

**BRASKEM AND PETROQUISA ANNOUNCE A US\$ 240 MILLION PROJECT
IN PARTNERSHIP TO PRODUCE POLYPROPYLENE IN SÃO PAULO**

The new production of 300 thousand tons/year will allow Braskem to consolidate its leadership position in the polypropylene market.

Braskem and Petroquisa announce the decision of investing U\$ 240 million in a modern and competitive unit in Paulinia – SP to produce and commercialize propylene. This initiative was approved last Wednesday, June 22nd, by the Administration Councils.

The new industrial unit, expected to start running in the second semester of 2007, will be located in the middle of the main consuming center and will have the initial capacity to produce 300 thousand tons/year of polypropylene, with the potential to reach a production of 350 thousand tons. The average annual income expected is more than U\$ 300 million and the present net value estimated of the project exceeds U\$ 200 million. The raw material used in the process will be the propane polymer degree supplied by Petrobras.

This decision is aligned with the strategy of value creation for the company's shareholders. "Braskem and Petroquisa are investing in a polypropylene unit of world class that considers the importance of production scale, updated technology and access to the competitive raw material", says José Carlos Grubisich, president of Braskem. "Furthermore, this initiative consolidates our strategic partnership with Petroquisa", states Grubisich.

Both companies will manage this new unit and Braskem will be responsible for commercialization. Thus, Braskem will count on a capacity of 950 thousand tons/year of polypropylene to respond to the crescent demand for this resin, what will consolidate its leadership in the market of the main thermoplastics already produced by the company.

The participation of Braskem in this new partnership will be of 60% of the voting capital and Petroquisa will have 40%. Considering the total of U\$ 240 million to be invested in the new industrial unit, around 30% will be afforded by the resources of shareholders and

the remaining percentage through specific long term financings. "The decision of investing shows our reliability in the growth of the Brazilian economy and of the thermoplastics resin market", states Grubisich.

Braskem will bring the technology of process that will be used in Paulinia, the most modern found in the international market and the one that the company already has the complete know how. This represents an additional competitive difference for the business, offering the possibility of transferring technology to future projects. The new unit will follow the most rigid environment safety and control patterns, consistent with the concepts of a sustainable development.

Paulinia is part of a series of expansion moves that Braskem has undertaken since 2004 and that will bring 1,2 million tons to its production capacity until 2007. Considering this, Braskem keeps the focus on the productivity and competitiveness improvement strengthening its model of value creation in all steps of the petrochemical cycle.

Braskem, a world-class Brazilian petrochemical, is the leader in thermoplastic resins in Latin America and it figures among the three largest private companies in Brazil. With 13 industrial plants located in Brazil, the company produces annually 5,7 million tons of chemical and petrochemical products.

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