

Operator:

Good morning ladies and gentlemen. At this time, we would like to welcome everyone to Braskem's 2Q06 earnings conference call. Today with us we have: José Carlos Grubisich, CEO, Paul Altit, CFO Luiz Henrique Valverde and Luciana Ferreira, Investor Relations managers for Braskem.

We would like to inform you that this event is being recorded and all participants will be in listen-only mode during the Company's presentation. After Braskem's remarks are completed, there will be a question and answer section. At that time further instructions will be given. Should any participant need assistance during this call, please press *0 to reach the operator.

We have a simultaneous webcast that may be accessed through Braskem's website: www.braskem.com.br/ir. The slide presentation may be downloaded from this website; please feel free to flip through the slides during the conference call. There will be a replay facility for this call on the website. We remind you that questions, which will be answered during the Q&A session, may be posted in advance in the website.

Before proceeding, let me mention that forward-looking statements are being made under the Safe Harbor of the Securities litigation reform act of 1996. Forward-looking statements are based on the beliefs and assumptions of Braskem management, and on information currently available to the Company. They involve risks, uncertainties and assumptions because they relate to future events and therefore depend on circumstances that may or may not occur in the future. Investors should understand that general economic conditions, industry conditions, and other operating factors could also affect the future results of Braskem and could cause results to differ materially from those expressed in such forward-looking statements.

Now, I'll turn the conference over to Mr. Valverde, IR Manager of Braskem. Mr. Valverde, you may begin your conference.

Luiz Henrique Valverde:

Good morning, ladies and gentlemen, I would like to thank you all for attending Braskem's conference call, this time to discuss our 2Q06 results.

To begin with, I would like to remind you that the information presented here has already consolidated 100% of Politenó for the 2Q06 and that the 1H06, 2Q05, 1H05 and 1Q06 figures are pro-forma, that is, they have also fully consolidated Politenó's results in order to permit our analysis on a perfectly comparable basis.

So let's move on now to slide 3 and begin our presentation.

Slide 3 shows the increase of the Brazilian resins market. It is important to note that in the 1Q06, Brazilian GDP grew by 3.4% compared to the corresponding period in 2005, and Brazil's industrial sector grew by 5% during this period. This growth was reflected in the Brazilian thermoplastic resins market, which grew by

14% in the 1H06, notwithstanding the significant increase in oil prices, which confirms the competitiveness in the plastics industry in Brazil.

Braskem's domestic PP and PVC sales increased 11% in the 1H06 compared to the 1H05, while those of PE declined by 5%, ensuring that the company maintained its market leadership position. The decline in PE sales was essentially due to the market's restructuring after the start-up of a new competitor.

It is worth emphasizing that domestic PP sales volume in the 2Q06 was the highest since January 2005. Now let's move on to slide number 4.

This is a simplified chart of our current ownership structure. In the 2Q06, Braskem implemented several important corporate actions, including the merger of Polialden and the acquisition of Politenó's control.

With the merger of Polialden into Braskem, all assets which constituted part of the integration process that led to the formation of Braskem now integrate a sole corporate instrument. All corporate acts have been implemented observing principles of transparency and following the highest standard of corporate governance.

Also in this quarter, as widely announced to the market, Braskem acquired the control of Politenó, an important PE plant located in the Camaçari petrochemical complex, increasing its market leadership in Latin America for this resin. As a result of the acquisition, approximately 80% of the ethylene produced by Braskem's basic petrochemicals business unit are integrated with its downstream facilities. It is Braskem's intention to proceed with the integration of Politenó as of the 2Q07.

Currently, there is only 4% of Politenó's total capital as free-float in the market. Braskem's total and voting capital stake in Copesul and in Petroflex were not altered during this quarter.

It is also important to highlight that the free float of Braskem's class "A" preferred shares reached a significant 70%. Now let's move on to slide 5.

In slide number 5 we show some other highlights of this period. On May 4, 2006, Braskem implemented a share buy-back program with a duration of 180 days, under which Braskem has agreed to repurchase up to 13.9 million class "A" preferred shares and 1.4 million common shares. Through June 30, 2006 Braskem held 4.5 million class "A" preferred shares in treasury, approximately 4 million of which were acquired under the share buy-back program, representing 29% of the class "A" preferred shares authorized to be repurchased under this program.

On June 26, 2006, Braskem concluded the analysis of its internal controls one year ahead of schedule and has achieved full compliance with the requirements of section 404 of the Sarbanes-Oxley act regarding internal controls applicable to Companies listed on the NYSE. Braskem's US GAAP reconciliation of its consolidated financial statements, filed together with its form 20-F on the same day, are already in full compliance with the new law;

On July 25, Braskem announced the deposit of its second patent in nanotechnology, which is considered one of the most promising frontiers in polymer science and the general materials sector.

Fitch Ratings Ltd. upgraded Braskem's foreign currency rating from BB, with a positive outlook, to BB+, with a stable outlook. Braskem's national scale risk rating was upgraded from AA-(bra), with a stable outlook, to AA(bra), with a stable outlook.

Moving ahead, to slide number 6, we present some of the main economic effects in the 2Q. Braskem's 2Q06 net revenue decreased by 5% in Brazilian reais when compared to the 2Q05, mainly due to the 13% average interim appreciation of the exchange rate, given the fact that our revenue is linked to the USD.

When expressed in USD, Braskem's net revenue increased 7% in the 2Q06 compared to its net revenue in the 2Q05. The main factors which contributed to this increase were the increase in total sales volume and the 30% increase of export revenue.

Braskem's net export revenue reached US\$ 348 million in the 2Q06, 32% higher than the US\$ 267 million recorded in the 2Q05. This increase was due to the increased sales volume and international market price of aromatics, as well as increased exports of PE and PP. The percentage of export revenue divided by total net revenue increased from 22% in the 2Q05 to 27% in the 2Q06.

EBITDA totaled R\$ 253 million in the 2Q06, compared to R\$ 595 million in the 2Q05. The main factors influencing this performance were:

- (i) the appreciation of the real during the period, which affects 100% of Braskem's revenue and only 80% of its costs;
- (ii) the significant increase in naphtha prices, the company's main raw material, as well as the costs of ethylene and propylene acquired from Copesul, in line with the increase in international oil prices and in energy costs; and
- (iii) the increase in the supply of PE domestically, partially offset by a 14% increase in the domestic thermoplastics resins market.

Braskem's EBITDA, when expressed in USD, decreased by 51%, from US\$ 239 million to US\$ 116 million.

Braskem's financial leverage, measured by the net debt/EBITDA ratio, increased from 2.03x on March 31, 2006 to 2.97x on June 30, 2006, reflecting the following factors:

- (i) investments in the acquisition of Politeño;
- (ii) dividend payments;
- (iii) the share buy-back program;
- (iv) the increase in working capital needs; and, finally,

(v) the reduction in operating cash flow.

Despite such increase, this figure is significantly inferior to the average debt maturity of 16 years.

Braskem's net debt increased from US\$ 1.8 billion in March 2006 to US\$ 2.1 billion on June, 2006. Braskem's cash and cash equivalents amounted to R\$ 1.3 billion on June, 2006.

As a result of all the factors discussed previously, Braskem recorded a net loss of R\$ 54 million in the 2Q06, compared to a net income of R\$ 437 million in the 2Q05.

Moving to the next slide, number 7, we present the factors influencing the year-on-year EBITDA variation in greater detail. Braskem's efforts to keep its prices in line with international levels led to a positive impact of R\$ 46 million on the 2Q06 EBITDA.

The increase in raw material prices, particularly naphtha, whose average price increased 35% in USD, had a negative impact of R\$ 231 million.

The 13% appreciation of the real pushed revenue down by R\$ 375 million, but also reduced costs by R\$ 273 million, leading to a negative net impact of R\$ 102 million.

Total sales volume remained virtually flat, with a negative impact of R\$ 26 million on EBITDA. As a result, Braskem recorded an EBITDA of R\$ 253 million in the 2Q06, equivalent to US\$ 116 million.

In the next slide, which is number 8, we present a review of Braskem's investments for 2006.

Braskem's main investment guideline is to maintain capital discipline under which it prioritizes investment opportunities based on expected profitability and the compliance with health, safety and environmental requirements, as well as Braskem's generation of cash flow during the period.

Given that Braskem cash flow in 2006 has been adversely affected by the factors already mentioned in this presentation, Braskem decided to review its investment program for 2006.

Of the R\$ 900 million that Braskem initially expected to invest in 2006, Braskem now expects to invest approximately R\$ 750 million based on its investment guidelines. However, Braskem expects to make investments in 2006 to increase its annual PE production capacity by 30,000 tons, to increase its annual isoprene production capacity by 8,500 tons, to increase its storage tank capacity at Aratu terminal in Bahia, to implement the "Fórmula Braskem" project, among other projects.

In addition, Braskem expects to spend approximately R\$ 140 million in scheduled maintenance shutdowns during 2006, out of which R\$ 71 million were already disbursed during the 1H06.

Moving to the next slide, number 9, which is our final one, we present our outlook for the 2H06.

Regarding domestic demand, we expect the economic scenario observed in the 1H06 to prevail in the 2H06, which should positively affect the sales performance of Braskem's principal products, thermoplastic resins, during the 2H06.

Regarding prices; with respect to prices for our thermoplastic resins, Braskem will maintain its policy of privileging profitability in the sale of its products, providing high value-added services to its customers that are supported by a differentiated structure of innovation and technology. This strategy has allowed Braskem to maintain overtime domestic prices higher than international market prices considering the import parity prices.

In the 2Q06, these spreads were affected by the additional supply of PE in the domestic market and the increase in imports of thermoplastic resins and of third generation products manufactured with PP. For the 2H06, Braskem's priority, consistent with its policy of maximizing the profitability of its operations, is to increase its domestic thermoplastic resin and prices for other petrochemical products in an effort to recover its historical price spreads.

Regarding our costs, Braskem's main raw materials are naphtha, used by its basic petrochemicals business unit, and ethylene and propylene, both of which are acquired from Copesul and used in the company's second generation plants in the Triunfo complex. These raw materials represented 75% of Braskem's COGS in the 2Q06 and their cost is highly correlated with oil prices. We expect global oil supply and demand to remain very tight, keeping oil prices at historically high levels throughout the rest of the year.

Our investments in Paulínia. Consistent with our strategy to maintain the leadership in the regional thermoplastic resins market, which is expected to grow over the next few years, Braskem is investing, together with Petrobras, in the construction of a new PP plant in Paulínia, in the State of São Paulo, with an annual production capacity of 300,000 tons. This important project received a renewed provisional environmental construction license and the plant is expected to commence operations in the 1Q08.

Regarding Braskem + and Formula Braskem. Braskem foresees to obtain, until the end of 2006, productivity gains estimated to total R\$ 420 million on an annual and recurring basis under the "Braskem +" program. These gains are a result of an increase in productivity and operational efficiencies. Its full impacts will be recognized beginning in the year 2007. Additionally, the Braskem Formula project shall begin operations in the 4Q06, with expected efficiency and production gains, as already disclosed to the market.

Our approach in Venezuela. Braskem is developing two important projects in Venezuela, with the basic premise of building manufacturing plants that will be competitive even with low-cost producers located in the Middle East. Both projects are joint-ventures between Braskem and Pequiven.

In El Tablazo, Braskem is analyzing the construction of a PP plant with an annual production capacity of 400,000 tons. The expected investments for this plant total US\$ 370 million, and this plant is expected to commence operations by the end of 2009.

Also in Venezuela, in the Jose complex, Braskem is analyzing the construction of a new “cracker” to produce ethylene with natural gas, integrated with the production of PE and other second generation products.

Currently this project is in the technical and economic feasibility study stage, and the timetable for this project contemplates the commencement of operations by the end of 2011.

To meet the work demands of these projects, Braskem has begun to mobilize working groups for each project and has opened a branch office in Venezuela to oversee these investments and move them forward.

Well, this concludes our preparing remarks and we may open the session for questions and answers.

Frank McGann:

Good day, everyone. I was just wondering maybe if you could talk about your expectations for competition in the domestic market, how you see that developing over the next 12 months, as Rio Polímeros's capacity gets more absorbed into the market and, two, just looking at the CAPEX changes that you have made, it looks as if most of this is related to reduction in the amount you are investing in new capacity, I was just wondering where you are making changes and what the timing is of new capacity for different products over the next couple of years?

José Carlos Grubisich:

OK, Frank, Grubisich speaking, good morning. Well, as far as market is concerned, The first element of your answer is positive growth in 1H of the year; you may have noticed that the PE market grew by 12%, which was over our expectations initially, we had anticipated lower growth in our business plan so market was very sustained and very good growth for PE, for PP and for PVC as well. As you may know, Rio Polímeros is still facing some production challenges; they are running at 80% to 85% rate of capacity utilization, and at 12% growth rate it means that the market should be growing between 200,000 to 240,000 tons a year.

If you consider that Riopolímeros is running at 80% of their capacity, that would be close to 400,000 metric tons a year, they have a commitment to export 150,000 tons, so if that situation is stable it means that their new capacity would be absorbed by the market between one year and one year and a half, which is less than what we first expected because our assumption was that the market growth would absorb their production in approximately two years.

They had some (...) products in the 1H, which of course put pressure on average selling price in the market because they have to reduce their selling prices to eliminate those (...) material and our expectation is that, taking into consideration

that the international market price for PE, and for the other resins as well, started to recover last May and approximately a 10% price increase was already noticed in the international market, our expectation is that we will be able to realize our selling prices of all our resins, of course including PE, in the 3Q of this year.

In July we have already increased our selling prices in reais between 2% and 4% depending on the grease and the resins, which means between 5% to 7%, when we consider in USD terms. We have already announced a new price increase in the range of 10% to 12% in August, in reais, and we think that the combination of increasing the international market price, a sustained demand in the Brazilian market and the low profitability of all the chemical, thermoplastic resins produced, recorded in the 2Q, all the three elements together will create good conditions for us and others to realign and increase selling prices starting from now and this will of course impact our results.

As far as the CAPEX is concerned, we reviewed the investment proposal for 2006 and we are starting our new planning process for 2007 and we are, again, reviewing our capital expenditure for next year and, basically, what we decided to do in 2006 was to postpone the investment in some new capacity expansions we had planned for the vinils, not for PVC at the end of the chain, but we had some project to invest in Dichloride Ethylene and some chlorine additional capacity, and we decided to postpone to understand better what is going to happen with the new capacity in Asia, in China specifically with this outdated (...) technology, which would eventually impact our profitability for those intermediates. That is why we decided to postpone, to have a better and clear view on what's going to happen going forward.

Frank McGann:

OK, thank you very much.

Eric Ollom, ING:

Hi, good afternoon. Could you give us some guidance on what would be the outlook for the rest of the year, I mean, given that you are going to have these price increases, are you expecting something like a return of what the 1Q showed? And then, secondly, just on your debt policy, I mean, obviously net leverage has increased since hitting a low about a year, a year and a half ago, in the press release you talked about buying back some of the 2008. Have you changed your long-term guidance on what you believe your net leverage should be? And how much of the 2008 do you believe that you would be trying to buy back?

José Carlos Grubisich:

OK, Eric, good day again, I will try to address your question about the outlook for the 2H of the year, and after I will turn over to Paul to discuss the debt management, and which are our policies for the future.

As far as the outlook is concerned, let me start by saying that we do believe that oil price will remain at a high level and we think that the naphtha price will also

remain at a very high level, if we compare to what happened in the 1Q06 and eventually will be leveled out with what happened in the 2Q. But oil price and naphtha cost remain the most volatile variable in our cost structure and, of course, with very heavy impact in our bottom line.

In terms of volume, we think the market in Brazil will keep growing close to the speed it grew in the 1H of the year, we see a very good business environment in Brazil right now, increase in income, credit is more available, and we see many market segments going in the positive direction in the 2H of the year. We are in a year of elections in Brazil and any time we have elections, you know, we have a kind of softer monetary policies, interest rates are being reduced lately – it is in a very low level when we compare with last year and the year before.

So we think the macroeconomic conditions are better, microeconomic conditions are improving very fast; we think that the impact of Rio Polímeros is already in the prices and we do expect to increase our selling prices in the 3Q and, if the international market prices keep increasing as they have been doing lately – almost every week we have price increases in the Asian market, which is the benchmark for us – we see a more positive business environment for Braskem in the second part of the year, and this would enable us to recover our profitability level.

So, now I will turn this debt management policy to Paul Altit.

Paul Altit:

Thanks, José Carlos. Hi, Eric. First of all let me mention that we are expecting to have a better cash flow in the 2H than we did have in the 1H. I think it is easy to understand because basically we had three impacts on the cash on the 1H which we believe should not occur in principle in the 2H. First of all we did have an increase in demand on working capital of R\$ 426 million. What happened is that in the 1H we basically imported less naphtha than we did previously.

I think you remember in the other conference calls we used to share with you that Braskem had an average of import of something around 40% of its total demand and 60% was acquired with Petrobras and this half we basically imported something around 25%, because naphtha was increasing its prices so it was better for us to acquired naphtha from Petrobras, because we pay Petrobras 30 days prices behind us, which gives us a certain advantage when prices are really moving up very quickly, which is exactly what happened in the 1H.

So, in the 2H, should naphtha maintain at least a stable level we should come back to the same level of import which is something roughly around 35%-40% and therefore we should not have the same demand of increasing working capital as we did have in the 1H, which was R\$ 226 million, basically due to imports of naphtha and also because of accounts receivable, not regarding days of accounts receivable but basically because of the prices of the products.

The second main impact on the cash flow in the 1H was because of the downpayment of the acquisition of Politeño, which demanded R\$ 240 million,

which is roughly US\$ 110 million of cash. For certain we shall not have the same kind of disbursement in the 2H.

The third reason is that we did also pay dividends in the 1H of R\$ 335 million and we are not forecasting paying the same level of dividends, even though we are not changing our dividend policy. In principle we should not pay the same level of dividends if we shall pay any dividends whatever in the 2H, (...) R\$ 35 million. When you add working capital, Politeno, and also dividends this takes us to R\$ 1 billion in demand of cash in the 1H which, in principle, should not happen, at least in the same dimension, in the 2H.

Therefore, we are forecasting that net cash should be much better in the 2H, so, to start sharing with you the answer. Regarding the debt policy we had an increase of the net debt in EBTDA basically because of two reasons. First of all, EBTDA really came down in reais, because of the reasons pretty well known by everyone. We had a strong pressure on costs because of naphtha and because of PP and ethylene, so in principle we still believe in the 2H and from 1H of next year we will still have raw material at pretty high levels and, therefore, margins should still be quite pressured in this sense.

But our policy has maintained quite unchanged in the sense that we will still maintain a high level of liquidity, we have not changed our policy, which has been approved by the Board, as you know, so Braskem will still maintain a high level of liquidity, we are considering, eventually, (...), eventually of doing a liability management on our 2008 bonds, but we cannot go ahead on that because of the quiet period and because also of market conditions.

But the (...) are something that eventually we could consider and, if this could be possible, this would put us in a condition that we would never have any strong payments in any single year, which could be considered higher than amortization / depreciation. To this sense, our average of amortization is something around 16 years and it is our intention to maintain at this present level.

Regarding net debt EBITDA, to be very straightforward in answering your question, probably our level should be slightly higher than the guidance we gave last year because the EBITDA down in reais, because of the high level of the naphtha. We were sharing with the market that we were expecting to see Braskem between something around 1.5x-2x times and probably I would push this up 0.5, and Braskem becoming around 1.5x and 2x, probably Braskem will be slightly over 2x and 2.5x probably and eventually if (...) is pretty high; this could be something around 2.5x and 3.0x, but because of that what we will try to do, and strongly believe that we will be successful in this sense, is really to have even more comfortable debt amortization schedule and to maintain a high level of liquidity. So, this is pretty much what we are trying to do.

Regarding CAPEX; we should be funding CAPEX at 70% debt and 30% equity, and Zé Carlos has just mentioned that we have decreased the capital expenditure this year, and this has to do pretty much with what Valverde has shared with you, it has to do with capital discipline. So, if cash flow is not as good as we are forecasting, we shall be reducing capital expenditure in order to maintain capital

discipline. So, I am not sure if I answered your questions, it is what I would like to share with you in principle.

Eric Ollom:

No, that was good, thank you.

Paul Altit:

Thank you very much.

Ricardo Cavanagh, Raymond James:

Good morning, I have two questions; the first one is related to the spread between Brazilian and international prices, you mentioned that spread has narrowed considerably. My question would be if it is possible to give a broad idea of how is this spread in terms of percent for the main products, PVC, PE and PP. And then, if you can give us a view on which are the capacity expansion projects for the industry, again, if possible, that you are foreseeing to materialize next year.

José Carlos Grubisich:

OK, Grubisich speaking. As far as the spreads are concerned, our policy has been, and is still what we are trying to put in place, is to align our prices to the international market; today the benchmark for us is the Asian price, because that is where the product comes from whenever we have imports into the Brazilian market. What do we do? We get the Asian benchmark prices, we add to that all the transaction costs to bring the product into Brazil, all the supply chain costs, all the administrative costs to have the product inland duty-paid, which means that in average that is 1.3 of the Asian benchmark price.

And, on top of that, what is the import parity price we try to command a premium depending on the resins, which is variable because, if we sell to small and mid-size customers of course we can command a higher premium, because they ask for more services from our side in terms of technical assistance, better supply chain, exchange rate exposure reduction, and we can also deliver innovation and technology support for those customers.

When we sell to large customers, of course, they are already prepared to take care of themselves, so we have a lower premium price. Over the 2Q, due to the arrival of Rio Polímeros and due to the expectation of an exchange rate, we saw a higher pressure in the domestic market which was a challenge for us in terms of realigning our selling prices, and what happened starting in May is that international prices recovered a lot and we are making a huge effort to increase our selling prices either in USD and in reais.

We see a combination of sustained growth in the market, with the impact of Rio Polímeros already priced in the market and, as I mentioned before, we were able already in July to increase our selling price, in reais, between 2% and 4%, in USD terms between 5% and 7%, and we are making price increase our top priority for the 2H of the year. So, our commercial people are very much focused on

realigning the prices and trying to take all the opportunities we may find in market segmentation, customer-lawyer fee, and that is really where we are putting our time right now.

I would also like to highlight that we have good expectations going forward in terms of cost reduction, as you may have noticed we have one-shot costs in the 2Q related to the integration of Politenó, stock reduction in our Caprolactam production facility, we may also sum a cost reduction in our PET operation, and we are implementing in July-August also some stock reduction within Braskem and this is going and this is going to be very positive in terms of cost reduction. And starting in the 4Q, our Braskem Fórmula Project will be operational, which means that we are going to start to harvest all the savings that we had already anticipated to the market, close to R\$ 150 million on annual and a recurring basis, and we will stop allocating more cash for the project itself.

We are also accelerating Braskem plant, so by the end of this year we anticipate to have the R\$ 420 million in savings already available for Braskem on annual and recurring basis and we are expecting this to be positive to our 2007 results, so we are going to have cash in and we are no longer going to have cash out related to the project. So, more production available to our sales in the 2H of the year; more selling prices, which will compensate for the cost increase we had in the 1H of the year; more cash coming from the new project and less expenditure related to the implementation of the project, all that together will have a positive impact in our 2H results and will have a full impact in our 2007 profitability.

Ricardo Cavanagh:

Thank you very much for that, and then regarding capacity expansion project international; are you aware of any large capacity expansion project hitting the market next year?

José Carlos Grubisich:

You know, there has been no change in the planning of capacity coming into the market, because, you know, for any petrochemical project between when you make the decision and the project is operational it takes, for the 2nd generation projects, between 2.5 to 3 years and for any 1st generation project it takes roughly 4 to 5 years. So there is no new major announcements, which we take serious announcement, and we are going to see 2007-08, the arrival of the projects which had already been announced many years before in the Middle East, mainly in Iran, but those projects have been delayed and they will not enter the market before 2008.

As far as our Brazilian market is concerned, Riopol is already in operation, 80%, 85% in utilization rate of capacity; our PP expansion will hit the market in 2008 on operational terms, and there is no new major investments under implementation in the Brazilian market and there is no capacity expansion in Argentina either. So, the market tends to be more positive in the 2H of this year and, no doubt, in 2007, as far as local pressure is concerned.

Ricardo Cavanagh:

OK, thank you very much.

José Carlos Grubisich:

You are welcome.

Lilyhanna Yang, JP Morgan:

Hi, good morning. I wonder if you could extend a little bit on the rationale for the investments in Venezuela and if you could give us details on the disbursement per year on the project and a target consumer market. Thank you.

José Carlos Grubisich:

Lilyhanna, the rationale is going to a country where raw material is available in quantity, in quality, and cost is very competitive. As you know, 100% of our prices today are based on liquid stock, naphtha or condensate, so we see a price for naphtha under pressure due to supply demand and also geopolitics worldwide and we think that our growth should be made based on a natural gas under very competitive conditions.

So we are targeting to have in Venezuela a combination of projects with world-scale, updated technology and very competitive fixed-up cost. So our target is one to build one PP project there with 400,000 tons capacity, using very competitive propylene which is going to be supplied by Pequiven and PDVSA, and this is going to be 400,000 tons; the investment cost is in the range of US\$ 350 million roughly, of course, we are still working with Pequiven in all the details in terms of supply agreement, the cost of propylene and trying to detail the investment business case.

And that PP would be supplied to the local market, to the countries in South America where we cannot supply on a competitive basis from Brazil because supply chain is very costly and, of course, having PP available in Venezuela, we will look to the Mexican market, the United States market, because we think we will be going to have a very competitive production basis there.

The other project is an integrated petrochemical complex, so a cracker based on ethylene coming from natural gas, which would be a 1.2-1.5 million tons of ethylene. That project had already been worked out by an action model in a partnership with Pequiven and PDVSA; we are trying to use all the know-how we have and all the know-how Pequiven has in hands right now to put in place a very competitive project, and our target is to have, in Venezuela, a project as competitive as those projects under evaluation and under implementation in the Middle East.

Very low-cost natural gas, let us say between US\$ 1.2-1.5/million BTU, compared to US\$ 7-12 in the United States market, depending on the season, and that is one-day supply chain from the United States market, from the Mexican market which will be net importers in the future. So, if we can put all those objectives

together, we think that we are going to have a very competitive assets in Venezuela and, of course, we are very clear on the risks associated to those projects and we are going to find ways and options to mitigate the risks, but we think that the rewards are more than enough to compensate the risks associated to those decisions.

But, of course, we are not going to make any final decision if we do not meet the criteria already defined by our Board, by our Executive Team, before we go ahead in any of those investment proposals.

Lilyhanna Yang:

OK, thank you.

Operator:

Thank you. I would now like to turn the floor back over to Mr. Grubisich, for any closing remarks.

José Carlos Grubisich:

OK, thank you all for your presence in our international conference call, our team is at your disposal for any further discussions, for any further questions you may have and, of course, our objective is to keep you updated on our performance, our strategy, in order to give you a better outlook of our business so that you can anticipate our performance and we can have you in line with our own expectations.

So, thank you and have a nice afternoon for you in the Northern Hemisphere and have a nice weekend. Thank you very much.

Operator:

Thank you, this thus concludes today's Braskem 2Q06 Earnings Conference Call. You may now disconnect your lines and have a wonderful day.