

Announcement: Moody's assigns Ba1 rating to Braskem's proposed notes issuance

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Approximately USD 350 million in debt securities affected

Sao Paulo, July 21, 2010 -- Moody's Investors Service has assigned a Ba1 foreign currency rating to the senior unsecured notes due 2020 in the amount of approximately USD 350 million to be issued by Braskem Finance Ltd. (Cayman Islands) and guaranteed by Braskem S.A. ("Braskem"). The proposed issuance is a reopening of a similar issuance concluded in May 2010 when Braskem raised USD 400 million. The proposed notes issuance is part of Braskem's liability management to improve its debt maturity profile, and will not affect its leverage metrics since the net proceeds will be used to prepay existing debt. The rating outlook is stable.

Rating assigned is as follows:

Issuer: Braskem Finance Ltd. (Cayman Islands)

Approximately USD 350 million senior unsecured guaranteed notes due 2020: Ba1 foreign currency rating

Existing ratings:

Issuer: Braskem S.A.

- Corporate Family Rating: Ba1 (global scale); Aa2.br (Brazilian national scale)

Issuer: Braskem Finance Ltd. (Cayman Islands)

- USD 500 million senior unsecured notes due 2018 guaranteed by Braskem S.A.: Ba1 foreign currency rating

- USD 400 million senior unsecured notes due 2020 guaranteed by Braskem S.A.: Ba1 foreign currency rating

The outlook for all ratings is stable.

The rating of the proposed notes and the stable outlook assume that the final transaction documents will not be materially different from draft legal documentation reviewed by Moody's to date and assume that these agreements are legally valid, binding and enforceable.

Braskem's Ba1 corporate family rating is supported by its large size as the largest petrochemical company in Brazil and in the Americas by production capacity, with above industry average operating margins that result from historically high capacity utilization rates, long-term client relationships, product customization and logistics-related barriers for thermoplastic resin imports. The rating also factors in the company's high exposure to volatile naphtha prices, its low geographic diversification compared to international peers, and the event risk associated with the company's internationalization process, which includes potential investments in greenfield projects in neighboring countries. The recent acquisitions of Quattor Participações S.A. ("Quattor") and Sunoco Chemical's assets in the U.S. have helped to improve the operational diversity of Braskem by adding three relevant site locations. Finally, Braskem's above-average level of disclosure, its overall good governance practices and the relevant interest of Petrobras in the company are regarded as credit positives. The Ba1 rating of the notes at the same level as Braskem's Ba1 (outlook stable) corporate family rating anticipates the decline in the near term of the level of secured debt and debt with claim priority towards about 20% of Braskem's total consolidated debt pro-forma for Quattor and Sunoco Chemicals' polypropylene assets in the U.S.

The stable outlook reflects Moody's expectation that Braskem will maintain its leading position in the Brazilian thermoplastic resins market, improve its consolidated margins, and prudently manage its liquidity position (maintaining a minimum cash position of BRL 3 billion) and capital structure, which would include reducing leverage in terms of Total Adjusted Net Debt to EBITDA to about 3.0x in the near term. Also, the stable outlook assumes that the greenfield projects will be structured in a way to ring-fence Braskem from any obligations other than the anticipated equity contribution.

Given Braskem's high leverage for its rating category we do not anticipate upward pressure on the company's rating or outlook over the near term. Nevertheless, the rating or outlook could be upgraded if leverage decreases to a level which Moody's considers to be more compatible with the volatile nature of Braskem's cash flows, with Total Adjusted Net Debt to EBITDA expected to stabilize at around 2.5x even during years when there is margin pressure. An upgrade would also require that Braskem maintain strong liquidity. Finally, Braskem's ability to maintain EBITDA margins above 15% during a down cycle in the global industry would be positive for the ratings.

Negative pressure on the rating or outlook could result from weaker liquidity management or from persistently high leverage, with Retained Cash Flow (defined as Funds from Operations less Dividends) to Total Adjusted Net Debt materially below 20% and Total Adjusted Net Debt to EBITDA above 3.0x. Furthermore, the rating or outlook could be negatively affected if Braskem assumes higher risks in greenfield projects than anticipated. The foreign currency rating of Braskem Finance Ltd's guaranteed notes could be under negative pressure if Braskem's level of consolidated secured debt does not decline as anticipated over the near term or in case Braskem provides guarantees to Quattor's debt.

Moody's last rating action on Braskem occurred on April 22, 2010 when we assigned a Ba1 foreign currency rating to the senior unsecured guaranteed notes due 2020 issued by Braskem Finance Ltd. (Cayman Islands).

The principal methodology used in rating Braskem was Moody's Global Chemical Industry rating methodology (December 2009), which can be found at www.moody's.com in the Rating Methodologies sub-directory under the Research & Ratings tab. Other methodologies and factors that may have been considered in the process of rating this issuer can also be found in the Rating Methodologies sub-directory on Moody's website.

Pro-forma for the acquisition of Quattor and Sunoco's polypropylene assets in U.S., Braskem is the largest petrochemical company in the Americas, with annual production capacity of some 6.5 million tons of thermoplastic resins besides aromatics and automotive gasoline.

Consolidated net revenues in 2009 pro-forma for Quattor and Sunoco Chemical polypropylene assets amounted to USD 11 billion.

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