

Annual and Sustainability Report 2008



Sustainable paths

# Introduction

This Annual and Sustainability Report is one of the tools that Braskem uses to reaffirm its public commitment to sustainable development and transparent, accountable corporate governance.

This publication also gives Braskem an opportunity to evaluate the effectiveness of its business strategy and the real progress made in its socially responsible management that is committed to the future of this planet, as well as allowing the company to be evaluated by the market and all its stakeholders.

To ensure the significance, clarity and veracity of the information contained in this report, the company uses the Sustainability Reporting guidelines furnished by the Global Reporting Initiative (GRI). The GRI is an internationally recognized reporting model developed by businesses and civil society organizations with the aim of consensually establishing norms and standards for guiding the development of corporate sustainability reports.

The outcome of a constructive, participatory process of consensus building involving the company's leadership and representatives of some of its main stakeholders, this report presents the practices and results achieved in the financial, social and environmental spheres in 2008.

This issue folds together the company's Annual Report and Corporate Sustainability Report, thereby reflecting Braskem's view that sustainability is interlinked with entrepreneurial operations and present in all the business decisions, practices and relationships of Braskem Members.

Because of its importance, the subject of Corporate Governance has been given a chapter of its own in this report. Another innovation is the inclusion of case studies on the results obtained in the areas of management, projects and partnerships.

It should be noted that this publication was organized with a view to facilitating its use by all Braskem stakeholders, and contains specific chapters that focus on each of them individually. Because this is the first publication the company has produced in accordance with GRI guidelines, Braskem has not submitted some of its social and environmental indicators to an independent audit.

The effort to produce an increasingly complete report containing relevant information for our stakeholders reflects the ongoing trend of improving the company's management processes and establishing closer relations with all of its partners.

As an outcome of the process of developing this publication, and after an evaluation conducted by the Report Publication Committee, this report is self-declared level B according to GRI indicators.









# Contents

2	Message from the Administration
5	Growth and Leadership
19	Governance and Management Systems
29	Sustainability
31	Financial Aspect
46	Social Aspect
62	Environmental, Health and Safety Aspects
80	IBASE Statements
82	Executive Committee
85	Financial Statements



# Message from the Administration

The year 2008 was marked by the crisis in the financial system that originated in the United States and quickly globalized, with unpredictable social, economic and political consequences. Brazil is enjoying the benefits of earlier choices that have strengthened its macroeconomic fundamentals, productive sector and domestic financial institutions. All indications are that Brazil will be relatively less affected by the global economic crisis than other countries. The government's firm commitment to adopting anti-cyclic measures such as investments in infrastructure, reductions in taxes for specific segments (albeit temporary), the expected reduction in interest rates, the effective participation of Brazil's National Bank for Economic and Social Development (BNDES) to support "national leading" companies, a more favorable exchange rate and the solidity of the financial system could provide opportunities for growth and competitiveness while strengthening Brazilian industry, despite the crisis.

In this context, Braskem is prepared to seize the opportunities this crisis will surely bring. In 2008, the company concluded the merger of Ipiranga Petroquímica's, Copesul's and Petroquímica Paulínia's assets. Braskem has prioritized measures that will ensure its liquidity and financial health by extending its debt maturity for an average period of over 11 years, leaving it with a cash position of approximately R\$ 3 billion at year's end. The Company has implemented an effective liquidity strategy, and its main shareholders are Odebrecht and Petrobras, which bolsters the solidity of its equity structure even further.

The sharp devaluation of the Brazilian real in 2008 resulted in an accounting recognition of a R\$ 2.6 billion financial loss due to its impact on the Company's net debt, whose dollar portion was 74% at December 31st. Due to the impact of the exchange rate, the net result was negative R\$ 2.5 billion. Braskem's net revenue reached R\$ 18 billion and EBITDA totaled R\$ 2.4 billion. Braskem had an annual EBITDA margin of 13.5% – excellent performance compared with its global peers.

In 2008, the Company firmly consolidated the Braskem+ program to upgrade its assets and standardize best practices. It produced the first certified 100% -renewable low-density polyethylene and polypropylene made from sugar cane, and began investing in the world's first 100% -renewable plastic manufacturing plant – a major milestone for Brazilian innovation. In line with the Company's strategy of international expansion and diversification of competitive raw materials, Braskem and Pequiven in 2008 formed the Propilsur and Polimérica joint ventures, which are carrying out two petrochemical projects in Venezuela.



The basis of Braskem's business culture is the Odebrecht Entrepreneurial Technology (TEO), whose core principles include confidence in People and their capacity for development, prioritizing the Client's satisfaction through the spirit of service, frank, open and transparent communication in pursuit of what is right, creativity and the duty to innovate, results sharing and ongoing education through work. Based on the conviction that places the Client at the top, Braskem in 2008 invested R\$ 70 million in applied technology to develop new plastic resins, processes and products, and filed its 219th industrial patent.

The concept of sustainability is an integral part of TEO. Braskem is reaffirming its commitment to leading sustainable initiatives in all its fields of operation and contribution. The Company has become a global benchmark for Health, Safety and Environment (HSE) performance, thanks to initiatives and systems focused on operational reliability, education through work, and particularly preventive measures taken by its Members. Braskem supports and practices the commitments of the Responsible Care program, which has been implemented in Brazil since 1992 by the Brazilian Association for the Chemical Industry (ABIQUIM) to ensure best practices in health, safety and quality throughout the supply chain. The Company's Annual Report and Corporate Sustainability Report are contained in this publication.

The growth of Braskem's business activities boosts development, creates wealth and strengthens the Brazilian petrochemical industry's production chain. In the last five years, Braskem has invested over R\$ 7 billion in the construction of one of the world's largest and most successful petrochemical companies. Today, over 4,700 Members are directly employed at Braskem's 18 industrial plants. Together with about 11,000 partners and subcontractors, they produce over 11 million tonnes (metric tons) of products annually to ensure the satisfaction of more than 7,000 Clients in Brazil and 60 other countries. The Company services about 1,800 Clients directly and supplies the rest through its distribution system.

Braskem is reaffirming its strategic vision of cementing its position as one of the world's leaders in its industry. On behalf of its Members, we would like to thank its Clients, partners, communities and Shareholders for their confidence in the Company in 2008. We are renewing our commitment to hard work and a cycle of sustainable growth that will project the Company's regional leadership in the face of increasingly complex challenges and scenarios.

**Marcelo Odebrecht**, Chairman of the Board of Braskem  
**Bernardo Gradin**, CEO of Braskem

The company is reaffirming its commitment to leading sustainable initiatives in all its fields of operation and contribution





**Braskem**  
Petroquímica Brasileira de Classe Mundial

EF-25202

CAT-I



A photograph of an industrial facility, likely a refinery or chemical plant. In the foreground, a worker wearing a hard hat is silhouetted as they walk up a metal staircase. To the left is a large, white, spherical storage tank with red piping. To the right is a tall, dark, cylindrical storage tank. The background shows a blue sky with scattered clouds and a body of water with green trees in the distance. A teal wavy banner is overlaid at the bottom of the image.

# Growth and Leadership









## Growth and Leadership

The Company is playing an active role in the process of consolidating the Brazilian petrochemical industry

Braskem is the leading producer of thermoplastic resins in the Latin American market, with a focus on polyethylene, polypropylene and PVC, and the third-largest producer in the Americas. It occupies an outstanding position among its major global counterparts and is working with the aim of ranking among the world's top ten petrochemical companies. Today, it is one of Brazil's leading exporters, present in nearly 60 countries worldwide.

Created and controlled by the Odebrecht Group – a Brazilian multinational with diversified businesses and global operations – Braskem was founded on August 16, 2002. It originated from the merger of six companies: Copene, OPP Química, Trikem, Polialden, Proppet and Nitrocarbano. The Odebrecht Group's first step when it created Braskem was to reaffirm its Public Commitment to its Clients, Shareholders, Members, Suppliers, Authorities, capital markets and Brazilian society. That document sets forth the values and principles that guide Braskem's entrepreneurial path (see Public Commitment on page 8).

Braskem is playing an active role in consolidating the Brazilian petrochemical sector. Following the merger that originated the Company, in 2006 it acquired Politenio, a polyethylene manufacturer with industrial assets in Camaçari, Bahia. In 2007, it acquired the petrochemical assets of the Ipiranga Group, including control of Copesul and industrial units located in Triunfo, Rio Grande do Sul. These mergers and acquisitions have enabled Braskem to make significant gains in capturing synergies and establishing its leadership in Latin America.

## Braskem's Public Commitment

### 1. Principles and Values

- Contributing to Brazil's social and economic development through technological improvements, export growth and foreign exchange, as well as offering high-quality products that improve the public's quality of life.

- Bolstering the modernization of Brazil's petrochemical industry to add value to plastic products and the plastics supply chain, while respecting free-market practices.

- Upholding sustainable development principles.

- Becoming an integral part of the communities where our units are located, preserving the environment, and capitalizing on local competitive advantages and skills.

- Appreciating the men and women who have built the company and give it life.

- Establishing solid partnerships with our suppliers, based on a mutual commitment to operational efficiency and access to competitive technologies.

- Managing the company's financial resources responsibly and transparently, according to best practices of corporate governance.

### 2. Commitment to Clients

The Client's satisfaction is our priority.

- Fully meeting our Clients' requirements in order to become their supplier of choice.

- Helping develop a more competitive petrochemicals and plastics supply chain in order to expand market opportunities for the company.

- Working closely with Clients to develop new technologies for products and processes.

- Promoting the image of plastics as modern and competitive products that benefit the whole of society.

### 3. Commitment to the people who build Braskem

The men and women who make up Braskem are building the company's success.

- Maintaining decentralized operations that efficiently delegate responsibility so people can work more effectively.

- Working to enhance people's competencies and skills while recognizing that the company's growth is a direct outcome of the growth of its Members' development.

- Being the company of choice for talented professionals and investing in the development of their careers.

- Providing a healthy, motivating working environment to offer people more job satisfaction and quality of life.

- Offering remuneration that ensures financial and professional satisfaction while reflecting each individual's contribution to the company's results.

- Encouraging socially significant volunteer work to bolster civic spirit.

### 4. Commitment to shareholders and investors

Ethics, competitiveness and excellence in all activities to add value to Shareholders' assets and ensure the best return on their investments.

- Maintaining a permanent and open channel of communication with partners and stakeholders, providing clear, up-to-

date and consistent information about company management, strategy and performance.

- Setting goals to motivate and hold executives accountable for the results of their administration.

- Reinvesting in the company to ensure its ongoing growth and development.

- Extending tag-along rights to all shareholders in the event of the sale of a controlling shareholder's stake, an initiative that exceeds the requirements of National Monetary Council (CMN) Resolution no. 2829.

The creation of Braskem through the consolidation of petrochemical companies owned by the Odebrecht and Mariani groups under Copene complies with new regulations in the Brazilian Corporate Law (Lei das Sociedades Anônimas). The proposal for this undertaking was submitted to the Securities Commission (CVM) and the Anti-Trust commission (CADE) after prior approval by the SEAE – the Brazilian Treasury Ministry's economic watchdog agency. The same procedures were followed with the Securities and Exchange Commission (SEC) in the U.S. and the New York Stock Exchange (NYSE) where Braskem ADRs will be listed and traded.

Braskem's management extends its thanks to all those who contributed to this undertaking and were involved in the strategic planning and numerous steps that were taken – with transparency and determination – in the process of creating Braskem S.A.

The implementation of this undertaking in conjunction with society as a whole is driven by the desire to build a world-class Brazilian brand.

São Paulo, August 16, 2002.





## Business model

Braskem's integrated business model consolidates upstream and downstream operations to increase gains in scale and operational efficiency.

The company has three business units: Basic Petrochemicals, Polymers and International Business Development.

With a team of 4,700 Members and 18 industrial units in the Brazilian states of Alagoas, Bahia, Rio Grande do Sul and São Paulo, Braskem produces over 11 million tonnes of intermediate petrochemical and chemical products annually, and posts earnings of R\$ 23 billion.

### INDUSTRIAL UNITS

#### Bahia

Basic Petrochemicals

PE 1

PE 2

PE 3

PVC

Chlor-Alkalis

Caprolactam

#### Alagoas

PVC

Chlor-Alkalis

#### São Paulo

PVC

PP 3 – Paulínia Unit

#### Rio Grande do Sul

Basic Petrochemicals

LDPE

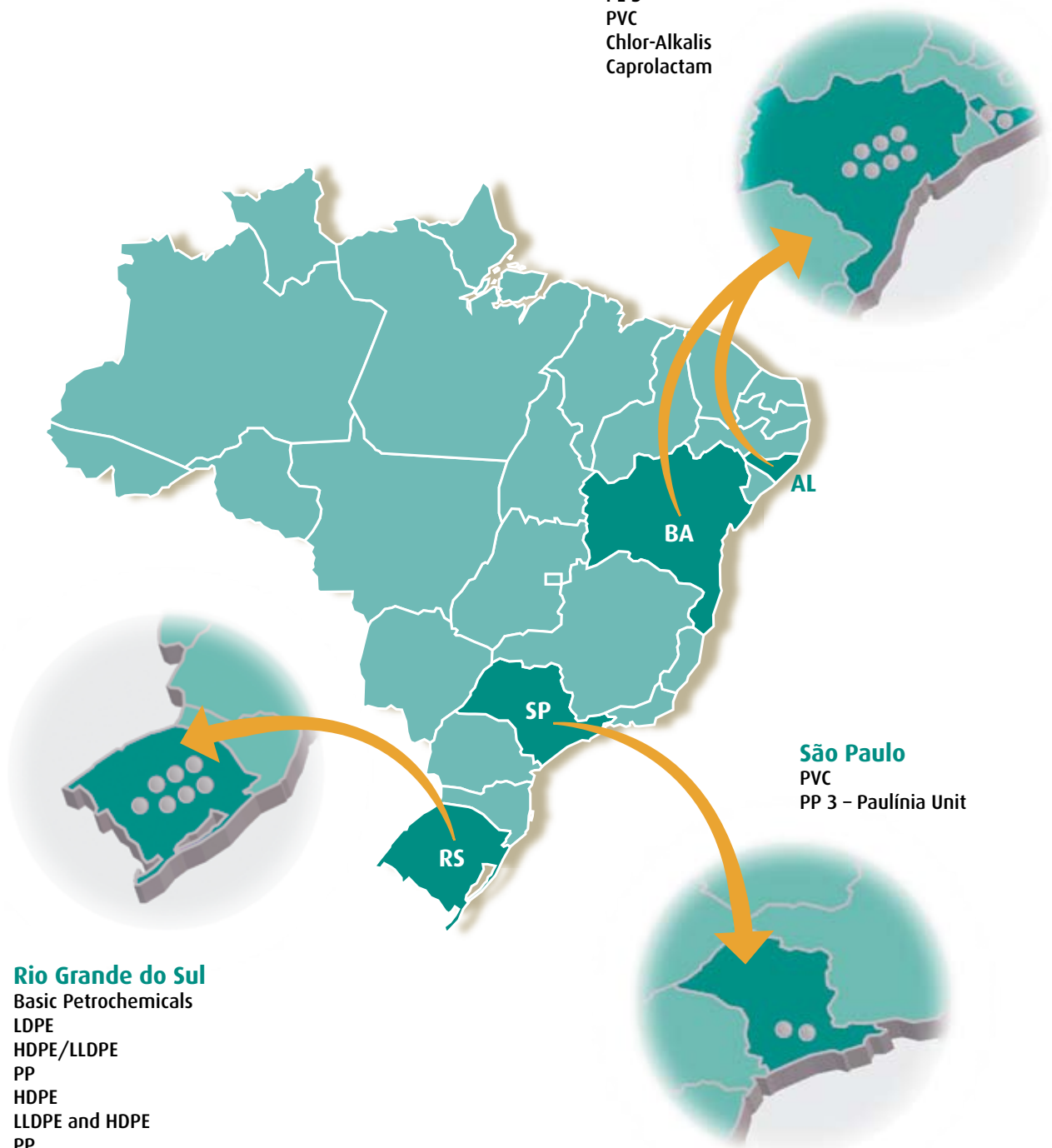
HDPE/LLDPE

PP

HDPE

LLDPE and HDPE

PP







## Business Units

### Basic Petrochemicals Unit

Through its industrial plants in Bahia and Rio Grande do Sul, this Unit produces basic petrochemicals or upstream products, such as ethylene and propylene, which are used to manufacture thermoplastic resins. Ethylene is the basic feedstock for polyethylene and propylene, which is used to produce polypropylene. Basic petrochemicals also include several other products, such as aromatics and intermediate chemicals.

### Polymers Unit

This unit is responsible for producing the Company's PVC/Chlor-Alkali and caprolactam, several types of polyethylene (low density, linear high density, high density and ultra-high molecular weight), polypropylene and green polymers (green plastic). The Polymers Unit's manufacturing plants are located in all four states where Braskem is present: Alagoas, Bahia, Rio Grande do Sul and São Paulo. This unit is also responsible for research and development for plastic resins made from 100% renewable raw materials.

- **Polyethylene:** a plastic resin used to make a variety of plastic products, including flexible packaging and containers for toiletries and cleaning products, plastic bags, shrink-wrap film, etc.

- **Polypropylene:** a plastic resin with a wide range of applications in the auto industry, as well as cabinets for household appliances, sacks for fertilizer, seeds and cement, disposable cups and plates, etc.

- **PVC:** a plastic resin that is heavily used to make pipes, frames and other construction materials.

- **Chlorine:** used to manufacture PVC, as well as in pesticides, pharmaceuticals, and hospital cleaning and water treatment products.

- **Soda:** an input used to make soap, pulp and paper, aluminum and other products.

- **Caprolactam:** used to make nylon fiber.

### International Business Development Unit

This unit is responsible for Braskem's international expansion projects, particularly those underway in Venezuela, in partnership with Pequiven, the Venezuelan state petrochemical company (for more information on "International expansion" see page 36). In addition to these projects in Venezuela, the International Business Development Unit is also in charge of studies and prospecting for new opportunities in other countries in the Americas, such as Peru.



## BRASKEM'S SHAREHOLDING STRUCTURE AT 31 DECEMBER 2008

% of voting capital

% of total equity

### ODEBRECHT GROUP

62.3%

39.3%

### PETROQUISA

31%

23.8%

### BNDESPAR

0%

5.2%

### MARKET

6.7%

31.7%

 Braskem

## Listed company

Braskem is a listed company with shares traded on the São Paulo Stock Exchange (BOVESPA) – classified at Corporate Governance Level 1 – as well as in New York (NYSE) and Madrid (Latibex). Ensuring transparent management and relations with the capital market, and a commitment to best practices in corporate governance are priorities in the Company's strategy for creating value for its Shareholders, Clients, Members and local communities.

In recognition of its social and environmental programs and focus on sustainable development, on December 1, 2008 Braskem was included in BOVESPA's Corporate Sustainability Index (ISE) for the fourth consecutive year. This indicator consists of corporate programs that reflect a strong commitment to sustainability and social responsibility. This portfolio will be renewed on November 30, 2009.

Braskem is controlled by Odebrecht S.A., the Odebrecht Group's holding company, and Petrobras has a significant minority stake in the company. Publicly traded shares correspond to 60.7% of the total number of shares issued.

## Plastics production chain

The petrochemical industry plays an important role in the global economy by converting basic feedstocks – primarily naphtha and natural gas – into ethylene, propylene and other basic petrochemicals (first-generation or upstream petrochemicals), and then into thermoplastic resins (second-generation or downstream products) and manufactured goods for consumption (third-generation products). This production chain for plastic resins puts products on the market that are present in all fields of modern life: from cars and airplanes to fridges, washing machines and consumer electronics; from hospital equipment, such as catheters and drip bags, to the construction industry.

In the context of sustainability, Brazilian petrochemical and chemical companies undertake to align their practices with the challenges of Responsible Care, a voluntary initiative established by the global chemical industry through the International Council of Chemical Associations (ICCA).

The Responsible Care Program seeks to improve the management of chemical companies and their supply chain in order to ensure the economic, environmental and social sustainability of their processes and products and thereby contribute to improving the public's quality of life.





## External recognition in 2008

Braskem received the following awards and accolades:

### Finance

- First place in the Latin-American Loan of the Year category, bestowed by *International Finance Review* – IFR.
- Outstanding international company in Financial Operations of the Year according to *Latin Finance* magazine for two deals the company transacted during the year – euro bonuses and export credits.
- Listed in the Top 5 for Best Practices in Financial Information Disclosure in the 10th edition of *IR Global Rankings*, according to an evaluation conducted by MZ Consult.

### Governance and Management

- Voted one of the 100 best companies in Brazil for its Human and Organizational Development Index (IDHO) for the second consecutive year, according to *Gestão RH Especial IDHO* magazine. The company was hailed for its work in corporate governance.
- The Petrochemical Company with the Best Management in Latin America, according to *Euromoney*, magazine. This

accolade is bestowed on companies that implement the most consistent and convincing strategies in each region and country.

### Environment

- ROE (Return on Environment) Leadership Award, bestowed by General Electric to partner companies with a focus on combining environmental improvements with operational performance (this is the third time Braskem has received the award).
- Environmental Responsibility Award from the Global Plastics Environmental Conference (GPEC) 2009, held by the SPE (Society of Plastics Engineers).
- Corporate Social/Environmental Responsibility Award, from the Ambiental Biosfera Institute.

### Public Admiration

- Most Admired Company in the Brazilian Petrochemical Industry. This accolade resulted from a survey conducted by TNS InterScience in partnership with *Carta Capital* magazine.

- Most Admired Company in the Petrochemical Industry in Brazil, by the *DCI*, newspaper, for its performance in 2008.

### Exports

- Export and Foreign Trade Award in the Large Companies category, bestowed by the Brazilian Chemicals Industry Association (ABIQUIM).

### Services

- Samarco Award for Excellence, for development in services.

### Innovation

- Award in the Top Professional category bestowed by the Editora Definição publishing house through *Plástico em Revista*, with a focus on merit and innovation.
- Finalist in the international ICIS Innovation Awards 2008.
- Innovation Seal from the National Research and Development Association for innovative companies.

## Operating Strategy

**Braskem is focused on maintaining operational profitability while boosting long-term relationships with its Clients**

The technical recession that hit the economies of industrialized nations and blocs in the second half of 2008, particularly the United States, the EU and Japan, and the slow recovery of those markets indicate a sharp reduction in the rate of global economic growth in 2009. Although the impact in Brazil has been less severe, this economic slowdown has led analysts to project negative or close-to-zero growth for this year, despite the Treasury Ministry's optimistic assertion that it expects GDP to grow by roughly 2%.

As a result, the petrochemical industry in Brazil and worldwide is experiencing a new market reality of lower prices for raw materials and products, including plastic resins, which are also influenced by the downturn resulting from the entry of new production capacities in the international market and the consequent imbalance between supply and demand. Nevertheless, the economic crisis has resulted in the temporary or permanent closing of large numbers of less competitive plants, which could ease the pressure on the global petrochemical industry's margins in the coming quarters.

Due to the characteristics of the domestic market, Brazilian manufacturers are operating with higher production costs than their competition in other parts of the world. The industry's expectations are that negotiations with Petrobras for a new raw-materials supply contract will be successful, thereby reducing the impact of price volatility and making Brazilian petrochemicals more competitive in the global marketplace. Furthermore, the consumption of inventories in the supply chain in late 2008 and early 2009 and the prospects of their repletion have led Braskem to estimate that the demand for thermoplastic resins will grow by 4 to 5% in 2009.

In view of these factors, the company is focused on maintaining operational profitability throughout this cycle, while boosting long-term relationships with its Clients in order to maximize the competitiveness of

the Brazilian petrochemical chain. Investments planned for 2009 should total R\$ 900 million, including capacity expansion, new projects and planned maintenance shutdowns. Priority projects from the standpoint of value-added for products and high returns will be maintained. Others may be reviewed. The company is committed to financial discipline and a reduction in production costs and fixed expenses.

From the strategic standpoint, Braskem is still focusing on optimizing the energy matrix and making it more flexible by gaining competitive access to raw materials. The implementation of the Green Polymers project in Rio Grande do Sul and the advancement of projects with Pequiven in Venezuela are in line with this strategy.

With regard to environmental, safety and social issues, the company will bolster its sustainability strategy and carry out a specific policy to that end while verifying operating priorities linked to global demands. To do so, Braskem is always seeking to improve its eco-efficiency indicators to make its processes more competitive while minimizing environmental impacts. The company is also continuing its strategy of reducing greenhouse gas emissions. This aim is in keeping with the requirements of energy efficiency and international effort to minimize impacts on climate change. In the arena of occupational safety, the aim is to achieve a zero accident rate.

With regards to Corporate Social Responsibility (CSR), Braskem is committed to increasing the focus and effectiveness of its work in this area, which in 2008 led the Company to discontinue 27 projects that showed poor compliance with its Social Responsibility Policy. Working closely with the institutions benefited by its programs, the Company will seek to improve development metrics, make communication mechanisms more efficient and create the necessary conditions for making these institutions self-sufficient.





## Six years of history

# 2003



# 2002

### Braskem

- Six subsidiaries of the Odebrecht and Mariani groups are consolidated under Braskem. Net earnings: R\$ 7 billion. Exports: US\$ 300 million.
- The company opens a commercial office in the United States.

- Joined BOVESPA's Level 1 for Corporate Governance.
- Passes the milestone of 100 registered patents.
- Develops a special type of polypropylene to replace glass in cream cheese spread jars, and polypropylene fiber for roof tiles and water tanks.
- Begins trading shares on Latibex, the Madrid Stock Exchange's Latin American market.
- The value of Braskem's class A preferred shares traded on BOVESPA rose by 508%. ADRs on the New York Stock Exchange (NYSE) rose by 609%.

- Introduction of the Braskem+ program for competitiveness and operational excellence.

- Total share offering valued at R\$ 1.2 billion. Demand exceeds supply by six to one, increasing share value 100% in the main international markets.

- The first Brazilian manufacturer to sign the UN's International Declaration on Cleaner Production.

- All industrial units certified under the ISO 9001 (quality management) and ISO 14001 (environmental management) standards.

# 2005



# 2004

- Partnership with Petrobras to build a new polypropylene factory in Paulínia, São Paulo.

- Braskem files the first nanotechnology patent for the Brazilian petrochemicals industry. The patent is for a polypropylene production process using nanocomposite additives.

- The company is included in BOVESPA's Corporate Sustainability Index for its social and environmental programs.

- Gross revenue reaches R\$ 15 billion and the Company ranks among the top three privately owned Brazilian manufacturing companies in the country.

- CADE, the Brazilian antitrust agency, fully approves the creation of Braskem.

- First perpetual bond issue by a non-financial company in Brazil, valued at US\$ 150 million.

- Braskem fulfills the requirements of the Sarbanes-Oxley Act almost a year before the deadline.

- The NYSE holds Braskem Day, an event devoted to meetings with analysts and investors.



# 2008



# 2007



# 2006

- Acquisition of Politenio.
- Braskem is included in the list of companies that make up the BOVESPA Corporate Sustainability Index for the second consecutive year.
- The company has filed a total of 151 patents.
- The Formula Braskem Program begins and the company begins introducing in-house platforms and a new management platform – the SAP system.



- Acquisition of the Ipiranga Group's petrochemicals assets, increasing the company's production capacity by 700,000 tonnes of plastic resins.
- Braskem and Pequiven, Venezuela's state petrochemical company, announce an agreement to build the Jose Petrochemical Complex. Production capacity: 1.3 million tonnes of ethylene made from natural gas.
- Cornerstone laid for the Petroquímica Paulínia plant.
- The creation of the world's first certified green plastic is announced – polyethylene made with ethanol produced from sugar cane. The project required a US\$ 5 million investment.
- The first ultra-clarified polypropylene is launched on the Brazilian market, opening up fresh prospects for using this plastic resin in products requiring high transparency.
- Start up of the Paulínia Unit, Braskem's new polypropylene plant.
- Braskem, Petrobras and Petroperu sign an agreement to study an integrated petrochemical project in Peru.
- Braskem and Brinquedos Estrela form a long-term partnership to develop products made from green polymers.
- Bernardo Gradin becomes CEO of Braskem.
- Braskem files its 200th patent.
- Announcement of Braskem's production and certification of the first 100%-renewable polypropylene.
- Extraordinary General Shareholders' Meeting approves the acquisition of Ipiranga Petroquímica, Petroquímica Paulínia and the split-off of Ipiranga Química (IQ), including shares in IPQ and Isatec – Pesquisa Desenvolvimento e Análises Químicas Ltda.
- The company raises US\$ 725 million through an export pre-payment, concluding the extension of the bridge loan taken to acquire Ipiranga and Copesul, the ethylene plant at the Triunfo Petrochemical Complex in Rio Grande do Sul.
- Braskem contributes technological innovation, social and environmental responsibility and artistry to the Formula 1 Brazil Grand Prix by producing trophies made from green plastic and designed by legendary Brazilian architect Oscar Niemeyer.
- The Company decides to exit the PET business.







# Governance and Management Systems

## Governance and Management Systems

Ethics, transparency and respect for Clients, Suppliers, Shareholders, Members and the community are an integral part of the Braskem culture

The cultural and ethical basis for Braskem's conduct and behavior at all levels of its relations with its stakeholders – Clients, Members, Shareholders, Suppliers and the general Community – are expressed in the company's values and principles and the way it does business.

The philosophy behind these guidelines is the Odebrecht Entrepreneurial Technology (TEO), which guides the work of all Members of the Odebrecht Group. Braskem's Vision, Principles, Policies and Code of Ethics, which were established at its inception in 2002, are the other mainstays for the Company's operations and form the basis of its daily practices of economic, social and environmental sustainability.







## Odebrecht Entrepreneurial Technology (TEO)

The drive to serve others, the will to surpass previous results, and the ability and desire to develop are core values of TEO

The Odebrecht Entrepreneurial Technology furnishes the ethical, moral and conceptual basis for the work of all Members of Odebrecht Group subsidiaries.

A philosophy of life centered on education and work, it values people's strengths, including the drive to serve others, the ability and desire to develop, and the will to surpass previous results.

People's work is decentralized. Through the process of planned delegation, which is based on bonds of trust between leaders and team members and partnership between them, each individual has the responsibility and autonomy to carry out his or her Action Program. Leader/Educators devote their time, presence, experience and example to their team members and encourage them to engage in full-fledged entrepreneurship. This means working closely with each Client, getting to know their needs, and mobilizing with the speed and flexibility required to meet those needs. The practice of partnership involves the active participation of each Member in the conception and execution of their work, as well as in the production of results and a share in the results they helped produce.

This philosophy enables the Group to meet its Clients' needs, add value to Shareholders' assets, reinvest the results achieved and grow on several different fronts at once while maintaining a common strategic direction and unified thinking and action.

The Basic Tenets of TEO are:

- **Confidence in People** and their capacity and desire to develop.
- **Satisfying the Client** by providing services with an emphasis on quality, productivity and responsibility to the community and environment.
- **Shareholder Returns** on capital invested, adding value to their assets.
- **Partnership with Members** who actively participate in the conception and execution of their work, and share in the results of their efforts.
- **People's Self-Development**, particularly Education through Work, which results in the organization's development.
- **Reinvesting Results** to create new opportunities for work and community development.

### Strategic Intent (Vision)

Leading the Latin American petrochemicals industry as the best company in that sector, recognized:

- **by Clients**, for its spirit of service and the creation of value for the entire supply chain;
- **by Shareholders**, for growth maintained by profitability and increasing results;
- **and by Society**, for its sustainable programs.



## Code of Conduct

The Braskem Code of Conduct sets forth the ethical principles and standards that guide its Members' internal and external relations, no matter what their job descriptions and responsibilities. It is based on transparency and compliance with the legal requirements of numerous jurisdictions. This Code of Conduct also establishes guidelines for relations with Members, their responsibilities when running their businesses, including commercial relationships (with Clients, Suppliers, Competitors, family members and government officials), conflicts of interest, activities outside Braskem, relationships with Shareholders, privileged information and political activity.

### Main points of the Braskem Code of Conduct

- **Relations with Members:** There will be no discrimination as to religion, philosophical or political conviction, nationality, origin, gender, age, color, sexual preference, marital status or physical or mental disability.
- **Responsibility when running businesses:** Braskem Members are responsible for performing their duties and running the company's businesses honestly and transparently, in accordance with the law, ethical principles and the company's guidelines.
- **Commercial relations with Clients and Suppliers:** Braskem instructs and expects its members to conduct business relations in compliance with the law, the legal practices of the market, and particularly national and international standards for maintaining economic order and protecting free market competition.
- **Privileged information/conflicts of interest:** Members must ensure that their actions do not conflict with Braskem's interests or damage its image or reputation in any way.
- **Relations with Shareholders and Stakeholders:** Shareholders must be treated equally, no matter how many shares they own, and in compliance with legal restrictions. All shareholders and stakeholders will receive the same flow of information.
- **Use and protection of Braskem assets:** All Members are responsible for stewarding Braskem's assets, including facilities, machinery, equipment, furnishings, vehicles, cash, etc.
- **Transparency in accounting and financial records:** Transparency is essential for enabling market agents to evaluate Braskem correctly.
- **Environment and Safety:** Working in harmony with nature and preserving the environment are vitally important to Braskem's business activities.





## Business model and sustainability management

Corporate policy on business sustainability must be based on an evaluation of economic, social and environmental responsibility practices

Braskem's growth and competitiveness are based on an integrated business model that includes upstream and downstream industrial units. The consolidation of this business model also includes all other stages of each business, including market development, sales, technical assistance, logistics and marketing.

The company's sustainable growth strategy is also based on technological autonomy, which adds value to the company's products. Ongoing investments in research and development and the results obtained enable Braskem to grow its markets and build Client loyalty by offering solutions for their needs, creating new plastic resins and adding value to their products.

The company invests an average of R\$ 50 million in R&D projects led by the Braskem Technology and Innovation Center in Triunfo, Rio Grande do Sul. To improve the quality and efficiency of its processes, Braskem also cultivates partnerships with its Clients and Suppliers, universities and research institutes.

Sustainability management permeates the life of the Company in general through a wide range of programs such

as Health, Safety and Environment (HSE), the professional development of its Members, relations with local communities near the petrochemical complexes where it is present, and best practices in corporate governance. These initiatives are handled with a view to minimizing risks, boosting efficiency, producing competitive advantages, innovating products and processes and revealing new business opportunities.

In this context, in the second half of 2008 the company launched a program based on the evaluation of the economic, social and environmental responsibility of its business practices. The aim is to establish a corporate policy on business sustainability and review related programs.

As part of this process, Braskem in 2008 joined the Ethos Institute for Business and Social Responsibility, which is a leading authority on this subject. A diagnosis of the company was conducted to establish priorities by evaluating in-house programs and external social responsibility programs involving Braskem and identifying positive points and opportunities for improvement.

## Corporate governance

The company's governance model is in line with the aim of creating value for Shareholders

By definition, corporate governance is the way corporations are governed, involving relations between Shareholders, the Board of Directors, independent auditors, the Fiscal Board and other stakeholders.

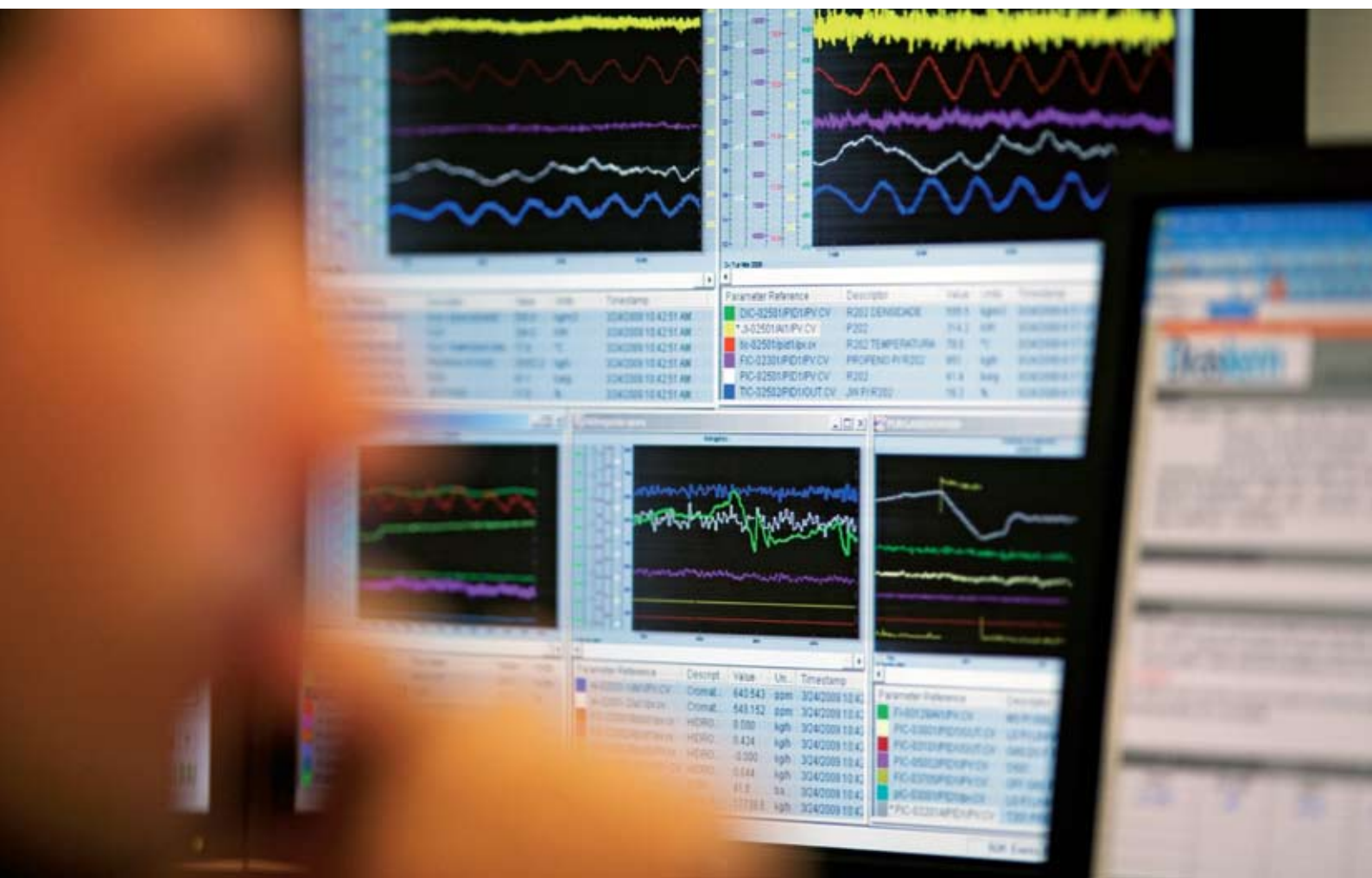
In keeping with the best practices of corporate governance, when it was created Braskem undertook a Public Commitment to transparency, accountability, and respect for its Shareholders, Members, Suppliers and society as a whole. In addition to publishing annual financial statements, it also posts quarterly reports on its results, including a scenario analysis, and holds meetings with analysts and investors when each report is published.

### Information transparency

**CVM and Stock Markets:** Braskem regularly reports a range of data to the Brazilian Securities and Exchange Commission (CVM) and the São Paulo (BOVESPA) and New York (NYSE) stock exchanges: annual information, financial statements, quarterly data, earnings releases, 20-F forms, and announcements of minutes, corporate announcements and important events.

**Online:** Through its Investor Relations area, the company maintains a website where Shareholders and the financial community can find additional information, such as quarterly fact sheets and valuation books, annual sustainability reports, basic information on Braskem plants, information on subsidiaries and affiliates, industry-related information, and BOVESPA and the NYSE stock quotes and charts.

**And more:** Braskem also maintains a secure website available exclusively to members of the Board of Directors and the Fiscal Board that publishes all the materials required for meetings of the Board of Directors, Support Committees and the Fiscal Board. The publications available on this website also include meeting minutes, proposals for deliberation, Braskem's multi-annual business plan, monthly follow-up reports, Code of Conduct, By-Laws, and Policies Approved by the Board of Directors.





## Braskem's Governance Model

Since February 12, 2003, Braskem has joined Level 1 for Corporate Governance by BOVESPA, the São Paulo Stock Exchange. The Company also complies with the Corporate Governance standards established by Law no. 6.404/76, which regulates Brazilian corporations, the rules of the Securities Exchange Commission (CVM) and the Regulations on Outstanding Corporate Governance Practices of BOVESPA, as well as its own By-Laws.

In addition to adapting its operations to all the requirements of BOVESPA's Level 1 for Corporate Governance, Braskem meets the requirements for Level 2 and the New Market, which include:

- Publishing financial statements in accordance with international standards (US GAAP/IFRS);
- Board of Directors with a minimum of five members, each with the same term of up to two years with the possibility of reelection, and at least 20% independent board members;
- 100% tag-along rights for all shareholders if the majority shareholder sells their stake.

Braskem was one of the three Brazilian companies certified in compliance with the Sarbanes-Oxley Act (SOX) a year before the deadline. This certification recognizes its Corporate Governance policy, which aims to increase management transparency through the constant improvement of decision-making and supervision processes. The Sarbanes-Oxley Act regulates companies listed in US stock markets.

### How the Company is organized

Braskem's governance model is in line with the aims of creating value for all Shareholders and consists of the following entities: Board of Directors, Permanent Support Committees for the Board of Directors, Fiscal Board and the Executive Committee and Ethics Committee, all of which are supported by the Corporate Safety Area, which plays the role of an in-house auditor, as well as external auditors, as shown in the table below.

Entities	Members	Objectives
Board of Directors	Shareholder representatives	<ul style="list-style-type: none"> <li>• Macro-objectives and strategies.</li> <li>• Business and strategic direction.</li> <li>• Performance follow-up.</li> <li>• Approval of basic policies.</li> <li>• Decisions called for by the By-Laws.</li> </ul>
Permanent Support Committees for the Board <ul style="list-style-type: none"> <li>• Finance and Investments</li> <li>• Strategy and Communication</li> <li>• People and Organization</li> </ul>	Board members elected according to their fields of expertise	<ul style="list-style-type: none"> <li>• Recommendations to the Board.</li> <li>• Follow-up of decisions when delegated by the Board.</li> </ul>
Fiscal board	Shareholder representatives	<ul style="list-style-type: none"> <li>• Entity that supervises the actions of Braskem administrators.</li> <li>• Expanded role as Audit Committee.</li> </ul>
Auditors	External auditors Corporate Safety	<ul style="list-style-type: none"> <li>• Issue reports on financial statements.</li> <li>• Auditing program focused on risks and SOX.</li> </ul>
Ethics Committee	CEO, P&O Officer, Legal affairs Officer, Member appointed by P&O	<ul style="list-style-type: none"> <li>• Implementing and updating the Code of Conduct.</li> <li>• Evaluating and passing on solutions for reports received through the Ethics Channel.</li> </ul>
Executive Committee	CEO and all Officers directly responsible for each business (BU) or support areas	<ul style="list-style-type: none"> <li>• Executive entity that deliberates on matters required by the governance process and/or must be submitted to the Board of Directors.</li> <li>• It evaluates cases in which the combined vision of the Business Units (BU) and Support Units qualifies and contributes to decision-making.</li> </ul>

## Board of Directors

Through its Chairman, the Board of Directors is the Shareholders' representative. The Board is made of 11 members, four of whom are independent from the controlling Shareholders, in accordance with best practices approved by BOVESPA and the guidelines of the Sarbanes-Oxley Act. The Board has three permanent support committees to ensure efficient, high-quality decision-making: People and Organization, Finance and Investments, and Strategy and Communication.

At December 31, 2008, Braskem's Board of Directors had the following members:

### Board Members

**Marcelo Bahia Odebrecht\*** – Chairman

**Djalma Rodrigues de Souza\*** – Vice Chairman

**Alvaro Fernandes da Cunha Filho\***

**Alvaro Pereira Novis\*\***

**Francisco Teixeira de Sá\*\***

**José de Freitas Mascarenhas\*\***

**Francisco Pais\*\*\***

**Newton Sérgio de Souza\*\***

**Antônio Britto Filho\*\***

**José Mauro Carneiro da Cunha\*\***

**Edmundo José Correia Aires\*\***

### Alternates

**Marcos Wilson Spyer Rezende\***

**Arão Dias Tisser\***

**Marcos Luiz Abreu de Lima\*\***

**Paulo Henyan Yue Cesena\***

**Lúcio José dos Santos Júnior\*\***

**Guilherme Simões de Abreu\*\***

**Alexandre Coutinho Barboza\***

**Cláudio Melo Filho\*\***

**Carlos Jorge Hupsel de Azevedo\*\*\*\***

**Yukihiro Funamoto\*\***

**Márcio Domingues de Andrade\*\*\***

\*Term: July 25, 2008 until 2010 GSM.

\*\*Term: March 26, 2008 until 2010 GSM.

\*\*\*Term: May 30, 2008 until 2010 GSM.

\*\*\*\*Term: September 30, 2008 until 2010 GSM.

## Fiscal Board

Braskem's By-Laws call for the creation of a permanent Fiscal Board comprised of five members and the same number of alternates. The Fiscal Board is an independent corporate entity from the administration and auditing firms. Its main responsibility is to oversee the activities of the administration and financial statements and be directly accountable to Braskem Shareholders. In compliance with the Sarbanes-Oxley Act and best practices of Corporate Governance, the Fiscal Board's activities have been expanded to include the role of Audit Committee.

Like the Board of Directors, the Fiscal Board also maintains an exclusive channel of information that can be accessed through Braskem's website and ensures a secure, transparent, equitable and efficient process of communication.

## Ethics Committee and Ethics Channel

The Ethics Committee is a consultative and deliberative body created to ensure full understanding and application of Braskem's ethical principles, issue reports on its findings and disseminate the Company's Code of Conduct, thereby helping fortify Braskem's entrepreneurial culture.

In addition to in-house audits, the Committee provides channels of communication (Braskem's Ethics Channel) to Members, Suppliers and Clients so as to firmly establish best corporate governance practices in compliance with section 301 of the Sarbanes-Oxley Act. Interested parties can use the channel with full confidentiality protection to report actions and activities that could affect management, accounting, auditing, internal controls, policies and local legislation, and possible violations of the Company's Code of Conduct. The Ethics Committee evaluates the results of analyses of reports received through the Ethics Line and recommends the risk-prevention measures that Company leaders should take.





“We share Braskem and its majority shareholder’s long-term vision for businesses and investments.”

Yukihiro Funamoto,  
Director of Sojitz in Brazil

## Shared vision for the future

The Sojitz Corporation, a Japanese trading company that has been active in Brazil since the mid-1950s, owns 2.2% of Braskem’s voting stock and 1% of the company’s total equity (at December 2008). Since 2006, Sojitz has been represented on the Board of Directors by an alternate, Yukihiro Funamoto, the director of the Japanese company’s Brazilian affiliate, at the invitation of the controlling shareholder, Odebrecht S.A.

Sojitz is also taking part in two of Braskem’s projects in Venezuela, Propilur and Polimérica, to supply plastic resins to that country. Sojitz owns 1% of each of these projects, and Braskem has a 49% stake. “Energy is one of Sojitz’s strategic focuses, and this is one reason why this partnership with Braskem is so important to us,” says Yukihiro Funamoto.

Sojitz’s business strategy led the company to sign a US\$ 40 million contract in December 2008 for the advance purchase of ETBE (ethyl tertiary-butyl ether), a fuel additive that will be sold in Japan and the European Union. Thanks to that guaranteed credit, Braskem had Sojitz’s backing when it converted an industrial unit in Camaçari, Bahia, to produce ETBE. In return, Sojitz will receive an amount corresponding to 120,000 tonnes of the product over the course of three years as of 2009.

“We have an excellent partner in Braskem, as well as being their client for chemical products and a naphtha supplier. We are investors, partners and friends. The fact that the controlling shareholder, Odebrecht S.A., has invited a foreign company to sit on its Board of Directors demonstrates the level of

transparency at that company,” Sojitz’s director for Brazil observes.

Funamoto has lived in Brazil for over six years and points out that the business relationship between Sojitz, Braskem and Odebrecht S.A. executives has helped to build a relationship of trust. “We share Braskem and its majority shareholder’s long-term vision for businesses and investments.”

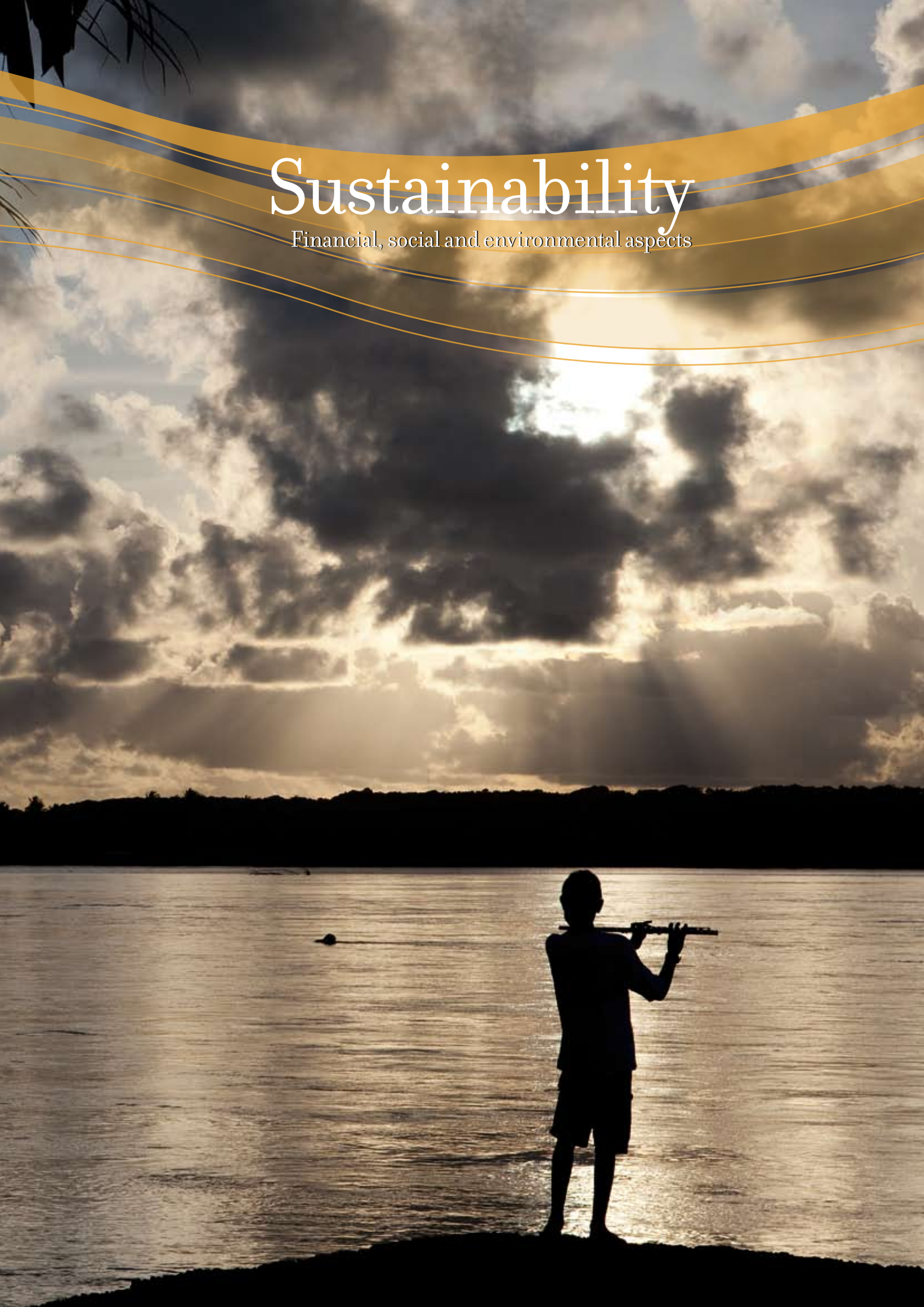
The Sojitz Corporation is based in Tokyo and has 90 offices around the world. Its Brazilian head office is located on Avenida Paulista in São Paulo. It has two branches in this country: one in Rio de Janeiro and another in Espírito Santo. The group’s 570 companies employ 18,000 people (mainly in Japan), and Sojitz’s consolidated earnings total US\$ 60 billion per year. Shareholder’s equity totals US\$ 5 billion.





# Sustainability

Financial, social and environmental aspects











Another event that marked the last quarter of 2008 was the drastic depletion of inventories in the domestic market, which distorted annual growth. Sales volume should get an added boost when inventories in the petrochemicals supply chain return to normal in 2009.

Despite the global financial scene, 2008 was a year of important strategic and tactical advances for Braskem that have made it even better prepared to overcome the challenges of today and tomorrow. Advances such as the merger of the Ipiranga Group and Copesul in Rio Grande do Sul, and the start up of the Paulínia Unit's operations

in São Paulo, were decisive steps toward consolidating Braskem's integrated business model and increasing production capacity.

By the year's end, the Company was in a stronger position in regard to the market and the sustainability of its businesses. Thanks to solid operational performance, it posted net revenue of R\$ 18 billion and EBITDA of R\$ 2.4 billion, and at the end of 2008, it had R\$ 3 billion in cash on hand.

The company's statement of value added has changed as follows:

### DISTRIBUTION BY STAKEHOLDERS

	2006	2007	2008
<b>Government</b>	<b>375</b>	<b>1,072</b>	<b>(912)</b>
Taxes less subsidies (exemptions)	375	1,072	(912)
<b>Members</b>	<b>523</b>	<b>589</b>	<b>561</b>
Salaries (personnel + management)	425	393	439
Benefits	98	196	122
<b>Financial Agencies</b>	<b>1,477</b>	<b>172</b>	<b>4,445</b>
Return on Third-Party Equity	1,477	172	4,445
<b>Minority shareholders</b>	<b>447</b>	<b>390</b>	<b>39</b>
<b>Shareholders</b>	<b>145</b>	<b>671</b>	<b>(2,492)</b>
Interest on equity and dividends	37	278	-
Retained profit/loss for fiscal year	108	393	(2,492)
<b>Total Distributed</b>	<b>2,967</b>	<b>2,894</b>	<b>1,641</b>

An overview of the segments in which Braskem is active shows that demand for thermoplastic resins in the domestic market also experienced two very different periods in 2008. In the first nine months of the year, demand grew by 9%, driven by high consumption of household appliances, cars, food and cosmetics (packaging for these items) and other products using polyethylenes and polypropylene. However, in the last quarter, the overall economic and financial situation was entirely different. Domestic demand was strongly affected by the credit crunch, leading to a 6% drop in Q4 that resulted in annual growth of just 3%. Although expectations of record growth had been dashed, Braskem closed 2008 with a 53% share of the polypropylene market and 50% of the market for polyethylene (high density, low linear and low density), thereby maintaining its leadership in Brazil.

In the PVC market, the growth of the construction industry drove sales in that sector, which absorbed 70% of Braskem's PVC production. This market grew by 18% in 2008, and Braskem gained 51% market share with production of 520,000 tonnes per year. Besides the upsurge in demand, this record result was due to investments made in the technological upgrading and revamping of industrial units, aimed at boosting productivity. The growth

of the caustic soda market in 2008 was also robust, at 5.5%. PVC and caustic soda production reached one million tonnes – a record for that Business Unit. This result reflects the major investments in Braskem manufacturing plants made since 2003.

Another significant factor for that unit's success was the improvement of all eco-indicators, reducing the consumption of natural resources and the production of liquid and solid waste and emissions, which has resulted in significant gains for social responsibility and safety programs. The upward sales trend was also maintained: R\$ 300 million in 2007 (when the target was R\$ 250 million) and R\$ 400 million in 2008 (the target was R\$ 350 million).

For the Basic Petrochemicals Unit, whose production meets all of Braskem's industrial needs and produces a surplus that is sold to Clients in domestic and foreign markets, total sales of ethylene and propylene, raw materials for the manufacture of plastic resins, showed a decrease of 22% against the previous year, reaching 758,000 tonnes. This unit has industrial bases in Camaçari, Bahia, and Triunfo, Rio Grande do Sul, and also produces other basic petrochemicals from naphtha.

The financial results for 2008 are described in detail in the Financial Statements (see annexes).







## New businesses in Alagoas

// Approximately 3,500 new jobs will be created in this region."

Luiz Otávio Gomes, Alagoas State Secretary of Economic Development, Energy and Logistics

Ten plastic converter companies are establishing facilities near the Marechal Deodoro Petrochemical Complex in the northeastern Brazilian state of Alagoas. Two more are already fully operational. The magnet attracting these downstream plastics companies to this part of the country is a program that began in 2007, when the Alagoas Chemicals and Plastics Supply Chain Forum was created.

In addition to Braskem as anchor, the forum also includes representatives of government agencies, state universities, the Industry Federation, trade unions, SENAI (the National Industrial Apprenticeship Service) and other institutions. The goal is to create the conditions for more companies to establish themselves in that part of the country. Braskem's involvement includes identifying and bringing together Clients from other regions who are interested in this business opportunity.

The transfer is being made possible by the State of Alagoas's support policy, which includes granting land within the

boundaries of the Marechal Deodoro complex, and outstanding and competitive VAT tax incentives. In late 2008, Forum members discussed the need for investing in the creation of a laboratory-school to groom and train technicians and operators who will work at the new businesses arriving in the region.

According to Luiz Otávio Gomes, the Alagoas State Secretary for Economic Development, Energy and Logistics, Alagoas, five out of the ten companies that are establishing themselves in Marechal Deodoro will begin producing in 2009, and the remainder will be fully operational by 2010.

"Around 3,500 new job opportunities will be created in this region, which means household incomes for 12,000 to 15,000 people," says Gomes. "Despite the tax incentives for businesses, the tax revenue will be significant. Moreover, due to the income obtained through wages, people will consume more and generate more taxes for the county."







## Growth

Two events in 2008 are particularly worth mentioning because they played a significant role in the consolidation of Braskem's business plan. The Paulínia polypropylene unit started up in São Paulo in April, and the merger of Ipiranga Petroquímica and Copesul was successfully completed in June at the Triunfo Petrochemical Complex in Rio Grande do Sul, thereby bolstering Braskem's leadership position in the Latin American market.

The merger of Ipiranga and Copesul resulted from the acquisition of the Ipiranga Group in the first quarter of 2007, in partnership with Petrobras and the Ultra Group. The starting point for the merger process was the transfer to Braskem of Petrobras's minority stakes in Copesul, Ipiranga Petroquímica and Petroquímica Paulínia (merged in April). As a result, Petrobras now owns 31% of Braskem's voting stock. The consolidation of this strategic alliance with Petrobras has opened up new prospects for improving the competitiveness of the entire supply chain for this sector in Brazil.

Through the unification of teams from all three companies and the capture of operational synergies, Braskem is increasing production capacity and consequent cash flow generation to support its growth and internationalization strategy, which is in line with its vision of becoming one of the world's top 10 petrochemical companies in the next few years.

## Paulínia Unit

Located in São Paulo State, the Paulínia Unit is having significant positive impacts on Braskem and the entire plastics supply chain. The unit can produce up to 350,000 tonnes per year of polypropylene, using propylene supplied by Petrobras. In addition to increasing its polypropylene production capacity, the company has cemented its position as the leading supplier of this product in Brazil and strengthened its strategic alliance with Petrobras. Initially, the two companies were partners in this venture.

One of the factors that make this new plant stand out from the competition is the Spheripol technology, which represents the state of the art in technologies available in the international market for polypropylene production. It does not generate toxic waste and requires minimum use of resources such as water and energy, delivering high performance in productivity with minimum environmental impact. Braskem was the Paulínia Unit's supplier of this technology, with the authorization of Basell, which owns the license for Spheripol, and uses it at two plants at the Triunfo Petrochemical Complex in Rio Grande do Sul.

The concept of sustainability is part of daily life at the plant. A good example is the system to collect and reuse rainwater and the project to restore degraded vegetation on Jacaré Creek. The Paulínia Unit creates indirect employment for about 1,000 local residents, particularly service providers, as well as generating over R\$ 150 million in taxes, tariffs and social-security contributions.



### International Expansion

In the international arena, the most significant milestone was the development of investment projects in partnership with Pequiven, the state petrochemical company of Venezuela, a country with abundant supplies of natural gas and oil. Following the establishment of two joint ventures, Propilsur and Polimérica, which are responsible for these projects, the expectation is that their implementation will gain more speed as of 2009.

Braskem has a 49% stake in both ventures. The shareholders also include Pequiven (49%), Sojitz, a Japanese trading company (1%), and Coramer, a Venezuelan trading company (1%). These projects are maturing and expected to begin production by the end of 2011, in the case of Propilsur, and 2013, with regard to Polimérica.

These projects in Venezuela are currently the main springboard for Braskem's international expansion, providing access to competitive raw materials for polyethylene and polypropylene production.

Also in 2008, negotiations continued for future investments in Peru, aimed at producing polyethylenes made from natural gas in partnership with the state oil company PetroPeru. Different market logics come into play in Braskem's international projects. The ventures in Venezuela focus on the local market and the U.S., while in Peru the project is targeted at the Pacific Coast of South America, specifically Chile, Ecuador and Peru, as well as Asia.

### Focusing on Productivity

Annual targets are set for all areas of Braskem, reflecting the needs and challenges of each business. These targets are then subdivided into individual goals linked to the variable remuneration of the company's Members. Then Action Programs for leaders and their team members are prepared on the basis of the targets set for each area, following the same process.

All the Company's Business and Support Units apply the same method of setting targets and establishing Action Programs. Each leader, including the CEO and top management, has a personalized operating panel showing their performance indicators. The interdependence of annual targets ensures strategic alignment among all areas of the company. This is a chain process that indicates where the company plans to go, the paths to follow, the expected benefits, and what needs to be improved to achieve the agreed targets.

With a focus on productivity, practices and individual results are followed up on at meetings between leaders and team members, and evaluated on the basis of each Member's Action Program, as well as through internal and external audits.





### Braskem+

By the year's end, Braskem had made progress in implementing the Braskem+ operational excellence program. Introduced in the company's production areas in 2004, the program has changed people's attitudes and behavior while strengthening the culture of loss prevention and the continuous improvement, identification, standardization and replication of best practices, and grooming new project leaders, among other benefits.

Outside the scope of industrial improvements, the highlights of this program also included:

- **Supply Chain Projects:** reducing product returns, lowering storage costs, increasing stock turnover, reducing delivery time, shortening the purchase order cycle.
- **P&O Projects:** lowering the cost of training logistics, cutting down on recruitment and hiring costs and time, reducing unscheduled overtime, improving e-learning courses, among others.



Paulínia Unit:  
production capacity of  
**350,000**  
tonnes/year  
of polypropylene





## Innovation and Investments

**In 2008 Braskem launched 31 development projects for new plastic resins, process modifications, partnerships with Suppliers and Clients, and different applications**

For Braskem, investing in innovation and technology means creating value for the plastic resin supply chain, as well as helping bolster the competitiveness of its Clients and winning new markets. Braskem invests approximately R\$ 50 million per year in research and development.

Thanks to its innovation programs, the Company has received major awards for the petrochemical industry. One of the projects recognized a few years ago was the UTEC® resin, ultra-high molecular weight polyethylene used for high-impact linings for dump trucks and railway cars, as well as in helmets and bulletproof vests. Braskem is the world's second-largest producer of this resin and has been honored with the ABIQUIM Technology Award for this innovative product.

Another result of the Company's research and innovation efforts is **Idealis®**, high-performance polyethylene developed for the European market. **Idealis®** is used to make cutting bases for the food industry and assembly platforms for the automotive industry.

In recognition of its organized and consistent efforts in technological innovation, Braskem in early 2009 received the ANPEI Innovative Company Seal. The award was created by the National Association for Research, Development and Engineering of Innovative Companies in 2008.

Braskem's Corporate Innovation and Technology area was restructured at the end of 2008 to increase its focus on the three fields in which it operates:

- **Strategic innovation management:** responsible for structuring and consolidating the results of the Business

Units, coordinating technology contracts and managing industrial property.

- **Management of external innovation sources:** responsible for structuring and consolidating the results of the Business Units, coordinating technology contracts and managing industrial property.
- **Technology intelligence:** responsible for charting current and future technological developments of new business platforms.

In late 2008, Braskem also created Ideom Tecnologia Ltda. to capture and manage government development funding for the Company's innovation and technology projects. Ideom is a small company based in Camaçari, Bahia.

The mobilization of resources and the dedication of the company's Members to innovation and technology projects in all business units have achieved significant results. In 2008, Braskem launched 31 development projects for new plastic resins, process modifications, partnerships with suppliers and Clients, and new applications. A good example of the return on this investment in innovation, research and technology for Braskem and its Clients is the development of polyethylene cisterns in partnership with FortLev to replace concrete structures. In addition to financial returns, meeting its Clients' needs and expectations is fundamental for Braskem.



# Value added for the Client

"At FortLev, we are proud to be able to count on our partnership with Braskem in our day-to-day operations," says Antônio Torres, the Director of FortLev, Brazil's leading water tank producer, which has a 60% share of the domestic market. The partnership he mentioned has made it possible for his company to carry out a plan to make polyethylene cisterns that are replacing concrete structures as a modern alternative for the construction market.

FortLev had Braskem's unwavering support throughout the R&D process before launching this new product. In 2007, representatives of both companies traveled to Australia to get a first-hand look at a solution for rotor casting the cisterns. The technology for the product came from Down Under, along with the information that the plastic resin Braskem manufactured was not compatible with the product that FortLev wanted to put on the market. It took just eight months for Braskem's teams to design a special resin for the product and send it for testing in Australia. In April 2008, right on the Client's schedule, this innovative new product was launched at the International Construction Industry Fair (FEICON) in São Paulo.

"We believe that the water storage sector is a growth market in Brazil, and at FortLev, we want to gain even more market share with our top-of-the-line product, a polyethylene cistern that can store 3,000 to 5,000 liters of water," says Antônio Torres. Founded 20 years ago, FortLev is based in the eastern state of Espírito Santo and has plants in three other states: Bahia, São Paulo and Santa Catarina.



## 2008 Braskem Highlight Awards

The FortLev Project won a 2008 Braskem Highlight Award (in-house recognition for Members responsible for the best projects of the year) in the "Value-Added for the Client" category. The focus of the project was on "Technology and Innovation in pursuit of solutions for the construction market." The award-winning Members were Alexandre de Castro, Fábio Lamon, Fabiano Zanatta and Marcello Cavalcanti. Over 130 entries vied for the 2008 Braskem Highlight Awards in five categories.

// We want to gain even more market share with our top-of-the-line product."

Antônio Torres, Director of FortLev (shown to the right in the photo, shaking hands with Braskem Account Manager Alexandre Castro)



“Estrela is always on the lookout for innovations, and we wanted to give this one a try.”

Carlos Tilkian,  
CEO of Estrela

## The first application of Green PE

The partnership between Braskem and the Brinquedos Estrela toy company celebrated a milestone in 2008: the launch of a commercial-scale project at a pilot plant to produce green polyethylene, a renewable raw material made from sugar cane. Both companies' innovation, creativity and professionalism are part of the history of the Sustainable Monopoly® game.

Carlos Tilkian, CEO of Estrela, read about the Green PE project in the newspapers and believed in the appeal of this eco-friendly product from the very start. “As a Braskem client, I immediately thought of a way of participating in the project by using green polyethylene in one of our toys. Estrela is always on the lookout for innovations and we wanted to give this one a try.”

Braskem supplied samples of the plastic resin for testing in industrial production. When the possibility of using green

plastic in one of the company's toys became clear, the choice fell on the leading product in the games segment. After 45 years on the Brazilian market, Monopoly® is one of Estrela's leading brands, and the toy company has always sought to keep it up to date to win over the next generations of consumers.

That is how the concept of the renewable raw material's eco-friendly sustainability became part of the game itself. In the green version of Monopoly®, the playing pieces are made from green plastic, and recycled paper and cardboard are used to make the cards and packaging. Rather than portraying an urban setting, the properties on the board are factories, sugar plantations and environmental preserves. Instead of Monopoly money, the players use carbon credit certificates to buy their properties.

Each unit of Sustainable Monopoly® contains about 50 grams of green polyethylene. Estrela has produced 10,000 units, which are being sold exclusively through outlets of the Wal-Mart group. The toy company is confident about its prospects of exporting the game to the United States and Europe by 2010, when the Triunfo plant in Rio Grande do Sul, southern Brazil, will be producing green PE on an industrial scale to supply its Clients.

According to Carlos Tilkian, his company already had an excellent commercial relationship with Braskem, but this time Braskem has surpassed his expectations. “They have provided support, worked closely with us, supplied samples, and exchanged information about the resin's performance in the equipment. These and other factors have made us very happy to be taking part in this project.”



Another highlight in 2008 was the development of a PVC resin patented by Braskem that makes it possible to produce sealants free of AZDC, a substance that was recently banned from the manufacture of sealants that come into contact with food.

An important pillar of the Company's sustainability, research and development activities are coordinated by the Braskem Technology and Innovation Center (CTI) at the Triunfo Complex, which represents more than R\$ 330 million in assets, including eight pilot plants. At the CTI, a team of about 190 people, including researchers and technicians, is available to Clients to provide support for all their development needs, including processes, products, applications and new markets.

This facility's pilot plant for green ethylene enabled Braskem to develop the first certified polyethylene of 100% vegetable origin in 2007. In 2008, international certification was obtained for the polypropylene, which is made from the sugar cane, a renewable raw material. These achievements have granted Braskem several international awards, and reaffirm its commitment to sustainable development.

## Green polymers

Braskem has a strategic vision of becoming an international model for the development of green polymers. The Board has already approved a R\$ 500 million investment in the first renewable ethylene production unit. This new plant will be installed in the Triunfo Petrochemical Complex in Rio Grande do Sul, with production capacity of 200,000 tonnes per year of ethylene and polyethylene made from sugar cane ethanol.

The pilot plant has been operating since 2007 with the support of researchers and technicians from the Technology and Innovation Center in Triunfo, producing 12 tonnes per year. A priority investment for 2009, the new plant will be up and running by the end of 2010.

Potential Clients for Green PE include the auto industry and manufacturers of food and beverage packaging, cosmetics, toiletries and toys – like Estrela, Braskem's first commercial partner on this project (read about the first application of Green PE on page 40). Braskem also signed supply and distribution agreements with major national and international companies in 2008.

Polyethylene made from sugar cane has been certified by a major worldwide international laboratory, Beta Analytic, attesting that the product contains 100%-renewable raw materials. To consolidate its image as the pioneer in this area, Braskem sponsored the trophies for the 2008 Formula 1 Brazil Grand Prix. Made from green plastic, they were designed by legendary Brazilian architect Oscar Niemeyer.

## Green Butene and Propylene

Also in 2008, the team at Braskem's Basic Petrochemicals Unit in Camaçari joined forces with the team operating the pilot plant and the Technology and Innovation Center in Triunfo to produce green butene and propylene. The green butene was used as a co-monomer for the production of linear low-density green polyethylene, and green propylene was used to make green polypropylene. Both products were certified by an international laboratory.

## NeoPVC Program

Expanding on the possibilities of upgrading technology through partnerships with universities and research institutes, the Polymers Unit is carrying out the NeoPVC Program, which in 2008 enabled Braskem to file two new patents.

Studies are underway to develop technologies for construction materials and components, composition technology, nanotechnology applied to PVC and innovations in applications, as well as developing and improving industrial processes in the vinyl production chain. In all, nine projects are in progress and 13 opportunities are being assessed.

## Patents

In addition to conducting research at its own labs, Braskem partners with research institutes of recognized expertise. The most important results obtained in 2008 through these partnerships include the use of the chemical sensor technology, which gives plastic resins the property of changing color when the quality of a product inside the packaging changes. This technology is the result of a joint development project with the Federal University at Rio Grande do Sul and resulted in 33 patents filed by Braskem in 2008, which reached a total of 219 registered patents.





“This investment is very important for our state’s economy.”

Ricardo Englert, Rio Grande do Sul  
State Treasury Secretary

## RS, home of green plastic

In mid-2008, Braskem and the government of Rio Grande do Sul (RS) entered into an agreement that made it possible for the Company to invest in its Green Plastic project in that state. Through this agreement, over the course of three years, Braskem can monetize its ICMS (VAT) withheld in recent years (approximately R\$ 370 million) and use those funds to build a new plant to make ethylene from ethanol, the raw material for Green Plastic.

Rio Grande do Sul economist Ricardo Englert, the State Treasury Secretary, describes this solution as a way of enriching Rio Grande do Sul. “This investment is very important for our state’s economy. In addition

to being a major project in terms of operating size, it is also a source of pride to be the home of a global pioneer like Green PE.”

He also stressed the project’s groundbreaking innovation and sustainability. “We are replacing oil with a renewable raw material, which makes both Braskem and Rio Grande do Sul part of history. This is where the innovation and technology research was done and the pilot plant was installed, and now industrial production will also take place in our state. Green PE made in Rio Grande do Sul will be sold to the entire world.”

The installation of the green ethylene plant in Triunfo is also impor-

tant for Braskem, due to the technical synergy with its basic petrochemicals and plastic resin production units at the petrochemical complex. It also has logistical advantages because its location facilitates transportation to the main centers of demand.

Braskem’s Board of Directors has approved an investment of approximately R\$ 500 million in the Green PE project, which aims to produce 200,000 tonnes per year of ethylene and polyethylene made from sugar cane ethanol. The Board announced its approval of the project on December 18, 2008. Ground was broken for the plant in early 2009.



// This material is light and malleable and is ideal for applications like drilling, cutting and folding."

Aguinaldo Lourenço da Silva,  
Mondiana Research and Development  
Director



## Market niches

The Mondiana plastic manufacturing company has been working in the field of plastic boards, sheets, plates and bobbin extrusion for over 12 years, offering a vast range of finishings and applications. In 2007, it entered into a partnership with Braskem on a project for the local production of expanded PVC boards used in advertising panels with a view to replacing imports.

In late 2007, Mondiana acquired an extrusion line to manufacture expanded PVC boards and invested in an industrial facility with a 1,500-sq.m area where twenty people are currently employed. This structure was set up with Braskem's help. The

Company provided know-how and consultancy on technology development, equipment installation, technical assistance and publicity. Mondiana is very pleased with the PVC Braskem is supplying. "This material is light and malleable and is ideal for applications like drilling, cutting and folding, the processes of stamping and applying adhesive vinyl, as well as being resistant to exposure to sun and rain," says Aguinaldo Lourenço da Silva, Mondiana's Research & Development Manager.

The next step in this ongoing project will be to enter new and promising market niches, such as replacing wood in the construction of cities for movie sets, a new al-

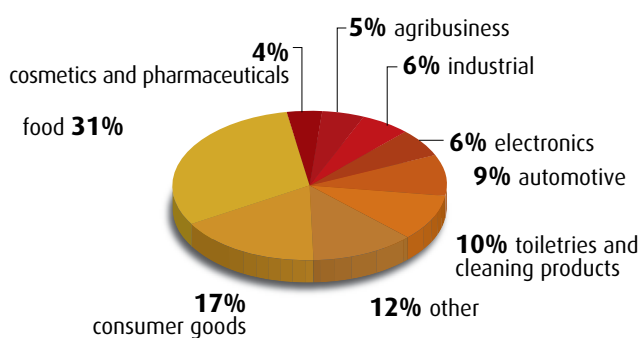
ternative for concrete slipforms, panels for buses and ships, installing chicken housing and egg-laying facilities in poultry farms, and other applications. In these cases, the high moisture resistance, ease of cleaning and durability of PVC make it a better option. It is also 40% lighter than wood.

Mondiana is adding another attribute to these advantages, in line with the principles of sustainability that are gaining ground in the corporate world. For example, the PVC boards used in advertising and construction are recyclable. With sustainability in mind, the company aims to begin buying back used boards in order to recycle and reuse the PVC.

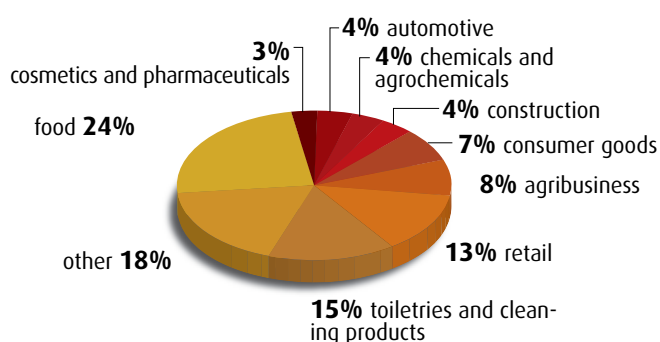


## Clients in Brazil and worldwide

### PP MARKET 2008



### PE MARKET 2008



Working with a focus on its Clients' needs is one of Braskem's core principles and the basis of long-term partnerships. With a portfolio of approximately 1,400 Clients in Brazil and 360 worldwide, Braskem exports to some 60 countries. In the domestic market, the sectors in which Braskem is present with polyethylene and polypropylene products include cosmetics and pharmaceuticals, the auto industry, chemicals and agrochemicals, construction, and toiletries and cleaning products, among others.

Since 2006, Clients have used the services of the Braskem Portal, a transactional website that speeds up the process of purchasing products and tracking orders from dispatch to delivery. The Company's logistics facilities, including 14 distribution terminals, allow better service, since Braskem's industrial units and offices are strategically situated, and distribution centers are located in key regions of Brazil.

Outside Brazil, Braskem is present in the main strategic markets. Working out of commercial offices in the United States, the Netherlands, Argentina and Chile, the company provides its international Clients the same service and attention lavished on the Brazilian market. Being close to its Clients makes it easier to provide specialized technical assistance, develop tailor-made applications for plastic resins and deliver products just as quickly as a local supplier, in addition to creating fresh business prospects. The Southern Cone market, particularly Argentina, due to sales volume, currently represents one-third of the company's exports.

Braskem's close proximity to Clients outside Brazil began with a commercial office in the United States in 2002. Both in that country and Canada, it has established a solid base of buyers of UTEC® ultra-high molecular weight polyethylene. Braskem is one of the world's leading producers of this engineering plastic. Its European Clients are located mainly in Germany, Italy, France, the Netherlands and Spain, and use different types of plastic resins. One of them is Idealis®, a special high molecular weight polyethylene developed in Brazil for the European market. Idealis® is used to make industrial parts for the automotive, food and other sectors.



## Good for the Client and Braskem

The drive to serve our Clients is a differentiating factor for Braskem when building up solid, fruitful partnerships. The application of this principle in the Company's relationship with Tetra Pak, the world leader in carton food packaging, is an example of how a keen eye to the Client's needs adds value to services provided.

As a food packaging manufacturer, Tetra Pak needs to ensure that its entire supply chain follows international hygiene standards for the industry to the letter. The same requirements extend to suppliers, including Braskem. Polyethylene, the raw material used to make carton packaging, comes into contact with the food. Because of that, it must be free of any contaminants or potential risks of contamination through contact or odor.

To meet its Client's needs, Braskem makes ongoing investments in its PE-4 and

PP-1 plants in Triunfo, Rio Grande do Sul, and the PE-1 unit in Camaçari, Bahia. The company has developed and implemented controls and inspection procedures to eliminate potential risks of chemical, physical and biological contamination, so that polyethylene can be safely used in food packaging.


The company's PE-4, PP-1 and PE-1 production units have been adapted and certified under the GMP (Good Manufacturing Practices) and HACCP (Hazard Analysis and Critical Control Points) standards. Its units are periodically evaluated by BVQI (Bureau Veritas Quality International), an international certification agency, based on Tetra Pak's requirements. The first certification was issued in January 2007 and renewed in July 2008. All three units have achieved a compliance rating of over 95%.

In addition to external audits, Braskem teams also conduct internal

audits of the plants to improve on the standards of quality already achieved. All of the observations arising from internal and external audits generate action plans.

"Braskem has invested heavily to meet our requirements, which are also FDA requirements," says José Roberto Gracio, Tetra Pak's Procurement and Logistical Services Director for Brazil, referring to the US Food and Drug Administration. "As soon as Tetra Pak issued its international hygiene and control requirements, Braskem mobilized and became one of our first suppliers to rapidly develop improvement measures. We recognize the Company's enormous dedication."

By meeting Tetra Pak's needs, Braskem is now qualified as a supplier for other sectors that are just as strict in their compliance with health and hygiene standards, such as the pharmaceuticals industry.



**"Braskem has invested heavily to meet our requirements, which are also FDA requirements."**

José Roberto Gracio, Tetra Pak Procurement and Logistical Services Director for Brazil



Social Aspect





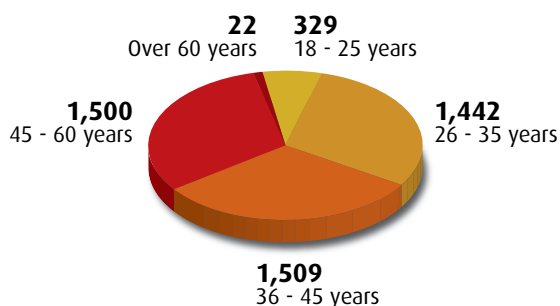
**Education, training and development programs value Members' talent throughout their careers**

## People

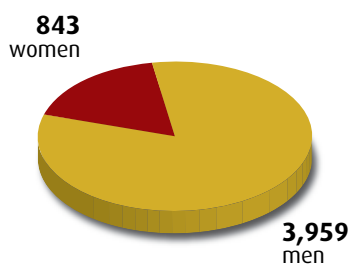
Companies develop as a result of the development of the people who comprise them. Because Braskem believes this to be true, the Company values its teams' relationship of transparency, discipline, respect and trust. Leaders educate their team members on the job and through work, creating challenging conditions for learning. A commitment to self-development and the pursuit of professional and personal fulfillment are also encouraged.

Braskem is aware that the qualifications of its Members are an important differential for the competitiveness and sustainability of its businesses, and invests in the continual development of the individual competencies necessary for the Company's growth. Accordingly, the process of qualifying its Members' expertise is individualized and based on the Company's Skills Development System (SDC), which in 2008 went through a structural change to strengthen the practice of the Odebrecht Entrepreneurial Technology (TEO), as well as to ensure that performance evaluations reflect the reality of each Member's Action Program and speed up the process of grooming and educating people.

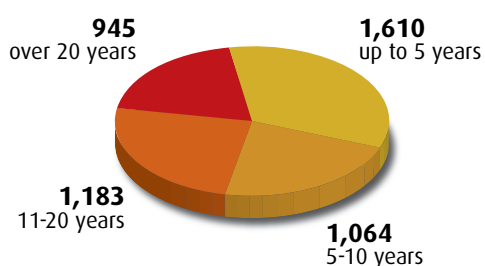
## MEMBERS PER AGE GROUP



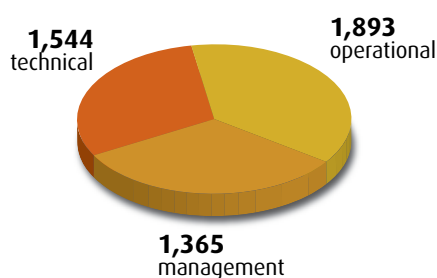
## MEMBERS PER GENDER



## MEMBERS PER LENGTH OF TIME WITH COMPANY



## MEMBERS PER JOB LEVEL



## Development

Each year, Braskem leaders evaluate their team members' skills in accordance with their Action Programs, producing an Individual Development Plan (PDI) based on opportunities for improvement observed in the evaluation, with prospects for development. The PDI serves as a reference for determining the training required for people development and helps determine who is eligible for college scholarships. These programs aim to align each Member's knowledge, skills, attitudes and values with the competencies the Company requires.

In order to develop specific expertise for engineers, ensure the competitiveness of industrial processes and identify opportunities for continuous improvement of operations, Braskem has signed a partnership agreement with the State University of Campinas (Unicamp). The Process Engineering class of 2008/2009 has 37 participants. The 428-hour course is 18 months long. The course includes a final project focused on ways to improve Braskem processes.

As of 2009, Braskem will use a new career management model that will attract, retain and develop experts in technical and scientific areas that will set the Company apart in the market. Known as Career Y, this model allows better assessment of skills and expertise, science and technology, providing opportunities for people who produce and manage knowledge. Through Career Y, professionals in the technical area will find it easier to improve their skills and carry out their Action Programs. They work in the Industrial area, Innovation & Technology and Engineering and Automation.

## Internship Program

The Braskem Internship Program (lasting one to two years) seeks to attract and groom young people with significant development potential who are in pursuit of knowledge, preparing them to work in different areas of the Company. These interns are offered a structured plan for further education, which allows them to apply knowledge acquired in college, develop behavioral and technical skills, and work on projects with follow-up from an internship leader and the People and Organization team through evaluations and periodic meetings. In 2008, the program had more than 9,000 applicants for 130 openings.

## Trainee Program

Through Internship and Trainee programs, Braskem seeks to attract young people with leadership potential, and groom new generations of professionals. In 2008, applications for the sixth edition of the Braskem Trainee Program reached an all-time high. There were 21,784 applicants for 22 openings. Trainees are offered a customized program mentored by a leader who is responsible for their educa-



tion. During this 12-month program, young Trainees acquire a broad perspective on the Company, its business and strategies. When they complete the program, they will be prepared to take on challenges and chart the course of their careers.

The class of 2009 will have a special program in the areas of Production, Maintenance, Automation and Processes, with specific training for those who want to pursue technical careers. Through this two-pronged program (one focused on developing business management skills and the other directed at young people who prefer technical careers), the trainees' profiles and expectations can be matched with the Company's needs.

### Leadership Development Program

This program combines leadership methods and skills with Braskem's organizational culture, aiming to groom new generations of leaders. The focus of this program is on the role of leaders as key agents of Braskem's survival, growth and perpetuity. It addresses topics such as leadership styles and the role of the Leader/Educator. In 2008, six groups participated in the program, totaling 120 hours of training on the subject, and grooming 172 company leaders.

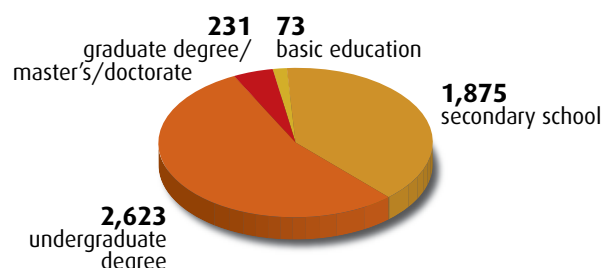
### Highlight Awards

These awards are a tool for educating and qualifying Members and sharing and transferring knowledge among different areas of Braskem. The Odebrecht Group created this program in 1992 to encourage the dissemination of plans, ideas and projects prepared by Engineering & Construction Members and submitted for analysis, classification and storage. Braskem has participated in the Highlight Awards since 2007. In 2008, it contributed 130 entries: 14 in the Value Added for Clients category, 64 in Competitiveness, 21 in Braskem Knowledge Reuse and 31 in Health, Safety and Environment. The winners were chosen by a committee of judges made up of 80 experts in various fields.

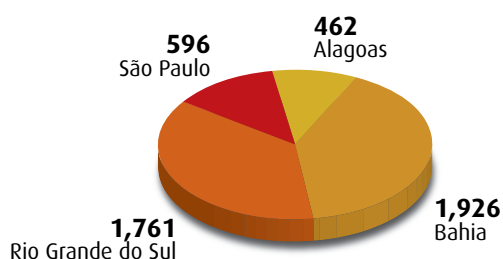
### Horizons Program

The aim of the Horizons Program is to prepare Braskem Members for a new phase of their lives – post-career life. Workshops are conducted with a focus on the social, psychological, financial and family aspects of this process, enabling participants to obtain broad and up-to-date experience in the construction of a new plan for life. Members expected to retire within three years are invited to take part in this program. The invitation is also extended to one family member per person. In 2008, 16 Members and their family members participated. Ten meetings were held on Saturday mornings, followed by lunch. The program's activities ended in October with a dinner dance.

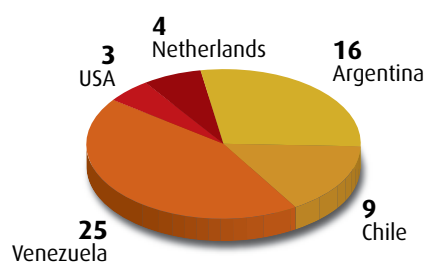
### MEMBERS PER ACADEMIC LEVEL



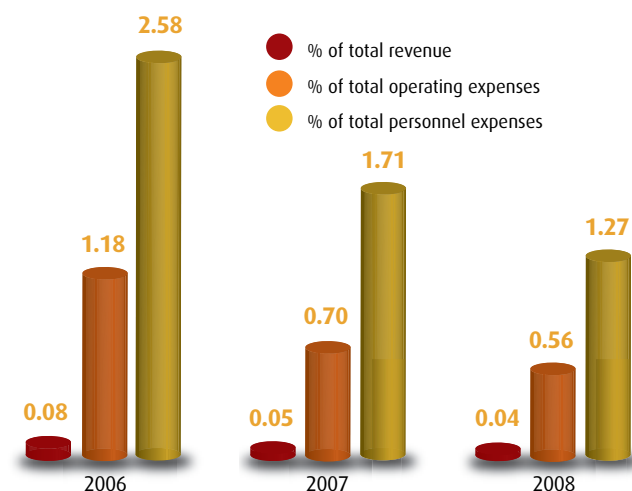
### WHERE MEMBERS ARE WORKING – BRAZIL



### WHERE MEMBERS ARE WORKING – OTHER COUNTRIES

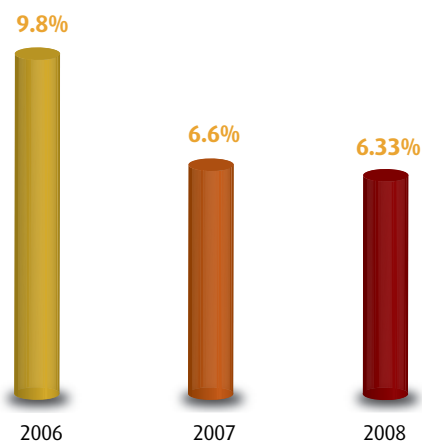


## EDUCATION AND TRAINING - INVESTMENTS (%)



## RATE OF ATTRACTING AND RETAINING PROFESSIONALS

Turnover



## MAKEUP OF AMOUNTS PAID TO MEMBERS (R\$)

Wages	382,845,523.95
Social security contributions	90,642,720.23
Private pension fund	14,493,257.23
Benefits	59,272,992.15
Results sharing	167,100,000.00

## Highlights

- People with Special Needs (PNEs):** Braskem's guidelines prohibit discrimination. In 2008, the company was monitored by the Regional Department of Labor and Employment of São Paulo, which certified compliance with the legally established hiring quota for PNEs.
- Fishing Project:** carried out at the Basic Petrochemicals Unit in Rio Grande do Sul, this project provides professional education to young people in the town of Santa Rita using the educational technology of the Fishing Project Foundation, which is present in 10 Brazilian states and Argentina. In 2008, 15 students graduated from introductory courses in Electronics, Electricity and Telephony, and learned the basics of IT and entrepreneurship.
- Apprentices:** in 2008, the Basic Petrochemicals Business Unit had three apprentices on its teams. This program is being carried out in partnership with SENAI (Brazil's National Industrial Apprenticeship Service).
- Knowledge+ Program:** created and implemented in 2008 at the PVC factory in Camaçari, Bahia. The goal is to foster the development of Members working in Operations and interfacing areas in an environment of continuous learning and knowledge exchange.







## Braskem's supply chain and partners

Braskem's partnerships with its Suppliers are grounded on respect, trust, and common ethical and professional values

In a spirit of partnership, Braskem maintains relationships based on mutual trust and respect with its suppliers, with whom the Company shares ethical values including compliance with laws and the fulfillment of contractual obligations. In some cases, these partnerships are strategic alliances in which both parties work towards bolstering their mutual success.

The excellence and competitiveness of Braskem's operations are directly related to the quality of services provided by partner companies in strategic areas, such as maintenance, the supply of materials and equipment, and services in general.

### Selection and registration

Braskem partners, including suppliers of goods and services, go through a process of selection, approval and registration before being considered qualified to service the Company. In order to ensure the Company's business security and the quality of its base of suppliers, the first step in the process of registration is a financial evaluation of the partner. Then, depending on the type of materials or services being provided, the partner's technical and commercial qualifications are assessed. Braskem works with them to establish lasting relationships while respecting the principles of free enterprise and fair competition.

# Stories of growth

// Education through Work, according to TEO, fosters rapid and consistent learning with our leaders' guidance."

Alexandre Naghirniac, Corporate Controllershship Manager (left)

// Braskem is interested in its Members' professional aspirations and in creating opportunities for their fulfillment."

Cláudio Villas Boas, Project Manager



Attracting talent, building, developing, encouraging and providing opportunities for its Members' personal professional and growth are practices that are deeply rooted in the Braskem culture. In each unit at every plant, there are many stories that confirm the wisdom of this people management policy. Stories like those of Alexander Naghirniac, Cláudio Villas Boas and Marina Muniz Rossi.

Alexandre Naghirniac, 27, is a native of São Paulo with a business degree who was hired three and a half years ago as a Credit Analyst for the external market, the segment responsible for about one-fourth of Braskem's revenue. His next challenge was working in the area of Mergers and Acquisitions, where he experienced the purchase of Copesul and Ipiranga Petroquímica, an extremely rewarding time for someone seeking experience, knowledge and a chance to show

his potential. After that, he worked in Structured Operations, and now he manages Corporate Controllershship.

In less than four years, he has surmounted four challenges as Analyst, Specialist and Manager. At first, Alexandre managed small groups, and he now heads a team of 13 people. "Education through Work, according to the Odebrecht Entrepreneurial Technology (TEO), fosters rapid and consistent learning with our leaders' guidance," he says.

Alexandre values the experience of working different areas, which has enabled him to learn about different aspects of the Company's routine first-hand. "Braskem is a company that bets on its Members' career development and gives them the tools they need to grow."

Cláudio Villas Boas, 33, is a Project Manager in the New Businesses area. He had his first professional experience in

1998, as a Young Partner at the former OPP/Trikem in Bahia, where he was born and graduated in Chemical Engineering. Once that internship was over, he went back to school and got an MBA and a master's degree in plastics in Canada, where he lived for two years. After returning to Brazil in 2002, Cláudio went back to work at OPP/Trikem as an applications engineer, focused on the technical satisfaction of Clients in the North and Northeast of Brazil. Braskem was created that same year. Ever since, he has enjoyed a challenging and dynamic career at the Company. In 2003, he was promoted to Polyethylene Accounts Manager and transferred to Recife. In 2005, he became the Polypropylene Accounts Manager based in São Paulo, and in 2006, he was given responsibility for Clients in South America as the company's UTEC Accounts Manager.

"Working in São Paulo was a major challenge. Liaising with major companies





and the opportunity to make a direct contribution to Braskem's sales strategy had a huge influence on my professional growth and maturity. It is great to be at the center of decisionmaking and help ensure the Organization's growth and perpetuity," he observes. Cláudio is now responsible for the entrepreneurship of the UTEC Fiber project. "Braskem is interested in its Members' professional aspirations and in creating opportunities for their fulfillment through increasing responsibilities and quality deliveries."

Marina Muniz Rossi, 28, is the Health, Safety and Environment (HSE) Supervisor at the Paulínia Unit. She joined Braskem in 2004 through its trainee program. She was born in Santos but moved to São Paulo during her college days. After graduating in Chemical Engineering, she specialized in Workplace Safety. When she was selected to participate in the trainee

program, she was given the opportunity to work at the Company's units in Alagoas.

"I loved living and working in Alagoas. I learned a lot as a trainee and my co-workers and leaders were very supportive. I visited other plants and other business units. That was the period when I found my calling. I was sure that my career would be in industry. This is what I like to do." Marina worked in Alagoas for four years, where she was hired as a junior engineer and promoted to full engineer and then Supervisor. In late 2008, she was invited to work at the Paulínia Unit, where she now supervises a team of two Members and five partners.

"I can see how far I've come in four years. I started out as a trainee and now I'm a Supervisor. I've taken several technical courses, and more recently I took the management and leadership training course. I'm driven by challenges, and there is no lack of challenges at Braskem."

**//** I can see how far I've come in four years. I started out as a trainee and now I'm a Supervisor."

Marina Muniz Rossi, HSE Supervisor / Paulínia Unit





## Braskem+ Partners



Created in May 2006, the Braskem+ Partners Program is Braskem's main partner-development initiative. The aim is to ensure that all activities are carried out with the utmost expertise, while bolstering the service provider chain and seeking to keep it in line with the Company's growth scenario.

Braskem+ Partners is a commitment to excellence program that scores points in the Company's evaluation for inclusion in the São Paulo Stock Exchange's BOVESPA Corporate Sustainability Index (Social Aspect). While developing its partners' qualifications through this program, the company also seeks to help them structure their businesses and create value through high levels of productivity and competitiveness. At the end of 2008, 68 partner Suppliers were participating in this program.

## Evaluation

Braskem's partners are evaluated periodically on the basis of performance standards to certify their qualifications and ensure the continual improvement of processes and services. The check-list includes quality of service, quality of materials provided, quality certifications (ISO 9000 and 14000) and others. The results of this evaluation are used to produce the Supplier Performance Index (IDF), which ranges from zero to 100 points. An action plan is developed to address opportunities for improvement.

## Fostering diversity

An important initiative of social responsibility in Braskem's Procurement area is the Company's participation in Integrare, a Brazilian business association that aims to bring together member-organizations like Braskem and companies providing services and materials owned by Afro-Brazilians, Amerindians and people with special needs. As a result, Integrare aims to pave the way for creating more opportunities for these companies in tenders and selection processes carried out by its member companies' procurement departments. Braskem has been an Integrare member since 2007.

## Code of Conduct

The Braskem Supplier Code of Conduct establishes the principles for relations between the Company and its partners, strengthening core values such as transparency, ethics, accuracy of information, compliance with deadlines and quality requirements, and responsible decision-making. This code details Braskem's expectations of its partners, as well as Company Members working in the Procurement and Logistics area.



// Our close relationship has gone far beyond Petrobras's role as a future supplier of raw materials (propylene)."

André Vieira, Petrobras  
Projects Manager



## Strategic alliance

Inaugurated on April 25, 2008, the Paulínia Unit, Braskem's new polypropylene factory in São Paulo, has an outstanding supplier in Petrobras. While the plant was under construction, the two companies developed an even closer relationship that has bolstered their long-standing bond of partnership and strategic alliance even further.

Originally partners in this project, Braskem and Petrobras shared the common goal of seeing the construction works delivered on schedule, within budget and with the requisite quality. "Our close relationship has gone far beyond Petrobras's role as a future supplier of raw materials (propylene)," says Petrobras Projects Manager André Vieira, who has worked on the Paulínia project since its conception in 2005 and liaised be-

tween the two partners until the company started up three years later.

Petrobras's participation and strong support added value to their client-supplier relationship. As business partners, their interests converged and the two companies mutually helped each other. André Vieira mentions the importance of cooperation provided by the technical staff at REPLAN, the Petrobras oil refinery also located in Paulínia, in matters involving environmental licensing, water supply permits, and the supply of utilities for the testing and commissioning of the new factory.

Working on the basis of mutual trust, REPLAN's top management is actively engaged in the pursuit of solutions that could also benefit Petrobras. Their coop-

eration played a major role in helping the project meet its deadlines and achieve the expected goals

The Paulínia Unit was built by Construtora Norberto Odebrecht. The plant is linked to REPLAN by a pipeline that will be used to deliver propylene, an oil derivative used to make polypropylene. REPLAN's deliveries will depend on the completion of projects currently underway at the Petrobras refinery. Until then, the factory's propylene supplier will be REVAP, another Petrobras refinery, located in São José dos Campos, São Paulo.

The Paulínia Unit has cemented Braskem's position as the leading supplier of polypropylene in Brazil, while strengthening the plastics production chain.

## Planning and productivity

Produman Engenharia is a construction, electromechanical assembly and industrial maintenance company that is a long-standing Braskem service provider at Camaçari, Bahia. In 2008, it took part in a bid for a different kind of contract. For the first time, Braskem issued a bid for a multidisciplinary industrial maintenance contract with fixed prices for basic scopes of work and additional unit-price scopes of work.

Once the bids were in, the contract with Produman was renewed in early 2009. According to engineer Reinaldo Neto, the company's President and CEO, the multidisciplinary format was mutually advantageous. "This change in the contracting strategy makes it easier to plan activities and productivity, because we know exactly which resources we will need to mobilize during the contract period. They include equipment, tools and manpower. In its turn, Braskem can project how much it will pay for two

years for the services included in the fixed-price scope of work. Planning and predictability make both the Client and Supplier more secure."

Braskem offers the opportunity to develop lasting relationships with suppliers, in accordance with the principles of fair competition. Selection and hiring are based on technical, professional and ethical standards. According to Reinaldo Neto, these principles add value to partnerships and professional ties.

"Because this client invests in technology, safety, the environment and the training of its Members, Braskem encourages its Suppliers to improve the quality of services provided. We are evaluated and graded, which is very good for us."

Produman Engenharia has been in the market for 14 years, is based in Dias D'Ávila, near the Camaçari Petrochemical Complex, and has offices in the cities of Salvador and São Paulo.

// **Braskem encourages Suppliers to improve the quality of the services provided."**

Reinaldo Neto, President and CEO of Produman Engenharia







## Neighboring communities

Projects focused on education and environmental preservation, income creation and cultural incentives benefit thousands of people

Braskem seeks to harmonize the needs of its Clients, Shareholders and Members with environmental preservation and productive social inclusion. To do so, in partnership with governments, social organizations and citizens, the Company is helping foster the sustainable development of its local communities through educational and cultural programs.

## Managing social investments

The social investments made in these communities are a voluntary transfer of resources carried out in a planned, monitored and systematic fashion for social, environmental and cultural projects of public interest as part of Braskem's Corporate Social Responsibility Program.

The focus on planning, monitoring and evaluating projects is one of the factors that differentiate these social investments and welfare programs. In all the projects it sponsors, Braskem concentrates on maximizing results, the changes made and community involvement in the program's implementation.

In addition to its own projects, Braskem is open to suggestions made by partners and sent to the company's local Corporate Social Responsibility areas. Non-governmental organizations (NGOs) and institutions wishing to send in their social responsibility proposals for consideration can access our website, [www.braskem.com.br](http://www.braskem.com.br), to submit them.

Local company leaders are responsible for analyzing and selecting these projects. The resources targeted to these initiatives come from direct and indirect investments based on tax-incentive laws. All Braskem social investment initiatives must be approved by the Executive Committee and consolidated in the Company's Annual Social Investment Portfolio. The projects are officialized by the signatures of two Officers, with full power of attorney to legally represent Braskem S.A. programs.

Follow-up and evaluation of social projects are carried out through visits by the local Social Responsibility team and reports on activities submitted by the projects' executive and/or partner organizations.



## Areas of operations and activities in 2008

Present in all Brazilian petrochemical complexes with diversified programs



### Alagoas: Maceió and Marechal Deodoro

The Chlor-Alkali unit is based in the city of Maceió, and Braskem's PVC plant is located in Marechal Deodoro county.

#### Lagoa Viva Environmental Education Program

The Company's oldest community outreach program, carried out in the Pontal da Barra neighborhood, in Maceió, and 26 other Alagoas counties. In addition to environmental education courses, this program also offers music and English classes, hydroponics and beekeeping programs and graduate courses. In 2008, some 1,250 teachers were directly involved in the project and more than 9,500 people took part indirectly. The Lagoa Viva program includes a wide range of social integration projects and environmental activities, of which 123 were carried out in 2008, in addition to the creation of 23 environmental centers in Alagoas.

Also last year, 49 teachers from partner counties and cities completed a graduate specialization course in Environmental Education through a partnership with the Federal University at Alagoas. Lagoa Viva was hailed as one of the three best projects in the Atlantic Forest category in 2008, receiving the Banco do Brasil's Values of Brazil Award.

#### Honey Fishers

This project is targeted to fishing communities living on the Mundaú and Manguaba lagoons. Braskem sponsors beekeeping classes and sets up apiaries to create additional sources of income in those areas (see Honey Fishers on page 61).

#### Green Belt environmental education program

The Green Belt is an environmental preservation area maintained by Braskem in Maceió. Covering 150 hectares, it is located in the restinga (salt marsh) area of Pontal da Barra, near the Company's plant. Braskem is keenly aware of the importance of involving local residents in environmental projects, and encourages environmental education through projects carried out at this preserve.

### Bahia: Salvador and Camaçari

Braskem's commercial office is located in the city of Salvador, and it has eight industrial units in Camaçari.

#### NUDEC

The Community Defense Center (NUDEC) carries out educational and preventive activities to address the environ-



mental risks involved in the transportation of chemicals through pipelines, such as the 44-km RLAM Pipeline System that runs between the Landulpho Alves Mataripe Refinery (RLAM) and the Basic Petrochemicals Unit's plant at the Camaçari Petrochemical Complex, as well as linking the complex to the Port of Aratu in Candeias county. The system consists of 18 pipelines, six of which belong to Braskem.

NUDEC participants are local residents who volunteer to act as multipliers, helping increase the amount and quality of information available to the community, as well as protecting and maintaining the pipeline's right of way. Closer ties between the communities and the businesses sponsoring NUDEC have made it possible to identify social problems in the area and led to the creation of the "Paths to Self-Sustainability" project, which takes a three-pronged approach: environmental education, professional training and civic education. The three-year project was completed in 2008, benefiting 1,000 people directly and indirectly benefiting 11,000 residents of communities in the vicinity of the pipeline system.

### **Braskem Frontiers of Thinking**

The activities of Braskem's Frontiers of Thinking program are conducted through encounters and meetings that enable people to learn about and reflect on the artistic creations and aesthetic models that have shaped our way of seeing the contemporary world. The encounters take place in classrooms, debates in the media, cafés and theaters of the city of Salvador. In 2008, the focus of the Frontiers program was a seminar on art and language in contemporary culture. Between April and November, more than 1,500 people attended the debates in the main hall of the Castro Alves Theater in Salvador, Bahia. Braskem Frontiers of Thinking was also held in the southern Brazilian state of Rio Grande do Sul.

### **Braskem Arts and Culture Awards (PBCA)**

The PBCA is held annually, through public competitions. The aim is to encourage cultural production in Bahia by sponsoring original artistic productions in the fine arts, literature, music and film.

### **Braskem Theater Awards (PBT)**

The aim is to award Bahia's best theater productions in several categories: Best Actress, Best Actor, Best Supporting Actress and Actor, Best Production, Best Children's Production, Best Staging, Best Director, Best Writer/Playwright and Breakthrough Talent.

### **Braskem Academy of Letters Award**

This program was created to support the annual literary contests sponsored by the Bahia Academy of Letters. Each year, the awards focus on a different literary genre: poetry, short stories, novels, essays and biographies.





## Rio Grande do Sul: Triunfo

Braskem has industrial units at the Triunfo Petrochemical Complex and a commercial office in Porto Alegre. The neighboring municipalities of Triunfo, Nova Santa Rita and Montenegro are part of the Community Advisory Council, whose goal is to maintain a direct and permanent channel of communication between these communities and the petrochemical companies at the Complex to seek solutions to local issues of mutual interest, with an emphasis on safety, health and environmental matters.

### Environmental Protection Park

The 68-hectare Environmental Protection Park in Triunfo is located on the banks of the Caí River, where the plant life is untouched by humans, and dozens of native wildlife species live freely in their natural habitat. The project's goal is to offer environmental education activities for the community, especially first, second and third-grade students, including lectures on the environment. The park is scientifically monitored through an agreement with the Zoobotânica Foundation of Rio Grande do Sul. In 2008, Braskem invested more than R\$ 400,000 in studies and monitoring conducted by the Foundation, as well as covering maintenance costs.

## São Paulo State: São Paulo City and Paulínia

Braskem's head office is located in São Paulo City and the Company has an industrial unit in Paulínia.

### Restoration project for vegetation on Jacaré Creek

This project was carried out in January 2008 on Jacaré Creek, in Paulínia, whose banks have been in the process of environmental decline for decades. Over 2,200 native trees were replanted, including some 50 different species, 11 of which are endangered.

### Facilities / CETESB

Braskem signed a contract to donate facilities to CETESB—Companhia de Tecnologia de Saneamento Ambiental, the company responsible for controlling, supervising, monitoring and licensing pollution-generating activities with a view to preserving and restoring the quality of the water, air and soil. The Company invested approximately R\$ 3.3 million in this program.

## Basic principles for all Braskem social investments

- Acting in line with the Millennium Goals proposed by the United Nations and contributing to their achievement.
- Carrying out Private Social Investment (PSI) programs in the communities where it operates, enabling them to help build a more balanced and equitable society.
- Carrying out PSI programs with a three-pronged approach, prioritized on the basis of Braskem's potential for contribution:
  - **Social Inclusion** Programs that create work and income opportunities.
  - **Environmental Education** Helping improve quality of life and respect for the environment.
  - **Cultural Promotion** Valuing and fostering the arts and culture.
- Prioritizing PSI initiatives in the geographic areas where Braskem has Business Units.
- Disseminating the results derived from the practice of social responsibility in a broad and transparent fashion, including the publication of a Sustainability Report as a form of accountability to society and referencing the work of other social actors.

## Restructuring the Braskem social investment management model and reviewing the portfolio for 2009

Braskem's social projects and investments were analyzed and reviewed in 2008. The diagnosis showed that the Company supported 47 social, environmental and cultural projects, many of them originating from its affiliates, which were not related to its core business or recognized by more than 40% of leaders and the internal audience. These programs and initiatives are being adapted to the planned budget for 2009, and some of them will be transferred to other sponsors or discontinued. Braskem will also reformulate its strategy, criteria for selection, means of transferring funds, values and other variables related to the Company's social investments.





## Honey Fishers

The Honey Fishers project was created in 2006 as an extension of the educational, environmental and social inclusion programs that Braskem is carrying out in the communities near the Maceió Petrochemical Complex

The aim is to train fishermen in beekeeping, offering an alternative source of income during the off-season for fishing. That is how the program got its name. The initial group was composed of 25 fisher-producers from Coqueiro Seco, a town on the shores of Mundaú Lagoon. They were trained through a partnership with the Lagoa Viva Institute.

In 2008, there were 100 new beekeepers. "In 2009, we plan to train 175 more by organizing seven new courses," says engineer-agronomist Mario Calheiros, Braskem's consultant for social/environmental projects in Maceió. The training program now has the support of the Alagoas SEBRAE, a branch of the Brazilian agency that provides support for small businesses.

When they finish the course, the beekeepers receive certificates of completion and the materials and conditions required to start an apiary. Braskem's par-

ticipation in the project includes selecting producers, providing environmental education, technical training in beekeeping and financing an apiary-school in each municipality participating in the project: Coqueiro Seco, Marechal Deodoro, Maceió, Barra de São Miguel, Satuba, Santa Luzia do Norte and Pilar.

The Honey Fishers program currently has nearly 1,000 hives. The bees produce honey and propolis from a flowering plant known as *rabo-de-bugio* or monkey brush, which grows in the local mangroves. Propolis from this plant is known as Alagoas red propolis because it has properties only found in that state, which are being studied for medicinal purposes.

In 2008, the program produced 50 tonnes of honey and 700 kilos of red propolis, generating direct and indirect income for about 800 people. Producers receive R\$ 4.00 per kilo of honey in bulk and R\$ 550.00 per kilo of propolis. "Thanks to beekeeping, my monthly income's gone up by as much as 50%. If I had to depend on fishing for a living, I'd earn one minimum salary per month (currently R\$ 460.00)," says producer Edivaldo José Cabral dos Santos, who has been with the project since its inception.

**"In 2009, we intend to train 175 more fisher-producers."**

**Mário Calheiros, Braskem consultant**

The honey is sold locally, and red propolis is processed in Minas Gerais and exported to Japan. The program's plans for 2009 also include the construction of a warehouse and central honey and propolis processing plant made from PVC Concrete for the Cooperative of Bee Honey and Derivatives Producers Ltd. (Coopmel).

This R\$ 500,000 project includes equipment that has already been purchased. Braskem is sponsoring it in partnership with the Banco do Brasil Foundation, the Brazilian Ministry of Science and Technology/FINEP, the Alagoas Research Foundation and other institutions. "We believe that the producers' current income could double as of 2010, when the central processing plant is up and running," says producer Weuds Santos de Omena, who has a certificate in agriculture and is helping train more beekeepers.



# Environment, Health and Safety Aspects





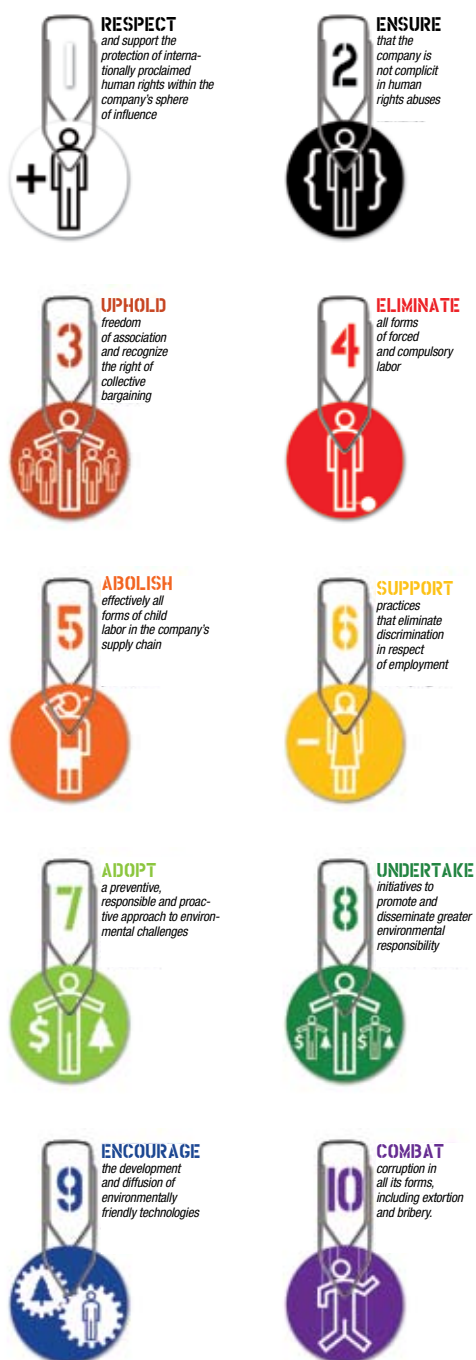
Braskem's Environment area is integrated with Health and Safety. Therefore, the information on these areas is also consolidated in this chapter of the company's 2008 Annual and Sustainability reports.

People's well-being, safety, security, the stewarding of facilities and environmental preservation are core values for Braskem. Therefore, the company has policies, principles, programs and corporate standards in place that it communicates to Members and partners to ensure the fulfillment of priority values and cement the Company's commitment to sustainable development.

## Valuing life

The well-being and health of its Members, partners and local communities are core values for Braskem

The signatories of the Global Compact undertake ten public commitments:



Through the companies involved in its creation, Braskem has been a signatory of the Responsible Care Program since it was introduced in Brazil in 1992 through the Brazilian Association for the Chemical Industry (ABQUIM). The Responsible Care Program's mission is improving the management of chemical companies around the world to ensure best practices in health, safety and environment (HSE).

**Certifications** – All Braskem industrial units are certified by BVQI – Bureau Veritas Quality International, under the ISO 9001 and ISO 14001 quality and environmental standards. Furthermore, some units have also been certified under the OHSAS 18001 standard for health and safety management. Expectations are that all the company's industrial plants will be certified under these standards within the next two years.

**International Declaration on Cleaner Production** (United Nations Environmental Program – UNEP) – Braskem was the first Brazilian company to sign the declaration, in 2004. Signatories undertake a commitment to principles of sustainable production and consumption and preventive strategies, such as ecoefficiency. These concepts are part of daily life at Braskem units through measures such as selecting increasingly efficient production practices and technologies to reduce water and power consumption and control waste-water and solid waste.

**The Global Compact (GC)** – A UN program to bolster the application of corporate social responsibility around the world, involving 1,500 companies. Braskem has been a signatory since 2007. In 2008, the company joined the Brazilian Global Compact Committee (CBPG), whose main challenges include: communications in keeping with the Global Compact's values, reviewing organizations' educational processes, quality vs. quantity / growth with quality, political interlocation and management (results, indicators and methods).





## HSE

The well-being of its Members, partners and neighboring communities are core values for Braskem. In 2005, the company's strategic and practical Health, Safety and Environment (HSE) programs were consolidated under the SEMPRES – Excellence in HSE program.

Consisting of 16 Strategic Elements (Portuguese

initials: EE), SEMPRES ("ALWAYS") is an integrated management processes that bolsters the company's HSE culture and sets forth guidelines and directives for establishing and complying with norms, standards, procedures and responsibilities in those areas. The focus is on achieving zero accidents, zero occupational illnesses and zero environmental impact.

## SEMPRES' 16 Strategic Elements include



**EE 1 – Commitment and Leadership:** the goal is to strengthen the engagement and commitment of everyone involved, emphasizing the role of leaders in HSE.



**EE 2 – Organizational Synergy:** increases the participation of the entire company to obtain effective HSE management, based on the company's QHSE Policy and Principles for HSE activities.



**EE 3 – Risk Identification and Analysis and Impacts on HSE:** establishing the practice of identifying, assessing, monitoring, preventing and minimizing risks and impacts related to processes, activities, products and services and their consequences for people's health, the environment, the security of facilities and the Company's image.



**EE 4 – Standards and Procedures:** sets out the basis for clean, safe and healthy work practices through standards and procedures.



**EE 5 – Information on Products and Processes:** the goal is to ensure that information about products and operations are up-to-date, accurate, available and understood by all involved.



**EE 6 – Behavioral Development:** the aim is to educate people to develop preventive behavior.



**EE 7 – Management of Competencies and Skills:** systematizes an ongoing process of qualification, training and adaptation for Members and subcontractors.



**EE 8 – Management of Service Providers:** ensures that service providers are firmly on board and that their practices, procedures and performance are in line with the Braskem's values and principles for HSE.



**EE 9 – Effective Communications and Consultation:** aims to ensure effective communication on HSE issues with all stakeholders.



**EE 10 – Implementation and Commissioning of Facilities and Processes:** the goal is to ensure that equipment, facilities and processes are designed according to the best technical and legal standards and manufactured and assembled according to specifications.



**EE 11 – Operational Integrity of Facilities and Equipment:** ensures that the physical integrity of all equipment and facilities is guaranteed throughout their lifetime.



**EE 12 – Product Management:** the goal is to identify, reduce and control risks arising from activities related to the

receipt, handling, storage and distribution of raw materials, inputs, final products and industrial waste.



**EE 13 – Change Management:** ensures that all changes made in facilities, technology, work processes and personnel are carried out in a controlled manner, keeping associated risks at acceptable levels.



**EE 14 – Emergency Preparedness and Services:** the goal is to ensure that plans are updated and can be put into use immediately whenever critical events occur, whether accidental or intentional.



**EE 15 – Handling of Deviations and Losses:** ensures that deviations, and losses, whether real, potential, personal, material or environmental, are identified, investigated, analyzed, classified, recorded and reported in order to advance the organizational learning process.



**EE 16 – Verification of HSE:** the goal is to verify the effectiveness of practices implemented at Braskem to identify opportunities for improving systemic HSE management.



## Main results expected from SEMPRE

- Ensuring the involvement and commitment of all concerned while bolstering the role of leaders in HSE matters through their presence and example.
- Implementation of standard practices in all industrial centers, establishing the basis for clean, safe and healthy work practices.
- Development of preventive attitudes and behavior through behavioral dialogs.
- Ensuring that service providers are firmly on board, and that their practices, procedures and performance are in line with Braskem's values and principles for HSE.
- Ensuring that all changes made in facilities, technology, work processes and personnel are carried out in a controlled manner, keeping the associated risks at acceptable levels.

Two committees are responsible for leading the implementation of SEMPRE throughout the company: one has a strategic focus, and is comprised by the CEO of the company, his direct team members and the officers responsible for HSE; the other is more technical and tactical, and includes Corporate HSE people and the officers responsible for HSE at their respective Business Units.

In 2008, internal audits were performed at all the Company's industrial plants to monitor the program's progress. The results showed a 5% overshoot of the target of 73% implementation of HSE requirements by that year, demonstrating the expertise of Members and partners, their leaders' commitment, and the implementation of SEMPRE guidelines in all work processes. However, it also indicated 146 opportunities for improvements in the process, which have been consolidated in Action Plans that mainly seek to streamline the implementation process in all areas, and facilitate the verification and evidence-gathering process, prioritizing some EEs and the need to consolidate Braskem's audits for SEMPRE, certified systems (ISOs), the Braskem+ Program and Responsible Care. Plans for 2009 include introducing SEMPRE at the recently merged units in Triunfo, RS, and Paulínia, SP.





## HSE training, education and awareness building

SEMPRE Strategic Elements 6, 7 and 8 (Behavioral Development, Management of Competencies and Skills, and Management of Service Providers) cover the objectives and guidelines aimed at ensuring that Members and partners engage in a continuous process of training, education and adaptation in order to work preventively and proactively. They also aim to ensure that service providers are firmly on board and their practices, procedures and performance are in line with Braskem's HSE values and principles, as well as ensuring efficiency in reporting on HSE issues for stakeholders.

In 2008, the Company carried on with its training and educational programs with an emphasis on behavioral development, demonstrating the commitment of 90.6% of leaders to the practice of behavioral dialog at their units, team-building programs for new Members and service providers, and HSE training courses for contract managers.

## Planned maintenance shutdowns

In 2008, planned maintenance shutdowns were carried out at two of the Company's four basic petrochemical units in Triunfo, RS, and Camaçari, BA, involving approximately 12,000 people, tens of thousands of tasks and hundreds of millions of Brazilian reais invested in operating costs and the revamping and upgrading of the plants. These shutdown operations were held between March 31 and May 8 in Triunfo, and May 23 to June 22 in Camaçari.

Maintenance shutdowns are mandatory in Brazil, and the timetable for these operations - an average of one every six years - is set by Ministry of Labor and Employment Regulating Standard (NR) no. 13. In addition to being required by the NR 13, these shutdowns meet a real need for rigorous inspection of equipment to ensure that it operates safely, with the highest quality. During these shutdowns, the facilities of petrochemical plants are dismantled, inspected and reassembled. These operations are also an opportunity to make major improvements and revamps, changes in production capacity and technology upgrades that improve overall productivity and energy efficiency.

Planned maintenance shutdowns are complex operations that require meticulous planning, begun two years in advance, on average. Safety aspects for Members and partners also receive close attention. The shutdown at Triunfo involved a total of 600 Braskem Members and 5,800 partners. The Camaçari operation mobilized 500 Members and 5,500 partners. No lost-time accidents were reported for either planned maintenance shutdown.

# Full focus on safety

Workplace safety is a priority value for the Braskem culture. Training and measures aimed at improving and preventing safety are the way to achieve excellence. These principles are well known to company Members as well as Braskem partners.

According to Thiago Silveira, the Workplace Safety manager at Monsertec, a company that provides supplementary maintenance, painting and scaffolding assembly services to Braskem, shared values and principles require commitment from teams that are on the same wavelength. The work they do requires full attention. Scaffolding installers sometimes work over 100 meters above the ground. For them, heat, noise and potential risks are part of the routine at the industrial plant. To safeguard their health and safety, these professionals wear special pro-

TECTIVE clothing and equipment.

"In 2008, we participated in the planned maintenance shutdown at the Basic Petrochemicals Unit at the Camaçari Petrochemical Complex in Bahia, without a single accident," says Thiago Silveira. "That makes us very proud. We had zero accidents during the shutdown in 2008. That means we worked about 200,000 man-hours without a single accident."

Maintenance shutdowns are special and highly complex operations. Thousands of people are involved, sharing the same physical space and performing tens of thousands of tasks and activities. They also involve hundreds of millions of Brazilian reais invested in plant improvements and maintenance.

The services provided by Monsertec and other partners that work at

Braskem plants are closely monitored and evaluated on the basis of technical principles established by contract to verify the partner's commitment to the company's Quality, Health, Safety and Environment policy. Moreover, since 2006, the Braskem+ Partners Program has ensured qualification, standardized relations and increased productivity in services provided by companies working at Braskem's facilities.

One of the factors that contribute significantly to improving HSE performance is investing in the basic education, specialized training and skills of Braskem service providers' workforce. One of the companies taking part in the program, Monsertec is participating actively in the adaptation of its operations to the requirements of Braskem+ Partners, with excellent results.



“ We worked about 200,000 man-hours without a single accident.”

Thiago Silveira, Workplace Safety manager at Monsertec





## Environmental Education

Alongside the company's internal HSE training programs, based on its Social Responsibility policy, Braskem prioritizes investments in environmental education in the communities where it operates, paying special attention to projects aligned with each region's specific needs. The Company's environmental education initiatives are described in the Social Aspect / Neighboring Communities section, beginning on page 57.

## Environmental Performance

The environmental aspect of sustainability involves the organization's potential impacts on natural systems. Environmental issues and the impacts of Braskem's activities, products and services are managed by SEMPRE - Excellence in HSE and certified under the ISO 14001 standard at all the Company's manufacturing plants.

The main goal of the programs carried out in this area is preventing environmental impacts, ensuring the rational use of natural resources, minimizing the production of liquid and solid waste and emissions at the source, recycling, reuse and energy recovery, and ecoefficiency through the establishment of annual performance targets.

Braskem's environmental performance is measured by the results achieved at its 18 plants, considering the following aspects:

- ecoefficiency;
- power consumption;
- water consumption;
- liquid and solid waste production;
- climate change;
- environmental monitoring/biodiversity;
- legal compliance;
- innovation and investment.

### a) Ecoefficiency

The concept of ecoefficiency has existed since 1992 and is applied to various economic activities with the aim of reducing the environmental impacts of production while ensuring economic development. This concept involves making more products that consume fewer inputs and raw materials. At Braskem's industrial units, the application of ecoefficiency concepts is based on an analytical tool developed by BASF and marketed by the Espaço ECO/BASF Foundation.

This tool is a scientific method for comparing products and processes based on an analysis of a product's life cycle, from raw materials to final disposal, allowing the company to determine its environmental and economic impacts, and choose the alternative method best suited to its needs and requirements. Braskem has used this ecoefficiency analysis since 2005, when the company signed a contract with the Espaço ECO Foundation to ensure the widespread application of this method throughout Braskem's production chain.

The following products have been analyzed: PVC, MTBE/ETBE, ethylene, and polyethylene/green polyethylene. The project to replace MTBE (methyl-tert-butyl-ether) with ETBE (ethyl tert-butyl-ether), a fuel bioadditive, is one example of the results of the Company's work to monitor energy efficiency and upgrade technology.

ETBE reduces carbon emissions by 76%, considering the product's life cycle from the planting of sugar cane to production. The plant conversion project was carried out in 2007 by Copesul, a Braskem subsidiary, and the company's MTBE plants in Camaçari, BA, will be converted in 2009. ETBE is exported to Japan and Europe.

## Change in ecoefficiency indicators since 2002

- 13% reduction in water consumption
- 1% reduction in power consumption
- 48% reduction in wastewater
- 66% reduction in solid waste

In 2008, the Company's ecoefficiency indicators were impacted by a downturn in production late in the year caused by the macroeconomic crisis that affected the global market. Nevertheless, as the graphs in this chapter demonstrate, most targets were met.

### b) Power consumption

In recent years, Braskem has carried out several energy conservation programs to improve the operations of its steam and electricity production systems. These programs include:

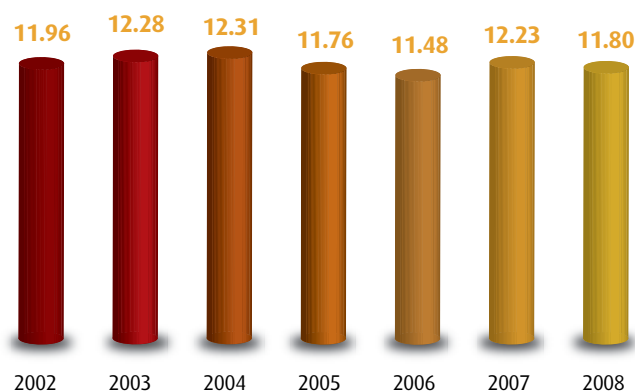
- improvements in energy cogeneration plants (energy generated by industrial processes).
- reduction of losses during transportation, especially steam;
- analysis of equipment design involving the replacement of old systems with new, more efficient ones, and adapting the capacity of existing equipment.

- the Braskem+ Energy program, which aims to disseminate the culture of conservation and energy efficiency among its Members.

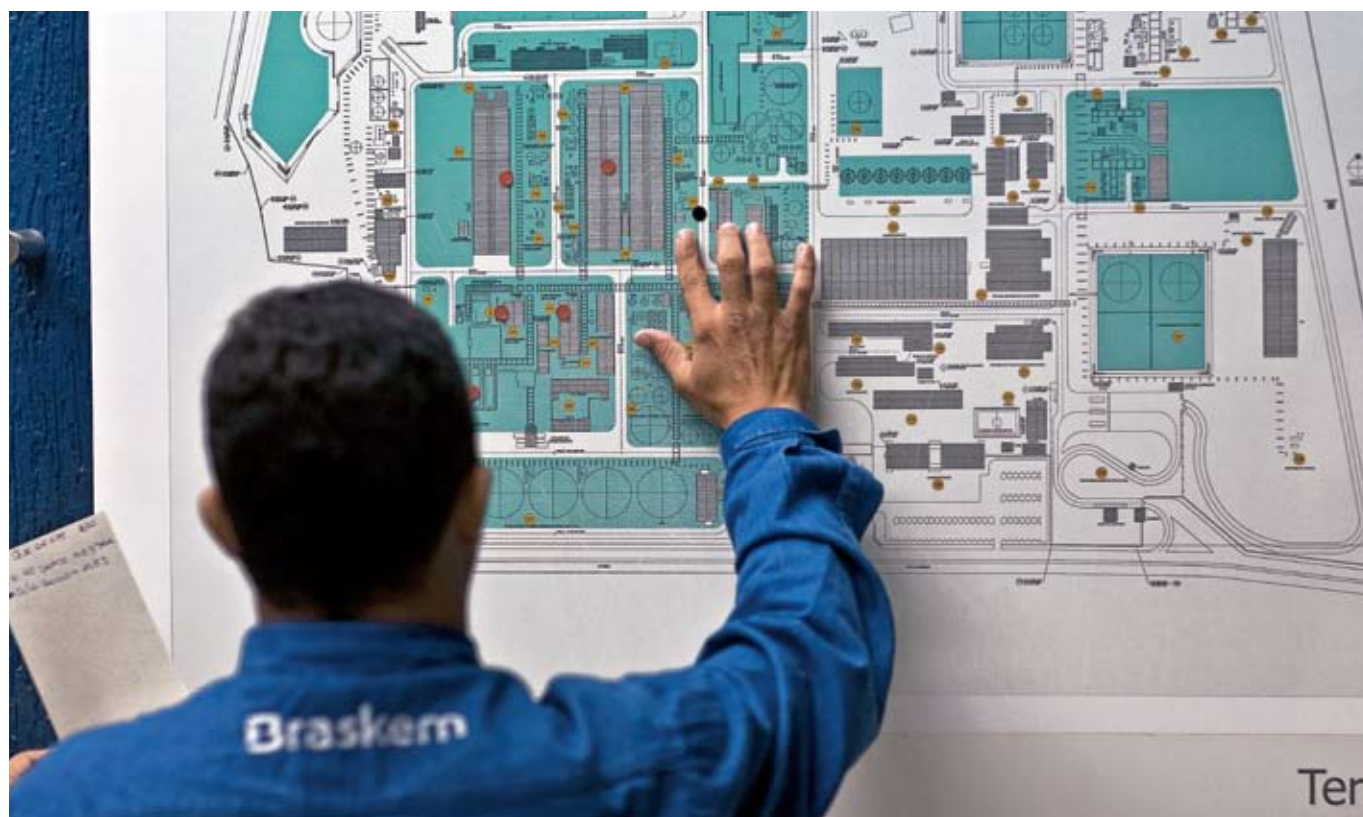
It is key to emphasize the importance of the merger of the Copesul and Ipiranga companies, which produced significant operating synergies that contributed to the results of Braskem's integrated energy efficiency programs. The exchange of information and sharing of experiences between these companies and other Braskem industrial units were decisive factors in this process.

The results of Braskem's specific energy consumption in 2008 met the target, representing a 3.5% decrease compared with the previous year.

### POWER CONSUMPTION (GJ/t)



*Note: the assets of Politeño were consolidated under Braskem in 2006, followed by the assets of Copesul and Ipiranga in 2007.*







// This comparison indicates the best production technology and the strong and weak points of the plants analyzed."

Sônia Chapman, CEO of the Espaço ECO Foundation

## Ecoefficiency and the culture of sustainability

Braskem was the Espaço ECO Foundation's first client. Their partnership dates back to 2005, when BASF created the foundation in São Bernardo do Campo, São Paulo. The focus of Espaço ECO's operations is in line with the principles of sustainable development, according to which environmental and economic aspects go hand in hand. The foundation has developed a tool for analyzing ecoefficiency that makes it possible to compare designs, products, processes and services, based on the analysis of a product's life cycle – in other words, before (origins and processing of raw materials), during (production) and after (use and disposal) it is made.

"Some of the parameters we used were established by the NBR ISO 14040 standards. They include consumption of raw materials and electricity, emissions and solid waste production," says Sônia Chapman, the foundation's CEO. "This comparison indicates the best production technology and the strong and weak points of the plants analyzed." Companies are also using this tool as an opportunity to make their

products and processes more efficient and develop new businesses.

Braskem has been keen to apply the concepts of ecoefficiency since the foundation introduced the method developed by BASF, its German mother company, in Brazil in 1996. As a result, Braskem has established a long-term relationship with Espaço Eco that includes exchanging information and providing updates and follow-up.

The importance of analyzing its products' life cycles is part of Braskem's strategy for Health, Safety and Environment (HSE) excellence. The process of disseminating the concept of ecoefficiency started with the Company's leaders. Then, the technical staff learned the necessary skills and multidisciplinary eco-teams were groomed, made up of professionals who are responsible for gathering data, analyzing the results and concluding the study. Since 2005, about 70 Company Members have been trained at Braskem's units, and they now work as process facilitators.

The application of this method has led to the discovery and implementation

of several opportunities for improvement, including the replacement of feedstocks, the optimization of water and energy use, standards for selecting alternative technologies, and helping clients analyze their own products' life cycles.

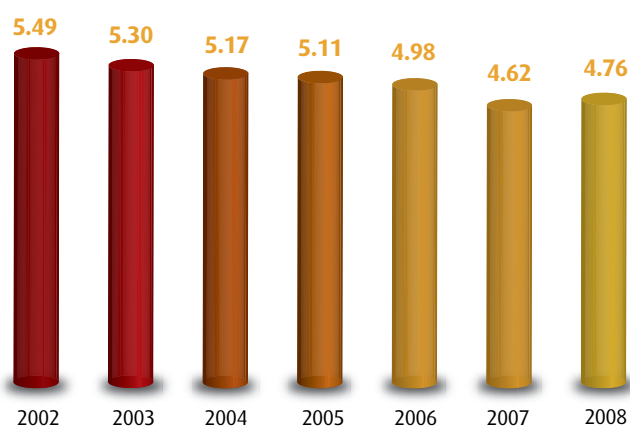
This method can be used for several products. The decision to introduce the production process for ETBE, a bio-ethanol-based fuel additive, to replace MTBE production, was based on ecoefficiency analyses. ETBE was found to be more eco-friendly. Ecoefficiency studies also played a key role in the project to produce plant-based renewable polyethylene by identifying opportunities to make environmental improvements throughout the supply chain.

Through practice, the dissemination and application of the concept of ecoefficiency are helping strengthen the culture of sustainability at Braskem and its chain of suppliers and clients by making it possible to evaluate every stage of a product's life cycle, including potential environmental impacts.





### SPECIFIC WATER USE (m<sup>3</sup>/l)



*Note: the assets of Politeno were consolidated under Braskem in 2006, followed by the assets of Copesul and Ipiranga in 2007.*

### c) Water consumption

The optimization of water consumption at Braskem is the focus of specific programs based on opportunities identified at each plant and industrial unit. The priorities are studies involving water reuse. The most recent examples include:

- **Basic Petrochemicals Unit/RS** – Water reuse program in the pilot stage at the water treatment unit. The goal is to reuse water from the cooling tower as clarified water, thereby reducing the consumption of river water and slashing the plant's production of inorganic waste by over 50%.
- **Polymers Unit PE-1/BA** – An initiative developed in partnership with the supplier GE, involving changes in the water treatment process. This project resulted in a marginal reduction in water consumption, but had a major impact on reducing the plant's wastewater output by 37%.
- **Polymers Unit PVC/SP** – Consolidation of the project begun in 2007, which introduced a biological wastewater treatment system supplemented by filtration through reverse osmosis. This system produces clean water that is reused in the production process. The wastewater reuse plant treats 6,500 m<sup>3</sup>/month of industrial effluent and produces approximately 3,000 m<sup>3</sup> of water for reuse in the PVC production process.



The outcome of Braskem's specific consumption of water in 2008 met the target, but represented a 3% increase against the previous year. Several energy efficiency, clean technology and water reuse programs are being implemented to improve this indicator.

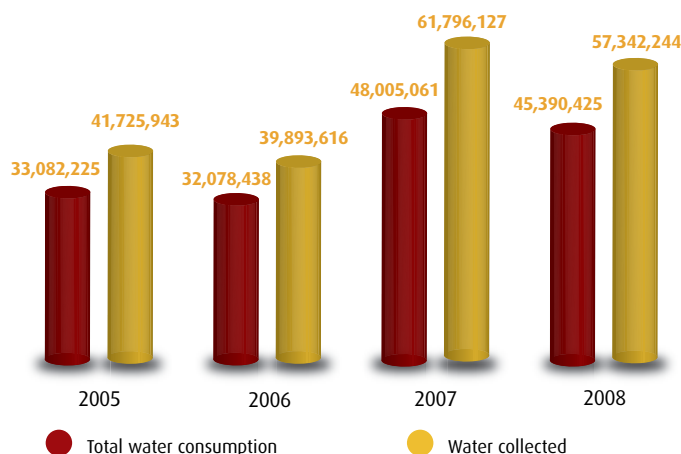
#### d) Liquid and solid waste production

One of the pillars of ecoefficiency is minimizing the production of byproducts of industrial processes, including wastewater, solid waste and atmospheric emissions. In this context, each plant examines opportunities for improving the efficiency of its production processes through technological upgrading, the replacement of raw materials and inputs, and specific maintenance programs. The highlights of 2008 include:

- **PVC plant in Alagoas** – This plant won the Return on Environment Award from General Electric for the results obtained by its Solid Waste Reduction Project for DCH (dry chlorinated hydrocarbons - usually incinerated waste). As a result, Braskem no longer produces 2,400 tonnes/year of DCH, equivalent to 70% of the total amount generated by the unit before the project began. This was the third time that a Braskem industrial project won the award bestowed by GE's "Ecomagination" program, which recognizes Client companies around the world for demonstrating their commitment to reducing the environmental impacts of their activities.
- **PVC Unit-BA** – A similar project resulted in a 30% reduction of the DCH waste generated in the MVC production process, which was usually incinerated.
- **Basic Petrochemicals Unit-BA** – A project that resulted in the reuse of waste (sludge) produced during water treatment to manufacture ceramic blocks made of clay. Thanks to this project, 1,765 tonnes of waste are no longer sent to landfills. This effort also led to the development of an environmental education program at a ceramic block manufacturing company that is a partner in this project.

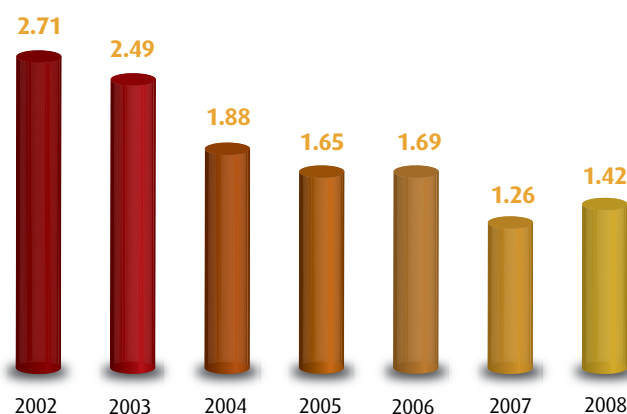
The results of the programs and projects aimed at controlling the production of solid waste in 2008 met Braskem's targets. However, the specific production of wastewater increased by 13% against the previous year, and did not meet the target for 2008. The main causes have to do with the implementation of planned maintenance shut-downs at various plants and a downturn in production at the end of the year. These indicators had shown consistent reductions since 2002: a 66% reduction in the production of solid waste and a 48% reduction in wastewater.

#### WATER CONSUMPTION (m<sup>3</sup>)



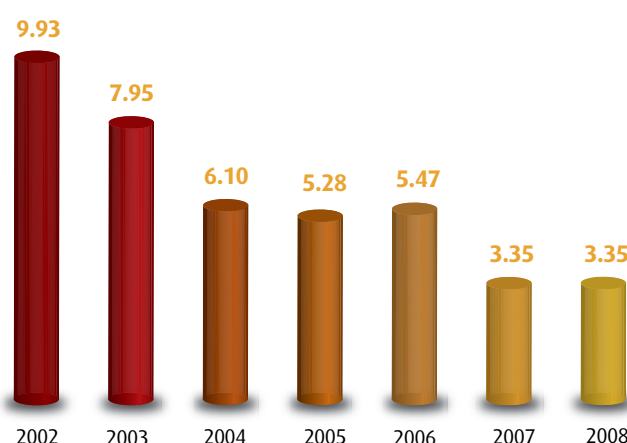
Note: the assets of Politeño were consolidated under Braskem in 2006, followed by the assets of Copesul and Ipiranga in 2007.

#### WASTEWATER PRODUCTION (m<sup>3</sup>/t)



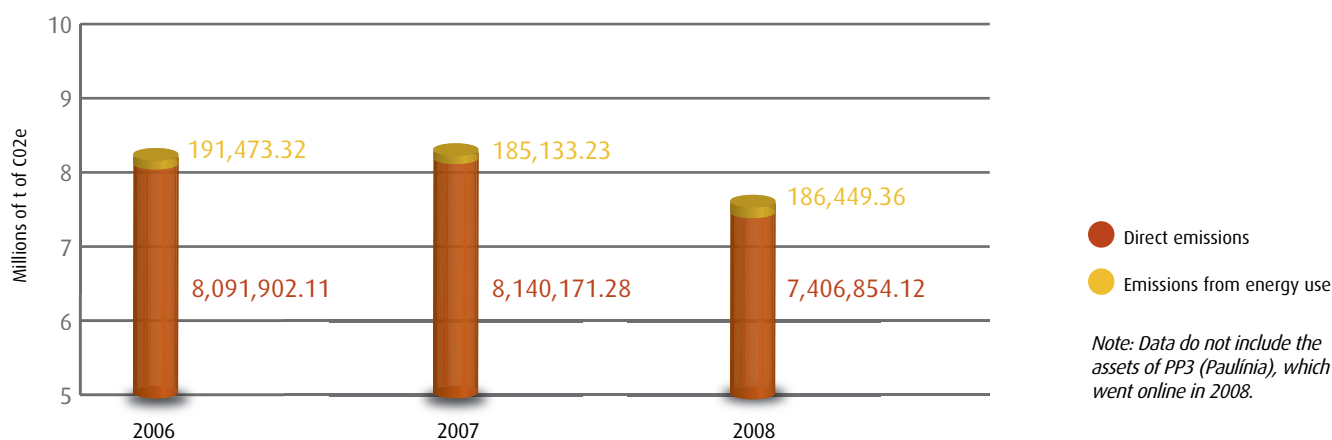
Note: the assets of Politeño were consolidated under Braskem in 2006, followed by the assets of Copesul and Ipiranga in 2007.

#### SOLID WASTE PRODUCTION (kg/t)



Note: the assets of Politeño were consolidated under Braskem in 2006, followed by the assets of Copesul and Ipiranga in 2007.

## GREENHOUSE GAS EMISSIONS



### e) Climate Change

There so far are no mandatory regulations in Brazil for the control and reduction of GHG emissions (greenhouse gases). However, the Brazilian Ministry of Science and Technology does provide incentives for projects implemented under the Kyoto Protocol's Clean Development Mechanism (CDM). According to the United Nations Convention Framework on Climate Change, Brazil is a developing country and needs to expand its production capacity. Therefore, fuel consumption is likely to increase, along with a resulting increase in greenhouse gas emissions.

Braskem is identifying opportunities, participating in forums of debate at the state, national and international levels, following the development of policies on climate change and contributing to the sustainable development of its operations. Accordingly, in August 2008 the company organized the "Braskem and the Challenge of Climate Change" workshop involving company leaders and technicians, university researchers, and industry experts on the subject.

Since 2005, the company has invested in the consolidation of its GHG emissions inventory, aiming to study its emissions, analyze risks and identify opportunities for projects that reduce GHG emissions. In 2009, Braskem reviewed its emissions inventory retroactively to 2006, adapting it to international protocols such as the IPCC 2006 GNGGI (Guidelines for National Greenhouse Gas Inventories), AP-42 (Compilation of Air Pollutant Emission Factors - Volume I, Fifth Edition, January, 2005 revised edition), and the API (American Petroleum Institute) Compendium, based on five principles set forth in the "Greenhouse Gas (GHG) Protocol Corporate Accounting and Reporting Standard - Revised Edition" of the WRI (World Resources Institute) and WBCSD (World Business Council for Sustainable Development). Details of the in-

ventory were sent to the CDP (Carbon Disclosure Project), to distribute it widely among the company's stakeholders. It is important to emphasize that the downturn in the company's production in 2008 was the main factor influencing the reduction of greenhouse gas emissions during that period.

Braskem in 2008 also examined opportunities for obtaining carbon credits. One such opportunity is currently being addressed. This is the project for the reduction of N<sub>2</sub>O in the production of caprolactam in Bahia, which is in the final phase of validation by the operational entity designated by the CDM Executive Committee.

Throughout 2009, the company will revise its long-term strategy, aiming to strengthen its contribution to minimizing the effects of climate change. In late 2010, Braskem will make an important contribution when its first green ethylene plant begins production using 100% renewable resources, which will capture 2.5 tonnes of CO<sub>2</sub>e (CO<sub>2</sub> equivalent) from its supply chain for every tonne of ethylene produced.

### f) Environmental Monitoring/Biodiversity

Braskem carries out specific environmental monitoring activities in the vicinity of its manufacturing plants, attesting to the efficiency of existing controls for their production processes.

#### • Protection in Southern Brazil

The quality of the air, surface water and groundwater is systematically monitored at the Triunfo Petrochemical Complex in Rio Grande do Sul through an extensive self-monitoring program that includes physical, chemical and biological analyses of all environments. In 2008, the results of these studies showed that air and groundwater quality was in compliance with legally established standards.





The same precautions extend to the surrounding area, through biodiversity studies at the Environmental Protection Park, a 68-hectare area of forest located on the Caí River and near the Petrochemical Complex. The park is home to native plant and animal life, including endangered species. Through a partnership with the Zoobotânica Foundation of Rio Grande do Sul, the company is carrying out an inventory of native species and monitoring the conditions of flora and fauna in terrestrial and aquatic ecosystems to detect any changes and their potential correlation with industrial activities.

- **Education and conservation in Alagoas**

Since 1990, Braskem has systematically monitored the ocean, where it disposes of treated industrial waste, within the sphere of influence of its marine outfall in the coastal region of Maceió. Monitoring also includes the Mundaú-Manguaba lagoon complex, situated near Braskem's manufacturing plants. One of the most important estuary systems in Brazil, it has undergone an accelerated process of environmental degradation caused by human activity, directly and indirectly affecting the 260,000 people living in the surrounding area.

In addition to carrying out Braskem's monitoring activities, these studies provide the data required for planning and developing public management mechanisms that can ensure the maintenance of appropriate standards of environmental quality and permit the multiple use of water resources.

The systematic monitoring program includes the physical, chemical and biological analysis of water and sediments from those bodies of water. The data generated by these studies have enabled a diagnosis of the sphere of influence of Braskem's marine outfall, characterizing it as an area with satisfactory environmental conditions for the development of biological communities. As for the lagoon ecosystem, it was diagnosed as being environmentally degraded, with an organic pollution load originating from household sewage and other activities not associated with Braskem's operations.







Projects that harmonize income generation, education and environmental preservation are also being carried out in the vicinity of Braskem plants. They include the Green Belt, a 150-hectare environmental preserve in the restinga (salt marsh) area of the Pontal da Barra district of Maceió, the state capital of Alagoas. This area has been declared a reserve for public use by the state government. Braskem, the company that maintains the reserve, invests in soil recovery, the topographic restoration of the dune landscape, and the recomposition of the Atlantic Forest restinga in partnership with state and federal universities and research institutions. The Green Belt receives visits from students, researchers and the general public. It houses a nursery for the conservation of wildlife that also serves as a triage and recovery center for wild animals seized by the Brazilian Environmental Institute (IBAMA) before they are reintroduced into their natural habitats. In addition to environmental preservation, the Green Belt project includes educational activities focused on beekeeping and hydroponics (a method of growing plants without soil).

- **Environmental monitoring in Camaçari**

Together with the Cetrel environmental protection company and other industries at the Camaçari Petrochemical Complex, Braskem carries out environmental monitoring operations through two programs: the Air Quality Management Program (PGAR) and the Surface and Groundwater Quality Management Program (PGAS). The goal is to analyze the behavior of waste in the area and generate data that can be used to ensure the continuous improvement of the Complex's environmental protection structure. These programs also analyze meteorological parameters and produce weather forecasts and alerts for companies at the Complex in case of adverse weather conditions that could affect the dispersion of pollutants, to protect neighboring communities. These analyses are interconnected by a telemetry system that can be accessed online in real time to view their findings. In 2008, the results of these studies indicated that air and groundwater quality was in compliance with legal standards.

Braskem also has specific programs for the monitoring and management of waste and effluent at its plants.

Priority is given to recycling processes, co-processing (the use of waste as raw material) and the reuse of waste. They are only sent to landfills or incinerated when all other options have been exhausted.

Braskem and the other companies operating at the Camaçari Petrochemical Complex own shares in Cetrel, the company responsible for the treatment and final disposal of industrial waste and effluent generated by activities at the Complex, as well as environmental monitoring of the complex and its sphere of influence.

Cetrel's social commitment includes environmental education and wildlife conservation programs carried out at the Sauípe Park, an environmental preserve established on the north coast of Bahia for that purpose. The Costa dos Coqueiros Ecological Corridor Institute (INCECC) is responsible for implementing these programs. The INCECC is a nonprofit organization created by the Camaçari Complex to restore and conserve environmental protection areas on the northern Bahian coast, involving the community in local development projects.

#### **g) Legal compliance**

Braskem has 73 environmental licenses in effect and 30 environmental licensing applications being processed by the following agencies: IBAMA/Federal District (Brasília), FEPAM/RS, CETESB/SP, IMA/BA and IMA/AL. The Company was not cited or fined for environmental violations in 2008.

#### **h) Innovation and investments**

In 2008, Braskem invested R\$ 161 million in health, safety and environment (HSE) improvements. The Company disbursed approximately R\$ 179 million in fixed and variable expenses in 2008, excluding the assets of Copesul and Ipiranga. R\$ 99 million of that total were invested in environmental programs.

Braskem signed a technological cooperation agreement with the São Paulo State Research Foundation (FAPESP), which will involve a R\$ 50-million investment over the course of five years. The goal of this partnership is to encourage scientists from São Paulo's top universities and research centers to do research in the field of polymers with a focus on sustainability.



## Performance in Health

### Technology, training and prevention ensure health and quality of life

Braskem uses the best production, operational monitoring and educational technologies to provide its Members and partners a safe and healthy working environment. Moreover, the Company has environment monitoring programs in place that permit the management of chemical, physical, biological and ergonomic agents within standards recognized as being safe for the preservation of worker health. To that end, the organization's Diagnosis of Ergonomics, Hygiene and Occupational Health was completed in June 2008, conducted by Emilcott, a US consulting firm, in partnership with the United States Trade and Development Agency (USTDA). Based on the resulting diagnosis indicating opportunities for improvement, the company's industrial units began to develop their own Action Plans with the goal of achieving the global standard of best practice within four years.

Braskem carries out an annual health monitoring program for 100% of its Members. No new cases of occupational diseases were reported in 2008. Moreover, the Company's manufacturing plants implement different practices based on specific Programs for Prevention and Control of Occupational Environmental Risks for each type of production process. These units also carry out preventive programs to promote health and quality of life:

- Annual flu vaccination campaign for Members and partners.
- Specific vaccinations, such as hepatitis B shots for health care professionals and the emergency brigade.
- Nutritional monitoring and encouragement of physical activity. As a result of this activity, in 2008 there was a 47% reduction in the number of people classified as "high" or "very high" risk for heart disease in the overall assessment of the Company, compared with the previous year.
- Anti-smoking program.
- "Mom's Corner" – carried out at the Basic Petrochemicals plants at Camaçari, BA, and Triunfo, RS, being the company's largest units. This program provides a private area where nursing mothers can rest and pump their breast milk.

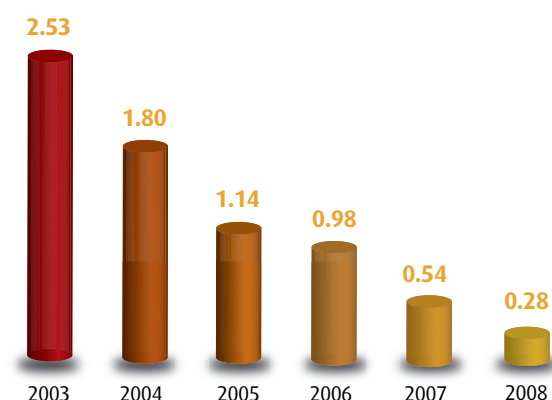




## Safety Performance

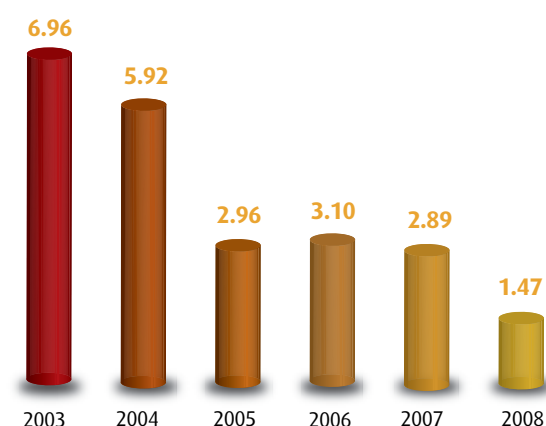
Indicators show improvement. The goal is zero workplace accidents

### LOST-TIME ACCIDENT FREQUENCY RATE - CAF



Note: This indicator includes the results for Copesul and Ipiranga since 2003.

### ACCIDENT FREQUENCY RATE - SAF + CAF



SAF = Non-Lost-Time Accidents; CAF = Lost-Time Accidents  
Note: This indicator includes the results for Copesul and Ipiranga since 2003.

The Company made further progress in workplace safety in 2008 that reflected the improvements made and its Members' and partners' fulfillment of HSE policies and standards. The lost-time accident rate per million man-hours worked was 0.28, the organization's all-time best result in this area. There was a 48% reduction compared with 2007. Furthermore, the rate reported at Braskem's units of Braskem is almost ten times lower than the average for the Brazilian chemical industry, positioning the company as a national benchmark.

The lost-time and non-lost-time accident rate reached 1.47 accidents per million man-hours worked, including Members and partners. This safety performance was 49% better than the result achieved in 2007, reducing the number of people involved in accidents to 38, which was a significant achievement not only for the frequency rate indicator but an absolute reduction in the number of people involved in accidents.

There was also an over 56% decrease in the severity rate of lost-time accidents compared with 2007. Although the indicators show a positive trend in the results, they did not meet Braskem's goal of zero workplace accidents.

Braskem also employs security process methods to prevent leakage of dangerous products on the premises, involving the risk of fire, explosion or contamination of people or the environment. Nine Braskem plants were evaluated using the protocol listed in the requirements of OSHA – the US Occupational Safety and Health Administration – and validated by international reinsurers. This model helps reduce accidents involving industrial processes and improves the integrity of equipment, instruments and existing safety systems at the industrial plants.





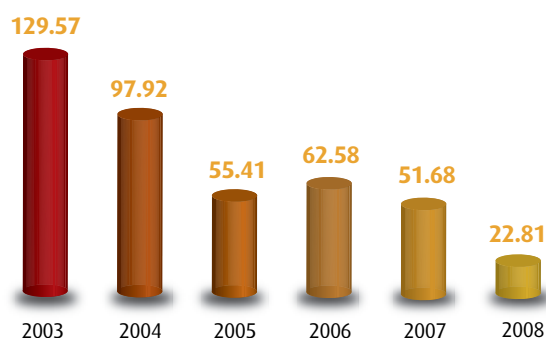
This method includes the strategy of joint evaluation of the safety system and the assessment of the integrity of preventive barriers and mitigating factors for the most important process risk scenarios for the plant. In the last four years, over 1,500 Members and partners have learned to use risk analysis tools.

Brazilian and international insurers inspected the plants in 2008 and found that major improvements had been made in their process safety management systems. Their findings resulted in an improved risk rating for all Braskem plants, which reflects a significant improvement in reliability and a reduction in the probability of process-related accidents.

With regard to emergency preparedness and response, throughout 2008, all the industrial plants conducted simulated emergencies to test their preparedness to deal with the most critical risk scenarios. The goal was to evaluate emergency procedures and the crisis communications strategy involving national and regional committees, as well as neighboring communities. Some simulated emergencies involved the participation of public agencies and the community, evaluating the strategies used to handle such events.

Braskem also invests in risk prevention during the transportation of hazardous and non-hazardous products. One of the risk management programs in place for these activities concentrates its resources on the training and selection of partners and their drivers. These programs also involve investments in central monitoring of long-haul transportation of cargo. The programs involving specialized partner companies seek to ensure a reduction in the probability of accidents. If such events do occur, the professionals involved are trained to deal with them quickly and efficiently to minimize the possible consequences for people, the environment and property.

#### SEVERITY RATE



*Note: This indicator includes the results for Copesul and Ipiranga since 2003.*

## IBASE Statement<sup>✱</sup>

	2008	2007
<b>1. Economic Indicators <sup>(1)</sup></b>		
Total assets	22,701,942	20,780,677
Shareholder's equity	3,679,857	5,678,508
Net revenue (NR)	17,959,507	17,642,491
Operational earnings (OE)	(2,554,169)	1,275,969
Gross payroll (GP)	512,771	406,000
Gross revenue	23,020,408	22,437,429
Taxes (excluding social security)	(911,825)	1,040,764
<b>2. Internal social indicators</b>		
Food	18,817	23,414
Compulsory social taxes	209,329	180,000
Private pension fund	15,491	7,611
Health	24,500	21,195
Workplace safety and occupational medicine	19,479	11,044
Education	ND	ND
Professional education and development	7,491	12,512
Profit or results sharing	167,500	115,400
Daycare facility, daycare subsidy, subsidy for children's education	4,074	3,726
Other benefits	37,420	44,306
Total internal social investments	466,681	419,208
<b>3. External social indicators</b>		
Education	1,720	1,185
Arts & Culture	3,476	2,915
Health	ND	ND
Sanitation	ND	ND
Other	5,445	5,900
Total external social investments	10,641	10,000
<b>4. Indicators for employees</b>		
Number of employees at the end of the period <sup>(3)</sup>	4,802	3,27
Number hired during the period	302	173
Number fired during the period	455	260
Average hours of training per employee	67h	85h
Number of contractors and subcontractors	ND	7,223
Number of interns/trainees	289	223
Number of employees over the age of 45	1,522	1,100
Number of female employees	843	614
Number of black employees	1,374	1,293
Number of employees with special needs	ND	ND
Average wages of female employees (R\$)	5,170	4,799
Average wages of male employees (R\$)	6,494	6,064
Average wages of black employees (R\$)	5,051	4,323
Management positions occupied by women (%)	11.98%	11.80%
Management positions occupied by men (%)	88.02%	88.20%
Management positions occupied by black people (%)	15.55%	18.69%



	2008	2007
<b>5. Environmental indicators</b>		
Programs for the company's operations	38,160	26,000
External programs and projects	870	300
Total environmental investments	39,030	6,300
<b>6. Important information on practice of corporate citizenship</b>		
Does the company's Strategic Planning include Social Responsibility?	<input checked="" type="checkbox"/> yes <input type="checkbox"/> no	<input checked="" type="checkbox"/> yes <input type="checkbox"/> no
Does the company publish a Social Report on a regular basis?	<input checked="" type="checkbox"/> yes <input type="checkbox"/> no	<input checked="" type="checkbox"/> yes <input type="checkbox"/> no
If the answer to the previous question was no, does the company plan to publish a Social Report next year?	<input type="checkbox"/> yes <input type="checkbox"/> no	<input type="checkbox"/> yes <input type="checkbox"/> no
Does the company have a structured code of ethics?	<input checked="" type="checkbox"/> yes <input type="checkbox"/> no	<input checked="" type="checkbox"/> yes <input type="checkbox"/> no
Has that code of ethics been disseminated throughout the organization?	<input checked="" type="checkbox"/> yes <input type="checkbox"/> no	<input checked="" type="checkbox"/> yes <input type="checkbox"/> no
Has the company been cited for environmental infractions in recent years?	<input type="checkbox"/> yes <input checked="" type="checkbox"/> no	<input type="checkbox"/> yes <input checked="" type="checkbox"/> no
When selecting and hiring suppliers, does the company use any procedures for verifying their Corporate Social Responsibility standards such as combating child and slave labor and ensuring environmental protection, transparency and corporate governance?	<input checked="" type="checkbox"/> yes <input type="checkbox"/> no	<input checked="" type="checkbox"/> yes <input type="checkbox"/> no
Does the company provide equal opportunities to contractors and employees in regard to wages and benefits?	<input type="checkbox"/> yes <input checked="" type="checkbox"/> no	<input type="checkbox"/> yes <input checked="" type="checkbox"/> no
Total number of consumer complaints and criticism:	NA	NA
<b>7. Value added</b>		
In thousands of R\$	1,641,582 <sup>(2)</sup>	2,272,630 <sup>(2)</sup>
Government	(55.5%)	45.8%
Members	34.2%	25.9%
Shareholders	(151.8)%	27.4%
Other <sup>(4)</sup>	270.8%	(9.7)%
Minority Shareholders	2.3%	10.6%

<sup>a</sup>IBASE – Brazilian Institute for Social and Economic Analysis

(1) Consolidated data.

(2) Based on DRE/DVA – according to Statements published in 2007.

(3) Includes CPS and Ipiranga Members hired by Braskem in 2008.

(4) "Other" – primarily interest rates, including changes in the exchange rate.

# Executive Committee

## **Bernardo Gradin**

Braskem's CEO since July 2008. Has spent his entire career at the Odebrecht Group, which he joined as a trainee in 1987. Also at Odebrecht, he was Executive Regional Vice President for Brazil until 2000 and Chairman of Trikem S.A. in 2002. After Trikem and other petrochemical companies were merged to form Braskem, he became Vice President of the Vinyls unit and subsequently Vice President of the Basic Petrochemicals Unit. He then left Braskem to join Odebrecht Investimentos em Infraestrutura (OII) in June 2007 and returned to Braskem as its CEO. He has a degree in Civil Engineering from the Federal University at Bahia (UFBA) Polytechnic, an MBA from The Wharton School of Business and an MA in international politics from the University of Pennsylvania, USA..

## **Carlos Fadigas**

Braskem's Vice President for Finance and Investor Relations since 2007. He joined the Odebrecht Group in 1992, and was responsible for strategic planning for OPP/Trikem, now Braskem, and Corporate Controller for the company. In 2002, he became Financial Manager of Construtora Norberto Odebrecht (CNO), and in 2004 was appointed Chief Financial Officer of CNO. He has a business degree from Unifacs University, Bahia, and an MBA from the Institute for Management Development - IMD in Switzerland.

## **Enio Silva**

Braskem's People and Organization Vice President since 2006. Has spent his entire career at the Odebrecht Group, where he has worked for 25 years, starting as a trainee at Construtora Norberto Odebrecht. He has worked on construction projects in Brazil and supported projects in South America. He has also worked in the US, liaising with multilateral financial institutions. He has been Managing Director of Bento Pedroso Construções, the Odebrecht Group's subsidiary in Portugal. He has a business degree from the Catholic University of Salvador, and an MBA from the UFRJ COPPEAD.

## **Luiz de Mendonça**

Vice President responsible for the Braskem Polymers Unit since 2009. In August 2008 he took charge of the Basic Petrochemicals Unit. He has also been Vice President for the Polyolefins Business Unit. He spent most his career at the RhodiaGroup/Rhone-Poulenc, working in that company's operational areas in France, China, the USA and Brazil. In 1999 he became Director General of the Performance Chemicals Division of Rhodia for Brazil and Latin America, and in 2001, he was Vice President of Rhodia USA. He has a degree in Production Engineering from the University of São Paulo Polytechnic and an MBA from Insead, France.

## **Manoel Carnaúba**

Vice President for the Basic Petrochemicals Unit. Formerly





Foreground, from left: Carlos Fadigas, Roberto Ramos, Bernardo Gradin, Maurício Ferro, Luiz de Mendonça, Victor Pais.  
Top right, from left, Enio Silva, Marcelo Lyra and Manoel Carnaúba.

Vice President for the Vinyls Unit (2008), Industrial Director and Vice President for the Basic Petrochemical Unit. Is Chairman of the Industrial Promotion Committee (COFIC); a director of Braskem – Importação e Exportação; a director of Tegal - Terminal de Gases Ltda. and Chairman of SINPEQ. He has a degree in Chemical Engineering from the Federal University at Bahia and an MBA from the Getúlio Vargas Foundation (FGV).

#### **Marcelo Lyra**

Braskem's Vice President for Institutional Relations and Sustainable Development. Served as Director of the Globo Television Network in São Paulo, in charge of Affiliate Relations (2000-2003) and worked at the Bahia Communications Network for two periods, initially as Commercial Director (1994-2000) and until recently as Director of Business Media (2003-2007). He has a degree in Electrical-Electronics Engineering from the Federal University at Bahia, and graduate degrees in General Management from the Harvard Business School, and in Marketing from Unifacs, Bahia.

#### **Maurício Ferro**

Vice President and General Counsel, a member of the Board of Directors of Braskem Participações and alternate member of the Board of Cetrel - Empresa de Proteção Ambiental. Previously held the posts of Member of the Board of Copesul and Companhia Alagoas Industrial; Vice Chairman of the Board of Directors of Ipiranga Petroquímica, Politenio Indústria e Co-

mercio and Polialden Petroquímica. He worked as an attorney at the Carlos Eduardo Paladini Cardoso and Bulhões Pedreira, Bulhões Carvalho e Advogados Associados law firms. Graduated in law from the Pontifical Catholic University of Rio de Janeiro, and has master's degrees from the University of London and the London School of Economics.

#### **Roberto Ramos**

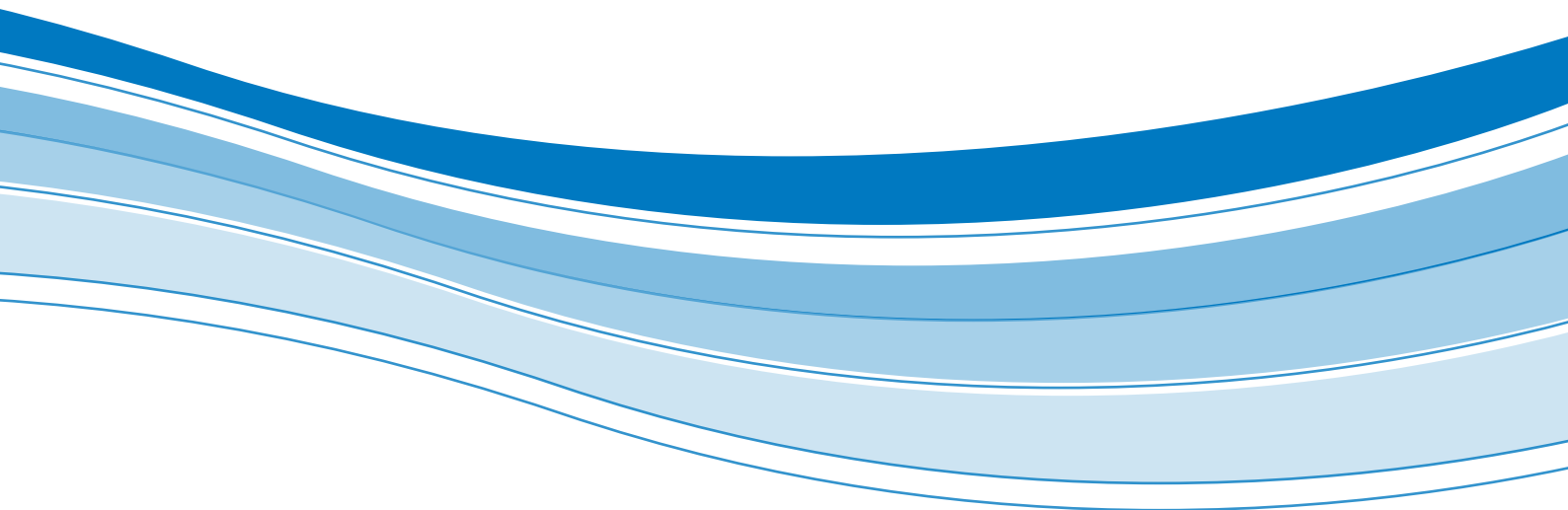
Vice President for the International Business Unit. He was Chairman of the Board of Cetrel, Companhia Alagoas Industrial-Cinal and Petroflex. Has served on the boards of Trikem and Petroquímica de Paulínia. Also served on the boards of several Odebrecht Group companies. Has a degree in Mechanical Engineering from the Federal University at Rio de Janeiro, a graduate degree from the Program in Management Development from the Harvard Business School, and a Master's in Finance (to be completed) at the University of Leices-ter, in the UK.

#### **Victor Pais**

Braskem's Vice President for Technology, Innovation, Procurement, Quality and Productivity since 2008. Began his career at Petrobras in 1974 as an Oil Processing engineer in the Industry Department. Held several positions and worked in numerous areas until he became Subsidiaries and Affiliates Manager in 2008. Has a degree in Chemical Engineering from the Federal University at Rio de Janeiro.







# Financial Statements

# 1. Operating Performance

## 1.1 – Thermoplastic Resin Performance

Demand for thermoplastic resins in 2008 was marked by two distinct periods. In the first nine months of the year, demand grew in line with historical elasticity to Brazil GDP growth, registering growth of 9% in the period, when comparing to the same period of 2007. The last quarter of the year, however, was impacted by the strong destocking trend in the petrochemical production chain, especially among PE and PP consumers. This trend came in response to the sharp slowdown in global economic growth as well as the significant drops in international resin prices, and its isolated effects represent a substantial contraction in demand on an annualized basis of approximately 6%. As a result, Brazil's thermoplastic resin market closed the year with growth of 3%. The impacts from the consumption of own inventories on the chain are clearly illustrated by an analysis of apparent consumption (which considers production rather than sales), which registered growth of 8% in 2008.

In this context, the demand for PE and PP ended 2008 practically unchanged from 2007. Meanwhile, due to the leveraged growth in the construction industry in 2008, demand for PVC closed the year with growth of 14% over 2007.

This higher demand was absorbed in large part by imports, which grew by 42% in 2008, driven by the strengthening of the Brazilian *real* over the first nine months of 2008.

In this scenario, sales by Braskem of PP and PVC increased by 7% year on year, driven by the strong performance of some sectors of the economy in first-half 2008, such as the automotive, construction and agribusiness sectors. Meanwhile, domestic PE sales contracted by 3%, and domestic sales volume of aggregate thermoplastic resins grew by 2% in 2008 versus 2007.

The Company maintained its leading position in the domestic market, with a 51% share of the Brazilian resin market, supported by a unique innovation and technology structure, its commercial strategy and its strong partnership with clients.

In the first-half 2008, Braskem carried out scheduled maintenance stoppages at its basic petrochemical units, which reduced the availability of ethylene for resin production. As a result, total resin sales volume contracted by 8% in 2008, with a decline of 33% or 251,000 tons in the Company's export volume. This was due to Braskem's strategy of focusing on profitability, since it already had lower available volumes for sales and external demand had fallen off sharply in the fourth quarter.

Braskem's resin production in 2008 was 4% lower than in 2007, due to (i) the lower ethylene and propylene received, following the scheduled maintenance stoppages carried out at the basic petrochemical centers in 2Q08, and (ii) the drop-off in global thermoplastic resin demand, which led to the normalization of inventory levels and a subsequent temporary reduction in the capacity utilization rates of its plants in 4Q08.

### Performance (tons)

THERMOPLASTIC RESINS			
	2008	2007	CHANGE %
<b>Total Sales</b>			
PE's	1,367,059	1,619,659	(16)
PP	742,266	715,945	4
PVC	514,740	503,952	2
<b>Total Resins</b>	<b>2,624,066</b>	<b>2,839,556</b>	<b>(8)</b>
<b>Production</b>			
PE's	1,447,525	1,649,546	(12)
PP	731,506	708,687	3
PVC	522,441	465,422	12
<b>Total Resins</b>	<b>2,701,472</b>	<b>2,823,654</b>	<b>(4)</b>

## 1.2 – Basic Petrochemicals Performance

In the first-half 2008, Braskem carried out scheduled maintenance stoppages at its petrochemical complexes in Camaçari and Triunfo at two of the four basic petrochemical production units, which on average lasted 35 days. The maintenance stoppages did not register any time-loss accident and served to carry out improvements at the plants, such as marginal capacity increases, improvements in productivity and yields, better operational reliability, and assured operability for a further six years.

In view of the strong drop in demand for resins and basic petrochemicals in international markets that impacted exports, in the last quarter of 2008 Braskem cut back the capacity utilization rates of its industrial units, with the exception of PVC units, seeking to normalize the higher resin inventories.

As a result of these two distinct periods of production stoppages, the average utilization rate for ethylene in 2008 was 84%, which represented declines of 11% and 13% in ethylene and propylene production volumes in relation to 2007, respectively.

In 2008, total ethylene and propylene sales stood at 758,000 tons, contracting by 22% against 2007. Meanwhile, total BTX sales in 2008 declined by 14% year on year, reflecting the scheduled maintenance stoppages, the temporary reduction in demand for petrochemical products in late 2008 and the lower profitability of these products in the international market, especially benzene.

Meanwhile, despite the 8% drop in butadiene sales volume and due to the strong performance of the automotive industry for most of the year, international butadiene prices registered an average increase of 51%, which accounted for an increase of R\$154 million in the revenue of this product over the previous year. In the fourth quarter, this trend began to show signs of reversal.

### Performance (tons)

BASIC PETROCHEMICALS			
	2008	2007	CHANGE %
<b>Total Sales</b>			
Ethylene	386,785	501,728	(23)
Propylene	371,197	474,207	(22)
BTX*	782,405	910,349	(14)
<b>Production</b>			
Ethylene	2,116,924	2,366,149	(11)
Propylene	1,032,376	1,184,042	(13)
BTX*	845,102	970,529	(13)

\*BTX - Benzene, Toluene, Orthoxylene and Paraxylene



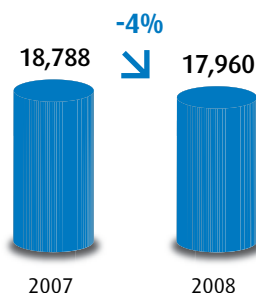
## 2. Financial Performance

### 2.1 – Revenue

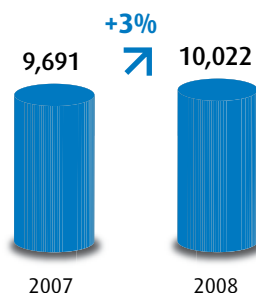
Braskem recorded consolidated gross revenue in 2008 of R\$23.0 billion, declining by 3% from R\$23.8 billion in 2007. In dollar terms, consolidated gross revenue was US\$12.8 billion, up 4% from US\$12.3 billion in 2007, reflecting the appreciation in the Brazilian *real* against the U.S. dollar of 5.5%.

Similarly, Braskem's consolidated net revenue in 2008 was R\$18.0 billion, down 4% from R\$18.8 billion in 2007. In dollar terms, consolidated net revenue was US\$10 billion, 3% higher than in 2007. The growth in net revenue mainly reflects the better prices in dollar terms until September 2008. The average price in U.S. dollar in 2008, however, was lower than in 2007, due to the combined effect of lower international prices and the average devaluation in the Brazilian *real* against the U.S. dollar of 37% in 4Q08, which increased its impact on the annual average.

**Net Revenue**  
(in millions of R\$)

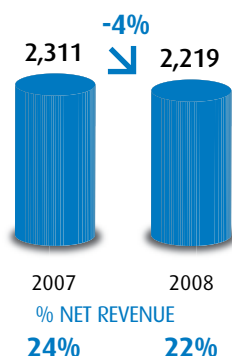


**Net Revenue**  
(in millions of US\$)

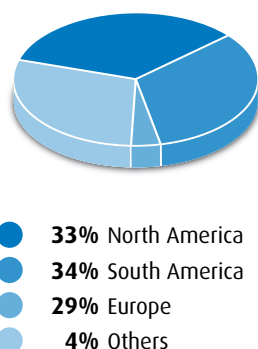


In 2008, net revenue from exports remained stable at US\$2.2 billion (22% of total net revenue).

**Exports**  
(in millions of US\$)

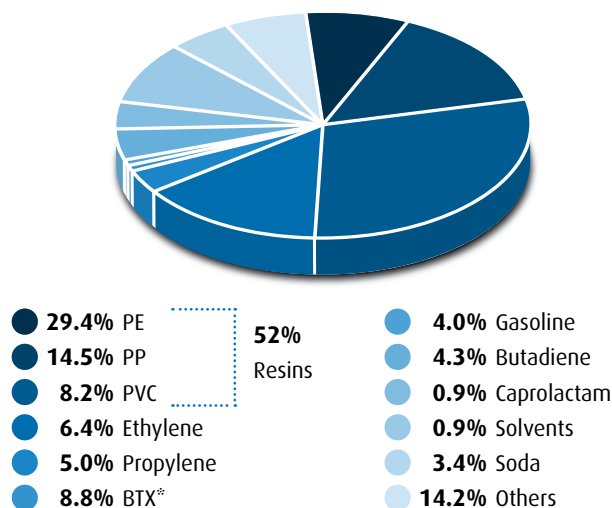


**Exports Destinations**  
(2008)



In the year, 52% of net revenue (excluding condensate resales and sales by Ipiranga Química) was composed of thermoplastic resins.

**Net Revenue by Product<sup>1</sup> (2008)**

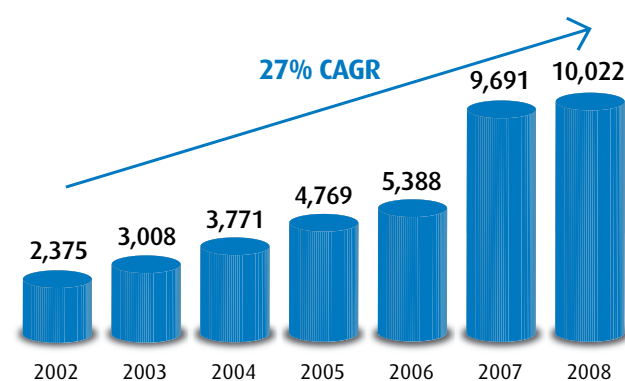


<sup>1</sup> Does not include condensate processing and Ipiranga Química sales.

\* benzene, toluene, paraxylene and orthoxylene

Since its founding in 2002, Braskem's dollar-denominated net revenue has grown consistently at a compound annual growth rate (CAGR) of 27%. This steady growth stems from Braskem's active role in the consolidation of Brazil's petrochemicals industry, as well as from improvements in prices, investments to increase productivity and the Company's growing competitiveness and higher capacity, all of which have contributed to increasing scale and expanding the product portfolio.

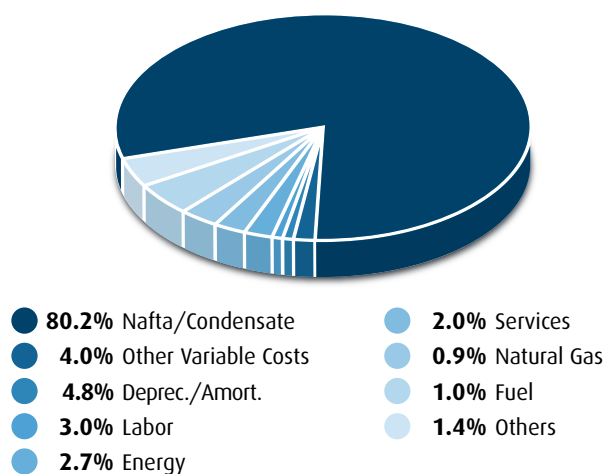
**Net Revenue (in millions of US\$)**



### 2.2 – Costs of Goods Sold (COGS)

Braskem registered cost of goods sold (COGS) in 2008 of R\$15.1 billion, virtually unchanged from the COGS in 2007. However, the higher naphtha prices had an impact on COGS of R\$ 739 million, which was partially offset by the lower sales volume and the reduction of R\$138 million in fixed costs.

The average Amsterdam-Rotterdam-Antwerp (ARA) price of naphtha in 2008 was US\$790/ton, an increase of 17% in relation to the average in 2007. In June 2008, the ARA naphtha price peaked at US\$1,091/ton.

COGS 2008<sup>1</sup>

<sup>1</sup> Does not include condensate processing and Ipiranga Química sales.

During 2008, Braskem purchased 7,428 thousand tons of naphtha, of which 4,723 thousand tons (64%) were acquired from Petrobras, the Company's main raw-material supplier. The remaining 2,705 thousand tons (36%) was imported directly by Braskem, mainly from North Africa and Argentina. In 2007, a total of 8,199 thousand tons of naphtha was acquired.

The depreciation and amortization included in COGS totaled R\$681 million in 2008, representing a decline of 13% on the previous year, which is explained by the lower sales volume.

In October 2008, despite the scenario of tight credit, Braskem concluded negotiations to renew its insurance policy, obtaining significant gains in terms of both price and an increase in the amount of coverage for its assets. The Company's 18 plants were evaluated adopting global risk-rating criteria and the vast majority received risk management scores above the standard score of similar plants operated by global competitors, reflecting Braskem's continued advances in the management of its operational risks.

The contract was renewed for a period of 18 months (terminating in May 2010), and includes coverage of US\$13.2 billion in material damages and US\$3.4 billion for operational stoppages, for total insured amounts of US\$16.6 billion and a limit per event of US\$2 billion. The successful conclusion of the negotiations demonstrates yet again Braskem's pursuit of operational excellence and value creation for shareholders.

### 2.3 – Selling, General and Administrative Expenses (SG&A)

Braskem is intensely focused on keeping its fixed costs and expenses within parameters that ensure its global competitiveness.

General and administrative expenses totaled R\$674 million in 2008, R\$52 million lower than the R\$726 million in 2007, reflecting the program to cut fixed costs.

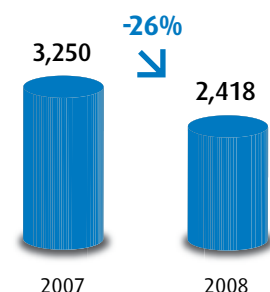
Selling expenses in 2008 were R\$493 million, declining by 16% from R\$585 million in 2007. The decline was due to the effort to cut fixed costs and the synergies captured from the consolidation of the assets in the South, which were partially offset by the higher variable selling expenses related to the increased complexity of logistics costs for transferring products between storage facilities.

### 2.4 – EBITDA

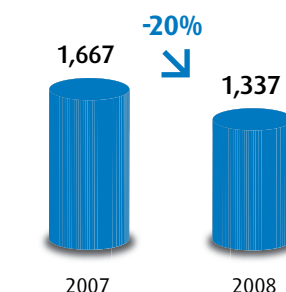
In 2008, Braskem posted consolidated EBITDA of R\$2.4 billion, compared with R\$3.2 billion in 2007. The decline in EBITDA was mainly due to an impact of R\$ 739 million from higher naphtha costs and reduced sales volume of basic petrochemicals and resins. In dollar terms, EBITDA fell by 20% in the year to US\$1.3 billion.

EBITDA margin in 2008 was 13.5%, compared with EBITDA margin of 17.3% in 2007. Excluding the impact from condensate resales, EBITDA margin in the year was 13.8%.

## EBITDA (in millions of R\$)

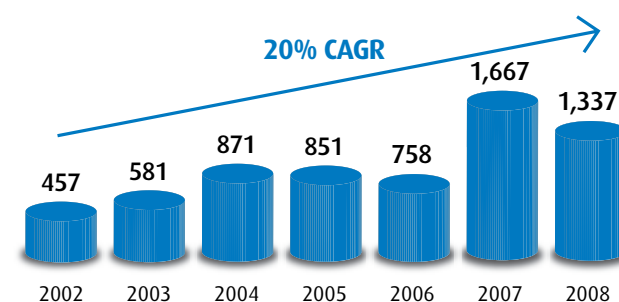


## EBITDA (in millions of US\$)



Since the Company's creation in 2002, EBITDA has grown at a compound annual rate (CAGR) of 20%, in line with the trajectory of net revenue.

## EBITDA (in millions of US\$)



### 2.5 – Equity in Subsidiaries and Associated Companies

Braskem's interest in the earnings of subsidiaries and affiliates in 2008 was negative R\$ 63.7 million. The figure includes the amortization of goodwill from the investments in IQ and Copesul, which as of October 2008, following the merger of these companies, was included in CoGS.

In April 2008, Braskem, União de Indústrias Petroquímicas S.A. ("Unipar") and the other selling shareholders concluded the sale of their interests in Petroflex Indústria e Comércio S.A. ("Petroflex") to Lanxess Deutschland GmbH ("Lanxess"). Until said date, the Company recognized negative equity of R\$12.9 million related to its interest of 33.57% in Petroflex.

The R\$ 26.5 million difference in the line Others is explained mainly by: (i) a provision for losses at the affiliated company Alclor Química de Alagoas Ltda ("Alclor" or "Others"), with a balancing item consisting of a reversal of provision for losses related to advances for future capital increase under the line other operating expenses/revenue, in 2008; and (ii) consolidation adjustments from Copesul at IPQ in 2007.

#### Equity Income

R\$ MILLIONS	2008	2007
Equity Income	(10,868)	(785)
Rionil	0	15
Petroflex	(12,939)	2,320
Others	2,071	(3,120)
Others	(12,434)	14,046
<b>Sub Total (amortization)</b>	<b>(23,302)</b>	<b>13,261</b>
Amortization Goodwill	(40,388)	(88,029)
<b>TOTAL</b>	<b>(63,690)</b>	<b>(74,768)</b>



## 2.6 – Net Financial Result

The net financial result closed 2008 with a net financial expenses of R\$3,685 million, compared with an expense of R\$367 million in 2007, due to the sharp devaluation in the Brazilian *real* against the U.S. dollar of 32% in 2008. Since Braskem holds net exposure to the U.S. dollar (i.e., more USD-pegged liabilities than USD-pegged assets), this variation had a significant impact on the net financial result. Given its heavily dollarized operational cash flow, the Company considers this exposure adequate.

It is important to bear in mind that this negative foreign-exchange impact of R\$2,629 million in the year does not have a direct cash impact in the short term. The amount represents the foreign-exchange impacts, especially those on the company's debt, that will be disbursed as the debt matures, which has an average term of 11 years. In view of Braskem's cash generation profile, which is pegged to the USD, and despite the negative accounting effect in the short term, a weaker Brazilian *real* has a net positive impact on cash flow in the medium term.

Excluding the effects of foreign-exchange variation and monetary re-statement, in 2008 the net financial result was R\$136 million lower than in 2007, primarily due to lower Financial Expenses, resulted from the the extinction of the Provisional Contribution on Financial Transactions (CPMF), and also, to reduced interest expenses, given the decrease in dollar denominated debt average cost from 7.44% in 2007 to 7.06% in 2008.

R\$ MILLIONS	2008	2007
<b>Financial Expenses</b>	<b>(4,403)</b>	<b>211</b>
Interest/Vendor	(557)	(577)
Monetary Variation	(227)	(208)
Foreign Exchange Variation	(3,173)	1,607
CPMF/IOF/Income Tax/Banking Expenses	(65)	(127)
Net Interest on Fiscal Provisions	(91)	(109)
Others	(291)	(375)
<b>Financial Revenue</b>	<b>719</b>	<b>(578)</b>
Interest	121	124
Monetary Variation	28	36
Foreign Exchange Variation	544	(809)
Net interest on Fiscal Credits	8	13
Others	18	57
<b>Net Financial Result</b>	<b>(3,685)</b>	<b>(367)</b>
Foreign Exchange Variation (F/X)	(2,629)	798
Monetary Variation (MV)	(199)	(172)
<b>Financial Result Excluding F/X and MV</b>	<b>(857)</b>	<b>(993)</b>

With the objective of protecting its cash flow and reducing the volatility of financing for its working capital and investment programs, Braskem adopts procedures for managing market and credit risk that are aligned with its Financial Management Policy and Risk Management Policy. In this context, Braskem has no target forward operations or operations involving other similar derivatives. In December 2008, the Company held two derivative transactions for hedging purposes and with maturities, currencies, rates and amounts perfectly adequate for the assets or liabilities being hedged. In any given scenario, negative or positive adjustments in hedge positions will be counterbalanced by positive or negative adjustments in the protected assets and liabilities.

## 2.7 – Net Income/Loss

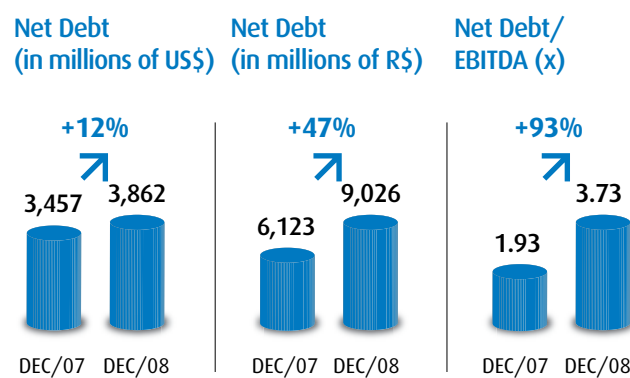
Braskem posted a net loss after minority interest of R\$2.5 billion in 2008, due to the net financial expense in the quarter, which was impacted by the BRL depreciation in the period of 32%. The net loss represented a negative variation of R\$3.1 billion in relation to the net income reported in 2007.

## 2.8 – Capital Structure, Liquidity and Credit Rating

Net debt at yearend 2008 was R\$9.0 billion, which was 47% higher than the R\$6.1 billion in net debt at the close of 2007. The increase in debt primarily reflects the following factors: (i) the depreciation in the BRL against the USD of 32% in fiscal year 2008, with an impact of R\$1.8

billion; (ii) operational investments and maintenance stoppages that required investment of R\$1.4 billion; (iii) the settlement of the earn-out from the acquisition of Politeno, which required disbursement of R\$247 million; (iv) the conclusion of the acquisition of the petrochemical assets of the Ipiranga Group, with an impact of R\$638 million; and (v) the share buyback program, in the amount of R\$107 million. These effects were partially offset by the EBITDA of R\$2.4 billion. In U.S. dollar terms, Braskem's net debt grew from US\$3.5 billion at the close of 2007 to US\$3.9 billion at yearend 2008, for an increase of 12%, since approximately 74% of the debt is pegged to the USD.

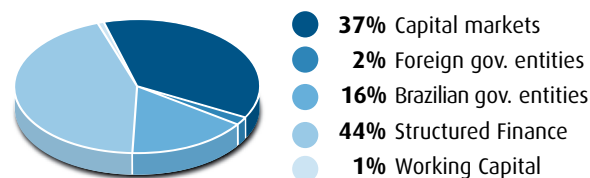
The Company's financial leverage, as measured by the ratio of net debt to EBITDA, which stood at 1.93 times (x) in 2007, closed 2008 at 3.73x, driven by the higher net debt and lower EBITDA in 2008.



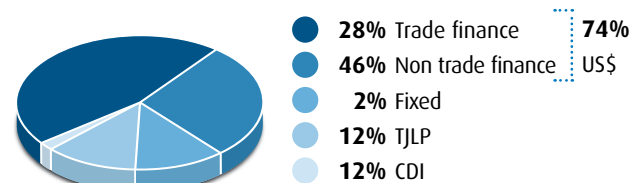
In October 2008, Braskem successfully concluded the transaction to lengthen the bridge loan used to acquire the petrochemical assets of the Ipiranga Group in 2007, raising US\$725 million at a cost of Libor + 1.75% p.a. The bridge loan has a term of 5 years, with a 3-year grace period. After that, Braskem made a swap operation which locked the Libor at 3.85% p.a. throughout the transaction term, changing the fixed cost to 5.6% p.a.. The process to refinance the bridge loan began in May, when the Company issued US\$500 million in Eurobonds at a coupon of 7.25% p.a. and maturity in 2018.

At the close of 2008, 74% of debt was pegged to the USD, up from 71% at the close of 2007.

## Gross Debt by Category

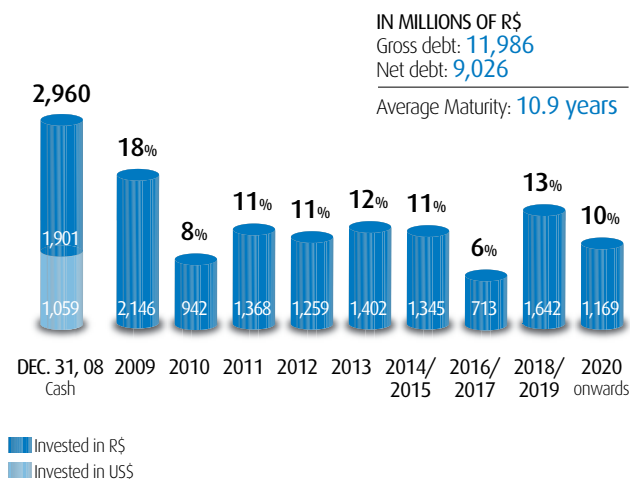


## Gross Debt by Index



The following chart shows the amortization schedule of the Company as of December 31, 2008.

#### Amortization Schedule (in millions of R\$) - 31/12/2008



### 3. Credit Risk Rating—Global Scale

The credit risk rating agencies Standard & Poor's and Moody's maintained their global risk ratings at 'BB+' and 'Ba1' with stable outlooks, respectively, for Braskem issues in both local and foreign currencies. The rating agency Fitch also reaffirmed its rating of 'BB+', but downgraded its positive outlook to stable. This change in outlook was due to the more challenging scenario in the petrochemical industry in 2009, as well as the expectation that financial leverage will not decline to the levels expected by the agency within the near term.

In the national scale, ratings were also maintained during 2008: 'brAA+' with stable outlook according to Standard & Poors, 'brAA' with positive outlook by Fitch and 'Aa2.br' with stable outlook by Moody's.

### 4. Capital Expenditure

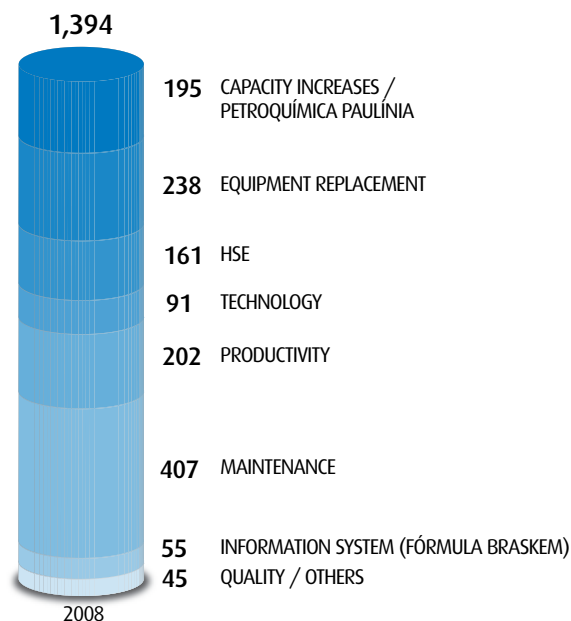
In line with its commitment to capital discipline and making investments with returns above their cost of capital, Braskem operational investments totaled R\$1.4 billion in 2008 (excluding capitalized interest), in line with 2007. These funds were invested in operational, technology, health, safety and environmental areas and in information technology systems, and benefited all of the Company's business units.

A highlight in the period was the PP plant at Paulínia, which required investment of R\$136 million in 2008. The plant entered the operational testing phase in 2Q08, which was concluded in September 2008, with certifications of the PP grades that may be produced, when sales from the plant began to be included in the consolidated results.

The Company invested R\$407 million in scheduled maintenance stoppages, in line with its goal of ensuring that all of its plants operate at high levels of reliability. In this year maintenance stoppages took place on one production line of each petrochemical complex (Camaçari and Triunfo), accounting for more than 75% of the total. Note that stoppages occur every six years.

Investments in equity totaled R\$ 885 million in 2008, including the residual amount of R\$ 638 million from the acquisition of Ipiranga Group petrochemical assets and the earn out of Politeno Indústria e Comércio S.A. ("Politeno"), acquired in 2006, in the amount of R\$ 247 million.

#### Investments (in millions of R\$)





# Braskem S.A. and subsidiaries

**Financial Statements on  
December 31, 2008 and 2007  
with independent auditors' report thereon**

(A free translation of the original report in Portuguese as published in Brazil containing financial statements prepared in accordance with accounting practices adopted in Brazil)

## Independent auditors' report

**To**  
**The Shareholders, Board Members and Managers of Braskem S.A.**  
**Camagari - BA**

1. We have examined the accompanying balance sheets of Braskem S.A. and the consolidated balance sheets of the Company and its subsidiaries as of December 31, 2008 and 2007 and the related statements of income, changes in shareholders' equity, statements of cash flows and added value for the years then ended, which are the responsibility of its management. Our responsibility is to express an opinion on these financial statements. The financial statements of the subsidiary Copesul - Companhia Petroquímica do Sul as of December 31, 2007 were examined by other independent auditors and our opinion with respect to the amount of this investment and the results of this subsidiary is based exclusively on the reports of these other auditors. The financial statements of the subsidiary IQ Soluções & Química S.A. (previously denominated Ipiranga Química S.A.) as of December 31, 2008 and 2007 were examined by other independent auditors and our opinion with respect to the amount of these investments and the results of this subsidiary is based exclusively on the reports of these other auditors.
2. Our examinations were conducted in accordance with auditing standards generally accepted in Brazil and included: (a) planning of the audit work, considering the materiality of the balances, the volume of transactions and the accounting systems and internal controls of the Company and its subsidiaries; (b) verification, on a test basis, of the evidence and records which support the amounts and accounting information disclosed; and (c) evaluation of the most significant accounting policies and estimates adopted by Company management and its subsidiaries, as well as the presentation of the financial statements taken as a whole.
3. In our opinion, and based on the reports of other independent auditors, the aforementioned financial statements present fairly, in all material respects, the financial position of Braskem S.A. and the consolidated financial position of the Company and its subsidiaries as of December 31, 2008 and 2007, and the results of operations, changes in shareholders' equity, cash flows and added values for the years then ended, in conformity with accounting practices adopted in Brazil.
4. As per Note 9(a), the Company has retained ICMS credits from previous years, arising mainly from the differences between the rates of inflow and outflow of inputs and raw materials, domestic outflow which received incentive through the deferral of taxes, and sales destined to the foreign market. The realization of these tax credits depends on the successful implementation of the management's plans as described in this note to the accompanying Financial Statements. The Financial Statements as of December 31, 2008 and 2007 do not include any adjustments related to the recovery of these tax credits due to this uncertainty.

5. As per Note 19(c), the Company, in a proceeding that also involves its merged companies OPP Química, Trikem and Polialden, due to the discussion with respect to the constitutionality of Law 7689/88, is litigating the nonpayment of the Social Contribution on Net Income (CSSL) in the cases in which a final and unappealable decision has already been reached at the Federal Supreme Court (STF), and the Union has filed a rescissory action. Management, based on the opinion of its legal advisors, who assessed the chances of a successful outcome as possible, believe that it should be successful in its pleading for the maintenance of the nonpayment and that in the event of loss in the rescissory action the decision would not have a retroactive effect as from the year the law came into effect. Consequently, for preparation purposes of the Financial Statements aforementioned in paragraph 1, no provision was recorded in the Financial Statements for the years ended December 31, 2008 and 2007 for possible unfavorable decisions regarding the notice of tax assessments, nor for the years not yet inspected by the Federal Revenue Department.
6. As per Note 9 (c), OPP Química S.A., merged by the Company in 2003, based on a decision taken by the Federal Supreme Court, recognized in its accounts records, Excise Tax (IPI) credits in the amount of R\$ 1,030,125 thousand (R\$ 2,682,176 thousand restated up to December 31, 2008 – R\$ 2,506,923 in 2007), which were offset with IPI and other federal taxes. Although this decision was the object of a regulatory appeal by the National Treasury, in which what is being questioned is not the right to the credit, but the inaccuracies with respect to the aspects related to the case of the non-taxed inputs, the monetary correction and the rate to be used for calculation purposes of the credits, despite the assessments drafted against the Company. The Company, based on the opinion of its legal advisors, considers the chances of a successful outcome as probable. Consequently, no provision was recorded in the Financial Statements for the years ended December 31, 2008 and 2007.
7. As per Note 3.1, due to the modifications in the accounting practices adopted in Brazil during 2008, the Financial Statements related to the previous year, presented for comparison purposes, were restated in accordance with NPC 12 – Accounting Practices, Changes in the Accounting Estimates and Error Correction.

February 19, 2009

**KPMG Auditores Independentes**  
 CRC 2SP014428/O-6-S-BA

**Anselmo Neves Macedo**  
 Accountant CRC 1SP160482/O-6-S-BA



## Braskem S.A. and its subsidiaries Balance sheets as of December 31

In thousands of *Reais*

### Assets

	PARENT COMPANY		CONSOLIDATED	
	2008	2007 <i>Restatement</i>	2008	2007 <i>Restatement</i>
<b>Current Assets</b>				
Cash and cash equivalents (Note 4)	2,588,173	1,201,544	2,611,600	1,890,151
Marketable securities (Note 5)	337,015	45,387	337,015	248,699
Trade Accounts receivable (Note 6)	955,260	1,019,037	996,187	1,496,976
Inventories (Note 7)	2,843,580	1,542,960	2,948,096	2,264,272
Disposal investment (Note 1.c.6 )		136,698		136,698
Recoverable taxes (Note 9)	585,392	171,413	610,712	310,311
Deferred income and social contribution taxes (Note 19 (b))	56,018	59,560	59,555	85,815
Dividends and interest on shareholders' equity receivable	7,162	45,135		3,936
Prepaid expenses	65,298	57,260	65,840	72,502
Other accounts receivable	121,476	80,675	123,076	109,762
	<b>7,559,374</b>	<b>4,359,669</b>	<b>7,752,081</b>	<b>6,619,122</b>
<b>Noncurrent Assets</b>				
Long-term receivables				
Marketable securities (Note 5)	9,717		11,550	119,789
Trade Accounts receivable (Note 6)	46,666	41,464	47,129	41,927
Inventories (Note 7)	20,637	22,790	20,637	22,790
Recoverable taxes (Note 9)	1,199,922	932,652	1,201,816	1,175,008
Deferred income and social contribution taxes (Note 19 (b))	640,367	366,480	654,463	395,452
Deposits in court and compulsory loans (Note 11)	110,540	96,431	120,143	107,654
Related parties (Note 8)	85,924	895,017	45,880	48,531
Other accounts receivable	44,852	34,251	46,101	47,954
	<b>2,158,625</b>	<b>2,389,085</b>	<b>2,147,719</b>	<b>1,959,105</b>
Investments in subsidiaries (Note 12)	354,357	845,131		6,912
Advance for acquisition of investments (Note 12 (c))		1,518,944		1,027,986
Investments in associated companies (Note 12)	23,044	23,853	23,044	24,445
Other investments	11,845	8,239	13,742	13,840
Property, plant and equipment (Note 13))	10,123,718	6,391,819	10,278,401	8,404,079
Intangible assets (Note 14)	2,372,942	1,485,790	2,378,707	2,614,581
Deferred charges (Note 15)	107,447	61,645	108,248	110,607
	<b>15,151,978</b>	<b>12,724,506</b>	<b>14,949,861</b>	<b>14,161,555</b>
<b>Total Assets</b>	<b>22,711,352</b>	<b>17,084,175</b>	<b>22,701,942</b>	<b>20,780,677</b>

See the accompanying notes to the financial statements.

## Braskem S.A. and its subsidiaries

### Balance sheets as of December 31 - continuation

In thousands of Reais

#### Liabilities and shareholders' equity

	PARENT COMPANY		CONSOLIDATED	
	2008	2007 <i>Restatement</i>	2008	2007 <i>Restatement</i>
<b>Current Assets</b>				
Accounts payable to suppliers	4,865,040	2,421,594	4,906,747	2,935,114
Financing (Note 16)	2,114,301	425,346	2,119,995	1,068,351
Debentures (Note 17)	26,276	20,474	26,276	111,632
Wages and social charges	206,144	183,649	218,052	260,807
Taxes and contributions	102,155	94,072	105,606	161,825
Deferred income and social contribution taxes (Note 19(b))		157	247	15,365
Dividends and interest on shareholders' equity	6,604	281,241	6,604	307,945
Advances from customers	47,717	12,934	49,015	23,448
Creditors through investments' acquisition (Note 1 (c.4) and (c.5))		880,991		880,991
Other accounts payable	120,865	90,178	141,131	124,613
	<b>7,489,102</b>	<b>4,410,636</b>	<b>7,573,673</b>	<b>5,890,091</b>
<b>Noncurrent Assets</b>				
Long-term liabilities				
Accounts payable to suppliers	18,675	26,338	18,675	29,654
Financing (Note 16)	9,027,800	4,748,391	9,039,821	6,401,947
Debentures (Note 17)	800,000	800,000	800,000	800,000
Hedge transactions (Note 23 (f.3, i, i.b))	109,444		109,444	
Taxes and contributions payable (Note 18)	1,221,668	1,105,110	1,231,236	1,145,816
Related parties (Note 8)	132,759	95,827		
Long-term incentives (Note 20)	10,453	4,879	10,453	4,879
Deferred income and social contribution taxes (Note 19 (b))	9,975	7,346	23,302	64,451
Pension plans and benefits for employees (Note 29)	16,307	19,565	20,041	35,727
Other accounts payable	183,288	99,795	195,440	131,655
	<b>11,530,369</b>	<b>6,907,251</b>	<b>11,448,412</b>	<b>8,614,129</b>
<b>Minority interest</b>				<b>597,949</b>
<b>Shareholders' equity (Note 21)</b>				
Capital	5,375,802	4,640,947	5,375,802	4,640,947
Capital Reserves	407,964	408,647	407,964	408,647
Profit reserves (Note 21.e)		1,039,660		964,990
Equity valuation adjustment (Law 11638/07 and MP 449/08)	(102,100)		(102,100)	
Treasury shares (Note 21.d)		(244,456)		(257,566)
Accumulated losses	(1,989,785)	(78,510)	(2,001,809)	(78,510)
	<b>3,691,881</b>	<b>5,766,288</b>	<b>3,679,857</b>	<b>5,678,508</b>
<b>Total liabilities and shareholders' equity</b>	<b>22,711,352</b>	<b>17,084,175</b>	<b>22,701,942</b>	<b>20,780,677</b>

See the accompanying notes to the financial statements.



## Braskem S.A. and its subsidiaries

### Statement of income

### Years ended December 31

In thousands of *Reais*, except net profit (loss) per share

	PARENT COMPANY		CONSOLIDATED	
	2008	2007 <i>Restatement</i>	2008	2007 <i>Restatement</i>
<b>Revenues</b>				
Domestic market sales	14,309,912	12,880,213	18,736,259	17,912,660
Foreign market sales	1,816,353	4,462,170	4,284,149	4,524,769
Taxes, freights and sales returns	(4,076,509)	(3,679,928)	(5,060,901)	(4,794,938)
<b>Net revenues</b>	<b>12,049,756</b>	<b>13,662,455</b>	<b>17,959,507</b>	<b>17,642,491</b>
Cost of products sold	(10,076,411)	(11,509,209)	(15,140,774)	(14,331,345)
<b>Gross profit</b>	<b>1,973,345</b>	<b>2,153,246</b>	<b>2,818,733</b>	<b>3,311,146</b>
<b>Operating income (expenses)</b>				
Selling expenses	(393,258)	(429,380)	(492,694)	(554,243)
Administrative and general expenses	(548,681)	(547,811)	(660,164)	(671,628)
Management remuneration	(12,290)	(9,189)	(14,220)	(12,849)
Depreciation and amortization	(438,642)	(455,195)	(543,609)	(486,600)
Other revenues, net (Note 25)	53,978	127,147	86,001	131,465
	<b>(1,338,893)</b>	<b>(1,314,428)</b>	<b>(1,624,686)</b>	<b>(1,593,855)</b>
<b>Operating profit before equity in income of subsidiaries and financial result</b>	<b>634,452</b>	<b>838,818</b>	<b>1,194,047</b>	<b>1,717,291</b>
<b>Equity from shareholdings</b>				
Equity in income of subsidiaries and associated companies	191,361	182,276	(10,868)	(147)
Amortization of goodwill, negative goodwill, net	(36,035)	(200,965)	(40,388)	(73,964)
Provision for losses	(9,695)	(2,659)	(9,695)	(903)
Others	125	(106)	(2,739)	10,440
	<b>145,756</b>	<b>(21,454)</b>	<b>(63,690)</b>	<b>(64,574)</b>
<b>Financial result (Note 24)</b>				
Financial expenses	(4,057,166)	364,786	(4,403,112)	212,044
Financial income	689,234	(543,672)	718,586	(588,792)
	<b>(3,367,932)</b>	<b>(178,886)</b>	<b>(3,684,526)</b>	<b>(376,748)</b>
<b>Operating income (loss)</b>	<b>(2,587,724)</b>	<b>638,478</b>	<b>(2,554,169)</b>	<b>1,275,969</b>
Other expenses and revenues, net (Note 26)	(149,589)	(31,760)	(158,700)	(67,224)
<b>Net income (loss) before income and social contribution taxes</b>	<b>(2,737,313)</b>	<b>606,718</b>	<b>(2,712,869)</b>	<b>1,208,745</b>
Provision for income tax and social contribution (Note 19(a))	(546)	(87)	(23,672)	(224,053)
Deferred income and social contribution taxes (Note 19(b))	230,936	10,807	301,837	(103,289)
<b>Net income (loss) before minority interest and profit-sharing</b>	<b>(2,506,923)</b>	<b>617,438</b>	<b>(2,434,704)</b>	<b>881,403</b>
Employees' statutory profit sharing			(18,900)	(18,709)
Minority interest			(38,503)	(240,892)
<b>Net income (loss) for the year</b>	<b>(2,506,923)</b>	<b>617,438</b>	<b>(2,492,107)</b>	<b>621,802</b>
<b>Number of shares at the end of the year (in thousands)</b>	<b>507,541</b>	<b>432,838</b>		
<b>Net income (loss) per capital share at the end of the year - R\$</b>	<b>(4,9393)</b>	<b>1,4265</b>		

See the accompanying notes to the financial statements.

## Braskem S.A. and its subsidiaries

### Statement of changes in shareholders' equity

#### Years ended on December 31

In thousands of Reais

	Capital reserves			Profit reserves			Equity valuation adjustment	Treasury shares	Accumulated losses	Total
	Capital	Tax incentives	Others	Legal reserve	Tax incentives	Retained earnings for expansion				
<b>On December 31, 2006</b>	<b>3,508,272</b>	<b>408,093</b>	<b>554</b>	<b>72,810</b>		<b>652,337</b>		<b>(194,555)</b>		<b>4,447,511</b>
Prior year adjustments related to the adoption of Law 11638/07 and Provisional Measure 449/08									(103,230)	(103,230)
<b>Balances adjusted on January 1<sup>st</sup>, 2007</b>	<b>3,508,272</b>	<b>408,093</b>	<b>554</b>	<b>72,810</b>		<b>652,337</b>		<b>(194,555)</b>	<b>(103,230)</b>	<b>4,344,281</b>
Capital increase (Note 21(a))	1,132,675									1,132,675
Repurchase of shares (Note 21 (d))								(49,901)		(49,901)
Prescribed dividends									252	252
Transfer to reserve						252			(252)	
Net income for the year									617,438	617,438
Distribution:										
Legal reserve				27,161					(27,161)	
Dividends (Note 21 (f))									(278,457)	(278,457)
Tax incentives reserve (Note 21 (c))					49,497				(49,497)	
Profits retention (Note 21 (f))						237,603			(237,603)	
<b>On December 31, 2007 Restatement</b>	<b>4,640,947</b>	<b>408,093</b>	<b>554</b>	<b>99,971</b>	<b>49,497</b>	<b>890,192</b>		<b>(244,456)</b>	<b>(78,510)</b>	<b>5,766,288</b>
Capital increase (Note 21 (a))	734,855									734,855
Prescribed dividends									348	348
Repurchase of shares (Note 21 (d))								(199,904)		(199,904)
Cancellation of shares (Note 21 (d))						(444,360)		444,360		
Reversal of tax incentives (Note 21(g))		(683)								(683)
Equity valuation adjustment (Note 21 (g))							(102,100)			(102,100)
Loss for the year									(2,506,923)	(2,506,923)
Accumulated losses absorption										
Retained earnings for expansion (Note 21 (e))						(445,832)			445,832	
Tax incentive reserve (Note 21 (f))					(49,497)				49,497	
Legal reserve (Note 21 (f))				(99,971)					99,971	
<b>On December 31, 2008</b>	<b>5,375,802</b>	<b>407,410</b>	<b>554</b>				<b>(102,100)</b>		<b>(1,989,785)</b>	<b>3,691,881</b>

See the accompanying notes to the financial statements.



## Braskem S.A. and its subsidiaries

### Statements of cash flows

### Years ended on December 31

In thousands of Reais

	PARENT COMPANY		CONSOLIDATED	
	2008	2007 <i>Restatement</i>	2008	2007 <i>Restatement</i>
Net income (loss) for the year	(2,506,923)	617,438	(2,492,107)	621,802
Adjustment to reconcile net income (loss)				
Depreciation, amortization and depletion	950,592	1,080,689	1,224,348	1,178,901
Amortization of goodwill and negative goodwill, net	36,035	72,928	40,388	106,238
Equity in income of subsidiaries and associated companies	(191,361)	(182,276)	10,868	147
Losses (gains) on interest in investment and others	(125)	(84)	2,739	(11,589)
Provision for losses and write-offs – fixed assets	56,723	22,527	83,751	29,985
Interest, monetary and exchange variations, net	3,192,763	(31,410)	3,275,061	(78,173)
Recognition of tax credits		(110,704)		(110,111)
Minority interest			38,503	240,892
Current and deferred income tax and social contribution	(230,390)	(10,720)	(278,165)	327,342
Others	(16,000)	(201,823)	1,825	(30,882)
	<b>1,291,314</b>	<b>1,256,565</b>	<b>1,907,211</b>	<b>2,274,552</b>
Effect of mergers on the jointly-controlled subsidiaries' cash	16,790	5,796	58,886	193,831
<b>Cash generation before changes in operating working capital</b>	<b>1,308,104</b>	<b>1,262,361</b>	<b>1,966,097</b>	<b>2,468,383</b>
<b>Variation in operating working capital</b>				
Marketable securities	(244,299)	435,085	79,259	253,947
Trade Accounts receivable	719,378	54,353	492,795	220,263
Inventories	(425,480)	17,836	(681,671)	28,301
Recoverable taxes	(44,911)	250,601	(205,288)	313,549
Prepaid expenses	(8,038)	47,771	7,292	48,368
Dividends received	40,144	49,618	8,801	2,000
Other accounts receivable	(32,919)	80,481	(19,458)	40,907
Accounts payable to suppliers	1,199,732	(596,608)	1,962,404	286,166
Taxes and contributions	13,037	(439,529)	17,160	(178,928)
Long-term incentives	5,574	49,494	5,574	53,130
Advances from customers	28,739	(12,046)	25,567	(12,200)
Other accounts payable	(56,064)	(12,284)	(27,280)	(7,545)
<b>Cash arising from transactions</b>	<b>2,502,997</b>	<b>1,187,133</b>	<b>3,631,252</b>	<b>3,516,341</b>
Paid interest	(463,688)	(301,368)	(572,060)	(470,636)
Paid income tax and social contribution	(20,878)	(13,867)	(120,963)	(377,445)
<b>Cash provided by operating activities</b>	<b>2,018,431</b>	<b>871,898</b>	<b>2,938,229</b>	<b>2,668,260</b>

## Braskem S.A. and its subsidiaries

### Cash flows statement - continuation

#### Years ended on December 31

In thousands of Reais

	PARENT COMPANY		CONSOLIDATED	
	2008	2007 <i>Restatement</i>	2008	2007 <i>Restatement</i>
Proceeds from sale of noncurrent assets	250,219	15,183	250,219	28,829
Additions to investments	(676,778)	(1,009,035)	(653,764)	(1,345,522)
Additions to property, plant and equipment	(960,568)	(704,792)	(1,404,218)	(1,277,172)
Additions to intangible assets	(293,711)	(97,200)	(278,072)	(1,155,353)
Additions to deferred charges	(19,138)	(6,689)	(56,610)	(23,649)
Paid and capitalized financial charges	(62,791)	(54,037)	(71,242)	(70,447)
<b>Net cash used in investing activities</b>	<b>(1,762,767)</b>	<b>(1,856,570)</b>	<b>(2,213,687)</b>	<b>(3,843,314)</b>
Short-term debt, net				
Funds obtained	2,600,259	821,149	2,659,301	4,339,531
Payments	(4,439,431)	(1,214,949)	(5,164,697)	(5,895,821)
Long-term debt				
Funds obtained	4,459,713	1,596,036	4,330,362	3,579,839
Payments	(683,389)	(315,817)	(1,352,961)	(399,557)
Related parties				
Funds obtained		74,783		1,987
Payments	(373,521)	(135,287)		(5,848)
Dividends paid to shareholders and minority interest	(274,290)	(37,410)	(300,994)	(43,837)
Capital increase		8,672	1,674	1,511
Repurchase of shares	(186,794)		(186,794)	(60,249)
Others	28,418	589	11,016	589
<b>Cash used in financing activities</b>	<b>1,130,965</b>	<b>797,766</b>	<b>(3,093)</b>	<b>1,518,145</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>1,386,629</b>	<b>(186,906)</b>	<b>721,449</b>	<b>343,091</b>
<b>Represented by</b>				
Cash and cash equivalents, at the beginning of the year	1,201,544	1,388,450	1,890,151	1,547,060
Cash and cash equivalents, at the end of the year	2,588,173	1,201,544	2,611,600	1,890,151
<b>Increase (decrease) in cash and cash equivalents</b>	<b>1,386,629</b>	<b>(186,906)</b>	<b>721,449</b>	<b>343,091</b>

#### Main transactions that did not affect the cash:

The main transactions that did not affect the cash have been excluded in the cash flow statement, and are described below:

- Merger of shares issued by Grust;
- Effects arising from merger of Copesul, IPQ and Petroquímica Paulínia;
- Reduction of capital of Braskem Participações; and
- Capitalization of advance for future Capital increase (AFAC) of Ipiranga Química into IPQ.

See the accompanying notes to the financial statements.



## Braskem S.A. and its subsidiaries

### Statement of added value

### Years ended on December 31

In thousands of Reais

	PARENT COMPANY		CONSOLIDATED	
	2008	2007	2008	2007
		<i>Restatement</i>		<i>Restatement</i>
<b>Revenues</b>	<b>15,806,404</b>	<b>17,341,118</b>	<b>22,685,640</b>	<b>22,203,034</b>
Sales of goods, products and services	15,877,107	17,263,594	22,730,955	22,151,652
Other revenues (expenses) net	(55,991)	79,532	(33,092)	64,240
Allowance for doubtful accounts – Reversal (Formation)	(14,712)	(2,008)	(12,223)	(12,858)
<b>Inputs acquired from third parties (including ICMS, IPI, PIS and COFINS)</b>	<b>(14,894,031)</b>	<b>(15,153,325)</b>	<b>(20,474,606)</b>	<b>(18,098,137)</b>
Costs of goods, products and services sold	(13,718,001)	(14,021,759)	(18,998,495)	(16,598,478)
Materials, electric power, services from third parties and others	(1,111,714)	(1,131,566)	(1,411,795)	(1,499,659)
Loss / Recovery of active amounts	(64,316)		(64,316)	
<b>Gross added value (1-2)</b>	<b>912,373</b>	<b>2,187,793</b>	<b>2,211,034</b>	<b>4,104,897</b>
<b>Depreciation, amortization and depletion</b>	<b>(950,592)</b>	<b>(1,080,689)</b>	<b>(1,224,348)</b>	<b>(1,178,901)</b>
<b>Net added value produced by the Company (3-4)</b>	<b>(38,219)</b>	<b>1,107,104</b>	<b>986,686</b>	<b>2,925,996</b>
<b>Added value received in transfer</b>	<b>834,990</b>	<b>(565,126)</b>	<b>654,896</b>	<b>(653,366)</b>
Equity in income of subsidiaries and associated companies	191,361	182,276	(10,868)	(147)
Financial income	689,234	(543,672)	718,586	(588,792)
Others	(45,605)	(203,730)	(52,822)	(64,427)
<b>Total added value to be distributed (5+6)</b>	<b>796,771</b>	<b>541,978</b>	<b>1,641,582</b>	<b>2,272,630</b>
<b>Distribution of added value (*)</b>	<b>796,771</b>	<b>541,978</b>	<b>1,641,582</b>	<b>2,272,630</b>
Personnel	338,352	360,755	561,843	588,794
Direct remuneration	218,415	264,108	439,238	491,679
Benefits	82,280	67,475	84,538	67,654
Employment Compensation Guarantee Fund (F.G.T.S)	37,657	29,172	38,067	29,461
Taxes and contributions	(1,130,878)	(107,367)	(911,825)	1,040,761
Federal	(149,053)	533,107	94,733	1,478,546
State	(983,780)	(642,470)	(1,017,508)	(443,961)
Municipal	1,955	1,996	10,950	6,176
Remuneration of third parties' capital	4,096,220	(328,848)	4,445,168	(219,619)
Interest	4,005,053	(438,695)	4,350,984	(336,454)
Rental	91,167	109,847	94,184	116,835
Remuneration of Shareholders' Equity	(2,506,923)	617,438	(2,453,604)	862,694
Interest on Shareholders' Equity /Dividends		278,457		278,457
Loss for the year and accumulated balances	(2,506,923)	(78,510)	(2,492,107)	(78,510)
Minority interest in retained profits			38,503	240,892
Legal reserve		27,161		27,332
Profit retentions		237,603		241,796
Tax incentives		49,497		49,497
Initial adjustments of Law 11638/07 and Provisional Measure 449/08		103,230		103,230

See the accompanying notes to the financial statements.

**notes to the financial statements**amounts expressed in thousands of *Reais*, except when indicated**Braskem S.A. and its subsidiaries  
Notes to the financial statements  
December 31, 2008 and 2007**Amounts expressed in thousands of *Reais*, except when indicated.

## 1. Operations

(a) Braskem S.A. ("Braskem" or "Company"), with 18 production units located in the States of Alagoas, Bahia, São Paulo and Rio Grande do Sul, manufacture basic petrochemicals such as ethylene, propene and benzene, in addition to gasoline and LPG (cooking gas). Within the segment of thermoplastic resins, they manufacture polyethylene, polypropylene and PVC. In addition to those, the business purpose of Braskem is to import and export chemical, petrochemical, fuel products and to manufacture and supply inputs consumed by the companies of the Petrochemical Complexes of Camaçari – BA and Triunfo – RS, such as: steam, water, compressed air, electric energy, as well as to provide several services to these companies and to hold interest in other companies, as a partner or shareholder. The principal place of business of Braskem is located in Camaçari – BA and its holding company is Odebrecht S.A., which holds, directly and indirectly, 62.3% of the voting capital.

(b) In May 2007, Braskem announced the deactivation of the DMT production unit and the temporary suspension of production of PET, both established at the Petrochemical Complex of Camaçari. On the occasion, a study was initiated for the possible retaking of production of PET from a new technological route that would guarantee competitive costs for the polyester chain in Brazil. Part of the equipment of the DMT unit has been used by other plants of the Company and part of it has been intended for disposal as scrap. The net book value of the goods for disposal has decreased against the result of the year ended 2007 (Notes 13 and 26).

In December 2008, the Company announced the business withdrawal of PET in view of the fact that the studies initiated in 2007 indicated the unfeasibility of retaking the production of that resin on competitive bases. Part of the equipment of the PET unit has guaranteed use in other ventures of the Company. The net book value of the remaining assets has been taken to the result of the year ended 2008 (Notes 13 and 26).

### (c) Corporate Restructuring

Since its inception on August 16, 2002, the Company and its subsidiaries have undergone a major corporate restructuring process, disclosed to the market through material event notices. The main developments in 2007 and 2008 can be summarized as follows:

**c.1** - The Extraordinary General Meeting held on April 2, 2007 approved the merger of Politeño Indústria e Comércio S.A. ("Politeño"), based on its shareholders' equity as of December 31, 2006, amounting to R\$ 498,983. The exchange ratio of Politeño shares for Braskem shares was determined based on the companies' shareholders' equity at book value, in accordance with appraisal reports issued by a specialized firm.

With the merger, the Company capital was increased by R\$ 19,157 to R\$ 3,527,429 through the issue of 1,533,670 class "A" preferred shares and now comprises 123,978,672 common, 247,154,278 class "A" preferred and 803,066 class "B" preferred shares.

In order to maintain the current capital structure at Braskem, comprising 1/3 common shares and 2/3 preferred shares, the conversion of 486,530 class "A" preferred into common shares was approved.

**c.2** - In April 2007, Ultrapar Participações S.A. ("Ultrapar") acting as agent for itself, the Company and for Petróleo Brasileiro S.A. (Petrobras), acquired for R\$ 2,113,107, the equivalent to 66.2% of common shares and 13.9% of preferred capital shares issued by Refinaria de Petróleo Ipiranga S.A. ("RPI"), 69.2% of common shares and 13.5% of preferred capital shares issued by Distribuidora de Produtos de Petróleo Ipiranga S.A. ("DPPI"), and 3.8% of common shares and 0.4% of preferred capital shares issued by Companhia Brasileira de Petróleo Ipiranga ("CBPI"), held by the controlling shareholders of the Ipiranga Group. Of this amount, the Company paid R\$ 651,928 under the agency agreement among the parties.

Pursuant to the agreement among Ultrapar, Braskem and Petrobras, the Company now holds the control of petrochemical assets of the Ipiranga Group, represented by Ipiranga Química S.A. (new corporate name as from December 2008 "IQ Soluções Químicas S.A." ("IQ"), Ipiranga Petroquímica S.A. ("IPQ") and the latter's interest in Companhia Petroquímica do Sul ("Copesul"). Assets associated with oil refining operations held by RPI will be shared on equal terms by Petrobras, Ultrapar and Braskem.

As new controller of these assets, in April 2007 the Company started to fully consolidate IQ, IPQ and Copesul, considering a 13.40% interest in the total capital of IQ. Until March 31, 2007, Copesul was proportionately consolidated, in accordance with CVM Instruction 247/96.

In October and November 2007, the Company proceeded with the purchase of the Ipiranga Group and acquired the common shares held by minority interest in RPI, DPPI and CBPI, in compliance with the provisions of the Brazilian Corporations Law. Under this acquisition, Braskem made Ultrapar an advance of R\$ 203,713, and for consolidation purposes, considered from then on, a 17.87% interest in the total capital of IQ.

**c.3** - In November 2007, Petrobras, Petrobras Química S.A. ("Petroquisa"), Odebrecht S.A. ("Odebrecht") and Nordeste Química S.A. ("Norquisa") announced the execution of an agreement intended to carry on the consolidation of the Brazilian petrochemical industry, by merging into Braskem the following petrochemical assets held by Petrobras and Petroquisa: Copesul, IQ, IPQ, Petroquímica Paulínia S.A. ("Petroquímica Paulínia") and Petroquímica Triunfo ("Triunfo").

**c.4** - In December 2007, Ultrapar merged the preferred shares held by minority interest of the acquired companies, thus holding 100% of shares in RPI, DPPI and CBPI. Upon conclusion of this last stage, the Company recorded the final installment owed Ultrapar, in the amount of R\$ 633,488. After the book recording of this stage of the acquisition process, the Company now considers a 60% interest in the total capital of IQ for equity pick-up and consolidation purposes. On February 27, 2008 the amount provided for as of December 31, 2007 was paid to Ultrapar and IQ shares were transferred to the Company.

**c.5** - In January 2008, the Company settled the last installment for the acquisition of Politeño shares, based on the average performance of that company over the 18 months subsequent to the signature of the purchase and sale agreement in April 2006, as a result of the difference between polyethylene and ethylene prices in the Brazilian domestic market, amounting to R\$ 247,503. Such acquisition gave rise to goodwill of R\$ 162,174, justified by future profitability.



**c.6** - On December 13, 2007, Braskem, in conjunction with UNIPAR – União de Indústrias Petroquímicas S.A. (“UNIPAR”) and other minority shareholders in Petroflex Indústria e Comércio S.A. (“Petroflex”) entered into a sale agreement with Lanxess Deutschland GmbH (“Lanxess”) for the sale of shares in that jointly-controlled entity.

In March 2008, as all precedent conditions set forth in the sale agreement had been complied with, the transaction was recognized at the final amount of R\$ 252,105, in the “Other accounts receivable” line, under current assets. The financial settlement of the transaction took place on April 1, 2008. As required by CVM Instruction 247/96, the Company determined equity in income of subsidiaries and associated companies until March 2008.

**c.7** - On May 30, 2008, the merger of shares at book value issued by Grust Holdings S.A. (“Grust”), then a wholly-owned subsidiary of Petroquisa, was approved. At that date, Grust directly or indirectly held the following petrochemical assets: (i) 36.47% of the voting capital of Copesul, (ii) 40% of the voting capital of IPQ, (iii) 40% of the voting capital of IQ, and (iv) 40% of the voting capital of Petroquímica Paulínia. After the merger, Braskem holds 99.17% of the voting capital of Copesul and 100% of the voting capital of IPQ, IQ and Petroquímica Paulínia. The latter was a jointly-controlled entity with Petroquisa.

Under the merger of shares, Petroquisa received 46,903,320 new common and 43,144,662 new class “A” preferred shares issued by Braskem, in accordance with the following replacement ratio determined based on the economic values of Grust and Braskem, as stated in reports of specialized firms: 0.067419126039 common and 0.062016407480 class “A” preferred shares issued by Braskem for each one (1) common share issued by Grust. Braskem, in turn, received 695,697,538 common shares in Grust held by Petroquisa. As a result of the merger of shares, Braskem’s capital was increased by R\$ 720,709, equal to the book value of Grust’s shareholders’ equity as of March 31, 2008.

**c.8** - The Extraordinary Shareholders’ Meeting of subsidiary Grust held on July 10, 2008 approved a capital increase from R\$ 695,698 to R\$ 797,815, without the issue of new shares, through the capitalization of current earnings determined as of June 30, 2008, in the amount of R\$ 102,117.

**c.9** - The Extraordinary Shareholders’ Meeting of subsidiary IPQ held on July 16, 2008 approved a capital increase through the contribution by Grust of its interest in Copesul, in the amount of R\$ 302,630. Accordingly, IPQ’s capital increased from R\$ 349,507 to R\$ 652,137, through the issue of 11,938,022,669 common shares.

**c.10** - The Extraordinary Shareholders’ Meeting of subsidiary Grust, held on July 28 2008, approved a capital reduction by R\$797,815, to ten *Reais* (R\$ 10,00), with the ensuing cancellation of 695,697,528 common shares. As a result, the following assets, at book value as of June 30, 2008, were returned to Braskem:

- (i) 174,429,784,996 common shares in IQ, in the amount of R\$ 398,455;
- (ii) 11,938,022,669 common shares in IPQ, in the amount of R\$ 302,631, and
- (iii) 112,000 common shares in Petroquímica Paulínia, in the amount of R\$ 96,729.

Following the transfer, Braskem directly held 100% of the voting capital of IQ and Petroquímica Paulínia, 25.98% of the voting capital of IPQ, and 59.97% of the voting capital of Copesul.

**c.11** - The Extraordinary Shareholders’ Meetings held on September 11, 2008 approved the merger of Copesul into IPQ. As a result of such merger, the capital of IPQ increased by R\$585,267, from R\$ 652,137 to R\$ 1,237,404, through the issue of 23,695,195,295 preferred shares. The increase was based on Copesul’s shareholder’s equity at net book value as of July 31, 2008 (the transaction base date), under the terms and conditions set out in the “Protocol and Justification” dated August 22, 2008, which established the exchange ratio in accordance with the economic values of IPQ and Copesul, whereby each one (1) Copesul share was exchanged for 524 IPQ preferred shares. Equity variations in Copesul between the base date and the merger date were fully reflected in IPQ, under the equity in the results of subsidiary and associated companies’ line.

**c.12** - The Extraordinary Shareholders’ Meetings of Braskem and IQ held on September 30, 2008 approved the partial spin-off of IQ, where the spun-off assets, relating to interests in IPQ and ISATEC - Pesquisa, Desenvolvimento e Análises Químicas Ltda. (“ISATEC”) were transferred to the Company.

On the same date, Extraordinary Shareholders’ Meetings approved the mergers, into Braskem, of IPQ and Petroquímica Paulínia were approved, under the terms and conditions set out in the merger protocol and justification, dated September 12, 2008. Additionally, the Company capital was increased by R\$ 14,146, from R\$ 5,361,656 to R\$ 5,375,802, through the issue of 1,506,061 class “A” preferred shares, which were appropriated to remaining shareholders of IPQ, who are now Braskem shareholders.

#### (d) Administrative Council for Economic Defence – CADE

In July 2008, CADE approved the transaction for the acquisition by Braskem and Petrobras of the Ipiranga Group’s petrochemical assets. CADE made only one recommendation, namely the adjustment of the provision on non competition, so that the sellers compete only in the markets where they carried business activities prior to the acquisition.

In the same decision, CADE also approved the investment agreement whereby Petrobras contributed to Braskem its minority interest in Copesul, IPQ, IQ and Petroquímica Paulínia.

With this decision, no more restrictions subsist with respect to the management and merger of the assets acquired.

#### (e) Corporate governance

Braskem adhered to Level 1 of Distinguished Corporate Governance of the Stock Market of the State of São Paulo (BOVESPA) that establishes, primarily, the commitment of the Company with improvements in the provision of information to the market and in the share dispersion.

## notes to the financial statements

amounts expressed in thousands of *Reais*, except when indicated

## 2. Presentation of the financial statements

In compliance with CVM Deliberation 505/06, the authorization to conclude these financial statements was granted at the Executive Board Meeting held on February 19, 2009.

The financial statements of the Company (individual and consolidated) of 2008 and 2007 were prepared according to the accounting practices adopted in Brazil, which are derived from the Brazilian Corporation Law, pronouncements, guidelines and Interpretation of the Accounting Pronouncements Committee (CPC), and the rules of the Brazilian Securities Commission (CVM).

In the preparation of such financial statements, the Company adopted the amendments to the corporate legislation introduced by Law 11638/07 ("Law 11638/07"), of December 28, 2007, with the respective amendments introduced by Provisional Measure 449/08 ("MP 449/08"), of December 3, 2008. Law 11638/07 and MP 449/08 amend Law 6404/76 (Brazilian Corporations Law) as regards aspects related to the preparation and disclosure of the financial statements and their main purpose was to update the Brazilian corporation Law in order to harmonize the accounting practices adopted in Brazil with those provided in the International Financial Reporting Standards, issued by the International Accounting Standards Board – IASB.

The CPC is an entity the purpose of which is the study and disclosure of accounting and audit principles, rules and standards. The adoption of the pronouncements and technical directions issued by the CPC depends upon approval by the CVM, the Brazilian Central Bank or other regulatory agencies. For the Company, the pronouncements and directions of the CPC that have been approved by the CVM are valid.

CPC PRONOUNCEMENT	SUBJECT	ACT OF APPROVAL BY THE CVM	DATE OF APPROVAL BY THE CVM
CPC 01	Impairment	Deliberation 527/07	11/1 <sup>st</sup> /2007
CPC 02	Effects on exchange rate changes and conversion of financial statements	Deliberation 534/08	01/29/2008
CPC 03	Statements of cash flows – DFC	Deliberation 547/08	08/13/2008
CPC 04	Intangible assets	Deliberation 553/08	11/11/2008
CPC 05	Disclosure on related parties	Deliberation 560/08	12/11/2008
CPC 07	Government grants and subsidies	Deliberation 555/08	11/12/2008
CPC 08	Transaction costs and premiums at the issue of marketable securities	Deliberation 556/08	11/12/2008
CPC 09	Statement of added value – DVA	Deliberation 557/08	11/12/2008
CPC 12	Adjustment to present value	Deliberation 564/08	12/17/2008
CPC 13	First adoption of Law 11638/07 and of Provisional Measure 449/08	Deliberation 565/08	12/17/2008
CPC 14	Financial instruments: recognition, measurement and evidence	Deliberation 566/08	12/17/2008

In the Company's financial statements, the assets, liabilities and results of the foreign subsidiaries are consolidated. Even though some subsidiaries have their own management department and their own operations, the integration procedure referred to was adopted in a conservative manner, considering the fact that the said companies maintain their trading activities exclusively with their parent company. Therefore, all foreign subsidiaries were considered dependent and have the *Real* as their functional currency, as established by CPC 02.

According to item 51 of CPC 13, the Company is not presenting the Statement of Changes in Financial Position.

Adjustments related to the first adoption of Law 11638/07 and MP 449/08 are provided in detail in Note 3.

### Transition Tax Regime (RTT)

The amounts presented in the financial statements as of December 31, 2008, considered the adoption of the Transition Tax Regime ("RTT"), by the Company and its subsidiaries with head offices in Brazil, as established by Provisional Measure 449/08, the purpose of which is to maintain the tax neutrality of the amendments to the Brazilian corporate legislation, introduced by Law 11638/07 and MP 449/08. The permanent option for the RTT will be stated only on the occasion of the delivery of the Statement of Corporate Economical and Tax Information - DIPJ. The Transition tax effects, whenever applicable, generated as a result of the adhesion to the RTT, are ascertained and presented in the deferred Income tax and Social contribution.

## 3. Significant Accounting Practices

### 3.1 – Adoption of Law 11638/07

The Company opted to prepare the transition balance sheet on January 1<sup>st</sup>, 2007, which is the accounting starting point according to the corporate legislation amended by Law 11638/07 and MP 449/08. The amendments introduced by the legislations referred to above are characterized as change of accounting practice and, therefore, all the adjustments with impact on the results of the prior years to the adoption were made against accrued profits or losses on the date of transition.

For purposes of disclosure of the comparative financial statements, the Company complied with CVM Resolution 506 of June 19, 2006, considering the retrospective effects of the amendments of the said legislation; therefore, the financial information of the year ended on December 31, 2007 has been restated.

Find below the equity adjustments resulting from the first adoption of Law 11638/07 and MP 449/08 (a); the summary of the accounting practices amended by the said legislations that affected the opening balances on January 1<sup>st</sup>, 2007 (b) and the summary of the effects on the income and on the shareholders' equity of the years ended as of December 31, 2008 and 2007, resulting from the adoption of the said legislation (c).



## (a) Adjustments of first adoption of Law 11638/07 and MP 449/08 in the Balance Sheet on the date of transition.

## Summary of adjustments

Written-off deferred assets (Note 3(b))	(158,880)
Adjustments at present value (Note 3 (b))	32,816
Income tax on adjustments	22,834
	<b>(103,230)</b>

Tax effects of the adjustments resulting from the first adoption of Law 11638/07 and MP 449/08, whenever applicable have been recorded in shareholders' equity accounts in which the said adjustments were accounted for as a contra entry to equity accounts of deferred tax assets or liabilities.

(b) Summary of accounting practices amended by the first adoption, which affected the opening balances of January 1<sup>st</sup>, 2007.

## DEFERRED CHARGES

Balances of the deferred charges existing on December 31, 2006, mainly related to goodwill per expectation of future profitability in the amount of R\$ 1,017,073 (R\$ 1,531,019 - consolidated) were reclassified to the group of intangible assets. The other balances in the amount of R\$ 158,880 (parent company and consolidated) were written-off against the accumulated losses account on December 31, 2006, and only the pre-operating expenses that will be maintained up to their total realization by means of amortization or write-off against income will remain in the deferred charges.

## ADJUSTMENTS TO PRESENT VALUE

Certain short-term accounts payable have been adjusted to present value based on specific interest rates that reflect the nature of these liabilities as regards term, risk, currency, pre-established or post-established payment condition, based on the opening balance of the date of transition as provided by CPC 13.

The adjustment effect to present value resulting from the first adoption of Law 11638/07 and MP 449/08 has been registered against the accrued loss account.

## (c) Effects of adoption of Law 11638/07 and MP 449/08

The reconciliations of income and shareholders' equity as at December 31, 2008 and 2007 considering the effects of adopting Law 11638/07 and MP 449/08, with what would be obtained, in the event that the changes of accounting practices related to the said legislation had not been adopted.

	2008	2007
<b>Net income (loss) for the year ended on December 31</b>	<b>(2,506,923)</b>	<b>617,438</b>
Reversal of annual amortization of written-on deferred charges (Note 15)		59,537
Financial charges included in the purchase transactions, net	43,184	
Transaction costs (Note 16(i)), net from the year amortization	45,806	
Write-off of deferred charges (Note 15)		(34,816)
Provision for impairment of fixed assets	(29,641)	
Tax incentive		49,497
Total net adjustments arising from adoption of the Law	59,349	74,218
<b>Net income (loss) without the effects of Law 11638/07 and MP 449/08</b>	<b>(2,566,272)</b>	<b>543,220</b>

	2008	2007
<b>Shareholders' equity on December 31</b>	<b>3,691,881</b>	<b>5,766,288</b>
Adjustments on the date of transition recognized on:		
Accumulated profits or losses		103,230
Tax incentive reserve - exemption of income tax		49,497
Equity valuation adjustment	102,100	
Effects adjustments of Law 11638/07 and MP 449/08, year 2007	78,510	
Difference between net income and adjusted income of 2008 and 2007	(59,349)	(74,218)
<b>Shareholders' equity on December 31 2008 and 2007, without the effects of Law 11638/07 and MP 449/08</b>	<b>3,813,142</b>	<b>5,844,797</b>

## 3.2 Summary of significant accounting practices

## (a) Use of estimates

In the preparation of financial statements, it is necessary to use estimates for certain assets, liabilities and other transactions. Therefore, the financial statements of the Company and its subsidiaries include several estimates related to the selection of useful lives of property, plant and equipment, intangible assets and market value of financial instruments, provisions for contingencies, income tax provisions and other similar amounts.

## (b) Foreign currency and functional currency

The Company's Management has established that its functional currency is the *Real* according to the rules described in CPC 02.

Transactions in foreign currency, i.e., all those transactions that are not carried out in functional currency, are converted at the exchange rate of the dates of each transaction. Monetary assets and liabilities in foreign currency are converted into functional currency at the exchange rate of the closing date. Gains and losses of variations of exchange rates on monetary assets and liabilities are recognized in the statement of income. Non-monetary assets and liabilities acquired or hired in foreign currency are converted based on the exchange rates of the dates of the transactions or on the dates of the fair value evaluation whenever fair value is used.

## notes to the financial statements

amounts expressed in thousands of *Reais*, except when indicated

### (c) Income ascertainment

Income and expenses are recognized on the accrual basis.

Revenue from the sale of goods is recognized in the statement of income when the significant risks and rewards of ownership have been transferred to the buyer. Transfer of ownership occurs when the good is delivered to the client or to its shipper, depending upon the sale scheme.

The provision for income tax and ICMS expenses are accounted for including the tax incentive and the amount corresponding to the exemption and reduction of the income tax and ICMS are credited in the income account for the year.

Considering the provisions of CVM Deliberation 273/98, of August 20, 1998, and CVM Instruction 371/02, of June 27, 2002, the deferred income tax is stated at its probable value of realization, expected to occur as described in Note 19(b,ii).

Monetary and exchange variations on assets and liabilities are classified in the "Financial incomes" and "Financial expenses" lines, respectively.

The Company recognizes in the income of the year the market value of the derivative contracts that contra entry the realization of cash flows and indexed liabilities in foreign currency or in international interest rates, except those accounted for as hedge transactions. (Notes 23 (f.3) (i.b)).

The net profit per share is calculated based upon the number of shares existing on the year-closing date.

### (d) Current and noncurrent assets

#### (d.1) Cash and cash equivalents

Cash and cash equivalents include cash, banking deposits and investments.

#### (d.2) Financial instruments

##### CLASSIFICATION AND MEASUREMENT

The Company classifies its financial instruments in the following categories: (i) for trading (ii) loans and receivables, (iii) held to maturity and (iv) available for sale. The classification depends upon the purpose for which the financial instruments have been acquired. The Management determines the classification of its financial instruments at the initial recognition.

##### (I) FINANCIAL ASSETS MAINTAINED FOR NEGOTIATION

Financial assets maintained for negotiation are measured at fair value by the result with the purpose of being negotiated actively and frequently, including derivatives, unless they have been designated as hedge instruments (protection). The assets of this category are classified as current assets. Gains or losses resulting from variations of the fair value of financial assets maintained for negotiation are recognized at the income for the year.

##### (II) LOANS AND RECEIVABLES

Granted loans and receivables that are non-derivative financial assets with fixed or determinable payments, not quoted in an active market, are included in this category as current assets, except those with maturity date that exceeds 12 months subsequently to the date of issue of the balance sheet (these are classified as noncurrent assets). The Company's loans and receivables consist of the balances of loan agreements and of current account with related companies, accounts receivable from clients, other accounts receivable and cash and cash equivalents, except short-term investments. Loans and receivables are accounted for by the amortized cost, using the actual interest rate method.

##### (III) ASSETS HELD TO MATURITY

Assets held to maturity are basically the financial assets that may not be classified as loans and receivables for being quoted in an active market. In that event, these financial assets are acquired with the purpose and financial capacity for its maintenance in portfolio up to maturity. They are appraised by the cost of acquisition, plus earnings received as a contra entry to the income for the year.

##### (IV) FINANCIAL ASSETS AVAILABLE FOR SALE

Financial assets available for sale are non-derivatives that are designated in that category or that have not been classified in any other category. They are included in the noncurrent assets, unless the management intends to dispose the investment in up to 12 months subsequently to the date of the balance sheet. The financial assets available for sale are accounted for at fair value. Interest rates of securities available for sale, calculated using the actual interest rate method, are recognized in the statement of income as financial incomes. The installment corresponding to the variation at fair value is recorded against the shareholders' equity, net from taxes, in the equity valuation adjustment account, being realized against income on the occasion of its liquidation or loss considered permanent (impairment).

#### Fair value

The fair values of the investments with public quotation are based upon the current purchase price. As regards the financial assets with no active market or public quotation, the Company establishes the fair value by means of evaluation techniques. These techniques include the use of recent transactions carried out with third parties, the reference to other instruments that are substantially similar, the analysis of discounted cash flows and the standard models of price fixing of options that use information generated by the market as much as possible and count as little as possible on information generated by Company's management.

The Company evaluates, on the date of the balance sheet, whether there is objective evidence that a financial asset or a group of financial assets is registered at a value that exceeds its recoverable value (impairment). In the event of any evidence for the financial assets available for sale, the cumulative loss – measured as the difference between the cost of acquisition and the current fair value, minus any loss by impairment of this financial asset previously recognized in the income – is removed from equity and recognized in the statement of income.

#### Derivative financial instruments and hedge activities

The Company has derivative financial instruments to protect risks related to foreign currencies and of interest rate.

Derivatives are initially recognized by their fair value and the respective costs of transaction are recognized in the income when incurred. Subsequently to the initial recognition, the derivatives are measured by the fair value and changes are accounted for in the income, except in the event described below for the accounting of hedge transactions:

#### Cash flow hedges

Changes in the fair value of derivative protection instruments designated as cash flow hedge are directly recognized in the shareholders' equity, as hedge is considered actual. In the event that the hedge is considered non actual, the changes in the fair value are recognized in the income.

In the event that the hedge instrument fails to comply with the criteria for the hedge transaction accounting, expires or is sold, terminated or exercised,



the hedge transaction accounting is discontinued prospectively. Accrued gain or loss previously recognized in the shareholders' equity must be immediately transferred to the income for the year.

The Company recognized liabilities related to the hedge transaction accounting the characteristics of which satisfy the requirements provided by CPC 14. The documentation that is necessary to apply the hedge accounting concept, as provided in CPC 13, was complete on December 31, 2008.

#### (d.3) Accounts receivable from clients

The accounts receivable from clients are registered at the invoiced value, adjusted to present value, whenever applicable, deducted from the allowance for doubtful accounts. The allowance for doubtful accounts consists of amount considered sufficient to cover the losses estimated in its realization, in view of the history of the Company's losses.

The methodology used by the Company to record the allowance for doubtful accounts encompasses 100% of amounts more than 180 days overdue, 50% of amounts more than 90 days overdue, and 100% of the amounts of bills under judicial collection process. The bills receivable of associated companies has not been taken into account in the calculation of this allowance.

#### (d.4) Inventories

Inventories are stated at average cost of purchases or production, lower than the replacement cost or than the realization value. The finished products include from freight up to the point of sale. Imports in progress are stated at the accumulated cost of each import. Inventories of maintenance materials are classified in the current assets or in the non current assets, considering the consumption's history.

#### (d.5) Deferred income tax

The deferred income tax is calculated over the tax losses and over the accounting expenses temporarily non-deductible for the calculation of the current income tax. Its recognition occurs in the extent in which it is probable that the future taxable profit is available to be used to offset the temporary differences, based upon the projections of future incomes prepared and grounded on internal premises and in future economic scenarios that may, therefore, undergo changes. Periodically, the amounts accounted are reappraised in accordance with CVM Deliberation 273/98, of August 20, 1998, and CVM Instruction 371/02, of June 27, 2002.

#### (d.6) Other assets

The other assets are presented by the value of realization, including, whenever applicable, the earnings and the monetary variations received or, in the event of expenses of the following period, at cost.

### (e) Noncurrent assets

#### (e.1) Shareholdings in subsidiaries, jointly-controlled entities and associated companies:

Investments in subsidiaries, jointly-controlled entities and associated companies when there is an interest in the voting capital more than 20% or where there is significant influence and in other companies that are part of a same group or which are under common control are valued using the equity method, plus goodwill (negative goodwill) balance to amortize.

The economic purpose of goodwill is appreciation of the asset. Goodwill is maintained in the investment account and, when the assets are merged, it is transferred to property, plant and equipment. Goodwill grounded on the appreciation of the property, plant and equipment is amortized in the same term of the respective goods that grounded it. Goodwill grounded on future profitability is classified as Intangible assets.

The other investments are appraised at the cost of acquisition, deducted from provision for devaluation, whenever applicable.

#### (e.2) Property, plant and equipment

Property, plant and equipment, as well as intangible assets, are stated at acquisition or construction cost. As from 1997, property, plant and equipment include capitalized interest incurred during the construction period, pursuant to CVM Deliberation 193/96. Capitalized interest is added to assets and depreciated / amortized as from the date that they become operational. (Note 16 (g)).

As from January 2006, in accordance with IBRACON Technical Interpretation 01/2006, the Company records all programmed maintenance shutdown expenses in property, plant and equipment, as "Machinery, equipment and facilities". Such stoppages occur at scheduled periods at intervals from two to six years and the related expenses are amortized until the beginning of the next maintenance shutdown (Note 13).

Depreciation of property, plant and equipment are calculated on a straight-line basis at the rates mentioned in Note 13, which consider the estimated useful lives of the assets.

#### (e.3) Intangible assets

Intangible assets comprise of the assets acquired from third parties, including those acquired through a business combination, and those generated internally by the Company. The following criteria are applied:

Acquired from third parties through a business combination: the goodwill per expectation of future profitability, arising from acquisitions involving business combinations, will not be amortized as from 2009 and has its recoverable value tested.

Intangible assets acquired from third parties: the intangible assets with defined useful life are measured by the total cost of acquisition less amortization expenses. Amortization is calculated based on the straight-line basis, at the rates mentioned in Note 14, which consider the estimated useful lives of the assets. Intangible assets with undefined useful life will not be amortized as from 2009 and have their recoverable value tested.

The Company records research expenses in the income.

#### (e.4) Deferred assets

The Company opted to maintain, in the deferred charges, on December 31, 2008, only the expenses incurred during the period of construction of industrial plants (pre-operating expenses). These expenses are amortized over 10 years from the beginning of operations of the respective industrial plant.

#### (e.5) Impairment

Property, plant and equipment assets, intangible assets with a defined useful life and deferred charges have their recoverable values tested, at least, annually, in the event that there are indicators of value loss. Goodwill per expectation of future profitability and intangible assets with undefined useful life have the recovery of their value tested annually, regardless of indicators of value loss.

## notes to the financial statements

amounts expressed in thousands of *Reais*, except when indicated

### (f) Current and noncurrent liabilities

Current and noncurrent liabilities are recorded by known or calculable values plus, whenever applicable, corresponding charges, monetary and/or exchange variations incurred up to the date of the balance sheet date. Whenever applicable, the current and noncurrent liabilities are registered at present value, on a transaction by transaction basis, based upon interest rates that reflect the term, currency and risk of each transaction. The contra entry to the present value adjustments is recorded against the income accounts that resulted in the said liabilities. The difference between the present value of a transaction and the liabilities' face value is appropriated to the income over the term of effectiveness of the agreement based on the amortized cost method and on the actual interest rate method.

#### (f.1) Adjustment to present value

In accordance with CPC 12, the Company distinguishes the financial charges in the purchases of naphtha made abroad for payment over 180 days.

During 2008 and 2007, the Company imported R\$ 2,750,624 and R\$ 1,553,177 of naphtha respectively, with a maturity date for payment that exceeds the Company's operational cycle.

The naphtha imported by Braskem is a commodity priced at the "ARA" ("Antwerp, Rotterdam and Amsterdam") quotation of the European market, plus freights and financial charges in the event of purchases on credit.

The average financial charge charged by suppliers in 2008 and 2007 was 5.08% and 5.07% respectively.

Financial charges related to these purchases are distinguished on the occasion of the registration of the tax invoices and are appropriated to the income as financial expenses by the fluidness of the term.

The financial charges charged in 2008 and 2007 and their impacts on the financial statements are demonstrated below:

	2008	2007
Financial charges included in the period's purchases	126,675	81,468
Financial charges to appropriate in the following years	75,999	32,816

The balance of the financial charges to be appropriated is classified as reducer of the suppliers' account.

The other purchase and sale transactions carried out by the Company are within the maturity date of their operational flow. For those transactions, the Company understands that the bills receivable and payable are measured by the respective fair values.

#### (f.2) Loans

The loans are recognized, initially, at fair value, net from any expenses incurred in the transaction structuring (cost of transaction). Subsequently, the loans are presented, in addition to charges and interest that are proportional to the incurred period ("amortized cost").

Non-convertible debentures are recognized the same way that loans are recognized.

#### (f.3) Contingencies

The contingencies are presented deducted from the deposits in court associated therewith, in accordance with CVM Deliberation 489/05.

#### (f.4) Provisions for investments' losses

Provisions for investments' losses in subsidiaries are accrued on the negative shareholders' equity (negative equity) of those companies and classified in the noncurrent liabilities, as a contra entry to the income with interest in subsidiaries and associated companies.

#### (f.5) Pension plan

Liabilities related to pension plans with defined benefit is the present value of the benefit obligation defined on the date of the balance sheet less the market value of the plan assets, adjusted by gain or actuarial losses and costs of past services. The defined benefit obligation is annually calculated by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by the estimate of future cash outflow, using the public securities interest rates, the maturity dates of which are close to the maturity dates of the related liabilities.

Actuarial gains and losses arising from changes of actuarial assumptions and amendments to pension plans are appropriated or credited to the income by the average time of remaining service of the related employees.

As regards defined contribution plans, the company pays contributions to private administration pension plans on compulsory, contractual or voluntary bases. As soon as contributions have been made, the Company has no obligations in relation to additional payments. Regular contributions consist of net periodical costs for the period in which they are due and, thus, are included in the personnel costs.

#### (f.6) Other provisions

A provision is recognized in the balance sheet when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recorded considering the best estimates of the risk specific to the liability.



### (g) Consolidated financial statements

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

		DIRECT AND INDIRECT INTEREST IN TOTAL CAPITAL - %		
		HEAD OFFICE (COUNTRY)	2008	2007
<b>Foreign subsidiaries integrated in parent company</b>				
Braskem America Inc. ("Braskem America")		USA	100.00	100.00
Braskem Argentina S.R.L. ("Braskem Argentina")		Argentina	100.00	100.00
Braskem Europe B.V. ("Braskem Europa")		Holland	100.00	100.00
Braskem Finance Limited ("Braskem Finance")	(i)	Cayman Islands	100.00	
Braskem Incorporated ("Braskem Inc")		Cayman Islands	100.00	100.00
Braskem Petroquímica S.A. ("IPQ Argentina")	(ii)	Argentina	100.00	
Braskem Petroquímica Chile Limitada ("Braskem Chile")	(ii)	Chile	100.00	
IPQ Petroquímica Chile Limitada ("IPQ Chile")	(ii)	Chile	100.00	
Natal Trading	(ii)	British Virgin Islands	100.00	
Copesul International Trading INC. ("CITI")	(ii)	British Virgin Islands	100.00	
<b>Local subsidiaries</b>				
Braskem Distribuidora Ltda. and subsidiaries		Brazil	100.00	100.00
Braskem Participações S.A. ("Braskem Participações")		Brazil	100.00	100.00
Companhia Alagoas Industrial - CINAL ("CINAL")		Brazil	100.00	100.00
Copesul and subsidiaries	(iii)	Brazil		62.70
Grust Holdings S.A. ("Grust")	(iv)	Brazil	100.00	
IQ and its subsidiaries		Brazil	100.00	60.00
ISATEC-Pesquisa, Desenv. e Análises Quím. Ltda. ("ISATEC")	(ii)	Brazil	100.00	
CCI - Comercial Importadora S.A. ("CCI")	(ii)	Brazil	100.00	
Petroquímica Paulínia S.A. ("PPSA")	(v)	Brazil		60.00
Politeno Empreendimentos Ltda. ("Politeno Empreendimentos")		Brazil	100.00	100.00
<b>Jointly-controlled entity</b>				
CETREL S.A. - Empresa de Proteção Ambiental ("CETREL")	(vii)	Brazil	54.24	49.89
<b>Special Purpose Entity ("EPE")</b>				
Sol-Fundo de Aplicação em Cotas de Fundos de Investimento ("FIQ Sol")		Brazil	100.00	100.00
Fundo Parin		Guernsey		100.00

(i) Entity set-up in April 2008.

(ii) Subsidiaries directly controlled by Braskem as from the merger of IPQ and spin-off of IQ (Note 1 (c.12)).

(iii) Entity merged by IPQ in September 2008 (Note 1(c.11)).

(iv) Investment acquired in May 2008 (Note 1(c.7)).

(v) Entity merged by the Company in September 2008. (Note 1 (c.12))

(vi) Investment proportionately consolidated, as per CVM Instruction 247/96.

(vii) Jointly-controlled entity as a result of shareholders' agreement provision.

(viii) Merged funds in compliance with CVM Instruction 408/04.

In the consolidated financial statements, investments among entities and equity in income have been eliminated, as well as the assets and liabilities balances, revenues and expenses and unrealized profits arising from transactions among the merged companies.

Minority equity and in the income of the subsidiaries have been presented separately in the balance sheets and in the results of the consolidated years, respectively.

Goodwill grounded on the appreciation of property, plant and equipment was reclassified to fixed assets specific account that grounded it, in accordance with CVM Instruction 247/96. Negative goodwill is reclassified to the "Other accounts payable" line in non-current liabilities.

To March 31, 2007, Copesul was proportionately consolidated, as provided in CVM Instruction 247/96.

As provided in paragraph one of article 23 of CVM Normative Instruction 247/96 and authorized by Official Letters/CVM/SNC/ 005/2009, the Company has not proportionately consolidated the financial statements of the subsidiaries jointly Companhia de Desenvolvimento Rio Verde - CODEVERDE and RPI. Statements of these subsidiaries do not show any significant changes or lead to distortions in the Company's consolidated financial statements.

The balance sheets and the synthetic statement of income of these subsidiaries, adjusted according to the Company's accounting practices, are presented as follows:

### Balance Sheets

	CODEVERDE (i)		RPI	
	2008	2007	2008	2007
<b>Assets</b>				
Current assets	410	404	42,484	85,289
Noncurrent assets				
Long-term receivables	122	122	134	3,446
Property, plant and equipment, intangible and deferred charges	101,362	46,621	35,267	34,752
<b>Total Assets</b>	<b>101,894</b>	<b>47,147</b>	<b>77,885</b>	<b>123,487</b>

**notes to the financial statements**amounts expressed in thousands of *Reals*, except when indicated**Balance Sheets**

	CODEVERDE (i)		RPI	
	2008	2007	2008	2007
<b>Liabilities and shareholders' equity</b>				
Current liabilities	92	102	94,476	93,229
Noncurrent liabilities	1,700	1,700	35,993	61,507
Shareholders' equity (negative equity)	100,102	45,345	(52,584)	(31,249)
<b>Total liabilities and shareholders' equity</b>	<b>101,894</b>	<b>47,147</b>	<b>77,885</b>	<b>123,487</b>

(i) in pre-operating phase

**Statement of income**

	RPI	
	2008	2007
Sales' net revenues	512,799	620,958
Cost of products sold	(528,212)	(596,153)
<b>Gross profit</b>	<b>(15,413)</b>	<b>24,805</b>
Operating expenses, net	(44,748)	(23,207)
<b>Operational profit before financial results</b>	<b>(60,161)</b>	<b>1,598</b>
Financial result	(2,986)	(5,006)
Other expenses and revenues, net	25,311	426
<b>Loss before taxes</b>	<b>(37,836)</b>	<b>(2,982)</b>
Deferred income and social contribution taxes, net		1,848
<b>Loss for the year</b>	<b>(37,836)</b>	<b>(1,134)</b>

The balance sheets and the statement of income of the jointly-controlled entities and of the EPEs, adjusted to the Company's accounting practices, may be summarized as follows:

**A) JOINTLY-CONTROLLED ENTITY**

	CETREL(i)	
	2008	2007
<b>Assets</b>		
Current assets	61,875	31,830
Noncurrent assets	30,586	11,928
Property, plant and equipment, intangible and deferred charges	179,162	178,979
<b>Total assets</b>	<b>271,623</b>	<b>222,737</b>
<b>Liabilities and shareholders' equity</b>		
Current liabilities	27,448	24,207
Noncurrent liabilities	29,383	25,618
Shareholders' equity	214,792	172,912
<b>Total liabilities and shareholders' equity</b>	<b>271,623</b>	<b>222,737</b>
<b>Statement of income</b>		
Sales' net revenues	98,793	106,218
Cost of products sold and services rendered	(63,653)	(70,383)
<b>Gross profit</b>	<b>35,140</b>	<b>35,835</b>
Operating expenses, net	(15,026)	(16,497)
Other expenses and revenues, net	(1,282)	(1,863)
Earnings before income and social contribution taxes	18,832	17,475
Current and deferred income and social contribution taxes	14,699	(4,723)
<b>Net profit for the year</b>	<b>33,531</b>	<b>12,752</b>

(i) Balance sheet and Statement of income with elimination of revaluation reserve.



## B) SPECIFIC PURPOSE ENTITIES

	FUNDO PARIN (i)		FIQ SOL
	2007	2008	2007
<b>Assets</b>	<b>458,368</b>	<b>1,714,355</b>	<b>258,768</b>
Liabilities			
Shareholders' equity	458,368	1,714,355	258,768
<b>Total liabilities and shareholders' equity</b>	<b>458,368</b>	<b>1,714,355</b>	<b>258,768</b>
<b>Net income (loss) for the year</b>	<b>(94,429)</b>	<b>63,064</b>	<b>30,270</b>

(i) Fund liquidated in January 2008.

The reconciliation of the shareholders' equity and the income for the year between the parent company and consolidated is as follows:

	SHAREHOLDERS' EQUITY		NET INCOME (LOSS)	
	2008	2007	2008	2007
<b>Parent Company</b>	<b>3,691,881</b>	<b>5,766,288</b>	<b>(2,506,923)</b>	<b>617,438</b>
Cross holding presented as treasury shares		(13,110)		
Exclusion of effects arising from profit in the subsidiaries' inventories		(4,205)	75	6,789
Exclusion of gain on the sale of investment among related parties	(38,476)	(38,476)		
Exclusion of results of financial transactions among related parties		(10,628)	10,628	2,200
Reversal of amortization of goodwill on sale of investments among related parties	26,452	22,327	4,118	4,121
Exclusion of the gain on assignment of right of use among associated companies (i)		(34,942)		
Exclusion on gain of capital contribution to subsidiary		(8,746)		(8,746)
Others			(5)	
<b>Consolidated</b>	<b>3,679,857</b>	<b>5,678,508</b>	<b>(2,492,107)</b>	<b>621,802</b>

(i) In the merger of Petroquímica Paulínia (Note 1 (c.12)), these gains were eliminated and reduced the amount of the respective item of property, plant and equipment and intangible assets. A contra entry to these adjustments was registered in the "Other revenues and expenses" (Note 26) group.

## 4. Cash and Cash Equivalents

	PARENT COMPANY		CONSOLIDATED	
	2008	2007	2008	2007
<b>Cash and banks</b>	<b>137,758</b>	<b>428,805</b>	<b>145,915</b>	<b>578,820</b>
Financial investments:				
Domestic	1,818,758	259,105	1,836,011	612,897
Abroad	631,657	513,634	629,674	698,434
	<b>2,588,173</b>	<b>1,201,544</b>	<b>2,611,600</b>	<b>1,890,151</b>

The domestic financial investments in Brazil are mainly represented by quotas in Braskem exclusive funds (FIQ Sol) which, in turn, hold quotas in local investment funds, such as fixed-income, multimarket, credit rights funds, as well as other fixed-income instruments and time deposits. The financial investments abroad mainly consist of *sovereign fixed income instruments* or instruments issued by first-tier financial institutions with high marketability. The financial investments have been classified as maintained for negotiation and are measured at fair value by the income.

Such resources are allocated so as to: (i) seek return that is compatible with the maximum volatility determined by the risks and investments policy; (ii) seek a high pulverization of the consolidated portfolio; (iii) avoid credit risk arising from the concentration in a few securities; and (iv) follow-up the market's interest rate variation, either in Brazil or abroad.

**notes to the financial statements**amounts expressed in thousands of *Reals*, except when indicated

## 5. Marketable Securities

	PARENT COMPANY		CONSOLIDATED	
	2008	2007	2008	2007
<b>Current Assets</b>				
Public securities issued abroad	331,452		331,452	
Investment Fund		45,387		248,699
Others	5,563		5,563	
<b>Total</b>	<b>337,015</b>	<b>45,387</b>	<b>337,015</b>	<b>248,699</b>
<b>Long-term receivables</b>				
Investment Fund	9,717		11,550	118,141
Others				1,648
	<b>9,717</b>		<b>11,550</b>	<b>119,789</b>
<b>Total</b>	<b>346,732</b>	<b>45,387</b>	<b>348,565</b>	<b>368,488</b>

Public securities issued abroad are represented by American treasuries bonds and were classified by the Company as “available for sale”. The part corresponding to the variation of the fair value was recorded in the “Adjustments of equity valuation” account in the shareholders’ equity, in the amount of R\$ 7,998 (Note 21(g)), net from taxes.

On December 31, 2007, the investment funds included investment fund where Braskem is the exclusive quotaholder of the investment fund stated as “Parent Company”. The portfolio comprises time deposits at Banco Credit Suisse First Boston Bank (“CSFB”). In February 2008, the deposits certificates were redeemed by the Company.

## 6. Accounts receivable from clients

	PARENT COMPANY		CONSOLIDATED	
	2008	2007	2008	2007
<b>Trade accounts receivable</b>				
Domestic market sales	1,444,547	1,240,381	1,484,491	1,697,187
Foreign market sales	895,328	366,454	897,250	725,233
Discounted trade bills	(551,266)	(197,753)	(551,266)	(311,844)
Advances on bills of exchange delivered	(587,705)	(188,358)	(588,418)	(385,155)
Allowance for doubtful accounts	(198,978)	(160,223)	(198,741)	(186,518)
	<b>1,001,926</b>	<b>1,060,501</b>	<b>1,043,316</b>	<b>1,538,903</b>
Noncurrent assets	(46,666)	(41,464)	(47,129)	(41,927)
<b>Current assets</b>	<b>955,260</b>	<b>1,019,037</b>	<b>996,187</b>	<b>1,496,976</b>

The Company adopts an additional policy for realizing domestic trade accounts, by selling its receivables to investment funds with credit rights.

The Company carried out a trade bill discount transaction with a financial institution, undertaking to reimburse it in the event of default of the customers.

A change of allowance for doubtful accounts is demonstrated below:

	PARENT COMPANY		CONSOLIDATED	
	2008	2007	2008	2007
<b>At beginning of the year</b>	<b>160,223</b>	<b>103,474</b>	<b>186,518</b>	<b>153,350</b>
Exchange variation	501			45,246
Additions classified as selling expenses	23,048	28,383	20,600	44,113
Addition through merger of subsidiaries	23,542	54,741		
Recovery of provisioned credits	(8,336)	(26,375)	(8,377)	(31,255)
Write-off of uncollectible bills				(24,936)
<b>At the end of the year</b>	<b>198,978</b>	<b>160,223</b>	<b>198,741</b>	<b>186,518</b>



## 7. Inventories

	PARENT COMPANY		CONSOLIDATED	
	2008	2007	2008	2007
Finished goods and work in process	1,562,984	903,870	1,655,201	1,152,137
Raw materials, production inputs and packaging	631,101	317,687	631,111	651,373
Maintenance materials (i)	370,971	272,413	374,437	382,385
Advances to suppliers	167,891	52,614	167,891	53,239
Imports in progress and others	131,270	19,166	140,093	47,928
<b>Total</b>	<b>2,864,217</b>	<b>1,565,750</b>	<b>2,968,733</b>	<b>2,287,062</b>
Noncurrent assets (i)	(20,637)	(22,790)	(20,637)	(22,790)
<b>Current assets</b>	<b>2,843,580</b>	<b>1,542,960</b>	<b>2,948,096</b>	<b>2,264,272</b>

(i) Based on the consumption history, part of the inventories of maintenance materials was classified in the long-term receivables.

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

## notes to the financial statements

amounts expressed in thousands of *Reais*, except when indicated

## 8. Related parties

The concept of “related parties” has established by CPC 05 where related parties mean the party that is related with the entity: (a) directly or indirectly by means of one or more intermediaries, when the party: (i) controls, is controlled by, or is under the common control of the entity (which includes parent companies or subsidiaries); (ii) is interested in the entity that guarantee it significant influence in the entity; or (iii) has joint control over the entity; (b) that is associated with the company; (c) that is a joint venture in which the entity is an investor; (d) that is a member of the key-personnel of the management of the entity or of its parent company; (e) that is a close member of the family or of any person referred to in letters (a) or (d); (f) that is a subsidiary, jointly-controlled entity or significantly influenced by, or in which any person referred to in letters (d) or (e) has, directly or indirectly, the significant voting power in this entity; or (g) with a post-job benefit plan for the benefit of employees of the entity, or of any entity that is a party related to this Company.

The Company considered as “Management’s key-personnel”, the members of its executive committee, composed of the chief executive officer and the executive vice president and the members of the board of directors. Furthermore, the Company has not carried out any transactions with the controlling shareholder, except payment of dividends.

The transactions and balances between the parties are demonstrated as follows:

### a. Parent Company

	CURRENT ASSETS		NONCURRENT ASSETS		CURRENT LIABILITIES		EQUITY BALANCES	
	CASH AND CASH EQUIVALENTS/CLIENTS		CREDITS WITH RELATED PARTIES (4)		SUPPLIERS		SUPPLIERS	NONCURRENT LIABILITIES DEBTS WITH RELATED PARTIES (5)
<b>Foreign subsidiaries (i)</b>								
Braskem Argentina					13 (vi)			
Braskem Inc.					23,249 (vi)			
CITI					1,169,500 (vi)			89,585
Lantana			67					
Natal Trading			7,037					
			<b>7,104</b>		<b>1,192,762</b>			<b>89,585</b>
<b>Local subsidiaries</b>								
Braskem Distribuidora	1,615 (iii)		5,609					105,970
Braskem Participações								555
CCI								110
CINAL					50 (vi)			376
Politeno Empreendimentos								16,774
IQ	44,480 (iii)		33,212		4 (vi)			8,974
Isatec			1,150					
<b>Jointly-controlled entity</b>								
CETREL	56 (iii)		135		505 (vi)			
<b>Associated company</b>								
Borealis	187 (iii)							
<b>Related parties</b>								
CNO	8,655 (iii)				866 (vi)			
Petrobras	28,444 (iii)		45,818		238,783 (vi)		15,890	
Petrobras International Finance Company (PIFCo)					738,033 (vii)			
Refinaria Alberto Pasqualini - REFAP S.A.	10,424 (iii)				53,530 (vi)			
Others					4,497 (vi)		1,030	
<b>EPE</b>								
FIQ Sol (v)	1,714,355 (ii)							
	<b>1,808,216</b>		<b>85,924</b>		<b>1,036,268</b>		<b>16,920</b>	<b>132,759</b>
<b>Total</b>	<b>1,808,216</b>		<b>93,028</b>		<b>2,229,030</b>		<b>16,920</b>	<b>222,344</b>
<b>Allocation CPC 02 (x)</b>			<b>(7,104)</b>		<b>(1,192,762)</b>			<b>(89,585)</b>
<b>On December 31, 2008</b>	<b>1,808,216</b>		<b>85,924</b>		<b>1,036,268</b>		<b>16,920</b>	<b>132,759</b>
<b>On December 31, 2007</b>	<b>454,153</b>		<b>895,017 (v)</b>		<b>621,765</b>		<b>553,576 (viii)</b>	<b>95,827</b>

(i) Parent companies integrated to Individual financial statements of Braskem (Note 2)

(ii) Cash and cash equivalents

(iii) Clients

(iv) In “Credits with Related parties”, on December 31, 2008: IQ - R\$33,212, related to the current account balance remunerated at 100% of CDI; and Petrobras - R\$45,818, related to loan balance with remuneration of 100% of CDI.

(v) Includes Braskem Inc. pre-payment of R\$830,461

(vi) Suppliers

(vii) Financings

(viii) Financing balance with PIFCo

(ix) Debt with related parties: CITI - R\$ 89,585, related to pre-payment that will be performed with exports up to 2010; Politeno Empreendimentos - R\$ 16,774, related to current account balance remunerated at 100% of CDI; Braskem Distribuidora - R\$ 105,970, related to balance of loan agreement with foreign subsidiary, remunerated at 100% of CDI.

(x) As a result of the adoption of CPC 02, balances of assets and liabilities of the foreign investees are presented in the parent company and, therefore, were eliminated for purposes of presentation of this note (Note 3.2(b));

(xi) Remaining balance not consolidated.

## a. Parent Company (continuation)

	SALES OF PRODUCTS	PURCHASES OF RAW-MATERIALS, SERVICES AND UTILITIES	FINANCIAL INCOMES (i)	FINANCIAL EXPENSES	TRANSACTIONS PRODUCTION COSTS /GENERAL MAN- AGEMENT EXPENSES
<b>Foreign subsidiaries</b>					
Braskem America	52,101		8,055	233	
Braskem Argentina	7,234		364		
Braskem Europa	77,728		9,614	108	
Braskem Finance				402,779	
Braskem Inc.	84,792	50,069	431,573	9,213	
Braskem Chile	8,965		387		
CITI	260,054	1,119,897	19,279	159,182	
IPQ Chile	7,938		3,599		
Natal Trading			1,623		
	<b>498,812</b>	<b>1,169,966</b>	<b>472,871</b>	<b>573,138</b>	
<b>Local subsidiaries</b>					
Braskem Distribuidora	95,472		390	27,345	
Braskem Participações				143	
CCI				5	
CINAL	1,063	10,938	152	18	
Copesul		2,104,177	254,017	17,718	
IPQ	19,827	3,142	8,879	3,990	
IQ	68,806	505	9,948	1,458	
Lantana			19	28,912	
PPSA	21,391	820	2,792		
Politeno Empreendimentos				1,862	
	<b>206,559</b>	<b>2,119,582</b>	<b>276,197</b>	<b>81,451</b>	
<b>Jointly-controlled entities</b>					
CETREL	732	22,951			
RPI		6,730			
<b>Associated company</b>					
Borealis	157,164			11	
<b>Post-job benefit plans</b>					
CopesulPrev					1,818
Fundação Francisco Martins Bastos (FFMB)					1,870
Odeprev - Odebrecht Previdência					9,751
Petros					6,229
<b>Related companies</b>					
CNO		205,225			
Petrobras	492,480	5,971,625	3,597	49,168	
Refinaria Alberto Pasqualini - REFAP S.A.	12,559	377,678			
	<b>662,935</b>	<b>6,584,209</b>	<b>3,597</b>	<b>49,179</b>	<b>19,668</b>
<b>Total</b>	<b>1,368,306</b>	<b>9,873,757</b>	<b>752,665</b>	<b>703,768</b>	<b>19,668</b>
<b>Allocation CPC 02 (ii)</b>	<b>(498,812)</b>	<b>(1,169,966)</b>	<b>(472,871)</b>	<b>(573,138)</b>	
<b>On December 31, 2008</b>	<b>869,494</b>	<b>8,703,791</b>	<b>279,794</b>	<b>130,630</b>	<b>19,668</b>
<b>On December 31, 2007</b>	<b>1,277,259</b>	<b>7,133,824</b>	<b>(11,982)</b>	<b>89,018</b>	<b>14,578</b>

(i) It includes the exchange variation effect on trade accounts receivable.

(ii) As a result of the adoption of CPC 02, balances of assets and liabilities of the foreign investees are presented in the parent company and, therefore, were eliminated for purposes of presentation of this note (Note 3.2(b)).

## Management's key-personnel

TRANSACTIONS IN THE STATEMENT OF INCOME FOR THE YEAR REMUNERATION	ON DECEMBER 31, 2008		ON DECEMBER 31, 2007	
	PARENT COMPANY	CONSOLIDATED	PARENT COMPANY	CONSOLIDATED
Short-term benefits to employees and managers	46,780	47,069	43,638	45,461
Post-job benefit	262	294	383	407
Other long-term benefits	3,646	3,646	2,233	2,233
Employment contract termination benefits	295	295	377	377
<b>Total</b>	<b>50,983</b>	<b>51,304</b>	<b>46,631</b>	<b>48,478</b>
Long-term incentives				
Investment units	722	722	57	57
<b>Total</b>	<b>722</b>	<b>722</b>	<b>57</b>	<b>57</b>
<b>BALANCES</b>				
	ON DECEMBER 31, 2008		ON DECEMBER 31, 2007	
	PARENT COMPANY	CONSOLIDATED	PARENT COMPANY	CONSOLIDATED
Long-term incentives	10,453	10,453	4,879	4,879
<b>Total</b>	<b>10,453</b>	<b>10,453</b>	<b>4,879</b>	<b>4,879</b>



## notes to the financial statements

amounts expressed in thousands of Reais, except when indicated

### Relationship with related parties

Subsidiaries	Main activity and relationship with Company
Braskem America	Resale of thermoplastic resins acquired from Company.
Braskem Argentina	Resale of thermoplastic resins acquired from Company.
Braskem Distribuidora	Distribution Center.
Braskem Europa	Resale of thermoplastic resins acquired from Company.
Braskem Inc.	Resale of thermoplastic resins and basic petrochemicals acquired from Company and sale of production inputs to the Company acquired abroad.
Braskem Pet Chile	Resale of thermoplastic resins acquired from Company.
CCI	Import and export.
CINAL	Utilities, treatment and incineration of waste for the Company and other companies of the Chemical Complex of Alagoas
CITI	Resale of thermoplastic resins and basic petrochemicals acquired from Company and sale of production inputs to the Company acquired abroad.
IQ	Resale thermoplastic resins acquired from Company and of other chemical products.
IPQ Argentina	Resale of thermoplastic resins acquired from Company.
IPQ Chile	Resale of thermoplastic resins acquired from Company.
IQAG	Storage services for third parties
ISATEC	Research, development and chemical analyzes for RPI.
Lantana	Company in extinguishment process.
Natal Trading	Company in extinguishment process.
Politeno Empreendimentos	Projects and industrial developments, trade of petrochemical products for third parties.
Jointly-controlled entities	
CETREL	Services of treatment of residual waters and organic waste for the Company and other companies of the Petrochemical Complex of Camaçari.
RPI	Naphtha supply to the Company.
Associated company	
Borealis	Sale of plastic raw-material to the advanced packaging market, infrastructure and automotive and production of agricultural fertilizers, melamine, phenol, acetone and olefins. It acquires from the Company its main raw-material.
Post-job benefit plans	
CopesulPrev	Closed defined contribution plan for the employees of merged Copesul not included in the Petros plan.
Fundação Francisco Martins Bastos (FFMB)	Closed supplementary pension entity with defined benefits, with the purpose of managing and executing pension benefit plans for the employees of the Ipiranga group employees.
Odeprev - Odebrecht Previdência	Pension plan defined contribution.
Petros	Benefit plan defined for part of the employees of merged Copesul.
Related companies	
CNO	Provides services of maintenance and projects to improve plants' efficiency.
Petrobras	Naphtha supply.
REFAP S.A.	Naphtha and propene supply.

Transactions between the Company and its related companies are carried out in price and term conditions equivalent to the averages practiced with third parties, considering; (i) for purchase of propene, the price practiced in the international market; (ii) for purchase of naphtha from Petrobras and REFAP, the price practiced in the European market; and (iii) for sales to foreign subsidiaries, above a 180 day term, longer than terms offered to other customers.

## 9. Recoverable taxes

	PARENT COMPANY		CONSOLIDATED	
	2008	2007	2008	2007
Excise tax (IPI) (regular transactions)	26,871	16,809	28,331	23,665
Value-added Tax on Sales and Services (ICMS) (a)	1,187,751	897,375	1,201,035	1,106,541
Employees' profit participation program (PIS) and Social contribution on billings (Cofins)	177,566	44,773	164,205	93,497
PIS - Decrees-law 2445 and 2449/88	42,077	55,194	55,194	55,194
Income and social contribution taxes	207,501	24,407	217,555	66,721
Tax on net income ILL (b)	57,299		57,299	55,834
Others	86,249	65,507	88,909	83,867
<b>Total</b>	<b>1,785,314</b>	<b>1,104,065</b>	<b>1,812,528</b>	<b>1,485,319</b>
Current assets	(585,392)	(171,413)	(610,712)	(310,311)
<b>Noncurrent assets</b>	<b>1,199,922</b>	<b>932,652</b>	<b>1,201,816</b>	<b>1,175,008</b>

### (a) ICMS

The Company has accrued ICMS tax credits during the latest fiscal years on account of taxation rate differences between incoming and outgoing inputs and products; domestic outgoing products under incentive (subject to deferred taxation); and export sales.

The Management of the Company has given priority to a number of actions aimed at optimal use of such credits and, currently, no losses are expected from realization of those credits. These actions taken by the Management comprise, among others:

- Executing a settlement agreement with the Rio Grande do Sul state authorities, capping the use of ICMS tax credits at R\$ 8,250 monthly to offset with monthly ICMS tax debts owed by units located in said state, and upholding full deferral of ICMS tax on naphtha imports. Additional negotiations with the Rio Grande do Sul state are underway for further use of ICMS tax credits at circa R\$ 40,000 in future investments.
- Obtaining from the Bahia state authorities a greater reduction (from 40% to 65.88%) in the tax base of ICMS levied on imported petrochemical naphtha, as per article 347, paragraphs 9 and 10 of the Bahia State ICMS Regulations (Decree 11059 of May 19, 2008), and a reduction in the rate of ICMS tax on domestic naphtha (from 17% to 11.75%).
- Starting feedstock imports under specific customs prerogatives, thus ensuring a lower generation of ICMS credits.
- Expanding the ICMS tax base on fuel sales to industrial refiner (from 40% to 100%), as provided for in article 347 of the Bahia State ICMS Regulations.
- Replacing co-product exports with domestic transactions.
- Using the privileges set out in customs laws when importing feedstock, thus generating less ICMS tax credits.

The Company's ICMS credit balance as of December 31, 2008 comprises R\$ 135,077, originating from merged company Ipiranga Petroquímica.

Considering the Company's Management projections over the term for realization of those credits, at December 31, 2008, the amount of R\$ 904,302, for parent and consolidated, was recorded as noncurrent assets (2007 – parent – R\$ 765,454 / consolidated R\$ 865,086).

### (b) ILL

Merged company Copesul applied to the Federal Revenue Office for refund of Tax on Net Income (ILL) paid from 1989 through 1991, as this tax was considered unconstitutional under the Federal Senate Resolution 82 of November 22, 1996.

In December 2002, the merged company Copesul recorded such tax credits on its financial statements, as the outside counsel held that likelihood of a favorable outcome is probable, given the existence of the aforesaid Federal Senate Resolution. The Higher Tax Appeals Chamber has already acknowledged Copesul's entitlement to restitution of unduly paid ILL, and such decision is pending publication.

### (c) IPI tax credits

#### Zero rate IPI

On December 19, 2002, the Federal Supreme Court (STF) – based on its full-bench precedents on this matter – entertained an extraordinary appeal lodged by the National Treasury and affirmed the erstwhile decision rendered by the Regional Federal Court (TRF), 4<sup>th</sup> Circuit, thus recognizing entitlement to the IPI tax credits from acquisition of raw materials taxed at a zero rate, when related to transactions involving the establishments of merged company OPP Química S.A. (OPP Química) located in the State of Rio Grande do Sul. This STF determination confirmed such entitlement to IPI credits on said acquisitions, covering the ten-year period prior to the filing date and accruing the SELIC benchmark rate until the date of actual use of such credits. This lawsuit was filed by OPP Química in July 2000 for full adoption of the non-cumulative tax principle to said establishments.

The STF determination was challenged by the National Treasury via special appeal known as agravo regimental. In this special appeal, the National Treasury is no longer challenging the company's entitlement to the IPI tax credit from acquisition of raw materials taxed at a zero rate, but rather alleging some inaccuracies in the court determination as to non-taxed inputs and raw materials, the restatement of tax credits, and the respective calculation rate. According to the opinion of the Company's legal advisors, all these aspects have already been settled in the STF and TRF court decisions favorably to OPP Química, or even in the STF full-bench precedents. For this reason, the special appeal referred to above poses only a remote risk of changes in the OPP Química-friendly decision, although the STF itself has revisited this matter on the merits in a similar lawsuit lodged by another taxpayer.

In light of those aspects referring to the extent of the agravo regimental, OPP Química posted these tax credits at R\$ 1,030,125 in December 2002, which was offset by the Company with IPI itself and other federal tax debts. Such credits were used up in 1Q05.

The tax credits used up by the Company (updated at the SELIC benchmark rate until December 2008) come to R\$ 2,682,176. Out of these credits, the sundry collection proceedings referred to have reached R\$ 2,423,184 to date, plus fines in the overall amount of R\$ 783,442. The Company's outside legal advisors believe that such fines are undue by any means.

In a judgment session held on December 11, 2007, the STF First Panel granted the agravo regimental on the argument that the extraordinary appeal should be entertained by said Panel again, thus voiding the erstwhile STF ruling. Such STF determination, containing the opinions and arguments of STF justices who took part in the judgment, has not been published to date. Braskem is poised to appeal after such publication occurs.

All things considered, and in view of its belief that the new STF determination should be limited to procedural aspects only, Braskem (in reliance on the opinion of its legal advisors) still defends the final and conclusive nature of said decision allowing it to use IPI tax credits deriving from acquisition of raw materials that are either tax-exempt or else taxed at a zero rate. In addition, Braskem believes that the new STF judgment on the extraordinary appeal should focus only on the subject matter of the agravo regimental (which means that the STF should not longer deliberate on entitlement to IPI tax credits themselves, as discussions over such specific matter are precluded in this case).

During 2006 and 2007, the Federal Revenue Office issued several tax notices (autos de infração) against the Company solely to avoid forfeiture of the tax authorities' right to dispute the use of tax credits until ten years before the filing of a lawsuit by the Company, also demanding the tax payments offset by the Company with the tax credits posted as from July 2000. Further, the Federal Revenue Office rejected approximately 200 applications for offsetting of these credits with federal taxes payable by the Company.

In October 2008, the administrative appellate tribunal (Taxpayers Council) rejected the appeals lodged by the Company with regard to some of the aforementioned administrative proceedings. The outcome of such dispute revolving around these credits used up by the Company is essentially conditioned to the STF finding on the court litigation described abroad, and the matter under discussion at administrative level refers to validity of the fines imposed on the Company for having used up IPI credits ascertained after July 2000.

**notes to the financial statements**amounts expressed in thousands of *Reais*, except when indicated

Filing of administrative appeals by the Company is pending publication of the respective decisions rendered by the Taxpayers Council. If the administrative fines are upheld, Braskem will take this issue to court, and the likelihood of a favorable outcome for these disputes over the imposition of fines by the tax authorities is viewed as probable by the Company's outside legal advisors.

Similar lawsuits have also been filed by the Company's branches located in the States of São Paulo, Bahia and Alagoas (Note 18(iii)).

## 10. Prepaid expenses

Prepaid expenses refer to expenditures whose benefits or the provision of services to the Company will take place over subsequent fiscal years. They are represented substantially by insurance agreement (Note 27). They will not be realized in cash, but rather by appropriation to the results.

## 11. Deposits in court and compulsory loan – Noncurrent Assets

	PARENT COMPANY		CONSOLIDATED	
	2008	2007	2008	2007
Deposits in court				
Tax contingencies	61,834	54,862	68,371	63,626
Labor and other claims	28,661	22,589	31,561	23,597
Compulsory loan				
Compulsory loan – Eletrobrás	20,045	18,980	20,211	20,431
	<b>110,540</b>	<b>96,431</b>	<b>120,143</b>	<b>107,654</b>



## 12. Investments

### (a) Information regarding the investments

	SHAREHOLDING IN IN TOTAL SHARE CAPITAL (%)	NET INCOME (LOSS) FOR THE YEAR, ADJUSTED		ADJUSTED SHAREHOLDERS' EQUITY (NEGATIVE EQUITY)	
		2008	2007	2008	2007
<b>Subsidiaries</b>	<b>DECEMBER 31, 2008</b>				
<b>Local</b>					
Braskem Distribuidora	100.00	24,139	(17,741)	113,156	89,017
Braskem Participações	100.00	130	(5,726)	2,461	16,023
CINAL	100.00	3,554	1,146	29,482	25,928
Grust (i)	100.00	102,117			
IPQ (ii)		77,106	267,478		638,564
CCI	100.00	9		111	100
Politeno Empreendimentos	100.00	1,358	1,256	16,798	15,441
IQ	100.00	369,357	149,852	95,724	818,264
ISATEC	100.00	(117)	(178)	1,067	1,184
IQAG	0.12	5	(168)	624	370
Petroquímica Paulínia (ii)		(22,045)			241,823
<b>Abroad (vi)</b>					
Braskem America	100.00	3,152	509	8,070	4,829
Braskem Argentina	98.00	(168)	(1,424)	255	351
Braskem Europa	100.00	(11,823)	16	36,097	9,813
Braskem Finance	100.00	5,773		5,790	
Braskem Inc.	100.00	(52,969)	(9,919)	(120,777)	34,414
Braskem Chile	100.00	(4,163)	1,104	5,315	8,510
CITI	100.00	36,391	2,137	72,577	10,282
IPQ Chile	99.02	(138)	(37)	1,576	1,537
IPQ Argentina	96.74	(280)	913	6,393	5,542
Natal Trading	100.00	(364)	(304)	3,043	2,583
<b>Jointly-controlled entities</b>					
CETREL	54.24	34,819	12,751	197,106	127,702
CODEVERDE	35.65			100,102	45,345
Petroflex (iii)			75,757		375,547
RPI	33.33	(37,836)	(1,134)	(52,584)	(31,249)
<b>Associated companies</b>					
Borealis (iv)	20.00	12,725	11,372	115,218	119,267
Sansuy Indústria de Plástico S.A. (iv)	20.00	(20)	(5,504)	2,026	(30,866)

	SHAREHOLDING IN IN TOTAL SHARE CAPITAL (%)	NET INCOME (LOSS) FOR THE YEAR, ADJUSTED		ADJUSTED SHAREHOLDERS' EQUITY (NEGATIVE EQUITY)	
		2008	2007	2008	2007
<b>Information on investments of subsidiaries</b>					
<b>Braskem Distribuidora</b>					
Braskem Argentina	2.00	(168)	(1,424)	255	351
Braskem Importação	100.00		(466)	60	60
Braskem Cayman Ltd. (v)			(4,589)		
<b>Braskem Inc</b>					
Lantana	100.00	(16,500)	183,704	4,009	15,544
<b>IQ</b>					
Ipiranga Química Armazéns Gerais Ltda.	99.88	5	(168)	624	370
<b>Natal Trading</b>					
IPQ Chile	0.98	(138)	(37)	1,576	1,537
<b>IPQ Chile</b>					
IPQ Argentina	3.26	(280)	913	6,393	5,542

#### NOTES:

(i) Result for the months of April to June of 2008;

(ii) Merged companies in September 2008 (Note 1 (c.12));

(iii) Result recorded up to March 2008;

(iv) Borealis and Sansuy - shareholders' equity and result recorded in December 2008 and November 2008, respectively;

(v) Company extinguished in August 2008;

(vi) Controlled companies whose financial statements have been integrated into the Company's individual financial statements, pursuant to CPC 02.

## notes to the financial statements

amounts expressed in thousands of Reais, except when indicated

### (b) Investment changes in subsidiaries, jointly-controlled entities and associated companies

	BALANCE ON DEC/31/07	MERGER OF SHARES	SPIN-OFF	INVESTMENT ACQUISITION	INCREASE/ (REDUCTION) OF CAPITAL	DIVIDENDS AND EQUITY INTEREST	EQUITY METHOD	ADJUSTMENTS IN EQUITY EVALUATION	WRITE-OFF OF INVESTMENT OTHERS THROUGH MERGER	BALANCE ON DEC/31/08
<b>Subsidiaries and jointly-controlled entities</b>										
<b>Local subsidiaries</b>										
Braskem Distribuidora	89,017						24,139			113,156
Braskem Participações	16,023				(13,110)		(452)			2,461
Cetrel	74,373				7,688	(888)	17,986		5,130	104,289
CINAL	17,197						3,554			20,751
Copesul	481,092						91,972		(573,064)	
IQ Soluções e Química			(1,076,305)	905,497			266,532			95,724
IPQ			1,074,922	302,630	573,064		(262,402)		(33,732)	(1,654,482)
Petroquímica Paulínia	145,094			96,729	38,177		(22,045)			(257,955)
Politéno Empreendimentos	15,441						1,358			16,799
Grust		720,709			(797,815)		77,106			
Isatec				1,383			(316)			1,067
CCI Comercial e Importadora				100			11			111
Others	6,894				739				(7,634)	(1)
<b>Investments in local subsidiaries</b>	<b>845,131</b>	<b>720,709</b>	<b>(1,383)</b>	<b>1,306,339</b>	<b>(191,257)</b>	<b>(888)</b>	<b>197,443</b>		<b>(36,236)</b>	<b>354,357</b>
<b>Associated companies</b>										
Borealis	23,853					(3,000)	2,191			23,044
<b>Investments in associated companies</b>	<b>23,853</b>					<b>(3,000)</b>	<b>2,191</b>			<b>23,044</b>
<b>Total investments in Brazil</b>	<b>868,984</b>	<b>720,709</b>	<b>(1,383)</b>	<b>1,306,339</b>	<b>(191,257)</b>	<b>(3,888)</b>	<b>199,634</b>		<b>(36,236)</b>	<b>377,401</b>
<b>Investments integrated into the parent company pursuant to CPC 02</b>										
<b>Foreign subsidiaries (Note 3.2 (b))</b>										
Braskem America	4,829						3,241			8,070
Braskem Argentina	344						(94)			250
Braskem Europa	9,813				29,768		(3,483)			36,098
Braskem Inc	34,414				7,860		(52,952)	(110,098)		(120,776)
Braskem Finance					16		5,773			5,789
Braskem Petroquímica Chile				8,415			(3,101)			5,314
Ipiranga Argentina				7,199			(806)			6,393
IPQ Chile				1,481			94			1,575
CITI Copesul International Trading				140,469			36,391			176,860
Natal Trading				2,578			465			3,043
<b>Total investments abroad</b>	<b>49,400</b>			<b>160,142</b>	<b>37,644</b>		<b>(14,472)</b>	<b>(110,098)</b>		<b>122,616</b>

### (c) Advance for acquisition of investments

In 2007 and 2008, this item registered expenditures with the acquisition of petrochemical assets from the Ipiranga Group (Notes 1(c.2) and 1(c.4)). In addition to the amounts intended for purchasing shares of IQ, in the amount of R\$ 1,489,129, the Company considered as part of the investment cost the expenditures directly related to the acquisition process, which totaled R\$ 41,539 (2007 - R\$ 22,002). Bearing in mind all disbursements made, the Company realized goodwill based on the future profitability of IQ, totaling R\$ 73,597, and appreciation of the fixed assets of Copesul, totaling R\$ 996,844.

After receiving the shares, which took place in February of 2008, the amounts disbursed for the transaction, plus the results of the equity method and amortization of the estimated goodwill, were allocated to their definitive accounts as shown below:

	PARENT COMPANY	
	2008	2007
Funds intended for the acquisition of investments:		
Book value of investments acquired	460,227	460,227
Estimated goodwill on dates of the advances	1,070,441	1,050,904
	<b>1,530,668</b>	<b>1,511,131</b>
Equity in income of subsidiaries and associated companies	74,730	30,732
Amortization of goodwill	(66,579)	(22,919)
Updated purchase amount	1,538,819	1,518,944
Transfers:		
Investments	(534,957)	
Property, plant and equipment	(937,696)	
Intangible assets	(66,166)	
		<b>1,518,944</b>

### (d) Petroquímica Paulínia

On April 25, 2008, the industrial plant of Petroquímica Paulínia was inaugurated. The unit has a production capacity of 350,000 tons a year of polypropylene, and is located in the municipality of Paulínia, in the State of São Paulo.

Until March of 2008, this company was jointly controlled with Petroquisa. With the merger of the shares issued by Grust in July of 2008 (Note 1(c7)), Braskem became holder of 100% of the voting capital of that subsidiary. On September 30, 2008, Petroquímica Paulínia was taken over by Braskem (Note 1(c12)).

## 13. Property, plant and equipment

	PARENT COMPANY				CONSOLIDATED			ANNUAL AVG. RATES OF DEPRECIATION /DEPLETION (%)
	2008		2007		2008		2007	
	COST	ACCUMULATED DEPRECIATION /DEPLETION	NET	NET	COST	ACCUMULATED DEPRECIATION /DEPLETION	NET	
Land	74,772		74,772	26,221	83,126		83,126	74,977
Buildings and improvements	1,329,268	(494,573)	834,695	543,635	1,415,759	(520,467)	895,292	730,671
Machinery, equipment and facilities	11,471,885	(4,333,155)	7,138,730	4,567,092	11,551,622	(4,405,526)	7,146,096	5,614,187
Mines and wells	22,180	(5,907)	16,273	3,912	23,290	(6,769)	16,521	4,220
Furniture and fixtures	81,388	(44,300)	37,088	24,430	90,530	(48,929)	41,601	29,000
IT equipment	98,360	(71,837)	26,523	21,516	108,796	(79,036)	29,760	39,366
Maintenance stoppages in progress	239,548		239,548	75,566	239,548		239,548	95,502
Projects in progress	1,223,841		1,223,841	971,996	1,274,656		1,274,656	1,599,305
Capitalized interest	334,035		334,035	47,231	334,035		334,035	57,952
Others	299,782	(101,569)	198,213	110,220	316,500	(98,734)	217,766	158,899
	<b>15,175,059</b>	<b>(5,051,341)</b>	<b>10,123,718</b>	<b>6,391,819</b>	<b>15,437,862</b>	<b>(5,159,461)</b>	<b>10,278,401</b>	<b>8,404,079</b>

On-going projects mainly represent projects for expanding the capacity of the industrial units, operational improvements to increase the working life of machines and equipment, excellence projects in the maintenance and production areas, in addition to programs in the areas of health and technology.

On December 31, 2008, the balance of the Company's property, plant and equipment includes appreciation in the form of goodwill arising from the takeover of subsidiaries, in the net amount of R\$ 1,626,484 (2007 - R\$ 765,747), pursuant to CVM Instruction 319/99.

In the Braskem structure, the activities involving the production and sales of PET and Caprolactam comprise a Business Unit. In December 2008, Braskem advised the market about the definitive stoppage of the PET production unit. Also in December, equipment was identified that could be put to use by other business units of the Company. The remaining machines, equipment and installations are likely to be disassembled and sold as scrap. Given the immaterial



## notes to the financial statements

amounts expressed in thousands of Reais, except when indicated

value of the amount to be obtained from selling this material, the Company considered as an expenses in the period the residual book value of the respective assets, amounting to R\$ 102,824. Furthermore, in compliance with the provisions of CPCs 1 and 13, the Company evaluated the recoverable value of the Caprolactam plant. This evaluation led to the recognition of an expense in the amount of R\$ 29,641, representing the difference between the current value of the cash flow obtained from producing and selling that product and the residual book value of the respective industrial unit. In order to prepare this cash flow, the following were taken into account: (i) the discount rate of 11.14% p.a.; (ii) cash flow in perpetuity, bearing in mind that Caprolactam, like all other chemical and petrochemical products, shows constant and well-defined cycles of high and low selling prices and of the main inputs." Still in 2008, the Company added R\$ 13,807 to the provision for loss in the disposal of goods of the DMT plant, the stoppage of which occurred in 2007.

## Changes to property, plant and equipment

	PARENT COMPANY		CONSOLIDATED	
	2008	2007	2008	2007
Balance at beginning of the year	6,391,819	5,994,130	8,404,079	6,689,024
(+) Acquisitions	1,273,084	812,392	1,712,189	1,396,044
(-) Write-offs	(28,311)	(2,650)	(21,977)	(2,650)
(-) Transfers	(60,303)	(75,913)	(163,742)	(87,746)
(+) Corporate activities (i)	3,237,842	175,778	1,228,073	1,171,754
(-) Depreciation / amortization	(546,341)	(498,111)	(736,149)	(748,540)
(-) Reduction to the recoverable amount	(144,072)	(13,807)	(144,072)	(13,807)
Balance at the end of the year	10,123,718	6,391,819	10,278,401	8,404,079

(i) Includes mergers of companies, opening balances of consolidated companies beginning from the acquisition and write-off from deconsolidation of companies in the process of disposal (Note 1 (c)).

The corporate changes shown in the box above that occurred during the 2008 financial year are shown as follows:

	2008	
	PARENT COMPANY	CONSOLIDATED
Addition of property, plant and equipment by merger of IPQ and Copesul	2,300,146	
Goodwill based on the appreciation of property, plant and equipment for Copesul	937,696	937,696
Addition through merger of Petroquímica Paulínia		290,377
Total corporate changes	3,237,842	1,228,073

## 14. Intangible Assets

	PARENT COMPANY							CONSOLIDATED	ANNUAL AVG. RATES OF DEPRECIATION/ AMORTIZATION (%) (i)
	2008		2007		2008		2007		
	COST	ACCUMULATED DEPRECIATION/ AMORTIZATION	NET	NET	COST	ACCUMULATED DEPRECIATION/ AMORTIZATION	NET		
Goodwill grounded on future profitability	3,183,271	(1,173,540)	2,009,731	1,318,199	3,188,849	(1,175,530)	2,013,319	2,442,163	
Trademarks and patents	185,540	(51,549)	133,991	36,869	199,846	(50,307)	149,539	36,896	10.0
Software and rights of use	318,437	(89,217)	229,220	130,722	309,270	(93,421)	215,849	135,522	13.7
	3,687,248	(1,314,306)	2,372,942	1,485,790	3,697,965	(1,319,258)	2,378,707	2,614,581	

(i) The goodwill founded on future profitability was amortized up to December 31, 2008, taking into account the maximum period of 10 years. As from 2009, this type of goodwill will no longer be systematically amortized, being subject to the annual impairment test, pursuant to the provisions of CPC 13.

## Changes in intangible assets

	PARENT COMPANY		CONSOLIDATED	
	2008	2007	2008	2007
Balance at beginning of the year	1,485,790	129,125	2,614,581	129,125
Reclassification to comply with Law 11638/07 and MP 449/08 (i)		1,201,037		1,588,487
(-) Write-offs	(1,375)	(4,328)	(35,739)	(4,328)
(+) Transfers	37,334	62,709	207,009	58,991
(+) Acquisitions/merger (ii)	1,202,183	444,827	30,982	1,373,601
(-) Amortization	(350,990)	(347,580)	(438,126)	(531,295)
Balance at the end of the year	2,372,942	1,485,790	2,378,707	2,614,581

(i) Basically represents the goodwill from the expectation of future profitability transferred from deferred assets (R\$ 1,017,073 - parent company and R\$ 1,531,019 - consolidated) and from the investment in subsidiaries (R\$ 126,500 - parent company).

(ii) Comprises goodwill merged from Copesul and IPQ amounting R\$ 1,060,145.

## 15. Deferred Charges

		PARENT COMPANY				CONSOLIDATED		ANNUAL AVG. RATES OF DEPRECIATION /DEPLETION (%)		
		2008		2007		2008			2007	
	COST	ACCUMULATED AMORTIZATION	NET	NET	COST	ACCUMULATED AMORTIZATION	NET	NET		
Pre-operating expenses	337,800	(230,353)	107,447	61,645	337,184	(228,936)	108,248	110,607	10	
	337,800	(230,353)	107,447	61,645	337,184	(228,936)	108,248	110,607	10	

### Changes in deferred charges

	PARENT COMPANY		CONSOLIDATED	
	2008	2007	2008	2007
Balance at beginning of the year	61,645	1,325,286	110,607	1,891,245
(-) Reclassification to comply with Law 11638/07 and MP 449/08		(1,074,541)		(1,588,487)
(-) Write-off of opening balance Law 11638/07 and MP 449/08		(158,880)		(158,880)
(+) Reversal of annual amortization of written-off deferred		59,537		59,537
(-) Write-off of expenditures recorded during the year		(34,816)		(34,816)
(+) Acquisitions	19,138	37,530	68,547	37,530
(-) Write-offs	(736)		(853)	
(-) Transfers	(4,422)	(15,467)	(21,640)	(15,467)
(+) Corporate changes	74,530	13,994		60,157
(-) Amortizations	(42,708)	(90,998)	(48,413)	(140,212)
Balance at the end of the year	<b>107,447</b>	<b>61,645</b>	<b>108,248</b>	<b>110,607</b>

## 16. Financings

ANNUAL FINANCIAL CHARGES			CONSOLIDATED	
			2008	2007
<b>Foreign currency</b>				
Eurobonds		Note 16(a)	3,023,099	1,401,196
Advances on exchange contracts	2008	US\$ exchange variation + average interest of 6.61%	149,852	
	2007	US\$ exchange variation + average interest of 5.65%		1,294
Export prepayments		Note 16(b)	4,000,282	276,938
Medium Term Notes	2008	US\$ exchange variation + interest of 11.75%	618,684	
	2007	US\$ exchange variation + average interest of 11.94%		632,567
Raw material financing	2008	US\$ exchange variation + interest of 4.08%	21,532	
	2007	US\$ exchange variation + average interest of 6.76%		18,293
	2007	EUR exchange var. + average interest of 4.68%		1,671
	2007	YEN exchange variation + pre-fixed interest of 6.70%		383
BNDES	2008	Average interest of 7.90% + post-fixed restatement (UMBNDDES) (i)	33,208	
	2008	US\$ exchange variation + average interest of 6.55%	202,590	
	2007	Average interest of 9.97% + post-fixed restatement (UMBNDDES) (i)		30,370
Working capital	2008	US\$ exchange variation + average interest of 7.66%	905,216	
	2007	US\$ exchange variation + average interest of 7.94%		2,058,126
Project financing (NEXI)		YEN exchange variation + interest of 0.95% above TIBOR	195,713	231,190
Financial funding costs			(47,894)	
Amortization of financial funding costs			2,088	
<b>Local currency</b>				
Working capital	2008	Post-fixed restatement (92 to 119.09% of CDI)	363,630	
FINAME	2008	Fixed interest of 4.50% + TJLP	1,645	
BNDES	2008	Average fixed interest of 2.90% + TJLP	1,366,930	
	2007	Average fixed interest of 3.78% + TJLP		301,057
BNB	2008	Fixed interest of 8.50%	248,297	
	2007	Fixed interest of 9.78%		156,351
FINEP		TJLP	57,229	64,301
<b>Total</b>			<b>11,142,101</b>	<b>5,173,737</b>
<b>Current liabilities</b>			<b>(2,114,301)</b>	<b>(425,346)</b>
<b>Noncurrent liabilities</b>			<b>9,027,800</b>	<b>4,748,391</b>

(i) UMBNDES = BNDES monetary unit.

## notes to the financial statements

amounts expressed in thousands of Reais, except when indicated

			CONSOLIDATED	
			2008	2007
<b>ANNUAL FINANCIAL CHARGES</b>				
<b>Foreign currency</b>				
Eurobonds		Note 16(a)	3,023,099	1,401,196
Advances on exchange contracts	2008	US\$ exchange variation + average interest of 6.61%	149,852	
	2007	US\$ exchange variation + average interest of 5.65%		28,251
Export prepayment		Note 16(b)	4,000,282	1,623,294
Medium Term Notes		US\$ exchange variation + interest of 11.75%	618,684	632,567
Raw material financing	2008	US\$ exchange variation + interest of 4.08%	21,532	
	2007/2006	YEN exchange variation + pre-fixed interest of 6.70%		383
	2007	US\$ exchange variation + average interest of 6.76%		18,292
	2007	EUR exchange var. + average interest of 4.68%		1,671
Fixed assets financing	2007	US\$ exchange var. + annual 1.60% annual LIBOR		37,874
	2007	US\$ exchange var. + annual 0.35% 4-month LIBOR		1,701,848
BNDES	2008	Average interest of 7.90% + post-fixed restatement (UMBNDDES) (i)	33,624	
	2007	Average interest of 9.70% + post-fixed restatement (UMBNDDES) (i)		44,831
	2008	US\$ exchange variation + average interest of 6.55%	202,666	
Working capital	2008	US\$ exchange variation + average interest of 7.66%	905,216	
	2007	US\$ exchange variation + average interest of 7.83%		388,197
Project financing (NEXI)		YEN exchange variation + interest of 0.95% above TIBOR	195,713	231,190
Financial funding costs		Note 16(i)	(47,894)	
Amortization of financial funding costs		Note 16(i)	2,088	
<b>Local currency</b>				
Working capital	2008	Post-fixed restatement (92 to 119.09% of CDI)	363,630	
	2007	102 % of CDI		128,852
FINAME	2008	Average interest of 4.57% + TJLP	2,000	
	2007	Average interest of 4.44% + TJLP		7,008
BNDES	2008	Average fixed interest of 2.90% + TJLP	1,376,704	
	2007	Average fixed interest of 3.45% + TJLP		667,465
BNB	2008	Fixed interest of 8.54%	255,391	
	2007	Fixed interest of 9.88%		165,854
FINEP	2008/2007	Post-fixed restatement (TJLP)	57,229	64,301
Vendor	2007	Average interest of 11.55%		327,224
<b>Total</b>			<b>11,159,816</b>	<b>7,470,298</b>
<b>Current liabilities</b>			<b>(2,119,995)</b>	<b>(1,068,351)</b>
<b>Noncurrent liabilities</b>			<b>9,039,821</b>	<b>6,401,947</b>

(i) UMBNDES = BNDES monetary unit.

### (a) Eurobonds

In June 2008, subsidiary Braskem Finance concluded fundraising of US\$ 500 million in Eurobonds, with a 7.25% p.a. coupon, maturing in 2018, priced at 99.127% of face value, with a return to the investor of 7.375% p.a. This amount was used to amortize an installment of the bridge loan taken out for the acquisition of the petrochemical assets of the Ipiranga Group (Note 16(d)).

Composition of transactions:

ISSUE DATE	ISSUE AMOUNT (US\$ THOUSAND)	MATURITY	INTEREST (% A.A.)	PARENT COMPANY		CONSOLIDATED	
				2008	2007	2008	2007
Jul/1997	250,000	Jun/2015	9.38	353,265	267,737	353,265	267,737
Jun/2005	150,000	no maturity date	9.75	351,960	266,764	351,960	266,764
Apr/2006	200,000	no maturity date	9.00	475,680	360,536	475,680	360,536
Sep/2006	275,000	Jan/2017	8.00	667,811	506,159	667,811	506,159
Jun/2008	500,000	Jun/2018	7.25	1,174,383		1,174,383	
				<b>3,023,099</b>	<b>1,401,196</b>	<b>3,023,099</b>	<b>1,401,196</b>

### (b) Export prepayments

On October 9, 2008, subsidiary Braskem Inc. concluded a 5-year export pre-payment transaction, in the amount of US\$ 725 million, with Libor cost + 1.75% p.a., with a 3 year grace period. This transaction was intended for the extension of the bridge-loan taken out for the acquisition of the petrochemical assets of the Ipiranga Group and closing of capital of the merged company, Copesul (Note 16(d)). Subsequently, carried out a swap transaction that locked the Libor quotation for the period of the transaction at 3.85% p.a. Consequently, the export pre-payment transaction will have its Libor cost + 1.75% p.a. altered to 5.6% p.a.



Composition of transactions:

				PARENT COMPANY		CONSOLIDATED	
DATE	INITIAL TRANSACTION AMOUNT (US\$ THOUSAND)	TERM FOR LIQUIDATION	CHARGES (% A,A,)	2008	2007	2008	2007
Jan/2004	6,25	Jun/2008	US\$ exchange variation + interest 4,25				11,161
Jan/2005	45	Jan/2008	US\$ exchange variation + Libor + 1,55		7,326		7,326
Jun/2005	10	May/2008	US\$ exchange variation + interest 1,75				17,815
Jun/2005	10	Jun/2009	US\$ exchange variation + 3-month Libor + 1.88	11,713		11,713	17,786
Jul/2005	10	Jun/2010	US\$ exchange variation + 6-month Libor + 2.05	14,032		14,032	18,364
May/2006	392	Jun/2008	US\$ exchange variation + average interest 5.41				962
May/2006	10	May/2009	US\$ exchange variation + 6-month Libor + 0.70	23,464		23,464	17,848
May/2006	20	Jan/2010	US\$ exchange variation + 12-month Libor + 0.30	48,912		48,912	37,524
Jul/2006	95	Jul/2013	US\$ exchange variation + 6-month Libor + 1.00	114,202		114,202	173,077
Jul/2006	75	Jul/2014	US\$ exchange variation + 6-month Libor + 0.78	178,265		178,265	136,411
Mar/2007	35	Mar/2014	US\$ exchange variation + 6-month Libor + 1.60	82,691		82,691	
Apr/2007	330	Oct/2013	US\$ exchange variation + 6-month Libor + 0.35				
Apr/2007	150	Apr/2014	US\$ exchange variation + 6-month Libor + 0.77	354,588	269,612	354,588	269,612
Oct/2007	315,525	Oct/2009	US\$ exchange variation + 3-month Libor + 0.35	738,033		738,033	562,339
Oct/2007	150	Oct/2014	US\$ exchange variation + 3-month Libor + 1.50				
Nov/2007	150	Nov/2011	US\$ exchange variation + 6-month Libor + 1.40	351,817		351,817	353,069
Feb/2008	150	Feb/2009	US\$ exchange variation + average interest 3.94	362,445		362,445	
Oct/2008	725	Oct/2013	US\$ exchange variation + 6-month Libor + 1.75	1,720,120		1,720,120	
<b>Total</b>				<b>4,000,282</b>	<b>276,938</b>	<b>4,000,282</b>	<b>1,623,294</b>

(c) Project financing

In March and September 2005, the Company obtained loans in Japanese currency from Nippon Export and Investment Insurance ("NEXI"), in the amount of YEN 5,256,500 thousand - R\$ 136,496, and YEN 6,628,200 thousand - R\$ 141,529, respectively. The principal has being paid in 11 installments as from March 2007, with final maturity in June 2012.

As described in (Note 23(f.3)), the Company entered into swap contracts in the total amount of this debt, in such a manner that the annual financial liability of the tranche drawn down in March of 2005 is 101.59% of the CDI, while the tranches drawn down in September 2005 will pay 104.29% and 103.98% of the CDI. The swap contracts were signed with a leading foreign bank and their maturities, currencies, rates and amounts are perfectly matched to the financing contracts. The effect of this swap contract is recorded in financial results (Note 24).

(d) Investment financing

In April 2007, negotiations were concluded on fundraising of up to US\$ 1.2 billion, via a bridge loan, with the aim of financing the acquisition of the petrochemical assets of the Ipiranga Group and closing the capital of Copesul.

On December 31, 2007, the amount owed totaled R\$ 1,701,841. Of this total, R\$ 861,022 are shown in the parent company under the item "export prepayment". On the consolidated balance sheet, the amount owed is shown in the item "fixed asset financings".

In 2008, this bridge loan was liquidated using funds raised from the issuance of Eurobonds and the export prepayment transaction.

### (e) Repayment schedule

Long-term loans mature as follows:

	PARENT COMPANY		CONSOLIDATED	
	2008	2007	2008	2007
2009		1,868,555		2,593,682
2010	646,337	181,674	639,184	378,680
2011	906,333	143,362	868,219	304,609
2012	1,333,654	57,698	1,258,640	329,059
2013 and thereafter	6,141,476	2,497,102	6,273,778	2,795,917
	<b>9,027,800</b>	<b>4,748,391</b>	<b>9,039,821</b>	<b>6,401,947</b>

#### (f) Guarantees

The Company has provided securities as stated below:

				PARENT COMPANY
	MATURITY	GUARANTEED TOTAL	FINANCING AMOUNT	GUARANTEES
BNB	Jun/16	248,298	248,298	Mortgage (plants) / Pledge machinery and equipment
BNDES	Apr/15	1,602,728	1,602,728	Mortgage (plants, lands and real property), machinery and equipment
NEXI	Jun/12	195,713	195,713	Insurance policy
Working capital financings	Feb/10	1,268,846	1,268,846	Export credit note
FINEP	Mar/12	57,229	57,229	Bank surety
Prepayment	Oct/14	1,361,174	4,516,609	Promissory notes / Real Estate Guarantee, machinery and equipment
Other institutions	Feb/20	23,177	173,029	Promissory notes and Equipment financed
<b>Total</b>		<b>4.757.165</b>	<b>8.062.452</b>	

## notes to the financial statements

amounts expressed in thousands of *Reais*, except when indicated

### (g) Capitalized interest

The Company adopts the accounting practice of capitalizing interest on financing during the period of asset construction. The Company policy is to apply the average weighted financial surcharge rate on the debt, including exchange and monetary variation to the balance of projects in progress.

The average surcharge rate used in the period was 35.72% p.a. (6.94% p.a. in 2007); including exchange variation and the amounts capitalized for the financial years are shown below:

	PARENT COMPANY		EXPENSES (INCOME) CONSOLIDATED	
	2008	2007	2008	2007
Gross financial charges	2,938,491	534,521	3,013,031	669,303
(-) Financial charges capitalized in the year	(312,180)	(18,782)	(307,971)	(35,192)
<b>Net financial charges</b>	<b>2,626,311</b>	<b>515,739</b>	<b>2,705,060</b>	<b>634,111</b>

### (h) Loan covenants

Certain loan agreements entered into by the Company establish limits for certain ratios involving the ability to incur debts and pay interest.

The first ratio imposes limits on the Company's indebtedness on account of our ability to generate EBITDA. This is calculated by dividing the Company's net debt by its EBITDA for the last twelve months. This ratio is calculated in *Reais* or dollars, depending on contract terms. If calculated in dollars, the closing PTAX is used for assessing the net debt and the average dollar for the last four quarters for calculating the EBITDA.

The second ratio to be found in the Company's contracts is the division of the EBITDA by net interest, which represents the difference between interest paid and received. This ratio is verified on a quarterly basis and is only calculated in dollars.

Below is a summary of the outstanding transactions and their limiting factors:

TRANSACTION	INDICATOR	CURRENCY
Debentures 13 <sup>th</sup> and 14 <sup>th</sup>	Net Debt / EBITDA(*) < 4.5	R\$
Nexi financing	Net Debt / EBITDA(**) < 4.5	US\$
	EBITDA(**) / net interest > 1.5	US\$
Medium Term Notes	Net Debt / EBITDA (*) < 4.5	R\$
Export prepayments	Net Debt / EBITDA (**) < 4.5	US\$
	EBITDA(**) / net interest > 2.0	US\$

(\*) EBITDA - operating result before financial results and equity interests, plus depreciation and amortization.

(\*\*) EBITDA - operating result before financial results and equity interests, plus depreciation and amortization, dividends and equity interest received from non-consolidated companies.

The penalty for non-compliance with these is the possibility of accelerated debt maturity, except for the Debenture and Medium-term Notes transactions. All commitments assumed are fulfilled.

### (i) Transaction costs (funding for transactions)

In 2008, the Company incurred costs in structuring Eurobond transactions (Note 16(a)) and export prepayment transactions (Note 16(b)). The amounts, classified as debt reducers, and the respective changes in 2008 are shown as follows:

	EXPORT PREPAYMENTS	EUROBONDS	TOTAL
<b>Incurred costs</b>	<b>31,301</b>	<b>16,593</b>	<b>47,894</b>
(-) Amortizations in 2008	(1,258)	(830)	(2,088)
<b>Balance to appropriate</b>	<b>30,043</b>	<b>15,763</b>	<b>45,806</b>

The amount to be appropriated to the income is composed as follows:

	EXPORT PREPAYMENTS	EUROBONDS	TOTAL
2009	7,452	1,659	9,111
2010	7,448	1,659	9,107
2011	7,198	1,659	8,857
2012	5,462	1,659	7,121
2013	2,483	1,659	4,142
2014 and thereafter		7,468	7,468
	<b>30,043</b>	<b>15,763</b>	<b>45,806</b>

## 17. Debentures

ISSUE	UNIT VALUE	MATURITY	REMUNERATION	REMUNERATION PAYMENT	PARENT COMPANY		CONSOLIDATED	
					2008	2007	2008	2007
13 <sup>th</sup> (i)	R\$ 10	Jun/2010	104.1% of CDI	Biannually as from Dec 2005	303,481	302,622	303,481	302,622
14 <sup>th</sup> (i)	R\$ 10	Sep/2011	103.5% of CDI	Biannually as from Mar 2007	522,795	517,852	522,795	517,852
(ii)	R\$ 1	Jun/2008	100.0% of CDI	On maturity date				91,158
					<b>826.276</b>	<b>820.474</b>	<b>826.276</b>	<b>911.632</b>

(i) Public issuances of debentures non convertible into shares.

(ii) Issuance by the subsidiary IQ, liquidated in June 2008.

The change in debentures in 2008 and 2007 is as follows

	PARENT COMPANY		CONSOLIDATED	
	2008	2007	2008	2007
<b>Balance at beginning of the year</b>	<b>820,474</b>	<b>2,107,356</b>	<b>911,632</b>	<b>2,139,877</b>
Financial charges	99,468	184,512	99,468	192,303
Addition through acquisition of subsidiary				83,367
Write-off through demerger of subsidiary			(91,158)	(32,521)
Amortization	(93,666)	(1,471,394)	(93,666)	(1,471,394)
<b>Balance at the end of the year</b>	<b>826,276</b>	<b>820,474</b>	<b>826,276</b>	<b>911,632</b>
<b>Current liabilities</b>	<b>(26,276)</b>	<b>(20,474)</b>	<b>(26,276)</b>	<b>(111,632)</b>
<b>Noncurrent liabilities</b>	<b>800,000</b>	<b>800,000</b>	<b>800,000</b>	<b>800,000</b>

## 18. Taxes and Contributions Payable – Noncurrent Liabilities

	PARENT COMPANY		CONSOLIDATED	
	2008	2007	2008	2007
<b>IPI credits offset</b>				
IPI – Tax credit on exports (i)	731,098	687,826	731,098	687,826
IPI – zero rate (ii)	330,307	309,358	330,307	309,358
IPI – property, plant and equipment, consumption materials	44,893	42,529	44,893	42,529
<b>Other taxes and contributions payable</b>				
PIS /COFINS - Law 9718/98 (iii)	50,585	46,594	60,846	50,581
Education contribution, SAT and INSS	40,086	38,565	41,226	38,577
PAES-Law 10684 (iv)	28,665	30,042	28,665	36,412
Others	60,144	19,995	58,311	59,160
<b>(-) Liabilities with deposits in court</b>	<b>(64,110)</b>	<b>(69,799)</b>	<b>(64,110)</b>	<b>(78,627)</b>
	<b>1,221,668</b>	<b>1,105,110</b>	<b>1,231,236</b>	<b>1,145,816</b>

The Company is disputing in court some changes in tax laws, and the updated sums have been provisioned for. No contingent assets are posted in this regard.

### (i) IPI Tax Credit on Exports (*Crédito-prêmio*)

The Company – by itself and through absorbed companies – challenges the term of effectiveness of the IPI tax credit (*crédito-prêmio*) introduced by Decree-law 491 of 1969 as an incentive to manufactured product exports. Lower courts have granted most lawsuits to that end, but such favorable decisions may still be appealed.

In hearing the appeal lodged by another taxpayer seeking court recognition of its entitlement to use such tax benefit until present, the Superior Court of Justice (STJ) upheld its rejection to such prospective use and affirmed that the aforementioned tax benefit expired in 1990. As constitutional issues are at dispute, the STF is to make a final determination over this matter and its general implications. Also, the STF will eventually revisit the right to use those tax credits after 1990, based on application of Temporary Constitutional Provisions Act (ADCT) 41.

According to its legal advisors, the Company stands reasonably possible chances of success in these suits.

### (ii) IPI – Zero rate

Merged companies OPP Química, Trikem and Polialden have filed lawsuits claiming IPI tax credits from the acquisition of raw materials and inputs that are exempt, non-taxed or taxed at a zero rate. Lower courts have granted most lawsuits to that end.

In a decision rendered in February 2007 on a case unrelated to the Company, the STF found against the right to offset zero-rate IPI credits by a tight majority (6 to 5). In June 2007, the STF Full Bench ruled, by majority opinion, that prospective-only effects could not be given to an STF decision that later reversed an erstwhile taxpayer-friendly determination made by the STF Full Bench itself. This ruling had a negative bearing on judgment of the cases



## notes to the financial statements

amounts expressed in thousands of Reais, except when indicated

involving merged companies OPP Química and Trikem in Bahia, leading to payments in the amount of R\$ 127,317 (August 2007). By the same token, a portion of the amount underlying the lawsuit involving merged company Polialden (R\$ 99,641) was settled in October 2007. The outstanding value relating to Polialden will be challenged in court.

The Company still enjoys a favorable court decision on the lawsuit lodged by its merged company Trikem in Alagoas, allowing the Company to use these tax credits. The Company will have to pay out the offset sums when the court decision on this case is reversed. It should be stressed that all of these amounts have been provisioned for, which will avoid an adverse impact on the Company's results.

### (iii) PIS/COFINS - Law 9718 of 1998

The sums posted by the Company as long-term liabilities primarily refer to the lawsuits filed by the Company and by the absorbed companies to challenge the constitutionality of the changes in the PIS and COFINS tax bases introduced by Law 9718 of 1998.

Despite the STF Full Bench finding in November 2005 about the lawfulness of the resulting increase in those tax bases, the Company the Company is still challenging the COFINS rate escalation from 2% to 3%, in a small number of cases. As for expansion of the tax base, the STF held on that same date that 9718 of 1998 was unconstitutional.

The amounts posted as long-term liabilities primarily refer to the lawsuits filed by the Company and by the absorbed companies to challenge the constitutionality of the COFINS tax rate escalation from 2% to 3% as per Law 9718 of 1998. Despite the STF Full Bench finding in November 2005 favorably to the lawfulness of said escalation, the STF itself is revisiting this matter in terms of the general implications from such unconstitutionality. The Company filed another lawsuit in late 2008, with a new approach in light of new arguments deriving from the current state of affairs.

### (iv) Special Installment Program - PAES - Law 10684 of 2003

In July and August 2003, absorbed companies IPQ and Trikem qualified for more favorable payment conditions by adhering to the PAES program instituted by Federal Law 10684 of 2003.

IPQ adhered to this installment payment scheme, after cancellation of supporting certificates (DCC's) originated from acquisition and offsetting of third-party credits. For its part, Trikem opted for such scheme after filing for voluntary termination of the lawsuit challenging the COFINS tax rate escalation from 2% to 3% (instituted by Law 9718 of 1998).

Even though the Company had met all legal requirements and payments were being made as and when due, the National Treasury Attorney's Office (PFN) disqualified Trikem for PAES on two different occasions, and the Company obtained a court relief reinstating it to PAES in these two events. In reliance on the opinion of its legal advisors, Management believes that the Company's eligibility for these installment payments will be upheld as originally requested.

The outstanding debt is R\$ 36,700 as of December 31, 2008, being R\$ 8,034 in current liabilities and R\$ 28,655 in noncurrent liabilities (2007 - R\$ 36,597, being R\$ 6,555 in current liabilities and R\$ 30,042 in noncurrent liabilities).

## 19. Income and Social Contribution Taxes

### (a) Current income tax

	PARENT COMPANY		CONSOLIDATED	
	2008	2007 <i>Restatement</i>	2008	2007 <i>Restatement</i>
<b>Income before income tax and social contribution and minority interest</b>	<b>(2,737,313)</b>	<b>606,718</b>	<b>(2,712,869)</b>	<b>1,208,745</b>
Benefit (expense) of income tax and social contribution at the rate of 34%	930,686	(206,284)	922,375	(410,974)
Income tax on equity in income of subsidiaries	49,486	36,186	80	(37)
Tax effects of non submission to Social Contribution on Net Income (CSL) (Note 19(c))	(246,398)	54,541	(246,398)	54,541
Effects Law 11638/07 - Transition Tax Regime - RTT	14,069	55,900	14,069	55,649
Other permanent differences	(5,431)	(6,152)	27,532	13,969
Amortization of goodwill	26,269	15,906	24,855	4,363
Taxes challenged in court	(2,434)	15,060	(2,434)	15,060
Tax losses	(755,727)	8,232	(755,727)	20,999
Provisions and other temporary differences	(11,066)	26,640	(8,187)	25,384
Others		(116)	163	(3,007)
<b>Income and social contribution tax expenses</b>	<b>(546)</b>	<b>(87)</b>	<b>(23,672)</b>	<b>(224,053)</b>

As tax losses were incurred in 2008, the Company is entitled to no tax exemption/abatement benefits. In 2007, this benefit was R\$ 49,494 (note 19(d)).

### (b) Deferred income tax

#### (i) Composition of deferred income tax

In accordance with the provisions of CVM Deliberation 273/98, which approved the Institute of Independent Auditors of Brazil (IBRACON) standards on the accounting of income tax, supplemented by CVM Instruction 371/02, the Company and its subsidiaries have the following accounting balances of deferred income tax:

Composition of calculated deferred income tax:

	PARENT COMPANY		CONSOLIDATED	
	2008	2007 <i>Restatement</i>	2008	2007 <i>Restatement</i>
<b>Tax loss carryforward</b>	<b>3,627,614</b>	<b>585,777</b>	<b>3,644,611</b>	<b>585,777</b>
Amortized goodwill on investment in merged companies	668,623	603,419	668,622	603,419
Temporarily non-deductible expenses	406,059	423,624	419,391	625,988
Adequacy to Law 11638/07 and MP 449/08	91,341	91,341	91,341	91,341
Potential calculation basis of deferred income tax	4,793,637	1,704,161	4,823,965	1,906,525
Potential deferred income tax (25%)	1,198,409	426,040	1,205,991	476,631
Unrecorded portion of deferred income tax:				
Tax losses	(502,024)		(502,024)	
<b>Deferred income tax – assets</b>	<b>696,385</b>	<b>426,040</b>	<b>703,967</b>	<b>476,631</b>
<b>Current assets</b>	<b>(56,018)</b>	<b>(59,560)</b>	<b>(59,555)</b>	<b>(85,815)</b>
<b>Noncurrent assets</b>	<b>640,367</b>	<b>366,480</b>	<b>644,412</b>	<b>390,816</b>
<b>Changes:</b>				
Opening balance for the year	426,040	380,662	476,631	393,165
Merged balance of subsidiaries	39,998	12,326	(15,370)	8,613
Ipiranga consolidated balance				102,341
Adequacy to Law 11638/07 and MP 449/08		22,834		22,834
Recording of deferred income tax on tax losses	258,437	(15,768)	256,159	(118,109)
Recording of deferred income tax on amortized goodwill of merged companies:	54,755	85,757	54,755	85,757
Deferred income tax realized on amortized goodwill of merged companies	(38,455)	(31,917)	(38,455)	(31,917)
Deferred income tax on temporary provisions	(44,390)	(27,854)	(29,753)	13,947
<b>Final balance</b>	<b>696,385</b>	<b>426,040</b>	<b>703,967</b>	<b>476,631</b>
<b>Deferred income tax – liabilities on accelerated depreciation under incentive:</b>				
Opening balance for the year	(7,503)	(7,935)	(62,817)	(14,802)
Adequacy to Law 11638/07 and MP 449/08	(2,509)	(157)	(2,509)	
Merged balance of subsidiary	(552)		(5,587)	
Realization (recording) of deferred income tax	589	589	49,520	(48,015)
<b>Final balance for the year</b>	<b>(9,975)</b>	<b>(7,503)</b>	<b>(21,393)</b>	<b>(62,817)</b>
<b>Deferred income tax in statement of income</b>	<b>230,936</b>	<b>10,807</b>	<b>292,226</b>	<b>(98,337)</b>

Deferred income tax assets arising from tax losses and temporary differences and adjustments following the Company's option for the Transition Tax Regime (Provisional Measure 449/08, articles 15 to 22) are recorded taking into account analyses of future tax profits, supported by studies prepared based on internal and external assumptions and current macroeconomic and business scenarios approved by the Company's management.

(ii) Estimated period for realizing deferred income tax assets

The deferred income tax assets recorded are limited to the amounts whose set-off is supported by forecasts of taxable profits, discounted to their present value, realized by the Company in up to 10 years, also bearing in mind the limitation on offsetting tax losses by up to 305 of taxable profit, in addition to the fiscal benefits of tax exemption and reduction.

Considering the premises for prices, foreign exchange, interest rates, market growth and other relevant variables that determined its business plan, the Company prepared the plan for base date of December 31, 2008 in the expectation of generating future taxable results. These studies show that income tax credit on fiscal losses to be consumed in the fiscal years between 2009 and 2018 totals R\$ 404,880.

Deferred income tax credit on fiscal losses is expected to be realized as follows:

	PARENT COMPANY AND CONSOLIDATED
2009	
2010	
2011	8,026
2012	47,710
2013	50,299
2014 to 2016	179,455
2017 and 2018	119,390
	<b>404,880</b>

The deferred income tax credits on temporary differences created from goodwill already amortized on the books, in the amount of R\$ 167,156, from accounting provisions in the amount of R\$ 101,515 and from adaptation to Law 11638/07 and MP 449/08, in the amount of R\$ 22,834, are founded on making full use thereof on account of them having been realized from an accounting and fiscal standpoint.

**notes to the financial statements**amounts expressed in thousands of *Reals*, except when indicated

Deferred income tax credit on goodwill is expected to be realized as follows:

	PARENT COMPANY AND CONSOLIDATED
2009	45,267
2010	45,267
2011	37,038
2012	22,647
2013	13,074
2014 to 2016	3,074
2017 to 2018	789
	<b>167,156</b>

The accounting records of the deferred income tax assets do not take into account the installment of goodwill, amortized on the books, on the investments in merged companies, which will be realized in a term exceeding 10 years and in the amount of R\$ 2,612 (R\$ 2,880 in 2007).

In regard to temporarily non-deductible expenses, the deferred income tax was constituted on tax expenses that are being questioned in the courts, as well as other operating expenses, for example, the provision for doubtful debtors.

Since the taxable base for income tax derives not only from profits that may be generated, but also from the existence of non-taxable revenues, non-deductible expenses, fiscal incentives and other variables, there is no immediate correlation between the Company's net result and the income tax result. Therefore the expectation regarding the use of tax credits should not be taken as an indicator of the Company's future results.

**(iii) Deferred social contribution**

The consolidated statements include the following installments of deferred social contribution arising from its subsidiaries IQ and Braskem Distribuidora (in 2007 = IQ, IPQ and Copesul):

	BALANCES	
	2008	2007
Assets	10,051	4,636
Liabilities	2,156	16,999
<b>Result: Revenues (expenses)</b>	<b>9,611</b>	<b>(4,952)</b>

The deferred CSL asset balances are the result of negative bases and non-deductible provisions.

The balances of liabilities arise from unrealized foreign exchange variations and accelerated depreciation.

**(c) Social Contribution on Income ("CSL")**

In view of the discussions over the constitutionality of Law 7689 of 1988, the Company and its merged companies OPP Química, Trikem and Polialden filed civil lawsuits against payment of CSL. The resulting court decision favorable to these companies became final and conclusive.

However, the Federal Government filed a suit on the judgment (*ação rescisória*) challenging the decisions on the lawsuits filed by the Company, Trikem and Polialden, on the argument that – after the final decision favorable to those companies – the Full Bench of STF declared the constitutionality of this tax except for 1988. As the Federal Government did not file a suit on the judgment in the case of OPP Química, the first final and conclusive decision remained in force.

The suit on the judgment is pending the STJ and STF review of a number of appeals concerning this specific matter. Even though the suit on the judgment and tax payments are still on hold, the Federal Revenue Office has issued tax infraction notices against the Company and its merged companies, and administrative defenses have been filed against such notices.

Based on the opinion of its legal advisors (which stated the likelihood of a favorable outcome as reasonably possible), Management believes that the following is likely to occur: (i) the courts will eventually release the Company from paying this tax; and (ii) even if the suit on the judgment is held invalid, the effects of said judgment cannot retroact to the year of enactment of the law, the reason why the Company has created no provisions for this tax.

If retrospective collection is required by court order (contrary to the opinion of its legal advisors), the Company believes that the possibility of being imposed a fine is remote. Accordingly, the amount payable, restated for inflation and accruing Brazil's SELIC benchmark rate, would be approximately R\$ 835,420, net of fine.

**(d) Tax incentives****(i) Income tax**

Until 2011, the Company is entitled to reduce by 75% the income tax on the profit arising from the sale of basic petrochemical products and utilities produced at the Camaçari plant. The three polyethylene plants at Camaçari have the same right until base years 2011, 2012 and 2016. The PVC plant at Camaçari also has this right up to base year 2013. The PVC plants in Alagoas and the PET plant at Camaçari are exempt from corporate income tax on the results of their industrial operations until 2008.

The manufacture of caustic soda, chloride, ethylene dichloride and Caprolactam enjoy the benefit of the 75% decrease in the income tax rate up to 2012.

**(ii) Value-Added Tax on Sales and Services - ICMS**

The Company has ICMS incentives granted by the State of Alagoas through the State of Alagoas Integrated Development Program – PRODESIN. This incentive is designed to foster the installation and expansion of industrial facilities in that State, and is stated in income for the year, under "Other operating income".



## 20. Long-term incentive

In September 2005, the Shareholders' Meeting approved a benefits plan called "Long-term Incentives", not based on Company's shares, by means of which employees designated annually by Management may acquire securities issued by the Company and entitled "Investment unit", "Alpha" unit. The purpose among others is to strengthen the convergence of interests in creating long-term value among Braskem's employees and shareholders, foster the sense of ownership and encourage view and the commitment of the employees to long-term results.

The investment unit does not confer on the holder the condition of shareholder of Braskem, or any right or privilege inherent to that condition, especially the right to vote and other political rights.

Every year, the Board of Directors approves the eligible participants, the quantity of investment units to be issued, the Company's counterparty percentage to the acquisition made by employees and the quantity of units offered per participant. Acceptance by the participant implies cash payment of the amount attributed to him, in addition to entering into a unit purchase agreement, with Braskem responsible for issuing the respective "Investment Units Certificate".

The investment unit is issued in the 1<sup>st</sup> semester of each year, at its value is updated annually according to the average quotation of the Company's Class "A" preferred shares at the end of the dealing period on the BOVESPA in the months of October and March. In addition to the variation in its nominal value, the Investment unit earns the equivalent of the dividend and/or equity interest distributed by Braskem.

There are three types of Investment units:

- the unit acquired by the participant, known as "Alpha";
- the unit received by the participant by way of the Braskem counterparty, known as "Beta"; and
- the unit received by the participant by way of income, known as "Gama".

The Investment unit (and its corresponding certificate) are issued on a very personal basis and may only be sold to Braskem by means of redemption on the following conditions:

- from year 5 following the 1<sup>st</sup> acquisition, the acquiring party may redeem up to 20% of the accrued balance of their investment units; and
- from year 6, redemption is limited to 10 % of the accrued balance.

The composition and value of the units on December 31, 2008 are as follows:

	QUANTITY	AMOUNT
<b>Investment units</b>		
Issued (Alpha units)	707,661	9,512
Bonus awarded (Beta units)	705,361	941
<b>Total</b>	<b>1,413,022</b>	<b>10,453</b>

## 21. Shareholders' Equity

### (a) Capital

On December 31, 2008 subscribed and paid in capital is R\$ 5,375,802 (R\$ 4,640,947 on December 31, 2007), represented by 507,540,997 shares with no nominal value (2007 - 449,432,611), of which 190,462,446 common shares (2007 - 149,810,870), 316,484,733 Class "A" preferred shares (2007 - 298,818,675) and 593,818 Class "B" preferred shares (2007 - 803,066).

At the Extraordinary Shareholders' Meeting held on May 30, 2008, a capital increase was approved on account of the merger of Grust shares (Note 1(c.7)), by issuing 46,903,320 common shares and 43,144,662 Class "A" preferred shares, with the capital going from R\$ 4,640,947 to R\$ 5,361,656.

On September 30, 2008, as a result of the merger of IPQ (Note 1 (b.12)), the Company's capital was increased by R\$ 14,146 to R\$ 5,375,802, through the issue of 1,506,061 Class "A" preferred shares.

The Company's authorized capital is 488,000,000 shares, of which, 175,680,000 common shares, 307,440,000 Class "A" preferred shares and 4,880,000 Class "B" preferred shares.

### (b) Rights attaching to Shares

Preferred shares carry no voting rights, but qualify for a non-cumulative priority dividend at 6% per annum on their unit value, if profits are available for distribution. Only Class "A" preferred shares are on a par with common shares for entitlement to remaining profits; dividends are earmarked to common shares only after the priority dividend has been paid to preferred shares. Further, only Class "A" preferred shares rank equally with common shares in the distribution of shares resulting from capitalization of other reserves. Only Class "A" preferred shares are convertible into common shares, by resolution of the majority voting stock at general meetings. Class "B" preferred shares may be converted into Class "A" preferred shares at a ratio of two Class "B" preferred shares to each Class "A" preferred share, upon written notice to the Company at any time (after expiration of the non-convertibility period prescribed in special legislation that authorized the issuance and payment of such shares by using tax incentive funds).

If the Company is wound up, Class "A" and "B" preferred shares are accorded priority treatment in repayment of capital.

The shareholders are entitled to a minimum compulsory dividend at 25% of the net profits at year end, adjusted as per the Brazilian Corporation Law.

According to the Memorandums of Understanding for Execution of Shareholders Agreement, the Company is required to distribute dividends not lower than 50% of the year end net profits, to the extent that the reserves necessary for its effective operation in the ordinary course of business are maintained at a sufficient level.

As agreed at the time of issuance of Medium-Term Notes (Note 16), the payment of dividends or interest on equity is capped at two fold the minimum dividends set out in the Company's by laws.

**notes to the financial statements**amounts expressed in thousands of *Reals*, except when indicated**(c) Tax incentives reserve**

Prior to the adoption of Law 11638/07 and MP 449/08, tax incentives on income tax (Note 19 (d)) were classified as capital reserves without transiting through the income account. Beginning January 1<sup>st</sup>, 2007, this tax incentive was posted to the income for the year account, being intended for the profit reserves account following a management proposal ratified by the shareholders' meeting.

Regardless of the change determined by Law 11638/07 and MP 449/08, this incentive may only be used for increasing the capital or absorbing losses.

**(d) Treasury shares**

- With the merger of Politeño, on April 2, 2007, (Note 1(c)), reciprocal shareholding between the companies was canceled. The 2,186,133 class "A" preferred shares of the Company that belonged to Politeño were merged into the treasury shares.
- On February 19, 2008, a new share repurchase program was approved with a 12-month term and investment of approximately R\$ 252,000 for the repurchase of up to 19,862,411 class "A" preferred shares. Under such program, up until December 22, 2008, 10,099,500 class "A" preferred shares were acquired at an average cost of R\$ 10.63 per share. The minimum and maximum amounts of these acquisitions were R\$ 6.03 and R\$ 13.85 per share.
- On April 28, 2008, the dissidence of shareholders owning 2,108,823 common and 209,048 Class "B" preferred shares in the Company was communicated to the market, concerning the ratification of the transaction to acquire the control of the petrochemical assets of the Ipiranga Group. These shares were redeemed on March 11, 2008, for their book value as of December 31, 2007, of R\$ 13.50 per share, for a total of R\$ 31,292.
- On May 30, 2008, the shareholders of Braskem Participações approved a capital reduction and transfer to the Company of 580,331 common and 290,165 Class "A" preferred shares issued by the Company, in the amount of R\$ 13,110.
- On July 2, 2008, the dissidence of shareholders owning 3,562,590 common and 200 Class "B" preferred shares in the Company was communicated to the market, concerning the merger of the shares of Grust Holdings S/A. These shares were redeemed at their book value pursuant to the balance sheet as of December 31, 2007, corresponding to R\$ 13.50 per share, for a total of R\$ 48,098.
- On March 6, 2008, the cancellation of 16,595,000 Class "A" preferred shares of the Company was approved. These shares were maintained in treasury, on December 31, 2007, for the amount of R\$ 244,456.
- On December 22, 2008, cancellation was approved of 16,850,657 shares, of which 6,251,744 common shares, 10,389,665 Class "A" preferred shares and 209,248 Class "B" preferred shares of the Company, booked at the amount of R\$ 199,904. Such cancellation, in addition to the cancellation approved on March 6, totals R\$ 444,360 and was written-off from the account of profit reserves for expansion.

**(e) Profit for expansion reserves**

Refers to the retention of the accumulated profits balance, so as to meet the expansion projects established in the business plan, as contemplated in the capital budget proposed by the Company's management and submitted for approval by the Shareholders' Meeting, with due regard for the provisions of article 196 of the Brazilian Corporations Law (LSA). The balance of this reserve on December 31, 2007 was R\$ 890,192. In 2008, the Company used the balance of this reserve to absorb the cancellation of the treasury shares and part of the loss in the amount of R\$ 444,360 and R\$ 445,832, respectively.

**(f) Appropriation of net income**

According to the Company's by laws, net income for the year, adjusted on the terms of Law 6404/76, is appropriated as follows: (i) 5% for constituting the legal reserve, not to exceed 20% of the capital; (ii) 25% for payment of mandatory dividends, not accumulative, with due regard for the legal and statutory advantages of the preferred shares. When the amount of the priority dividend paid to the preferred shares equals or exceeds 25% of the net result for the year, calculated as per article 202 of the Brazilian Corporation Law, this characterizes full payment of the mandatory dividend. Where there are leftovers of the mandatory dividend following payment of the priority dividend, this will be applied: (i) in payment to the common shares of a dividend up to the limit of the priority dividend of the preferred shares; (ii) if a balance still remains, in the distribution of an additional dividend to the common and the Class "A" preferred shares on equal conditions, in such a manner that each common or preferred share of that class receives the same dividend. On account of the loss suffered in this fiscal year, the Company is not distributing any amount by way of dividends or equity interest.

The dividends proposed by the management in the 2007 fiscal year, and approved at the shareholders' meeting were the following:

	2007
<b>Net income for the year adopting Law 11638/07 and MP 449/08</b>	<b>617,438</b>
Exclusion of adjustments of first adoption of Law 11638/07 and MP 449/08 (Note 3.1(b))	(74,218)
Net income for the year without the adjustments of Law 11638/07 and MP 449/08	543,220
Installment intended for legal reserve	(27,161)
<b>Net income adjusted for the calculation of dividend</b>	<b>516,059</b>
<b>Profit sharing:</b>	
Proposed dividends	
Common shares (R\$ 0.644 per share)	96,198
Class A preferred shares - (R\$ 0.644)	181,741
Class B preferred shares - (R\$ 0.644)	518
<b>Total dividends</b>	<b>278,457</b>
<b>Amount intended for the profits reserve for expansion</b>	<b>237,603</b>
<b>Minimum compulsory dividend - 25%</b>	<b>129,016</b>

The amount intended for profit reserves for expansion in 2007 was linked to the capital budget contained in the Business Plan approved by the Board of Directors on December 19, 2007, and was ratified by the Shareholders' Meeting held on March 26, 2008.

The book loss for the year 2008 was partially absorbed by making full use of the profit reserves.

**(g) Equity valuation adjustment**

This item, created by Law 11638/07, aims to record amounts which, as they already belong to the shareholders' equity, have not yet transited the result for the year but will do so in the future.

On December 31, 2008, the Company held the following amounts in this account:

	2008
<b>Variation of market value of financial instruments:</b>	
Financial assets classified as available for sale net from income tax (Note 5)	7,998
Hedge transactions in subsidiary (Note 23(f.3)(iv))	(110,098)
<b>Total</b>	<b>(102,100)</b>

## 22. Contingencies

**(a) Collective Bargaining Agreement – Section 4**

The Petrochemical, Plastics, Chemicals and Related Industry Workers Union in the State of Bahia (SINDIQUÍMICA) and the Employers' Association of the Petrochemical and Synthetic Resins Industries in the State of Bahia (SINPEQ) are disputing in court the validity of a wage and salary indexation clause contained in the collective bargaining agreement (convenção coletiva de trabalho), given the matter of public policy involved, namely, the adoption of an economic stabilization plan in 1990 that put a limit on wage adjustments. The Company ran plants in the region in 1990, and is a member of SINPEQ.

The employees' labor union seeks retrospective adjustment of wages and salaries. In December 2002, the STF affirmed an erstwhile decision from the Superior Labor Court (TST), determining that economic policy legislation should prevail over collective bargaining agreements and, as such, no adjustment was due. In 2003, SINDIQUÍMICA appealed this decision by means of a motion for clarification, which was rejected by unanimous opinion on May 31, 2005.

On October 24, 2005, SINDIQUÍMICA filed a plea known as embargos de divergência, which was cognized by the higher courts. This plea was forwarded to the General Prosecutor Office of the Republic, which rendered an opinion fully favorable to SINPEQ in November 2006. Judgment on this appeal started on June 28, 2007, but was adjourned as one of the judges asked for further access to the case docket.

In reliance on the opinion of its legal advisors, Management believes that SINPEQ is likely to prevail in this suit and, as such, no amount was provisioned for.

**(b) Offsetting of tax credits**

From May through October 2000, merged companies OPP Química and Trikem offset their own federal tax debts with IPI tax credits (créditos-prêmio) assigned by an export trading company ("Assignor"). These offsetting procedures were recognized by the São Paulo tax officials (DERAT/SP) through offset supporting certificates (DCC's) issued in response to an injunctive relief entered in a motion for writ of mandamus (MS SP). Assignor also filed a motion for writ of mandamus against the Rio de Janeiro tax officials (DERAT/RJ) (MS RJ) for recovery of IPI tax credits and their use for offsetting with third-party tax debts, among others. The MS SP was dismissed without prejudice, confirming the Rio de Janeiro administrative and jurisdictional authority to rule on Assignor's tax credits.

In June 2005, DERAT/SP issued ordinances (portarias) canceling the DCC's. Based on said ordinances, the Federal Revenue Office unit in Camaçari/BA sent collection letters to the Company. Notices of dispute were presented by the Company, but the administrative authorities declined to process them. As a result, past-due federal tax liabilities (dívida ativa) at R\$ 276,620 were posted in December 2005 concerning the Company's tax debts originating from purportedly undue offsetting procedures.

Both Assignor and the Company commenced a number of judicial and administrative proceedings to defend the lawfulness and validity of those offsetting procedures, and the legal counsels to both companies labeled the likelihood of success in those cases as probable, mostly in light of the indisputable certainty and validity of those credits as confirmed in a specific audit conducted by DERAT/RJ.

On October 3, 2005, the Federal Supreme Court (STF) held the MS RJ favorably to Assignor in a final and conclusive manner, confirming Assignor's definite right to use the IPI tax credits from all its exports and their availability for offsetting with third-party debts. As a result, the legal advisors to Assignor and to the Company believe that the offsetting procedures carried out by the merged companies and duly recognized by DERAT/SP are confirmed, and for this reason they also hold that the tax liabilities being imputed to the Company are not due. Despite the final and conclusive decision in MS RJ, the legal advisors to Assignor and to the Company, in addition to a jurist when inquired of his opinion on this specific issue, feel that the tax liabilities purportedly related to offsetting procedures carried out by the merged companies have become time-barred and, as such, can no longer be claimed by the tax authorities.

In January 2006, the Company was ordered to post bond in aid of execution of the tax claim referred to above; this bond was tendered in the form of an insurance policy.

The Company's legal advisors have labeled the likelihood of success in all claims listed above as probable; nevertheless, if the Company is eventually defeated in all those cases, it will be entitled to full recourse against Assignor concerning all amounts paid to the National Treasury, as per the assignment agreement executed in 2000.

**(c) National Social Security Institute - INSS**

The Company is party to several social security disputes in the administrative and judicial spheres, totaling approximately R\$ 347,176 (updated by the SELIC rate) as of December 31, 2008.

In reliance on the legal advisors' opinion that the Company stands good chances of success in these cases, Management believes that no sum is payable in connection with these notices and, as such, no amount was provisioned for.

**(d) Other court disputes involving the Company and its subsidiaries**

- The Company figures as defendant in civil lawsuits filed by the controlling person of a former caustic soda distributor and by a carrier that rendered services to the latter, totaling R\$ 28,609 as of December 31, 2008 (Dez/2007 – R\$ 27,507). Said plaintiffs seek redress of damages caused by the Company's alleged non-fulfillment of the distributor agreement. In reliance on the opinion of legal advisors sponsoring the Company in these lawsuits, Management believes that the cases are likely to be rejected, and for this reason the respective sums have not been provisioned for.
- In the second quarter of 2005, the Chemical and Petrochemical Industry Workers Unions in Triunfo (RS) and Camaçari (BA) filed several lawsuits for recovery of unpaid overtime. The Company has presented its answers accordingly, and – in reliance on the legal advisors' opinion – the Company's Management does not expect to be defeated.



## notes to the financial statements

amounts expressed in thousands of *Reais*, except when indicated

- As of June 30, 2008, the Company and its subsidiaries figured as defendant in 1,282 suits for damages and labor claims (already including those mentioned above), totaling approximately R\$ 223,282. According to the opinion of legal advisors, most of these suits are likely to be found for the Company. For the cases entailing a probable defeat, the Company has provisioned for R\$ 18,382 (Dez 2007 – R\$ 25,005).
- Further, in 1999, the Federal Revenue Office (SRF) served notice on merged company Copesul charging a supposedly delinquent IRPJ and CSL tax for the 1994 base period, relating to monetary adjustment of balance sheet items and equity accounting results due to the accounting of dividends distributed by a controlled entity abroad. The updated dispute comes to R\$ 21,308. An appeal lodged by the National Treasury at the Higher Tax Appeals Chamber (CSRF) is pending judgment. According to the legal advisors of Copesul, the likelihood of a favorable outcome for this case is reasonably possible.

## 23. Financial Instruments

The currencies shown in the derivatives are designated by the codes according to the ISO 4217 standard and are shown below:

CODE	CURRENCY	COUNTRY
BRL	Real	Brazil
EUR	Euro	Euro Zone
JPY	Yen	Japan
USD	U.S. dollar	United States of America

### Non-derivative financial instruments

On December 31, 2008 and 2007, the Company held non-derivative financial instruments, according to the definition given by CPC 14. These financial instruments comprised part of the Company's short-term investments and certain items of its paper debt.

IDENTIFICATION	BOOK VALUE (ASSETS AND LIABILITIES)		STATUS	FAIR VALUE	
	2008	2007		2008	2007
Exchange contract's advance	(149,852)	(28,251)	Passive	(149,852)	(28,251)
Working capital\ Structured Transactions	(905,216)	(388,197)	Passive	(905,216)	(388,197)
BNDES	(236,290)	(44,831)	Passive	(236,290)	(44,831)
Eurobonds	(3,023,099)	(1,401,196)	Passive	(2,440,389)	(1,496,315)
Raw material financing	(21,532)	(20,346)	Passive	(21,532)	(20,346)
Investment funds in foreign currency	107,279		Active	107,279	
Medium Term Notes	(618,684)	(632,567)	Passive	(643,028)	(745,143)
Export prepayments	(4,000,282)	(1,623,294)	Passive	(4,000,282)	(1,623,294)
Project financing (NEXI)	(195,713)	(231,190)	Passive	(195,713)	(231,190)
Time Deposits	522,212	190,995	Active	522,212	190,995
Treasuries	331,452		Active	331,452	
Debentures	(826,276)	(911,632)	Passive	(803,360)	(910,039)
Exclusive investment fund	1,714,355	258,768	Active	1,714,355	258,768
Fixed-Income investments	102,895	296,250	Active	102,895	296,250

Detailed information about these financial instruments can be found in the explanatory notes to "Cash and Cash Equivalents" (Note 4), Securities (Note 5) and "Financings" (Note 16) and "Debentures" (Note 17).

### Risks and derivative financial instruments

#### (a) Risk Management:

The Company is exposed to market risk arising from variations in commodity prices, foreign exchange rates and interest rates, and to credit risk arising from the possibility of default by its counterparties in financial investments, accounts receivable and derivatives.

The Company adopts procedures for managing market and credit risks, in line with a Financial Management Policy and a Risk Management Policy. The aim of risk management is to protect the Company's cash flow and reduce the threats to financing its operating working capital and investment programs.

#### (b) Exposure to foreign exchange risks

The Company has commercial transactions denominate in or indexed to foreign currencies. The prices of the Company's inputs and products are denominated in or strongly influenced by international commodity quotations, which are usually denominated in U.S. dollars. Furthermore, the Company has used long-term fundraising in foreign currencies, which leads to exposure to the variation in the foreign exchange rates between the *Real* and the foreign currencies. The Company manages its foreign currencies exposure using a combination of foreign currency debt, foreign currency investments and derivatives. The Company's foreign exchange risk management policy contemplates maximum and minimum cover limits which must be obeyed, and which are continually monitored.

#### (c) Exposure to interest rate risks

The Company is exposed to the risk that variations in floating interest rates lead to an increase in financial expenses with future interest payments. The floating-rate foreign currency debt is subject mainly to fluctuations in LIBOR. Domestic currency debt is subject mainly to the variation of the Long-Term Interest Rate (TJLP), pre-fixed rates in *Reais* and daily variation of the CDI rate.

#### (d) Exposure to commodities risks

The Company is exposed to variation in the prices of different petrochemical commodities, especially its main raw material, naphtha. The Company seeks to pass on the price oscillations of this raw material caused by fluctuations in international prices. However, part of its sales may be undertaken using fixed-price contracts or within a maximum and/or minimum floating range. These contracts may be commercial agreements or derivative contracts associated to forward sales. On December 31, 2008, the Company had no outstanding contracts of this nature.

#### (e) Exposure to credit risks

The operations that subject the Company and its subsidiaries to concentration of credit risk are mainly bank accounts, financial investments and other accounts receivables, exposing the Company to the risk of the financial institution or client involved. In order to manage this risk, the Company keeps its bank accounts and financial investments with large financial institutions, weighting the concentrations in line with the institutions' ratings and the prices observed in the Credit Default Swaps (CDS) market, as well as entering into netting agreements that minimize the overall credit risk arising from the various financial transactions carried out among the parties.

In regard to customer credit risk, the Company protects itself by making detailed analyses before granting credit and by obtaining real and pro forma guarantees, when deemed necessary.

Counterparty limits and credit quality are reviewed on a daily basis, taking into account their ratings and the prices reigning on the Credit Default Swap ("CDS") market.

#### (f) Derivative financial instruments

The Company uses derivative financial instruments for the following purposes:

##### f.1) Hedge

Hedge activities are executed in line with the Company's policies. The financial management policy includes a continuous short-term hedge program for the foreign exchange risk arising from its transactions and financial items. Other market risks are covered as they are introduced to each transaction. In general, the Company judges the need for hedge while analyzing prospective transactions and seeks to undertake made-to-measure hedge for the transactions under consideration, in addition to preserving the hedge for the entire time frame of the transaction being covered.

The Company may elect to designate derivatives as hedge for applying Hedge Accounting pursuant to CPC 14. Designation of the hedge is not mandatory. The Company will usually elect to designate derivatives as a hedge when it is expected that the application of Hedge Accounting will afford a relevant improvement in demonstrating the off-set effect of the derivatives on the variations of the items being hedged.

On December 31, 2008, the Company held financial derivatives contracts on a total nominal amount of R\$ 1,973,982 (R\$ 1,978,481 on December 31, 2007), of which R\$ 1,694,325 related to hedge transactions designated as such and R\$ 279,657 for other hedge transactions (see (f).i.a and (f).i.b below). There were no derivatives that were used for other purposes.

##### f.2) Modifying the return on other instruments

The Company may use and has used derivatives to modify the return on investments or the interest rate or the correction index of financial liabilities, in line with its judgment regarding the most appropriate conditions for the Company. When the modified return risk using derivatives is substantially lower for the Company, the transaction is considered hedged. When the Company uses derivatives to modify the returns on investments, it seeks to match the obligations it will have by virtue of the derivative with the rights represented by the investments. When it uses derivatives to modify the interest rate or correction index on liabilities, it seeks to match the rights it will have by virtue of the derivative with the obligations represented by the liabilities. These transactions involving modification of investment returns, interest rates or correction indices on financial commitments are undertaken for an amount not exceeding that of the underlying investment or commitment. The Company does not leverage its positions using derivatives. On December 31, 2008, the Company had no transactions with that purpose.

##### f.3) Monetization of certain risks

The Company may use derivatives to monetize certain risks it considers acceptable on account of its exporting profile. By monetizing a risk, Braskem receives financial income in exchange for compensating the counterparty should a specific event occur. On December 31, 2008, the Company had no transactions with that purpose.

All derivative financial instruments held on December 31, 2008 were entered into on the OTC market with large financial counterparties and supported by global derivatives agreements in Brazil or abroad.

The derivative financial instruments are shown on the balance sheet at their fair value, in the asset or liability account, should the fair value represent a positive or negative balance for the Company, respectively. The derivative financial instruments are mandatorily classified as "trading instruments". The periodic variances in the fair value of the derivatives are recognized as financial revenue or expense in the same period in which they occur, except when the derivative is designated and qualifies for cash flow hedge accounting in the period in question.

The fair value of the derivatives is obtained:

- a) from public sources in the case of exchange-traded derivatives;
- b) using discounted cash flow models when the derivative is a forward purchase or sale or a swap contract.
- c) using option contract evaluation models, such as the Black-Scholes model, when the derivative contains option features.

The evaluation premises (model "inputs") are obtained from sources that reflect more current observable market prices, particularly interest rate curves and forward currency prices disclosed on the Mercantile and Futures Exchange, spot foreign exchange rates disclosed by the Brazilian Central Bank, and international interest rate curves disclosed by well-know quotation services like Bloomberg or Reuters.

On December 31 of 2008, the Company had no derivatives that required non-observable premises for calculating their fair value.

The table below shows all transactions using derivative financial instruments existing on December 31, 2008, or which produced financial effects during the 2008 fiscal year. The "Receipts (payments)" column shows the amounts received or paid for the settlements undertaken during 2008, while the "income (expense)" column shows the effect recognized in financial income or expense associated with the settlements and the variance in the fair value of the derivatives during the 2008 fiscal year.

## notes to the financial statements

amounts expressed in thousands of *Reais*, except when indicated

IDENTIFICATION	NOMINAL VALUE	MATURITY	PURPOSE	RECEIVABLES (PAYMENTS)	REVENUES (EXPENSE)	FAIR VALUE	
						2008	2007
Yen-CDI swap (see i.a)	BRL 279,655	Jun/2012	Exchange hedge of NEXI financing	BRL (32,534)	BRL 49,741	BRL 5,562	BRL (76,713)
Interest rate swap (Libor-fixed) (see i.b)	USD 725,000 th.	Oct/2013	Interest rate hedge (designated for hedge accounting)		BRL 654	BRL (109,444)	
USD-BRL exchange swap (see ii.a)	BRL 255,805	Nov/08	Exchange hedge	BRL 62,869	BRL 62,869		
EUR-USD currencies swap (see ii.b)	BRL 503,102	Nov/08	Exchange and interest rate hedge	BRL (21,261)	BRL 18,628		BRL (39,889)
Credit default swap (see ii.c)	USD 100,000 th.	Dez/08	Change of return	USD 360	USD 300		USD 60 th.
Total Return Swap (see ii.d)	USD 450,000 th.	Aug/08	Change of return	USD 6,397	USD (13,173)		USD 19,570 th.
Convertibility swap (see ii.e)	USD 150,000 th.	Jul/08	Monetization	USD 488	USD 366		USD 122 th.

i) Transactions existing on December 31, 2008

On December 31, 2008, the Company and its subsidiaries held the following derivative financial instruments:

### i.a) PROJECT FINANCING (NEXI) - LINKED SWAPS

On December 31, 2008, the Company held four currency swap contracts with a total nominal amount of R\$ 279,657, contracted for hedging yen-denominated financings with floating interest rates, maturing in March and June of 2012. The purpose of these swaps is to offset the fluctuation risk in the Yen-*Real* foreign exchange rate arising from the financings, and to offset the risk of variation in future expenses with interest payments. The term, amount, settlement dates and yen interest rates of the swaps are matched to the terms of the financing. The Company intends to hold these swaps until the financing is liquidated.

The characteristics of each swap transaction are listed below:

IDENTIFICATION	NOTIONAL VALUE (BRL)	INTEREST RATE	MATURITY	FAIR VALUE	
				2008	2007
Swap NEXI I	28,987	104.29% of CDI	Jun/12	2,192	(6,634)
Swap NEXI II	136,495	101.85% of CDI	Mar/12	(6,587)	(45,462)
Swap NEXI III	91,851	103.98% of CDI	Jun/12	7,637	(20,121)
Swap NEXI IV	22,322	103.98% of CDI	Jun/12	2,320	(4,496)

These contracts may require Braskem to make guarantee deposits under certain conditions. On December 31, 2008, Braskem had no guarantee deposits outstanding in regard to these derivatives. The counterparties in these transactions are prime banks with 'A' credit ratings or better from the agencies Moody's, Standard & Poor's or Fitch, which is coherent with the discount rates used to reflect the counterparty credit risk.

The Company elected not to designate these swaps as hedges for applying hedge accounting, since the main risk protected, foreign exchange rate variation, is satisfactorily represented by the simultaneous results of foreign exchange variation of the financing and variation in the fair value of the derivative. As a result, the periodic variation in the fair value of the swaps is recorded as financial income or expense in the same period in which they occur. In 2008, the Company recognized financial income of R\$ 49,741 referring to variation in the fair value of these swaps between December 31, 2007 and December 31, 2008.

### i.b) EXPORT PREPAYMENT-LINKED INTEREST RATE SWAPS

The subsidiary Braskem Inc. held, on December 31, 2008, nine interest rate swap contracts with a total nominal value of USD 725,000,000, which it had entered into for export prepayment debt contracted in US dollars and at (Libor-based) floating interest rates in October 2008, maturing in October 2013. In these swaps, the subsidiary Braskem Inc. receives floating rates (Libor) and pays fixed rates periodically in a manner that matches the prepayment debt cash flow. Of these swaps is to offset the variation in future financial debt expenses caused by Libor rate fluctuation. The term, amount, settlement dates and floating interest rates match the terms of the debt. The Company and its subsidiary intend to hold these swaps until the financing is liquidated.

These swaps were designated as "cash flow hedging" for the fluctuating Libor risk on specified debt, for the purposes of hedge accounting. The actual periodic variations in the fair value of the derivatives designated as "cash flow hedging" that are highly effective in offsetting cash flow variations in the hedged item are recognized in the shareholders' equity under "Adjustments in Equity Evaluation" up to the date on which the respective variation of the hedged object impacts the result. The impacts of Libor on the hedged object are expected to impact the subsidiary's results in each debt interest appropriation period, beginning on the disbursement date and going out to its maturity date.

The Company and its subsidiary test the effectiveness of these hedges on the closing date of each reporting period using the accrued monetary offset method. Under this method, the hedge is considered effective if the cash flow variation of the derivatives is between 80% and 125% of the variation of the hedged item caused by the risk being covered. The effectiveness test on December 31, 2008 showed that the derivatives were highly effective in offsetting the variations in the hedged item caused by Libor fluctuations during the period from when the derivatives were contracted until the end of the reporting period, and that all other conditions that qualify these instruments for hedge accounting were met. As a result, the effect portion of the variation in the fair value of the derivatives, in the amount of (R\$ 109,444), was recorded as the Adjustment in Equity Evaluation. The subsidiary also reclassified from the Adjustment in Equity Evaluation to financial income R\$ 654 referring to the portion of the offset effect of the derivatives on the hedged item, for accrual in 2008.



The characteristics of the swap transactions are listed below:

IDENTIFICATION	NOTIONAL VALUE (BRL)	INTEREST RATE	MATURITY	FAIR VALUE
				2008
Swap EPP I	100,000	3.9100	Oct/13	(15,657)
Swap EPP II	100,000	3.9100	Oct/13	(15,657)
Swap EPP III	100,000	3.9525	Oct/13	(16,046)
Swap EPP IV	25,000	3.8800	Oct/13	(3,845)
Swap EPP V	50,000	3.5675	Oct/13	(6,259)
Swap EPP VI	100,000	3.8800	Oct/13	(15,382)
Swap EPP VII	50,000	3.5800	Oct/13	(6,316)
Swap EPP VIII	100,000	3.8225	Oct/13	(14,855)
Swap EPP IX	100,000	3.8850	Oct/13	(15,427)
				<b>(109,444)</b>

The "Interest Rate" column contains a fixed contract fee which the Company pays in exchange for receiving Libor.

These contracts may require the subsidiary Braskem Inc. to make guarantee deposits under certain conditions. On December 31, 2008, Braskem Inc. had no guarantee deposits outstanding in regard to these derivatives. The counterparties in these transactions are prime banks with "A" credit ratings or better from the agencies Moody's, Standard & Poor's or Fitch, which is coherent with the discount rates used to reflect the counterparty credit risk.

The risk value of the derivatives held by the Company on December 31, 2008, defined as the greatest loss that may result, in one month, in 95% of the cases, in normal market conditions, was estimated by the Company in R\$ 46,622 for the swaps EPP and R\$ 20,773 for the swaps NEXI.

#### ii) Transactions closed in 2008

##### II.A) EXPORT PREPAYMENT-LINKED EXCHANGE RATE SWAPS

Up to November of 2008, the Company held currency swaps with a nominal total value of R\$ 255,805 for the purpose of offsetting the effects of foreign exchange variation on the export prepayment debt in the amount of USD 150,000,000. In these swaps the Company receives exchange variation at US dollar plus 3.94% per annum and pays 98.29% of the CDI. The terms of the foreign exchange profitability match those of the debt covered. These swaps were liquidated in November 2008 for an amount of R\$ 62,869 received by Braskem.

##### II.B) AUSTRIAN REPUBLIC NOTES PROFITABILITY SWAP

The Company held in 2008 currency swaps in a total nominal amount of R\$ 503,102, with the aim of modifying the indexer of the Austrian Republic Notes from fixed-rate Euros to floating rate US dollars (Libor plus spread).

The nominal value, rates and maturity dates of the swap obligations were identical to those of the Austrian Republic Notes in portfolio. The swaps were contracted on the over-the-counter market, with guarantees required by one of the counterparties in the event the fair amount exceeded USD 6,000,000 against Braskem on the verification date, by way of a Bank Certificate of Deposit ("CDB") of the same counterparty. In April 2008, the Company liquidated part of the swap by disbursing R\$ 30,151 and in November 2008 liquidated the remainder, receiving R\$ 8,890.

##### II.C) CREDIT DEFAULT SWAPS LINKED TO BRASKEM'S CREDIT AS PART OF THE FINANCIAL GUARANTEES

The Company held Credit Default Swap transactions with ABN AMRO NV involving USD 100,000,000 and linked to the Braskem credit maturing in 2015, in which the subsidiary Braskem Inc. participated as seller of protection or guarantor of the Braskem credit by means of a deposit with NIB Capital Bank. This derivative was contracted as part of a transaction in which the subsidiary Braskem Inc. sold to ABN AMRO NV a corresponding amount of bonds issued by Braskem which it held in portfolio. These transactions were liquidated in December 2008 for an amount of USD 360,000 received by the subsidiary Braskem Inc.

##### II.D) FUNDS PORTFOLIO TOTAL RETURN SWAP

The subsidiary Braskem Inc. held Total Return Swaps linked to a funds portfolio, in the amount of USD 450,000,000, with the aim of modifying the return on its foreign currency investments while optimizing its financial income. In these contracts, Braskem Inc. paid a fixed interest rate and received the total return equal to the interest and dividend payments plus the variation in the value of the funds portfolio. The derivative enabled the subsidiary to select and change the composition of the referenced funds, having as its advisor the Royal Bank of Canada AAM. This transaction was liquidated in August 2008 for an amount of USD 6,397 thousand corresponding to R\$ 12,786 received by the subsidiary Braskem Inc.

##### II.E) CURRENCY CONVERTIBILITY SWAP

The subsidiary Braskem Inc. had swap transactions with a currency convertibility clause, in the nominal amount of USD 150,000 thousand and a term of 1 year, with the aim of monetizing the interest rate differential between the Brazilian currency and Libor rates. In case of a currency convertibility event, the swap would permit substituting settlement for the net amount, with gross settlement of both debit and receiver balances, whereby the outstanding balance of Braskem Inc. is payable abroad and the creditor balance receivable in Brazil. This transaction was undertaken taking into account the exporting nature of the subsidiary Braskem Inc.

This transaction was liquidated in July 2008 for an amount of USD 488 thousand corresponding to R\$ 770 received by the subsidiary Braskem Inc.

#### iii) Exposure by counterparty

Outstanding exposure of Braskem and its subsidiaries to the risk of default by counterparties in derivative financial instruments is listed in the table below, taking into account the market values of the derivatives plus the guarantees:

COUNTERPARTY	PRINCIPAL	EXPOSURE 2008
Banco Real	18,447	2,192
Citibank	306,254	(5,423)
JPMorgan	86,861	(6,587)
Calyon	408,975	(26,150)
BBVA	467,400	(31,313)
Santander	584,250	(36,598)

## notes to the financial statements

amounts expressed in thousands of *Reais*, except when indicated

### (iv) Components of the equity valuation adjustments due to hedge transactions

The Company has designated certain derivatives as “cash flow hedge”, which created final balances of Equity Valuation Adjustments (AAP). The summary of changes to equity valuation adjustments is given below:

ITEM	AAP BALANCE IN DEC/2007	RECLASSIFICATIONS FOR EXPENSES (REVENUE) IN 2008 BY ACHIEVEMENT OF COMPETENCE	ACTIVITIES OF HEDGES' ACTUAL INSTALLMENT	ACTIVITIES ARISING FROM EFFECTIVENESS' RECOVERY	AAP BALANCE IN DEC/2008
Swaps EPP		(654)	(109,444)		(110,098)

The components of the highly effective offset and the ineffective portion of the variation in the fair value of the derivatives, as well as the reclassification of the amounts referring to the hedges having achieved their competence in the period were recognized as follows:

ITEM	1. FAIR VALUE DEC/2008	2. RECEIVABLES (PAYMENTS)	3. GAIN (LOSS) IN THE PERIOD, OF:	3.A RECOGNIZED IN REVENUES (EXPENSES)	3.B RECOGNIZED IN AAP
Swaps EPP	(109,444)		(109,444)	654	(110,098)

## (g) Sensitivity analysis

The financial instruments, including derivatives, may suffer variations in their fair value arising from the fluctuation of commodity prices, foreign exchange rates, interest rates, shares and shares indices, price indices and other variables. The sensitivity evaluation of derivative and non-derivative financial instruments to these variables is shown below.

### i) Risk selection

The Company selected the three market risks that may most affect the value of the financial instruments it holds, such as: a) the US dollar-*Real* foreign exchange rate; b) the Yen-*Real* foreign exchange rate; c) Libor floating interest rate.

For the purposes of the sensitivity analysis to risk, the Company shows currency exposures as if they were independent, that is, without reflecting in the exposure to one foreign exchange rate the risk of variation in other foreign exchange risks that might be indirectly influenced by it.

### ii) Scenario selection

Pursuant to CVM instruction 475/08, the Company includes three scenarios in the sensitivity analysis, of which one is probable and two which might represent adverse effects for the Company. In preparing the adverse scenarios, the Company considered only the impact of the variables on the financial instruments, including derivatives, and on the items covered by hedge transactions. It did not take into account the global impact on the Company's operations, such as that involving revaluing of stocks and future income and expenses. Since the Company manages its exchange exposure on a net basis, adverse effects verified when the US dollar rises against the *Real* can be offset by the opposite effects on the operating results of Braskem.

The probable scenario considered was the one published by the FOCUS study disclosed by the Central Bank of Brazil on December 26, 2008. In the case of the interest rate variables not included in the FOCUS study, the probable scenario taken into account was the percentage variation of the CDI. In the case of the foreign exchange rate variables not included in the FOCUS study, the probable scenario taken into account was the percentage variation of the US dollar against the Brazilian *Real*.

The possible adverse and extreme scenarios for the US dollar-*Real* foreign exchange rate were considered, respectively, a rise of 25% and 50% in the quotation of the dollar in relation to the *Real* at the close of 2008.

The possible adverse and extreme scenarios for the Yen-*Real* foreign exchange rate were considered, respectively, a rise of 25% and 50% in the quotation of the yen in *Reais* in relation to the yen at the close of 2008.

The possible adverse and extreme scenarios for the Libor interest rate Libor were considered, respectively, a drop of 25% and 50% in the Libor quotation in relation to its final level in 2008.

The sensitivity amounts in the tables below are the variations in the value of the financial instruments in each scenario, with the exception of table (v), which shows the variations in future cash flows.

### iii) Sensitivity to the US Dollar-*Real* foreign exchange rate

The sensitivity of each financial instrument, including derivatives and the items they cover, to variation in the US Dollar-*Real* foreign exchange rate is shown in the table below.

INSTRUMENT	PROBABLE	POSSIBLE ADVERSE (25%)	EXTREME ADVERSE (50%)
Exchange contract's advance	5,256	(35,299)	(70,597)
Advances on bills of exchange delivered	322	(2,164)	(4,329)
BNDES	7,545	(50,667)	(101,333)
Eurobonds	30,811	(206,910)	(1,503,664)
Raw material financing	802	(5,383)	(10,766)
Investment Funds in foreign currency	(3,994)	26,820	53,640
Medium Term Notes	23,032	(154,671)	(309,342)
Export prepayments	84,884	(570,041)	(1,140,081)
Time Deposits	(19,440)	130,553	261,106
Treasuries	(12,339)	82,863	165,726
Pre-payment debt of exports, plus hedge, as follows:	68,109	(457,391)	(914,782)
Pre-payment debt	64,035	(430,030)	(860,060)
Swap EPP (see (f3).i.b)	4,074	(27,361)	(54,722)

## iv) Sensitivity to the Yen-Real foreign exchange rate

The sensitivity of each financial instrument, including derivatives and the items they cover, to variation in the Yen-Real foreign exchange rate is shown in the table below.

INSTRUMENT	PROBABLE	POSSIBLE ADVERSE (25%)	EXTREME ADVERSE (50%)
Financing for projects (NEXI), plus hedge, as follows:	295	(1,981)	(3,961)
Debt (NEXI)	7,286	(48,928)	(97,856)
Swaps (NEXI) (see (f3).i.a)	(6,991)	46,947	93,895

## v) Sensitivity of future cash flows to floating Libor interest rates

The sensitivity of future interest income and expenses of each financial instrument, including the effect of derivatives and the items they cover is shown in the table below. The figures represent the impact on financial income (expenses) taking into account the average term of the respective instrument.

INSTRUMENT	PROBABLE	POSSIBLE ADVERSE (25%)	EXTREME ADVERSE (50%)
Exchange contract's advance	364	(1,863)	(3,691)
Working capital\ Structured Transactions	4,665	(23,367)	(45,559)
Raw material financing	32	(166)	(330)
Export prepayments	2,766	(14,189)	(28,202)
Pre-payment debt of exports, plus hedge, as follows:			
Pre-payment debt	3,564	(18,183)	(35,981)
Swap EPP (see (f3).i.b)	(3,564)	18,183	35,981

## 24. Financial result

	PARENT COMPANY		CONSOLIDATED	
	2008	2007 Restatement	2008	2007 Restatement
<b>Financial income</b>				
Interest revenues	211,512	189,679	139,746	134,727
Monetary variations	26,088	41,663	30,758	36,906
Exchange variations	379,101	(805,865)	466,294	(825,634)
Others	72,533	30,851	81,788	65,209
	<b>689,234</b>	<b>(543,672)</b>	<b>718,586</b>	<b>(588,792)</b>
<b>Financial expenses</b>				
Interest expenses	(462,457)	(237,252)	(560,099)	(470,266)
Monetary variations	(228,299)	(221,348)	(214,869)	(213,198)
Exchange variations	(2,990,885)	1,383,020	(3,212,598)	1,546,720
Tax liabilities - SELIC	(89,713)	(107,625)	(90,634)	(114,428)
Tax expenses	(52,105)	(169,537)	(65,300)	(274,673)
Discounts granted	(110,137)	(121,972)	(121,850)	(137,622)
Others	(123,570)	(160,500)	(137,762)	(124,489)
	<b>(4,057,166)</b>	<b>364,786</b>	<b>(4,403,112)</b>	<b>212,044</b>
<b>Financial result</b>	<b>(3,367,932)</b>	<b>(178,886)</b>	<b>(3,684,526)</b>	<b>(376,748)</b>

## 25. Other operating income and expenses

	PARENT COMPANY		CONSOLIDATED	
	2008	2007	2008	2007
<b>Revenues (expenses)</b>				
Rental of facilities and assignment of right of use	12,236	24,318	12,236	24,318
Recovery of taxes	3,884	110,902	53,075	119,989
ICMS PRODESIN incentive	24,454	15,855	24,467	15,890
Other revenues (expenses), net	13,404	(23,928)	(3,777)	(28,732)
	<b>53,978</b>	<b>127,147</b>	<b>86,001</b>	<b>131,465</b>



**notes to the financial statements**amounts expressed in thousands of *Reais*, except when indicated

## 26. Other income and expenses, net (i)

	PARENT COMPANY		CONSOLIDATED	
	2008	2007	2008	2007
<b>Revenues (expenses)</b>				
Proceeds for disposal of jointly-controlled entity	130,502		130,502	
Gains (losses) on interest in investment		(10,739)		(35,466)
Reduction to the recoverable amount of fixed assets	(144,072)	(13,807)	(144,072)	(13,807)
Provision for fixed loss in investments	(10,241)		(10,220)	
Write-off of discontinued projects	(10,848)		(10,848)	
Reversal of gain of contribution of goods in merged company	(42,816)		(42,816)	
Provision for expenses with disposal of assets	(26,806)		(26,806)	
Depreciation of paralyzed plants and others	(45,308)	(7,214)	(54,440)	(17,951)
	<b>(149,589)</b>	<b>(31,760)</b>	<b>(158,700)</b>	<b>(67,224)</b>

## 27. Insurance cover

Braskem and its subsidiaries have an extensive risk management program that affords cover and protection for all its insurable corporate assets, as well as for losses involving interruption to production, by means of an "All Risks"-type policy. This policy stipulates the amount for maximum probable damage, considered sufficient to cover any | accidents, bearing in mind the nature of the Company's activity and the advice of its insurance consultants. The policy was renewed, valid for 18 months, and includes the different types of cover listed below:

Coverage	BRASKEM	IQ
	(US\$ THOUSAND)	(R\$)
Maximum limit of indemnification for inventories, property, plant and equipment and loss of profits, per event	2,000,000	71,751
Insured assets amount	16,665,983	71,751

Additionally, the Company takes out transportation, group life, sundry risks and vehicle insurance. The risk premises adopted are not part of the scope of the audit, and consequently have not been examined by our independent auditors.

## 28. Trading of shares abroad - NYSE and LATIBEX

### (a) New York Stock Exchange ("NYSE")

The Company's American Depositary Shares ("ADSs") are traded on the NYSE, with the following characteristics:

- Types of shares: Class "A" preferred.
- Each ADS represents 2 shares, traded under the code "BAK".
- Depositary bank abroad: The Bank of New York ("BONY") - New York branch.
- Custodian bank in Brazil: Banco Itaú S.A.

### (b) LATIBEX

The Company's Class "A" preferred shares are traded on the LATIBEX, the market for Latin American companies, quoted in Euros on the Madrid Exchange under the code "XBRK", and under custody of Banco Itaú S.A. The shares are traded in single lots.

## 29. Private pension plans

The actuarial obligations relating to the pension and retirement plans are accrued in conformity with the procedures established by CVM Deliberation 371/2000.

### (a) PETROS / PREVINOR

In June 2005, the Company informed PETROS - Fundação Petrobras de Seguridade Social of its intention to withdraw sponsorship as from the 30<sup>th</sup> day of that month. The calculation of the mathematical reserves of the participants was concluded in November of 2006 and sent that same month for approval of the Supplementary Pensions Department ("SPC", an entity of the Ministry of Social Security, whose role is to regulate and supervise private pension plans. On December 31, 2008, the plan's net assets are greater than the amount of the participants' mathematical reserves.

The benefits to those receiving assistance and PETROS retirees will continue to be paid on a regular basis until the conclusion of the process.

In January 2007, the merged company Politeno, sponsor of PREVINOR, notified its withdrawal of sponsorship as from that month. The plan maintained by Politeno is in surplus, and there is no need for disbursement by Braskem.

**(b) ODEPREV**

The Company has a defined-contribution plan for its employees. The plan is managed by ODEPREV - Odebrecht Previdência which was set up by Odebrecht S.A. as a closed private pension entity. ODEPREV offers its participants, employees of the sponsoring companies, the Optional Plan, a defined-contribution plan, under which monthly and sporadic participant contributions and annual and monthly sponsor contributions are accumulated and managed in individual retirement savings accounts.

The Curator Council ODEPREV annually defines in advance the funding plan, the parameters for the contributions by participants and those of the sponsor companies. Regarding payment of the benefits established in the plan, the liabilities of ODEPREV are limited to the total amount of the participants' units, and in compliance with the regulations of the defined contribution plan, there is not obligation or responsibility on the part of the sponsor company for guaranteeing minimum benefit levels to participants who take retirement.

On December 31, 2008, the mass of participants in ODEPREV comprises 2,633 active participants (2007 - 2,512) while the Company's contributions in 2008 were R\$ 9,751 (2007 - R\$ 5,918) and those of the participants R\$ 18,752 (2007 - R\$ 16,453).

**(c) Copesul**

Merged company Copesul and its employees contribute as maintainers of PETROS in defined benefit pension and retirement plans. In 2008, the rate on the contribution salary was 12.93% on all income of employees covered by the plan. The contributions made by Copesul during 2008 totaled R\$ 6,230 (2007 - R\$ 5,717).

As contemplated in the regulations of PETROS and applicable legislation, in the event the technical reserves are relatively insufficient, maintainers and participants will contribute additional financial funds, or benefits under the plan will be adapted to the resources available. Since the end of the fiscal year, there has been need for any supplementary contribution by Copesul.

In compliance with CVM Deliberation 371, dated September 13, 2000, the Company undertook an assessment of the actuarial liabilities on December 31, 2008 of the post-employment benefits granted to its employees, using the projected credit unit evaluation method based on actual information incurred up until November 30 of each year, with the following result:

	2008	2007
<b>Fair value of plan assets</b>	<b>459,268</b>	<b>437,417</b>
Present value of actuarial obligations	540,039	496,774
<b>Actuarial liabilities</b>	<b>(80,771 )</b>	<b>(59,357 )</b>
Actuarial liabilities already provisioned	6,430	1,559
<b>Net actuarial liabilities</b>	<b>(74,341)</b>	<b>(57,798)</b>

Previously identified gains (losses) are related to the profitability of the plan's assets - differences between the actuarial premises and what actually occurred, and are thus considered actuarial gains (losses). Copesul adopts the policy of recognizing these gains (losses) as income (expense) only when their accrued amounts exceed, in each year, the higher of the following limits: (i) 10% of the present value of the total actuarial liability of the defined benefit and (ii) 10% of the fair value of the plan's assets. The portion to be recognized is amortized annually, dividing the amount thereof by the average remaining working life for employees participating in the plan.

The main actuarial premises on balance sheet date are shown below:

	2008	2007
Actual discount rate	6%	6%
Expected earnings rate on plan assets	6%	6%
Wages' actual increase	1.7% up to entry into retirement	1.7% up to 48 years and null after 49 years
<b>Biometrical bases</b>		
Mortality for pension and peculium charges (valid)	AT-2000	AT-2000
Mortality for pension and peculium charges (invalid)	Experiences (*)	Experiences (*)
Disability	Álvaro Vindas (**)	Álvaro Vindas (**)
Other charges	STEA Experience (***)	STEA Experience (***)

(\*) C.A.P. - Retirees and Pensioners Fund used as the basis for developing the mortality table in the actuarial calculations.

(\*\*) Álvaro Vindas - Tabela de Invalidez (Invalidity Table) used in actuarial calculations.

(\*\*\*) STEA - Serviços Técnicos de Estatística e Atuária Ltda.

The Board of Directors of Copesul, in May 2003, approved the institution of the Copesul Supplementary Pension Plan known as COPESULPREV, a closed plan under the defined contribution modality. This plan seeks to serve employees not covered by the former PETROS plan, today closed to new entrants. The plan is administered through PETROS - in an independent manner, with no links to any other pension plan managed by that entity today, in compliance with the provisions of Supplementary Law 109/2001. Contributions made by Copesul during 2008 totaled R\$ 1,557 (2007 - R\$ 1,350).

## 30. Raw material purchase commitments

The Company has contracts for consumption of electric energy for its industrial plants located in the States of Alagoas, Bahia and Rio Grande do Sul. The minimum annual commitment established in these contracts, with a term of four years, is R\$ 248,459.

Braskem purchases naphtha under contracts establishing a minimum annual volume equivalent to R\$ 6,991,501 (unaudited), based on the market price practiced on December 31, 2008.

## Addresses

### SÃO PAULO – HEADQUARTERS

Av. das Nações Unidas, 8501  
Centro Empresarial Eldorado - Pinheiros  
05425-070 - São Paulo, SP Brasil  
Tel. (55 11) 3576-9000

### SÃO PAULO – VILLA LOBOS

Av. das Nações Unidas, 4777  
Edifício Villa Lobos - Alto de Pinheiros  
05477-000 - São Paulo, SP Brasil  
Tel. (55 11) 3576-9999

### COMMERCIAL OFFICES

#### Florianópolis – SC

Rua Luiz Sanches Bezerra da Trindade, 69 – sala 101 e 102  
88015-160 – Florianópolis – SC – Brasil  
PABX: (55 48) 3821-7600

#### Porto Alegre – RS

Rua Dolores Alcaraz Caldas, 90 – 9º. Andar  
CEP 90.110-180 - Porto Alegre / RS  
Tel. (55 51) 3216 2600

#### Recife – PE

Rua Agenor Lopes, 25 – sala 1702  
Empresarial Itamaraty  
Bairro Boa Viagem  
51021-110 - Recife / PE - Brasil  
Tel. (55 81) 3092 7200

#### Salvador – Bahia

Avenida Professor Magalhães Neto nº 1856  
Edifício TK TOWER, Sala 1101, Pituba  
41.810-012 - Salvador - BA  
PABX: (55 71) 3413-3550

### OTHER COUNTRIES

#### Argentina

Escritório de Vendas  
Av. Alicia Moreau de Justo 1120 piso 2º oficina nº 202/A  
C1107AAX  
Capital Federal - Argentina  
Tel. (54 11) 5252-8870

#### Estados Unidos

220, Continental Drive  
Suíte 202  
Newark, DE 19713  
Tel. 1 – 302 – 709 - 0882

#### Holanda

Braskem Europe BV  
Weena 290 – 3012 NJ  
Rotterdam - Netherlands  
Pabx. (31 10) 205 29 41

#### Venezuela

Av. Rio Caura  
Torre Empresarial Humboldt  
Piso 19, Oficina 19-01  
Caracas - Venezuela  
Pabx. (58 212) 976-5025

### INDUSTRIAL UNITS

#### Basic Petrochemicals

##### UNIB – BA

R. Eteno, 1561  
Pólo Petroquímico de Camaçari  
42810-000 - Camaçari, BA Brasil  
Tel. (55 71) 3413-1000

##### UNIB – RS

BR 386 - Rodovia Tabai-Canoas, Km 419  
Via de Contorno 850  
95853-000 - Triunfo, RS Brasil  
Tel. (55 51) 3457-6000

### Polymers

#### PE 1 – Camaçari Polietilenos 1

R. Eteno, 1582  
Pólo Petroquímico de Camaçari  
42810-000 - Camaçari, BA Brasil  
Tel. (55 71) 3413-3600

#### PE 2 – Camaçari Polietilenos 2

R. Hidrogênio, 3520  
Pólo Petroquímico de Camaçari  
42810-000 - Camaçari, BA Brasil  
Tel. (55 71) 3413-3800

#### PE 3 – Camaçari Polietilenos 3

R. Benzeno, 2391  
Complexo Básico  
42810-000 - Camaçari, BA Brasil  
Tel. (55 71) 3413-4000

#### PE 4 – Triunfo Polietilenos 4

III Pólo Petroquímico  
BR 386 - Rodovia Tabai-Canoas, Km 419  
95853-000 - Triunfo, RS Brasil  
Tel. (55 51) 3721-8600

#### PE 5 – Triunfo Polietilenos 5

III Pólo Petroquímico  
BR 386 - Rodovia Tabai-Canoas, Km 419  
95853-000 - Triunfo, RS Brasil  
Tel. (55 51) 3457-5500

#### PP1 – Triunfo Polipropileno 1

III Pólo Petroquímico  
Via Oeste Lote 5 - Passo Raso  
95853-000 - Triunfo, RS Brasil  
Tel. (55 51) 3721-8100

#### PP2 – Triunfo Polipropileno 2

III Pólo Petroquímico  
BR 386 - Rodovia Tabai-Canoas, Km 419  
95853-000 - Triunfo, RS Brasil  
Tel. (55 51) 3457-5500

#### PP3 – Triunfo Polipropileno 3

Rodovia SP 332, n 134 - KM 134  
Sítio Planalto Paulista  
13140-000 - Paulínia, SP Brasil  
Tel. (55 11) 3957-7101

### Vinyls

#### Caprolactama – Camaçari

R. Hidrogênio, 2318  
Pólo Petroquímico de Camaçari  
42810-000 - Camaçari, BA Brasil  
Tel. (55 71) 3413-3000

#### Cloro-Soda – Camaçari

R. Oxigênio, 765  
Pólo Petroquímico de Camaçari  
42810-000 - Camaçari, BA Brasil  
Tel. (55 71) 3413-3300

#### Cloro-Soda – Maceió

Av. Assis Chateaubriand, 5260  
Pontal da Barra  
57010-900 - Maceió, AL Brasil  
Tel. (55 82) 3177-4900

#### PVC – Camaçari

R. Hidrogênio, 3342  
Pólo Petroquímico de Camaçari  
42810-000 - Camaçari, BA Brasil  
Tel. (55 71) 3413-2600

#### PVC – Marechal Deodoro

Rodovia Divaldo Suruagy, Km 12, Via - II  
Pólo Cloroquímico de Alagoas  
57160-000 - Marechal Deodoro, AL Brasil  
Tel. (55 82) 3177-5400

#### PVC – São Paulo

R. Guamaranga, 1674  
Vila Prudente  
04220-000 - São Paulo, SP Brasil  
Tel. (0xx11) 3202-6400

#### Maceió Mineração

Av. Marechal Cícero de Goes Monteiro, 2889  
Mutange  
57017-320 - Maceió, AL Brasil  
Tel. (55 82) 3241-1015

### Plastic Resin Distribution Terminals

#### Araucária – PR

Terminal Multimodal de Distribuição  
Rodovia PR 423, Km 25  
Bairro Estação  
83705-000 - Araucária, PR Brasil  
Tel. (55 41) 3643-1744

#### Barueri – SP

Rua Jussara, 1250  
Jardim Santa Cecília  
06465-070 - Barueri, SP Brasil  
Tel. (55 11) 3382-2249

#### Contagem – MG

Av. Estrela Polar, 515. - Parte A  
Distrito Industrial Riacho das Pedras  
32242-190 - Contagem, MG Brasil  
Tel. (55 31) 3352-1616

#### Itapevi – SP

Rua Nova São Paulo, 377, Galpão 05 – A – Itaquí  
06500-000 - Itapevi, SP Brasil  
Tel. (55 11) 4141-0533

#### Joinville – SC

Avenida Santos Dumont, 2940 – Prédio 1 – Bom Retiro  
89223-001 - Joinville, SC Brasil  
Tel. (55 47) 3473-1862

#### Paulínia – SP

Avenida Viena, 419 – Distrito Industrial  
13140-000 - Paulínia, SP Brasil  
Tel. (55 19) 3844-1562

#### Pouso Alegre – MG

Rod. Fernão Dias, BR 381 KM 839 S/N  
Ipiranga  
37550-000 - Pouso Alegre, MG Brasil  
Tel. (55 35) 3422-0854

### Caustic Soda Distribution Terminals

#### Candeias – BA

Terminal Químico de Aratu  
Via Matoim, S/N  
Porto de Aratu  
43913-000 - Candeias, BA Brasil  
Tel. (55 71) 3602-7275

#### Imbituba – SC

Av. Pres. Getúlio Vargas, S/N  
Área portuária de Imbituba  
88780-000 - Imbituba, SC Brasil  
Tel. (55 48) 3255-0233

#### Rio de Janeiro

Rua General Gurjão, S/N  
Cajú  
20931-040 - Rio de Janeiro - RJ Brasil  
Tel. (55 21) 2580-5679

#### Santos – SP

Av. Vereador Alfredo Neves, 1055  
Alemoa  
11095-510 - Santos, SP Brasil  
Tel. (55 13) 3299-8768

#### Santos – SP

Ilha Barnabé  
Terminal de Tanques S/N  
Zona Portuária  
11001-970 - Santos, SP Brasil  
Tel. (55 13) 3229-2003

#### Vila Velha – ES

Rua Rio Verde, S/N  
Cais de Paul  
29115-210 - Vila Velha, ES Brasil  
Tel. (55 27) 9926-4333



## Corporate Information

### Depository Banks

#### Brazil: Banco Itaú

Av. Eng. Armando de Arruda Pereira, 707  
9º andar Jabaquara 04344-902  
São Paulo SP Brazil  
Tel. +55.11.5029-1908 Fax 5029-1917

#### United States of America: The Bank of New York Mellon Corporation

One Wall Street  
New York, NY 10286  
Phone: (212) 495-1784

### Tickers

**Brazil:** São Paulo Securities, Commodities and Futures Exchange (BM&FBOVESPA):

BRKM5 (PNA), BRKM3 (ON) and BRKM6 (PNB)

**Other countries:** New York Stock Exchange (NYSE Euronext): BAK  
Madrid Stock Exchange (Latibex): XBRK

### Contacts

Luciana Ferreira  
Roberta Varella

### Independent Auditors

KPMG

## Annual and Sustainability Report

**Responsible for Institutional Relations** Marcelo Lyra do Amaral

**Responsible for Corporate Communication** Nelson Letaif

**Consultancy** Fabio Rocha/Damicos

**Created and Published for Braskem by** Versal Editores

**Graphic Design and Photo Editing** Prata Design

**Written by** Thereza Martins

**English Translation by** H. Sabrina Gledhill

**Photos by** Almir Bindilatti, Eduardo Barcellos, Eduardo Belesky,  
Lalo de Almeida, Lia Lubambo and Luciana de Francesco

**Production Coordinator** Marcos Paulo Ferreira

**Copy-editor (Portuguese version)** Sandra Pereira

**CTP and Printing by** Pancrom Indústria Gráfica

**The information contained in this report can also  
be viewed by accessing [www.braskem.com.br](http://www.braskem.com.br)**

### Braskem S.A.

Av. das Nações Unidas, 8501  
Centro Empresarial Eldorado - Pinheiros  
05425-070 - São Paulo, SP Brasil  
Tel. +55 11 3576-9000



This publication was produced by Pancrom Indústria Gráfica with paper made from FSC certified wood and other controlled sources. The FSC certification assures the respect for the environment and for forest workers.

