

**Operator:**

Good morning ladies and gentlemen. At this time, we would like to welcome everyone to Braskem's 4Q09 and 2009 earnings conference call. Today with us we have: Bernardo Gradin, CEO, Carlos Fadigas, CFO and Luciana Ferreira, IRO 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 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 simultaneous webcast that may be accessed through Braskem's IR website: [www.braskem.com.br/ir](http://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 on 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 Luciana Ferreira, Braskem's IRO. Ms. Ferreira, you may begin your conference.

**Luciana Ferreira:**

Good morning ladies and gentleman,

Thank you for participating in yet another Braskem quarterly earnings conference call.

Today we will be commenting on our results for the fourth quarter of 2009.

Before I begin, I would like to remind you that with the merger of the Petroquímica Triunfo assets in may 2009, this conference call is based on pro-forma consolidated information that includes 100% of the results from this new asset for all periods stated. In accordance with CVM instruction 247, these figures also consider the proportional consolidation of the interest in Cetrel S.A. and this not consider the proportional consolidation of the interest in Refinaria Rio Grandense since regards an extension of CVM.

Let's go to the next slide, slide 3, where we will begin our comments...

Here I would like to start by commenting briefly on the current scenario in the global petrochemical industry.

The scenario in the fourth quarter was marked by higher prices for raw materials, resins and basic petrochemicals. The main factors supporting these price increases were: the



seasonally strong demand in china and the recovery in mature markets, associated with a limited supply of products, with this last factor aggravated by the operational problems resulting from the severe winter in the northern hemisphere. In addition, the short-term scenario has been affected by delays in the operational startups of new capacity and by scheduled maintenance shutdowns.

On the other hand, it is important to keep in mind that other factors could reverse this positive situation and spark a new downward trend in prices. These include:

- The new monetary policy announced by the Chinese government aimed at restricting bank loans and preventing a bubble in the real estate sector, which will effectively slow down the country's growth;
- The sustainability of the improvement in European demand, given the economic problems in Greece, Spain and Portugal;
- The high unemployment in the united states, which has continued to adversely affect the recovery in consumption;
- And the effective startup of the new capacity projects that have been announced, especially in Asia and the middle east.

In Brazil, the second half of the year consolidated the recovery in the domestic market for thermoplastic resins, which registered annual growth of around 1%, with the last half responsible for an 18% growth when compared to 1H09. These initial weeks of 2010 have also provided positive signs and continued strength in demand, which is associated with the appreciation in the U.S. Dollar and the upward trend in international prices, which should support a price adjustment in the region.

Following its seasonally weak period, Argentina, which is Latin America's second largest consumer market, has also shown signs of recovery in both prices and demand.

Slide 4 shows the highlights in 2009 and in the fourth quarter:

2009 began as a challenging year, with the petrochemical complexes operating at half of their nominal capacity. The recovery in domestic demand and the gains in productivity resulting from the recent scheduled maintenance shutdowns assured production volumes 8% higher for ethylene and propylene, 15% higher for BTX (in other words, Benzene, Toluene and Xylene) and 10% higher for resins.

The domestic thermoplastic resins market expanded by 1% in 2009, with the recovery gaining strength in the second half of the year, for growth of 18% in relation to the first half, led by growth in pp. The strong demand resulted in weaker seasonal effects than usual in the fourth quarter, which posted growth in line with the previous quarter.

2009 was also marked by a new level in the results of basic petrochemicals, with the contribution these products make to Braskem's EBITDA increasing. The gradual increase in capacity utilization rates and the improved productivity of plants also reflected: (i) the investments made over the years to improve processes, and (ii) the capture of operating synergies between complexes resulting from the consolidation process. Other factors contributing to the higher volumes and revenue were the higher supply of products and



the efforts of the sales teams to take advantage of opportunities in the market, with an increase of 20% in sales volume.

In this context, EBITDA in 2009 was R\$2.5 billion, in line with 2008, although with EBITDA margin increasing by 2.8 percentage points to 16.2%.

In February, Braskem and IDESA announced the signing of an ethane supply contract with the Mexican company Pemex Gás to supply an integrated petrochemical complex using gas as feedstock, with the capacity to produce 1 million tons of ethylene and PES, which will require investment of US\$2.5 billion.

Braskem took important steps forward in its growth and international expansion process with the acquisition of Quattor and Sunoco chemicals, respectively. With these transactions, Braskem advances in its strategic objective to become one of the five largest petrochemical companies in the world.

Slide 5 shows the variation in EBITDA between the third and fourth quarters, with EBITDA declining by R\$224 million between the two periods:

EBITDA between these two periods was benefited by a reversal in the downward trend in international prices for resins and basic petrochemicals that began in mid-November and resulted from the events explained on slide 3, generating a gain of R\$ 287 million;

The positive nonrecurring adjustment of R\$ 73 million resulting from the reversal of a portion of the provision for IPI tax liabilities, which is related to the lower amount paid by Braskem's participation in the tax renegotiation program, also made a positive contribution to EBITDA in the quarter;

The increase in the naphtha ARA price in the fourth quarter generated higher raw material costs, with an EBITDA impact of R\$217 million;

Also under cogs, the higher prices for energy inputs in the period, such as for natural gas and fuel oil, had a negative EBITDA impact of R\$ 112 million;

The 7% appreciation in the average real/dollar exchange rate in the quarter generated a negative impact of R\$121 million, composed of a positive impact on costs of R\$203 million and a negative impact on revenue of R\$324 million;

And the reduction of 3% in total resin sales volume in the period, as well as the lower total sales of basic petrochemicals, had a negative EBITDA impact of R\$69 million.

Let's move on to slide 6...

Slide 6 presents the performance of Brazil's resins market and Braskem's sales in 2009:

Domestic demand for thermoplastic resins grew by 1% in 2009, reflecting the market recovery that intensified during the second half of 2009, which was sufficient to offset the weak demand observed at the beginning of the year, a period that was severely impacted by the global economic slowdown and by the high inventory levels throughout the production chain.



Despite the strong recovery in the second half of the year, Braskem's domestic PE sales fell by 2% from 2008, while PP sales increased by 9%. Meanwhile, domestic PVC sales fell by 8%, reflecting the slower recovery in the construction sector.

Moving on to slide 7...

This slide, slide 7, presents a summary of Braskem's financial statements:

Net revenue in the fourth quarter was of R\$4.3 billion, up 5% from the third quarter. Despite the slight drop in sales volume and prices in the period, since the quarter is seasonally the weakest in the year, the higher oil resales in the quarter contributed an additional R\$285 million to EBITDA. In 2009, net revenue declined by 18%, basically due to the lower international prices for resins and basic petrochemicals.

EBITDA in the fourth quarter was down from the third quarter, mainly due to the higher raw material costs, since in the third quarter Braskem had captured only part of the increase in naphtha prices that occurred in August given the pricing period for the naphtha supplied by Petrobras.

The financial result in both the quarter and the year was influenced by foreign exchange impacts, with a reversal of the net financial expense of R\$ 3.7 billion in 2008 to net financial income of R\$ 572 million in 2009. In the year, there was an impact of R\$547 from the company's participation in the debt renegotiation program (known as refis) that was introduced by federal law 11,941/547.

Moving on to slide 8...

Slide 8 presents Braskem's debt amortization schedule on December 31, 2009:

At the end of the period, Braskem's gross debt stood at R\$9.8 billion, in line with the level registered on September 30.

Braskem continued to maintain a high level of liquidity level in the quarter, holding cash and cash equivalents of R\$3.1 billion, which assures the payment of all obligations maturing within the next 18 months. As a result, net debt stood at R\$6.6 billion, down 1% from the amount on September 30, reflecting the depreciation in the U.S. Dollar in the period. Braskem's net debt in dollar terms remained virtually unchanged, at US\$3.8 billion.

The continued depreciation in the dollar and the subsequent reduction in net debt in local currency, combined with the EBITDA growth registered in 2009, led to a decrease in financial leverage, as measured by the ratio of net debt to EBITDA, from 2.74 times in the third quarter to 2.67 times in the fourth quarter. In dollar terms, this ratio declined by 7% from 3.21 times to 2.98 times.

The average debt term at the end of the fourth quarter was 9.5 years, practically stable in relation to the third quarter. Braskem believes that its annual payment profile is perfectly aligned with its level of cash flow.

Let's go now to slide 9,

This slide presents the benefits from the acquisitions made earlier this year:



In line with the company's strategic objective of becoming one of the five largest petrochemical companies in the world, on January 22 Braskem announced the acquisition of Quattor.

The addition of almost 2 million tons of PE and PP to its portfolio will transform Braskem into a more competitive player and enable it to compete globally, and has made the company the leader in the Americas in terms of thermoplastic resin capacity.

The acquisition of Quattor was organized in order to maintain the company's financial health and discipline, with the planned capital injection resulting in an extremely robust capital structure.

Another acquisition, this time of the polypropylene assets of Sunoco chemicals, represents the first step in the strategy to expand internationally and become the leading petrochemical company in the Americas, as well as to establish operations in one of the world's largest resin consumption markets.

Headquartered in Philadelphia, Pennsylvania, Sunoco chemicals has annual PP capacity of 950 tons and three industrial units. In addition to the industrial units, the acquisition also includes a technology center located in Pittsburgh, Pennsylvania.

Slide 10 presents the company's capital structure, considering a capital increase of R\$ 4.5 billion.

Bear in mind that even after the disbursements related to the acquisitions of Quattor and of the polypropylene assets of Sunoco chemicals, Braskem will maintain a high level of liquidity, with cash of approximately R\$ 7.5 billion, in line with its strategy of assuring its financial health.

Its level of leverage is also very comfortable, at levels well below the limits of its covenants, which is a net debt/EBITDA ratio of 4.5 times in both dollar and local currency.

Let's go now to slide 11,

Slide 11 presents an overview of Braskem's greenfield project to be implemented in Mexico, which is known as the ethylene XXI project:

On last February 23, Braskem and IDESA, a leading Mexican petrochemical group, signed with Mexico's state oil company Pemex, an investment agreement and raw material supply agreement, in this case for ethane, for the installation of an integrated petrochemical project in the country, in which Braskem and IDESA will invest around US\$ 2.5 billion.

At the end of 2009, Braskem and IDESA were the winners of the tender offer held by Pemex Gas and Petroquímica básica for the acquisition of 66,000 barrels per day of ethane, which will be used as feedstock for the petrochemical complex to be built in Veracruz region. The raw material supply agreement is valid for 20 years.

The project involves annual production of one million tons of ethylene and 1 million tons of polyethylene at three polymerization plants, with operational startup expected in 2015.



The initiative should provide significant stimulus for replacing the polyethylene Mexico currently imports.

Braskem and IDESA will hold interests in the joint-venture structure adopted for the project of 65% and 35%, respectively. The financing will adopt a project finance structure, with 70% debt and 30% equity.

Let's go now to the last slide, slide 12...

On this last slide, we present the areas management is currently focusing on:

Management remains confident and committed to its strategic objective of becoming one of the five largest petrochemical companies in the world. On this front, Braskem remains committed to sustainable growth and development, to continuously strengthening its long-term relationships with customers

After announcing the acquisition of Quattor, which made Braskem the leader in the Americas in terms of thermoplastic resins capacity, and of the polypropylene assets of Sunoco chemicals, which represented an important step forward in Braskem's international expansion process and established an important position in the U.S. Market, one of the priorities in 2010 will be to consolidate and capture synergies from the integration of the petrochemical assets of these companies.

Braskem will also focus on analyzing Suape and Comperj petrochemical projects , in order to decide on its participation.

Meanwhile, Braskem's green PE plant is advancing as planned, and is expected to start up operations in 3Q10.

Braskem's leadership maintains its commitment to identifying the best ways to create value for its shareholders. Bear in mind that the recent acquisitions do not rule out the possibility of future transactions in the U.S. Market.

Preserving its financial solidity and liquidity while maximizing its operational profitability remain the focus of the company.

That concludes our presentation. Let's move on now to the question and answer session...

**Operator:**

Thank you. The floor is now open for questions. If you have a question, please press \*1 on your touchtone phone at this or any time. If, at any point, your question is answered, you may remove yourself from the queue by pressing the # key. Questions will be taken in the order they are received. We do ask that when you pose your question that you pick up your handset to provide optimum sound quality. Please hold while we pole for questions.

**Aaron Holmberg, Cantor:**

Good morning. I guess two questions. One, how soon would you pursue further acquisitions in North America? Are you going to put that focus on consolidating what you have for the time being or are you actively studying this thing? The other thing is what the timing of the integration of Quattor is.



**Bernardo Gradin:**

Thank you, Aaron. Good morning. We will focus on consolidating in the near future. We are not actively chewing a new acquisition in the United States, but we are interested on furthering the expansion in the United States. So I do not think we will have news for the very short-term because we will have our hands full for the six months or a year.

With regards to Quattor, the timeframe we expect to have the full approval from the anti-trust authority in Brazil is a maximum of two years, but we have expectations that within one year we will have such approvals. There will be also partial approvals that allow us to pursue the synergies in this year. We expect the anti-trust to provide us with a first response by the end of March.

**Aaron Holmberg:**

Thank you.

**Thais Aleluia, Credit Suisse:**

Thank you very much for the call. My question is, what should we expect margins in 2010 going forward? What is your outlook for margins? Thank you. EBITDA margin.

**Bernardo Gradin:**

Thank you, Thais. Very good question. I do not have a very good answer. It is very difficult to project margins in a market that will have new income of offering in the Middle East and Asia. So, let us see how the market will behave. I think this year will be more difficult than last year. But I cannot precise how.

**Alessandro Arlant, Bank of America:**

Yes, Hi, good afternoon. Just a quick question regarding your debt, does the company plan to tap the international bond market in the 2Q10, maybe a USD bond issue after the Quattor acquisition? Thank you.

**Carlos Fadigas:**

Alessandro, we may consider issuing a bond in the 2H, at a certain point this year. The main purpose would be twofold. One, we want to move some debt from the bank market into the capital market. The major part of Quattor's debt was with the bank market and we want to change that. And our second thing is that by issuing eventually a ten-year bond, we would be able to increase the average life of the Quattor debt as well.

So, although, we probably will not need cash because with the capital increase, we may find ourselves in one month from now with some R\$7 billion to R\$8 billion in cash, but even though we may go ahead and issue a bond at a certain point this year benefiting from the good conditions on the market and because of the impact in the debt profile that a bond issuance would bring. So that is something we are analyzing.

Right now, we have six bonds of Quattor in the secondary market. They are trading at very interesting levels for Braskem. So that also adds should the eventual decision to go ahead and issue a bond at a certain point this year.

**Alessandro Arlant:**



Thank you very much, Fadigas.

**Operator:**

There are no further questions at this time. I will turn the floor over to Mr. Bernardo Gradin for closing remarks.

**Bernardo Gradin:**

In the name of Braskem and Braskem's team, I would like to thank you very much for your attention and time along 2009, which was a very challenging period for all of us, but we are very happy and pleased with the end results.

And we are very optimistic that the new Braskem will provide better increasing results for all stakeholders. Once again, thank you. And see you on our next encounter. Goodbye now. Once again, thank you and see you on the next encounter. Goodbye now.

**Operator:**

Thank you. This concludes today's Braskem's earnings conference call. You may disconnect your lines at this time.

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