

BRASKEM SA
Form 6-K
November 04, 2005

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

FORM 6-K

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

For the month of November, 2005

(Commission File No. 1-14862)

BRASKEM S.A.

(Exact Name as Specified in its Charter)

N/A

(Translation of registrant's name into English)

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

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

Form 20-F Form 40-F

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

Indicate by check mark if the registrant is submitting the Form 6-K
in paper as permitted by Regulation S-T Rule 101(b)(7).

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

Yes No

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

Braskem S.A. and its Subsidiaries**Condensed Consolidated Interim Balance Sheets
at June 30, 2005 and December 31, 2004
In millions of reais**

Assets	June 30, 2005	December 31, 2004
	(Unaudited)	(Restated)
Current assets		
Cash and cash equivalents	2,281.9	1,753.4
Other investments	631.5	21.6
Trade accounts receivable	1,613.9	1,591.8
Taxes recoverable	379.5	482.1
Inventories	1,544.8	1,536.1
Related parties	0.5	0.6
Securities receivable	20.2	20.2
Advances to suppliers	50.7	31.6
Other assets	60.1	66.0
Prepaid expenses	33.8	56.9
	6,616.9	5,560.3
Long-term assets		
Trade accounts receivable	6.2	23.1
Related parties	37.5	34.8
Other investments	8.6	65.9
Judicial deposits and compulsory loan	167.3	198.6
Deferred income tax	269.0	303.8
Taxes recoverable	490.3	256.1
Inventories	62.3	50.4
Other assets	8.5	9.2
	1,049.7	941.9
Permanent assets		
Investments		
Associated companies	86.1	55.7
Other investments	34.7	35.0
Property, plant and equipment	5,472.0	5,397.2
Deferred charges, including goodwill (Note 13)	2,856.2	3,105.0
	8,449.0	8,592.9

Total assets	16,115.6	15,095.1
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Braskem S.A. and its Subsidiaries**Condensed Consolidated Interim Balance Sheets
at June 30, 2005 and December 31, 2004**

In millions of reais

(continued)

Liabilities and shareholders' equity	June 30, 2005	December 31, 2004
	(Unaudited)	(Restated)
Current liabilities		
Suppliers	2,585.4	2,038.9
Loans and financing	1,040.5	1,775.6
Debentures	10.0	5.0
Salaries and payroll charges	73.8	95.6
Taxes and social contributions payable	235.9	230.2
Interest on own capital and dividends payable	1.9	191.6
Advances from customers	65.9	47.9
Insurance premiums payable		53.2
Other liabilities	81.8	99.1
	4,095.2	4,537.1
Long-term liabilities		
Suppliers	67.6	74.1
Loans and financing	3,454.0	3,051.2
Debentures	1,530.8	1,167.9
Related parties	13.8	115.7
Deferred income tax	95.1	9.3
Taxes and contributions payable	1,350.7	1,332.1
Other liabilities	166.7	121.2
	6,678.7	5,871.5
Deferred income		
Negative goodwill on investments in subsidiary companies	91.1	94.1
Minority interest	381.8	404.9
Shareholders' equity		
Capital	3,403.0	3,403.0
Capital reserves	392.3	344.8
Revenue reserves	489.3	489.3

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Treasury shares	(15.0)	(15.0)
Retained earnings (accumulated deficit)	599.2	(34.6)
	4,868.8	4,187.5
Total liabilities and shareholders' equity	16,115.6	15,095.1

The accompanying notes are an integral part of the condensed consolidated interim financial information.

Braskem S.A. and its Subsidiaries**Condensed Consolidated Interim Statements of Operations
for the Six-month Periods Ended June 30, 2005 and 2004
(Unaudited)****In millions of reais, except amounts per thousand shares**

	2005	2004
	(Unaudited)	(Unaudited)
Gross sales		
Domestic market	7,023.9	5,750.1
Foreign market	1,577.9	1,221.7
Taxes, freights and return on sales	(1,993.2)	(1,535.2)
Net sales revenue	6,608.6	5,436.6
Cost of sales and services rendered	(4,999.3)	(4,098.8)
Gross profit	1,609.3	1,337.8
Operating expenses (income)		
Selling	150.6	115.0
General and administrative	244.2	155.5
Investment in associated companies		
Equity in the results	(17.4)	(8.2)
Amortization of goodwill and negative goodwill, net	76.1	76.4
Foreign exchange variation	(11.6)	14.6
Tax incentives	(18.7)	(21.3)
Other	1.2	(1.6)
Depreciation and amortization	198.2	158.5
Financial expenses, net (Note 20)	119.5	1,109.9
Other operating income, net	(17.6)	(41.0)
	724.5	1,557.8
Operating income (loss)	884.8	(220.0)
Non-operating expenses, net	(16.1)	(1.4)
Income (loss) before income tax and social contribution	868.7	(221.4)
Income tax and social contribution		
Current	(114.6)	(61.2)

Deferred	(119.7)	0.2
Income (loss) before minority interest	634.4	(282.4)
Minority interest	(0.6)	(12.8)
Net income (loss) for the period	633.8	(295.2)
Net income (loss) per shares outstanding at the end of each of the periods - R\$	1.75	(0.96)

The accompanying notes are an integral part of the condensed consolidated interim financial information.

Braskem S.A. and its Subsidiaries**Condensed Consolidated Interim Statement of Changes in Shareholders' Equity
for the Six-month Periods Ended June 30, 2005 and 2004****(Unaudited)****In millions of reais**

	Capital reserves			Revenue reserves			Retained earnings (accumulated deficit)	Total
	Capital	Tax incentives	Other	Legal	Retained earnings	Treasury share		
At December 31, 2003	1,887.4	743.7	0.6			(23.2)	(495.9)	2,112.6
Capital increase (unaudited)	304.6							304.6
Tax incentives (unaudited)		0.4						0.4
Net loss for the period (unaudited)							(295.2)	(295.2)
At June 30, 2004 (unaudited)	2,192.0	744.1	0.6			(23.2)	(791.1)	2,122.4
At December 31, 2004 (Restated)	3,403.0	344.2	0.6	34.6	454.7	(15.0)	(34.6)	4,187.5
Tax incentives (unaudited)		47.5						47.5
Net income for the period (unaudited)							633.8	633.8
At June 30, 2005 (unaudited)	3,403.0	391.7	0.6	34.6	454.7	(15.0)	599.2	4,868.8

The accompanying notes are an integral part of the condensed consolidated interim financial information.

Braskem S.A. and its Subsidiaries**Condensed Consolidated Interim Statements of Cash Flows
for the Six-month Periods Ended June 30, 2005 and 2004
(Unaudited)****In millions of reais**

	2005	2004
	(Unaudited)	(Unaudited)
Net income (loss) for the period	633.8	(295.2)
Adjustment to reconcile net income to cash provided by operating activities		
Depreciation, amortization and depletion	443.2	363.2
Amortization of goodwill and negative goodwill, net	76.1	76.4
Equity in earnings of associated companies	(17.4)	(8.2)
Foreign exchange variation on investments	(11.6)	14.6
Tax incentives	(18.7)	(21.3)
Gains (losses) on interests in investments and other	1.8	(1.5)
Loss on permanent assets disposed of	1.3	0.5
Interest and monetary and exchange variations	(202.4)	531.0
Deferred tax expense (benefit)	119.7	(0.2)
Minority interest	0.6	12.8
Other	2.5	(8.1)
Decrease (increase) in assets		
Other investments	(588.3)	(76.5)
Trade accounts receivable	36.2	(293.0)
Fair market value of derivative financial instruments		(4.1)
Inventories	(32.1)	(162.1)
Taxes recoverable	(92.1)	109.1
Prepaid expenses	19.5	49.8
Other receivables	(61.7)	(18.3)
Increase (decrease) in liabilities		
Suppliers	532.0	425.9
Taxes, charges and contributions	(15.3)	54.9
Tax incentives	66.4	23.3
Advances from customers	28.1	(142.4)
Other payables	(40.6)	(225.2)
Net cash provided by operating activities	881.0	405.4

Braskem S.A. and its Subsidiaries**Condensed Consolidated Interim Statements of Cash Flows
for the Six-month Periods Ended June 30, 2005 and 2004
(Unaudited)**

In millions of reais

(continued)

	2005	2004
	(Unaudited)	(Unaudited)
Proceeds from sale of permanent assets		1.7
Dividends received	9.1	1.1
Additions to property, plant and equipment	(242.8)	(114.1)
Additions to investments	(15.8)	(14.9)
Additions to deferred charges	(87.6)	(357.1)
Net cash used in investing activities	(337.1)	(483.3)
Short-term debt, net	(973.2)	(797.3)
Long-term debt		
Issuances	1,315.1	1,954.7
Repayments	(22.0)	(5.6)
Related companies		
Issuances	1.9	31.8
Repayments	(115.8)	(25.5)
Dividends paid to shareholders and minority interest	(210.2)	95.7
Other	(11.2)	6.8
Net cash provided by (used in) financing activities	(15.4)	1,260.6
Increase in cash and cash equivalents	528.5	1,182.7
Represented by		
Cash and cash equivalents, at the beginning of the period	1,753.4	707.2
Cash and cash equivalents, at the end of the period	2,281.9	1,889.9
Increase in cash and cash equivalents	528.5	1,182.7

Major non-cash transactions1st Half 2004 Exchange of debt amounting to R\$ 243.0 and debentures of 10.

The accompanying notes are an integral part of the condensed consolidated interim financial information.

Braskem S.A. and its Subsidiaries

Notes to the Condensed Consolidated Interim Financial Information for June 30, 2005 (Unaudited)

All amounts in millions of reais, unless otherwise indicated

1 Operations

(a) Braskem S.A. ("Braskem") and its subsidiaries (together "we", "us", "our" or "the Company") is the only integrated petrochemical cracker and thermoplastics producer in Brazil, and produces a diversified portfolio of petrochemical products. Braskem's principal corporate objective is manufacturing, selling, importing and exporting chemical and petrochemical products and fuels, as well as producing and supplying utilities to companies in the Camaçari Petrochemical Complex (the "Northeastern Complex") in Bahia, Brazil, and rendering services to those companies.

(b) Formation of Braskem

Since its inception on August 16, 2002, the Company has undergone a major corporate restructuring process, disclosed to the market through material event notices. The main recent events can be summarized as follows:

. In order to obtain a capital structure more appropriate for the operations of the subsidiary Braskem Importação e Exportação Ltda. (Braskem Importação), formerly OQPA Importação e Exportação Ltda., at December 31, 2004, the Company increased the capital of this subsidiary by R\$ 99,215, with the issue of 99,215,010 quotas, by capitalizing the receivable held in current account in the amount of R\$ 98,215 and R\$ 1,000 from its own funds. This transaction generated: (i) goodwill of R\$ 98,999, fully amortized; (ii) reversal of the provision for loss in investee for the same amount.

. In February 2005, the Company increased its participation in the total share capital of the subsidiary CINAL from 63.03% to 78.80%, in transactions with the minority shareholder Petrobrás Química S.A. (Petroquisa). Additionally, the CINAL Special Shareholders Meeting held in April 2005 resolved to fully and definitely redeem the company's preferred class B shares for their book value, with no capital reduction. As a result, the Company received a reimbursement of R\$ 2,288, corresponding to 4,139 thousand shares, while its percentage holding in CINAL's total capital increased by 8.02% .

. The Extraordinary General Meeting, held on March 31, 2005, approved the merger of our subsidiary Odebrecht Química S.A. (Odequi), based on the appraisal report supporting the shareholders' equity value, issued by independent appraisers, in the amount of R\$ 1,340.7 at December 31, 2004. The equity variations in the first quarter of 2005 were taken to Braskem income as equity in the results.

Braskem S.A. and its Subsidiaries

Notes to the Condensed Consolidated Interim

Financial Information for June 30, 2005

(Unaudited)

All amounts in millions of reais, unless otherwise indicated

. On April 25, 2005, the Company increased the capital of Braskem Incorporated Limited (Braskem Inc), current corporate name of CPN Incorporated Limited (CPN Inc) by US\$ 40,000 thousand (equal to R\$ 101,400), from US\$ 95 thousand to US\$ 40,095 thousand, with the issue of 40,000,000 (quotas), by capital contribution in cash. This transaction generated: (i) goodwill of R\$ 6,579, fully amortized; and (ii) reversal of the provision for loss in the investee of the same amount.

. The Extraordinary General Meeting held on May 30, 2005, approved a capital increase of Braskem Participações S.A. (Braskem Participações), current corporate name of Copene Participações S.A., by R\$ 266, with no issue of shares, by verifying the market value of Braskem Importação issued quotas.

(c) Reverse-split of shares and split of American Depositary Shares ("ADS")

In order to improve negotiations and increase the liquidity of the Company's shares, the Extraordinary General Meeting, held on March 31, 2005, approved the reverse-split of shares, including all types and classes of shares, in the proportion of 250 shares to each share. As a result, the ADS split was also approved, in the proportion of 2 ADS for each existing ADS.

Shareholders must adjust their positions within 30 days, as from April 5, 2005. After the expiration of this date, possible remaining share fractions will be rounded and submitted to an auction in the São Paulo Stock Exchange (Bovespa), and the amount will be proportionally transferred to the owners through bank accounts.

As from May 16, 2005, the shares have been quoted in unit batches and traded on Bovespa and on the New York Stock Exchange (NYSE), considering the reverse-split of shares and split of ADS, respectively.

Braskem S.A. and its Subsidiaries**Notes to the Condensed Consolidated Interim****Financial Information for June 30, 2005****(Unaudited)****All amounts in millions of reais, unless otherwise indicated**

The net income per shares outstanding at the end of each of the periods, presented on the condensed consolidated interim Statements of Operations had the following effects after the share split:

	Not considering the share split (In thousand of shares)	As presented considering the share split (Per shares)
Six-month period ended June 30, 2005	7.00	1.75
Six-month period ended June 30, 2004	(3.85)	(0.96)

(d) Memorandum of Understanding regarding Shareholders Agreement

On April 29, 2005, Odebrecht, Petroquisa, ODBPAR and Norquisa entered into an amendment of the Memorandum of Understanding regarding Shareholders Agreement. Under this amendment, Odebrecht, ODBPAR and Norquisa granted to Petroquisa an option to purchase such number of our common shares as may be necessary for Petroquisa to own up to 30% of our voting shares.

If Petroquisa exercises this option, Odebrecht, ODBPAR and Norquisa will cause our company to issue shares to Petroquisa in exchange for the shares of some petrochemical companies owned by Petroquisa, as defined below in this amendment:

- (i) 15.63% of total share capital of Copesul - Companhia Petroquímica do Sul;
- (ii) 85.04% of total share capital of Petroquímica Triunfo S.A.; and
- (iii) 40% of total share capital of Petroquímica Paulínia S.A. (Note 21).

Odebrecht accepted the assets indicated by Petroquisa to exercise this option, which may be exercised in full on a single occasion prior to or on March 31, 2006, as allowed in this amendment.

Braskem S.A. and its Subsidiaries

Notes to the Condensed Consolidated Interim

Financial Information for June 30, 2005

(Unaudited)

All amounts in millions of reais, unless otherwise indicated

(e) Administrative Council for Economic Defense (CADE)

In accordance with Article 54, § 3 of Law 8,884/94, the concentration resulting from the change in control of Braskem was notified in a timely manner to the anti-trust authorities. In July 2002, the Secretariat for Economic Monitoring of the Finance Ministry (SEAE) issued a favorable opinion on the transaction. In May 2003, the favorable opinion of the Secretariat for Economic Rights (SDE) was published without any restrictions. The transaction was submitted for the review and analysis of the Administrative Council for Economic Defense (CADE), and in November 2003 CADE Prosecution Service also approved the transaction without any restrictions. In February 2004, the transaction was examined by the Federal Department of Public Prosecution, which also recommended the approval of the transaction. In September 2005, CADE approved, for unanimity, this operation without any restrictions.

2 Significant Accounting Policies

All majority-owned subsidiaries in which we have both share and management control are consolidated, with elimination of all significant intercompany accounts and transactions. Investments in jointly-controlled entities are proportionately consolidated. Investments in unconsolidated affiliates are reported at cost less amortized goodwill plus our equity in undistributed earnings or losses.

The accounting policies used in the preparation of the condensed consolidated interim financial information are consistent with those utilized in the preparation of the audited consolidated financial statements at and for the year ended December 31, 2004, except for the consolidation of funds described below.

(i) Consolidation of Funds

In August 2004, the Brazilian Securities Commission (Comissão de Valores Mobiliários or CVM) issued Instruction No. 408/04 requiring the consolidation of certain investments and funds in consolidated financial statements as from January 1, 2005. Subsequently, at February 25, 2005, CVM Circular Letter No. 01/2005 provided additional information to support the concept of activities subject to consolidation.

CVM Instruction No. 408/04 also requires that the previously disclosed consolidated financial statements be restated to include the funds that existed at that time, for purposes of comparison with the latest period presented.

Braskem S.A. and its Subsidiaries**Notes to the Condensed Consolidated Interim
Financial Information for June 30, 2005
(Unaudited)****All amounts in millions of reais, unless otherwise indicated**

The differences in the balance sheet and shareholders' equity at December 31, 2004 as originally disclosed and as presented herein considering the consolidation of funds are as follows:

	At December 31, 2004		
	As originally disclosed	Effects of consolidation of funds	As presented herein
Balance Sheet			
Cash and cash equivalents	1,753.3	0.1	1,753.4
Other investments	20.5	1.1	21.6
Trade accounts receivable	1,366.9	224.9	1,591.8
Taxes recoverable	482.0	0.1	482.1
Other investments	89.8	(23.9)	65.9
Other assets	9.3	(0.1)	9.2
Other liabilities	98.7	0.4	99.1
Minority interest	203.1	201.8	404.9

The differences in the statements of operations and cash flows for the six-month period ended June 30, 2004 as originally disclosed and as presented herein were not relevant.

3 Presentation of the Financial Statements

The unaudited condensed consolidated interim financial information has been prepared in accordance with the accounting practices adopted in Brazil ("Brazilian GAAP"), which are based on:

- . Brazilian Law No. 6,404/76, as amended by Brazilian Laws 9,457/97 and 10,303/01;
- . the rules and regulations of the CVM;
- . the accounting standards issued by the Brazilian Institute of Independent Accountants (Instituto dos Auditores Independentes do Brasil - IBRACON).

Braskem S.A. and its Subsidiaries

**Notes to the Condensed Consolidated Interim
Financial Information for June 30, 2005
(Unaudited)**

All amounts in millions of reais, unless otherwise indicated

The Company's condensed consolidated interim financial information as of June 30, 2005 and for the six-month periods ended June 30, 2005 and 2004 is unaudited. However, in our opinion, such condensed consolidated interim financial information includes all adjustments necessary for a fair presentation of the results for interim periods. The results of operations for the six-month period ended June 30, 2005 are not necessarily indicative of the results to be expected for the full fiscal year ending December 31, 2005.

This condensed consolidated interim financial information does not include all of the disclosures required in a complete set of financial statements prepared under Brazilian GAAP, such as statements of changes in financial position and complete explanatory footnotes.

The unaudited condensed consolidated interim financial information was prepared to attend certain financial institutions which have lend funds to the Company and should be read in conjunction with the Company's audited consolidated financial information at and for the year ended December 31, 2004.

Braskem S.A. and its Subsidiaries**Notes to the Condensed Consolidated Interim
Financial Information for June 30, 2005
(Unaudited)****All amounts in millions of reais, unless otherwise indicated****4 Consolidated Financial Statements**

The consolidated financial statements include the financial statements of the Company and its subsidiaries and jointly-controlled entities and Special-purpose Companies (SPEs) in which the Company has direct or indirect share control, as shown below:

	Head office (country)	Interest in total capital - %		
		June 30, 2005 (Unaudited)	December 31, 2004	June 30, 2004 (Unaudited)
Subsidiaries				
Braskem Cayman Ltd. (i)	Cayman Islands	100.00	100.00	100.00
Braskem Importação (ii)	Brazil	100.00	100.00	100.00
Braskem Inc. (iii)	Cayman Islands	100.00	100.00	100.00
Braskem International Ltd. (iv)	Bahamas	100.00	100.00	100.00
Braskem Participações	Brazil	100.00	100.00	100.00
Companhia Alagoas Industrial CINAL (v)	Brazil	86.82	78.80	63.03
Monômeros (xvi)	Brazil		87.24	
CPN Distribuidora de Combustíveis Ltda.	Brazil	100.00	100.00	100.00
CPP - Companhia Petroquímica Paulista (CPP)	Brazil	90.71	90.71	90.71
Investimentos Petroquímicos Ltda.(IPL)	Brazil	100.00	100.00	100.00
Lantana Trading Company Inc. (Lantana)	Bahamas	100.00	100.00	100.00
Odebrecht Química S.A. ("Odequi") (vi/vii)	Brazil		100.00	100.00
Odequi Overseas Inc. (Overseas)	Cayman Islands	100.00	100.00	100.00
OPE Investimentos S.A. (xv)	Brazil			100.00
Polialden Petroquímica S.A. ("Polialden") (viii)	Brazil	63.68	63.68	56.27
Polialden America Inc.	U.S.A.	63.68	63.68	56.27
Tegal Terminal de Gases Ltda	Brazil	90.79	90.79	90.79
Jointly-controlled entities proportionally consolidated (under CVM 247) (ix)				
CETREL S.A. ("Cetrel") (x)	Brazil	41.01	40.81	40.81
Codeverde Companhia de Desenvolvimento Rio Verde	Brazil	35.52	35.49	35.49
COPEsul - Companhia Petroquímica do Sul ("Copesul") (xi)	Brazil	29.46	29.46	29.46

Politeno Indústria e Comércio S.A. ("Politeno")
(xii)

Brazil	33.96	33.96	33.88
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Special-purpose companies

consolidated (under CVM 408) (xiii)

Chemical Fundo de Investimento em Direitos

Creditórios (Fundo Chemical) (xiv)

Brazil	10.79	10.79
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Cayman

CSAM Orion Fund Limited (Orion)

Islands	100.00	100.00
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Guardian Protected Cell Company (Guardian)Guemsey

Guemsey	100.00	100.00
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Sol Fundo de Aplicação em Quotas de Fundos

de Investimento (FIQ Sol)

Brazil	100.00	100.00
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Braskem S.A. and its Subsidiaries

Notes to the Condensed Consolidated Interim

Financial Information for June 30, 2005

(Unaudited)

All amounts in millions of reais, unless otherwise indicated

- (i) Braskem Cayman Ltd. is the new corporate name of CPC Cayman Ltd. (CPC Cayman).
- (ii) In May 2005, 100% of this investment was contributed as capital increase to Braskem Participações (Note 1(b)).
- (iii) Braskem Incorporated Ltd. is the new corporate name of CPN Incorporated Ltd. (CPN Inc).
- (iv) Braskem International Ltd. is the new corporate name of Odequi Investments Ltd. (OIL).
- (v) Increase in participation in February and June 2005 (Note 1(b)).
- (vi) Company merged on March 31, 2005 (Note 1(b)).
- (vii) In June 2004, the consolidated interest (including interest held by subsidiary Overseas) in the capital of Odequi was equal to 100%.
- (viii) Increase in participation in December 2004, due to the exchange of shares with minority shareholders of Polialden.
- (ix) Investments were proportionally consolidated, as prescribed in CVM Instruction 247/96.
- (x) The consolidated interest (including interest held by Polialden) in the capital of CETREL is equal to 41.01%.
- (xi) Following the merger of Odequi, the direct interest in the capital of Copesul is equal to 29.46%.
- (xii) The jointly-controlled subsidiary Politeno issued new shares through the capitalization of the tax incentive reserve, increasing Braskem's participation.
- (xiii) In August 2004, CVM issued Instruction 408/04 providing for the inclusion of SPEs in the consolidated financial statement of publicly-held companies. Subsequently, on February 25, 2005, CVM Circular Letter 01/2005 provided additional information to support the concept of activities subject to consolidation.
- (xiv) Interest corresponding to subordinated quotas held by Braskem.
- (xv) Merged into Odequi on November 1, 2004.
- (xvi) Company merged on March 31, 2004.

Braskem S.A. and its Subsidiaries**Notes to the Condensed Consolidated Interim
Financial Information for June 30, 2005
(Unaudited)****All amounts in millions of reais, unless otherwise indicated****5 Other Investments**

	June 30, 2005	December 31, 2004
	(Unaudited)	(Restated)
Current assets		
Investment fund (trading)	625.1	15.8
Other	6.4	5.8
	631.5	21.6
Other long-term investments		
Shares of associated company held for sale		22.1
Subordinated quotas of investment fund (trading)	1.1	7.0
Others	7.5	36.8
	8.6	65.9

Investment funds comprise a portfolio of foreign investment funds, the risk of which is regularly reassessed by the Company. These funds are recorded at realizable values.

As of December 31, 2004, associated company shares for sale were equal to the net book value of shares issued by Borealis Brasil S.A. ("Borealis"), representing 20% of its total capital. In June 2005, the investment balance was transferred to Associated companies in permanent assets, as the original decision to sell such shares is under review.

Braskem S.A. and its Subsidiaries**Notes to the Condensed Consolidated Interim
Financial Information for June 30, 2005
(Unaudited)****All amounts in millions of reais, unless otherwise indicated****6 Trade Accounts Receivable**

	June 30, 2005	December 31, 2004
	(Unaudited)	(Restated)
Customers		
Domestic market	1,190.0	1,229.3
Foreign market	531.1	516.0
Advances on foreign deliveries	(23.2)	(75.7)
Allowance for doubtful accounts	(77.8)	(54.7)
	1,620.1	1,614.9
Long-term assets	(6.2)	(23.1)
Current assets	1,613.9	1,591.8

The Company has been adopting a policy of realizing domestic trade accounts, consisting of the sale of its receivables to a credit rights investment fund, which pays the Company earlier than the normal maturity of these customer receivables.

The amounts recorded in long-term assets result from renegotiations with customers.

The changes in allowance for doubtful accounts are as follows:

	June 30, 2005	December 31, 2004
	(Unaudited)	
At the beginning of the year	(54.7)	(105.7)
Additions charged to selling expenses	(23.1)	(52.4)
Write-off of uncollectible receivables		102.4
Recoveries		1.0

At the end of period

(77.8)

(54.7)

During 2004, management wrote off uncollectible receivables, which were fully provided for in the amount of R\$ 102.4. This write-off resulted in a decrease of trade accounts receivable and allowance for doubtful accounts in this amount.

Braskem S.A. and its Subsidiaries**Notes to the Condensed Consolidated Interim
Financial Information for June 30, 2005
(Unaudited)****All amounts in millions of reais, unless otherwise indicated****7 Inventories**

	June 30, 2005	December 31, 2004
	(Unaudited)	
Finished goods	797.1	769.8
Work in process	61.6	47.9
Raw materials, production inputs and packaging	380.7	415.6
Maintenance materials	306.4	276.7
Advances to suppliers	50.1	71.0
Imports in transit and others	11.2	5.5
Total	1,607.1	1,586.5
Long-term maintenance materials (*)	(62.3)	(50.4)
Current assets	1,544.8	1,536.1

(*) Based management's historical of utilization, part of the maintenance materials inventory was reclassified to long-term.

Advances to suppliers and expenditures for imports in transit are mainly related to the acquisition of petrochemical naphtha, which is the Company's main raw material.

8 Judicial Deposits and Compulsory Loan

	June 30, 2005	December 31, 2004
	(Unaudited)	
Judicial deposits		
Social Integration Program (PIS)/Social Contribution for Social Security Financing (COFINS)	66.3	96.5
Education allowance and Social Security contribution	32.0	29.3
Work accident insurance	14.1	14.1
Labor claims	12.4	11.3
Other	30.4	31.6

Compulsory loan (Eletrobrás)	12.1	15.8
	167.3	198.6

Braskem S.A. and its Subsidiaries**Notes to the Condensed Consolidated Interim
Financial Information for June 30, 2005
(Unaudited)****All amounts in millions of reais, unless otherwise indicated****9 Related Parties**

	Current assets		Long-term <u>receivables</u>	Current liabilities		Long-term liabilities	
	Trade accounts receivable	Related parties	Related parties	Suppliers	Suppliers	Debentures	Related parties
Jointly-controlled entities							
Cetrel			2.5	0.5			2.5
Copesul	2.9			398.6			
Politeno	10.6						
Associated companies							
Petroflex Indústria e Comércio S.A. ("Petroflex")	31.3						
Borealis	12.7						
Related parties							
Petrobras			33.3	341.7	34.2		
Petrobras Distribuidora S.A.				18.4	27.0		
Monsanto Nordeste S/A (Related parte of Cetrel)							2.3
Ipiranga Petroquímica S.A. (related party of Copesul)	1.8			0.6			
Pronor (related party of Cetrel)							3.2
ODBPAR Investimentos S.A.						930.8	
Construtora Norberto Odebrecht S.A. (CNO)				2.4			
Nitroclor Produtos Químicos S.A. (related party of Cetrel)							1.6
Other		0.5	1.7				4.2

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At June 30, 2005 (unaudited)	59.3	0.5	37.5	762.2	61.2	930.8	13.8
At December 31, 2004	67.3	0.6	34.8	351.8	65.7	867.9	115.7

Braskem S.A. and its Subsidiaries**Notes to the Condensed Consolidated Interim
Financial Information for June 30, 2005
(Unaudited)****All amounts in millions of reais, unless otherwise indicated**

	Product sales	Raw materials, services and utilities purchases	Financial income	Financial expenses
Jointly-controlled entities				
Cetrel	0.5	7.2		
Copesul	1.2	959.0		0.8
Politeno	355.0			
Associated companies				
Borealis	66.9			
Petroflex	225.1			
Related parties				
Petrobras	2.0	2,240.8	1.8	
Petrobras Distribuidora S.A.	0.8	72.4		
Monsanto Nordeste S/A (Related party of Cetrel)	1.3			
Construtora Norberto Odebrecht (CNO)		25.1		
ODBPARG Investimentos S/A (ODBPAR)				62.9
Refinaria Alberto Pasqualini - REFAP S.A.	4.7	119.1		
Ipiranga Petroquímica S.A.	265.8	7.3	0.4	
At June 30, 2005 (unaudited)	923.3	3,430.9	2.2	63.7
At June 30, 2004 (unaudited)	753.7	3,430.9	3.5	9.2

Braskem S.A. and its Subsidiaries**Notes to the Condensed Consolidated Interim
Financial Information for June 30, 2005
(Unaudited)****All amounts in millions of reais, unless otherwise indicated****10 Taxes Recoverable**

	June 30, 2005	December 31, 2004
	(Unaudited)	(Restated)
Value-added tax (ICMS) recoverable	509.0	438.1
Excise tax (IPI) recoverable (regular operations)	62.9	47.8
PIS	51.0	50.6
Income tax and social contribution	96.3	77.8
Income tax on net income (ILL)	71.5	68.0
Social Investment Fund - Finsocial	14.2	14.2
Other	64.9	41.7
	869.8	738.2
Current assets	(379.5)	(482.1)
Long-term assets	490.3	256.1

(a) ICMS recoverable

Braskem increased its accumulated ICMS credit, basically on account of the high export volumes and product sales with deferred tax credit. Company management is working on accelerating the use of this credit, and no material losses are expected.

Braskem S.A. and its Subsidiaries**Notes to the Condensed Consolidated Interim
Financial Information for June 30, 2005
(Unaudited)**

All amounts in millions of reais, unless otherwise indicated

11 Investments**(a) Associated companies**

	Six months period ended June 30, 2005					Year ended December 31, 2004
	Borealis	Rionil	Sansuy	Petroflex	Total	Total
	(Unaudited)					
At January 1		2.0	2.9	50.8	55.7	37.7
Transfer from Other Investments	22.1				22.1	
Equity in the results	0.5	(0.1)	0.3	16.7	17.4	18.0
Dividends	(2.0)			(7.1)	(9.1)	
At the end of the period	20.6	1.9	3.2	60.4	86.1	55.7

12 Property, Plant and Equipment

	June 30, 2005			December 31, 2004	
	(Unaudited)				
	Cost	Accumulated depreciation	Net	Net	Annual depreciation rates - %
Land	48.3		48.3	46.5	
Buildings and improvements	945.7	(411.5)	534.2	544.9	2 to 10
Machinery, equipment and installations	7,475.3	(3,406.2)	4,069.1	4,214.5	3.3 to 20
Furniture and fixtures	42.7	(37.6)	5.1	5.6	10
Information technology	66.5	(53.9)	12.6	11.3	20

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Construction-in-progress	781.2		781.2	554.7	
Other	65.2	(43.7)	21.5	19.7	Up to 20
	9,424.9	(3,952.9)	5,472.0	5,397.2	

Braskem S.A. and its Subsidiaries**Notes to the Condensed Consolidated Interim
Financial Information for June 30, 2005
(Unaudited)****All amounts in millions of reais, unless otherwise indicated**

Construction in progress relates principally to projects for operating improvements to increase the useful life of the industrial units, machinery and equipment, as well as programs in the areas of health, technology and security.

At June 30, 2005, property, plant and equipment includes goodwill arising from legally merged companies in the amount of R\$ 908.4, net of accumulated depreciation (unaudited) (December 2004 - R\$ 937.2) .

13 Deferred Charges

	June 30, 2005	December 31, 2004
	(Unaudited)	
Costs		
Pre-operating expenses	241.9	244.6
Rights to manufacturing processes	43.7	57.0
Organization and implementation expenses	297.3	317.4
Expenditures for structuring operations	437.3	436.0
Goodwill on acquisition of investments	2,361.5	2,409.5
Expenditures for programmed stoppages (major overhauls)	513.3	500.5
Research and development	92.5	91.2
Catalysts and other	101.5	104.3
	4,089.0	4,160.5
Accumulated amortization	(1,232.8)	(1,055.5)
	2,856.2	3,105.0

Goodwill on acquisition of investments is based on the future profitability and is being amortized in up to ten years, according to the appraisal reports issued by independent experts. The record of goodwill in deferred charges is in conformity with CVM Instructions 319/99 and 247/96.

At June 30, 2005, goodwill on acquisition of investments includes the amounts of R\$ 1,164.7 (unaudited) and R\$ 480.3 (unaudited), arising from the merger of OPP Química S.A. (OPP Química) and Trikem S.A. (Trikem), respectively. This goodwill is based on expected future profitability and is being amortized in up to ten years.

Braskem S.A. and its Subsidiaries

Notes to the Condensed Consolidated Interim

Financial Information for June 30, 2005

(Unaudited)

All amounts in millions of reais, unless otherwise indicated

14 Loans and Financing

		June 30, 2005	December 31, 2004
	Annual financial charges		
Foreign currency - denominated			
Foreign notes payable (Eurobonds)	US\$ + interest of 9.00% to 10.63%	1,360.7	700.5
Advances on export contracts	2005 US\$ + interest of 1.95% to 3.85%	17.7	351.9
	2004 US\$ + interest of 2.30% to 6.00%		
	US\$ + interest of 1.25% to 4.50% above LIBOR (i) or		
Export prepayment	interest of 10.99%	792.2	910.9
Médium-Term Notes	US\$ + interest of 9.25% to 11.75%	1,480.1	1,581.4
	US\$ + interest of 0.53% to 7.65% above		
Raw material financing	2005 LIBOR (i)	79.1	467.1
	2004 US\$ and YEN + fixed interest of 6.90%		4.4
Permanent assets financing			
	US\$ + interest of 3.88% above LIBOR	22.0	29.9
	US\$ + fixed interest of 4.75% to 13.64%	19.3	28.9
	2004		
Working capital	US\$ + fixed interest of 5.00% to 7.50%		102.8
Local currency - denominated			
	Interest of 0.30% to 11.00% + fixed restatement (IGPM, TJLP and CDI)	61.6	34.1
Working capital	2004 US\$ + interest of 4.50%		11.0
	Fixed interest of 10.50% + fixed		
FINAME	2005 restatement (TJLP) (ii)	14.6	17.1
	Fixed interest of 3.0% to 11.0% + fixed restatement		
	2004 (TJLP) (ii)		
	Fixed interest of 1.0% to 12.60% + fixed restatement	92.2	171.2
BNDES	(TJLP and UMBNDES) (ii and iii)		
BNB	Fixed interest of 11.81%	50.8	31.5
FINEP	Fixed restatement TJLP (ii)	10.3	
Acquisition of shares	2005	188.0	176.3

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	Fixed interest of 4.00%+ fixed restatement (TJLP) (ii)		
Vendor	Fixed interest of 18.00% to 20.04%	163.7	168.6
Financing of projects	101.59% of CDI	142.2	
Other	Fixed interest of 14.0% to 21.0% + payment bonus of 15% or 112.0% of CDI		39.2
		4,494.5	4,826.8
Less: Current liabilities		(1,040.5)	(1,775.6)
Long-term liabilities		3,454.0	3,051.2

(i) LIBOR = London Interbank Offered Rate

(ii) TJLP = Long-term Interest Rate

(iii) UMBNDES = BNDES monetary unit

Braskem S.A. and its Subsidiaries**Notes to the Condensed Consolidated Interim
Financial Information for June 30, 2005
(Unaudited)****All amounts in millions of reais, unless otherwise indicated****15 Debentures**

The Company's debenture position is summarized as follows:

	June 30, 2005	December 31, 2004
	(Unaudited)	
Balance at the beginning of period	1,172.8	1,492.0
Interest accrued	99.2	444.1
Issuance (*)	300.0	1,500.0
Interest payments	(31.2)	(2,263.2)
Balance at the end of the period	1,540.8	1,172.9
Less: current liabilities	(10.0)	(5.0)
Long-term liabilities	1,530.8	1,167.9

(*) Includes conversion of advance for purchases of credit rights in the amount of R\$ 107.7 in January 2004 and R\$ 135.3 of other short term debt.

The Board of Directors, at a meeting held on April 13, 2005, approved the issue of 13th series simple debentures in the aggregate amount of R\$300.0 (unaudited). These debentures are non-convertible into shares and have a final maturity date of June 1, 2010, unsecured debentures, in a single series are repayable semiannually, beginning on December 1, 2005, and bear interest at the rate of 104.10% of CDI.

Braskem S.A. and its Subsidiaries**Notes to the Condensed Consolidated Interim****Financial Information for June 30, 2005****(Unaudited)****All amounts in millions of reais, unless otherwise indicated****16 Taxes and Contributions Payable -Long-term Liabilities**

	June 30, 2005	December 31, 2004
	(Unaudited)	
Compensation of IPI credits		
IPI - export credit	482.9	462.8
IPI - purchase of zero-rated materials	439.9	406.9
IPI - consumable materials and equipment	36.0	34.8
Other taxes and contributions payable		
PIS/COFINS - Law 9,718 of 1998	298.7	320.6
Education allowance contribution, SAT and INSS	35.1	31.2
Special Installment Program (PAES) - Law 10,684/03	46.4	49.7
Tax Recovery Program (REFIS) - Law 9,964/00		3.2
Others	11.7	22.9
	1,350.7	1,332.1

Braskem S.A. and its Subsidiaries**Notes to the Condensed Consolidated Interim
Financial Information for June 30, 2005
(Unaudited)****All amounts in millions of reais, unless otherwise indicated****17 Income Tax and Social Contribution on Net Income****(a) Income tax reconciliation**

	June 30, 2005	June 30, 2004
	(Unaudited)	(Unaudited)
Income (loss) before income tax and minority interest	868.7	(221.4)
Income tax and social contribution benefit (expense) at statutory rate of 34%	(295.4)	75.3
Income tax on equity in earnings of associated companies	(0.8)	(6.1)
Non-deductible amortization of goodwill	(18.3)	(16.2)
Exempt exchange gains (losses) on foreign currency	1.9	(2.8)
Income tax incentives	7.1	7.3
Other permanent differences	(1.7)	(26.9)
Tax effect of social contribution tax exemption	72.7	(21.7)
Loss of tax losses on legal merger of subsidiaries (principally Odequi and Trikem)	(21.7)	(58.1)
Net change in valuation allowance	23.6	(4.6)
Other	(1.7)	(7.2)
Income tax expense, per statement of operations	(234.3)	(61.0)

Braskem S.A. and its Subsidiaries**Notes to the Condensed Consolidated Interim
Financial Information for June 30, 2005
(Unaudited)****All amounts in millions of reais, unless otherwise indicated****(b) Deferred income tax**

The Company has recognized deferred tax assets, as follows:

	June 30, 2005	December 31, 2004
	(Unaudited)	
Deferred tax assets		
Net operating loss carryforwards	168.7	205.8
Goodwill and deferred charges	194.8	201.5
Non-deductible accrued expenses and other temporary differences	308.4	323.0
Gross deferred tax assets	671.9	730.3
Asset not recorded, based on the Company's projections of the offset of tax losses	(402.9)	(426.5)
Net long-term deferred tax assets	269.0	303.8
Deferred tax liabilities		
Accelerated depreciation	(8.9)	(9.3)
Deferred income tax on unrealized exchange variations	(86.2)	
Long-term deferred tax liabilities	(95.1)	(9.3)

(c) Social contribution

In view of the discussion of the constitutionality of Law 7,689/88, the Company and merged companies OPP Química and Trikem and its subsidiary Polialden, filed a lawsuit to avoid the payment of CSLL.

The TRF of the 1st Region expressly recognized the unconstitutionality of said tax, and the courts issued final and unappealable decisions favorable to the Company and merged companies. However, the Federal Government filed an action seeking to revoke the decisions on Braskem's and merged Trikem's lawsuits, arguing that after the final decision favorable to the companies, the Plenary Session of the STF had declared the constitutionality of the tax,

except in 1988. In the case of OPP Química, the Federal Government did not file any action, and so the first final decision remained in force.

Braskem S.A. and its Subsidiaries

Notes to the Condensed Consolidated Interim

Financial Information for June 30, 2005

(Unaudited)

All amounts in millions of reais, unless otherwise indicated

The decisions of lower and first appeal courts were favorable to the Federal Government however, tax payments are still suspended. Currently, the mentioned action is awaiting final judgment of the appeals lodged to the STF and STJ.

Based on the referred STF's decision, the Federal Revenue Secretariat ("SRF") is raising tax assessment notices against the Company and the merged companies, against which administrative defense arguments have been filed.

The Company believes that it is reasonably possible that it will lose the appeals to maintain the Company's exemption. If the appeals are not successful, the Company believes that the loss of the exemption would be effective only as from the date of a final unfavorable decision and may not be applied retroactively. For this reason, no liability has been recorded. However, we believe that it is reasonably possible that we will be required to pay these taxes retroactively. If a retroactive claim were made by the government, the exposure to the Company would be, at June 30, 2005, approximately R\$ 552.0, including interest but excluding fines.

18 Shareholders' Equity

(a) Capital

The Company's authorized capital at June 30, 2005 consists of 175,680,000 common shares, 307,440,000 Class A preference shares and 4,880,000 Class B preference shares. The number of shares reflects the grouping approved at the Extraordinary General Meeting held on March 31, 2005 (Note 1(c)).

At June 30, 2005, subscribed and paid-up capital amounts to R\$ 3,403.0 (unaudited) and is divided into 362,523,671 shares, of which 120,860,099 are common shares, 240,860,206 are Class A preference shares and 803,366 are Class B preference shares.

At an extraordinary general meeting held on January 15, 2004, the Company's shareholders approved the upstream merger of Trikem into Braskem. As a result of the upstream merger, the Company acquired minority interests representing 46.4% of the total share capital of Trikem. The Company's capital was increased by R\$ 304.6 (unaudited) to R\$ 2,192.0 (unaudited) through the issue of 8,136,165,484 Class A preferred shares to be delivered to other shareholders of Trikem. Common shares were increased by 0.5% through the conversion of 121,948,261 Class A preferred shares into common shares.

Braskem S.A. and its Subsidiaries

Notes to the Condensed Consolidated Interim

Financial Information for June 30, 2005

(Unaudited)

All amounts in millions of reais, unless otherwise indicated

(b) Shares held in treasury

Considering the grouping of shares, approved on March 31, 2005 (Note 1(c)), the Company held in treasury, at the end of the quarter, 467,347 Class A preference shares (December 31, 2004 116,836,839 shares).

19 Contingencies

(a) Collective labor agreement

The chemical workers union in the Camaçari region ("SINDIQUÍMICA") and the syndicate of chemical manufacturers in the same region ("SINPEQ") are disputing in the courts whether the wage and salary indexation clause in their collective labor agreement was overruled by a 1990 economic policy law which restricted wage and salary increases. Braskem, Polialden, Nitrocarbano and Politeño operated plants in the region in 1990 and are members of SINPEQ. The workers' union is requesting that salaries and wages be adjusted retroactively and cumulatively since 1990. The most recent ruling by the Federal Supreme Cou