BRASKEM SA
Form 424B4
September 24, 2004

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Filed Pursuant to Rule 424(b)(4)
Registration No. 333-114219

11,700,000,000 Class A Preferred Shares

BRASKEM S.A.

(incorporated in the Federative Republic of Brazil)

In the form of American Depositary Shares

We are selling 7,800,000,000 class A preferred shares in the form of American Depositary Shares, or ADSs. Each ADS represents 1,000 class A preferred shares.

We are selling 7,800,000 ADSs in the United States and other countries outside Brazil through international underwriters named in this prospectus. In addition, we are concurrently offering 3,900,000,000 class A preferred shares in Brazil.

The ADSs are listed on The New York Stock Exchange under the symbol BAK. The last reported sale price of the ADSs on The New York Stock Exchange on September 22, 2004 was US$31.52 per ADS. Our class A preferred shares are listed on the São Paulo Stock Exchange in lots of 1,000 shares under the symbol BRKM5. The closing price of our class A preferred shares on the São Paulo Stock Exchange on September 22, 2004 was R$90.00 per 1,000 class A preferred shares, which is equivalent to approximately US$31.38 per 1,000 class A preferred shares, based upon an exchange rate of R$2.8677 to US$1.00.

The international underwriters have an option to purchase a maximum of 1,170,000 additional ADSs to cover over-allotments of ADSs. The Brazilian underwriters also have an option to purchase a maximum of 585,000,000 additional class A preferred shares to cover over-allotments of class A preferred shares in the concurrent Brazilian offering. The Brazilian underwriters have, on the date of this prospectus, exercised that option in full, with delivery of those additional class A preferred shares to be made on or about September 28, 2004.

Investing in the ADSs involves risks. See Risk Factors beginning on page 17.

	Price to Public	Underwriting Discounts and Commissions	Proceeds to Braskem S.A.
Per ADS	US$ 31.3840	US$ 0.9415	US$ 30.4425
Total	US$ 244,795,200	US$ 7,343,856	US$ 237,451,344

Delivery of the ADSs will be made on or about September 28, 2004.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Credit Suisse First Boston

Credit Suisse First Boston **Unibanco**

UBS Investment Bank

The date of this prospectus is September 22, 2004.

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You should rely only on the information contained in this document or to which we have referred you. We have not authorized anyone to provide you with information that is different. This prospectus may only be used where it is legal to sell our class A preferred shares or the ADSs. The information in this prospectus may only be accurate on the date of this document.

This prospectus is being used in connection with the offering of class A preferred shares in the form of ADSs in the United States and other countries outside Brazil.

We are also offering class A preferred shares in Brazil by a prospectus in Portuguese with the same date as this prospectus. The Brazilian prospectus, which has been filed with the Brazilian Securities Commission (*Comissão de Valores Mobiliários*), is in a format different from that of this prospectus and contains information not generally included in documents such as this prospectus. This offering of ADSs is made in the United States and elsewhere outside Brazil solely on the basis of the information contained in this prospectus.

We have not taken any action to permit a public offering of the ADSs outside the United States or to permit the possession or distribution of this prospectus outside the United States. Persons outside the United States who come into possession of this prospectus must inform themselves about and observe any restrictions relating to the offering of ADSs and the distribution of this prospectus outside the United States.

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PROSPECTUS SUMMARY

This summary highlights information presented in greater detail elsewhere in this prospectus. This summary is not complete and does not contain all the information you should consider before investing in the ADSs. You should carefully read this entire prospectus before investing, including Risk Factors and our financial statements. See Presentation of Financial and Other Information for information regarding our financial statements, exchange rates, definitions of technical terms and other introductory matters.

Braskem

We are the leading petrochemical company in Latin America, based on average annual production capacity, and we are one of the five largest Brazilian-owned private sector industrial companies, based on net sales revenue. We recorded net income of R$215.1 million in 2003 on net sales revenue of R$10,135.8 million, in each case under Brazilian GAAP. We produce a diversified portfolio of petrochemical products and have a strategic focus on polyethylene, polypropylene and polyvinylchloride, or PVC. We are the only Brazilian company with integrated first and second generation petrochemical production facilities, and we have 13 plants in Brazil.

We have grown over the past three years primarily as the result of the integration of the operations of six Brazilian petrochemical companies: our company, which was formerly named Copene Petroquímica do Nordeste S.A.; OPP Química S.A., or OPP Química; Polialden Petroquímica S.A., or Polialden; Trikem S.A., or Trikem; Proppet S.A., or Proppet; and Nitrocarbono S.A., or Nitrocarbono. We have merged with these companies, other than Polialden. Our business operations are organized into four business units, which correspond to our principal production processes and products:

- Basic Petrochemicals, which accounted for R$4,765.3 million, or 47.8%, of the net sales revenue of all segments, including net sales to our other business units, and had an operating margin of 10.5% in 2003;

- Polyolefins, which accounted for R$3,386.8 million, or 33.9%, of the net sales revenue of all segments and had an operating margin of 15.6% in 2003;

- Vinyls, which accounted for R$1,371.8 million, or 13.7%, of the net sales revenue of all segments and had an operating margin of 22.9% in 2003; and

- Business Development, which accounted for R$455.3 million, or 4.6%, of the net sales revenue of all segments and had an operating margin of 6.3% in 2003.

We believe the integration of the operations of the companies that formed our company has produced, and will continue to provide, significant synergies and cost savings from reduced taxes, procurement and logistics expenses, general and administrative expenses and other operating expenses. At June 30, 2004, we estimated that the implementation of our integration program will result in our achieving R$314 million in annual recurring cost reductions as compared to costs that would have been incurred by our company and the companies that we have acquired. However, we may not be able to realize the full benefit of the existing or future identified annual cost savings in upcoming years.

Basic Petrochemicals Unit

At December 31, 2003, our Basic Petrochemicals facilities had one of the largest average annual production capacities of all first generation producers in Latin America. Our Basic Petrochemicals Unit produces a broad range of basic petrochemicals, including:

- olefins, such as ethylene, polymer and chemical grade propylene, butadiene, isoprene and butene-1; and

- aromatics, such as benzene, toluene, para-xylene and ortho-xylene.

The products of our Basic Petrochemicals Unit are used primarily in the manufacture of intermediate petrochemical products, including those manufactured by our other business units. The operations of our

Basic Petrochemicals Unit are conducted at facilities located in the petrochemical complex located in Camaçari in the State of Bahia, which we refer to as the Northeastern Complex.

Polyolefins Unit

At December 31, 2003, our polyolefins production facilities had the largest average annual production capacity of all second generation producers of polyolefins products in Brazil and elsewhere in Latin America. Our Polyolefins Unit produces:

- polyethylene, including low density polyethylene, or LDPE; linear low density polyethylene, or LLDPE; high density polyethylene, or HDPE; and ultra high molecular weight polyethylene; and

- polypropylene.

Approximately two-thirds of our Polyolefins Unit s sales volumes in 2003 was derived from the sale of polyethylene products, and the remainder was derived from the sale of polypropylene products.

In 2003, we had an approximate 29% share of the Brazilian polyethylene market and an approximate 40% share of the Brazilian polypropylene market, based on sales volumes.

We manufacture a broad range of polyolefins products for use in consumer and industrial applications, including plastic films for food and industrial packaging; bottles, shopping bags and other consumer goods containers; automotive parts; and household appliances.

Our polyolefins products are manufactured in facilities located in the Northeastern Complex and in the petrochemical complex located in Triunfo in the State of Rio Grande do Sul, which we refer to as the Southern Complex.

Vinyls Unit

We are the leading producer of PVC in Brazil, based on sales volumes in 2003. At December 31, 2003, our PVC production facilities had the largest average annual production capacity of all second generation producers of PVC in Latin America.

Our Vinyls Unit is the only vertically integrated producer of PVC in Brazil. Our PVC production is integrated through our production of chlorine and other raw materials. Our Vinyls Unit also manufactures caustic soda, which is used by producers of aluminum and paper; ethylene dichloride, or EDC; and chlorine, which is used internally to manufacture EDC. Approximately two-thirds of our Vinyls Unit s net sales revenue in 2003 was derived from the sale of PVC products.

In 2003, we had an approximate 57% share of the Brazilian PVC market based on sales volumes. PVC is a versatile polymer. We manufacture a broad range of PVC resins used in the manufacture of industrial products used in the construction industry, including pipes, sheeting, flooring, fittings and wire and cable coverings; and household and other products, including plastic films and laminated sheets, packaging materials, synthetic leather, window frames and bottles.

Our vinyls products are manufactured in facilities located in the States of Bahia, Alagoas and São Paulo.

Business Development Unit

The principal products of our Business Development Unit are polyethylene teraphthalate, or PET, and caprolactam. PET is used in manufacturing packaging for soft drinks, medications, cleaning products, mineral water and food products, while caprolactam is used in manufacturing Nylon-6 textile thread. Our Business Development Unit also manages certain of our equity investments.

In 2003, 37.8% of our Business Development Unit s net sales revenue was derived from the sale of PET, and 45.9% was derived from the sale of caprolactam. Our Business Development Unit conducts its manufacturing operations in two plants located in the Northeastern Complex.

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Jointly Controlled Companies

We own 29.5% of the voting and total share capital of Copesul Companhia Petroquímica do Sul, or Copesul, the first generation producer based in the Southern Complex. Copesul is the second largest first generation producer in Brazil, with an annual ethylene production capacity of 1,135,000 tons and an annual propylene production capacity of 581,000 tons. In 2003, Copesul s net income on a consolidated basis was R$149.9 million on net sales revenue of R$4,177.9 million, in each case as adjusted to conform to our accounting policies. We are required, under Brazilian GAAP, to account for our interests in Copesul in our financial statements using the proportional consolidation method.

We also own 33.9% of the total share capital of Politeno Indústria e Comércio S.A., or Politeno, including 35.0% of its voting share capital. Politeno is a second generation petrochemical producer operating in the Northeastern Complex. Politeno has an annual production capacity of 150,000 tons of LDPE, and an annual production capacity of 210,000 tons of LLDPE and HDPE. In 2003, Politeno s net income was R$67.2 million on net sales revenue of R$943.9 million. We are required, under Brazilian GAAP, to account for our interests in Politeno in our financial statements using the proportional consolidation method.

Strategy and Challenges

Our vision is to strengthen our position as a world-class petrochemical company. We seek to reinforce our leading position in the Latin American petrochemical market, with a strategic focus on polyethylene, polypropylene and PVC and integration with our production of ethylene and propylene. Our business model focuses on enhancing shareholder value, with strategic drivers consisting of market leadership, cost competitiveness and technological autonomy.

We are the first Brazilian company to integrate first and second generation petrochemical production facilities. Our competitive advantages are derived from our leadership position in the Lain American market and our favorable cost structure, resulting from our production scale and synergies realized from the integration process that formed our company.

The key elements of our strategy include:

Focus on Customer Relationships we seek to establish close, long-term relationships with our customers, which foster customer loyalty during periods of lower demand.

Pursuit of Selected Business Opportunities we are pursuing business opportunities by developing new and specialized products.

Expansion of Our Production Capacity we plan to expand our production capacity, primarily through efficiency enhancements and by modernizing our production technology.

Continued Reductions in Operating Costs and Increases in Operating Efficiencies we have an ongoing program to increase operating efficiencies and to reduce operating costs.

Commitment to Our Employees and Our Communities we are focused on our human resources, which are vital to our competitiveness and growth, and we are also committed to improving the quality of life in the communities in which our facilities are located.

We face numerous challenges and risks in operating our business and executing our strategy, many of which are outside our control. Because approximately two-thirds of our consolidated cost of sales and services rendered are related to purchases of naphtha, increases in the Amsterdam-Rotterdam-Antwerp market price of naphtha result in increases in the costs of our products, and we may not be able to recover these costs through increases in our prices. In addition, our business is subject to risks that may arise from, among other factors, the cyclical nature of our industry, currency fluctuations, debt service requirements on our existing indebtedness, and decisions rendered in pending legal proceedings against us. For a more complete description of these risks and other risks relating to Brazil, our industry, our company and this offering, see Risk Factors.

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Principal Shareholders

Our controlling shareholder is the Odebrecht Group, which is one of the 10 largest Brazilian-owned private sector conglomerates based upon net sales revenue. The Odebrecht Group also controls Construtora Norberto Odebrecht S.A., one of the largest heavy construction and engineering companies in Latin America. The Odebrecht Group, through Odebrecht S.A., or Odebrecht, and its wholly-owned subsidiary, ODBPAR Investimentos S.A., or ODBPAR Investments, directly owns 38.5% of our total share capital, including 42.9% of our voting share capital. In addition, the Odebrecht Group owns 50.1% of the voting share capital of Nordeste Química S.A. Norquisa, or Norquisa, which owns 10.7% of our total share capital, including 29.4% of our voting share capital.

Petrobras Química S.A., or Petroquisa, a subsidiary of Petróleo Brasileiro S.A. Petrobras, or Petrobras, which is Brazil s national oil company has an option exercisable through April 2005 to acquire from us, and in certain circumstances from the Odebrecht Group, a number of our common and preferred shares that would provide it with the same equity participation in our voting and total shares as the participation owned collectively by (1) the Odebrecht Group, (2) Petroquímica da Bahia S.A., or Petroquímica da Bahia, which together with its affiliates form a group of companies controlled by the Mariani family, or the Mariani Group, and (3) Norquisa. Accordingly, Petroquisa may become one of the principal shareholders in our company through exercise of this option. We cannot predict whether or not Petroquisa will exercise this option.

The Odebrecht Group has entered into memoranda of understanding with (1) Petroquisa, (2) the pension fund of Banco do Brasil (*Caixa de Previdência dos Funcionários do Banco do Brasil*), or Previ, and the pension fund of Petrobras (*Fundação Petrobras de Seguridade Social Petros*), or Petros, and (3) Petroquímica da Bahia, a member of the Mariani Group and the controlling shareholder of Pronor Petroquímica S.A., or Pronor, with respect to, among other things, the voting and transfer of our shares.

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The following chart presents our current ownership structure. The percentages in bold italics represent the percentage of the voting share capital owned directly by each shareholder, and the percentages not in bold italics represent the percentage of the total share capital owned by each shareholder.

(1) Includes, in addition to direct shareholdings, 997,813 ADSs outstanding, representing 997,813,000 class A preferred shares, or 1.3% of our total share capital.

(2) Pronor is controlled by Petroquímica da Bahia.

(3) Our subsidiary Copene Participações S.A. owns 0.3% of our total share capital, including 0.6% of our voting share capital.

Our registered office is at Rua Eteno, 1561, CEP 42810-000, Camaçari, Bahia, Brazil, and our telephone number at this address is 55-71-632-5102. Our principal executive office is at Avenida das Nações Unidas, 4777, São Paulo, SP, CEP 05477-000, Brazil, and our telephone number at this address is 55-11-3443-9999.

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The Offering

Issuer	Braskem S.A.
Global offering	The global offering consists of the international offering and the Brazilian offering.
International offering	7,800,000 ADSs, representing 7,800,000,000 class A preferred shares, are being offered through the international underwriters in the United States and other countries outside Brazil.
Brazilian offering	Concurrently with the international offering, class A preferred shares are being offered by the Brazilian underwriters in Brazil.
ADSs	Each ADS represents 1,000 class A preferred shares. ADSs will be evidenced by American depositary receipts, or ADRs.
Offering price	The public offering price for the international offering is set forth on the cover page of this prospectus. The offering price for the Brazilian offering is R$90.00 per 1,000 class A preferred shares, which is the approximate real equivalent of the offering price per ADS in the international offering, based upon an exchange rate of R$2.8677 to US$1.00.
Over-allotment options	We have granted the international underwriters an option to purchase an additional 1,170,000 ADSs, representing class A preferred shares, within 30 days from the date of this prospectus, solely to cover over-allotments, if any. We have also granted the Brazilian underwriters an option to purchase a maximum of 585,000,000 class A preferred shares to cover over-allotments of class A preferred shares, if any. The Brazilian underwriters have, on the date of this prospectus, exercised that option in full, with delivery of those additional class A preferred shares to be made on or about September 28, 2004.
Use of proceeds	We estimate that our net proceeds from the global offering will be approximately US$370.8 million. We intend to use the net proceeds from the global offering for general corporate purposes, including, among others, working capital and repayment of short-term indebtedness.
Share capital before and after global offering	Our share capital is divided into common shares and preferred shares. Our preferred shares are, in turn, divided into class A preferred shares and class B preferred shares. Each share of our share capital represents the same economic interest, except that the preferred shares are entitled to the preferences described under Description of Share Capital Liquidation and Dividends and Dividend Policy Amounts Available for Distribution. Our outstanding share capital immediately before the global offering will consist of 76,568,187,272 shares, comprised of the following: 25,730,061,841 common shares; 50,608,970,631 class A preferred shares (excluding 621,887,272 shares held in treasury); and

	229,154,800 class B preferred shares.
	Immediately after the global offering (and giving effect to a conversion of class A preferred shares into common shares as required by Brazilian law), we will have 58,799,007,624 class A preferred shares outstanding and 88,853,187,272 total shares outstanding, assuming no exercise of the international underwriters over-allotment options.
Voting rights	Holders of our class A preferred shares and, consequently, holders of the ADSs do not have voting rights, except in very limited circumstances.
Dividends	Under the Brazilian Corporation Law and our by-laws, we are required to distribute as dividends not less than 25% of our annual net income, subject to adjustments and exceptions. We may also pay dividends in the form of interest attributable to shareholders equity in lieu of dividends. Brazilian companies, including our company, are permitted to pay interest attributable to shareholders equity as a tax-efficient alternative form of dividends to shareholders. Under the terms of a shareholders agreement, we are required, subject to certain limitations, to distribute at least 50% of our adjusted net income in each fiscal year. Under the terms of certain of our debt obligations, we cannot distribute more than 50% of our adjusted net income in any fiscal year.
	We have not paid dividends since May 20, 2002 because of our accumulated deficit arising from net losses in 2002. We expect to resume paying dividends, which may be in the form of interest attributable to shareholders equity, when we have retained earnings.
	The holders of ADSs will be entitled to receive dividends to the same extent as the owners of our class A preferred shares, subject to deduction of any fees and charges of the depositary for the ADSs.
Taxation	Dividend distributions with respect to our class A preferred shares or ADSs are not currently subject to withholding of Brazilian income tax. However, payment of interest attributable to shareholders equity (in lieu of dividends) currently is subject to withholding of Brazilian income tax. Gains from the sale or other disposition of ADSs or class A preferred shares outside of Brazil by shareholders not domiciled in Brazil could be subject to Brazilian income tax. For certain Brazilian and U.S. tax consequences with respect to U.S. holders of our class A preferred shares or ADSs, see Taxation.
Lock-up agreements	We have agreed with the underwriters, subject to certain exceptions, not to offer, sell, contract to sell, grant an option to sell or otherwise dispose of, directly or indirectly, or file a registration statement with the U.S. Securities and Exchange Commission, or SEC, or the Brazilian Securities Commission (*Comissão de Valores Mobiliários*) relating to, any shares of our share capital or ADSs or securities convertible into or exchange-

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	able or exercisable for any shares of our share capital or ADSs or warrants or other rights to purchase any shares of our share capital or ADSs, or publicly disclose the intention to make any such offer, sale, disposition or filing, during the 120-day period following the date of this prospectus without the prior written consent of Credit Suisse First Boston LLC, on behalf of the international underwriters. The Odebrecht Group and our directors and executive officers have agreed to substantially similar lock-up provisions, subject to some exceptions.
Listings	The ADSs are listed on The New York Stock Exchange under the symbol BAK. Our class A preferred shares are listed on the São Paulo Stock Exchange under the symbol BRKM5 and on the LATIBEX section of the Madrid Stock Exchange under the symbol XBRK.
ADR depositary	The Bank of New York.
Risk factors	See Risk Factors and the other information in this prospectus before investing in the ADSs or class A preferred shares.

Expected timetable for the global offering (subject to change):

Commencement of marketing of the global offering	August 31, 2004
Announcement of offer price	September 22, 2004
Allocation of ADSs and class A preferred shares	September 22, 2004
Settlement and delivery of ADSs and class A preferred shares	September 28, 2004

Unless otherwise indicated, all information contained in this prospectus assumes no exercise of the international underwriters option to purchase a maximum of 1,170,000 additional ADSs to cover over-allotments, if any, but gives effect to the exercise of the Brazilian underwriters option to purchase 585,000,000 additional class A preferred shares.

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Summary Financial and Other Information

The following summary financial data has been derived from our financial statements.

The summary financial data at December 31, 2003 and 2002 and for the three years ended December 31, 2003 have been derived from our consolidated and combined financial statements included in this prospectus. The summary financial data at December 31, 2001 has been derived from our audited combined financial statements that are not included in this prospectus. The summary financial data at December 31, 2000 and 1999 and for the two years ended December 31, 2000 have been derived from audited financial statements of our company that are not included in this prospectus.

The summary financial data at June 30, 2004 and for the six months ended June 30, 2004 and 2003 have been derived from our unaudited condensed consolidated interim financial information included in this prospectus, which include, in the opinion of our management, all adjustments necessary to present fairly our results of operations and financial condition at the dates and for the periods presented. The results for the six months ended June 30, 2004 are not necessarily indicative of the results to be expected for the entire year ending December 31, 2004.

Our financial statements are prepared in accordance with Brazilian GAAP, which differs in significant respects from U.S. GAAP. For a discussion of the significant differences relating to these financial statements and a reconciliation of net income (loss) and shareholders equity from Brazilian GAAP to U.S. GAAP, see note 29 to our audited consolidated and combined financial statements and note 21 to our unaudited condensed consolidated interim financial financial information included in this prospectus.

This financial information should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and our financial statements in this prospectus. All per thousand share data presented below for periods before October 21, 2003 have been adjusted to give effect to the 20-for-one share split that was effective on that date.

	At and for the Six Months Ended June 30,			At and for the Year Ended December 31,					
	2004(1)	2004	2003	2003(1)	2003	2002	2001(2)	2000	1999
	(in millions of US$, except per thousand shares and per ADS amounts and financial ratios)	(in millions of *reais*, except per thousand shares and per ADS amounts and financial ratios)		(in millions of US$, except per thousand shares and per ADS amounts and financial ratios)	(in millions of *reais*, except per thousand shares and per ADS amounts and financial ratios)				
Statement of Operations Data									
Brazilian GAAP:									
Net sales revenue	US$ 1,749.5	R$ 5,436.6	R$ 4,909.1	US$ 3,261.7	R$ 10,135.8	R$ 7,576.6	R$ 4,459.5	R$ 2,897.5	R$ 1,874.8
Cost of sales and services rendered	(1,319.0)	(4,098.8)	(3,935.8)	(2,603.1)	(8,089.3)	(6,175.5)	(3,637.6)	(2,357.1)	(1,344.1)
Gross profit	430.5	1,337.8	973.3	658.6	2,046.5	1,401.1	821.9	540.4	530.7
Selling and general and administrative expenses	(87.0)	(270.3)	(205.8)	(151.9)	(471.9)	(577.7)	(210.3)	(116.2)	(101.7)
Investment in associated companies, net(3)	(19.2)	(59.9)	(36.3)	(50.9)	(158.2)	(251.7)	(214.3)	(3.6)	4.2
Depreciation and amortization	(51.0)	(158.6)	(78.7)	(62.3)	(193.5)	(222.4)	(111.3)	(36.5)	(36.1)
Financial expenses	(432.7)	(1,344.5)	286.3	(229.3)	(712.6)	(3,481.5)	(801.2)	(250.0)	(346.6)
Financial income	76.5	237.7	(124.0)	2.9	9.0	619.6	294.7	178.6	173.2
Zero-rated IPI credit						1,030.1			
Other operating income (expenses)	13.2	41.0	13.1	16.0	49.7	102.6	103.3	(12.5)	5.5

Operating income (loss)	(69.7)	(216.8)	827.9	183.1	569.0	(1,379.9)	(117.2)	300.2	229.2
Non-operating expenses, net	(0.5)	(1.4)	(19.9)	(1.5)	(4.8)	(98.0)	(120.8)	(0.6)	(9.1)

(Footnotes on pages after tables)

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	At and for the Six Months Ended June 30,			At and for the Year Ended December 31,					
	2004(1)	2004	2003	2003(1)	2003	2002	2001(2)	2000	1999
	(in millions of US$, except per thousand shares and per ADS amounts and financial ratios)	(in millions of *reais*, except per thousand shares and per ADS amounts and financial ratios)		(in millions of US$, except per thousand shares and per ADS amounts and financial ratios)	(in millions of *reais*, except per thousand shares and per ADS amounts and financial ratios)				
Income (loss) before income tax and social contribution (current and deferred) and minority interest	(70.2)	(218.2)	808.0	181.6	564.2	(1,477.9)	(238.0)	299.6	220.1
Income tax and social contribution (current and deferred)	(19.6)	(61.0)	(152.3)	(39.6)	(122.9)	(89.8)	(77.6)	(73.3)	(54.4)
Income (loss) before minority interest	(89.8)	(279.2)	655.7	142.0	441.3	(1,567.7)	(315.6)	226.3	165.7
Minority interest	(4.1)	(12.8)	(187.3)	(72.8)	(226.2)	189.0	(108.9)	1.3	0.2
Net income (loss) for the year or period	US$ (93.9)	R$ (292.0)	R$ 468.4	US$ 69.2	R$ 215.1	R$ (1,378.7)	R$ (424.5)	R$ 227.6	R$ 165.9
Number of shares outstanding at year or period end, excluding treasury shares (in thousands):									
Common shares		25,730,062	24,521,820		25,608,114	24,521,820	12,933,860	12,933,860	12,933,860
Class A preferred shares		50,608,971	42,156,480		42,594,754	42,122,880	21,592,900	21,592,900	21,574,900
Class B preferred shares		229,155	229,155		229,155	229,155	229,155	229,155	229,155
Net income (loss) per	US$ (1.23)	R$ (3.81)	R$ 7.00	US$ 1.01	R$ 3.15	R$ (20.62)	R$ (12.21)	R$ 6.55	R$ 4.78

thousand shares at year or period end									
Net income (loss) per ADS(4) at year or period end	(1.23)	(3.81)	7.00	1.01	3.15	(20.62)	(12.21)	6.55	4.78
Dividends declared per thousand shares:									
Common shares							1.73	3.44	2.42
Class A preferred shares						0.52	2.08	3.44	2.42
Class B preferred shares						0.52	2.08	2.08	2.08
Dividends declared per ADS(4)						0.52	2.08	3.44	2.42
U.S. GAAP:									
Net income (loss) for the year				US$ 121.7	R$ 378.1	R$ (1,144.0)	R$ (471.0)		
Basic earnings (loss) per thousand shares (weighted average):									
Common shares				1.81	5.63	(47.71)	(26.71)		
Class A preferred shares				1.76	5.48				
Class B preferred shares				0.56	1.74				
Basic earnings (loss) per ADS (weighted average)(4)				1.76	5.48				

(Footnotes on pages after tables)

	At and for the Six Months Ended June 30,			At and for the Year Ended December 31,					
	2004(1)	2004	2003	2003(1)	2003	2002	2001(2)	2000	1999
	(in millions of US$, except per thousand shares and per ADS amounts and financial ratios)	(in millions of *reais*, except per thousand shares and per ADS amounts and financial ratios)		(in millions of US$, except per thousand shares and per ADS amounts and financial ratios)	(in millions of *reais*, except per thousand shares and per ADS amounts and financial ratios)				
Diluted earnings (loss) per thousand shares (weighted average):									
Common shares				US$ 1.80	R$ 5.58	R$ (47.71)	R$ (26.71)		
Class A preferred shares				1.76	5.46				
Class B preferred shares				0.56	1.74				
Diluted earnings (loss) per ADS (weighted average)(4)				1.76	5.46				
Balance Sheet Data									
Brazilian GAAP:									
Cash, cash equivalents and other investments	US$ 650.3	R$ 2,020.7		US$ 381.1	R$ 1,184.3	R$ 821.0	R$ 513.2	R$ 708.9	R$ 561.4
Trade accounts receivable	435.2	1,352.5		391.4	1,216.2	959.0	484.1	231.6	188.6
Inventories	420.4	1,306.4		344.8	1,071.6	889.1	667.8	163.4	119.9
Property, plant and equipment, net	1,686.5	5,240.8		1,619.3	5,032.0	5,296.7	4,429.7	1,969.0	1,977.2
Total assets	4,828.2	15,003.6		4,467.6	13,883.0	13,898.2	9,555.3	3,748.7	3,544.3
Short-term loans and financing (including current portion of long-term debt)	878.1	2,728.8		877.4	2,726.5	2,746.1	1,966.4	331.5	257.4
Short-term debentures	188.0	584.1		112.3	349.0	32.1	26.2		
Short-term related company debt				0.1	0.2	8.2	88.7		
Long-term loans and financing	1,267.4	3,938.5		1,163.4	3,615.3	3,891.6	3,101.7	861.8	915.6
Long-term debentures	581.9	1,808.3		367.8	1,143.0	1,190.2	473.6		
Long-term related company debt	56.8	176.6		57.2	177.6	189.3	626.7	0.9	1.1
Minority interest	79.0	245.4		178.4	554.4	433.1	738.0	27.4	30.1
Share capital	705.4	2,192.0		607.4	1,887.4	1,845.4	1,201.6	1,203.9	1,203.9
Shareholders equity	684.0	2,125.6		679.8	2,112.6	1,821.8	1,729.0	2,267.8	2,085.3
U.S. GAAP:									
Total assets				US$3,558.6	R$11,058.2	R$10,531.7	R$7,803.0		
Shareholders equity				2.5	7.8	(415.2)	291.4		
Other Financial Information									
Brazilian GAAP:									

Net cash provided by (used in):									
Operating activities	US$ 310.1	R$ 963.6	R$ 725.2	US$ 186.8	R$ 580.5	R$ 790.0	R$ 1,453.9	R$ 550.3	R$ 613.6
Investing activities	(155.9)	(484.4)	(158.1)	(148.2)	(460.4)	(646.7)	(862.2)	(115.6)	(34.6)
Financing activities	229.3	712.5	(505.6)	118.4	367.8	(237.2)	(404.9)	(287.2)	(210.7)
Capital expenditures:									
Property, plant and equipment	36.7	114.1	80.5	69.1	214.7	419.9	318.0	18.4	48.0
Interest in other companies	4.8	14.9	1.7	23.1	71.7	13.1	1,172.3	82.6	26.6
Other Information:									
Net debt(5)	US$ 2,203.3	R$ 6,846.6	R$ 5,810.7	US$ 2,024.1	R$ 6,289.7	R$ 6,878.4	R$ 4,742.3		
EBITDA(5)(6)	688.8	2,140.5	2,365.4	581.9	1,808.4	2,062.7	707.7		
Net debt to EBITDA ratio(5)	3.2x	3.2x	2.5x	3.5x	3.5x	3.3x	6.7x		

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	At and for the Six Months Ended June 30,		At and for the Year Ended December 31,				
	2004	2003	2003	2002	2001(2)	2000	1999
Operating Data(7):							
Ethylene:							
Domestic sales volume (in thousands of tons)	498.8	478.4	1,047.3	994.8	1,064.8	1,103.8	1,121.1
Average domestic price per ton (in R$)	1,861	1,879	1,655	1,292	1,135	1,090	633
Propylene:							
Domestic sales volume (in thousands of tons)	205.2	191.9	403.4	415.2	421.1	487.7	494.3
Average domestic price per ton (in R$)	1,552	1,657	1,477	1,106	829	875	444
Polyethylene(8):							
Domestic sales volume (in thousands of tons)	250.9	193.5	446.1	491.7	199.3		
Average domestic price per ton (in R$)	2,707	2,831	2,567	2,007	2,114		
Polypropylene(8):							
Domestic sales volume (in thousands of tons)	206.5	174.0	374.9	395.1	140.4		
Average domestic price per ton (in R$)	2,816	2,871	2,689	1,931	1,969		
PVC(9):							
Domestic sales volume (in thousands of tons)	196.8	165.7	342.4	350.1	125.9		
Average domestic price per ton (in R$)	2,762	2,470	2,390	2,034	1,612		
Number of employees (at period end)	2,923	2,822	2,868	2,817	1,424	1,161	1,104

(1) Translated for convenience only using the commercial selling rate as reported by the Central Bank of Brazil *(Banco Central do Brasil)*, or the Central Bank, at June 30, 2004 for *reais* into U.S. dollars of R$3.108=US$1.00.

(2) The financial and other information for 2001 is not comparable with the financial and other information for 2000 and 1999 as a result of our merger with OPP Produtos Petroquímicos S.A., which we accounted for as if it had occurred on July 25, 2001 as a result of the common control exercised by the Odebrecht Group over our company and OPP Produtos Petroquímicos S.A.

(3) Investment in associated companies, net comprises equity in the results, amortization of goodwill, net, foreign exchange variation and tax incentives and other.

(4) Net income (loss) per 1,000 shares or ADS under Brazilian GAAP is based on shares outstanding at the end of each year. Earnings (loss) per 1,000 shares or ADS under U.S. GAAP is based on the weighted average number of class A preferred shares outstanding during each period.

(5) The terms and conditions of the notes issued under our medium-term note program include a covenant prohibiting us, and our subsidiaries, from issuing, directly or indirectly, any debt (subject to certain exceptions) unless our pro forma net debt to EBITDA ratio at the date of such issuance is less than 4.5 to 1.0.

These terms and conditions define:

the Net Debt to EBITDA ratio as the ratio of our Net Debt to our EBITDA for the then most recently concluded period of four consecutive fiscal quarters, subject to adjustments for asset dispositions and investments made during the period;

Net Debt at any time as the aggregate amount of debt (subject to certain exceptions) of our company and its consolidated subsidiaries less the sum of consolidated cash and cash equivalents and consolidated marketable securities recorded as current assets (except for any capital stock in any person); and

EBITDA for any period as

our consolidated net sales revenue *minus*

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our consolidated cost of sales and services rendered *minus*

our consolidated selling expenses and general and administrative expenses *plus*

any depreciation or amortization included in our consolidated cost of sales and services rendered or selling expenses or general and administrative expenses *plus*

all cash dividends and interest attributable to shareholders equity received from proportionally consolidated companies and from unconsolidated associated companies accounted for by the equity method *plus*

our other consolidated operating income *minus*

our other consolidated operating expenses;

as each such item is reported on our most recent consolidated financial statements prepared under Brazilian GAAP, except that for purposes of calculating EBITDA in accordance with this covenant, we eliminate the effect of proportional consolidation.

The table below sets forth our Net Debt, EBITDA and Net Debt to EBITDA Ratio for the periods presented, in each case calculated in accordance with the terms of the issuing and paying agency agreement governing our medium-term note program. We have presented the Net Debt to EBITDA ratio for periods prior to the date on which our medium-term note program was established for comparative purposes.

	For the Twelve Months Ended June 30,			For the Year Ended December 31,			
	2004(a)	**2004**	**2003**	**2003(a)**	**2003**	**2002**	**2001**
	(in millions of US$)	**(in millions of *reais*)**		**(in millions of US$)**	**(in millions of *reais*)**		
Net Debt:							
Consolidated debt	US$ 2,787.9	R$ 8,663.4	R$ 6,331.9	US$ 2,363.0	R$ 7,343.1	R$ 7,493.2	R$ 5,152.0
Consolidated cash and cash equivalents	(573.9)	(1,783.4)	(107.9)	(70.7)	(219.8)	(138.4)	(65.1)
Consolidated current other investments (excluding capital stock)	(10.7)	(33.4)	(413.3)	(268.2)	(833.6)	(476.4)	(344.6)
Net debt	US$ 2,203.3	R$ 6,846.6	R$ 5,810.7	US$ 2,024.1	R$ 6,289.7	R$ 6,878.4	R$ 4,742.3
EBITDA:							
Consolidated net sales revenue	US$ 3,091.5	R$ 9,606.7	R$ 8,639.0	US$ 2,957.6	R$ 9,190.9	R$ 6,867.6	R$ 4,136.5
Consolidated cost of sales and services rendered	(2,401.0)	(7,461.2)	(6,978.3)	(2,362.5)	(7,341.6)	(5,628.9)	(3,383.4)
Consolidated selling expenses and general and administrative expenses(b)	(150.2)	(466.7)	(541.1)	(129.2)	(401.5)	(523.7)	(181.0)
Depreciation and amortization included in our consolidated cost of sales and services rendered	112.8	350.7	223.9	99.5	309.4	214.9	33.0
Cash dividends and interest on capital received	13.9	43.2	19.0			19.0	
Other consolidated operating income and expenses, net	21.8	67.8	1,002.9	16.5	51.2	1,113.8	102.6
EBITDA	US$ 688.8	R$ 2,140.5	R$ 2,365.4	US$ 581.9	R$ 1,808.4	R$ 2,062.7	R$ 707.7
Net Debt to EBITDA ratio	3.2x	3.2x	2.5x	3.5x	3.5x	3.3x	6.7x

(a) Translated for convenience only using the commercial selling rate as reported by the Central Bank at June 30, 2004 for *reais* into U.S. dollars of R$3.108=US$1.00.

(b) Excludes depreciation and amortization.

We have included a calculation of net debt, EBITDA and the net debt to EBITDA ratio in accordance with this covenant, as we believe that (1) our medium-term note program is our most significant outstanding indebtedness, (2) this covenant is a material term of our medium-term note program and (3) information about this covenant is important for investors to understand our liquidity. See Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity

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and Capital Resources Indebtedness and Financing Strategy for a discussion of our medium-term note program and this covenant. EBITDA is not a measure under Brazilian GAAP and should not be considered as a substitute for net income or loss, cash flow from operations or other measures of operating performance or liquidity determined in accordance with Brazilian GAAP. EBITDA is not intended to represent funds available for dividends or other discretionary uses by us because those funds are required for debt service, capital expenditures, working capital and other commitments and contingencies. The use of EBITDA has material limitations, including the following:

EBITDA does not include interest expense. Because we have borrowed money to finance some of our operations, interest is a necessary and ongoing part of our costs and assists us in generating revenue.

EBITDA does not include taxes. The payment of taxes is a necessary and ongoing part of our operations.

EBITDA does not include depreciation. Because we must utilize property, plant and equipment in order to generate revenues in our operations, depreciation is a necessary and ongoing part of our costs.

We have calculated EBITDA in accordance with a covenant in our medium-term note program, which calculation may not be comparable to similarly titled measures of other companies.

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The following table reconciles EBITDA to our statement of cash flows:

	For the Twelve Months Ended June 30,			For the Year Ended December 31,			
	2004(a)	2004	2003	2003(a)	2003	2002	2001
	(in millions of US$)	(in millions of *reais*)		(in millions of US$)	(in millions of *reais*)		
Net cash provided by operating activities	US$ 263.6	R$ 819.1	R$ 834.1	US$ 186.8	R$ 580.5	R$ 790.0	R$ 1,453.9
Adjustments to reconcile cash provided by operating activities with proportional consolidation to EBTIDA:							
Interest and monetary and exchange variations	(329.6)	(1,024.1)	(195.5)	161.6	502.1	(1,838.8)	(967.9)
Adjustments to realization value of investments	(1.2)	(3.8)	(41.5)	(1.2)	(3.8)	(41.5)	(0.9)
Gain (loss) on permanent assets disposed of	(14.3)	(44.5)	(64.0)	(16.9)	(52.4)	(55.6)	9.6
Recognition of tax credit, net of amounts realized			813.4			813.4	
Other	10.7	33.3	(161.6)	(21.4)	(66.6)	(69.8)	22.8
Increase (decrease) in assets:							
Other investments	27.3	84.9	307.8	(40.1)	(124.6)	425.3	(213.0)
Trade accounts receivable	74.8	232.3	542.8	76.9	238.9	809.6	(191.3)
Fair market value of derivative financial instruments	(5.3)	(16.4)	8.9	(10.9)	(33.8)	22.2	13.0
Inventories	25.8	80.1	515.7	63.5	197.3	174.5	28.5
Taxes recoverable	(76.4)	(237.5)	(334.8)	(103.4)	(321.2)	(52.1)	(5.8)
Prepaid expenses	(10.0)	(31.0)	(51.3)	(8.4)	(26.0)	14.0	64.9
Other receivables	(86.7)	(269.5)	(35.6)	(64.7)	(201.2)	(33.9)	42.5
Decrease (increase) in liabilities:							
Suppliers	29.9	93.1	(1,085.1)	196.2	609.7	(1,482.5)	29.7
Taxes, charges and contributions	42.4	131.9	(23.8)	18.5	57.4	(185.4)	(24.5)
Tax incentives	43.6	135.6	(142.4)	21.1	65.6	(47.2)	(72.9)
Advances from customers	104.6	324.9	(225.2)	(49.2)	(153.0)	(70.2)	2.1
Other payables	3.6	11.3	21.9	(37.9)	(117.8)	(77.0)	(89.5)
Other adjustments:							
Income tax and social contributions (current)	23.5	73.0	264.1	46.1	143.3	128.0	74.0
Non-operating expenses, net	(4.4)	(13.7)	141.8	1.5	4.8	98.0	120.8
Financial expenses, net	634.8	1,972.7	1,443.6	226.4	703.6	2,861.9	506.5
Cash dividends and interest on capital received	13.9	43.2	19.0			19.0	
Proportional consolidation adjustments	(81.8)	(254.4)	(186.9)	(62.6)	(194.4)	(139.2)	(94.8)

EBITDA	US$ 688.8	R$ 2,140.5	R$ 2,365.4	US$ 581.9	R$ 1,808.4	R$ 2,062.7	R$ 707.7

(a) Translated for convenience only using the commercial selling rate as reported by the Central Bank at June 30, 2004 for *reais* into U.S. dollars of R$3.108=US$1.00.

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(6) Our medium-term note program requires that we calculate EBITDA at the end of each fiscal quarter on the basis of our financial results for the twelve-month period then ended. Accordingly, EBITDA as presented under the columns entitled At and for the Six Months Ended June 30, represents EBITDA for the twelve-month periods ended June 30.

(7) Including intra-company sales within Braskem.

(8) Represents the sum of the sales volumes of Polialden and OPP Química for 2001.

(9) Represents the sales volume of Trikem for 2001.

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RISK FACTORS

Prospective purchasers of ADSs should carefully consider the risks described below, as well as the other information in this prospectus, before deciding to purchase any ADSs. Our business, results of operations, financial condition or prospects could be negatively affected if any of these risks occurs, and as a result, the trading price of our class A preferred shares or the ADSs could decline and you could lose all or part of your investment.

Risks Relating to Brazil

Brazilian political and economic conditions, and the Brazilian government s economic and other policies, may negatively affect demand for our products as well as our net sales revenue and overall financial performance.

The Brazilian economy has been characterized by frequent and occasionally extensive intervention by the Brazilian government and unstable economic cycles. The Brazilian government has often changed monetary, taxation, credit, tariff and other policies to influence the course of Brazil s economy. The Brazilian government s actions to control inflation and implement other policies have at times involved wage and price controls, blocking access to bank accounts, imposing capital controls and limiting imports into Brazil.

Our results of operations and financial condition may be adversely affected by factors such as:

- fluctuations in exchange rates;
- exchange control policies;
- interest rates;
- inflation;
- tax policies;
- expansion or contraction of the Brazilian economy, as measured by rates of growth in gross domestic product, or GDP;
- liquidity of domestic capital and lending markets; and
- other political, diplomatic, social and economic developments in or affecting Brazil.

Luiz Inácio Lula da Silva of the Workers Party took office as President of Brazil on January 1, 2003. In the period leading up to and following the October 2002 presidential election, there was substantial uncertainty regarding the policies that the new government would pursue. This uncertainty resulted in a loss of confidence in the Brazilian capital markets and a 34.3% devaluation of the *real* against the U.S. dollar between January 1, 2002 and December 31, 2002. While the Brazilian government has adopted economic measures that are more conservative than initially expected by some observers, the Brazilian government may change these policies in a manner that slows the growth of the Brazilian economy, reducing demand for our products and, consequently, impairing our net sales revenue and overall financial performance. Any negative effect on our overall financial performance would also likely lead to a decrease in the market price of our class A preferred shares and the ADSs.

The Brazilian government s actions to combat inflation may contribute significantly to economic uncertainty in Brazil and reduce demand for our products.

Historically, Brazil has experienced high rates of inflation. Inflation, as well as government efforts to combat inflation, had significant negative effects on the Brazilian economy, particularly prior to 1995. The inflation rate, as measured by the General Price Index Internal Availability (*Índice Geral de Preços Disponibilidade Interna*), reached 2,708% in 1993. Although inflation rates have been substantially lower since 1994 than in previous periods, inflationary pressures persist. Inflation rates were 20.0% in 1999, 9.8% in 2000, 10.4% in 2001, 26.4% in 2002, 7.7% in 2003 and 6.9% during the six months ended June 30, 2004,

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as measured by the General Price Index Internal Availability. The Brazilian government s measures to control inflation have often included maintaining a tight monetary policy with high interest rates, thereby restricting availability of credit and reducing economic growth. Inflation, actions to combat inflation and public speculation about possible additional actions also contributed materially to economic uncertainty in Brazil and to heightened volatility in the Brazilian securities markets.

Brazil may experience high levels of inflation in future periods. Increasing prices for petroleum, the depreciation of the *real* and future governmental measures seeking to maintain the value of the *real* in relation to the U.S. dollar, may trigger increases in inflation in Brazil. Periods of higher inflation may slow the rate of growth of the Brazilian economy, which would lead to reduced demand for our products in Brazil and decreased net sales revenue. Inflation also is likely to increase some of our costs and expenses, which we may not be able to pass on to our customers and, as a result, may reduce our profit margins and net income. In addition, high inflation generally leads to higher domestic interest rates, and, as a result, the costs of servicing our *real*-denominated debt may increase, causing our net income to be reduced. Inflation and its effect on domestic interest rates can, in addition, lead to reduced liquidity in the domestic capital and lending markets, which could adversely affect our ability to refinance our indebtedness in those markets. Any decline in our net sales revenue or net income and any deterioration in our financial condition would also likely lead to a decline in the market price of our class A preferred shares and the ADSs.

Fluctuations in interest rates could raise the cost of servicing our debt and negatively affect our overall financial performance.

Our financial expenses are affected by changes in the interest rates that apply to our floating rate debt. At June 30, 2004, we had R$1,213.4 million of loans and financing and debentures that were subject to the Long-Term Interest Rate (R$1,144.7 million at December 31, 2003), R$1,632.2 million of loans and financing and debentures that were subject to the CDI (*Certificado Depositário Interbancário*), an interbank rate (R$911.6 million at December 31, 2003), and R$1,573.2 million of loans and financing that were subject to LIBOR (R$1,155.5 million at December 31, 2003). The Long-Term Interest Rate is a Brazilian long-term interest rate that includes an inflation factor and is determined quarterly by the Central Bank. In particular, the Long-Term Interest Rate and the CDI rate have fluctuated significantly in the past in response to the expansion or contraction of the Brazilian economy, inflation, Brazilian government policies and other factors. For example, in 2003 the CDI rate ranged from 25.3% per annum at January 31, 2003 to 16.3% per annum at December 31, 2003. See Management s Discussion and Analysis of Financial Condition and Results of Operations Quantitative and Qualitative Disclosures About Market Risk. A significant increase in any of these interest rates could adversely affect our financial expenses and negatively affect our overall financial performance.

Fluctuations in the real/ U.S. dollar exchange rate could increase inflation in Brazil, raise the cost of servicing our foreign currency-denominated debt and negatively affect our overall financial performance.

The exchange rate between the *real* and the U.S. dollar and the relative rates of depreciation and appreciation of the *real* have affected our results of operations and may continue to do so.

The Brazilian currency has devalued often during the last four decades. Throughout this period, the Brazilian government has implemented various economic plans and various exchange rate policies, including sudden devaluations, periodic mini-devaluations (during which the frequency of adjustments has ranged from daily to monthly), exchange controls, dual exchange rate markets and a floating exchange rate system. From time to time, there have been significant fluctuations in the exchange rate between the Brazilian currency and the U.S. dollar and other currencies. For example, the *real* depreciated in value against the U.S. dollar by 15.7% in 2001 and 34.3% in 2002 as compared with appreciation of 22.3% in 2003. The *real* depreciated against the U.S. dollar by 7.0% during the six months ended June 30, 2004 as compared to appreciation of 23.0% during the same period in 2003.

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Devaluation of the *real* relative to the U.S. dollar also could result in additional inflationary pressures in Brazil by generally increasing the price of imported products and services and requiring recessionary government policies to curb demand. In addition, a devaluation of the *real* could weaken investor confidence in Brazil and reduce the market price of the ADSs. On the other hand, appreciation of the *real* against the U.S. dollar may lead to a deterioration of the country s current account and the balance of payments and may dampen export-driven growth.

We had total foreign currency-denominated debt obligations in an aggregate amount of R$5,725.0 million (US$1,842.3 million) at June 30, 2004, representing 63.2% of our indebtedness, excluding related party debt, on a consolidated basis. We had total foreign-currency denominated debt obligations in an aggregate amount of R$5,220.0 million (US$1,806.7 million) at December 31, 2003, representing 66.6% of our indebtedness, excluding related party debt, on a consolidated basis. Although we manage a portion of our exchange rate risk through foreign currency derivative instruments, our foreign currency debt obligations are not completely hedged. A significant devaluation of the *real* in relation to the U.S. dollar or other currencies could reduce our ability to meet debt service requirements of our foreign currency-denominated obligations, particularly as our net sales revenue is primarily denominated in *reais.*

In addition, any significant devaluation of the *real* will increase our financial expenses as a result of foreign exchange losses that we must record. For example, the 34.3% devaluation of the *real* in 2002 substantially increased our financial expenses and was a significant factor in our net loss for that year.

The prices of naphtha, our most important raw material, and of some of our other raw materials are denominated in or linked to the U.S. dollar. In 2003, 65.2% of our direct and indirect cost of sales and services represented the cost of naphtha. When the *real* depreciates against the U.S. dollar, the cost in *reais* of our U.S. dollar-linked raw materials increases, and our operating income in *reais* decreases.

Brazilian government exchange control policies could increase the cost of servicing our foreign currency-denominated debt and impair our liquidity.

The purchase and sale of foreign currency in Brazil is subject to governmental control. In the past, the Central Bank has centralized certain payments of principal on external obligations. Many factors could cause the Brazilian government to institute more restrictive exchange control policies, including the extent of Brazil s foreign currency reserves, the availability of sufficient foreign exchange on the date a payment is due, the size of Brazil s debt service burden relative to the economy as a whole, Brazil s policy towards the International Monetary Fund and political constraints to which Brazil may be subject. A more restrictive policy could increase the cost of servicing (and thereby reduce our ability to pay) our foreign currency-denominated debt obligations and other liabilities. Our foreign-currency denominated debt represented 66.6% of our indebtedness on a consolidated basis at December 31, 2003 and 63.2% at June 30, 2004. If we fail to make payments under any of these obligations, we will be in default under those obligations, which could reduce our liquidity as well as on the market price of our class A preferred shares and the ADSs.

Energy shortages in Brazil could cause us to curtail our production, which would negatively affect our net sales revenue and our overall financial performance.

The Northeast and certain other regions of Brazil faced an energy shortage during the second half of 2001. In response, the Brazilian government instituted an electric power rationing program from June 2001 to February 2002 that aimed to reduce electricity consumption by 20%. As a result of this program, we experienced a temporary reduction in our PVC production in our plants located in the state of Alagoas, and many of our customers curtailed their demand for our products. We utilize electricity supplied by Companhia Hidro Elétrica do São Francisco Chesf, or CHESF, for some of our power needs at the Northeastern Complex, and most of our power needs in Alagoas. A severe drought in Brazil s northeastern region in 2003 reduced hydroelectric generation in the region. In addition, there are inadequate transmission lines to connect the power grids in northeastern and southeastern Brazil, so that any excess power in the Southeast, as was available in 2003, may not be transmitted to meet energy needs in the

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Northeast. As a result, electric power to the Northeastern Complex supplied by CHESF was interrupted in November 2003, and we had to shutdown our operations there for three days. Continued energy shortages in the Northeast and a lack of adequate transmission infrastructure may result in further unexpected shutdowns of our operations at the Northeastern Complex in the future, which could cause us to decrease our production and consequently reduce our net sales revenue and negatively affect our overall financial performance.

Changes in tax laws may result in increases in certain direct and indirect taxes, which could reduce our gross margin and negatively affect our overall financial performance.

The Brazilian government regularly implements changes to tax regimes that may increase our and our customers tax burdens. These changes include modifications in the rate of assessments and, on occasion, enactment of temporary taxes, the proceeds of which are earmarked for designated governmental purposes. In April 2003, the Brazilian government presented a tax reform proposal, which was mainly designed to simplify tax assessments, to avoid internal disputes within and between the Brazilian states and municipalities, and to redistribute tax revenues. The tax reform proposal provided for changes in the rules governing the federal Social Integration Program (*Programa de Integração Social*), or PIS, the federal Contribution for Social Security Financing (*Contribuição para Financiamento da Seguridade Social COFINS*), or COFINS, the Tax on the Circulation of Merchandise and Services (*Imposto Sobre a Circulação de Mercadorias e Serviços*), or ICMS, the Tax on Bank Account Transactions (*Contribuição Provisória sobre Movimentação ou Transmissão de Valores e de Créditos e Direitos de Natureza Financeira*), or CPMF, and some other taxes.

In December 2003, the Brazilian Federal Senate approved part of this tax reform proposal following its approval by the Brazilian Federal House of Representatives. Other parts of the tax reform proposal were amended by the Senate and returned to the House of Representatives for further examination. If approved, these tax reform measures will be gradually adopted in 2005 and 2007.

The effects of these proposed tax reform measures and any other changes that result from enactment of additional tax reforms have not been, and cannot be, quantified. However, some of these measures, if enacted, may result in increases in our overall tax burden, which could reduce our gross margin and negatively affect our overall financial performance.

Risks Relating to Our Company and the Petrochemical Industry

The cyclical nature of the petrochemical industry may reduce our net sales revenue and gross margin.

The Brazilian petrochemical industry, including the markets in which we compete, is cyclical and sensitive to changes in supply and demand that are, in turn, affected by political and economic conditions in Brazil and elsewhere. This cyclicality may reduce our net sales revenue and gross margin. In particular:

- downturns in general business and economic activity may cause demand for our products to decline;
- when demand falls, we may be under competitive pressure to lower our prices; and
- if we decide to expand our plants or construct new plants, we may do so based on an estimate of future demand that never materializes or materializes at levels lower than we predicted.

The global petrochemical industry is also cyclical. Historically, the international petrochemical markets have experienced alternating periods of limited supply, which have caused prices and profit margins to increase, followed by expansion of production capacity, which has resulted in oversupply and reduced prices and profit margins. The Brazilian petrochemical industry has become increasingly integrated with the global petrochemical industry for a number of reasons, including increased demand for, and consumption of, petrochemical products in Brazil and the ongoing integration of regional and world markets for commodity products. Prices for our products sold in Brazil are established with reference to international market prices. Our net sales revenue and gross margin are increasingly linked to global industry conditions that we cannot control.

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We face competition from producers of polyolefins, vinyls and other petrochemical products.

We face competition in Brazil from Brazilian and international producers of polyethylene, polypropylene, vinyls and other petrochemical products. In addition, our prices for our second generation products are generally set with reference to the prices charged for these products by foreign producers in international markets. We anticipate that we may experience increasingly intense competition from international producers of polyolefins and vinyls products, both in Brazil and in selected foreign markets in which we sell these products. Many of our foreign competitors are substantially larger and have substantially greater financial, manufacturing, technological and marketing resources than our company.

We face significant competition in the polyethylene market. In 2001, The Dow Chemical Company, or Dow Chemical, commenced operation of a polyethylene facility in Argentina with an annual capacity of 600,000 tons. In addition, Rio Polímeros S.A., or Rio Polímeros, a Brazilian petrochemical company, is currently constructing a large petrochemical plant in Brazil that has announced plans to commence operations in December 2004. The announced annual capacity of this plant is 520,000 tons of ethylene, 75,000 tons of propylene and 540,000 tons of polyethylene (representing an increase of approximately 35% of the current total Brazilian production capacity of polyethylene). Actions by our competitors, including any future increases in their capacity, may make it increasingly difficult for us to maintain our domestic market share in polyethylene.

Higher naphtha costs would increase our cost of sales and services rendered and may reduce our gross margin and negatively affect our overall financial performance.

Naphtha is the principal raw material of our Basic Petrochemicals Unit. In 2003, naphtha accounted, directly and indirectly, for approximately two-thirds of our consolidated cost of sales and services rendered. The price of naphtha supplied by Petrobras is linked to the Amsterdam-Rotterdam-Antwerp market price of naphtha and to the U.S. dollar/*real* exchange rate. The price of naphtha that we purchase from other suppliers is also linked to the Amsterdam-Rotterdam-Antwerp market price.

During 2003, the price of naphtha in U.S. dollars increased by 5.6%, from US$287.00 per ton in December 2002 to US$313.00 per ton in December 2003. The U.S. dollar price of naphtha was volatile during 2003, increasing substantially between January and February prior to the commencement of the war in Iraq, declining sharply through May before rebounding in June and increasing steadily through the end of the year. During the six months ended June 30, 2004, the price of naphtha in U.S. dollars increased by 7.0%, from US$313.00 per ton at December 31, 2003 to US$335.00 per ton at June 30, 2004. Since the end of the first half of 2004, the price of naphtha in U.S. dollars has increased significantly, reaching US$401.50 per ton at July 31, 2004, US$387.50 per ton at August 31, 2004 and US$425.00 per ton at September 21, 2004. The price of naphtha may increase significantly or the *real* may devalue significantly in the future. An increase in naphtha costs would reduce our gross margin and negatively affect our overall financial performance to the extent that we are unable to pass on these increased costs to our customers and could result in reduced sales volumes of our products.

We do not hedge against changes in naphtha prices, so that we are exposed to fluctuations in the price of our primary raw material.

We currently do not hedge our exposure to fluctuations in naphtha prices, which are linked to the U.S. dollar/*real* exchange rate. Although we attempt to pass on increases in naphtha prices through the prices of our products, in periods of high volatility in the U.S. dollar/*real* exchange rate, there is usually a lag between the time that the U.S. dollar appreciates and the time that we may effectively pass on those increased costs in *reais* to our customers in Brazil. As a result, if the *real* depreciates precipitously against the U.S. dollar in the future, we may not immediately be able to pass on all of the corresponding increases in our naphtha costs to our customers in Brazil, which would likely reduce our gross margin and net income.

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We depend on Petrobras to supply us with the substantial portion of our naphtha requirements.

Petrobras currently is the only Brazilian supplier of naphtha and supplied 68.8% of the naphtha consumed by our company in 2003. Petrobras produces some of the naphtha it sells to us and imports the balance. Our production volume and net sales revenue would likely decrease and our overall financial performance would likely be negatively affected in the event of:

- significant damage to Petrobras refineries or to the port facilities through which Petrobras imports naphtha, or to any of the pipelines connecting us to Petrobras facilities, whether as a consequence of an accident, natural disaster, fire or otherwise; or

- any termination by Petrobras of the naphtha supply contract with our company, which provides that Petrobras may terminate the contract for a number of reasons, including as a result of a national emergency affecting the supply of petroleum derivatives in Brazil.

In addition, although regulatory changes have ended Petrobras monopoly in the Brazilian naphtha market and have allowed us to import naphtha, any reversal in the continuing deregulation of the oil and gas industry in Brazil could increase our production costs.

Our Polyolefins and Vinyls Units depend on our Basic Petrochemicals Unit and Copesul to supply them with their ethylene and propylene requirements.

Our Basic Petrochemicals Unit is the only supplier of ethylene to our Vinyls Unit, and our Basic Petrochemicals Unit and Copesul are the only suppliers of ethylene and propylene to our Polyolefins Unit. Because the cost of storing ethylene and propylene is substantial and there is inadequate infrastructure in Brazil to permit the importation of large quantities of these products, our production volumes of, and net sales revenue from, vinyls and polyolefins products would decrease, and our overall financial performance would be negatively affected, in the event of:

- significant damage to our Basic Petrochemicals Unit s or to Copesul s facilities through which ethylene or propylene is produced, or to the pipeline or other facilities that connect these units to our Basic Petrochemicals Unit or Copesul, whether as a consequence of an accident, natural disaster, fire or otherwise;

- any termination by Copesul of the ethylene and propylene supply contracts with our company; or

- any significant reduction in the supply of naphtha to our Basic Petrochemicals Unit or to Copesul, as naphtha is the principal raw material used in the production of ethylene and propylene.

In addition, any significant expansion of the production capacity of our Polyolefins Unit in the Southern Complex will depend on our ability to obtain additional ethylene and propylene from Copesul.

Our indebtedness will require that a significant portion of our cash flow be used to meet debt-service obligations on that indebtedness.

We had R$9,059.7 million of total indebtedness on a consolidated basis at June 30, 2004, including R$396.3 million of indebtedness of Copesul, Politeno, Cetrel S.A. Empresa de Proteção Ambiental, or Cetrel, and our other jointly controlled companies, which we consolidate on a proportional basis as required by Brazilian GAAP, and excluding R$176.6 million of related party debt. We had R$7,833.8 million of total indebtedness on a consolidated basis at December 31, 2003, including R$490.7 million of indebtedness of our jointly controlled companies and excluding R$177.6 million of related party debt and R$113.4 million of advances for purchase of credit rights, a form of long-term obligation.

The level of our indebtedness could have important consequences, including the following:

- our ability to obtain any necessary financing in the future for working capital, capital expenditures, debt-service requirements or other purposes could be limited;

a substantial portion of our cash flow from operations must be dedicated to pay principal and interest on our indebtedness and may not be available for other purposes, such as the payment of dividends;

our level of indebtedness could limit our flexibility in planning for, or reacting to changes in, our business; and

our level of indebtedness could make us more vulnerable in the event of a downturn in our business.

Any downgrade in the ratings of our company or our debt securities would likely result in increased interest and other financial expenses related to our borrowings and debt securities and could reduce our liquidity.

Standard & Poor s Ratings Services, a division of The McGraw-Hill Companies, Inc., or Standard and Poor s, and Fitch, Inc., or Fitch, maintain ratings of our company and our debt securities. Currently, Standard and Poor s maintains a local rating for our company of Br A, a local currency rating for our company of BB- stable, and a foreign currency rating for our company of B+ positive, and Fitch maintains a local currency rating for our company of Br A with outlook stable. Any decision by these or other rating agencies to downgrade the ratings of our company or of our debt securities in the future would likely result in increased interest and other financial expenses relating to our borrowings and debt securities and could significantly reduce our ability to obtain such financing on satisfactory terms or in amounts required by us and our liquidity.

Some of our shareholders may have the ability to determine the outcome of corporate actions or decisions, which could affect the holders of the ADSs.

The Odebrecht Group directly holds 42.9% of our voting common shares, and its designees currently constitute a majority of the members of our board of directors. In addition, the Odebrecht Group owns 50.1% of the voting share capital of Norquisa, which owns 29.4% of our voting share capital and 10.7% of our total share capital. Some of our other shareholders, consisting of Petroquisa, a subsidiary of Petrobras, and two Brazilian pension funds, have veto and other rights under shareholders agreements as described under Principal Shareholders and Related Party Transactions Principal Shareholders Shareholders Agreements. As discussed below, Petroquisa also has an option to purchase a significant number of common and preferred shares in our company that would give Petroquisa substantial voting and other rights in respect of our company. As a result, the Odebrecht Group, Petroquisa and these other shareholders may have the ability to determine the outcome of major corporate actions or decisions requiring the approval of our shareholders or our board of directors, which could affect the holders of the ADSs.

We may be required to issue over the next twelve months a substantial number of new common and preferred shares to Petroquisa, a subsidiary of Petrobras, which would result in a change in the composition of our board of directors and could influence changes in our strategy and the outcome of major corporate actions and decisions, and also could have a dilutive effect on our net income per 1,000 shares.

Under a memorandum of understanding between Petroquisa, on the one hand, and Odebrecht and other key shareholders, on the other, Petroquisa has an option exercisable through April 30, 2005 to acquire from us, and in certain circumstances from the Odebrecht Group, a number of our common and preferred shares that would provide it with the same equity participation in our voting and total share capital as the participation owned collectively by the Odebrecht Group, Petroquímica da Bahia, and Norquisa (which participation at April 30, 2004 represented an aggregate of 75.6% of our voting share capital and 51.3% of our total share capital). Under this memorandum of understanding, the consideration for the shares issued by our company upon Petroquisa s exercise of the option will consist of shares of Copesul, and the exchange ratio of such consideration for our common and preferred shares will be based upon independent valuations of our company and Copesul. See Principal Shareholders and Related Party

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Transactions Petroquisa Memorandum of Understanding for a description of how these valuations will be conducted.

If Petroquisa exercises the option, Petroquisa will also be entitled to representation on our board of directors equal to that of the Odebrecht Group, the Mariani Group and Norquisa, jointly. In addition, Petroquisa and the other shareholders party to the memorandum of understanding will be obligated to coordinate their votes and to vote as a block at meetings of our board of directors and shareholders.

We are unable to predict whether Petroquisa will exercise the option or, because the independent enterprise valuations have not been conducted, the number of new common and preferred shares to be issued by our company if Petroquisa exercises the option. We cannot determine whether the option, if exercised, will have a dilutive effect on our net income per 1,000 shares, which could, in turn, affect the market prices of our class A preferred shares and the ADSs. If it exercises the option, Petroquisa and its controlling shareholder, Petrobras, are required under the terms of the Petroquisa memorandum of understanding to negotiate and enter into a new shareholders agreement with Odebrecht and other shareholders, which may include new or different terms than the Petroquisa memorandum of understanding and as a result, could influence changes in our strategy and otherwise influence the outcome of major corporate actions and decisions.

We may face conflicts of interest in transactions with related parties.

We maintain trade accounts receivable and current and long-term payables with some of our affiliates and other related parties, including Petrobras (which is our sole domestic supplier of naphtha), Copesul in the Southern Complex (which supplies us with ethylene and propylene), and Politeno (which purchases ethylene from our company). Through Petroquisa, Petrobras is the indirect holder of 7.8% of our common shares and 11.1% of our total share capital. These accounts receivable and accounts payable balances result mainly from purchases and sales of goods, which are at prices and on terms equivalent to the average terms and prices of transactions that we enter into with third parties. We also engage in financial and other transactions with some of our shareholders, such as the grant of the Petroquisa option discussed above. These and other commercial and financial transactions between us and our affiliates could result in conflicting interests.

Future adjustments in tariffs on imports that compete with our products could cause us to lower our prices.

We take into account, when setting the domestic prices for our products, tariff rates imposed by the Brazilian government on imports of similar products and the products of our customers. We currently benefit from tariffs that allow us to charge lower prices for our polyolefins and vinyls products than imports of those products. Our margins from sales in the Brazilian market are therefore significantly higher than our margins from exports. However, the Brazilian government has in the past used import and export tariffs to effect economic policies, with the consequence that tariffs can vary considerably, especially tariffs on petrochemical products. Future adjustments of tariffs could cause us to lower our domestic prices, which would likely result in lower net sales revenue and could negatively affect our overall financial performance.

Our business is subject to stringent environmental regulations, and imposition of new regulations could require significant capital expenditures and increase our operating costs.

Our company, like other Brazilian petrochemical producers, is subject to stringent Brazilian federal, state and local environmental laws and regulations concerning human health, the handling and disposal of solid and hazardous wastes and discharges of pollutants into the air and water. Petrochemical producers are sometimes subject to unfavorable market perceptions as a result of the environmental impact of their business, which can have an adverse effect on their results of operations. As environmental laws become more stringent in Brazil and worldwide, the amount and timing of future expenditures required to remain compliant could increase substantially and could decrease the availability of funds for other capital expenditures and other purposes.

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We manufacture products that are subject to the risk of fire, explosions and other hazards.

Our operations are subject to hazards, such as fires, explosions and other accidents, associated with the manufacture of petrochemicals and the storage and transportation of feedstocks and petrochemical products. These hazards can cause personal injury and loss of life, severe damage to or destruction of property and equipment and environmental damage. A sufficiently large accident at one of our plants or storage facilities could force us to suspend our operations temporarily and result in significant remediation costs and lost net sales revenue. Although we maintain insurance coverage for losses due to fire damage and for losses of income resulting from shutdowns due to fire, explosion or electrical damage, those insurance proceeds may not be available on a timely basis and may be insufficient to cover all losses.

The Brazilian antitrust authorities could impose costly or restrictive conditions on the approval of the formation of our company.

As part of our corporate reorganization process that began in 2001, we merged with each of OPP Química, Trikem, Proppet and Nitrocarbono and we acquired Polialden. We closed these transactions, as permitted by Brazilian law, subject to the final approval of the Brazilian antitrust authorities. We have submitted the terms and conditions of these transactions to the Brazilian antitrust authorities. These antitrust authorities will determine whether these transactions negatively impact competitive conditions in the markets in which we compete or whether they would negatively affect consumers in these markets. Although two of the three Brazilian antitrust authorities have issued non-binding opinions recommending the unconditional approval of these corporate reorganization transactions, the third and governing antitrust authority continues to review this matter and may disagree with these opinions and impose conditions or performance commitments on our company. Any adverse decision by the Brazilian antitrust authorities could materially adversely affect our business and negatively affect our overall financial performance.

Unfavorable outcomes in pending litigation may reduce our liquidity and negatively affect our financial performance and financial condition.

We are involved in numerous tax, civil and labor disputes involving significant monetary claims. If unfavorable decisions are rendered in one or more of these lawsuits, we could be required to pay substantial amounts, which could materially adversely affect our financial condition and results of operations. For some of these lawsuits, we have not established any provision on our balance sheet or have established provisions only for part of the amounts in question, based on our judgments about the likelihood of winning these lawsuits.

The lawsuits for which we have not established provisions or have established only partial provisions include the following:

Social Contribution on Net Income. We and some of our subsidiaries have challenged the constitutionality of the Brazilian federal Social Contribution on Net Income (*Contribuição Social Sobre o Lucro Líquido*). A Brazilian Federal Supreme Court *(Supremo Tribunal Federal)* decision in our favor was overruled in a subsequent rescission action filed by the Brazilian tax authorities, and our appeal of that suit is pending. Our total estimated exposure, including interest, was R$487.8 million at June 30, 2004. This amount does not include approximately R$154.8 million in penalties at June 30, 2004 that we believe are not payable because we relied upon a judicial decision in not paying the Social Contribution on Net Income. We believe that it is reasonably possible that we will lose this rescission action, and we believe that there is a remote possibility that we will be required to pay fines and related interest as a result of this tax litigation. We have not established a provision for these lawsuits. However, as there are adverse precedents under Brazilian law that allow rescission actions to relate back to, and to take effect from, the date of the initial decision, we believe that it is reasonably possible that we will be required to pay these taxes from the date of the original decision.

Cost of Living Adjustments on Workers Wages. The unions that represent employers and workers in the Northeastern Complex are involved in a lawsuit over the indices we and other companies

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have used for cost of living adjustments on workers wages since early 1990. For a description of the legal bases of this suit, see Business Legal Proceedings Labor Proceedings. The Brazilian Federal Supreme Court has held in favor of the employers union, but the workers union has requested reconsideration of the decision, and the decision of the Brazilian Federal Supreme Court is not yet final and does not address damages. We believe it is reasonably possible that the employers union will lose this suit, which could adversely affect us. While we believe that it is possible (although unlikely) that an adverse judgment against the employers union could impact wages that we paid from April 1990 to the present, we believe that any judgment would most likely impact wages that we paid from April 1990 to September 1990 (when the next collective bargaining agreement was entered into). As we believe that it is not probable that the employers union will lose this suit, we have not recorded a provision in respect of this suit. If the employers union loses this suit and we are required to pay damages from April 1990 to September 1990, we estimate that we could be subject to liability of up to R$35.0 million, although additional claims would have to be brought by the workers union or individual employees to quantify the amount of damages that we would be required to pay.

In addition, we and some of our subsidiaries believe that our chances of success are remote in a series of lawsuits in which we challenged the constitutionality of an increase in the COFINS tax rate. For a description of the legal bases of these suits, see Business Legal Proceedings Tax Disputes. We had established total provisions of R$277.8 million at June 30, 2004 for all our lawsuits relating to PIS and COFINS, including separate lawsuits challenging the basis of calculation of PIS and COFINS. Because we have deposited only R$61.7 million of this amount with the courts, we would be required, in the event we and our subsidiaries receive final, unfavorable decisions, to pay the remaining amounts for which we have not made deposits.

We are also parties to a number of lawsuits seeking tax credits that we believe the Brazilian tax authorities have disallowed or limited in violation of the Brazilian Constitution and/or applicable law. In some cases where we have received favorable lower court decisions, we have used these credits to offset other tax obligations and have established provisions in an equivalent amount until a final decision is rendered (adjusting these provisions based on the SELIC (*Sistema Especial de Liquidação e de Custódia SELIC*), or SELIC interest rate). These provisions totaled R$891.3 million at June 30, 2004. If we ultimately lose any of these lawsuits, we would be required to pay the tax obligations we had previously offset with those credits, which could materially reduce our liquidity. We believe that losses related to some of these lawsuits are reasonably possible.

For more information about our legal proceedings, see Business Legal Proceedings.

Risks Relating to Our Class A Preferred Shares and the ADSs

Our class A preferred shares and the ADSs have limited voting rights.

Under the Brazilian Corporation Law and our by-laws, holders of our class A preferred shares and, consequently, the ADSs are not entitled to vote at meetings of our shareholders, except in very limited circumstances. These limited circumstances directly relate to key rights of the holders of class A preferred shares, such as modifying basic terms of our class A preferred shares or creating a new class of preferred shares with superior rights. Holders of preferred shares without voting rights are entitled to elect one member and his or her respective alternate to our board of directors and our fiscal council. However, until our general shareholders meeting in 2006, any member elected to our board of directors by these preferred shareholders must be selected from a list of three nominees chosen by our controlling shareholder. Holders of our class A preferred shares and the ADSs are not entitled to vote to approve corporate transactions, including mergers or consolidations of our company with other companies.

Holders of ADSs may find it difficult to exercise even their limited voting rights at our shareholders meetings.

Holders may exercise the limited voting rights with respect to our class A preferred shares represented by the ADSs only in accordance with the deposit agreement relating to the ADSs. There are practical limitations upon the ability of ADS holders to exercise their voting rights due to the additional steps involved in communicating with ADS holders. For example, we are required to publish a notice of our shareholders meetings in certain newspapers in Brazil. To the extent that holders of our class A preferred shares are entitled to vote at a shareholders meeting, they will be able to exercise their voting rights by attending the meeting in person or voting by proxy. By contrast, holders of ADSs will receive notice of a shareholders meeting by mail from the ADR depositary following our notice to the ADR depository requesting the ADR depository to do so. To exercise their voting rights, ADS holders must instruct the depositary on a timely basis. This noticed voting process will take longer for ADS holders than for holders of class A preferred shares. If it fails to receive timely voting instructions for all or part of the ADSs, the depositary will assume that the holders of those ADSs are instructing it to give a discretionary proxy to a person designated by us to vote their ADSs, except in limited circumstances.

In the limited circumstances in which holders of ADSs have voting rights, they may not receive the voting materials in time to instruct the depositary to vote our class A preferred shares underlying their ADSs. In addition, the depositary and its agents are not responsible for failing to carry out voting instructions of the holders of ADSs or for the manner of carrying out those voting instructions. Accordingly, holders of ADSs may not be able to exercise voting rights, and they will have no recourse if the class A preferred shares underlying their ADSs are not voted as requested.

Exchange controls and restrictions on remittances abroad may adversely affect holders of the ADSs and the underlying class A preferred shares.

Brazilian law provides that whenever there is a significant imbalance in Brazil s balance of payments or a significant possibility that such imbalance will exist, the Brazilian government may impose temporary restrictions on the remittance to foreign investors of the proceeds of their investment in Brazil (as it did for approximately six months in 1989 and early 1990) and on the conversion of Brazilian currency into foreign currencies. These restrictions could hinder or prevent the Brazilian custodian of the class A preferred shares underlying the ADSs or holders who have exchanged the ADSs for the underlying class A preferred shares from converting dividends, distributions or the proceeds from any sale of such shares into U.S. dollars and remitting such U.S. dollars abroad. In such an event, the Brazilian custodian for our class A preferred shares will hold the *reais* that it cannot convert for the account of holders of ADSs who have not been paid. Neither the custodian nor the depositary will be required to invest the *reais* or be liable for any interest.

Holders of ADSs may face difficulties in protecting their interests because we are subject to different corporate rules and regulations as a Brazilian company and our shareholders may have fewer and less well-defined rights.

Investors in the ADSs will not be direct shareholders of our company and will be unable to enforce the rights of shareholders under our by-laws and the Brazilian Corporation Law.

Our corporate affairs are governed by our by-laws and the Brazilian Corporation Law, which differ from the legal principles that would apply if we were incorporated in a jurisdiction in the United States, such as the State of Delaware or New York, or elsewhere outside Brazil. Even if a holder of ADSs surrenders its ADSs and becomes a direct shareholder, its rights as a holder of our class A preferred shares underlying the ADSs under the Brazilian Corporation Law to protect its interests relative to actions by our board of directors may be fewer and less well-defined than under the laws of those other jurisdictions.

Although insider trading and price manipulation are crimes under Brazilian law, the Brazilian securities markets are not as highly regulated and supervised as the U.S. securities markets or the markets in some other jurisdictions. In addition, rules and policies against self-dealing or for preserving shareholder interests may be less well-defined and enforced in Brazil than in the United States and certain other countries, which may put holders of our class A preferred shares and the ADSs at a potential disadvantage. Corporate disclosures also may be less complete or informative than for a public company in the United States or in certain other countries.

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Holders of ADSs may face difficulties in serving process on or enforcing judgments against us and other persons.

We are a corporation (*sociedade anônima*) organized under the laws of Brazil, and all of our directors and executive officers and our independent public accountants reside or are based in Brazil. Most of our assets and those of these other persons are located in Brazil. As a result, it may not be possible for holders of ADSs to effect service of process upon us or these other persons within the United States or other jurisdictions outside Brazil or to enforce against us or these other persons judgments obtained in the United States or other jurisdictions outside Brazil. Because judgments of U.S. courts for civil liabilities based upon the U.S. federal securities laws may only be enforced in Brazil if certain conditions are met, holders may face greater difficulties in protecting their interests in the case of actions by us or our directors or executive officers than would shareholders of a U.S. corporation.

Actual or anticipated sales of a substantial number of class A preferred shares could decrease the market prices of our class A preferred shares and the ADSs.

Sales of a substantial number of our class A preferred shares after the completion of the global offering, or the anticipation of such sales, could negatively affect the market prices of our class A preferred shares and the ADSs. After the global offering (and giving effect to a conversion of class A preferred shares into common shares as required by Brazilian law), we will have a total of 88,853,187,272 shares outstanding, including 58,799,007,624 class A preferred shares, or 60,200,894,896 class A preferred shares if the international underwriters over-allotment option is exercised in full. The Odebrecht Group will hold directly 29,902,332,960 shares, consisting of 14,213,666,705 common shares and 15,688,666,255 class A preferred shares. In addition, the Odebrecht Group controls Norquisa, which will hold directly 8,264,861,540 shares, consisting of 7,673,798,276 common shares and 591,063,264 class A preferred shares. Moreover, Petroquisa is entitled to exercise an option over the next 12 months to acquire a substantial number of new common and preferred shares from our company. Subject to some exceptions, we and the Odebrecht Group have agreed that we will not sell, offer or contract to sell, grant any option to sell or otherwise dispose of, directly or indirectly, or, in our case, file a registration statement with the SEC or the Brazilian Securities Commission relating to, any shares of our share capital or the ADSs or securities convertible into or exchangeable or exercisable for any shares of our share capital or the ADSs or warrants or other rights to purchase any shares of our share capital or ADSs for a period of 120 days after the date of this prospectus without the prior written consent of Credit Suisse First Boston LLC, on behalf of the international underwriters. If, in the future, substantial sales of shares are made by the Odebrecht Group, Petroquisa or other existing or future holders of class A preferred shares, the market price of our class A preferred shares and, by extension, the ADSs may decrease significantly. As a result, holders of ADSs may not be able to sell the ADSs at or above the price they paid for them.

Holders of ADSs may be unable to exercise preemptive rights with respect to our class A preferred shares underlying the ADSs.

Holders of ADSs will be unable to exercise the preemptive rights relating to our class A preferred shares underlying ADSs unless a registration statement under the Securities Act is effective with respect to those rights or an exemption from the registration requirements of the Securities Act is available. We are not obligated to file a registration statement with respect to the shares relating to these preemptive rights or to take any other action to make preemptive rights available to holders of ADSs, and we may not file any such registration statement. If we do not file a registration statement or if we and the depositary decide not to make preemptive rights available to holders of ADSs, those holders may receive only the net proceeds from the sale of their preemptive rights by the depositary, or if they are not sold, their preemptive rights will be allowed to lapse.

Holders of ADSs could be subject to Brazilian income tax on capital gains from sales of ADSs.

Historically, any capital gain realized on a sale or other disposition of ADSs between non-Brazilian holders outside Brazil was not subject to Brazilian income tax. However, a new Brazilian law provides that, commencing on February 1, 2004, the acquiror, individual or legal entity resident or domiciled in Brazil,

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or the acquiror s attorney-in-fact, when such acquirer is resident or domiciled abroad, shall be responsible for the retention and payment of the income tax applicable to capital gains ... earned by the individual or legal entity resident or domiciled abroad who disposes of property located in Brazil. The Brazilian tax authorities have recently issued a normative instruction confirming that they intend to assess income tax on capital gains earned by non-Brazilian residents whose assets are located in Brazil. It is unclear whether ADSs representing class A preferred shares, which are issued by the depositary outside Brazil, will be deemed to be property located in Brazil for purposes of this law. Accordingly, we cannot determine whether Brazilian tax authorities will attempt to tax any capital gains arising from the sale or other disposition of ADSs, even when the transaction is consummated outside Brazil between non-Brazilian residents.

The relative volatility and liquidity of the Brazilian securities markets may decrease the liquidity and market price of our class A preferred shares and the ADSs.

The Brazilian securities markets are substantially smaller, less liquid and more volatile than major securities markets in the United States. The São Paulo Stock Exchange, which is the principal Brazilian stock exchange, had a market capitalization of US$234.2 billion (or R$676.7 billion) at December 31, 2003 and an average daily trading volume of US$271.9 million for 2003. In comparison, The New York Stock Exchange had a market capitalization of US$17.3 trillion at December 31, 2003 and an average daily trading volume of US$38.5 billion for 2003. There is also significantly greater concentration in the Brazilian securities markets. The 10 largest companies in terms of market capitalization represented approximately 48% of the aggregate market capitalization of the São Paulo Stock Exchange at December 31, 2003. The 10 most widely traded stocks in terms of trading volume accounted for approximately 54% of all shares traded on The São Paulo Stock Exchange in 2003. These market characteristics may substantially limit the ability of holders of the ADSs to sell class A preferred shares underlying ADSs at a price and at a time when they wish to do so and, as a result, could negatively impact the market price of the ADSs themselves.

Developments in other emerging markets may decrease the market price of our class A preferred shares and the ADSs.

The market price of the ADSs may decrease due to declines in the international financial markets and world economic conditions. Although economic conditions are different in each country, investors reaction to developments in one country can affect the securities markets and the securities of issuers in other countries, including Brazil. Brazilian securities markets are, to varying degrees, influenced by economic and market conditions in other emerging market countries, especially those in Latin America. Any return to economic turmoil in Argentina or adverse economic developments in other emerging markets may adversely affect investor confidence in securities issued by Brazilian companies, causing their market price and liquidity to suffer. Any such developments could immediately affect our ability to raise capital when needed and the market price of our class A preferred shares and the ADSs.

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FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements. Some of the matters discussed concerning our business operations and financial performance include forward-looking statements within the meaning of the Securities Act of 1933, or the Securities Act, the Securities Exchange Act of 1934, or the Exchange Act.

Statements that are predictive in nature, that depend upon or refer to future events or conditions or that include words such as expects, anticipates, intends, plans, believes, estimates and similar expressions are forward-looking statements. Although we believe that these forward-looking statements are based upon reasonable assumptions, these statements are subject to several risks and uncertainties and are made in light of information currently available to us.

Our forward-looking statements may be influenced by factors, including the following:

- general economic, political and business conditions in our company s markets, both in Brazil and abroad, including demand and prices for petrochemical products;
- interest rate fluctuations, inflation and exchange rate movements of the *real* in relation to the U.S. dollar;
- the cyclical nature of the Brazilian and global petrochemical industries;
- the level of our indebtedness and related debt service requirements;
- our ability to obtain financing on satisfactory terms;
- competition;
- actions taken by our major shareholders and other shareholders with options or convertible securities entitling them to acquire significant numbers of our shares;
- prices of naphtha and other raw materials;
- decisions rendered in pending major tax, labor and other legal proceedings;
- final decisions by Brazilian antitrust authorities of the transactions resulting in the formation of our company as it exists today; and
- other factors identified or discussed under Risk Factors.

Our forward-looking statements are not guarantees of future performance, and the actual results or developments may differ materially from the expectations expressed in the forward-looking statements. As for the forward-looking statements that relate to future financial results and other projections, actual results will be different due to the inherent uncertainty of estimates, forecasts and projections. Because of these uncertainties, potential investors should not rely on these forward-looking statements.

We undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future events or otherwise.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

All references herein to the *real,* *reais* or R$ are to the Brazilian *real,* the official currency of Brazil. All references to U.S. dollars, dollar or US$ are to U.S. dollars.

On September 22, 2004, the exchange rate for *reais* into U.S. dollars was R$2.868 to US$1.00, based on the commercial selling rate as reported by the Central Bank of Brazil (*Banco Central do Brasil*), or the Central Bank. The commercial selling rate was R$3.108 at June 30, 2004, R$2.889 to US$1.00 at December 31, 2003, R$2.872 at June 30, 2003 and R$3.533 to US$1.00 at December 31, 2002. The *real*/dollar exchange rate fluctuates widely, and the commercial selling rate at September 22, 2004 may not be indicative of future exchange rates. See Exchange Rates for information regarding exchange rates for the Brazilian currency since January 1, 1999.

Solely for the convenience of the reader, we have translated some amounts included in Prospectus Summary Summary Financial and Other Information, Capitalization, Selected Financial and Other Information and elsewhere in this prospectus from *reais* into U.S. dollars for convenience only using the commercial selling rate as reported by the Central Bank at June 30, 2004 of R$3.108 to US$1.00. These translations should not be considered representations that any such amounts have been, could have been or could be converted into U.S. dollars at that or at any other exchange rate. Such translations should not be construed as representations that the *real* amounts represent or have been or could be converted into U.S. dollars as of that or any other date.

Financial Statements

We maintain our books and records in *reais.*

Our consolidated and combined financial statements at December 31, 2003 and 2002 and for each of the years ended December 31, 2003, 2002 and 2001 have been audited, as stated in the report appearing herein, and are included in this prospectus.

Our unaudited condensed consolidated interim financial information at June 30, 2004 and for the six months ended June 30, 2004 and 2003 are included in this prospectus.

We prepare our consolidated financial statements in accordance with accounting practices adopted in Brazil, or Brazilian GAAP, which are based on:

- Brazilian Law No. 6,404/76, as amended by Brazilian Law No. 9,457/97 and Brazilian Law No. 10,303/01, which we refer to collectively as the Brazilian Corporation Law;

- the rules and regulations of the Brazilian Securities Commission; and

- the accounting standards issued by the Brazilian Institute of Independent Accountants (*Instituto dos Auditores Independentes do Brasil*).

Brazilian GAAP differs in significant respects from accounting principles generally accepted in the United States, or U.S. GAAP. For more information about the differences between Brazilian GAAP and U.S. GAAP and a reconciliation of our net income (loss) and shareholders equity from Brazilian GAAP to U.S. GAAP, see note 29 to our consolidated and combined financial statements and note 21 to our unaudited condensed consolidated interim financial information.

Consistent with Brazilian GAAP, our consolidated and combined financial statements at December 31, 2003 and 2002 and for the years ended December 31, 2003, 2002 and 2001 and our unaudited condensed consolidated interim financial information at June 30, 2004 and for the six months ended June 30, 2004 and 2003 proportionally consolidate the results of operations and financial condition of jointly controlled companies which are not our subsidiaries, but which we jointly control with one or more other shareholders. The U.S. GAAP reconciliation eliminates the effects of proportional consolidation for those companies that are not jointly controlled by all voting shareholders.

Share Split

On October 20, 2003, we authorized the split of all of our issued common shares, class A preferred shares and class B preferred shares into 20 shares for each issued share. This share split was effective on October 21, 2003. As a result of this share split, the ratio of our class A preferred shares to ADSs changed

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from 50 class A preferred shares per ADS to 1,000 class A preferred shares per ADS. All references to numbers of shares and dividend amounts in this prospectus have been adjusted to give effect to this 20-for-one share split.

Market Share and Other Information

We make statements in this prospectus about our market share in the petrochemical industry in Brazil and our production capacity relative to that of other petrochemical producers in Brazil and Latin America. We have made these statements on the basis of information obtained from third party sources that we believe are reliable. We have calculated our Brazilian market shares with respect to specific products by dividing our domestic net sales volumes of these products by the total Brazilian domestic consumption of these products estimated by the Brazilian Association of Chemical Industry and Derivative Products (*Associação Brasileira de Indústrias Químicas e de Produtos Derivados*). We derive information regarding the production capacity of other companies in the Brazilian petrochemical industry and the estimated total Brazilian domestic consumption of petrochemical products principally from reports published by the Brazilian Association of Chemical Industry and Derivative Products. Although we have no reason to believe that any of this information is inaccurate in any material respect, neither we nor the underwriters have independently verified the production capacity, market share, market size or similar data provided by third parties or derived from industry or general publications.

Technical and Other Terms

As used in this prospectus, the following terms have these meanings:

EDC	ethylene dichloride, a product of our Vinyls Unit.
first generation producer	a petrochemical cracker that transforms or cracks naphtha and other inputs into basic petrochemicals, such as ethylene and propylene.
HDPE	high density polyethylene, a product of our Polyolefins Unit.
LDPE	low density polyethylene, a product of our Polyolefins Unit.
LLDPE	linear low density polyethylene, a product of our Polyolefins Unit.
PET	polyethylene terephthalate, a product of our Business Development Unit.
production capacity	the annual projected capacity for a particular facility, calculated based upon operations 24 hours for each day of a year and deducting scheduled downtime for regular maintenance.
PVC	polyvinylchloride, a product of our Vinyls Unit.
second generation producer	a producer of resins and other intermediate petrochemical products.
third generation producer	a producer that transforms resins and other intermediate petrochemical products into end-products, such as film, piping and containers.
ton	a metric ton, which is equal to 1,000 kilograms or 2,204.62 pounds.

Rounding

We have made rounding adjustments to reach some of the figures included in this prospectus. As a result, numerical figures shown as totals in some tables may not be an arithmetic aggregation of the figures that preceded them.

USE OF PROCEEDS

We estimate the net proceeds from the sale of class A preferred shares in the global offering, including the ADSs offered by this prospectus, will be approximately US$370.8 million or approximately US$406.4 million if the international underwriters over-allotment option is exercised in full, after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

We intend to use the net proceeds of the global offering for general corporate purposes, including, among others, working capital and repayment of short-term indebtedness.

We have not identified specific short-term indebtedness that we intend to repay with the proceeds of the global offering. Our short-term indebtedness is utilized primarily for working capital purposes, and the interest rates for this indebtedness vary depending on market conditions.

MARKET INFORMATION

The principal trading market for our common shares, class A preferred shares and class B preferred shares is the São Paulo Stock Exchange. Our common shares and class A preferred shares began trading on the São Paulo Stock Exchange on November 11, 1980, and our class B preferred shares began trading on the São Paulo Stock Exchange on August 19, 1983.

On December 21, 1998, ADSs representing our class A preferred shares began trading on The New York Stock Exchange. On December 31, 2003, there were 969,303 ADSs outstanding, representing 969,303,000 class A preferred shares, or 2.2% of our outstanding class A preferred shares.

On October 8, 2003, we listed our class A preferred shares on the LATIBEX, a stock market for Latin American issuers that is quoted in euros on the Madrid Stock Exchange, under the symbol XBRK. Our class A preferred shares are traded on the LATIBEX in lots of 1,000 shares.

At September 21, 2004, we had approximately 8,800 shareholders, including two U.S. resident holders of our common shares, approximately 60 U.S. resident holders of our class A preferred shares (including The Bank of New York, as depositary) and no U.S. resident holders of our class B preferred shares. At September 21, 2004, there were 211,167,900 common shares, 3,424,486,320 class A preferred shares (including class A preferred shares represented by ADSs), and no class B preferred shares held by U.S. resident holders.

Price History of Our Class A Preferred Shares and the ADSs

The tables below set forth the high and low closing sales prices for our class A preferred shares on the São Paulo Stock Exchange and the high and low closing sales prices for the ADSs on The New York Stock Exchange for the periods indicated.

	São Paulo Stock Exchange		New York Stock Exchange	
	Reais per 1,000 Class A Preferred Shares		U.S. dollars per ADS	
	High	Low	High	Low
1999	R$ 23.72	R$ 3.85	US$ 16.19	US$ 3.68
2000	34.67	20.34	22.88	14.19
2001	31.00	15.43	17.88	6.14
2002	29.24	9.60	12.75	2.57
2003	66.85	7.90	23.39	2.20

	São Paulo Stock Exchange		New York Stock Exchange	
	Reais per 1,000 Class A Preferred Shares		U.S. dollars per ADS	
	High	Low	High	Low
2002				
First Quarter	R$ 29.24	R$ 23.02	US$ 12.75	US$ 10.05
Second Quarter	27.11	18.75	11.77	6.09
Third Quarter	20.35	11.50	7.11	3.18
Fourth Quarter	12.25	9.60	3.50	2.57
2003				
First Quarter	13.25	7.90	4.10	2.20
Second Quarter	20.75	11.40	7.20	3.35

Third Quarter	36.30	19.20	12.49	6.60
Fourth Quarter	66.85	35.80	23.39	12.40
2004				
First Quarter	80.51	63.00	29.25	21.50
Second Quarter	72.49	40.02	25.53	12.63

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	São Paulo Stock Exchange		New York Stock Exchange	
	Reais per 1,000 Class A Preferred Shares		U.S. dollars per ADS	
	High	Low	High	Low
March 2004	R$77.41	R$72.88	US$26.79	US$23.22
April 2004	72.49	58.00	35.53	20.12
May 2004	57.62	40.02	19.51	12.63
June 2004	56.50	48.41	18.46	15.33
July 2004	61.69	56.90	20.55	18.23
August 2004	84.80	59.02	28.98	19.51

Source: Economática Ltda.

On September 22, 2004, the closing sales price of:

our class A preferred shares on the São Paulo Stock Exchange was R$90.00 per 1,000 shares;

our class A preferred shares on the LATIBEX was 26.48 per 1,000 shares; and

the ADSs on The New York Stock Exchange was US$31.52 per ADS.

The following table sets forth the average daily trading volume for our class A preferred shares on the São Paulo Stock Exchange and for the ADSs on The New York Stock Exchange for the periods indicated.

	Average Daily Trading Volume	
	São Paulo Stock Exchange	New York Stock Exchange
	Lots of 1,000 Class A Preferred Shares	ADSs
2002		
First Quarter	37,027	4,435
Second Quarter	26,946	5,091
Third Quarter	30,059	5,613
Fourth Quarter	42,813	8,988
2003		
First Quarter	74,239	6,672
Second Quarter	81,541	11,435
Third Quarter	106,240	18,414
Fourth Quarter	105,632	14,661
2004		
First Quarter	142,360	29,868
Second Quarter	153,387	25,060

Trading on the São Paulo Stock Exchange

Settlement of transactions conducted on the São Paulo Stock Exchange is effected three business days after the trade date without any adjustment for inflation. Delivery of and payment for shares is made through the facilities of the São Paulo Stock Exchange s clearinghouse *(Companhia Brasileira de Liquidação e Custódia)*. The seller is ordinarily required to deliver the shares to the exchange on the second business day following the trade date.

The São Paulo Stock Exchange is significantly less liquid than The New York Stock Exchange and many other of the world s major stock exchanges. While all of the outstanding shares of a listed company may trade on the São Paulo Stock Exchange, in most cases fewer than half of the listed shares are actually available for trading by the public. The remaining shares are often held by a single or small group of controlling persons or by governmental entities.

Trading on the São Paulo Stock Exchange by a holder not deemed to be domiciled in Brazil for Brazilian tax and regulatory purposes, or a non-Brazilian holder, is subject to certain limitations under Brazilian foreign investment regulations. With limited exceptions, non-Brazilians holders may trade on the São Paulo Stock Exchange only in accordance with the requirements of Resolution No. 2,689 of January 26, 2000 of the National Monetary Council. Resolution No. 2,689 requires securities held by non-Brazilian holders to be maintained in the custody of, or in deposit accounts with, financial institutions that are authorized by the Central Bank and the Brazilian Securities Commission. In addition, Resolution No. 2,689 requires non-Brazilian holders to restrict their securities trading to transactions on the São Paulo Stock Exchange or organized over-the-counter markets. With limited exceptions, non-Brazilian holders may not transfer the ownership of investments made under Resolution No. 2,689 to other non-Brazilian holders through private transactions.

Regulation of Brazilian Securities Markets

The Brazilian securities markets are regulated by the Brazilian Securities Commission, which has authority over stock exchanges and the securities markets generally, by the National Monetary Council and by the Central Bank, which has, among other powers, licensing authority over brokerage firms and which regulates foreign investment and foreign exchange transactions. The Brazilian securities market is governed by Brazilian Law No. 6,385/76, as amended, and by the Brazilian Corporation Law and other Brazilian Securities Commission rulings and regulations.

Under the Brazilian Corporation Law, a company may be either public (*companhia aberta*), as we are, or closely held (*companhia fechada*). All public companies are registered with the Brazilian Securities Commission and are subject to periodic reporting requirements. A company registered with the Brazilian Securities Commission may have its securities traded on the Brazilian stock exchanges or in the Brazilian over-the-counter market. The shares of a listed company, like those of our company, also may be traded privately subject to certain limitations.

The Brazilian over-the-counter market consists of direct trades between persons in which a financial