for the bonds will not be required to accept for registration of transfer any bonds acquired by it, except upon presentation of evidence satisfactory to us and the trustee, registrar or transfer agent that the restrictions set forth herein have been complied with; and
- (8) It acknowledges that we, the initial purchasers and other persons will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of the acknowledgements, representations and agreements deemed to have been made by its purchase of the bonds are no longer accurate, it will promptly notify us and the initial purchasers. If it is acquiring the bonds as a

fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each account.

## Legends

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

**“This Bond has not been registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”), or any other securities laws. The holder hereof, by purchasing this Bond, agrees for the benefit of Braskem Finance Limited and Braskem S.A. that this Bond or any interest or participation herein may be offered, resold, pledged or otherwise transferred only (1) to Braskem Finance Limited or Braskem S.A., (2) so long as this Bond is eligible for resale pursuant to Rule 144A under the Securities Act (“Rule 144A”), to a person who the seller reasonably believes is a qualified institutional buyer (as defined in Rule 144A) in accordance with Rule 144A, (3) in an offshore transaction in accordance with Rule 903 or 904 of Regulation S under the Securities Act, (4) pursuant to another applicable exemption from registration under the Securities Act (if available), or (5) pursuant to an effective registration statement under the Securities Act, and in each of such cases in accordance with any applicable securities laws of any state of the United States or other applicable jurisdiction. As a condition to the registration of transfer of this Bond pursuant to clause (4) above, Braskem Finance Limited, Braskem S.A. or the Trustee may require delivery of any documentation or other evidence that it, in its sole discretion, deems necessary or appropriate to evidence compliance with the exemption referred to in such clause (4) and, in each case, in accordance with any applicable securities laws of any state of the United States or other applicable jurisdiction. The holder hereof, by purchasing this Bond, represents and agrees that it shall notify any purchaser of this Bond from it of the resale restrictions referred to above.**

**This legend may be removed solely in the discretion and at the direction of Braskem Finance Limited or Braskem S.A.”**

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

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

**This legend may be removed solely in the discretion and at the direction of Braskem Finance Limited or Braskem S.A.”**

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

## **ENFORCEMENT OF CIVIL LIABILITIES**

Braskem Finance is an exempted company incorporated with limited liability under the laws of the Cayman Islands. Braskem is a corporation organized under the laws of Brazil. All of the directors of Braskem Finance, all of the directors and officers of Braskem and some of the advisors named herein reside in Brazil or elsewhere outside the United States, and all or a significant portion of the assets of such persons may be located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States or other jurisdictions outside Brazil upon such persons, or to enforce against such persons judgments predicated upon the civil liability provisions of the U.S. federal securities laws or the laws of such other jurisdictions.

In the indenture pursuant to which the bonds will be issued, Braskem and Braskem Finance will (1) agree that the courts of the State of New York and the federal courts of the United States, in each case sitting in the Borough of Manhattan, The City of New York, will have jurisdiction to hear and determine any suit, action or proceeding, and to settle any disputes, which may arise out of or in connection with the bonds and the guarantees and, for such purposes, irrevocably submit to the non-exclusive jurisdiction of such courts, and (2) name an agent for service of process in the Borough of Manhattan, The City of New York. See “Description of the Bonds.”

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

### **Cayman Islands**

We have been advised by Maples and Calder, Cayman Islands counsel to Braskem Finance and Braskem, that there is no statutory enforcement in the Cayman Islands of judgments obtained in the State of New York or Brazil. However, the courts of the Cayman Islands will recognize and enforce a foreign judgment as the basis for a claim at common law in the Cayman Islands without any re-examination of the merits of the underlying dispute, by an action commenced on the foreign judgment debt in the Grand Court of the Cayman Islands, provided that such judgment is rendered by a foreign court of competent jurisdiction, imposes on the judgment debtor a liability to pay a liquidated sum for which the judgment has been rendered, is final, is not in respect of taxes, a fine or a penalty and was not obtained in a manner and is not of a kind the enforcement of which is contrary to the public policy of the Cayman Islands.

### **Brazil**

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

- fulfills all formalities required for its enforceability under the laws of the jurisdiction where the foreign judgment is granted;
- is issued by a competent court after proper service of process is made on the parties, which service must comply with Brazilian law if made in Brazil;
- is final and therefore not subject to appeal;

- is for a sum certain;
- is authenticated by a Brazilian consular office with jurisdiction over the location of the court that issued the foreign judgment and is accompanied by a sworn translation into Portuguese; and
- is not contrary to Brazilian national sovereignty, public policy or public morality.

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

We have also been advised that:

- civil actions may be brought before Brazilian courts based on the federal securities laws of the United States and that, subject to applicable law, Brazilian courts may enforce such liabilities in such actions against us (provided that provisions of the federal securities laws of the United States do not contravene Brazilian public policy, good morals or national sovereignty, and provided further that Brazilian courts can assert jurisdiction over the particular action); and
- the ability of a judgment creditor to satisfy a judgment by attaching certain assets of the defendant in Brazil is governed and limited by provisions of Brazilian law.

A plaintiff (whether Brazilian or non-Brazilian) who resides outside Brazil during the course of litigation in Brazil must provide a bond to guarantee court costs and legal fees if the plaintiff owns no real property in Brazil that may ensure such payment. This bond must have a value sufficient to satisfy the payment of court fees and defendant's attorneys' fees, as determined by the Brazilian judge, except in the case of the enforcement of foreign judgments that have been duly confirmed by the STJ and in the case of claims for collection on a *título executivo extrajudicial* (an instrument which may be enforced in Brazilian courts without a review on the merits).

We have been advised that, if the bonds or the indenture were to be declared void by a court applying the laws of the State of New York, a judgment obtained outside Brazil seeking to enforce the guarantees may not be ratified by the STJ in Brazil.

**PLAN OF DISTRIBUTION**

Deutsche Bank Securities Inc., HSBC Securities (USA) Inc. and Itau BBA USA Securities, Inc. are acting as joint lead managers for the offering. Subject to the terms and conditions stated in the purchase agreement dated the date of this offering memorandum, each initial purchaser named below has severally agreed to purchase, and Braskem Finance has agreed to sell to that initial purchaser, the principal amount of the bonds set forth opposite the initial purchaser’s name.

<b>Initial purchasers</b>	<b>Principal amount of bonds</b>
Deutsche Bank Securities Inc. ....	US\$ 83,334,000
HSBC Securities (USA) Inc. ....	83,333,000
Itau BBA USA Securities, Inc. ....	83,333,000
	US\$ 250,000,000

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

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

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

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

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

Neither we nor the initial purchasers are making an offer to sell, or seeking offers to buy, the bonds in any jurisdiction where the offer and sale is not permitted. You must comply with all applicable laws and regulations in force in any jurisdiction in which you purchase, offer or sell the bonds or possess or distribute this offering memorandum, and you must obtain any consent, approval or permission required for your purchase, offer or sale of the bonds under the laws and regulations in force in any jurisdiction to which you are subject or in which you make such purchases, offers or sales. Neither we nor the initial purchasers will have any responsibility therefor.

Bonds may not be offered or sold in Brazil, except in circumstances that do not constitute a public offering or distribution under Brazilian laws and regulations. The bonds and the guarantees have not been, and will not be, registered with the CVM or publicly offered in Brazil.

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive, each a “Relevant Member State,” with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State, or the “Relevant Implementation Date,” no offer of bonds may be made to the public in that Relevant Member State other than:

- to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive subject to obtaining the prior consent of the representative or representatives nominated by us for any such offer; or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive;

provided that no such offer of bonds shall require Braskem Finance or any initial purchaser to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive. For the purposes of the foregoing sentence, the expression an “offer of bonds to the public” in relation to any bonds in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the bonds to be offered so as to enable an investor to decide to purchase or subscribe the bonds, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Member State; “Prospectus Directive” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State) and includes any relevant implementing measure in the Relevant Member State; and “2010 PD Amending Directive” means Directive 2010/73/EU.

Each initial purchaser has represented, warranted and agreed that:

- it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the United Kingdom Financial Services and Markets Act 2000, as amended, or the “FSMA”) received by it in connection with the issue or sale of any bonds included in this offering in circumstances in which Section 21(1) of the FSMA does not apply to Braskem or Braskem Finance; and
- it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the bonds included in this offering in, from or otherwise involving the United Kingdom.

This offering memorandum is not intended to constitute an offer or solicitation to purchase or invest in the bonds described herein. The bonds may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland and will not be listed on the SIX Swiss Exchange or on any other exchange or regulated trading facility in Switzerland. Neither this offering memorandum nor any other offering or marketing material relating to the bonds constitutes a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Code of Obligations or a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange or any other regulated trading facility in Switzerland, and neither this offering memorandum nor any other offering or marketing material relating to the bonds may be publicly distributed or otherwise made publicly available in Switzerland.

This offering memorandum has not been approved by or registered with the Securities and Futures Commission of Hong Kong or the Registrar of Companies of Hong Kong.

No person may offer or sell in Hong Kong, by means of any document, any bonds other than (a) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a

“prospectus” as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance.

No person may issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the bonds which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

This offering memorandum has not been and will not be registered as a prospectus with the Monetary Authority of Singapore and the bonds are offered by Braskem Finance pursuant to exemptions invoked under Section 274 and Section 275 of the Securities and Futures Act, Chapter 289 of Singapore (“Securities and Futures Act”). Accordingly, each of the initial purchasers has represented and agreed that this offering memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the bonds will not be circulated or distributed, nor will the bonds be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the Securities and Futures Act or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the Securities and Futures Act.

Where the bonds are subscribed or purchased under Section 275 of the Securities and Futures Act by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the Securities and Futures Act)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor,

shares, debentures and units of shares and debentures of that corporation or the beneficiaries’ rights and interest in that trust shall not be transferable for 6 months after that corporation or that trust has acquired the bonds under Section 275 of the Securities and Futures Act except:

(1) to an institutional investor under Section 274 of the Securities and Futures Act or to a relevant person, or any person pursuant to Section 275(1) or Section 275(1A) of the Securities and Futures Act respectively, and in accordance with the conditions, specified in Section 275 of the Securities and Futures Act;

(2) where no consideration is given for the transfer; or

(3) by operation of law.

The bonds will constitute a new class of securities with no established trading market. We will apply to the SGX-ST for permission to list the bonds on the SGX-ST. We cannot assure you that the prices at which the bonds will sell in the market after this offering will not be lower than the offering price or that an active trading market for the bonds will develop and continue after this offering. The initial purchasers have advised us that they currently intend to make a market in the bonds. However, they are not obligated to do so and they may discontinue any market-making activities with respect to the bonds at any time without notice. In addition, market-making activity will be subject to the limits imposed by the Securities Act and the Exchange Act. Accordingly, we cannot assure you as to the liquidity of or the trading market for the bonds.

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

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

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

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



## **LEGAL MATTERS**

The validity of the bonds and the guarantees will be passed upon for Braskem and Braskem Finance by White & Case LLP, U.S. counsel to Braskem and Braskem Finance, and for the initial purchasers by Clifford Chance US LLP, U.S. counsel to the initial purchasers.

Certain matters of Brazilian law relating to the bonds and the guarantees will be passed upon for Braskem and Braskem Finance by Lobo & de Rizzo Advogados, Brazilian counsel to Braskem and Braskem Finance, and for the initial purchasers by Pinheiro Neto Advogados, Brazilian counsel to the initial purchasers.

Certain matters of Cayman Islands law will be passed upon for Braskem Finance by Maples and Calder, Cayman Islands counsel to Braskem and Braskem Finance.

## **INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

Our consolidated financial statements at December 31, 2010 and 2009 and for each of the two years in the period ended December 31, 2010 incorporated by reference into this offering memorandum have been audited by PricewaterhouseCoopers Auditores Independentes, an independent registered public accounting firm, as stated in their report incorporated by reference herein.

With respect to our unaudited consolidated financial statements for the nine-month period ended September 30, 2011 incorporated by reference into this offering memorandum, PricewaterhouseCoopers Auditores Independentes, an independent registered public accounting firm, have applied limited procedures in accordance with the standards of IBRACON and CFC for a review of such information. However, as stated in their report incorporated by reference herein, they did not audit and they do not express an opinion on those interim financial statements. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied.

## **AVAILABLE INFORMATION**

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

The Braskem Annual Report, the Supplemental Segment Information Report, the Third Quarter Financial Statement Report, the Third Quarter MD&A Report, the Pro Forma Report and any other materials we may file with the SEC may be inspected without charge at the SEC’s Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference room. In addition, the SEC maintains an Internet web site at <http://www.sec.gov>, from which you can electronically access the Braskem Annual Report, the Supplemental Segment Information Report, the Third Quarter Financial Statement Report, the Third Quarter MD&A Report, the Pro Forma Report and any other materials we may file with the SEC.

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**PRINCIPAL EXECUTIVE OFFICES**

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**SINGAPORE LISTING AGENT**

**Colin Ng & Partners LLP**

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**Braskem**