

## Q2 2010 Earnings Call

### Company Participants

- Bernardo Gradin, CEO
- Luciana Ferrara, IR Officer
- Marcela Drehmer, CFO and Director of IR

### Other Participants

- Denis Parisien, Analyst
- Felipe Santos, Analyst
- Frank McGann, Analyst
- Hassan Ahmed, Analyst
- Jim Rice, Analyst

### Presentation

#### Operator

Good afternoon, ladies and gentlemen. At this time, we would like to welcome everyone to Braskem's 2Q '10 earnings conference call. Today with us, we have Bernardo Gradin, CEO; Marcela Drehmer, 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 session.

At that time, further instructions will be given. (Operator Instructions) We have a 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 slide 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-and-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 call over to Luciana Ferreira, Braskem's IRO. Ms. Ferreira, you may begin your conference.

## **Luciana Ferrara**

Good morning, ladies and gentlemen. 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 Second Quarter 2010.

With the acquisition of the control of Quattor Participacoes and Sunoco Chemicals in April 2010, this conference call is based on pro forma consolidated information that includes 100% of the results from these new assets for all periods. In accordance with CVM Instruction 247, these figures also consider the proportional consolidation of shareholder's in Cetrel S.A. The quarterly information was reviewed by independent external auditors, with the exception of Sunoco Chemicals for 2009 and the First Quarter 2010.

Let us begin with the first slide, slide number three. Let us begin our comments. I would like to start by commenting briefly on the current scenario for the global petrochemical industry. The scenario in the Second Quarter 2010 was marked by the reversal of the upward trend in resin and basic petrochemical prices, which was due to the slight slowdown in demand from Asia due to the reduction in economic stimulus measures by the government and the normalization of fixed and monetary policies in China, the volatility in reduction in raw material prices caused by the crisis in Greece which impacted consumer confidence regarding the economic recovery in developed countries, the start-up of new capacity in Asia and the Middle East.

With the reduction in international price, domestic prices decreased in June and focus in profitability over volume made the Company to increase inventories and clients to consume inventories in that period. As a result, demand stood at 1.158 thousand tons, virtually stable when compared to the previous quarter.

The scenario for the petrochemical industry grew more challenging in the second half of the year when demand is expected to weaken and new capacity in the Middle East and in Asia are expected to come online, which could lead to profitability levels similar to those in the Second Quarter. However, despite the capacity start-ups in the first half of the year, certain factors mitigating the industry's downcycle still remain in place such as continued operation problems in Iran, delays in the start-up of certain new capacity in the Middle East and in Asia, expectations of permanent shutdowns of capacity mainly in Europe.

Other factors that could affect production in Third Quarter are the scheduled shutdowns of refineries in the United States and the hurricane season in that country.

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Regarding the Brazilian market in 2010, demand for thermoplastic resin is estimated to grow by around 10% following a strong performance of GDP and combined within the need to realign inventories in third generation petrochemical operations, as well as the real strengthening of the world economy.

The decrease in international price led to a higher volume of imported materials in June which should be back to the historical average in second half of 2010.

Moving to slide four, you see the highlights for the quarter. In the last 12 months, Braskem registered pro-forma consolidated EBITDA of BRL3.8 billion, 9% higher than in the previous quarter accounted by EBITDA margin of 15.5%.

Over the past few quarters, the Company has been recording consistent productions on average as measured by the ratio of net debt to EBITDA. EBITDA goal for the next 12 months which is to (grow average) ratio of 3.12 times on March 31, already considering the debt injection of BRL3.74 billion to 2.84 times at the end of June.

The better sale mix in domestic and export markets and the higher product supply due to the recovery in capacity utilization rates at Quattor increased Quattor's EBITDA by nearly 100% to BRL214 million with an EBITDA margin of 15%, up significantly from 8.8% in the First Quarter.

On the other hand, a temporary decrease in polypropylene exports competitiveness led to a reduction on its operational rates in Brazil. Since last May, the former assets of Sunoco Chemicals, now Braskem America, are already under the management of a Brazilian team in order to have better operation and cultural integration between the companies.

The operational phase to international markets is expected to begin in September 2010. The green ethylene plant located at the Triunfo petrochemical complex is in the commission and pre-operational stage with the project on schedule and within budget cost.

On June 18, Braskem merges its stock of Quattor Participacoes S.A. that was held by Petrobras and (Petroperu) thus forming it into a wholly-owned subsidiary of Braskem. Braskem remains focused on concluding the other phases of this transaction and is already working to capture synergies from this consolidation. This process identified opportunities to capture synergies and create value with estimated annual and recurring gains of BRL400 million in EBITDA as of 2012 that are concentrated in the industrial and operational fronts, over 50%. And the synergies begin to be captured in the Second Quarter of this year.

Finally in order to guarantee its (inaudible), Braskem raised around BRL1 billion in the last quarter of which \$350 million was through the reopening of a bond issue maturing in May 2020 and with a yield of 6.875% and BRL300 million was through a receivables-backed investment fund with the weighted cost of the CDI rate plus 1.58% per annum.

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Let's move on to slide number five please. Slide five shows the historical of thermoplastic imports in the Brazilian market. The share of imported material is practically stable in the Brazilian market following the growth of domestic demand. PVC imports increased more than other resins driven mainly by the recovery in the demand from factors related to construction and also by the fact that the local supply is currently not sufficient to meet this growth and PVC expansion to be effective in 2012 is expected to supply new investments.

The demand for resins in Brazil remains virtually in line with First Quarter with a slight contraction of 0.6%. As mentioned previously, this performance reflects the consumption of inventories by manufacturers which waited for domestic prices to realign with international prices. Regarding imports, 65% of the products coming into Brazil originate from the Americas. Note that Colombia and Argentina are responsible for over 35% of the Brazilian imports. These countries have zero import duties since they are part of the (end) impact and (inaudible) respectively.

Moving to slide six, we have a comparison between the main indicators for the period. Revenue growth and the 15% increase in EBITDA in the Second Quarter which reached BRL1 billion with a margin of 15.9% reflect the recover of the operating performance of Quattor assets as compared to the consolidated results reported in First Quarter. When compared to the same period of 2009, EBITDA increased sharply confirming the Company's management efficiency and its focus on the improvement of results.

Even reporting expenses of BRL575 million in the quarter, net financial result was BRL305 million lower when compared to the First Quarter 2010. This decrease primarily resulted from the reduction of fiscal liabilities which reflected the additional participation debt renegotiation problem, Refis, in last February. Excluding the effects of monetary and exchange variation, the financial results in the Second Quarter was BRL147 million, down when compared to the First Quarter 2010.

Moving to slide seven, we have the variation in EBITDA between the first and Second Quarters with EBITDA growing by BRL133 million between the two periods. The higher resin and basic petrochemical price in the domestic market in the Second Quarter, which accompanied the increase in the international prices through April, more than offset the higher raw material price in the period.

As a result, the contribution margin provided a gain of BRL213 million. The reduction of 2% in total resin sales volume in the period combined with the disability in total days of petrochemical sales had a negative EBITDA impact of BRL5 million.

The (0.3) appreciation in the average real/dollar exchange rate in the quarter generated a negative impact of BRL12 million composed of a negative impact in revenue of BRL38 million and a positive one on costs of BRL26 million.

Fixed cost and SG&A were mainly impacted by extraordinary expenses with technical advisory and other consultancy services related to the acquisition of Quattor and the salary new adjustments made in June with a negative impact of BRL20 million on EBITDA.

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Moving to slide eight, we have Braskem's debt amortization schedule and profile as of June 30th, 2010. At the end of the Second Quarter, Braskem gross debt stood at \$8 million, down 17% from the balance on March 31st. This reduction is part of the strategy to balance the debt profile resulting from the pre-payment of BRL4.1 billion of debt in the resources from the capital markets and the placement of BRL3.74 billion in the private share offering. As a result, net debt on June 30th decreased by 19% from the previous quarter to \$6.1 billion. And in Brazil reais, net debt stood at BRL10.9 billion which represented a reduction of 18%.

As explained earlier, the EBITDA growth of 9% in the last 12 months led to decrease in financial average as measured by the ratio of net debt to EBITDA from 3.12 times in the First Quarter to 2.84 times in the Second Quarter. In US dollars, this ratio is defined by 12% from 3.23 times to 2.84 times.

The average term of the consolidated debt increased from 6.6 years in March to 8.2 years in June, which is considered adequate in view of the Company's cash flow.

Moving to slide nine, we have the expectations of the Company for the capture of synergies from the Quattor acquisition. The synergies were divided into fronts based on the type of synergy. Most of the annual and recurring gains, which amounted to BRL400 million in EBITDA, is concentrated in initiatives on the industrial and logistics front. The Company also expects to capture BRL340 million in net present value from financial synergies which include tax gains and lower debt carrying costs. In the industrial front, the highest gains should come from the amortization of operational and maintenance practice, the better utilization of streams by product -- a better product mix and the results from investments to improve energy efficiency.

On the logistics front, the initiative include optimizing transport mode and maximizing product distribution by taking advantage of the increased geographic distribution of the plants. In terms of supply, the gains are expected to come from the joint management of raw materials and the renegotiation of third party contracts.

Over the next two years, Braskem will invest BRL350 million in the capture of these synergies, which should be concluded by the end of 2012 virtually the total amount expected to be captured in 2011.

Moving to the last slide, slide number 10, we present the areas the management is currently focusing on. After announcing the acquisition of Quattor which made Braskem the leader in the Americas in terms of thermoplastic resin capacity. And the acquisition of the polypropylene assets of Sunoco Chemicals which represent an important step forward in Braskem's international expansion process and establishing an important position in the US market, the main priority of management in 2010 will be to capture the projected synergies while working to continue to (inaudible) leverage even though the scenario for the international petrochemical industry will caution for the next 12 to 18 months. The Company reinforced its public commitment to support the Brazilian plastic and petrochemical chain and the national agreement for the plastic industry, this last one still under construction.

For the green polyethylene project, the plant is in the commissioning phase and Braskem is already analyzing other projects to increase its focal on renewable chemical and petrochemical projects. These projects will be announced to the market as soon as they are a bit mature. Braskem management remains committed to find the best ways to create value for shareholders and for this it has been advancing its polyethylene project in Mexico. Remember, however, that the Company's primary focus remains to preserve its financial health and solidity while maximizing operational profitability.

That concludes our presentation. Thanks for listening. Let's move on to the Q-and-A session.

## Questions And Answers

### Operator

Thank you. The floor is now open for questions. (Operator Instructions) Please hold while we poll for questions. Our first question comes from Frank McGann from Bank of America. Please go ahead.

### Q - Frank McGann {BIO 1499014 <GO>}

Hello, good day. Just on the international strategy. One, perhaps you could give an update on what you are seeing at Braskem America and the opportunities perhaps for savings there and other opportunities you might see in the market to grow that business.

Secondly, if you could perhaps on Peru just could give a brief update. Then when looking at your strategy internationally over the next three to five years, what -- we obviously know you want to become one of the dominant players, I would say, or largest players globally. But what is your specific strategy as to how to get there and where do you see most of the opportunities?

### A - Bernardo Gradin

Good day. Thank you for your question. This is Bernardo speaking. Our operations in the last -- passing through a complete strategy we present right now, I would say that in our next release we would be able to unfold a more clear strategic plan and its specifics. But we have expectations that we will be able to increase the operational margins this year comparing to previous years and with some investments that are not approved yet on our Board, we also believe that we will be able expand the operations on better expected level regarding a client's recognition and also the EBITDA margins.

With respect to the strategy in Peru, we have the information that the availability of gas on the P67 and other reserves that would impact our project even better than previously announced. However, we are still in the project estimation and we do not have a concrete project already approved in our Board. So it a prospective project, we don't see in the near future with this year any firm commitment beyond the current memorandum of understanding to unfold and starting (acting) the project. And that is basically because of the gas supply commitment from our potential partners.

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Regarding the strategy for the next three years we have been concentrating the Braskem strategy so far in the Americas. Of course, we are supplying the entire world and we are looking for potential alliances to supply Europe and Asia. But investments should concentrate in the Americas and follow what was the first move with the Sunoco Chemicals. We very much concentrated this year on digesting Quattor and all the operations have to be concentrating on Brazil so that we have a successful merger with the expected synergies being in place from next year on.

So I would say that on the very short term, we will be concentrating in the Americas, basically Brazil and the Sunoco Chemicals operations. On the next three years, we'll probably go to -- and now the expansion in the US, we don't have anything in the short view and -- in the short term -- and probably the expansion to the rest of the world will be through alliances or joint projects.

**Q - Frank McGann** {BIO 1499014 <GO>}

Okay. Thank you very much. Very helpful.

**Operator**

Our next question comes from (Felipe Santos) from JPMorgan. Please go ahead.

**Q - Felipe Santos** {BIO 16391255 <GO>}

Yes. Bernardo, Luciana, well, I have one question. It's about the discount rate that you use for calculating the NPV of the synergies and if you could disclose the rates that you use there and also if you could give us some overview of the tax benefits that you are going to have from the incorporation of Quattor.

**A - Marcela Drehmer** {BIO 16721570 <GO>}

Well hi Felipe, this is Marcela speaking. The synergies from the financial area will be BRL340 million, net present value. The (walk) that we use is the walk of the Company around 10%. And is regarding the reduction in financial expenses and also some tax gains that we can have in the future with the consolidation of the assets.

We couldn't hear the second question. Would you mind to repeat this please?

**Q - Felipe Santos** {BIO 16391255 <GO>}

Yes. If you could give to us some overview of the tax benefit you are going to have with the incorporation of Quattor because Quattor should have some cumulative net losses. So Braskem would have some benefit from that?

**A - Marcela Drehmer** {BIO 16721570 <GO>}

We do have some net operating loss coming from Quattor. It is around BRL400 million hedge in one (comp) and BRL600 million in another one. So combined it will be near to BRL1 billion that we will be using in the future once we are able to combine all the assets.

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We are not doing this so far. We have to still wait for the approval of the anti-trust agency in order to move on. But we do have this potential.

**Q - Felipe Santos** {BIO 16391255 <GO>}

Okay. That's great. Thank you very much.

**A - Marcela Drehmer** {BIO 16721570 <GO>}

You are welcome.

**Operator**

Our next question comes from Hassan Ahmed from Alembic Global. Please go ahead.

**Q - Hassan Ahmed** {BIO 7430123 <GO>}

Good morning, Bernardo. How are you? A quick question around -- in the industry seeing a variety of outages. I mean even you guys had some planned outages on the polypropylene and PVC side of things. But generally, if I were to sort of look at Dow Chemical's recent results, they talked about how -- around 120 out of their 600 facilities through the course of Q2, went through either planned or unplanned outages. So the question really is, is this truly a function of a much better demand picture?

I guess what I'm trying to get to is that as we all know when demand tends to be fairly good and operating rates tend to be fairly high, you are running your facilities harder and harder and the probability of shutdowns or unplanned outages rises exponentially. So is this really a function of a very, very good demand picture globally in your mind?

**A - Bernardo Gradin**

Well thank you, good day. Always good hearing you and talking to you. It's not our reality here in Brazil. I believe that companies tend to announce based on what was previous maintenances or how the operating in the past and probably justifying on how they would accommodate the volatility in demand. In our case, we could state -- we can state that we will have increasing operation rates not only for the expected increase in demand in the Brazilian market. But also in the half year for assets.

Take for instance a Quattor. We took over Quattor and in the First Quarter. The operating rates were around 72%. We reached 84% in -- at the end of the Second Quarter. And we are very optimistic that by the Third Quarter, we will reach around 90% operating rates in Quattor, sustaining the current operating rates of Braskem before Quattor. So we are optimistic that we will be able to sustain based on the domestic demand and the international demand operating rates better than last year, around 90%.

**Q - Hassan Ahmed** {BIO 7430123 <GO>}

Now, if I may follow-up, a question around polypropylene. I mean, again through the course of the Second Quarter, at least here in the US it seemed that the propylene prices were fairly high.

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Now we know --

## A - Bernardo Gradin

Right.

## Q - Hassan Ahmed {BIO 7430123 <GO>}

We know that there is some propane dehydrogenation capacity coming online through the course of the second half of this year. So I would like to think that propylene prices may come down through H2. And if that is the case, should we expect improving polypropylene margins through the course of the second half of the year? Is this consistent with what you are seeing?

## A - Bernardo Gradin

It is consistent. We believe that specifically comparing to the Second Quarter, second half of the year should show better margins in polypropylene.

## Q - Hassan Ahmed {BIO 7430123 <GO>}

Excellent. Thanks so much, Bernardo.

## A - Bernardo Gradin

Thank you.

## Operator

(Operator Instructions) Our next question comes from Denis Parisien from Deutsche Bank. Please go ahead.

## Q - Denis Parisien {BIO 20333702 <GO>}

Hi, thanks for holding the call and congratulations on the results and thank you for the disclosure on the various components of the Company in its current state. And on that note, I'm just wondering if -- just a technical question, the gross debt figure in reais that you have on page 10 of the press release for the March of 2010 is BRL17.233 billion or in dollars, \$9.676 billion. I have trouble getting that number from the disclosure on a consolidated results on page 18. If you could clear that up for me, I would appreciate it.

And the other question I have is regarding imports, which you stated were unusually high at around 30% and you expect them to go back to normal rates. Could you tell us -- could you remind me please what roughly normal import -- what the normal import share would be? Is it -- the imports has been particularly high in any particular products and by when do you expect that to normalize?

And a second part to that question is the domestic price environment in Brazil vis-a-vis international prices. What premium do you have now? What's the normal premium and what do you expect in the second half? Thanks very much.

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**A - Marcela Drehmer** {BIO 16721570 <GO>}

Okay. Hi, thank you for your question, Denis. This is Marcela speaking. Going back to your first question regarding the consolidation of the numbers, the problem is that in the balance sheet -- in the pro forma consolidated balance, we are reflecting the equity contribution and the reduction in the debt in the First Quarter. And actually it happened only in the Second Quarter. But because of the SEC regulations, we have the obligation to reflect all the things regarding -- related to acquisition in the pro forma.

So we already considering the First Quarter, the equity contribution and also all the pre-payments that was done only in the Second Quarter. So we got the chance to have the relief. It's already provided the (exo) and real information that happened since the acquisition happened only in the Second Quarter, okay. And I would ask that the two question --

**Q - Denis Parisien** {BIO 20333702 <GO>}

Sorry, just to clarify, then the page 10 doesn't reflect it and the balance sheet on page 18 does reflect it. That accounts for the difference?

**A - Marcela Drehmer** {BIO 16721570 <GO>}

Yes, exactly, exactly. And the same thing is not reflecting the equity contribution and other pre-payment. And in page 17 is already reflecting in that numbers in the First Quarter, the equity contribution and the debt pre-payment.

**Q - Denis Parisien** {BIO 20333702 <GO>}

Got you, thanks very much.

**A - Marcela Drehmer** {BIO 16721570 <GO>}

You are very welcome.

**Operator**

(Operator Instructions) Our next question comes from Jim Rice from GWI. Please go ahead.

**Q - Jim Rice** {BIO 1993179 <GO>}

Hi. Bernardo, can you comment just on what you think the risk of a change in government import tariffs on resins into Brazil might be?

**A - Bernardo Gradin**

Sure. I -- of course, we have been concentrating our efforts on discussing not only with the government. But also other stakeholders such as the clients in the value chain, the importance of sustaining the import tariffs so that the Brazilian market remains (over) supplied. And we think that we have been reaching good terms in terms of expectations not only with the government authorities. But also with the clients in the value chain and

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the importance of sustaining some protection for long-term investments what would comprehend not only Braskem. But the value chain entirely.

So as I expect today, we have been reaching good terms and we expect that the import tariffs will remain. But of course, this is expectations and it's been a result of the conversations with some of the government representatives and most of our clients in the value chain.

**Q - Jim Rice** {BIO 1993179 <GO>}

Okay. Then can you give us an update on any thoughts on compares and the scope changes that Petrobras head out in their most recent annual plan?

**A - Bernardo Gradin**

Yes. Most recently Petrobras decided that the competitive structure will not be as integrated as previously thought or conceived. So they changed the refinery to a premium refinery much more like the other ones that have been built here in Brazil. And as a consequence not only because of the source of raw material will be met. But as a consequence of the size of the investment, the petrochemical investment in compares will be probably smaller and more rationalized to what would be the future demand specifically in oleoresins and last in aromatics.

So I think that will be a rationalization of the petrochemical compares that will probably have it. We are in the stage today of discussing how to review the design so that we are back to square one. So we are back to basic engineering so that I see by the end of the year that December date is a good time to come back to you guys and propose after having aligned with Petrobras what would be the compares -- petrochemical compares based on our expectations.

In other words, I think that what was compares before is not what would be in the future. I think the investments, specifically on the petrochemicals, would be rationalized smaller and more concentrated in oleoresins than in aromatics what I think will be more suited to what would be the future demand or the expected demand in Brazil by 2016.

**Q - Jim Rice** {BIO 1993179 <GO>}

So does that make you more interested in the project now you think than the prior proposal?

**A - Bernardo Gradin**

Yes.

**Q - Jim Rice** {BIO 1993179 <GO>}

Okay. Great. And one last quick question. In terms of the imports that came in in the Second Quarter, how much of that was PVC resin in terms of tons, do you know?

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**A - Marcela Drehmer** {BIO 16721570 <GO>}

Jim, I can give you that later, if you can.

**Q - Jim Rice** {BIO 1993179 <GO>}

Okay. Perfect, thank you.

**A - Marcela Drehmer** {BIO 16721570 <GO>}

Okay.

## Operator

(Operator Instructions) We have a follow up from Denis Parisien from Deutsche Bank. Please go ahead.

**Q - Denis Parisien** {BIO 20333702 <GO>}

Hi, guys. My question got truncated in two. And I guess you didn't get to answer the second part of my question which was also for imports. The -- you mentioned in -- that imports were around 30% in the Second Quarter. You expect them to normalize. Around what level do you expect them to normalize, around when and what is currently the price premium in domestic market vis-a-vis the international market by product or on average if you might please?

**A - Bernardo Gradin**

Sure. Sorry for not following up on the questions. What happened here specifically is that back in June, we noticed that not only a few clients went to a second source and some of our clients made a move not in June. But back in April, to raise interest. But also there was an expectation from our clients that the prices will go down. And that happened in April-May, not in June. But that's a reflection in June. We have such an increase in imports.

We believe that will come down to the previous levels of 25%-26% already in the Third Quarter and more stable in the Fourth Quarter based on how we are reacting to the imports specifically on what we believe the imports on incentivated ports in Santa Catarina, Espirito Santo. And Manaus. We are concentrating efforts on demonstrating to the government that there is an unfair competition on imports done through these incentivated ports that is harming the industry, is harming the local producers.

And we already see the Sao Paulo government and other governments putting some reaction in place. So we believe that not only because of the specific moment of the declining price, international prices. But also because of our action on going against the incentivated ports will have a decline in imports this quarter and next quarter and hopefully structurally from next year on.

Regarding the domestic premium, we should make this clear that we are comparing the domestic price with the international prices considering freight, tariffs, service and of

course financial services as well. And all that is compared and computed. We are talking about a 25% to 27% premium.

**Q - Denis Parisien** {BIO 20333702 <GO>}

That's the 25% to 27% premium is the one that now exists or is the one --

**A - Bernardo Gradin**

Yes. It's the one that now exists.

**Q - Denis Parisien** {BIO 20333702 <GO>}

And where was it before?

**A - Bernardo Gradin**

It's been along the same. It's been varying -- it's been varying from 23%, 24% to 29%.

**Q - Denis Parisien** {BIO 20333702 <GO>}

Between 23% and 29%?

**A - Bernardo Gradin**

Yes.

**Q - Denis Parisien** {BIO 20333702 <GO>}

After deducting freight insurance and service?

**A - Bernardo Gradin**

No. That's all included.

**Q - Denis Parisien** {BIO 20333702 <GO>}

All included? Okay.

**A - Bernardo Gradin**

Yes.

**Q - Denis Parisien** {BIO 20333702 <GO>}

Great. Thanks very much.

**A - Bernardo Gradin**

Okay.

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## Operator

We will now answer a question received to the webcast.

### A - Luciana Ferrara

The questions come from (Eric Owen) from Jefferies. Regarding the debt, I understand the goal to keep the average maturities of the debt on the loan side. But given the substantial cost savings that can be gained by refinancing the perpetual notes, especially the \$150 million, 9.75% note in comparison with the current yields on the new 10-year bonds of 6.5%, why has revision not been called? The amount is too small to really impact the average maturity of the debt. Will this issue be called in September or December? What about the \$200 million 9% perpetual? What's the benefit to not call this expensive debt?

### A - Marcela Drehmer {BIO 16721570 <GO>}

Okay. Thank you, Eric, for your question. And considering the fact that Braskem's (inaudible) have been kept off, one of our strategies definitely accesses different source of funds and investment. And that's why we haven't exercised this call yet. So ideally what we are looking for is the possibility to do this. But also to issue new perpetual bonds at better cost in the future. So we'll be following the market and see if in the future we can have this opportunity.

## Operator

We have no further questions at this time. I will turn it over to Mr. Bernardo Gradin for closing remarks.

### A - Bernardo Gradin

Thank you, once again for your interest and time. We are ending this second -- we ended the Second Quarter with a much optimistic view on our future. We are seeing the Third Quarter as being a better quarter in terms of operating levels, in terms of the synergies that are being put in place and most of all on how the value chain and clients are reacting to our new position in the domestic market.

We also remain confident that the Brazilian market will sustain our growth. We believe markets, comparing to last year, will grow 10% in revenue consumption in Brazil. And we also believe that next year will be a growing year in terms of consumption based on what the projections of our clients are, the amounts of investments in machinery in the value chain is being put in place in Brazil and, of course, the expectations and the macroeconomics on the government and private investments expected for next year.

Thank you very much. See you next quarter.

## Operator

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

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