Operator:

Good morning ladies and gentlemen. At this time, we would like to welcome everyone to Braskem's 1Q11 earnings conference call. Today with us we have: Carlos Fadigas, CEO; Marcela Drehmer, CFO; and Luciana Ferreira, IRO.

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. 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 will turn the conference over to Luciana Ferreira, Braskem's IRO. Ms. Ferreira, you may begin your conference.

Luciana Ferreira:

Good morning ladies and gentleman, I would like to thank you for participating in yet another Braskem quarterly earnings conference call. Today we will be commenting on our results for the 1Q11.

First we would like to remind you that, pursuant to federal law 11,638/07, the results presented herein reflect the adoption of international financial reporting standards, IFRS. In addition, unless stated otherwise, Braskem's consolidated results reflect, for all periods stated, the pro-forma consolidation of 100% of the results of Quattor Participações and Sunoco Chemicals, which were acquired in April 2010. The information in today's presentation was reviewed by the independent external auditor, with the exception of Sunoco Chemicals for the 1Q10.

Let begin on the next slide, slide number three, where we start our presentation. Braskem's net revenue in the quarter was US$4.4 billion, a growth of 8% from the previous quarter and of 22% from the first quarter of 2010, which reflects the higher prices in international markets.

Braskem registered EBITDA of R$919 million. The result was basically affected by the typically weaker demand in the quarter due to seasonality, the limited availability of products resulting from the power blackout, and the stronger Brazilian Real in the period.

The availability of products, which was affected by the power blackout that involved almost all states in the Northeast of Brazil's and caused unscheduled stoppages at the Company's plants in the region, had a negative impact on EBITDA of approximately R$230 million.

As a result of its strategy to optimize its debt profile and increase its cash generation capacity, at the end of March, Braskem received upgrades from Standard & Poor's and Moody's that put the Company in the category of investment grade.

Braskem's net debt/EBITDA ratio stood at 2.37x on March 31st, a decrease of 2% from the end of 2010 and of 24% from a year earlier, which demonstrates the Company's aim to maintain its leverage ratio below 2.5x.

As part of its continuous commitment to financial solidity, in April, Braskem carried out a US$ 750 million, 10-year bond issue with the lowest interest coupon ever obtained by the Company, 5.75% per annum, and with a yield of 6.00% per annum. The proceeds were used to repurchase around US$ 400 million in bonds maturing in 2014, 2015 and 2017 with costs above 9% per annum in USD; the Company also called US$200 million in perpetual bonds with a cost of 9% per annum.

Regarding the synergies from the Quattor acquisition, of the R$ 377 million estimated to be captured in 2011, R$ 75 million were captured in this 1Q, with the gains coming mainly from the industrial and logistics fronts.

And lastly, in line with its growth plan, Braskem has made important advances in its expansion projects. In March, the Board of Directors approved the butadiene project, which expanded the Company's capacity for this product to 100 thousand tons. With investments of some R$ 300 million and startup expected in 2013, the project will meet the growing world demand for this product, for which prices have risen faster than for other basic petrochemical products.

In early April, Braskem confirmed a strategic partnership with Technip to provide the technology to be used by the cracker. The project's next steps for 2011 involve advancing the engineering work and developing the environmental impact study, as well as the project finance.

Let us go now to slide four, please. On slide four, you can see the performance of the Company's main segments in the 1Q in relation to the same quarter in 2010. Despite the power blackout in the Northeast that adversely affected the Company's sales volume, revenue in USD improved in all segments in relation to the same quarter last year.

In the case of polyolefins, total sales rose by 2%, supported by the higher supply of polypropylene, which suffered from unscheduled shutdowns in the 1Q10. Revenue in USD rose by 17%, supported by the higher prices practiced in the period, following up the upward trend in international prices. Another important factor was the continued strong performance of the agricultural, food and infrastructure segments, for which demand grew by over 10%.

The vinyls segment was one of the segments most impacted by the power blackout, as its plans are located in the Camaçari Complex in the State of Alagoas. Nevertheless, higher sales price partially offset the impact in sales volume which decreased by 10%.

The higher oil prices and scheduled and unscheduled maintenance stoppages, combined with the higher use of natural gas instead of naphtha, have pressured the prices of ethylene and various cracker co-products, with positive impacts on the good performance of basic petrochemicals. The international business segment, which is represented by Braskem America, posted revenue growth of 20%, supported mainly by the higher propylene prices.

Moving to slide number five, we see the performance of Brazil's thermoplastic resin market, as well as Braskem's sales performance by sector. Domestic demand in 1Q11 was in line with that in the same period of 2010, reaching around 1.2 million tons, with the market in the 1Q last year already having presented a strong performance, reflecting the economic recovery after the crisis in 2009, especially in the agricultural sector. Meanwhile, Braskem's sales were 763 thousand tons, down 5% from the 1Q of last year, impacted by the limited product supplies in the period, as commented in the previous slide. We highlight the infrastructure and manufacturing sectors, which, in contrast with the rest of the market, grew by more than 20% in the quarter.

The share of imports remained significant, with market share of 27%, influenced by the limited availability of the Company's product, with production affected by the power blackout, in addition to already low inventory levels due to the scheduled maintenance stoppage at the end of the 4Q; the stronger Brazilian Real in the period; the greater competitiveness of PE produced in the United States; and the entry of products through ports supported by special incentives. The strategy for this year includes recovering a portion of this market share lost in the 1Q.

On slide six presents the factors that influenced EBITDA in the 1Q11. EBITDA in the period was R$919 million, down 14% from the previous quarter, contribution margin had a negative impact of R$81 million, higher prices for resins and basic petrochemicals were insufficient to offset the higher raw material prices, although our margin reduction was lower than the international market. This amount was also affected by the power blackout since the lower sales volume for co-products has a negative impact over ethylene costs. The blackout also generated a negative impact in the period, related to additional losses and costs in the amount of R$ 78 million.

The local currency appreciation generated a negative impact of R$ 25 million, composed of a negative impact on revenue of R$87 million and a positive impact on costs of R$ 62 million. The lower sales volume is basically explained by the power blackout in the Northeast that affected resin production at plants located in the states of Bahia and Alagoas by around 90 thousand tons. The impact was R$35 million and it was not larger because the 4Q10 volume was lower due to schedule maintenance shutdown in that period. The expenses with fixed costs and selling, general and administrative expenses generated a positive EBITDA impact of R$ 71 million.

Moving to slide number seven, we have EBITDA in the 1Q11 compared to the 1Q10. Despite the higher raw material prices, the contribution margin had a positive impact of R$244 million, influenced primarily by the better prices for resins and basic petrochemicals, which followed the upward trend in prices in the international market. The foreign exchange generated a negative impact of R$117 million, composed of a positive impact on costs of R$284 million and a negative impact on revenue of R$401 million, which resulted from the appreciation of 7% in the Real against the USD between the two periods. The power blackout negatively impacted EBITDA in R$78 million related to losses and additional maintenance costs. Lower sales volume led to a R$29 million reduction in the 1Q11 EBITDA.

The expenses with fixed costs and selling, general and administrative expenses had a negative EBITDA impact of R$ 15 million, affected mainly by the structuring of Braskem America, following the acquisition of the PP assets, whose costs were recognized at

Sunoco Chemicals until the 1Q10; the wage increases under the collective bargaining agreement and the payment of auditing services, which last year occurred in the 2Q.

Moving to slide eight, we have Braskem's debt position on March 31st, 2011, with only 11% of total debt coming due in 2011. At the end of the 1Q, Braskem's gross debt was US$ 7.7 billion, in line with the level registered at the end of 2010. In Brazilian Reais, this debt stood at R$12.5 billion, with a reduction of 2% in the period.

The portion of dollar-denominated debt remained stable at 64%, and the balance of dollar-denominated cash and financial investments increased slightly by 2% to US$ 1.8 billion. In Brazilian Reais, this figure remained stable at R$ 2.9 billion. This cash position represents the coverage of debt amortization for 23 months, and after including the stand-by credit line of US$350 million, this coverage increases to 26 months.

As a result, Braskem's consolidated net debt closed the quarter at US$ 5.9 billion, in line with the amount registered at the end of the 4Q of last year. When measured in Brazilian Reais, net debt was R$ 9.6 billion, down 2% from the close of December, influenced by the local-currency appreciation in the same amount in the period.

The stability in the 12-month EBITDA, combined with the reduction in net debt, led to a decrease in financial leverage as measured by the ratio of net debt to EBITDA. In Brazilian real, this ratio, which stood at 2.43x in the 4Q10, declined to 2.37x in the 1Q of this year, in line with Braskem's objective of maintaining its leverage at around 2.5x. When expressed in USD, the leverage ratio stood at 2.52x, a decline of 2%.

In late March, the risk rating agencies Standard & Poor's and Moody's assigned Braskem an investment grade rating. This achievement reflects the improvement in its results, the optimization of its debt and its continuous commitment to growth and financial health.

The average debt term in the quarter was 12.4 years, close to the 12.5 years registered at the end of the 4Q. In April 2011, drawing on part of the proceeds from its US$450 million perpetual bond issue, Braskem exercised the call of its perpetual bond issue carried out in 2006 in the amount of US$200 million, at a cost of 9.00% per annum. In the same period, Braskem made a US$750 million bond issuing due in 2021 and used the proceeds to buy back around US$400 million in securities issued by the Company with less attractive costs, which mature in 2014 with a coupon of 11.75% per annum; 2015 with a coupon of 9.375% per annum; and 2017 with a coupon of 8% per annum.

Let us go now to slide number nine, where we present the synergies from the Quattor operation. The capture of synergies in the quarter came to R$ 75 million, with gains mainly on the industrial and logistics fronts resulting from the higher operational efficiency, highlighting the optimization of production at the cracker, with the higher production of gasoline and butadiene in the São Paulo cracker; the renegotiation of contracts; and the reduction of expenses with storage.

In 2011, the Company expects to capture R$377 million in annual and recurring EBITDA, with this figure rising to R$ 495 million in 2012. The industrial and logistics fronts have the highest concentration of synergies identified. On the industrial front, the highlight was refining the planning for the production and sale of cracker products such as aromatics and butadiene; improvements in the sales mix at second-generation plants, with a reduction in the number of grades per plant; the centralization of the planning of asset maintenance, by optimizing teams and staggering stoppages. On the logistics front, the gains were in large part due to the better planning of sales, distribution and storage activities. On the supply front, the highlights were the integrated purchase of inputs and the renegotiation of third-party contracts.

On the financial front, where the expected capture of synergies represent net present value of R$ 490 million, gains are being captured each quarter, led by fiscal gains and the lower carrying cost of debt.

On our last slide, we present the main areas management is currently focusing on. For 2011, the world outlook remains positive. However, the sustainability of the recovery in the United States, the deterioration of the sovereign debt issues in the euro zone and the potential implementation of measures in China to control inflation are factors that warrant attention.

As for the commodities market, the political conflicts in countries in the Arab world and in North Africa, which hold some of the largest oil reserves in the world, continue to cause volatility in oil prices, driving naphtha prices higher. On the other hand, the recent appreciation of the USD and signs of weaker demand for commodities are factors that mitigate this scenario of higher naphtha prices.

In the short term, this rise in raw material prices has negatively impacted resin-naphtha spreads. On the other hand, for the 2Q11, factors such as strong world demand, higher prices for resins and basic petrochemicals, scheduled maintenance stoppages in Europe and Asia, and operational and structural instability at plants in the Middle East, could minimize this impact. In the medium and long terms, the outlook for the petrochemical industry scenario remains very positive.

Braskem believes that Brazil's thermoplastic resin market will grow by between 9% and 10% in 2011, and given this scenario, the Company remains focused on strengthening its business by promoting the sustainability of the Brazilian petrochemical chain by improving its operating efficiency, cutting costs and working together with clients to regain market share and capturing synergies. Despite the lower result in this 1Q, Braskem believes in its potential cash generation for 2011, with a greater emphasis on the 2H of the year.

Also in 2011, Braskem is planning two major scheduled maintenance stoppages at its crackers. In July, operations at the cracker in the Rio de Janeiro unit, the former Riopol, will be halted for 30 days; and in October, one of the lines of the Triunfo Petrochemical Complex is scheduled to stop for around 40 days. The expectation is that production planning for the year will partially offset the months when maintenance stoppages are carried out.

Bear in mind that the average utilization rate in the 1Q was negatively impacted by the power blackout in the Northeast, but that the utilization rate in the full year should be slightly higher than in 2010, thanks to the operational improvements at the Quattor assets. Seeking to ensure its leadership in the Americas and its vision of becoming the leader in sustainable chemicals, Braskem maintains in its growth pipeline the expansion of its product offering in Brazil, projects in Latin America that take advantage of competitive raw materials, the growing use of renewable raw materials and the definition of the raw material configuration for the Comperj project with Petrobras.

That concludes today's presentation, so let us go now to the question and answer session. Thank you.

Frank McGann, Bank of America/Merrill Lynch:

Yes, hello. I was wondering just if you would comment perhaps on the strength of the market that you saw in the 1Q. It seems as if that the overall Brazilian demand was a little bit perhaps softer than we might have seen in past quarters, and than we would be expecting going forward. I was wondering if you can comment on the reasons for that.

And also imports seem to be a little bit higher than we might have expected, I was wondering if that is a worrying trend and how you are viewing that?

Carlos Fadigas:

Hi, good morning, Frank. Two very interesting questions. The first one, on demand, yes, we had a market that was pretty much in line with the market we had in the 1Q. We have to take into consideration the fact that in 2010 we had a very strong 1Q coming from a weak 2009. So, the comparison is with a very strong quarter.

We had spoken with several of our customers to better understand the dynamics that they are also seeing in the market. And there is an important factor related with the increase in oil and naphtha prices. Most of our customers have reported to us that they saw resistance in the market to accept increase in prices for plastic coming from the fact that their customer were expecting to better understand the dynamic in price, to better understand whether the increase in the price of plastic would be here to stay or, after the volatility of the 1Q, with the crisis in the Arab countries and so on, things will reverse back to the previous level of price.

So, that effect has led to the use of products throughout the value chain, and therefore a lower level of inventories in our customers and also in our customers' customers as well. So, some of the demand we were expecting to have in the 1Q, we do believe we are going to have that in the next quarters. The demand from the final consumer has not changed, and what we have seen was a change in demand from retail, and also from our customers, because of the price fluctuation.

On top of that, some softer demand could have come also from the fact that the economic activity in Brazil really picked up after Carnival; it is a very local thing. And Carnival is almost a one-week vacation in some places, one-week holiday in some places and it happened very late in the year. It varies from the date from one year to another, typically it happens in February. In this case we had this year in the beginning of March and that has led to increase in consumptions later on.

So, when we add the fact that we had a stronger quarter in the 1Q of last year, coupled with the increase in prices and also some delay in consumption, we do believe we are going to get back the growth of the market we did not have in the 1Q, we are going to have that growth back throughout the next quarters, and we still believe we are going to have a growth in plastic demand in Brazil around 9% year over year.

In terms of imports, your second question, we saw an increase in imports in the 1Q. Braskem had a production stoppage in the Northeast of the Country because of a blackout; it was a very big blackout in the sense that it left several states of the Northeast of Brazil without energy. And with the lack of energy, we had to stop the cracker; the naphtha cracker we have in the Northeast is one of the largest naphtha crackers we have. And because of the nature of the process, it took us actually several I would say weeks, close to three months, to have the cracker running back at full speed again.

So, the average utilization rate for this cracker was 55% for the 1Q, and without ethylene, we also had lower availability of PVC and also polyethylene, so we had less volume of sales of these two resins, because of shortage of products due to the blackout. And that has opened some space for imports in the 1Q of the year.

On top of that we had very a strong Brazilian Real, a very weak USD that has made the imported material more competitive. We do not expect that trend to remain the same, and we are going to work in the 2Q of the year and the next quarters to recover some of this market share that we lost as a consequence of the blackout.

Frank McGann:

OK, great. Thank you for a very complete answer. That was great.

Denis Parisien, Deutsche Bank:

Hi. Thanks for the call and congratulations on results despite having the adversity of the cracker in the North, which obviously it made already negative seasonality in the 1Q that much more challenging.

I was wondering if you have come any closer to defining the financing plan for the rollout in Mexico. Will we see you in the market again after your successful liability management transaction? Could you maybe talk a little bit about your financing plans as we go forward? Thank you.

Marcela Drehmer Andrade:

Hi Denis, thank you for your question. Regarding the project finance in Mexico, our idea is to finalize the whole process until the end of the year. So, for instance, we are going into details for the project, to get more details about the project and also to define the source of equipment and service, as well that will help to define the source of funds in this project finance. So, probably until the end of this year we are going to have a more clear answer for your question

But we are not expecting any negative approach; it is the opposite actually, we have received more than US$6 billion in letters of interest to finance this project. So, we are very positive about that.

Regarding our plans for the year, we do not have much debt that we will be doing in this year, only 11% of the total debt. So, we do not have like a clear need to refinance. But of course that we are continuing to follow the market and if we see new opportunities like we did in the last month to do the liability management, to do other things very similar, we could consider to tap the markets again. But it is not that we are expecting right now, but we will continue to follow the market. It will depend on conditions of this market.

Denis Parisien:

Thanks for that. Would that suggest that if you were to do some more liability management it would be a recap of the new bond?

Marcela Drehmer Andrade:

Probably not. We understand that the size of this bond, for instance, is appropriate so we are not considering to increase the size of that. But we can consider different things like a long tenor maybe, or even the bond in Euro that is still something that is in our plans.

Denis Parisien:

Interesting. Thank you very much.

Operator:

I will now turn the call over to Mr. Carlos Fadigas for closing remarks.

Carlos Fadigas:

Well, I would like to thank you for joining us for this call. I would like to thank you on the opportunity to discuss about Braskem's performance and Braskem's strategy.

As we spoke about the blackout effect in the 1Q of the year, I would like to finish the call with a positive word about the future. First of all, we are going to see a market that will grow hopefully close to 10%, but in any case we will grow demand in Brazil that will help Braskem move product that has been exported overseas to be sold in the market, and therefore contribute to the profitability.

We are planning to raise prices of both the coal products, the aromatic products that are growing in price internationally. As we are also going to keep realigning the prices in Brazil with international prices, and that means increasing prices in Brazil roughly between 3% and 4% in Brazilian Reais, and that should add to the profitability of the Company as well.

And we are going to keep working on the growth projects we have. We are building a 200,000 ton PVC plant in the state of Alagoas, in the Northeast of Brazil. We are building a butadiene plant in Rio Grande do Sul, in Brazil. The project Mexico is moving forward quite well. We plan to finalize this year the engineering phase, as well as the financial package for this project.

So, Braskem remains committed with profitability, remains committed with growth. We paid this week R$667 million in dividends to our shareholders, and that is our commitment.

Thank you again for joining us. Looking forward to talking to you again as we have the call to discuss the 2Q of the year later on. And I wish you all have a nice day and a nice weekend. Thanks.

Operator:

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