

BRASKEM SA  
Form 6-K  
March 14, 2012

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**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

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**FORM 6-K**

**REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13A-16  
OR 15D-16 OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the month of March, 2012**  
**(Commission File No. 1-14862 )**

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**BRASKEM S.A.**  
*(Exact Name as Specified in its Charter)*

**N/A**  
*(Translation of registrant's name into English)*

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**Rua Eteno, 1561, Polo Petroquimico de Camacari**  
**Camacari, Bahia - CEP 42810-000 Brazil**  
*(Address of principal executive offices)*

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Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F  Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K  
in paper as permitted by Regulation S-T Rule 101(b)(1).

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in paper as permitted by Regulation S-T Rule 101(b)(7).

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to  
the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes  No

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82- \_\_\_\_\_.

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**MANAGEMENT REPORT**

**BRASKEM 2011**

The Management of Braskem S.A. ("Braskem") submits for your consideration this Management Report and corresponding Financial Statements, which are accompanied by the opinions of the Independent Auditors and the Audit Board for the fiscal year ended December 31, 2011.

Braskem's consolidated results reflect the pro forma consolidation of 100% of the results of Quattor Participações and Sunoco Chemicals, which are assets that began to be consolidated in accordance with the applicable accounting standards as of May and April 2010, respectively. The results of the PP assets of Dow Chemical began to be consolidated in Braskem's results as of 4Q11. Braskem's consolidated financial statements for 2011 were impacted also by the consolidation of Cetrel.

In 2011, Braskem enjoyed important achievements in its strategic agenda, especially in the dimensions of growth and international expansion, making significant advances in implementing its medium- and long-term vision. As a result, the Company consolidated its position as the largest resin producer in the Americas and one of the largest petrochemical companies in the world. Braskem's strategy is based on three pillars: a firm commitment to the growing domestic market, through its expansion projects and its support for the development of Brazil's petrochemical and plastics chain, while always improving the service offered to Clients; its international expansion process, with the acquisition of the Polypropylene business of Dow Chemical and its continued investment in the new integrated Polyethylene plant in Mexico; and lastly, the use of feedstocks made from renewable resources, the consolidation of its leadership in biopolymers through new partnerships with various international clients and the advances in research in Green Polypropylene production.

At the same time, Braskem's teams continued to focus on maintaining the Company's operational excellence and minimizing impacts from the contracting global economy caused by the renewed deterioration in the European debt crisis in the second half of the year, precisely when markets were staging a recovery, which weighed on international demand for petrochemical products and in turn impacted industry profitability. The Company's operating performance was negatively impacted by the challenges posed by the global economic scenario and the stronger Brazilian real in the first half of the year; the incentives granted to imports by certain ports; the unscheduled maintenance shutdown caused by the power blackout that affected plants in the Northeast; and other factors.

The Company's gross and net revenue came to R\$39.8 billion and R\$33.2 billion, respectively, a growth of 15% and 19% in relation to 2010, driven by increases in the average international prices of petrochemicals, which offset the lower sales volume caused by the scheduled and unscheduled maintenance shutdowns, as mentioned above.

EBITDA was R\$3.7 billion, down 8% on the previous year. The lower EBITDA in the year is explained by: (i) the sector's margin compression in the second half of the year; (ii) the average appreciation in the Brazilian real of 5% in the period; and (iii) the lower sales volume. Measured in U.S. dollar, EBITDA was US\$2.2 billion, down 3% on 2010, reflecting the Company's exposure to the U.S. dollar and its efforts to maintain its level of cash generation.

Braskem posted a net loss of R\$517 million, which was adversely affected by the local currency devaluation of 13% in the period, which generated an accounting impact on financial expenses of R\$1.2 billion. However, this effect did not generate any material impact on the Company's cash, since its debt indexed to the U.S. dollar has an average term of 17 years.

## 2011 MANAGEMENT REPORT

Programs to boost competitiveness and productivity by cutting fixed costs and focusing on capturing synergies were some of the instruments used by the Company to tackle the challenges posed by inflationary pressures, expenses with severance benefits and the Company's broader scope resulting from its recent acquisitions.

Working through its Research and Innovation centers, Braskem developed new applications for plastic products as part of its continuous effort to create value for its Clients and the entire plastics production chain. In 2011, the Company registered the launch of 22 new products, adding US\$294 million in risk-adjusted present value to its innovation pipeline. Another highlight was Braskem's activities in partnership with research institutions, which led it to receive the FINEP Innovation Award in the large-company category, in recognition of the more than 30 patents it filed during the year and its investments in alternative sources of renewable raw materials.

Another highlight in the year was Braskem receiving investment grade ratings from the three major global credit risk rating agencies: S&P, Fitch and Moody's. The rating upgrade increased its capacity to tap credit markets at even more competitive conditions and to access a new profile of investors. In July, it carried out a US\$500-million 30-year bond issue, making it the fourth Brazilian company to negotiate this type of placement. It also placed US\$750 million in 10-year bonds at more advantageous conditions than in previous operations with similar profiles. With these issues, the profile of Braskem's debt maturities in U.S. dollar became even more comfortable, with the average debt term lengthening to 12 years and maturities in 2012 corresponding to only 9% of total debt.

In this scenario of volatility and strong competition, in late 2011 the federal government regulated the program "Reintegra", which will be in force through December 2012. The objective is to improve the competitiveness of Brazilian producers by refunding the federal taxes levied on their export sales. The refund corresponds to 3% of the value of export revenue and will be made via cash reimbursements or credits offsetting federal tax payments.

Braskem remains firm in its commitment to invest in Brazil in order to accompany the growth in domestic demand and capture the opportunities to add value to the various cracker streams. Construction is in the advanced stages at the new 200 kton/y PVC plant in the state of Alagoas and at the plant that will produce 100 kton/y of butadiene (an input in the synthetic rubber industry) in the state of Rio Grande do Sul. These two projects alone, which will start operations in 2012, will receive investments of around R\$1.2 billion.

The Company also has a team dedicated to developing studies for part of the new Complex to be built in Rio de Janeiro known as COMPERJ. The feedstocks to be used and the products to be made at the complex are expected to be defined by year-end 2012.

Guided by its strategic vision to become the world leader in sustainable chemicals, Braskem consolidated its position as the world's largest biopolymer producer with its production of Green Polyethylene by strengthening partnerships and forging new ones with leading global companies, in line with its strategy centered on meeting Clients' needs, innovation, maximizing value and sustainability. The Company also made progress on detailing the

construction project for a Green PP plant, which should be approved in 2012.

As it reaffirms its commitment to the growth of Brazil and the petrochemical industry, Braskem seeks to help further improve the country's industrial policy mechanisms to ensure the higher competitiveness of companies that invest in production within the country's borders and eliminate the distortions that promote unfair competition. Developing the petrochemical and plastics production chain in Brazil is a permanent focus at Braskem, which created the Visio Program in 2011 to further strengthen its partnership with Clients and expand joint opportunities for growth. The proposal for creating value for our Clients is based on 3 basic principles: Entrepreneurship, New Business and Competitiveness.

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## 2011 MANAGEMENT REPORT

Regarding its international expansion projects, Braskem made important advances in the Ethylene XXI project to be built in the Mexican state of Veracruz, which consists of a cracker using gas-based feedstock to make 1 million tons/y of ethylene and three integrated polyethylene plants. The project, which was developed in association with the Mexican group Idesa, is in the final stage of the engineering project and the structuring of the financing, which should be concluded in the first quarter of 2012. Earthmoving works have already begun and operations are expected to start in mid-2015. In addition to supplying the Mexican market, which today is a net importer of polyethylene, and potentially generating surpluses for export, the project will play an important role in the strategy to diversify Braskem's feedstock mix by increasing the share of gas-based feedstocks.

In Peru, another country with large gas reserves, Braskem is analyzing the installation, in partnership with PetroPerú, of an integrated complex to produce polyethylene that is similar in scale to the Mexican project. In Venezuela, Braskem and Pequiven continue to move forward in developing a project to produce polypropylene through the joint-venture Propilsur, whose location was changed to the Paraguaná region due to the higher supply of feedstock.

Also in early 2011, Brazil's antitrust agency CADE (Conselho Administrativo de Defesa Econômica) gave full and unanimous approval to Braskem's acquisition of the Quattor assets. The synergies from the acquisition reached R\$400 million in annual and recurring EBITDA gains. For 2012, the projected synergies are estimated at around R\$495 million.

To support its robust growth, Braskem defined a series of initiatives to accelerate its efforts to recruit and develop new leaders who are able to assume key functions in both the domestic and international markets, supporting the development of Members through Occupational Training, in line with its entrepreneurial culture based on the Odebrecht Entrepreneurial Technology (TEO). In addition, in 2011, the Company has been implementing a global leader development program at Wharton School, the prominent business school of the University of Pennsylvania, which will help strengthen its development of new leaders.

Respect for the health and integrity of people (including members, third-party suppliers, partners and neighboring communities) and for the environment is a non-negotiable value of Braskem's corporate culture, which seeks to improve its performance through continuous improvement programs. Underpinned by this principle, in 2011 the Company registered the lowest injury rate with and without lost time in its history, which includes both members and third parties, with improvement of over 40% on the previous year. Drawing on the dedication of our teams, we were able to reverse an initially adverse situation, especially after the accident at the Chlor Alkali plant in the state of Alagoas in the first half of the year, which led to the re-ratification and reinforcement of the entire safety system for this operation.

In recognition of its initiatives on this front, Braskem was once again selected a Model Company in the 2011 Sustainability Guide published by Exame magazine. The Company was also selected, for the seventh straight time, as a component of the Corporate Sustainability Index (ISE) of the São Paulo Stock Exchange (Bovespa). It also received the Value Creation

Award given by the Brazilian Association of Publicly Traded Companies (Abrasca), as well other distinctions.

Braskem's principle of valuing people through education and work is also applied in the communities neighboring its operations, through activities based on productive social inclusion, environmental education and cultural promotion. Some examples of these activities are: participating in the Program for the Integrated and Sustainable Development of Southern Bahia (PDIS) sponsored by the Odebrecht Foundation, which works to help improve the lives of young adults in the field through education and incentives to create jobs and income in the Pratigi Environmental Protection Area; supporting the cooperatives of recyclable-material garbage collectors involved in projects to collect and recycle plastics located in the states of Alagoas, Bahia, Rio Grande do Sul and São Paulo; cultural projects such as the Frontiers of Thought series of lectures, a highlight of which was the presentation in 2011 by Turkish author Orhan Pamuk, who won the Nobel Prize for Literature in 2006.

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## 2011 MANAGEMENT REPORT

### Acknowledgements

Management once again expresses its profound appreciation to our Clients for the confidence they continue to place in Braskem, since their partnership is the foundation that drives us in our constant pursuit of excellence, and to our Shareholders, for their unqualified support in transforming into reality the strategic projects that strengthen the Company. Our appreciation also extends to our Members, Partners and Suppliers for their dedication and competence, which are essential for achieving our accomplishments and results.

The world economy is forecast to grow by 3.3% in 2012, according to the report released by the International Monetary Fund (IMF) in late January, which already considers contraction of 0.5% in the euro zone. With the exception of the United States, where the GDP growth forecast was unchanged at 1.8%, the fund revised downward its growth projections for all other regions. The risk factors remained associated with the potential intensification of the sovereign debt crisis in Europe and the associated impacts on emerging markets.

In the case of Brazil, we expect GDP to grow by around 3.5%. Imported products, which gained ground in the Brazilian market in 2011 in various sectors (textiles, machinery and equipment, motor vehicles, petrochemicals), driven by the granting of ICMS tax benefits at certain ports, the stronger local currency and the robust domestic consumption, should grow more moderately, given that the recent measures adopted by the federal government, such as incentives for domestic vehicles, white goods, textiles, etc., associated with a solution for balancing the competitiveness of local producers in relation to the imported material, should benefit the local producers growth.

Brazil's robust labor market and continued growth in household income should help improve the performance of the local economy, potentially spurring demand for plastic products, given the rising demand for higher value added products.

In this scenario, Braskem's strategy remains centered on strengthening its business and increasing its competitiveness, which include: (i) strengthening the partnership with its Clients, with consequent expansion of market share in the domestic market; (ii) supporting the development of the Brazilian petrochemical chain and plastic industry; (iii) pursuing operational efficiency and cost reductions; (iv) adding value to existing streams; and (v) maintaining its solid financial position.

Regarding commodity markets, the political instability in Arab countries, which recently was aggravated by events involving Iran, brought uncertainty and volatility to oil markets and consequently to naphtha markets, which is the main feedstock used by the petrochemical industry.

The scenario remains marked by caution and we expect spreads in the petrochemical industry to remain pressured in 1Q12, despite the recovery in prices. Demand is expected to gradually



grow with a consequent spread improvement as of 2Q12.

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## 2011 MANAGEMENT REPORT

In the medium and long term, the outlook for the petrochemical industry remains positive. In this light, Braskem maintains its commitment to sustainable growth and development and will continue to act proactively to pursue the best opportunities, seeking to create value for its Clients, Shareholders and the society as a whole, increasing competitiveness throughout the entire petrochemical and plastics production chain, while maintaining its focus on financial discipline.

### § **Revenue**

Braskem recorded consolidated gross revenue in 2011 of R\$39.8 billion, up 15% from R\$34.7 billion in 2010. In U.S. dollar, revenue came to US\$23.8 billion, or 21% higher than the US\$19.7 billion in the prior year.

Similarly, the Company's consolidated net revenue was R\$33.2 billion, representing growth of 19% from the net revenue of R\$27.8 billion registered in 2010. Net revenue growth benefitted from the higher prices for resins and basic petrochemicals fueled by the higher feedstock prices, which reversed their upward trend in the second half of the year, accompanying the international market, due to the deterioration in the economic crisis. In U.S. dollar, consolidated net revenue was US\$19.9 billion, or 25% higher than 2010.

Export revenue in 2011 was US\$6.5 billion (corresponding to 33% of net revenue), up 55% from 2010. This performance was basically driven by the continued resale opportunities, in the amount of US\$2.6 billion, and the higher prices for certain cracker co-products, such as butadiene, which increased by around 50%.

### § **Cost of Goods Sold (COGS)**

Braskem's COGS in 2011 totaled R\$29.3 billion, or 25% more than in the previous year, basically reflecting the higher feedstock prices, which were partially offset by the lower production volume and the positive foreign exchange impact of R\$1.4 billion in the period.

The average price of ARA naphtha in the year was US\$931/ton, or 31% higher than the US\$713/ton in 2010. Braskem acquires the bulk of its naphtha feedstock from Petrobras, with the remainder imported directly from suppliers in North African countries, Argentina, Mexico and Venezuela.

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**2011 MANAGEMENT REPORT**

Regarding the average reference price of gas feedstock, Mont Belvieu prices of ethane and propane increased from 2010 by 28% and 25% to reach US\$77 cts/gal and US\$146 cts/gal, respectively. These price increases were driven by (i) the severe winter in the Northern Hemisphere at the start of the year, which impacted operational levels at plants; and (ii) the unscheduled downtime that limited the supply of gas. In the case of U.S. Gulf propylene, the average price in 2011 was US\$1,629/ton, or 23% higher, impacted by the product's limited supply.

**§ Selling, General and Administrative Expenses**

In 2011, SG&A expenses were R\$1.9 billion, virtually in line with the 2010 figure, demonstrating the Company's efforts to reduce its fixed costs, even in a scenario marked by inflationary pressures.

**Selling Expenses** were R\$824 million, in line with the previous year. The lower sales volume resulting from the scheduled and unscheduled maintenance shutdowns was partially offset by the higher spending on logistics and the reclassification of expenses with container handling at ports in the second half of the year. **General and Administrative Expenses** were R\$1.1 billion, in line with 2010, and were influenced in large part by (i) the higher personnel expenses related to the annual wage increases under the collective bargaining agreement and the adjustments to the salary scale; and (ii) the higher expenses with third-party services, such as consulting.

In 2011, despite the consolidation of Cetrel, the PP assets acquired from Dow and the higher impact from Braskem Idesa (Ethylene XXI Project in Mexico, which was consolidated as of June 2010), which added SG&A expenses of R\$37 million, as well as annual wage increases, SG&A expenses came to R\$1.9 billion, virtually unchanged from 2010, which demonstrates the Company's efforts to reduce fixed costs even in a scenario marked by inflationary pressures.

**§ EBITDA**

Braskem's consolidated EBITDA in 2011 was R\$3.7 billion, down 8% from R\$4.1 billion in the previous year. Factors contributing to this performance were (i) the lower sales volume, which was affected by the power blackout that impacted production until mid-May and by the scheduled maintenance shutdown; (ii) the narrowing of thermoplastic resin spreads<sup>1</sup> (accompanying the trend in international markets), which decreased 15% in the year and were partially offset by the higher basic petrochemical<sup>2</sup> spreads, which widened by around 20%; and (iii) the average appreciation in the Brazilian real of 5% between the periods.

EBITDA margin in 2011 was 11.3%, compressing 330 bps from 14.6% in 2010. Excluding the effects from naphtha resales, EBITDA margin was 12.8% in the year. In U.S. dollar, EBITDA in the year decreased 3% from the previous year to US\$2.2 billion in 2011, which reinforces the

Company's exposure to the U.S. dollar.

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<sup>1</sup>65% PE (USA), 25% PP (Asia) and 10% PVC (Asia)

<sup>2</sup>80% Ethylene and propylene, 20% BTX – base Europe

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## 2011 MANAGEMENT REPORT

**§ Net Financial Result**

In 2011, the net financial result was an expense of R\$2,805 million, versus the expense of R\$1,618 million in the prior year. This variation is mainly explained by the appreciation in the U.S. dollar<sup>3</sup> against the Brazilian real of 13% in the period, which generated a negative impact of R\$1.2 billion.

Since Braskem holds net exposure to the U.S. dollar (more dollar-pegged liabilities than dollar-pegged assets), any shift in the exchange rate has an impact on the accounting financial result. On December 31, 2011, this exposure was composed: (i) in the operations, by 59% of suppliers, which was partially offset by 66% of accounts receivable; and (ii) in the capital structure, by 73% of net debt. Given its heavily dollarized operational cash flow, the Company considers this exposure adequate. Practically 100% of the Company's revenue is directly or indirectly pegged to the variation in the U.S. dollar exchange rate, and approximately 80% of its costs are also pegged to this currency.

Note that the negative exchange variation impact of R\$1,237 million does not have a direct impact on the Company's cash position in the near term. This amount represents exchange-variation accounting impacts, especially on the Company's debt, which will only be disbursed when the debt, which has an average maturity of 12 years, matures. Dollar-pegged debt has an average maturity of 17 years.

Excluding the effects from exchange and monetary variation, the net financial result in 2011 was an expense of R\$1,326 million, which represents a decrease of R\$342 million from the net financial expense in the previous year, which is basically explained by the lower amount of non-recurring expenses in the period. In 2011, the non-recurring expenses related to the Liability Management strategy carried out in April and the prepayment of certain financial transactions totaled R\$165 million, compared to the R\$462 million in non-recurring expenses registered in 2010. In both cases, these expenses were related to operations aimed at adjusting the Company's debt profile.

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<sup>3</sup> Exchange rate at end of period.

## 2011 MANAGEMENT REPORT

Million of R\$	2011	2010
<b>Financial Expenses</b>	<b>(3,574)</b>	<b>(2,011)</b>
Interest Expenses	(990)	(932)
Monetary Variation (MV)	(301)	(441)
Foreign Exchange Variation (FX)	(1,660)	431
Net Interest on Fiscal Provisions	(236)	(268)
Others*	(387)	(801)
<b>Financial Revenue</b>	<b>769</b>	<b>393</b>
Interest	231	272
Monetary Variation (MV)	59	86
Foreign Exchange Variation (FX)	423	(25)
Net Interest on Fiscal Credits	37	8
Others	19	52
<b>Net Financial Result</b>	<b>(2,805)</b>	<b>(1,618)</b>

Million of R\$	2011	2010
<b>Net Financial Result</b>	<b>(2,805)</b>	<b>(1,618)</b>
Foreign Exchange Variation (FX)	(1,237)	405
Monetary Variation (MV)	(242)	(355)
<b>Net Financial Result Excluding FX and MV</b>	<b>(1,326)</b>	<b>(1,668)</b>

\* Non-recurring expenses classified under Others

With the objective of protecting its cash flow and reducing volatility in the financing of its working capital and investment programs, Braskem adopts market and credit risk management procedures that are aligned with its Financial Management Policy and Risk Management Policy. In December 2011, the Company held seven 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, gains or losses in derivative positions will be offset by gains or losses in the protected assets and liabilities.

## § **Loss**

In 2011, Braskem reported a loss of R\$517 million, which compares with net income of R\$1,889 million in 2010. In addition to the lower cash generation capacity in the period, this result was also attributable to the foreign exchange loss of R\$1.2 billion, which was driven by the depreciation in the Brazilian real in the second half of the year.

### § **Capital Structure, Liquidity and Credit Rating**

On December 31, 2011, Braskem's gross debt stood at US\$8,084 million, increasing 6% from the balance registered a year earlier. Due to the uncertainty in the global environment and with the aim of preserving its liquidity, in late 2011, the Company took advantage of attractive conditions in the local market and contracted a R\$800-million, eight-year credit line from Caixa Econômica Federal, and also raised approximately US\$250 million in offshore loans with an average term of 4.5 years. 63% of gross debt was dollar-pegged at the end of 2011.

The balance of dollar-denominated cash and financial investments decreased by 2% to US\$1,702 million. Braskem maintains its strategy of optimizing cash carrying costs by contracting two stand-by loans with combined value of US\$600 million that do not include any restrictive covenants on withdrawals during times of Material Adverse Change (MAC Clause). Only prime banks with low default risk (as measured by credit default swap) and high credit ratings participated in the transactions.



## 2011 MANAGEMENT REPORT

Net debt ended 2011 at US\$6,382 million, up 8% from US\$5,905 million on December 31, 2010. In Brazilian real, this increase was 22%, mainly due to the appreciation in the real versus the dollar of 13% at the end of the period.

Also with the purpose of adjusting the level, term and profile of its debt, Braskem carried out funding operations in the capital markets during 2011 that raised a combined US\$1.2 billion, seeking to replace more expensive obligations with shorter average terms.

In April, the Liability Management transaction carried out by the Company marked the first one after it was assigned investment grade ratings from S&P and Moody's and involved a US\$750-million bond issue due in 2021 with a yield of 6.00% p.a. and coupon of 5.75% p.a., which was used to repurchase (i) 66% of the medium term notes (MTN) due in 2014 with a coupon of 11.75% p.a.; (ii) 56% of the bonds coming due in 2015 with a coupon of 9.375% p.a.; and (iii) 52% of the 2017 senior notes with a coupon of 8% p.a. In the same period, the Company exercised the call option on the US\$200 million in perpetual bonds with a cost of 9.00% p.a. that it issued in 2006.

In late July 2011, Braskem placed US\$500 million in 2041 bonds with yield of 7.25% p.a. and coupon of 7.125% p.a. This was its first 30-year issue and allowed it to tap a new profile of investors.

Financial leverage measured by the net debt/EBITDA ratio increased from 2.56x at the end of 2010 to 2.83x when measured in dollars, which was driven by the lower operating result in the year. In Brazilian real, the leverage ratio stood at 3.20x, up by 32%, mainly reflecting the stronger U.S. dollar in the period.

On December 31, 2011, the average debt term was 12 years. Considering only the portion denominated in U.S. dollar, the average debt term was around 17 years. The Company's average debt cost ended the period at 5.98% in U.S. dollar and 9.82% in Brazilian real.

The following charts show the Company's gross debt by category and indexer, as well as its amortization schedule, on December 31, 2011.

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Only 9% of Braskem's total debt matures in 2012, and its high liquidity ensures that its cash and cash equivalents cover the payment of obligations maturing over the next 26 months. Considering the stand-by credit lines, this coverage is 29 months.

### **Credit Risk Rating – Global Scale**

In 2011, Braskem was assigned investment grade ratings by the three major global credit risk rating agencies.

In late March, Standard & Poor's and Moody's upgraded Braskem's rating to "BBB-" and "Baa3", respectively, both with a stable outlook. This achievement reflects the Company's strategic positioning, the accelerated capture of synergies from the Quattor acquisition, the better debt profile and its permanent commitment to growth and financial health.

In November, Fitch Ratings upgraded Braskem's global rating to "BBB-", with a stable outlook. The agency noted as positive factors Braskem's strategic position in the global petrochemical industry, the effective management of its financial profile and its strong ownership structure.

### § **Polyolefins and Vinyls Performance**

In 2011, Brazil's thermoplastic resin market remained virtually stable in relation to 2010, contracting a slight 0.8%. The demand of 4.9 million tons was affected by the entry of imported manufactured goods during the year. The Polyolefins market (PE and PP) contracted by 2% in the year, while the PVC market expanded by 4%. The solid performance of the PVC market, which is heavily related to the construction industry, accompanied the National Construction Price Index (INCC), which measured inflation of 5.6% in 2011 and maintains a positive path for 2012.

Resin imports advanced and reached market share of 29% in the year, due to: (i) the stability and appreciation in the Brazilian real; (ii) the opportunistic entry of a higher volume of imported materials through ports with incentives, which grant ICMS tax credits benefits (that reach 9% in the state of Santa Catarina), which is a procedure that has been ruled unconstitutional by the Federal Supreme Court (STF); (iii) the deceleration in demand in developed economies, which has made Brazil and other emerging economies attractive consumer markets; and (iv) the shortfall in the PVC market, in which ex-producer imports totaled around 330 kton.

Given this scenario, Braskem's domestic polyolefin sales (PE and PP) decreased by 9% and 7%, respectively. Sales volume was also influenced by the destocking trend in the chain, given the uncertainty in the global scenario. In the specific case of PVC, the decrease of 4% in sales volume was driven by contraction in production, which is explained by the interruption in power supply that adversely affected the Company's assets located in Brazil's Northeast. In general, the lower sales volume was partially offset by the higher average price in the period, which accompanied the trend in international markets.

In the export market, Polyolefin sales increased 13% compared to 2010, due to (i) the supply of captive markets in which the Company has qualified sales; and (ii) the windows of opportunity in liquidity markets, particularly Asia.

Despite the adverse effects from the power blackout in the Northeast in 1Q11 and the scheduled shutdowns during the year, Braskem was able to keep its production level stable, producing 4.0 million tons of polyolefins, down 4% from 2010, and 439 kton of PVC, down 8% from 2010.

## 2011 MANAGEMENT REPORT

Performance (tons) POLYOLEFINS	2011 (A)	2010 (B)	Change. (%) (A)/(B)
<b>Sales - Domestic Market</b>			
PE's	1,524,933	1,674,825	(9)
PP	1,149,814	1,233,301	(7)
Total Domestic Market	2,674,747	2,908,127	(8)
<b>Sales - International Market</b>			
PE's	881,762	823,328	7
PP	421,647	330,729	27
Total Exports	1,303,409	1,154,057	13
<b>Total Sales</b>			
PE's	2,406,695	2,498,153	(4)
PP	1,571,461	1,564,030	0
Total Sales	3,978,156	4,062,183	(2)
<b>Production</b>			
PE's	2,391,136	2,536,776	(6)
PP	1,565,493	1,597,621	(2)
Total Production	3,956,628	4,134,397	(4)

Performance (tons) VINYLs	2011 (A)	2010 (B)	Change. (%) (A)/(B)
<b>Sales - Domestic Market</b>			
PVC	483,995	504,780	(4)
Caustic Soda	414,996	463,072	(10)
<b>Production</b>			
PVC	438,895	475,559	(8)
Caustic Soda	366,923	460,773	(20)

§ **Basic Petrochemicals Performance**

The year 2011 was marked by higher prices for basic petrochemicals, especially butadiene, paraxylene and toluene, which experienced average increases of 26% from 2010. These increases are basically explained by the increased competitiveness of gas over naphtha, favoring the use of light feedstocks (e.g., ethane), which limited the supply of cracker co-products.

In 2011, total ethylene and propylene sales decreased by 4% and 10% from the previous year to 872 kton, while total BTX sales decreased by 12%. In general, the reductions in sales volume are explained by the lower supply of products, which was affected by the unscheduled maintenance shutdown due to the power blackout and by the moving forward of a scheduled maintenance shutdown to late 4Q11 in response to the lower demand and uncertainty regarding the global economy. The lower sales volume was partially offset by the higher average price, which registered a double-digit increase in the year.

Average capacity utilization at the Company's petrochemical complexes in the year was 83%, compared to 87% in 2010, which reflects the power blackout that affected operations in the Northeast in 1Q11 and the scheduled shutdown at the plants in Rio de Janeiro (former Riopol) and Triunfo, as well as the moving forward to 4Q11 of the maintenance shutdown at the cracker in the state of Bahia. In this scenario, the Company registered a 5% decrease in ethylene production in relation to 2010.

## 2011 MANAGEMENT REPORT

In 3Q11, Braskem executed an agreement with Basf to supply propylene to the acrylic complex in Brazil to be built in Camaçari, Bahia, which will allow the Company to redirect sales of this product from the export market to the domestic market, which will increase value creation through year-end 2014.

Performance (tons) BASIC PETROCHEMICALS	2011 (A)	2010 (B)	Change. (%) (A)/(B)
<b>Sales - Domestic Market</b>			
Ethylene	491,288	507,407	(3)
Propylene	217,699	254,045	(14)
Cumene	290,875	288,890	1
Butadiene	252,915	250,215	1
BTX*	596,576	604,148	(1)
<b>Sales - International Market</b>			
Ethylene	7,737	9,853	(21)
Propylene	155,590	160,398	(3)
Cumene	-	-	0
Butadiene	58,627	77,891	(25)
BTX*	387,240	516,863	(25)
<b>Total Sales</b>			
Ethylene	499,025	517,260	(4)
Propylene	373,288	414,443	(10)
Cumene	290,875	288,890	1
Butadiene	311,542	328,107	(5)
BTX*	983,815	1,121,010	(12)
<b>Production</b>			
Ethylene	3,119,158	3,276,626	(5)
Propylene	1,412,019	1,520,142	(7)
Cumene	295,529	286,284	3
Butadiene	314,534	321,709	(2)
BTX*	1,165,437	1,310,545	(11)

BTX\* - Benzene, Toluene, Orthoxylene and Paraxylene

### § **International Business Performance**

The International Business Unit, represented by Braskem America, registered sales volume of 1.0 million tons of PP, up 21% from 2010, which is explained by the consolidation of the results from the PP business of Dow Chemicals as of 4Q11. The average capacity utilization rate in 2011 was 85%, which was partially due to the scheduled shutdown at the LaPorte site in 2Q11 and to the operational problems in Marcus Hook related to the supply of feedstock.

Performance (tons) INTERNATIONAL BUSINESS	2011 (A)	2010 (B)	Change. (%) (A)/(B)
<b>Sales</b>			
PP	1,016,823	840,095	21
<b>Production</b>			
PP	1,010,183	840,022	20

## 2011 MANAGEMENT REPORT

In 2011, the capture of synergies totaled R\$400 million in annual and recurring EBITDA. The majority of these synergies remained concentrated in initiatives in the industrial, logistics and supply areas. Examples of initiatives on the industrial front include better production mix at second generation plants, with a reduction in the number of grades per plant; the centralization of the asset maintenance strategy, which included optimizing teams and the planning of scheduled shutdowns; and optimizing the extraction of cracker streams. On the logistics front, the highlight was the gain in freight operations due to the better planning of operations involving domestic and export sales, distribution and storage. On the supply front, the highlights were the integrated purchase of inputs and the renegotiation of third-party contracts. For 2012, the Company maintains committed to capturing the full R\$495 million in annual and recurring EBITDA. In addition to the operational synergies, there were also gains on the financial front due to the lower carrying cost of debt.

In July 2011, Braskem executed a contract with Dow Chemical for the acquisition of its Polypropylene business (PP). The transaction represented an important step forward in consolidating the Company's international expansion and positioned it as the largest PP producer in the United States.

The transaction involved 4 industrial units, 2 plants in the United States and 2 plants in Germany. The U.S. assets, located in Freeport and Seadrift, Texas, have combined production capacity of 505 kton, which represents 50% of the country's annual PP production of 1,425 kton. The German assets, located in the cities of Wesseling and Shckopau, have combined annual production capacity of 545 kton.

On September 30, 2011, the acquisition was approved by the antitrust agencies of the United States and (Federal Trade Commission and Antitrust Division of the U.S. Department of Justice) and Europe (European Union). The US\$323-million transaction was paid at sight, with the cash disbursement made on the first business day in October. Therefore, as of 4Q11, the results of these assets began to be consolidated in Braskem's results. The NPV of the synergies identified from the acquisition is US\$140 million, which will be captured mainly by optimizing the portfolio, the costs related to logistics and supply and the acquisition of feedstock and by maximizing operating efficiency at the industrial plants.

Braskem, keeping with its commitment to develop the petrochemical industry and plastics chain, has based its strategic-innovation management on creating new technologies, processes and products.

The aim is to meet its clients' needs and propose new solutions that add quality to the final products offered to society. To achieve this goal, Braskem has two Innovation & Technology



centers, one in Brazil and the other in the United States, with some 240 specialized professionals who are dedicated to developing new products and applications, as well as conducting tests and achieving incremental improvements in existing products and processes.

Some of the achievements in the area of Innovation & Technology in 2011 are described below:

a) Receipt of the 2011 FINEP Innovation Award in the National – Large Company category, which reflects the more than 30 patents filed for during the year and the investments in alternative sources of renewable raw materials.

## 2011 MANAGEMENT REPORT

b) Approval of Braskem's Renewable Chemicals Business Plan by PAISS, which is a joint initiative by the Brazilian Development Bank (BNDES) and the FINEP research and project finance mechanism to select business plans and foster projects that develop, produce or market new industrial technologies for processing biomass created in the sugarcane production process.

c) Laboratório Nacional de Biotecnologia (LNBio), the bioscience laboratory located in Campinas which Braskem has an agreement for conducting research in the area of biotechnology, received the Biosafety Quality Certificate (CQB) from the National Biosafety Technical Board.

Working in partnership with research institutions of renowned competence has provided important results for Braskem, which led to another 30 patents being filed for during 2011, for a total of 445 patents already registered by the Company.

In 2011, the innovation pipeline at the Polymers Business Unit (UNPOL), whose net present value is US\$654 million, registered the record launch of 22 new products with combined net present value of US\$294 million, which included:

- New Polypropylene for the automotive industry: as part of its permanent effort to develop innovative and competitive products, Braskem launched a new resin for the automotive industry, seeking to meet the more demanding needs of this industry and offer its clients greater versatility and flexibility. The potential PP consumption is estimated at 16 kton/y.
- Polyethylene for geomembrane production: to meet the stringent requirements of the geomembrane industry, Braskem launched a new polyethylene resin. Geomembranes are considered the most effective material for containing waste and forming an impermeable barrier that protects the soil, with its use mandated by environmental agencies for various types of projects. The new resin's superior performance anticipates the trend of stricter regulations governing their use, offering clients and final users a higher-quality and safer finished product. The additional growth potential in the polyethylene market is 24 kton/y.
- PVC Home: in partnership with DuPont and Global Housing, Braskem developed a new concept for residential and commercial construction projects at accessible costs. The system enables the construction of homes with complete finishings on an industrial scale, which means a unit can be erected in less than one week. The project, called the PVC Concrete Home, has already received approval from Caixa Econômica Federal for the construction of

1,000 homes across Brazil. The product's potential in the Brazilian market is very high, given that each home built using the system consumes some 800 kg of PVC resin and Brazil has a housing deficit of 8 million homes.

- Green PE: the year 2011 was marked by partnerships with major Brazilian and international companies that promoted and leveraged the image of Braskem and Green PE in Brazil and around the world, such as the development of packaging resins for important global players in the food and cosmetics industry and the resin's use to make all the seats in the Amsterdam Arena located in the Netherlands.

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**2011 MANAGEMENT REPORT**

Maintaining its commitment to making investments with returns above their cost of capital, in 2011, Braskem made operational investments in the total amount of R\$2.1 billion (excluding capitalized interest), which represents an increase of 17% from the total investments of R\$1.8 billion made in 2010. The biggest deviations from the value of R\$1.6 billion initially announced are mainly related to the acceleration of expansion projects: (i) R\$102 million for the Mexico project to move forward the earth moving works (anticipating the rainy season) and for the advances made for equipment acquisitions; and (ii) R\$265 million for capacity expansion projects in Brazil, with R\$138 million to accelerate the PVC expansion project and R\$127 million to adjust the timetable of the Butadiene project, with both projects expected to start production by mid-2012. Additionally, the Butadiene project closed some pre-sale contracts which resulted in advances of roughly R\$200 millions.

Of the total investments, 33% or R\$696 million was allocated to expanding capacity in the Brazilian market. The PVC expansion project required investments of R\$518 million in 2011.

In keeping with its objective of maintaining its plants operating at high levels of operating efficiency and reliability, Braskem also invested R\$469 million in scheduled maintenance shutdowns: (i) at the Rio de Janeiro unit (former Riopol), whose shutdown was concluded in late July; (ii) at the Triunfo unit in the state of Rio Grande do Sul, whose shutdown began in late October; and (iii) the moving forward, from early 2012 to the second half of November, of the scheduled shutdown on one of the lines at the Camaçari petrochemical complex, which lasted around

30 days.

Braskem also invested R\$151 million in the area of Health, Safety and the Environment (HSE) and allocated approximately R\$51 million to Technology and Innovation.

For 2012, total investment is estimated at R\$1.7 billion, of which around 40% will be directed to various expansion projects in the Brazilian market and the Ethylene XXI greenfield project in Mexico, 20% to the maintenance of operations at assets, 10% to HSE and the remainder to other operational investments.

Braskem, in line with its strategy of diversifying its energy matrix and increasing its competitiveness by gaining access to feedstocks at competitive conditions, is conducting studies and implementing certain projects, which include:

§ **PVC expansion**

The project to expand PVC production capacity by 200 kton/y, which should start up in May 2012, required investments of R\$604 million through year-end 2011, already considering the tax benefits provided for under the scope of the Special Incentives Regime for the Development of Oil Infrastructure in the North, Northeast and Midwest Regions (REPENEC) granted by the federal government. The total investment expected for the project is approximately US\$470 million or R\$900 million, already considering the tax benefits.

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## 2011 MANAGEMENT REPORT

In late 2011, construction reached over 80% of its schedule, in line with the planning, with over 6.3 million man-hours worked without the occurrence of any injuries with or without lost time, which is a new record for Braskem. The main items of equipment have already been received and are in the final stage of assembly.

The project was financed via two financing lines (i) a R\$525-million line from the Brazilian Development Bank (BNDES) with a total term of 9 years and 88% denominated in Brazilian real with a cost of TJLP+1.46%; and (ii) a R\$200-million financing line from BNB with repayment in 12 years and interest of 8.5% p.a..

### § **Butadiene**

The project to expand butadiene production capacity by 100 kton/y for total expected investment of R\$300 million already received disbursements of R\$127 million in 2011.

With operations expected to start in July 2012, the Company's butadiene supply should increase by approximately 30% to 446 kton/y. The construction project has reached 69% completion, in line with the timetable and without any accidents registered.

In 2011, butadiene prices in international markets rose by around 55% in relation to the previous year, reflecting the growing world demand and limited supply.

To support the project's financing, in addition to the pre-sale contracts, the Company also contracted from the BNDES a R\$176-million financing line with total term of 9 years.

### § **Green Polypropylene Project**

Braskem, as part of its strategy to become the world leader in sustainable chemical, is developing a project for the production of Green Polypropylene with capacity of at least 30 kton/y. In 2011, the Company obtained the license for the plant's construction and the basic engineeri