

BRASKEM SA
Form 20-F
April 14, 2014

As filed with the Securities and Exchange Commission on April 14, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F

**.. REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR
12(g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

**x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2013

OR

**.. TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

**.. SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission file number: 001-14862

BRASKEM S.A.

(Exact Name of Registrant as Specified in its Charter)

N/A **The Federative Republic of Brazil**
(Translation of Registrant's Name into English) **(Jurisdiction of Incorporation or Organization)**
Rua Lemos Monteiro, 120 – 24° andar
Butantã—São Paulo—SP, CEP 05501-050, Brazil

(Address of Principal Executive Offices)

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(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on which Registered
Preferred Shares, Class A, without par value per share, each represented by American Depositary Receipts	New York Stock Exchange

Securities registered or to be registered pursuant to Section 12(g) of the Act: None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None

The total number of issued shares of each class of stock of Braskem S.A. as of December 31, 2013 was:

451,688,652 Common Shares, without par value

345,002,878 Preferred Shares, Class A, without par value

593,818 Preferred Shares, Class B, without par value

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes No

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of “accelerated filer and large accelerated filer” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP	International Financial Reporting	Other <input type="checkbox"/>
Standards as issued by the International		
Accounting Standards Board <input checked="" type="checkbox"/>		

If “Other” has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

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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,” “dollars” or “US\$” are to U.S. dollars, the official currency of the United States.

All references herein (1) to “we,” “us” or “our company” are references to Braskem S.A., its consolidated subsidiaries and jointly controlled entities, and (2) to “Braskem” are references solely to Braskem S.A. All references herein to “Braskem Europe” mean Braskem Europe GmbH and its consolidated subsidiaries, including Braskem America, Inc., or Braskem America.

On April 10, 2014, the exchange rate for *reais* into U.S. dollars was R\$2.1987 to US\$1.00, based on the selling rate as reported by the Central Bank of Brazil (*Banco Central do Brasil*), or the Central Bank. The selling rate was R\$2.3426 to US\$1.00 on December 31, 2013, R\$2.0435 to US\$1.00 on December 31, 2012 and R\$1.876 to US\$1.00 on December 31, 2011, in each case, as reported by the Central Bank. The *real*/U.S. dollar exchange rate fluctuates widely, and the selling rate on April 10, 2014 may not be indicative of future exchange rates. See “Item 3. Key Information—Exchange Rates” for information regarding exchange rates for the *real* since January 1, 2009.

Solely for the convenience of the reader, we have translated some amounts included in “Item 3. Key Information—Selected Financial and Other Information” and elsewhere in this annual report from *reais* into U.S. dollars using the selling rate as reported by the Central Bank as of December 31, 2013 of R\$2.3426 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 financial statements as of December 31, 2013 and 2012 and for the three years ended December 31, 2013 have been audited, as stated in the report appearing herein, and are included in this annual report.

We have prepared our consolidated financial statements included in this annual report in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board, or IFRS.

Market Share and Other Information

We make statements in this annual report about our market share in the petrochemical industry in Brazil and our production capacity relative to that of other petrochemical producers in Brazil, Latin America, the United States and the world. 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 share with respect to specific products by dividing our domestic net sales volumes of these products by the total Brazilian domestic consumption of these products as

estimated by the Brazilian Chemical Industry Association (*Associação Brasileira da Indústria Química*), or ABIQUIM. 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 ABIQUIM. We derive information regarding the production capacity of other companies in the global petrochemical industry, the United States petrochemical industry and the Latin American petrochemical industry, international market prices for petrochemicals products and per capita consumption in certain geographic regions, principally from reports published by IHS, Inc., or IHS. We derive information regarding the size of the chemical distribution industry and our market share in this industry principally from reports published by the Brazilian Chemical and Petrochemical Distributors Association (*Associação Brasileira dos Distribuidores de Produtos Químicos e Petroquímicos*). We derive information relating to Brazilian imports and exports from the System for Analyzing International Trade (*Sistema de Análise das Informações de Comércio Exterior*), or ALICE-Web, produced by the Brazilian Secretary of International Trade (*Secretaria de Comércio Exterior*) and the Brazilian Secretary of Development, Industry and Trade (*Ministério do Desenvolvimento, Indústria e Comércio Exterior*).

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We have no reason to believe that any of this information is inaccurate in any material respect. However, we have not independently verified the production capacity, market share, market size or similar data provided by third parties or derived from industry or general publications.

We provide information regarding domestic apparent consumption of some of our products, based on information available from the Brazilian government, Institute of Applied Economic Research (*Instituto de Pesquisa Econômica Aplicada*), or IPEA, and ABIQUIM. Domestic apparent consumption is equal to domestic production plus imports minus exports. Domestic apparent consumption for any period may differ from actual consumption because this measure does not give effect to variations of inventory levels in the petrochemical supply chain.

Production Capacity and Sales Volume

As used in this annual report:

- “production capacity” means the annual nominal capacity for a particular facility, calculated based upon operations for 24 hours each day of a year and deducting scheduled downtime for regular maintenance; and
- “ton” means a metric ton, which is equal to 1,000 kilograms or 2,204.62 pounds.

Rounding

We have made rounding adjustments to some of the amounts included in this annual report. As a result, numerical figures shown as totals in some tables may not be arithmetic aggregations of the amounts that precede them.

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CAUTIONARY STATEMENT WITH RESPECT TO FORWARD-LOOKING STATEMENTS

This annual report 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 U.S. Securities Act of 1933, as amended, or the Securities Act, or the U.S. Securities Exchange Act of 1934, as amended, 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 numerous factors, including the following:

- general economic, political and business conditions in the markets in which we operate, 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 global petrochemical industry;
- competition in global petrochemical industry;
- prices of naphtha, natural gas, propylene and other raw materials;
- actions taken by our major shareholders;
- our ability to implement our financing strategy and to obtain financing on satisfactory terms;
- our progress in integrating the operations of companies or assets that we may acquire in the future, so as to achieve the anticipated benefits of these acquisitions;
- changes in laws and regulations, including, among others, laws and regulations affecting tax and environmental matters and import tariffs in other markets in which we operate or to which we export our products;
- future changes in Brazilian policy and related actions undertaken by the Brazilian government;
- a deterioration in the world economy that could negatively impact demand for petrochemicals;
- decisions rendered in major pending or future tax, labor and other legal proceedings; and
- other factors identified or discussed under “Item 3. Key Information—Risk Factors.”

Our forward-looking statements are not guarantees of future performance, and our actual results or other developments may differ materially from the expectations expressed in the forward-looking statements. As for

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.

Forward-looking statements speak only as of the date they are made, and we do not undertake any obligation to update them in light of new information or future developments or to release publicly any revisions to these statements in order to reflect later events or circumstances or to reflect the occurrence of unanticipated events.

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Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION**Selected Financial and Other Information**

The following selected information should be read in conjunction with “Presentation of Financial and Other Information,” “Item 5. Operating and Financial Review and Prospects” and our audited consolidated financial statements and the related notes thereto, which are included in this annual report.

The selected financial data as of December 31, 2013 and 2012 and for the three years ended December 31, 2013 have been derived from our audited consolidated financial statements, prepared in accordance with IFRS, and included in this annual report. The selected financial data as of December 31, 2011, 2010 and 2009 and for the year ended December 31, 2010 and 2009 have been derived from our audited consolidated financial statements, prepared in accordance with IFRS, which are not included in this annual report.

We have included information with respect to the dividends and/or interest attributable to shareholders’ equity paid to holders of our common shares and preferred shares since January 1, 2009 in *reais* and in U.S. dollars translated from *reais* at the commercial market selling rate in effect as of the payment date under the caption “Item 8. Financial Information—Dividends and Dividend Policy—Payment of Dividends.” We prepare individual financial statements in accordance with Brazilian GAAP for certain purposes, including for the calculation of dividends.

	For the Year Ended December 31,					
2013(1)	2013	2012(2)	2011(3)	2010 (4)	2009(5)	
(in millions of US\$, except per share data and as indicated)	(in millions of reais, except per share data and as indicated)					

Statement of Operations Data:

Net sales revenue	17,488.9	40,969.5	36,160.3	33,086.5	25,025.7	16,136.1
Cost of products sold	(15,291.0)	(35,820.8)	(32,709.1)	(29,265.0)	(21,028.9)	(13,529.7)
Gross profit	2,197.9	5,148.7	3,451.2	3,821.5	3,996.8	2,606.4
Income (expenses):						

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Selling and Distribution	(427.2)	(1,000.7)	(990.4)	(820.0)	(689.1)	(599.5)
General and administrative	(460.1)	(1,077.9)	(1,071.0)	(1,008.1)	(931.1)	(648.3)
Research and development	(49.4)	(115.8)	(106.2)	(99.1)	(78.8)	(63.1)
Results from equity investments..	(1.4)	(3.2)	(25.8)	(1.0)	18.2	3.2
Results from business combinations	—	—	—	30.0	975.3	102.1
Other operating income (expenses), net	(90.1)	(211.1)	333.5	2.9	(96.6)	3.7
Operating profit	1,169.6	2,740.0	1,591.3	1,926.2	3,194.7	1,404.5
Financial results:						
Financial expenses	(1,088.1)	(2,549.1)	(3,926.2)	(3,560.5)	(1,692.0)	685.4
Financial income	330.0	773.0	532.0	759.0	364.9	(331.3)
Profit (loss) before income tax and social contribution	411.5	963.9	(1,802.9)	(875.3)	1,867.6	1,758.6
Income tax and social contribution	(195.0)	(456.9)	783.1	359.5	6.1	(1,359.9)
Profit (loss) from continuing operations	216.4	507.0	(1,019.8)	(515.8)	1,873.7	398.7
Results from discontinued operations	—	—	281.5	27.6	15.8	—
Profit (loss)	216.4	507.0	(738.3)	(488.2)	1,889.5	398.7
Net income attributable to shareholders of the company	217.6	509.7	(731.1)	(496.5)	1,895.3	398.5
Net income attributable to non-controlling interest	(1.2)	(2.7)	(7.2)	8.3	(5.8)	—
Earnings (loss) per share (6):						
Basic:						
Common shares		0.6403	(1.2718)	(0.6566)	2.6816	0.7551
Preferred class "A" shares		0.6403	(1.2718)	(0.6566)	2.5683	0.7842
Preferred class "B" shares		0.6062	0	0	0.6029	0.6315
ADS (6)		1.2806	(2.5436)	(1.3132)	5.1366	1.5684
Diluted:						
Common shares		0.6403	(1.2718)	(0.6566)	2.6816	0.7551
Preferred class "A" shares		0.6403	(1.2718)	(0.6566)	2.5683	0.7842
Preferred class "B" shares		0.6062	0	0	0.6029	0.6315
ADS		1.2806	(2.5436)	(1.3132)	5.1366	1.5684

(1) Translated for convenience only using the selling rate as reported by the Central Bank as of December 31, 2013 for *reais* into U.S. dollars of R\$2.3426=US\$1.00.

(2) As a result of our decision to maintain IQ Soluções & Química, or QuantiQ, and Ipiranga Química Armazéns Gerais Ltda., or and IQAG, which previously represented the Chemical Distribution segment before we temporarily offered them for sale last year, we have restated our financials to include the Chemical Distribution segment as of 2011. Our financial information for 2012 has been restated to reflect the impacts of the adoption of IAS 19—Employee Benefits. See note 2.1.1. of our audited consolidated financial statements elsewhere in this annual report.

(3) The financial information for 2012, 2011 and 2010 was restated to reflect the impacts of the discontinued operations of Cetrel S.A., Distribuidora de Água Camaçari (formerly Braskem Distribuidora S.A., or Braskem Distribuidora).

(4) Includes Braskem America as from April 1, 2010, Quattor Participações S.A., or Quattor (whose name was subsequently changed to Braskem Qpar S.A., or Braskem Qpar), and the subsidiaries, Unipar Comercial e Distribuidora S.A., or Unipar Comercial, and Polibutenos S.A. Indústrias Químicas, or Polibutenos, as from May 1, 2010. The financial information for 2010 has not been restated to reflect the impacts of our decision to maintain QuantiQ and IQAG before we temporarily offered them for sale last year because such impacts did not have a material effect in 2010.

(5) The financial information for 2009 has not been restated to reflect the impacts of the discontinued operations described above in footnote 3 because such impacts did not have a material effect in 2009.

(6) American depositary shares (ADS) are U.S. dollar-denominated equity shares of a foreign-based company on an American stock exchange. In our case, each ADS represents two class A preferred shares.

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	2013(1) (in millions of US\$, except as indicated)	At and For the Year Ended December 31,					2009
		2013	2012	2011	2010(2)		
		(in millions of <i>reais</i> , except as indicated)					
Balance Sheet Data:							
Cash, cash equivalents and available-for-sale investments	1,850.9	4,335.9	3,287.6	2,986.8	2,624.3	2,945.0	
Short-term trade accounts receivable	1,199.7	2,810.5	2,326.5	1,843.8	1,894.6	1,666.5	
Inventories	2,198.5	5,150.3	4,102.1	3,623.5	3,015.7	1,721.8	
Non-current assets held for sale	16.1	37.7	277.8	—	—	—	
Property, plant and equipment, net	10,848.4	25,413.5	21,176.8	20,622.7	19,366.3	10,947.7	
Total assets	20,637.8	48,346.1	41,170.0	37,397.2	34,477.5	23,371.8	
Short-term borrowings (including current portion of long-term borrowings)	533.1	1,248.8	1,836.0	1,391.8	1,206.4	1,890.5	
Short-term debentures (including current portion of debentures)	—	—	—	—	517.7	316.7	
Non-current liabilities held for sale	—	—	109.8	—	—	—	
Long-term borrowings	7,407.9	17,353.7	15,675.6	13,753.0	11,004.3	7,434.9	
Long-term debentures	—	—	—	19.1	—	—	
Share capital	3,433.5	8,043.2	8,043.2	8,043.2	8,043.2	5,473.2	
Shareholders' equity (including non-controlling interest)	3,279.0	7,681.3	8,652.0	9,979.9	10,408.3	4,978.6	
Other Financial and Operating Information:							
Cash Flow Information:							
Net cash provided by (used in):							
Operating activities	1,049.2	2,457.8	2,571.8	2,777.5	2,720.4	598.7	
Investing activities	(2,114.8)	(4,954.2)	(2,834.3)	(2,866.5)	(2,387.6)	(824.7)	
Financing activities	1,542.8	3,614.2	633.9	494.7	(388.3)	495.3	
Other Information:							
Capital expenditures:							
Property, plant and equipment	2,414.6	5,656.4	2,792.9	2,252.5	1,689.0	811.7	
Investments in other companies	—	—	—	619.2	939.4	(1.5)	

Domestic Sales Volume Data (in thousands of tons) (3):

Ethylene	3,360.0	3,329.3	3,097.4	2,949.9	2,253.2
Propylene	1,187.7	1,170.4	1,123.1	1,212.1	994.6
Polyethylene	1,765.7	1,668.2	1,524.9	1,546.8	1,048.4
Polypropylene	1,268.9	1,233.3	1,149.8	1,086.9	698.5
Polyvinyl chloride (PVC)	636.5	560.9	484.0	504.9	457.4

(1) Translated for convenience only using the selling rate as reported by the Central Bank as of December 31, 2013 for *reais* into U.S. dollars of R\$2.3426=US\$1.00.

(2) Includes Braskem America as from April 1, 2010, Quattor and the subsidiaries, Unipar Comercial and Polibutenos as from May 1, 2010.

(3) Including intra-company sales within our company. Intra-company sales of ethylene totaled approximately 2,828,200 tons in 2013, 2,805,500 in 2012, 2,606,100 in 2011, 2,511,500 tons in 2010 and 1,928,300 tons in 2009. Intra-company sales of propylene totaled approximately 977,900 tons in 2013, 950,000 tons in 2012, 905,400 tons in 2011, 926,300 tons in 2010 and 628,800 tons in 2009.

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Exchange Rates

The Brazilian foreign exchange system allows the purchase and sale of foreign currency and the international transfer of *reais* by any person or legal entity, regardless of the amount, subject to certain regulatory procedures.

Since 1999, the Central Bank has allowed the U.S. dollar-*real* exchange rate to float freely, and, since then, the U.S. dollar-*real* exchange rate has fluctuated considerably.

In the past, the Central Bank has intervened occasionally to control unstable movements in foreign exchange rates. We cannot predict whether the Central Bank or the Brazilian government will continue to permit the *real* to float freely or will intervene in the exchange rate market through the return of a currency band system or otherwise. The *real* may depreciate or appreciate against the U.S. dollar substantially. Furthermore, Brazilian law provides that, whenever there is a serious imbalance in Brazil's balance of payments or there are serious reasons to foresee a serious imbalance, temporary restrictions may be imposed on remittances of foreign capital abroad. We cannot assure you that such measures will not be taken by the Brazilian government in the future. See “—Risk Factors—Risks Relating to Brazil—Brazilian government exchange control policies could increase the cost of servicing our foreign currency-denominated debt, adversely affect our ability to make payments under our foreign currency-denominated debt obligations and impair our liquidity” and “—Risk Factors—Risks Relating to Our Class A Preferred Shares and the ADSs— If holders of the ADSs exchange them for class A preferred shares, they may risk temporarily losing, or being limited in, the ability to remit foreign currency abroad and certain Brazilian tax advantages.”

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The following table shows the selling rate for U.S. dollars for the periods and dates indicated. The information in the “Average” column represents the average of the exchange rates on the last day of each month during the periods presented.

<u>Year</u>	Reais per U.S. Dollars			
	High	Low	Average	Period End
2009	R\$2.422	R\$1.702	R\$1.990	R\$1.741
2010	1.881	1.655	1.759	1.666
2011	1.902	1.535	1.675	1.876
2012	2.112	1.702	1.955	2.043
2013	2.446	1.953	2.161	2.343

<u>Month</u>	Reais per U.S. Dollars	
	High	Low
October 2013	2.2087	2.1611
November 2013	2.3362	2.2426
December 2013	2.3817	2.3102
January 2014	2.4397	2.3335
February 2014	2.4238	2.3334
March 2014	2.3649	2.2603
April 2014 (through April 10)	2.2811	2.1974

Source: Central Bank

Risk Factors***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 petrochemical industry, including the markets in which we compete, is cyclical and sensitive to changes in global supply and demand. This cyclicity may reduce our net sales revenue and gross margin, including as follows:

- downturns in general business and economic activity may cause demand for our products to decline;
- when global demand falls, we may face competitive pressures 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.

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. Prices in the Brazilian petrochemical industry follow the global

petrochemical industry, and we establish the prices for the products we sell in Brazil with reference to international market prices. Therefore, our net sales revenue and gross margin are increasingly linked to global industry conditions that we cannot control.

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Global macroeconomic factors have had, and may continue to have, adverse effects on the margins that we realize on our products.

Our results of operations may be materially affected by adverse conditions in the financial markets and depressed economic conditions generally. Economic downturns in geographic areas in which we sell our products may substantially reduce demand for our products and result in decreased sales volumes. Recessionary environments adversely affect our business because demand for our products is reduced.

The global economy showed signs of recovery in 2013, with a positive impact on the global demand for petrochemicals, which increased by 3.7% in 2013. In 2013, the Brazilian economy registered GDP growth of 2.3% as compared to 1.0% in 2012 and 2.7% in 2011 and demand for thermoplastic resins in Brazil grew by 8.4%.

Our ability to export to other countries is a function of the level of economic growth in these countries and other economic conditions, including prevailing inflation and interest rates. In addition, disruptions in the global balance between supply and demand may impair our ability to export our products in response to a decline in domestic demand for these products. Prolonged volatility in economic activity in our key export markets could continue to reduce demand for some of our products and lead to increased margin pressure by importers into Brazil, which would adversely affect our results of operations.

We face competition from producers of polyethylene, polypropylene, PVC and other petrochemical products.

We face competition in Brazil from foreign producers of polyethylene, polypropylene, PVC and other petrochemical products. Our U.S. operations face competition in the United States from other U.S. producers of polypropylene. Our German operations face competition in Europe and the other export markets that it serves from European and other foreign producers of polypropylene. We generally set the prices for our second generation products sold in Brazil with reference to the prices charged for these products by foreign producers in international markets and set the prices for polypropylene sold in the United States with reference to industry indices or based on negotiations with its customers. We generally set the prices for our second generation products exported from Brazil based on international spot market prices. As a result of the announced commissioning of new ethylene capacity, particularly in the Middle East and in China, coupled with the increased competitiveness of gas-based ethylene producers in United States as a result of their relatively lower raw material costs, we anticipate that we may experience increasing competition from other producers of second generation products in the markets in which we sell these products. In addition, the appreciation of the *real* against the U.S. dollar increases the competitiveness of prices of imported products in *reais*, which may increase the competition in Brazil from other producers of second generation products. Some of our foreign competitors are substantially larger and have greater financial, manufacturing, technological and marketing resources than our company.

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

Naphtha, a crude oil derivative, is the principal raw material used by our Basic Petrochemicals Unit and, indirectly, in our other business units. Naphtha accounted, directly and indirectly, for approximately 48.9% of our consolidated cost of sales and services rendered in 2013.

We purchase naphtha for use by our Basic Petrochemical Unit from Petróleo Brasileiro S.A.—Petrobras, or Petrobras, at prices based on a variety of factors, including the Amsterdam-Rotterdam-Antwerp market prices of naphtha and a variety of other petrochemical derivatives, the volatility of the prices of these products in the international markets, the *real*/U.S. dollar exchange rate, and the level of paraffinicity of the naphtha that is delivered.

The price of naphtha that we purchase from other international suppliers is also linked to the Amsterdam-Rotterdam-Antwerp market price. The Amsterdam-Rotterdam-Antwerp market price of naphtha fluctuates primarily based on changes in the U.S. dollar-based price of crude oil in the international markets.

The average Amsterdam-Rotterdam-Antwerp market price of naphtha in U.S. dollars declined by 3.5% to US\$903 per ton in 2013 from US\$936 per ton in 2012 and US\$931 per ton in 2011. The price of naphtha in U.S. dollars has been, and may continue to be, volatile. In addition, the fluctuations of the U.S. dollar in the future may effectively increase our naphtha costs in reais. Any increase in naphtha costs would reduce our gross margin and negatively affect our overall financial performance to the extent we are unable to pass on these increased costs to our customers and could result in reduced sales volumes of our products.

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Political volatility in the Middle East has had and may continue to have negative effects on oil production and price volatility, consequently driving naphtha and petrochemical prices higher worldwide. Volatility of the price of naphtha and the upward trend in the price of petroleum and naphtha have effects on the price competitiveness of our naphtha-based crackers and our resins. Because pricing trends for naphtha and ethane have diverged in recent years to a greater extent than has been the case historically, producers of ethylene and resin products derived from ethane generally have experienced lower unit raw material costs than naphtha-based producers of these products. As a consequence, significant increases in the pricing differential between naphtha and gas increases the competitiveness of products derived from ethane and may result in pricing pressure in the international markets and the vulnerability of our company to increasing competition in Brazil from imported products.

Natural gas reserves in North America may reduce the global prices of polyethylene, which would reduce our gross margin and negatively affect our overall financial performance.

In recent years, the use of ethane as a feedstock for the production of ethylene has increased as a result of its increasing availability and the divergence between the cost of natural gas and oil (from which naphtha and condensate are derived). Natural gas reserves have increased, particularly in North America, as the technology to extract gas from shale has improved. In order to improve their global competitiveness, most U.S. ethylene producers with the raw material flexibility to use ethane as a feedstock have converted to the use of the ethane feedstocks.

As a result of the increase in natural gas reserves in North America, (1) ethane has returned as a low-cost alternative to oil-based products and (2) additional gas production has resulted in an increasingly competitive ethane price. North American polyethylene producers have benefited from the low-cost position of natural gas prices, and the resulting increased competitiveness of North American polyethylene producers could decrease the global and domestic price of polyethylene, which would reduce our gross margin and negatively affect our overall financial performance.

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

We currently do not hedge our exposure to fluctuations in U.S. dollar or *real* prices of naphtha. Although we attempt to pass on increases in naphtha prices through higher prices for our products, in periods of high volatility in the U.S. dollar price of naphtha or in the *real*/U.S. dollar exchange rate, there is usually a lag between the time that the U.S. dollar price of naphtha increases or the *real* depreciates against the U.S. dollar and the time that we may effectively pass on those increased costs in *reais* to our customers in Brazil. As a result, if the U.S. dollar price of naphtha increases precipitously, or if the *real* depreciates against the U.S. dollar, as has occurred in recent years, 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.

We depend on Petrobras to supply us with a substantial portion of our naphtha, ethane and propane requirements.

Petrobras is the only Brazilian supplier of naphtha and has historically supplied approximately 70% of the naphtha consumed by our Basic Petrochemicals Unit. Petrobras produces most of the naphtha it sells to us and imports the balance. Petrobras currently is also the only Brazilian supplier of ethane and propane and has historically supplied all of the ethane and propane consumed by our subsidiary Rio Polímeros S.A., or RioPol, which operates the petrochemical complex located in Duque de Caxias in the State of Rio de Janeiro, or the Rio de Janeiro Complex.

Our production volume and net sales revenue would likely decrease and our overall financial performance would likely be negatively affected in the event of the following:

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- significant damage to Petrobras' refineries or to the port facilities through which Petrobras imports naphtha, or to any of the pipelines connecting our plants to Petrobras' facilities, whether as a consequence of an accident, natural disaster, fire or otherwise; or
- any termination by Petrobras of the naphtha, ethane or propane supply contracts with our company, which provide that Petrobras may terminate the contracts for certain reasons described in "Item 4. Information on the Company—Basic Petrochemicals Unit—Raw Materials of Our Basic Petrochemicals Unit."

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 Unit and Vinyls Unit depend on our basic petrochemicals plants to supply them with their ethylene and propylene requirements.

Our Basic Petrochemicals Unit is the only supplier of ethylene to our Vinyls Unit, the only supplier of ethylene to the polyethylene plants of our Polyolefins Unit and the principal supplier of propylene to the polypropylene plants of our Polyolefins Unit. Because the cost of storing and transporting ethylene is substantial and there is inadequate infrastructure in Brazil to permit the importing of large quantities of ethylene and propylene, our polyolefins plants in Brazil and our Vinyls Unit are highly dependent on the supply of these products by our basic petrochemicals plants. Consequently, our production volumes of, and net sales revenue from, polyolefins and vinyls products would decrease, and our overall financial performance would be negatively affected, in the event of the following:

- any significant damage to the facilities of our Basic Petrochemicals Unit through which ethylene or propylene is produced, or to the pipeline or other facilities that connect our polyolefins plants or vinyls plants to our basic petrochemicals plants, whether as a consequence of an accident, natural disaster, fire or otherwise;
- any significant reduction in the supply of naphtha to our Basic Petrochemicals Unit, as naphtha is the principal raw material used by our Basic Petrochemicals Unit in the production of ethylene and propylene; or
- any significant reduction in the supply of ethane or propane to our subsidiary RioPol, as ethane and propane are the principal raw materials used by RioPol in the production of ethylene and propylene.

We depend on Petrobras for a significant portion of the propylene that we use in Brazil to produce polypropylene.

During 2013, 44.5% of the propylene used by our Polyolefins Unit was supplied by Petrobras. Because the cost of storing and transporting propylene is substantial and there is inadequate infrastructure in Brazil to permit the importation of large quantities of these products, we are highly dependent on propylene supplied by Petrobras and production volumes of, and net sales revenue from, polypropylene products would decrease, and our overall financial performance would be negatively affected, in the event of the following:

- significant damage to Petrobras' refineries or to any of the pipelines connecting our polypropylene plants to Petrobras' facilities, whether as a consequence of an accident, natural disaster, fire or otherwise; or

- any termination by Petrobras of the supply contracts with our company, which provide that Petrobras may terminate the contracts for a number of reasons described in “Item 4. Information on the Company—Polyolefins Unit—Raw Materials of Our Polyolefins Unit.”

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.

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Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., or Standard & Poor's, Moody's Investors Service, or Moody's, and Fitch, Inc., or Fitch, maintain ratings of our company and our debt securities. Currently, Standard & Poor's, Moody's and Fitch maintain ratings of our company on a local and a global basis. On a global basis, Standard & Poor's maintains a local currency rating for our company of "BBB - (stable)" and a foreign currency rating for our company of "BBB - (stable)," Moody's maintains a local currency rating for our company of "Baa3 (negative)" and foreign currency rating for our company of "Baa3 (negative)," and Fitch maintains a local currency rating for our company of "BBB-/Negative Outlook" and foreign currency rating for our company of "BBB-/Negative Outlook." Any decision by these 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 the inclusion of financial covenants in the instruments governing new indebtedness, 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 our class A preferred shares and the ADSs.

Odebrecht S.A., or Odebrecht, directly or through its wholly-owned subsidiary Odebrecht Serviços e Participações S.A., or OSP, owns 38.38% of our outstanding share capital, including 50.11% of our voting share capital. Designees of Odebrecht constitute a majority of the members of our board of directors. Under a shareholders' agreement to which OSP and Petrobras are parties, which we refer to as the Petrobras Shareholders' Agreement, we have agreed to undertake certain actions only after Odebrecht and Petrobras have reached a consensus with respect to those actions and Odebrecht will have the sole power to approve the business plan of our company, as described under "Item 7. Major Shareholders and Related Party Transactions—Major Shareholders—Shareholders' Agreements." As a result, Odebrecht will have the ability to determine the outcome of most corporate actions or decisions requiring the approval of our shareholders or our board of directors — in certain instances, with the consent of Petrobras — which could affect the holders of our class A preferred shares and the American Depositary Shares, or ADSs.

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. Petrobras holds 36.2% of our outstanding share capital, including 47.0% of our voting 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, other than the prices that we pay under our naphtha purchase agreements with Petrobras, which we believe are more suitable to the products that we receive from Petrobras compared to products and prices available in transactions that we enter into with other third parties. We also engage in financial and other transactions with some of our direct and indirect shareholders. These and other commercial and financial transactions between us and our affiliates could result in conflicting interests between our company and these shareholders.

We may make significant acquisitions which, if not successfully integrated with our company, may adversely affect our operating results.

We may make significant acquisitions in the future. Acquisitions involve risks, including the following:

- failure of the acquired businesses to achieve expected results;
- possible inability to retain or hire key personnel of the acquired businesses;
- possible inability to achieve expected synergies and/or economies of scale;
- unanticipated liabilities; and
- antitrust considerations.

If we are unable to integrate or manage acquired businesses successfully, we may not realize anticipated cost savings, revenue growth and levels of integration, which may result in reduced profitability or operating losses.

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We may face unforeseen challenges in the implementation of Project Ethylene XXI which could result in this project failing to provide expected benefits to our company.

In 2012, we began construction of an olefins complex, or the Mexico Complex, to be located in the Mexican state of Veracruz. For more information about this project, which we refer to as Project Ethylene XXI, see “Item 4. Information on the Company—Capital Expenditures—Joint Venture Projects—Project Ethylene XXI.”

Braskem Idesa S.A.P.I., or Braskem Idesa, our joint venture with Grupo Idesa, S.A. de C.V., or Idesa, one of Mexico’s leading petrochemical groups, to develop Project Ethylene XXI will undertake significant capital expenditure programs to implement this project. Our ability to achieve our strategic objectives relating to this project will depend on, in large part, the successful, timely and cost-effective implementation of this project. Factors that could affect this implementation include the following:

- the outcome of negotiations with governments, suppliers, customers or others;
- the ability of Braskem Idesa to complete the project’s milestones in order obtain future disbursements under our project finance facilities that are necessary for the implementation of this project;
- difficulties in obtaining necessary licenses and or complying with applicable regulations;
- the occurrence of unforeseen technical difficulties (including technical problems that may delay start-up of, or interrupt production from, Project Ethylene XXI or lead to unexpected downtime of the plants of Braskem Idesa);
- delays in the delivery of third-party equipment or services by Braskem Idesa’s vendors;
- the failure of the equipment supplied by these vendors to comply with the expected capabilities of this equipment; and
- delays resulting from the failure of third-party suppliers or contractors to meet their obligations in a timely and cost-effective manner.

Although we believe that the cost estimate and implementation schedule of Project Ethylene XXI is reasonable, we cannot assure you that the actual costs or time required to complete the implementation of this project will not substantially exceed our current estimates. Any significant cost overrun or delay could hinder or prevent the implementation of our business plan, as originally conceived, and result in revenues and net income being less than expected.

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

We currently benefit from tariffs imposed by the Brazilian government on imports that allow us to charge prices for our polyolefins and vinyls products in the domestic market that include a factor based on the tariffs levied on comparable imports of those products. 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. For example, in September 2012, the Brazilian government increased import duties on 100 products related to various industries, including an increase on the import tariff for polyethylene. In October 2012, it

increased the import tariff for polyethylene from 14% to 20% and in October 2013, it reduced the import tariff for polyethylene to 14%. Future adjustments of tariffs could lead to increase competition from imports and cause us to lower our domestic prices, which would likely result in lower net sales revenue and could negatively affect our overall financial performance. Additionally, the products we produce in the United States and Europe are subject to tariffs in the amount of 6.5% in each jurisdiction. These tariffs generally favor our products produced locally and any future adjustments to these tariff structures could negatively impact our sales in these jurisdictions.

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

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We, like other Brazilian petrochemical producers, are 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.

Our operations in the United States and Germany are subject to extensive U.S. and German federal, state and local laws, regulations, rules and ordinances relating to pollution, protection of the environment and the generation, storage, handling, transportation, treatment, disposal and remediation of hazardous substances and waste materials. U.S. environmental laws and regulations may impose liability on us for the conduct of third parties, or for actions that complied with applicable requirements when taken, regardless of negligence or fault. Of particular significance to us are (1) regulatory programs to be established to implement air quality standards under the National Ambient Air Quality Standards for ozone and fine particles promulgated by the U.S. Environmental Protection Agency, or the EPA, and (2) various legislative and regulatory measures in the United States which are under review, discussion or implementation to address greenhouse gas emissions.

Costs and capital expenditures relating to environmental, health or safety matters are subject to evolving regulatory requirements and will depend on the timing of the promulgation and enforcement of specific standards which impose the requirements. Moreover, changes in environmental regulations could inhibit or interrupt our operations, or require modifications to our facilities. Accordingly, environmental, health or safety regulatory matters may result in significant unanticipated costs or liabilities.

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. For example, in May 2011, our Alagoas chlor-alkali plant experienced a chlorine leak and rupture of equipment caused by an abnormal and unpredictable increase in the concentration of trichloramine generated in this plant's production process. As a result of the chlorine leak, approximately 150 local residents were examined for respiratory contamination by the emergency room of a local hospital. All were released within 24 hours. The equipment rupture resulted in the hospitalization of five employees of Mills Estruturas e Serviços de Engenharia S.A. working at this plant, three of whom were released from the hospital the following day. As a result of these incidents, our chlor-alkali plant was temporarily shut down for approximately two weeks.

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, which could have a material adverse effect on our financial performance.

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

We are, and in the future may be, involved in numerous tax, civil and labor disputes, among others, involving monetary claims. If unfavorable decisions are rendered in one or more of these lawsuits, we could be required to pay substantial amounts. 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 as to the likelihood of winning these lawsuits. For more information about our legal proceedings, see “Item 8. Financial Information—Legal Proceedings.”

Labor unrest may materially and adversely affect our operations.

Labor unrest in our plants and facilities may have a material adverse effect on our financial condition or results of operations. For example, in August 2010, the unionized employees at our Neal, West Virginia plant went on strike. During the strike, the plant operated under the supervision of management until May 2011, when Braskem America entered into a new collective bargaining agreement. Although we believe that we maintain good relations with our employees, future labor actions, including strikes, could have a material adverse effect on our financial performance.

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Natural disasters, severe weather and climate conditions could have a material adverse effect on our overall business.

Some of our facilities are located in places that could be affected by natural disasters, such as floods, earthquakes, hurricanes, tornados and other natural disasters, which could disrupt our operations or the operations of our customers and could damage or destroy infrastructure necessary to transport our products as part of the supply chain. Such events could require maintenance shutdowns, delay shipments of existing inventory or result in costly repairs, replacements or other costs, all of which could have a material adverse effect on our financial performance.

Additionally, approximately 70% of Brazil's installed electric generation capacity is currently dependent upon hydroelectric generation facilities. If the amount of water available to energy producers becomes increasingly scarce due to drought or diversion for other uses as has happened in recent years, the cost of energy, which represented approximately 2.4% of our total cost of goods sold in 2013, may increase. Such conditions could have a material adverse effect on our sales and margins.

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 GDP;
- liquidity of domestic capital and lending markets; and
- other political, diplomatic, social and economic developments in or affecting Brazil.

Uncertainty over whether possible changes in policies or rules affecting these or other factors may contribute to economic uncertainties in Brazil and to heightened volatility in the Brazilian securities markets and securities issued

abroad by Brazilian issuers. The President of Brazil has considerable power to determine governmental policies and actions that relate to the Brazilian economy and, consequently, affect the operations and financial performance of businesses, such as our company. We cannot assure you that the policies that may be implemented by the Brazilian federal or state governments will not adversely affect our business, results of operations and financial condition.

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Future changes in industrial policy and related actions undertaken by the Brazilian government may negatively affect demand for our products as well as our net sales revenue and overall financial performance.

We currently benefit from certain industrial policies and related actions undertaken by the Brazilian government intended to strengthen the domestic economic and certain local industries. Some of these policies and actions have recently included reductions in payroll taxes for plastic manufacturers, a program to improve the competitiveness of Brazilian plastics producers in the export markets by refunding the federal taxes levied on their export sale, intervention of the federal government to limit uniform import tariffs at local ports, increases in import duties on certain products, including polyethylene, and the reduction in the rates of Social Integration Program (*Programa de Integração Social*), or PIS, a federal value-added tax, and Contribution for Social Security Financing (*Contribuição para Financiamento da Seguridade Social*), or COFINS, taxes on feedstock purchases by first- and second-generation petrochemical producers, which are scheduled to be reduced to 1% by 2015 but increase to 3% in 2016, 5% in 2017 and 5.6% in 2018. Such industrial policies may be of limited duration and may be renewed or discontinued at the discretion of the Brazilian government. We cannot predict or control which policies will be renewed or discontinued and whether future changes to Brazilian industrial policy will be proposed and enacted in the future. If industrial policies that benefit us expire, or policies detrimental to us are implemented, our business, results of operations and financial condition may be adversely affected.

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 been devalued on several occasions 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. In 2008, primarily as a result of the international financial volatility, foreign investors removed billions of reais from the Brazilian Securities, Commodities and Futures Exchange (*BM&FBOVESPA S.A. – Bolsa de Valores, Mercadorias e Futuros*), or the BM&FBOVESPA, resulting in the depreciation of the *real* by 31.9% against the U.S. dollar. The *real* appreciated against the U.S. dollar by 25.5% during 2009 and by 4.3% during 2010. The *real* depreciated by 12.6% against the U.S. dollar during 2011, by 9.0% during 2012 and by 14.6% during 2013.

Depreciation of the *real* relative to the U.S. dollar also could result in inflationary pressures in Brazil by generally increasing the price of imported products and services. On the other hand, the 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, all of which were denominated in U.S. dollars, in an aggregate amount of R\$12,940.1 million (US\$5,523.8 million) as of December 31, 2013, representing 69.6% of our consolidated indebtedness, not including transaction costs or the aggregate amount of R\$4,731.4 million (US\$2,030.8 million) outstanding as of December 31, 2013 in connection with the project finance debt related to Project Ethylene XXI. As of December 31, 2013, we had US\$1,058.3 million in foreign currency-denominated cash and cash

equivalents.

A significant depreciation of the *real* in relation to the U.S. dollar or other currencies could increase our financial expenses as a result of foreign exchange losses that we must record and could reduce our ability to meet debt service requirements of our foreign currency-denominated obligations. To enable us to more efficiently manage the effects of exchange rate fluctuations on our results, in 2013 we decided to designate part of our dollar-denominated liabilities as a hedge for our future exports. See “Item 5. Operating and Financial Review and Prospects—Year Ended December 31, 2013 Compared with Year Ended December 31, 2012—Financial Results” for more information.

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. Naphtha accounted, directly and indirectly, for 48.9% of our consolidated cost of sales and services rendered in 2013. When the *real* depreciates against the U.S. dollar, the cost in *reais* of our U.S. dollar-denominated and U.S. dollar-linked raw materials increases, and our operating income in *reais* may decrease to the extent that we are unable to pass on these cost increases to our customers.

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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*), or the IGP-DI, reached 2,708% in 1993. Although inflation rates have been substantially lower since 1994 than in previous periods, inflationary pressures persist. Inflation rates, as measured by the IGP-DI, were (1.4)% in 2009, 11.3% in 2010, 5.0% in 2011, 8.10% in 2012 and 5.53% in 2013. 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 may contribute 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 is also 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 ADS.

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. As of December 31, 2013, we had, among other debt obligations, R\$2,119.8 million of loans and financing and debentures that were subject to the Long-Term Interest Rate (*Taxa de Juros de Longo Prazo*), or TJLP, R\$2,367.6 million of loans and financing and debentures that were subject to the Interbank Deposit Certificate (*Certificado de Depósito Interbancário*), or CDI rate, and R\$4,979.6 million of loans and financing that were subject to the London Interbank Offered Rate, or LIBOR.

The TJLP includes an inflation factor and is determined quarterly by the Central Bank. In particular, the TJLP 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. See "Item 11. 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.

Brazilian government exchange control policies could increase the cost of servicing our foreign currency-denominated debt, adversely affect our ability to make payments under our foreign currency-denominated debt obligations and impair our liquidity.

The purchase and sale of foreign currency in Brazil is subject to governmental control. 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 debt denominated in dollars represented an aggregate of 69.6% of our indebtedness on a consolidated basis as of December 31, 2013, not including transaction costs or the aggregate amount of R\$4,731.4 million (US\$2,030.8 million) outstanding as of December 31, 2013 in connection with the project finance debt related to Project Ethylene XXI. 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 the market price of our class A preferred shares and the ADS.

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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 implements from time to time 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. We cannot predict the changes to Brazilian tax law that may be proposed and enacted in the future. However, future changes in Brazilian tax law 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 Class A Preferred Shares and the ADSs

Holders of our class A preferred shares or the ADSs may not receive any dividends or interest on shareholders' equity.

According to our by-laws and Brazilian corporate law, we must generally pay our shareholders at least 25% of our annual net income as dividends or interest on shareholders' equity, as calculated and adjusted under Brazilian GAAP (which, for this purpose, is identical to IFRS). This adjusted net income may be capitalized, used to absorb losses or otherwise retained as allowed under Brazilian GAAP and may not be available to be paid as dividends or interest on shareholders' equity. The Brazilian Corporation Law allows a publicly traded company like ours to suspend the mandatory distribution of dividends in any particular year if our board of directors informs our shareholders that such distributions would be inadvisable in view of our financial condition or cash availability. Holders of our class A preferred shares or the ADSs may not receive any dividends or interest on shareholders' equity in any given year if our board of directors makes such a determination or if our operations fail to generate net income.

Our class A preferred shares and the ADSs have limited voting rights and are not entitled to vote to approve corporate transactions, including mergers or consolidations of our company with other companies, or the declaration of dividends.

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. 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, or the declaration of dividends. See "Item 10. Additional Information—Description of Our Company's By-laws—Voting Rights."

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

Under Brazilian law, only shareholders registered as such in our corporate books may attend our shareholders' meetings. All class A preferred shares underlying the ADSs are registered in the name of the depositary. ADS 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, which provides that voting rights are only available to ADS holders at our discretion. 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 the ADSs will receive notice of a shareholders' meeting by mail from the depository following our notice to the American Depositary Receipt, or ADR, depository requesting the ADR depository to do so. To exercise their voting rights, ADS holders must instruct the depository 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 depository 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.

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

If holders of the ADSs exchange them for class A preferred shares, they may risk temporarily losing, or being limited in, the ability to remit foreign currency abroad and certain Brazilian tax advantages.

The Brazilian custodian for the preferred shares underlying the ADSs must obtain an electronic registration number with the Central Bank to allow the depositary to remit U.S. dollars abroad. ADS holders benefit from the electronic certificate of foreign capital registration from the Central Bank obtained by the custodian for the depositary, which permits it to convert dividends and other distributions with respect to the class A preferred shares into U.S. dollars and remit the proceeds of such conversion abroad. If holders of the ADSs decide to exchange them for the underlying preferred shares, they will only be entitled to rely on the custodian's certificate of registration with the Central Bank for five business days after the date of the exchange. Thereafter, they will be unable to remit U.S. dollars abroad unless they obtain a new electronic certificate of foreign capital registration in connection with the preferred shares, which may result in expenses and may cause delays in receiving distributions. See "Item 10. Additional Information—Exchange Controls."

Also, if holders of the ADSs that exchange the ADSs for our Class A preferred shares do not qualify under the foreign investment regulations, they will generally be subject to less favorable tax treatment of dividends and distribution on, and the proceeds from any sale of, our preferred shares. See "Item 10. Additional information—Exchange Controls" and "Item 10. Additional Information—Taxation—Brazilian Tax Considerations."

Holders of the 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.

Holders of the ADSs are not direct shareholders of our company and are 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 the 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 and are the subject of continuously evolving regulations promulgated by the CVM, 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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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 could negatively affect the market prices of our class A preferred shares and the ADSs. If, in the future, substantial sales of shares are made through the securities markets by OSP, Petrobras 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 the ADSs may not be able to sell the ADSs at or above the price they paid for them.

Holders of the ADSs or class A preferred shares in the United States may not be entitled to the same preemptive rights as Brazilian shareholders have, pursuant to Brazilian legislation, in the subscription of shares resulting from capital increases made by us.

Under Brazilian law, if we issue new shares in exchange for cash or assets as part of a capital increase, subject to certain exceptions, we must grant our shareholders preemptive rights at the time of the subscription of shares, corresponding to their respective interest in our share capital, allowing them to maintain their existing shareholding percentage. We may not legally be permitted to allow holders of ADSs or class A preferred shares in the United States to exercise any preemptive rights in any future capital increase unless (1) we file a registration statement for an offering of shares resulting from the capital increase with the U.S. Securities and Exchange Commission, or the SEC, or (2) the offering of shares resulting from the capital increase qualifies for an exemption from the registration requirements of the Securities Act. At the time of any future capital increase, we will evaluate the costs and potential liabilities associated with filing a registration statement for an offering of shares with the SEC and any other factors that we consider important in determining whether to file such a registration statement. We cannot assure the holders of the ADSs or class A preferred shares in the United States that we will file a registration statement with the SEC to allow them to participate in any of our capital increases. As a result, the equity interest of such holders in our company may be diluted.

Brazilian tax laws may have an adverse impact on the taxes applicable to the disposition of our ADSs and preferred shares.

According to Law No. 10,833, enacted on December 29, 2003, if a nonresident of Brazil disposes of assets located in Brazil, the transaction will be subject to taxation in Brazil, even if such disposition occurs outside Brazil or if such disposition is made to another nonresident. Dispositions of our ADSs between nonresidents, however, are currently not subject to taxation in Brazil. Nevertheless, in the event that the concept of “disposition of assets” is interpreted to include the disposition between nonresidents of assets located outside Brazil, this tax law could result in the imposition of withholding taxes in the event of a disposition of our ADSs made between nonresidents of Brazil. Due to the fact that as of the date of this annual report Law No. 10,833/2003 has no judicial guidance as to its application, we are unable to predict whether an interpretation applying such tax laws to dispositions of our ADSs between nonresidents could ultimately prevail in Brazilian courts. See “Item 10. Additional Information—Taxation—Brazilian Tax Considerations.”

The relative volatility and liquidity of the Brazilian securities markets may adversely affect holders 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 and other jurisdictions, and may be regulated differently from the manner in which U.S. investors are accustomed. Factors that may specifically affect the Brazilian equity markets may 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.

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The market price of our class A preferred shares and 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. Any 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.

The imposition of IOF taxes may indirectly influence the price and volatility of our ADSs and preferred shares.

Brazilian law imposes the IOF/Exchange Tax, on the conversion of *reais* into foreign currency and on the conversion of foreign currency into *reais*. The objective of this tax is to slow the pace of speculative inflows of foreign capital into the Brazilian market and the appreciation of the *real* against the U.S. dollar. The imposition of this tax may discourage foreign investment in shares of Brazilian companies, including our company, due to higher transaction costs, and may negatively impact the price and volatility of our ADSs and preferred shares on the NYSE and the Brazilian Securities, Commodities and Futures Exchange, or BM&FBOVESPA. See "Item 10. Additional information—Taxation—Brazilian Tax Considerations."

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ITEM 4. INFORMATION ON THE COMPANY

We are the largest producer of thermoplastic resins in the Americas, based on annual production capacity of our 29 plants in Brazil, five plants in the United States and two plants in Germany as of December 31, 2013. We are the only producer of ethylene, polyethylene and polypropylene in Brazil. We produce a diversified portfolio of petrochemical and thermoplastic products and have a strategic focus on thermoplastic resins, including polyethylene, polypropylene and PVC. We are also the third largest Brazilian-owned private sector industrial company, based on net sales revenue in 2012 (the latest year for which such information is available). We recorded net sales revenue of R\$40,969.5 million and a net profit of R\$507.0 million during the year ended December 31, 2013.

As of December 31, 2013, our business operations were organized into five production business units, which corresponded to our principal production processes, products and services. Our business units were as follows:

- Basic Petrochemicals, which includes our production and sale of basic petrochemicals at the petrochemical complex located in Camaçari in the State of Bahia, or the Northeastern Complex, the petrochemical complex located in Triunfo in the State of Rio Grande do Sul, or the Southern Complex, the petrochemical complex located in Capuava in the State of São Paulo, or the São Paulo Complex and the Rio de Janeiro Complex and our supply of utilities produced at these complexes to second generation producers, including some producers owned or controlled by our company. This segment accounted for net sales revenue of R\$25,037.8 million, or 48.0% of the net sales revenue of all reportable segments, including net sales to our other business units, and had an operating margin of 7.5% in 2013;
- Polyolefins, which includes the production and sale of polyethylene, including the production of “green polyethylene” from renewable resources, and polypropylene produced by our company in Brazil. This segment accounted for net sales revenue of R\$16,944.7 million, or 32.5% of the net sales revenue of all reportable segments, including net sales to our other business units, and had an operating margin of 8.1% in 2013;
- Vinyls, which includes our production and sale of PVC and caustic soda. This segment accounted for net sales revenue of R\$2,581.1 million, or 4.9% of the net sales revenue of all reportable segments, including net sales to our other business units, and had a negative operating margin of 0.4% in 2013;
- USA and Europe, which includes the operations of Braskem Europe, and consists of the production and sale of polypropylene in the United States and the operations of the polypropylene business in the United States and Germany. This segment accounted for net sales revenue of R\$6,748.5 million, or 12.9% of the net sales revenue of all reportable segments, including net sales to our other business units, and had an operating margin of 0.1% in 2013; and
- Chemical Distribution, which includes the operations of QuantiQ and IQAG and distributes petrochemical products manufactured by our company and other domestic and international companies. This segment accounted for net sales revenue of R\$891.7 million, or 1.7% of the net sales revenue of all reportable segments, including net sales to our other business units, and had a negative operating margin of 3.1% in 2013.

Strategy of Our Company

Our strategic objective is to satisfy our customers in the plastics value chain and the chemical industry in Brazil and the Americas, while maximizing return on the capital invested by shareholders.

The key elements of our strategy include:

- ***Differentiation of Our Business.*** We recognize the cyclical nature of the markets for our petrochemical products and believe that, by focusing on relationships with our customers, we can foster customer loyalty even during periods of lower demand. For instance, we offer our customers more flexible delivery options and credit terms than importers, which typically offer deliveries only through port facilities financed through letters of credit. Our growth strategy is centered on increasing the consumption of our products, enabling customers to substitute non-plastic materials with thermoplastic resins. We are seeking to establish close, long-term relationships with our customers and are committed to providing technological support and solutions to our customers through our research centers in Rio Grande do Sul (Brazil), and in Pittsburgh, Pennsylvania (United States), which develop processes, products and applications for the petrochemical sector and which, as of December 31, 2013, collectively had 333 employees.

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- **Acquisition of Feedstocks at Competitive Prices.** In order to obtain feedstocks at competitive prices, we are constantly seeking to diversify our feedstock profile and to negotiate purchases of feedstocks at competitive prices.

As part of our efforts to acquire feedstock at competitive prices, in 2012 we acquired from Sunoco Chemicals, in the United States, a propylene splitter that was integrated into its unit in Marcus Hook, Pennsylvania. This acquisition provides a long-term solution to the unit's propylene supply. Additionally, we have created a partnership with Enterprise Products in the United States, which will supply approximately 65% of the propylene feedstock required by our three plants in the U.S. Gulf region. In addition to guaranteeing the supply of this feedstock for 15 years, the partnership establishes Enterprise's obligation to build a propane dehydrogenation plant (PDH) that will use shale gas and other untraditional feedstock sources, giving Braskem access to competitive opportunities in gas-based feedstock in the region.

With respect to the diversification of our feedstock profile, we have advanced in the construction of the Ethylene XXI Project, a complex in Mexico that will include a cracker using ethane as feedstock and three integrated polyethylene plants with annual capacity of 1.05 million tons, with startup slated for 2015. Developed through a joint venture with the Mexican group Idesa, Braskem Idesa has entered into a long-term supply contract to purchase ethane from Pemex Gas y Petroquímica Básica, or Pemex Gas, a state-owned Mexican company, under competitive commercial conditions.

Additionally, Odebrecht Ambiental, a subsidiary of Odebrecht, is leading a feasibility study of a project for the production of ethylene in the state of West Virginia in the United States, in which we expect to participate. This project, called the Appalachian Shale Cracker Enterprise, or Ascent, contemplates the involvement of third party investors. The role of each participant and business model of the project has not yet been determined will be subject to board approval if the initial findings of the study are positive.

- **Expansion in Selected International Markets.** As part of the continuous evaluation of our business and plans, we regularly consider a range of strategic options and transactions. From time to time, we consider a variety of potential strategic transactions to expand our presence in the global petrochemicals market. We plan to expand the production capacity of our business units during the next several years by constructing new facilities (greenfield projects) with access to competitive raw material sources independently or in conjunction with third parties and/or through the acquisition of petrochemical producers that currently compete with us or produce complementary products.

We believe that additional capacity purchased or developed by us together with joint venture partners will enable us to maintain and expand our leadership position in the Americas and support the growth of our main markets.

- **New Business Opportunities.** We are pursuing business opportunities by developing new and specialized products and technologies, including the following:

Ø We are expanding and converting one of our polyethylene production lines in Bahia to produce metallocene-based linear low density polyethylene. This resin has distinctive characteristics for the flexible packaging industry, including greater resistance to impact and punctures, higher polish and greater transparency;

Ø We are continuously evaluating opportunities to improve our existing products and to act as partner or supplier in connection with the manufacture of new value-added products;

Ø We are seeking a strong position in the technological development of sustainable chemistry by investing in research, development and innovation focused on technologies that have been proven from a technical standpoint but are still unavailable for purchase in the market and technologies that are available for purchase in the market, which we use to maintain and improve the competitiveness of our existing business;

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Ø We are intensifying our program to develop and produce new technologies through research and development, including certain catalysts for use in our plants that are otherwise available only from a single source or a small number of suppliers; and

Ø We are continuing to develop manufacturing processes to produce “green” polymers made out of renewable raw materials in an effort to maintain our leadership in the production of environmentally sustainable resins.

History and Development of Our Company

We were founded in 1972 as Petroquímica do Nordeste Copene Ltda. to plan, execute and coordinate the activities of the petrochemical complex located in Camaçari in the State of Bahia, or the Northeastern Complex. The construction of the Northeastern Complex formed part of a development policy of the Brazilian government implemented in the early 1970’s to diversify the geographical distribution of industrial assets and to promote economic growth across different regions of Brazil. On June 18, 1974, we were incorporated as a corporation under the laws of Brazil (registered with the Board of Trade of the State of Bahia under company registry No. 29300006939) and were renamed Copene Petroquímica do Nordeste S.A. In 2002, we changed our corporate name to Braskem S.A.

The following discussion highlights the important developments in our business since January 1, 2013.

Acquisition of Interest in Odebrecht Comercializadora de Energia S.A.

In July 2013, we acquired 2,000 shares, or 20%, of the capital of Odebrecht Comercializadora de Energia. Odebrecht Comercializadora de Energia is also owned by Odebrecht Energia S.A., Odebrecht Agroindustrial S.A., Odebrecht Ambiental S.A. (currently Foz do Brasil S.A.) and Odebrecht Transport S.A, each holding an equal interest of 20%. In July 2013, the shareholders of Odebrecht Comercializadora de Energia entered into a shareholders’ agreement governing the rights and obligations of all parties.

Joint Venture with Styrolution

In October 2013, we signed a memorandum of understanding with Styrolution Group GmbH, or Styrolution, a global leader in the production of styrene, to assess the economic feasibility of forming a joint venture in Brazil. If approved, this joint venture would build and operate a plant with an expected annual production capacity of 100,000 tons of the copolymers acrylonitrile butadiene styrene and styrene acrylonitrile. We expect that the joint venture would market these copolymers to customers in Brazil and throughout South America. The memorandum of understanding contemplates that Styrolution would hold a 70% controlling interest in the joint venture and would contribute its expertise in developing and producing styrene, obtaining the necessary technology licenses and leveraging its existing acrylonitrile butadiene styrene and styrene acrylonitrile businesses in the region. The memorandum of understanding contemplates that Braskem would hold a 30% interest in the joint venture and would contribute supply chain infrastructure and the site of the plant. The implementation of this joint venture is subject to, among other things, the negotiation of definitive agreements among the parties with respect to the joint venture and regulatory and antitrust approval. If this joint venture is implemented, we expect that construction will commence in early 2015 and that this plant would commence operations in 2017.

Investment in Metallocene-based LLDPE

In October 2013, we announced that we intend to invest approximately R\$50 million in one of our polyethylene production lines in the Northeastern Complex to (1) expand the annual production capacity of this line by 30,000 tons and (2) convert 100,000 tons of the annual production capacity of this line to the production of metallocene-based LLDPE. We expect to sell this resin, which takes advantage of the development of more modern technology, primarily to manufacturers of plastic films. We expect this production line to begin operations in 2015.

TABLE OF CONTENTS***Solvay Indupa Acquisition***

On December 17, 2013, we entered into an agreement to acquire from Solvay Argentina S.A. 292,453,490 shares of Solvay Indupa, representing 70.6% of its total share and voting capital for an initial purchase price of approximately US\$25.0 million. Solvay Indupa produces PVC and caustic soda and has integrated PVC and caustic soda plants in Santo André, in the state of São Paulo, Brazil, and Bahía Blanca, in the province of Buenos Aires, Argentina. The Santo André plant has annual production capacity of 300,000 tons of PVC and 170,000 tons of caustic soda and the Bahía Blanca has annual production capacity of 240,000 tons of PVC and 180,000 tons of caustic soda. We do not expect to materially increase our debt in connection with this transaction. Closing is expected to occur in 2014, subject to certain conditions precedent, including approval by the Brazilian antitrust authorities, which have 330 days to analyze the acquisition starting on January 31, 2014. Upon completion of this acquisition, we will establish an industrial presence in Argentina, which is one of the largest consumer markets in South America, and we will become the only producer of PVC in Brazil.

Sale of Southern Complex Water Treatment Assets

On December 31, 2013, we entered into a share purchase agreement relating to all of our shares of Distribuidora de Água Triunfo S.A., or DAT, which represented all of its outstanding shares, for an aggregate principal amount of R\$315.0 million. This sale occurred in January 2014. Pursuant to this agreement, we sold DAT, which owned our water treatment assets located in our Southern Complex, to Odebrecht Ambiental, which is part of Odebrecht. In connection with this agreement, we entered into a long-term agreement with Odebrecht Ambiental for the supply of industrial water.

Our Corporate Structure

The following chart presents our ownership structure and the corporate structure of our principal subsidiaries as of the date of this annual report. The percentages in bold italics represent the direct or indirect percentage of the voting share capital owned by each entity, and the percentages not in bold italics represent the direct or indirect percentage of the total share capital owned by each entity.

(1) Braskem America is wholly owned by Braskem Europe GmbH, or Braskem Europe, which is wholly owned by Braskem Netherlands B.V.

Basic Petrochemicals Unit

As of December 31, 2013, our Basic Petrochemicals Unit's facilities had one of the largest annual production capacities of all first generation producers in Latin America. Including net sales to our other business units, our Basic Petrochemicals Unit generated net sales revenue of R\$25,037.8 million in 2013, or 48.0% of the net sales revenue of all reportable segments. Net sales revenue generated by sales to our other business units was R\$11,378.2 million during 2013, representing 45.4% of the net sales revenue of our Basic Petrochemicals Unit.

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Our Basic Petrochemicals Unit is comprised of the basic petrochemicals operations conducted by our company in the Northeastern Complex, the Southern Complex, the São Paulo Complex and the Rio de Janeiro Complex.

Our Basic Petrochemicals Unit produces:

- olefins, such as ethylene, polymer and chemical grade propylene, butadiene, isoprene and butene-1;
- BTX products;
- fuels, such as automotive gasoline and liquefied petroleum gas, or LPG;
- intermediates, such as cumene; and
- other basic petrochemicals, such as ethyl tertiary butyl ether, or ETBE, solvent C9 and pyrolysis C9.

The products of our Basic Petrochemicals Unit are used primarily in the manufacture of intermediate second generation petrochemical products, including those manufactured by our Polyolefins Unit and our Vinyls Unit. Our Basic Petrochemicals Unit also supplies utilities to other second generation producers in each of the petrochemical complexes in which we operate and other companies located outside of these complexes, and renders services to those producers. In 2013, 82.3% of our Basic Petrochemicals Unit's net sales revenue (including intra-company sales) was derived from the sale of basic petrochemicals, 6.3% from the sale of naphtha and condensate, 5.6% from the sale of fuels, 3.6% from the sale of intermediates, and 2.3% from the sale of utilities and services. In 2013, 45.4% of our Basic Petrochemicals Unit's net sales revenue from sales of basic petrochemicals was derived from sales made to our Polyolefins and Vinyls Units.

Products of Our Basic Petrochemicals Unit

Our other business units and third-party petrochemical producers use ethylene and propylene produced by our Basic Petrochemicals Unit to produce second generation products such as polyethylene, polypropylene and PVC. We also sell butadiene, a variety of aromatics, including BTX products, and intermediates, such as cumene, to third-party petrochemical producers for use as raw materials in the production of a variety of second generation products, including synthetic rubber, elastomers, resins, nylon fibers, ethyl benzene (which is used to make styrene monomer/polystyrene), linear alkyl benzene, purified terephthalic acid, dimethyl terephthalate, bisphenol A, a feedstock for the production of polycarbonate resins, phthalic anhydride, plasticizers and paint.

The following table sets forth the sales volume of basic petrochemicals by our Basic Petrochemicals Unit (excluding our intra-company sales) for the periods indicated.

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	Year Ended December 31,		
	2013	2012	2011
	(thousands of tons)		
Domestic sales:			
Ethylene	531.8	523.8	491.3
Propylene	209.9	220.4	217.7
Cumene	234.1	250.5	290.9
Butadiene	210.8	216.4	252.9
BTX products(1)	686.3	744.4	679.6
Others	395.0	400.9	463.0
Total domestic sales of basic petrochemicals	2,267.9	2,356.4	2,395.4
Total export sales of basic petrochemicals	1,274.6	1,208.0	1,087.5
Total sales of basic petrochemicals	3,542.5	3,564.4	3,482.9

(1) Includes benzene, toluene, ortho xylene, para xylene and mixed xylenes.

In addition, we had the following intra-company sales:

	Year Ended December 31,		
	2013	2012	2011
	(thousands of tons)		
Ethylene	2,828.2	2,805.5	2,606.1
Propylene	977.9	950.0	905.4
Benzene	7.5	36.9	152.7

Production Facilities of Our Basic Petrochemicals Unit

We believe that the technological processes we use at our basic petrochemicals plants are among the most advanced in the world. Our Basic Petrochemicals Unit currently owns and operates:

- five major basic petrochemicals units in the Northeastern Complex (two olefins units, two aromatics units and one utilities unit);
- four major basic petrochemicals units in the Southern Complex (two olefins units, one aromatics unit, and one utilities unit);
- three basic petrochemicals units in the São Paulo Complex (one olefins unit, one aromatics unit and one utilities unit); and
- two basic petrochemicals units in the Rio de Janeiro Complex (one olefins unit and one utilities unit).

We define the term “unit” to mean several production lines that are linked together to produce olefins, aromatics or utilities.

The table below sets forth the primary products of our Basic Petrochemicals Unit, annual production capacity as of December 31, 2013 and annual production for the years presented.

Primary Products	Annual	Production		
	Production Capacity	For the Year Ended December 31,		
		2013	2012	2011
	(in tons, except automotive gasoline)			
Olefins:				
Ethylene	3,752,000	3,372,825	3,329,758	3,119,158
Propylene	1,585,000	1,505,595	1,349,142	1,411,098
Butadiene(1)	477,000	389,854	355,703	314,534
Aromatics:				
BTX products(2)	1,503,000	1,287,831	1,079,644	1,165,437

(1) Includes revenue generated from sales of butadiene by our butadiene plant in the Southern Complex which has an annual production capacity of 103,000 tons and commenced operations in September 2012.

(2) Consists of benzene, toluene, para-xylene and ortho-xylene.

TABLE OF CONTENTS***Raw Materials of Our Basic Petrochemicals Unit****Naphtha*

Naphtha is the principal raw material that we use to produce our basic petrochemical products and represents the principal production and operating cost of our Basic Petrochemicals Unit. We also use condensate as a raw material in our basic petrochemical units in the Southern Complex.

The price of naphtha and condensate that we purchase varies primarily based on changes in the U.S. dollar-based international price of crude oil. Naphtha and condensate accounted for 72.7% of the total cost of sales of our Basic Petrochemicals Unit during 2013, and naphtha accounted for 48.9% of our direct and indirect consolidated cost of sales and services rendered during 2013.

The following table shows the average Amsterdam-Rotterdam-Antwerp market price of naphtha for the periods indicated.

	2014	2013	2012	2011
Average(1)	US\$916.12	US\$903.01	US\$1,031.57	US\$931.15
Month ended:				
January	918.58	932.95	950.61	854.71
February	913.65	991.86	1,026.88	881.64
March	911.40	910.29	1,068.84	981.43
April	–	815.70	1,029.51	1,052.68
May	–	833.20	877.11	986.41
June	–	843.60	729.49	933.32
July	–	876.79	825.40	979.80
August	–	913.88	935.18	940.13
September	–	929.81	966.06	940.05
October	–	901.87	954.59	882.35
November	–	929.33	930.99	864.61
December	–	956.78	938.06	876.69

(1) The information in the “Average” row represents the mean average monthly naphtha prices during each respective year.

Source: IHS

TABLE OF CONTENTS***Supply Contracts and Pricing of the Basic Petrochemicals Unit****Naphtha*

The following table shows the distribution of the naphtha purchases by our Basic Petrochemicals Unit for the periods indicated by geographic location of the suppliers.

	Year Ended December 31,		
	2013	2012	2011
Brazil	72.4%	73.0%	74.6%
Algeria	13.0%	10.3%	10.4%
Venezuela	9.0%	5.2%	4.6%
Argentina	0.8%	4.0%	6.4%
Others	13.9%	12.7%	8.6%
Total	100%	100%	100%

Supply Contracts with Petrobras

In July 2009, we and Petrobras entered into a Petrochemical Naphtha Purchase and Sale Contract, which we have operated under since March 2009. This contract replaced the naphtha supply contract between our company and Petrobras for the supply of naphtha to our basic petrochemicals plants located in the Northeastern Complex, which was terminated in June 2008, and superseded the naphtha supply contract between our company and Petrobras for the supply of naphtha to our basic petrochemicals plants located in the Southern Complex. This contract had a term of five years and expired in March 2014. We are currently in negotiations to renew this contract, and we and Petrobras have agreed to continue to operate under the terms of this contract during these negotiations.

Under the terms of this contract:

- Petrobras has agreed to sell and deliver naphtha to our basic petrochemicals plants in the Northeastern Complex and the Southern Complex exclusively for our use as a raw material;
- we are required to purchase a minimum monthly volume of naphtha;
- we provide Petrobras with a firm commitment order for naphtha each month, together with an estimate of the volume of naphtha that we will purchase over the following six months;
- we may request volumes of naphtha that exceed a monthly firm commitment order, which Petrobras may supply at its discretion;
- since March 2009, the price that we pay for naphtha is based on a variety of factors, including the market prices of naphtha and a variety of petrochemical derivatives, the volatility of the prices of these products in the international markets, the *real*/U.S. dollar exchange rate, and the level of paraffinicity of the naphtha that is delivered;

- the contract will be amended in the event that unforeseen extraordinary events occur that cause a disruption in the economic-financial equilibrium of the contract; and
- Petrobras may terminate the contract, without prior notice, in the event of: (1) our failure to cure any breach of the contract following a 30 day grace period; (2) a force majeure event that continues for more than 90 days; (3) we transfer or offer as a guaranty all or part of our rights and obligations under the contract to a third party without Petrobras' consent; (4) an alteration of our ownership or corporate purposes that conflicts with the object of the contract; or (5) our dissolution, bankruptcy or liquidation.

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In May 2006, Quattor Química (currently known as Braskem Qpar) and Petrobras entered into a Petrochemical Naphtha Purchase and Sale Contract for the supply of naphtha to our basic petrochemicals plants located in São Paulo Complex, which superseded a previous naphtha supply agreement between the parties. In October 2010, this contract was amended to extend the term of this contract until February 2014, when it expired. We are currently in negotiations to renew this contract, and we and Petrobras continue to operate under the terms of this contract during these negotiations.. Under the terms of our amended naphtha supply contract:

- Petrobras agrees to sell and deliver naphtha to our basic petrochemicals plants in the São Paulo Complex exclusively for use as a raw material;
- we are required to purchase a minimum annual volume of naphtha;
- we agree to provide Petrobras with a firm commitment order for naphtha each year;
- the price that we pay for naphtha under this contract is based on a variety of factors, including the market prices of naphtha and a variety of petrochemical derivatives, the volatility of the prices of these products in the international markets, the *real*/U.S. dollar exchange rate, and the level of paraffinicity of the naphtha that is delivered;
- the contract will be amended in the event that unforeseen extraordinary events occur that cause a disruption in the economic-financial equilibrium of the contract; and
- Petrobras may terminate the contract, without prior notice, in the event of: (1) our failure to cure any breach of the contract following a 30-day grace period; (2) a *force majeure* event that continues for more than 180 days; (3) we transfer or offers as a guaranty all or part of its rights and obligations under the contract to a third party without Petrobras' consent; (4) an alteration of Braskem Qpar's ownership or corporate purposes that conflicts with the object of the contract; (5) a change of entity type, merger, sale, spin-off or any other corporate reconstruction of Braskem Qpar that may conflict with the execution of contract's object; or (6) the dissolution, bankruptcy or liquidation of Braskem Qpar.

Supply Arrangements with SONATRACH

La Société Nationale pour la Recherche, la Production, le Transport, la Transformation et la Commercialisation des Hydrocarbures, or SONATRACH (an Algerian national petroleum company), is one of our suppliers of imported naphtha and condensate. We have imported naphtha supplied by SONATRACH since 2002. On an annual basis, we negotiate the minimum and maximum volumes of naphtha and condensate that we will purchase from SONATRACH. In the event that we were unable to renew our supply arrangements with SONATRACH, we believe that we could purchase sufficient quantities of naphtha from other suppliers from other sources to meet the supply needs of our basic petrochemicals plants in the Northeastern Complex and the Southern Complex.

Other Supply Contracts

As part of our strategy to diversify our sources of supply of naphtha, we are acquiring naphtha under annual supply arrangements with suppliers in Argentina, Venezuela and other countries in Latin America and North Africa.

Spot Market Purchases of Naphtha

In addition to our supplies of naphtha under the agreements described above, we purchase naphtha on the spot market from time to time from foreign suppliers located in North Africa and South America.

Ethane and Propane

Ethane and propane are the principal raw materials that we use to produce its basic petrochemical products in the Rio de Janeiro Complex and represents the principal production and operating cost of the basic petrochemical unit in the Rio de Janeiro Complex. The price of ethane and propane that we purchase varies primarily based on changes in the U.S. dollar-based international price of these feedstocks.

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In December 2000, RioPol and Petrobras entered into an ethane and propane supply agreement. The initial term of this contract expires in 2020 and this agreement is automatically renewable for one two-year period, unless either party notifies the other party in writing, at least one year prior to the expiration of the contract, that it does not intend to renew this agreement. Under the terms of this agreement:

- Petrobras agrees to sell and deliver ethane and propane to our basic petrochemical plant in the Rio de Janeiro Complex exclusively for use as a raw material;
- we are required to purchase and Petrobras is required to deliver a minimum annual volume of ethane and/or propane;
- we agree to provide Petrobras with a firm commitment order for ethane and propane each month, together with an estimate of the volume of ethane and propane that we will purchase over the immediately succeeding four months;
- the price for ethane and propane is based on the US Marketscan Mont Belvieu price;
- the contract will be amended in the event that unforeseen extraordinary events occur that cause a disruption in the economic-financial equilibrium of the contract; and
- Petrobras may terminate the contract, without prior notice, in the event of: (1) our failure to cure any breach of the contract following a 60-day grace period; (2) a force majeure event that continues for more than 365 days; (3) we transfer or offer as a guaranty all or part of our rights and obligations under the contract to a third party without Petrobras' consent; and (4) the dissolution, bankruptcy or liquidation of RioPol.

Light Refinery Hydrocarbons

In January 2005, Quattor and Petrobras entered into an agreement for the purchase and sale of a chain of light refinery hydrocarbons, from which we separate ethylene and propylene. This agreement provides that we and Petrobras will negotiate the renewal of this agreement prior to its expiration in 2020 and that, in the event that Petrobras does not intend to renew this agreement, it must notify us at least two years prior to the expiration of this agreement and must perform under the terms and conditions of this agreement until 2028. Under the terms of this agreement:

- Petrobras agrees to sell and deliver light refinery hydrocarbons to our basic petrochemical plant in the São Paulo Complex exclusively for use as raw materials;
- we are required to purchase a minimum daily volume of light refinery hydrocarbons;
- the price for light refinery hydrocarbons is based on a variety of market indices;
- the contract will be amended in the event that unforeseen extraordinary events occur that cause a disruption in the economic-financial equilibrium of the contract; and
- Petrobras may terminate the contract, without prior notice, in the event of: (1) our failure to cure any breach of the contract following a 30-day grace period; (2) a *force majeure* event that prevents the execution of the contract; (3) we transfer or offers as a guarantee all or part of its rights, obligations and credits under the contract to a third party

without Petrobras' consent, unless the third party is a member of our economic group; (4) the dissolution or bankruptcy of Braskem Qpar; and (5) a change of entity type, merger, sale, spin-off or any other corporate reconstruction of Braskem Qpar that conflicts with or impedes the execution of contract's object.

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We self-generate approximately 35% of the Northeastern Complex's energy consumption requirements, and the remainder is furnished by Companhia Hidro Elétrica do São Francisco, or CHESF, a Brazilian government-owned electric power generation company located in the State of Bahia, and by Companhia de Eletricidade do Estado da Bahia—COELBA.

We self-generate approximately 32% of the Southern Complex's energy consumption requirements, and the remainder is acquired primarily under auction contracts in the free market for energy (*Mercado Livre de Energia*) from several companies.

We self-generate approximately 18% of the São Paulo Complex's energy consumption requirements, and the remainder is acquired primarily under auction contracts in the free market for energy (*Mercado Livre de Energia*) from Tractebel Energia S.A.

We purchase substantially all of the energy consumption requirements of the Rio de Janeiro Complex's from Petrobras Energia and Ampla under long-term contracts, which expire in 2015 and 2021, respectively.

Sales and Marketing of Our Basic Petrochemicals Unit

We sell our basic petrochemical products principally in Brazil, mainly to second generation petrochemical producers, including our other business units, as well as to customers in the United States, Europe, South America and Asia.

As is common with other first generation petrochemical producers, our Basic Petrochemicals Unit has a high concentration of sales to a limited number of customers. Net sales to our Basic Petrochemicals Unit's 10 largest customers (excluding intra-company sales) accounted for 43.3% of our Basic Petrochemicals Unit's total net sales revenue (excluding intra-company sales) during the year ended December 31, 2013.

The following table sets forth our net sales revenue derived from domestic and export sales, excluding inter-company sales, by our Basic Petrochemicals Unit for the years indicated:

	For the Year Ended December 31,		
	2013	2012	2011
	(in millions of reais)		
Net sales revenue:			
Domestic sales	R\$7,786.3	R\$7,705.7	R\$7,271.0
Export sales	5,661.7	6,022.7	7,101.5
	R\$13,448.0	R\$13,728.4	R\$14,372.5

Domestic Sales of Basic Petrochemicals

As part of our commercial strategy, our Basic Petrochemicals Unit focuses on developing longer-term relationships with our customers and entering into long-term supply contracts that provide for minimum and maximum quantities to be purchased and monthly deliveries. We determine the domestic prices that we charge for ethylene by reference to Western European contract prices. We determine the domestic prices that we charge for propylene based on a formula

under which 34% of the price is determined by reference to Northwest Europe prices and the remaining 66% is determined by reference to the North American contract prices. We determine the domestic price of butadiene by reference to the U.S. Gulf contract price, and our price for butadiene, unlike our prices for our other basic petrochemical products, include freight costs. We set the domestic prices of our BTX products, including benzene, para-xylene, ortho-xylene and toluene by reference to North American spot market prices. We set the domestic prices of solvents by reference to international market prices and we determine the domestic prices for our other olefins and aromatics products with reference to several market indicators.

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Export Sales of Basic Petrochemicals

We export basic petrochemicals mainly to customers in the United States and in Europe. We set export prices for:

- benzene, toluene and para-xylene with reference to market prices prevailing in the U.S. Gulf market; and
- propylene, ETBE, ortho-xylene, butene-1 and isoprene with reference to market prices prevailing in the European market.

We are focused on maintaining our leading position in the Brazilian market, while continuing to use our exports to hedge our operations and adjust the imbalances between demand and production. Export net sales of our Basic Petrochemicals Unit represented 22.6% of our Basic Petrochemicals Unit's net sales revenue during 2013.

Additionally, we have applied our expertise in commodities trading to increase our resale operations of naphtha and oil derivatives in the international markets. In order to meet our crackers' naphtha requirements (in terms of timing, pricing and quality), we maintain an excess supply of naphtha and resell the surplus on the spot market. During 2013, we reached average resale operations of R\$926.3 million per month.

Competition

Our basic petrochemical customers, which are mostly second generation petrochemical producers with plants located in the Brazilian petrochemical complexes, would have difficulty obtaining their feedstocks from other sources at lower prices due to the high cost of transportation of these products, as well as other logistical difficulties. In addition, because Brazil produces sufficient quantities of olefins to meet domestic demand, imports of these products are generally sporadic and usually related to scheduled plant maintenance shutdowns or to meet unsatisfied domestic demand.

During the past several years, as the relative cost of naphtha and gas as feedstocks for petrochemical crackers has diverged, many crackers using gas as a feedstock have become low-cost producers in the global markets and have seen their margins improve substantially as compared to naphtha crackers, such as our company. However, as gas crackers are able to produce fewer of the co-products and byproducts that naphtha crackers generate, such as propylene, butadiene and BTX products, and in smaller quantities, the prices of these products in the international markets have increased. As a result of the increased prices available for these co-products and byproducts, our net sales revenue from export sales of these products increased and we believe that this increase in net sales revenue from exports of these products will continue in future periods in which the relative competitiveness of cracker feedstocks is disrupted. Competition in the international markets for these products is primarily based on the price of delivered products and competition has increased since mid-2008 as the balance between supply and demand was disrupted due to the impact of the global economic downturn on consumers of these products. In the international markets for our basic petrochemical products, we compete with a large number of producers, some of which are substantially larger and have substantially greater financial, manufacturing, technological and marketing resources than our company.

Polyolefins Unit

As of December 31, 2013, our polyolefins production facilities had the largest annual production capacity of all second generation producers of polyolefins products in Latin America. Our Polyolefins Unit generated net sales revenue of R\$16,944.7 million during 2013, or 32.5% of the net sales revenue of all reportable segments.

Our Polyolefins is comprised of the operations conducted by our company at thirteen polyethylene plants and six polypropylene plants located in the Northeastern Complex, the Southern Complex, the São Paulo Complex and the Rio de Janeiro Complex.

TABLE OF CONTENTS***Products of Our Polyolefins Unit***

Our Polyolefins Unit produces:

- polyethylene, including LDPE, LLDPE, HDPE, UHMWP, EVA and “green polyethylene” from renewable resources; and
- polypropylene.

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.

The following table sets forth a breakdown of the sales volume of our Polyolefins Unit by product line and by market for the years indicated.

	Year Ended December 31,		
	2013	2012	2011
	(thousands of tons)		
Domestic sales:			
Polyethylene (1)	1,765.7	1,660.5	1,510.2
Polypropylene	1,268.9	1,233.3	1,149.8
Other	19.6	21.5	20.1
Total domestic sales	3,054.2	2,915.3	2,680.1
Total export sales	1,150.3	1,334.8	1,334.3
Total Polyolefins Unit sales	4,204.5	4,250.1	4,014.4

(1) Includes EVA.

We provide technical assistance to our customers to meet their specific needs by adapting and modifying our polyethylene and polypropylene products. In particular, we develop customized value-added polypropylene compounds for use by our customers in their specialized applications. We believe that the variety of technological processes at our polyolefins plants provides us with a competitive advantage in meeting our customers' needs.

Production Facilities of Our Polyolefins Unit

As of December 31, 2013, our Polyolefins Unit owned 19 production facilities. Our Polyolefins Unit operates seven plants located in the Southern Complex, five plants located in the Northeastern Complex, five plants located in the

São Paulo Complex and two plants located in the Rio de Janeiro Complex.

The table below sets forth for each of our primary polyolefins products, our annual production capacity as of December 31, 2013 and annual production for the years presented.

Primary Products	Annual Production Capacity (in tons)	Production For the Year Ended December 31,		
		2013	2012	2011
Polyethylene:				
LDPE/EVA(1)	801,000	697,540	702,625	687,964
HDPE/LLDPE/UHMWP(2)	2,230,000	1,960,394	1,910,685	1,703,171
Polypropylene(3)	1,965,000	1,627,142	1,646,618	1,565,493

(1) Represents capacity and production at five plants with swing line capable of producing two types of resins.

(2) Represents capacity and production at eight plants with swing line capable of production two types of resins. Capacity varies depending on actual production demands.

(3) Represents capacity and production at six plants.

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In September 2010, we commenced production of ethylene at a new plant located in the Southern Complex that produces “green” ethylene using sugar cane ethanol received through the Santa Clara Terminal as its primary raw material. This plant has an annual production capacity of 200,000 tons of ethylene.

Raw Materials of Our Polyolefins Unit

Ethylene and Propylene

The most significant direct costs associated with our production of polyethylene and polypropylene are the costs of purchasing ethylene and propylene, which together accounted for 87.3% of our Polyolefins Unit’s total variable cost of production during 2013. Our Polyolefins Unit purchases ethylene and propylene from our Basic Petrochemicals Unit at prices determined by reference to international market prices for ethylene. During 2013, our Polyolefins Unit purchased all of its ethylene requirements and 59.3% of its propylene requirements from our Basic Petrochemicals Unit.

Propylene Contracts with Petrobras and its Subsidiaries

In August 2013, we entered into a twelve-month propylene supply contract with Petrobras, on behalf of its subsidiary Refinaria Alberto Pasqualini S.A., or REFAP, a refinery that is owned and operated by Petrobras. This contract took effect in July August 2013 and expires in June 2014, with optional renewal for an additional 12-month term upon the agreement of both parties. Under this contract, we will purchase an annual supply of 92,500 tons of propylene.

Under this contract:

- REFAP has agreed to sell and deliver propylene to us exclusively for our use as a raw material; and
- we agreed to purchase, and REFAP agreed to sell, at prices determined by reference to U.S. Gulf Coast prices for propylene.

This volume will be used to supply the existing plants of our Polyolefins Unit in the Southern Complex and will be available to meet additional demand that arises through the expansion of these plants and the acquisition of additional plants.

In September 2005, we entered into a 20-year propylene supply contract, effective since May 2008, with Petrobras for our Paulínia plant. This contract is automatically renewable for consecutive two-year terms following the initial term, unless terminated by one of the parties. Under this contract, we purchase 300,000 tons of propylene per year. Under this contract:

- Petrobras has agreed to sell and deliver propylene to us exclusively for our use as a raw material; and
- we agreed to purchase, and Petrobras agreed to sell, at prices determined by reference to U.S. Gulf Coast prices for propylene.

Between May 2001 and February 2006, Quattor Petroquímica and Petrobras entered into five propylene supply contracts. These contracts have initial terms expiring at various dates between May 2016 through February 2026 and two of these contracts are automatically renewable for additional five-year terms, unless either party notifies the other party in writing, at least six months prior to the expiration of the contract, that it does not intend to renew the contract. Under the terms of these contracts:

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- Petrobras has agreed to sell and deliver propylene to our polypropylene plants in the States of São Paulo and Rio de Janeiro exclusively for use as a raw material;
- Petrobras has agreed to supply an aggregate of 440,000 tons of propylene to us annually;
- we agree to provide Petrobras with a firm commitment order for propylene each month, together with an estimate of the volume of propylene that we will purchase over the immediately succeeding three or four months;
- the price that we pay for propylene under these contracts is based primarily on ICIS-LOR's prices for propylene in the U.S. Gulf Coast; and
- the contract will be amended in the event that unforeseen extraordinary events occur that cause a disruption in the economic-financial equilibrium of the contract.

Petrobras may terminate the contract, without prior notice, in the event of: (1) our failure to cure any breach of the contract following a 30-day grace period; (2) a force majeure event occurs, although some of these contracts require that the force majeure event continues for more than 180 days; (3) we transfer or offer as a guaranty all or part of its rights and obligations under the contract to a third party without Petrobras' consent; (4) an alteration of Braskem Petroquímica's management or corporate purposes that conflicts with the object of the contract; (5) the dissolution, bankruptcy or liquidation of Braskem Petroquímica; and (6) a change of entity type, merger, sale, spin-off or any other corporate reconstruction of Braskem Petroquímica that conflicts with or impedes the execution of contract's object.

Ethanol Supply Contracts

In March 2010, we entered into an ethanol supply contract with a major producer of ethanol to supply our new facility that produces ethylene using sugar cane ethanol. This agreement took effect in August 2010 and expires in July 2015, with optional renewal upon the agreement of both parties. In March 2013, this agreement was amended we entered into negotiations to extend a portion of the supply obligations to July 2016. In November 2013, we entered into negotiations for a new contract with a major producer of ethanol, which will we expect to become effective in May 2014 and expires in March 2016. Under these contracts, we are or will be required to purchase an annual supply of ethanol sufficient to meet approximately 50% of the capacity of this ethylene plant. The price that we pay under these contracts are is or will be determined by reference to the monthly price of combustible hydrated alcohol as published by the Center for Advanced Studies in Applied Economics of the Superior School of Agriculture (Centro de Estudos Avançados em Economia Aplicada da Escola Superior de Agricultura – CEPEA/ESALQ).

We also purchase ethanol on the spot market from time to time to supplement the supplies that we obtain under these contracts. The price that we pay for ethanol under most of these contracts is determined by reference to market indexes.

Other Materials and Utilities

In addition to overhead costs such as labor and maintenance, our other costs associated with the production of polyethylene and polypropylene include our purchase of chemical catalysts, solvents and utilities, such as electric power, water, steam, compressed air and nitrogen.

Our Polyolefins Unit uses butene and hexane as raw materials in the production of HDPE and LLDPE. Butene is supplied by our Basic Petrochemicals Unit, and we import hexane from suppliers located in South Africa.

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Our Unipol® plants in the Northeastern Complex and Rio de Janeiro Complex use catalysts supplied to us by Univation Technologies. Our HDPE plant in the São Paulo Complex uses catalysts supplied to us by W.R. Grace & Co. Our HDPE slurry plant in the Northeastern Complex produces its own catalysts, and we purchase the inputs that we need to produce our own catalysts from various suppliers at market prices. We purchase most of the catalysts that we use in our Polyolefins Unit's polypropylene plants from Basell Polyolefins Company N.V., or Basell, and we also import some catalysts from suppliers in the United States and Europe. We purchase the catalysts that our Polyolefins Unit uses in its swing line LLDPE/HDPE plants from Basell. We produce our own catalysts for our HDPE plants in the Southern Complex using Hoechst technology, and we purchase the inputs that we need to produce these catalysts from various suppliers at market prices.

Our Basic Petrochemicals Unit supplies most of the steam and water requirements of our Polyolefins Unit's facilities. We purchase steam and water for our polyethylene plant in the Rio de Janeiro Complex from Lanxess. We purchase water for our polyethylene plants located in Santo André from Petrobras' Refinaria de Capuava (RECAP) or Serviço Municipal de Saneamento Ambiental de Santo André (SEMASA).

We purchase electric power for each of our polyolefins plants, other than our plants in the Northeastern Complex, from third parties pursuant to long-term power purchase agreements. In the Northeastern Complex, our polyolefins plants purchase their electric power requirements from our Basic Petrochemicals Unit. Our polyolefins plants in the Northeastern Complex are able to purchase electric power from alternative sources if our Basic Petrochemicals Unit is unable to meet our total demand for electric power.

In general, we believe that there are sufficient alternative sources available at reasonable prices for each of these other inputs used in our polyolefins production process such that the loss of any single supplier would not have a material adverse effect on our operations.

Sales and Marketing of Our Polyolefins Unit

Our Polyolefins Unit sells polyethylene and polypropylene products to approximately 1,250 customers. We have a diversified product mix that allows us to serve a broad range of end users in several industries. The customers of our Polyolefins Unit generally are third generation petrochemical producers that manufacture a wide variety of plastic-based consumer and industrial goods.

Net sales revenue to the 10 largest customers of our Polyolefins Unit accounted for 14.3% of our Polyolefins Unit's total net sales revenue during 2013. No customer of our Polyolefins Unit accounted for more than 3.0% of our total net sales revenue in 2013, 2012 or 2011.

The following table sets forth our net sales revenue derived from domestic and export sales by our Polyolefins Unit for the years indicated:

	For the Year Ended December 31,		
	2013	2012	2011
	(in millions of reais)		
Net sales revenue:			
Domestic sales	R\$12,848.6	R\$10,427.3	R\$9,174.1

Export sales:			
South America (excluding Brazil)	2,093.2	2,073.1	1,726.8
Europe	905.2	944.2	968.7
North America	642.9	655.1	710.2
Asia	166.0	245.8	217.0
Other	288.8	111.3	58.2
Total Export Sales	4,096.1	4,029.5	3,680.9
	16,944.7	R\$14,456.8	R\$12,855.0

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Domestic Sales

We are focused on developing longer-term relationships with our customers. Given the cyclical nature of the markets for our polyolefins products, we believe that we can strengthen customer loyalty during periods of reduced demand for polyethylene or polypropylene by providing a reliable source of supply to these customers during periods of high demand. We work closely with our customers to determine their needs, to provide technical assistance and to coordinate the production and delivery of our products. Customers submit annual proposals giving their estimated monthly requirements for the upcoming year for each of our polyolefins products, including technical specifications, delivery terms and proposed payment conditions. We evaluate these proposals on a monthly basis to make any required adjustments and to monitor and attempt to ensure adequate supply for each customer.

In addition to direct sales of polyolefins to our customers, our Polyolefins Unit sells products in Brazil through exclusive independent distributors. Our Polyolefins Unit is served by six distributors, through which we distribute our products pursuant to which are governed by formal agreements and spot market purchases transactions.

We have selected our distributors based on their ability to provide full service to their customers, including the ability to prepare our products on a customized basis. These distributors sell our polyethylene and polypropylene products to manufacturers with lower production requirements and are able to aggregate multiple orders for production and delivery to customers that would otherwise be uneconomical for us to serve. Furthermore, by serving smaller customers through a network of distributors, our account managers focus their efforts on delivering high quality service to a smaller number of large, direct customers.

Export Sales

Our volume of polyolefins export sales has generally varied based upon the level of domestic demand for our products. Our Polyolefins Unit has a sales office in Argentina which we use to consolidate our marketing efforts in Argentina. Our Polyolefins Unit has a sales office in the Netherlands which we use to support our European customers, improve our knowledge of the European market, optimize our logistics process in this market and develop regional partners. In addition to our offices in Argentina and the Netherlands, our Polyolefins Unit maintains an office in the United States that is focused on further developing the market for engineering plastics under the UTEC™ brand. We also maintain a sales office in Chile, Peru and Colombia.

We have established a strategic position in the polyolefins business in South America and Europe through regular direct sales, local distributors and agents who understand their respective markets. Our strategy to increase our presence in these foreign markets is intended, among other things, to reduce our exposure to the cyclicity of the international spot market for polyolefins through the development of long-term relationships with customers in neighboring countries.

The main focus of our Polyolefins Unit is to maintain our leading position in the Brazilian market while continuing to export in order to manage the relationship between our production capacity and domestic demand for our products. We believe that our continued presence in export markets is essential to help manage any overcapacity in the Brazilian market and to maintain our position as leader in the supply of polyolefins in South America.

Prices and Sales Terms

We determine the domestic prices for polyethylene by reference to North American contract prices and our domestic prices for polypropylene by reference to Northeast Asian spot market prices. Our customers in Brazil may pay in full on delivery or elect credit terms that require payment in full within seven to 56 days following delivery. We charge interest based on prevailing market rates to our Brazilian customers that elect to pay on credit.

Over the last few years, some Brazilian states have encouraged imports of polyethylene and polypropylene, as well as final products made from these polymers, by providing tax benefits on imported goods. However, on January 1, 2013, federal legislation took effect reducing the maximum *Imposto sobre Circulação de Mercadorias e Serviços*, or ICMS tax (a state value-added tax on sales and services) tax that states can charge from a rate of 12% to 4% on interstate sales of imported raw materials and other goods that are not wholly or partially manufactured in Brazil. As a result, Brazilian states are no longer able to attempt to attract imports at local ports by offering tax benefits in the form of reduced ICMS tax rates. For more information, see “Item 5. Operating and Financial Review and Prospects—Principal Factors Affecting Our Results of Operations—Effects of Brazilian Industrial Policy—Import Tariffs at Local Ports.”

Our Polyolefins Unit generally conducts export sales to buyers in countries outside the Southern Cone through the international spot market. Our customer base in these markets consists primarily of trading houses and distributors, most of which have operations in Europe, the United States or in Asia, principally Hong Kong. Pricing is based on international spot market prices. We make all sales in these markets with letters of credit. Export prices for polyethylene and polypropylene sales in the Southern Cone countries by our Polyolefins Unit are primarily based on regional prices and sales are generally made either with letters of credit or through direct bank collections.

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We are the only producer of polyethylene and polypropylene in Brazil. We compete with polyolefins producers located in South America and with other importers of these products. In 2013, Brazilian polyethylene and polypropylene imports resulted in a 14.7% increase and represented 25.9% of Brazilian polyolefin consumption.

We compete for export sales of our polyolefins products in other countries in Latin America and in markets in the United States, Asia and Europe. Our export business is a commodities business and we compete with a variety of resin producers, some of which have greater financial, research and development, production and other resources than our company. Our competitive position in the export markets that we serve is primarily based on raw material costs, selling prices, product quality and customer service and support.

Vinyls Unit

We are the leading producer of PVC in Brazil, based on sales volumes in 2013. As of December 31, 2013, our PVC production facilities had the third largest annual production capacity in Latin America. Our Vinyls Unit generated net sales revenue of R\$2,581.1 million in 2013, or 4.9% of our net sales revenue of all reportable segments.

Our Vinyls Unit is the only vertically integrated producer of PVC in Brazil. Our PVC production is integrated through our production of chlorine, ethylene and other raw materials. Our Vinyls Unit also manufactures caustic soda, which is used by producers of aluminum and paper and chlorine.

In 2013, we had an approximate 49.8% share of the Brazilian PVC market, based on sales volumes of our Vinyls Unit.

Products of Our Vinyls Unit

The following table sets forth a breakdown of the sales volume of our Vinyls Unit by product line for the years indicated.

	For the Year Ended December 31,		
	2013	2012	2011
	(thousands of tons)		
PVC	636.4	560.9	484.0
Caustic soda	475.0	471.6	422.1
Other(1)	127.6	118.3	135.7
Total Vinyls Unit sales	1,239.0	1,150.8	1,041.8

(1) Includes chlorine, hydrogen, caustic soda flake, sodium hypochlorite and exports

Production Facilities of Our Vinyls Unit

We own five vinyls production facilities. Two of our facilities are located in the Northeastern Complex, and three others are located in the State of Alagoas.

The table below sets forth for each of our primary vinyls products, our annual production capacity as of December 31, 2013 and annual production for the years presented.

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Primary Products	Annual Production Capacity	Production For the Year Ended December 31,		
		2013	2012	2011
		(in tons)		
PVC(1)	710,000	582,579	498,621	438,895
Caustic Soda(2)	539,000	437,334	393,940	366,923

(1) Represents capacity at three plants and production at four plants, including production during 2012 at our new PVC plant in Alagoas that has an annual production capacity of 200,000 tons and commenced operations in August 2012.

(2) Represents capacity and production at two plants.

Raw Materials of Our Vinyls Unit*Ethylene*

The most significant direct cost associated with the production of PVC is the cost of ethylene, which accounted for 56.2% of our Vinyls Unit's total cost of sales in 2013. Our Basic Petrochemical Unit supplies all of the ethylene required by our Vinyls Unit.

Electric Power

Electric power is a significant cost component in our production of chlorine and caustic soda. Electric power accounted for 15.0% of our Vinyls Unit's total cost of sales in 2013. Our Vinyls Unit obtains its electric power requirements from various generators under long-term power purchase agreements. Our caustic soda plants at Camaçari and Alagoas and our PVC plant at Camaçari purchase their electric power requirements from CHESF under a long-term contract that expires in 2015. Companhia Energética de Alagoas S.A., or CEAL, distributes electric power to our PVC plant in Alagoas. The power purchase agreement with CEAL is renewable contracts with automatic rolling one-year extensions. These agreements provide us with the option to purchase our total electric power requirements based on an annual estimate. The price terms of this contract are based upon tariffs regulated by the Brazilian National Electrical Energy Agency (*Agência Nacional de Energia Elétrica*).

Salt

We used approximately 797,900 tons of salt during 2013. Salt accounted for 0.4% of our Vinyls Unit's total cost of sales in 2013. We have exclusive salt exploration rights at a salt mine located near our Alagoas plant. We estimate that the salt reserves of this mine are sufficient to allow us to produce chlorine at expected rates of production for approximately 35 to 45 years. We enjoy significant cost advantages when compared to certain of our competitors due to the low extraction costs of rock salt (particularly compared to sea salt), and low transportation costs due to the proximity of the salt mine to our production facility.

Sales and Marketing of Our Vinyls Unit

Net sales to our 10 largest Vinyls Unit customers accounted for 44.0% of our Vinyls Unit's total net sales revenue during 2013. One customer accounted for 13.3% of our Vinyl Unit's total sales revenue in 2013, 13.2% in 2012 and 15.0% in 2011. One customer accounted for 60.9% of our total external sales of and ethylene dichloride, or EDC, in 2011. Our Vinyls Unit produces EDC, the principal feedstock used in the production of PVC. In 2013, we used our EDC production for further processing into PVC.

There is a structural link between the PVC and caustic soda markets that exists because caustic soda is a byproduct of the production of chlorine required to produce PVC. When demand for PVC is high, then greater amounts of caustic soda are produced, leading to an increase in supply and generally lower prices for caustic soda. Conversely, when demand for PVC is low, prices for caustic soda tend to rise.

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We make most of our sales of PVC and caustic soda directly to Brazilian customers without the use of third party distributors. However, our Vinyls Unit maintains contractual relationships with three distribution centers located in Paulínia and Barueri, both in the State of São Paulo, and Joinville in the State of Santa Catarina that provide logistical support. In addition, we operate three warehouse facilities for PVC and six terminal tank facilities for caustic soda strategically located along the Brazilian coast to enable us to deliver our products to our customers on a “just-in-time” basis. Our Vinyls Unit develops its business through close collaboration with its customers, working together to improve existing products as well as to develop new applications for PVC. Our marketing and technical assistance groups also advise customers and potential customers that are considering the installation of manufacturing equipment for PVC end products.

Prices and Sales Terms

We determine the domestic prices for our PVC resins with reference principally to the prices paid by third generation producers in Brazil for imports of PVC, which generally reflect the Northeast Asian spot market price, plus additional service charges and transportation costs. Delivery time, quality and technical service also affect the levels of sales of PVC resins. We establish our domestic price for caustic soda based on North American spot market prices, taking into account any import duties and freight costs. Approximately 29.5% of our caustic soda sales in 2013 were effected pursuant to agreements that are generally for one- to three-year terms and may include minimum and maximum prices.

Prices that we charge for our PVC and caustic soda products in the Brazilian market are traditionally higher than the prices that we could obtain if we exported these products. The difference in prices between the Brazilian and export markets results generally from:

- transportation costs;
- tariffs, duties and other trade barriers;
- a pricing premium reflecting the tighter demand/supply relationship in Brazil; and
- our reliability of supply, coupled with the technical support that we provide.

Our customers in Brazil may pay in full on delivery or elect credit terms that require payment in full within seven to 90 days following delivery. We charge interest based on prevailing market rates to our customers in Brazil that elect longer payment options. In the event we export PVC and caustic soda products, terms for exports generally require payment between 90 and 120 days following delivery. We require irrevocable letters of credit for export sales made on the spot market.

Competition

PVC

We and Solvay are the only two producers of PVC in Brazil. Solvay’s total Brazilian installed annual production capacity is 300,000 tons, compared to our annual production capacity of 710,000 tons. Solvay’s production facilities are located in São Paulo and, therefore, are closer than our facilities to the primary PVC market in Brazil. However,

we believe that our vertically integrated production capabilities, our modern PVC suspension plants, our strong relationship with our customers and our technical assistance programs enable us to compete effectively with Solvay.

We also compete with importers of PVC. Solvay, which has a plant in Argentina in addition to its plants in Brazil, is also our principal competitor in the Brazilian PVC market. Imports accounted for approximately 29.4% of Brazilian PVC consumption in 2013. Domestically produced PVC is currently competitively priced with imported PVC after taking into account transportation costs and import duties.

In addition, we compete with other producers of thermoplastics that manufacture the same PVC products or substitutes for products in our PVC product line. Thermoplastics principally consist of polyethylene and polypropylene and are used in certain applications as substitutes for PVC. Wood, glass and metals also are used in some cases as substitutes for PVC.

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The four largest Brazilian producers of caustic soda accounted for 91.0% of Brazilian production in 2013. Our company and another international petrochemical company operate in this market throughout Brazil, while the other domestic producers of caustic soda generally operate on a local or regional basis. Imports accounted for 44.5% of Brazil's total caustic soda consumption in 2013.

Our principal competitors in the caustic soda market elsewhere in South America are other international petrochemical companies operating in Brazil and producers located on the U.S. Gulf Coast.

USA and Europe Unit

Our USA and Europe Unit includes:

- the operations of Braskem America, which consist of five polypropylene plants in the United States; and
- the operations of two polypropylene plants in Germany.

As of December 31, 2013, our USA and Europe Unit's facilities had the largest annual polypropylene production capacity in the United States. Our USA and Europe Unit generated net sales revenue of R\$6,748.5 million during 2013, or 12.9% of the net sales revenue of all reportable segments.

Products of Our USA and Europe Unit

Our USA and Europe Unit produces polypropylene. The sales volume of polypropylene by this unit was approximately 1,790,700 tons in 2013, 1,744,100 tons in 2012 and 1,016,800 tons in 2011. For a description of the uses of our polypropylene products, see "—Polyolefins Unit."

Production Facilities of our USA and Europe Unit

The table below sets forth the annual production capacity as of December 31, 2013 of the USA and Europe Unit's polypropylene plants in the United States and Germany and the annual production for the years presented (including, as noted below, production of the plants that we have acquired prior to our acquisition of these plants).

<u>Plant</u>	Annual Production Capacity	Production For the Year Ended December 31,		
		2013	2012	2011
		(in tons)		
United States(1)	1,425,000	1,306,863	1,264,772	1,246,790
Germany(2)	545,000	479,075	492,294	523,097

(1) In the United States, we acquired production capacity of 505,000 tons of polypropylene per year which has been included in our results of operations as from October 1, 2011, as a result of the Dow Acquisition.

(2) In Germany, we acquired production capacity of 545,000 tons of polypropylene per year which has been included in our results of operations as from October 1, 2011, as a result of the Dow Acquisition.

Raw Materials of Our USA and Europe Unit

Propylene

The most significant direct cost associated with the production of polypropylene by our USA and Europe Unit is the cost of purchasing propylene.

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We acquire propylene for our polypropylene plants in the United States under a variety of long-term supply agreements and through the spot market. As of December 31, 2013, we had long-term supply agreements with multiple suppliers. The pricing formulas for propylene under these supply agreements are generally based on market prices. A portion of the propylene supplied to our gulf coast plants is provided by a limited partnership that we formed with a leading basic petrochemicals producer, under which we acquire propylene produced by an ethylene facility of that producer in La Porte, Texas. Under the terms of the partnership agreement, the partnership has agreed to provide us with sufficient propylene to produce up to 35% of our U.S. gulf coast plants' current annual production capacity through 2018, at prices calculated a cost-based formula that includes a fixed discount that declines until 2018.

As a result of rising natural gas production, U.S. crackers have shifted to lighter feeds, which lowered the production of propylene. Recently, several companies have announced plans to build propane dehydrogenation (PDH) plants, which would produce on-purpose propylene. Braskem has secured a long-term propylene agreement with one of those companies, Enterprise Products, which plans to build a PDH plant in Texas with an annual capacity of 750,000 tons. We expect this agreement with an established producer to provide us with a competitive, long-term supply of propylene, using shale gas and other nontraditional sources as its feedstock. This plant is expected to commence operations in 2015. Under this arrangement, following completion of this plan, Enterprise Products will supply us with sufficient propylene to produce approximately 65% of our U.S. gulf coast plants' current annual production capacity under a long-term contract with a term of 15 years. Pricing under this contract will be based on market prices for propane and other market costs.

In June 2012, we acquired the propylene splitter assets at Sunoco's Marcus Hook refinery, which we are currently using to convert refinery grade propylene to polymer grade propylene for use at our Marcus Hook polypropylene plant.

We acquire propylene for our polypropylene plants in Germany under long-term supply agreements that provide for the supply of all of the propylene requirements of these plants. One of these supply agreements expires in December 2016 and is renewable until December 2021, and the other supply agreement expires in March 2021, and is automatically renewable for consecutive one-year terms, unless cancelled by one of the parties. The pricing formula for propylene under these supply agreements is based on market prices.

Sales and Marketing of Our USA and Europe Unit

Our USA and Europe Unit sells polypropylene products to approximately 330 customers. We have a diversified product mix that allows us to serve a broad range of end users in several industries. The customers of our USA and Europe Unit generally are third generation petrochemical producers that manufacture a wide variety of plastic-based consumer and industrial goods.

Net sales revenue to the 10 largest customers of our USA and Europe Unit accounted for 49.1% of our USA and Europe Unit's total net sales revenue during 2013.

The following table sets forth our net sales revenue derived from sales of our USA and Europe Unit for the years indicated:

	For the Year Ended December 31,		
	2013	2012	2011
	(in millions of reais)		
Net sales revenue:			
Europe	1,690.1	1,587.3	322.2
North America	5,058.4	3,877.9	2,961.6
	R\$6,748.5	R\$5,465.2	R\$3,283.8

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Approximately 50% of the sales of polypropylene by the USA and Europe Unit are made under long-term supply agreements with our customers. These supply contracts generally have an initial two-year term and are automatically renewable for one-year periods unless one party notifies the other of its intention not to renew. These contracts also provide for minimum and maximum quantities to be purchased and monthly deliveries.

We market the remainder of the polypropylene production of the USA and Europe Unit through (1) our direct sales force that seeks to establish supply relationships with customers, (2) a select number of distributors authorized to represent the Braskem brand in the U.S. and European markets, (3) resellers that trade these products under private labels in the North American and European markets, and (4) traders that resell these products in the export markets.

Competition

The USA and Europe Unit is largely a commodities business and competes with local, regional, national and international companies, some of which have greater financial, research and development, production and other resources than our company. Although competitive factors may vary among product lines, our competitive position is primarily based on raw material and production costs, selling prices, product quality, product technology, manufacturing technology, access to new markets, proximity to the market and customer service and support.

Our primary competitors for sales in the polypropylene industry in North America are other large international petrochemical companies. In general, demand is a function of economic growth in North America and elsewhere in the world. Braskem's total market share in North America in 2013 was 17.6%.

Our primary competitors for sales in the polypropylene industry in Europe are other large international petrochemical companies. In general, demand is a function of economic growth in Europe and elsewhere in the world.

Chemical Distribution Unit

Our Chemical Distribution Unit generated net sales revenue of R\$891.7 million during 2013, or 1.7% of the net sales revenue of all reportable segments. Our Chemical Distribution Unit distributes products manufactured by our Basic Petrochemicals Unit, as well as products from more than 100 domestic and international companies. Our Chemical Distribution Unit distributes products in a broad range of market segments, including agrochemicals, rubber and general purpose chemicals; food and feed; flavor and fragrance; cosmetics and pharmaceuticals; household and other industrial segments; engineering plastics; and paints, resins, adhesives and civil construction.

Products Distributed by Our Chemical Distribution Unit

Our Chemical Distribution Unit distributes a large and diverse portfolio of products consisting of more than 1,000 products. We classify the products distributed by our Chemical Distribution Unit as:

- solvents, including aliphatic solvents, aromatic solvents, synthetic solvents and ecologically-friendly solvents (having lower toxicity and greater biodegradability than standard solvents);
- engineering plastics;
- hydrocarbonic solvents and isoparafins; and

- general purpose chemicals, including process oils, chemical intermediates, blends, specialty chemicals, pharmaceuticals and santoprene.

The following table sets forth a breakdown of the sales volume of our Chemical Distribution Unit by product for the periods presented.

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	For the Year Ended December 31,		
	2013	2012	2011
	(thousands of tons)		
Solvents	149.5	222.9	194.3
General purpose chemicals	122.7	111.1	114.8
Total net sales	271.3	334.3	309.1

Distribution Agreements

Our Chemical Distribution Unit has commercial relationships with more than 100 domestic and international companies, under which our Chemical Distribution Unit distributes specified products, including:

- Conoco-Phillips for the distribution of hydrocarbon solvents;
- Sasol Solvents for the distribution of synthetic solvents;
- Lubrizol for the distribution of additives for lubricants;
- Wacker Chemie GmbH for the distribution of silicone-derived products;
- RT Vanderbilt for the distribution of specialty chemicals for the rubber, cosmetics and lubricants industries;
- Sasol Wax for the distribution of waxes;
- DCC for the distribution of pigments;
- Emerald Kalama for the distribution of chemical intermediates and specialty chemicals; and
- Sandoz for the distribution of active pharmaceutical ingredients.

Our Chemical Distribution Unit also has entered into distribution agreements that provide it with exclusive rights to distribute specified products in Brazil, including distribution agreements with:

- Ergon for the distribution of naphthenic oils;
- SK for the distribution of paraffinics GIII; and
- RT Vanderbilt for the distribution of specialty chemicals for the rubber, cosmetics and lubricants industries, under which QuantiQ may not distribute products for Vanderbilt's competitors.

Generally, our Chemical Distribution Unit initiates distribution activities for a producer with a letter of intent with a term of one-year and, following this period, extends these commercial relationships or distribution agreements for an indefinite period. Distribution agreements with our Chemical Distribution Unit generally may be terminated by either party on 30 to 180 days' notice.

Our distribution agreements are generally local stock agreements, indent sales agreements or agreements that combine the features of both. Under our local stock agreements, we purchase chemicals for resale to its customers. These agreements do not contain minimum volume or maximum margin requirements. Sales to us under these agreements are at prices negotiated between us and the producer. Our distribution agreement with Petrobras provides that we are eligible to receive a discount on purchases based on the volume of products purchased. Under our indent sales agreements, we act as a sales agent and receive a commission on the total sales revenue (FOB price) generated for the producer by these sales.

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Sales and Marketing by Our Chemical Distribution Unit

Our Chemical Distribution Unit distributes products to chemical retailers, third generation petrochemical producers and other manufacturers. We determine the prices for the products distributed by reference to several market factors, including the prices paid by third generation producers for imports of these products and prevailing market prices in Brazil.

We serve approximately 5,000 active clients in more than 50 market segments, through 7 business units supported by eight sales offices throughout Brazil. We operate five distribution centers that include warehouses and tank farms. We own our distribution centers in Guarulhos in the State of São Paulo, Canoas in the State of Rio Grande do Sul, Duque de Caxias in the State of Rio de Janeiro and Mauá in the State of São Paulo.

Our Chemical Distribution Unit distributes products in a broad range of market segments. No customer represented more than 10% of the net sales revenue of our Chemical Distribution Unit during 2013, 2012 or 2011.

Competition

The chemical distribution industry in Brazil had revenues of US\$6.6 billion in 2013, according to preliminary data published by the Brazilian Chemical and Petrochemical Distributors Association. The chemical distribution industry in Brazil is highly fragmented, with a small number of large distributors, such as Bandeirantes Brazmo, M Cassab, Coremal, Arinos, Makeni Química and Brenntag, and a large number of small distributors. The Brazilian Chemical and Petrochemical Distributors Association estimates that 14% of the companies in this industry have annual sales of more than US\$150 million while 75% have annual sales of less than US\$50 million. The customer base for chemical distributors is primarily composed of customers that consume small volumes of any distributed product.

Technology, Research and Development

Technology Licenses

Our Basic Petrochemicals Unit uses engineering process technology under non-exclusive arrangements from a variety of sources for specific production processes. We have entered into several non-exclusive agreements with a number of leading petrochemical companies to use certain technology and catalysts for our Polyolefins Unit. Some of the license agreements used by our Polyolefins Unit allow us to use the licensed technology in both existing and future plants. We have entered into several non-exclusive agreements with a number of leading petrochemical companies to use technology for our Vinyls Unit. We have entered into several non-exclusive agreements with a number of leading petrochemical companies to use certain technology and catalysts for the polypropylene production of our USA and Europe Unit. Some of the license agreements used by our USA and Europe Unit allow us to use the licensed technology in both existing and future plants. If any of the arrangements or licenses under which we use third-party technology were terminated or no longer available to us, we believe that we would be able to replace this technology with comparable or better technology from other sources.

We do not pay any continuing royalties under any of the arrangements or licenses used by our Basic Petrochemicals Unit or our Vinyls Unit. Most of the license agreements used by our Polyolefins Unit or our USA and Europe Unit do not require us to pay any continuing royalties. Under the license agreements that require continuing royalty payments, we pay royalties on a quarterly basis based on the volume of the products produced using the licensed technology.

In October, 2013, we entered into an agreement with Genomatica, Inc., a company based in California, for joint development of butadiene from renewable feedstock. Under this agreement we agreed to jointly carry out a pilot project and demonstration plant with Genomatica, and if the results are successful we will receive certain rights to exclusively use this technology in the Americas.

Our chlor-alkali plant in the Northeastern Complex uses mercury cell technology to produce chlorine and caustic soda, which technology can no longer be used in new petrochemical production facilities under Brazilian legislation due in part to environmental concerns regarding mercury emissions resulting from this manufacturing process. The Brazilian government may require us to shift to newer diaphragm technology, which we use in our Alagoas chlor-alkali plant, or membrane technology. We have not shifted to these newer technologies yet, in part because the return from the capital expenditures associated with this shift would not be as high as those from other potential investments that we may undertake.

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Research and Development

Our ability to compete in the Brazilian and foreign markets that we serve depends on our ability to integrate new production processes developed by our company and third parties in order to lower our costs and offer new thermoplastic products. In addition, our relationships with our customers are enhanced by our ability to develop new products and customize existing products to meet their needs.

To meet these challenges, we maintain a research and development program that is primarily implemented at two research centers that we operate: the Braskem Center for Technology and Innovation located in the Southern Complex and the Braskem America Technology Center located in Pittsburgh, Pennsylvania. Through these research centers, we coordinate and maintain our research and development program, which includes the operation of (1) pilot plants, (2) catalysis, polymerization and polymer sciences laboratories, and (3) process engineering and automation centers. Our investments in research and development, which are classified as expenses, totaled R\$115.8 million in 2013, R\$106.2 million in 2012 and R\$99.1 million in 2011.

Capital Expenditures

In 2013, our total investments on property, plant and equipment and intangible assets totaled R\$5,682.2 million, consisting primarily of (1) a capital expenditure of R\$1,535.3 million (excluding capitalized interest) on our various projects and in maintaining and improving our assets; and (2) a R\$4,053.0 million disbursement for our Project Ethylene XXI. Our total investments on property, plant and equipment and intangible assets in 2012 and 2011 totaled R\$2,808.6 million and R\$2,264.0 million, respectively. Additionally, we invested R\$619.2 million in other companies in 2011.

Capital Expenditure Budget

We currently are budgeting total capital expenditures of approximately R\$2,664.5 million for 2014. Our principal capital expenditures for 2014 will consist of, in addition to the projects referred to in the following paragraphs:

- approximately R\$1,475.9 million for maintenance shutdowns and other maintenance of our plants;
- approximately R\$704.0 million for our equity contribution in Project Ethylene XXI in Mexico;
- approximately R\$226.2 million for health, environmental and quality improvement projects; and
- approximately R\$258.5 million for new projects.

Acquisitions

Dow Polypropylene Acquisition

On September 30, 2011, we acquired the polypropylene business of Dow under a purchase agreement that we had entered into in July 2011. For more information concerning the Dow Polypropylene Acquisition, see “—History and Development of Our Company—Dow Polypropylene Acquisition.”

Acquisition of Interest in Odebrecht Comercializadora de Energia S.A.

In July 2012, we acquired 2,000 shares, or 20%, of the capital of Odebrecht Comercializadora de Energia. Odebrecht Comercializadora de Energia is also owned by Odebrecht Energia S.A., Odebrecht Agroindustrial S.A., Odebrecht Ambiental S.A. (currently Foz do Brasil S.A.) and Odebrecht Transport S.A, each holding an equal interest of 20%. In July 2013, the shareholders of Odebrecht Comercializadora de Energia entered into a shareholders' agreement governing the rights and obligations of all parties.

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Solvay Acquisition

On December 17, 2013, we entered into an agreement to acquire from Solvay Argentina S.A. 292,453,490 shares of Solvay Indupa, representing 70.6% of its total share and voting capital for an initial purchase price of US\$24.7 million, subject to adjustments. Solvay Indupa produces PVC and caustic soda and has integrated PVC and caustic soda plants in Santo André, in the state of São Paulo, Brazil, with an annual production capacity of 300,000 tons of PVC and 170,000 tons of caustic soda, and Bahía Blanca, in the province of Buenos Aires, Argentina, with an annual production capacity of 240,000 tons of PVC and 180,000 tons of caustic soda. Closing is expected to occur in 2014, subject to certain conditions precedent, including approval by the Brazilian antitrust authorities. Upon completion of this acquisition, we will establish an industrial presence in Argentina, which is one of the largest consumer markets in South America, and we will become the only producer of PVC in Brazil.

Greenfield Plants

Alagoas PVC Plant

In May 2010, we commenced construction of a new PVC plant in Alagoas. This plant, which commenced production in August 2012, has an annual production capacity of 200,000 tons. The total cost of this project was approximately R\$1,000 million.

Butadiene Plant

In March 2011, we commenced construction of a new butadiene plant in the Southern Complex. This plant, which commenced production in September 2012, has an annual production capacity of 103,000 tons. The total cost of this project was approximately R\$300 million.

Joint Venture Projects

Project Ethylene XXI

Braskem and Idesa formed Braskem Idesa in April 2010 to develop, construct and operate the Mexico Complex, to be located in the Mexican state of Veracruz. The Mexico Complex is expected to include an ethylene cracker that produces 1.05 million tons of ethylene per year from ethane based on Innovene S technology licensed from Technip Italy S.p.A, or Technip, and is expected to include two high density polyethylene plants based on technology licensed from Ineos Commercial Services UK Limited (as successor to Ineos Europe Limited) and a low density polyethylene plant based on Lupotech T technology licensed from Basell Polyolefin GmbH. The three polyethylene plants are expected to have a combined annual production capacity of 1.0 million tons of HDPE and LDPE.

Braskem Idesa (as successor to us and Idesa) is party to an ethane supply agreement with Pemex Gas dated February 19, 2010, pursuant to which Pemex Gas will provide 66,000 barrels per day of ethane to the Mexico Complex for a period of 20 years at prices based on the Mont Belvieu purity ethane price. Beginning on the date of scheduled completion of the project, Braskem Idesa will be required to purchase, and Pemex Gas will be required to deliver, the minimum daily volume of ethane provided for under the supply agreement.

In February 2010, we and Idesa entered into the Braskem Idesa shareholders' agreement to govern our relationship with respect to Braskem Idesa, which was amended in November 2012 and December 2012. The Braskem Idesa shareholders' agreement, as amended, sets forth the understanding of the parties regarding the implementation of this

project and the relationship of Braskem and Idesa as shareholders of Braskem Idesa. Under the Braskem Idesa shareholders' agreement, as amended:

- the parties agree that the polyethylene production of Braskem Idesa shall be used primarily to supply the Mexican market;

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- the parties agree to use their best efforts to use Braskem Idesa as their commercialization vehicle for polyethylene in Mexico;
- we have the right to appoint four members and Idesa has the right to appoint two members of Braskem Idesa's board of directors; decisions considered at Braskem Idesa's ordinary shareholders meetings or by Braskem Idesa's board of directors require the approval by a simple majority; prior to the start-up of the project, so long as Idesa holds at least 20% of the voting capital of Braskem Idesa, Braskem Idesa's financial manager will be nominated by Idesa, subject to board approval; and Braskem Idesa's chief executive officer, construction, corporate, industrial and commercial managers will be nominated by Braskem, subject to board approval;
- upon the failure of Braskem and Idesa to agree to vote in favor of certain matters requiring a supermajority vote in an extraordinary shareholders meeting, (1) we will have the right to seek approval of such matters by a simple majority vote of Braskem Idesa's shareholders, (2) in the event that such matters are approved by a simple majority vote of Braskem Idesa's shareholders, we will have the option to purchase all of the shares then held by Idesa, and (3) in the event that we do not exercise this right, Idesa will have the option to sell all of its shares of Braskem Idesa to us; and
- any disputes between Braskem and Idesa arising out of or in connection with the Braskem Idesa shareholders' agreement will be resolved through arbitration.

The Braskem Idesa shareholders' agreement also contains rights of first refusal, tag along rights and drag along rights in connection with the disposition of Braskem Idesa shares.

The estimated total cost of the Mexico Complex is approximately US\$4.5 billion, including financial costs during construction and initial working capital requirements. We anticipate that (1) we and Idesa will contribute an aggregate of approximately 30% of the total costs as equity in proportion to our ownership interests in Braskem Idesa, and (2) the remainder will be borrowed by Braskem Idesa under project finance arrangements, collateralized by the assets of this project, with multilateral credit agencies, export credit agencies, development banks and private banks. See "Item 4. Information on the Company—Capital Expenditures—Joint Venture Projects—Project Ethylene XXI."

Construction of the Mexico Complex began in 2012 and we expect that it will begin production in 2015.

Financing Agreements Relating to Project Ethylene XXI

In December 2012, Braskem Idesa entered into a common terms agreement with certain financial institutions to finance the development, design, construction and initial operation of the Mexico Complex. This will include an ethane cracker with annual capacity of 1.05 million tons to produce ethylene, two high density polyethylene plants and a low density polyethylene plant. Proceeds from the initial disbursement were used to pay all outstanding amounts under an intercompany bridge loan that we have entered into in connection with the project. In connection with the common terms agreement, Braskem Idesa entered into eight separate financing agreements with Brazilian and international financial institutions and development banks in an aggregate principal amount of up to US\$3.2 billion.

All amounts under these credit facilities are secured by Braskem's shares in Braskem Idesa. The conditions precedent to the initial disbursement and each subsequent disbursement under the common terms agreement include a debt to base equity ratio after disbursement, as calculated under the common terms agreement, no greater than 70:30.

In July 2013, Braskem Idesa received the initial disbursement of US\$1,483.9 million (R\$3,316.2 million) under these credit facilities and in November 2013, it received the second disbursement in the amount of US\$546.9 million (R\$1,246.1 million) under credit facilities. The financing consists of two tranches. The interest rates on the first tranche are fixed within a range of 4.33% to 6.17%. The interest rates on the second tranche are floating within a range of LIBOR plus 2.73% to LIBOR plus 4.65%. To reduce the interest rate risk, the second tranche is hedged through several swap agreements. Interest on both tranches is payable quarterly in arrears and principal is amortized quarterly. The final maturity date of these loans is February 15, 2029 with amortizations beginning in April 2016. Braskem Idesa used the proceeds from the first disbursement to repay indebtedness incurred to fund Project Ethylene XXI project before this disbursement, including the repayment of bridge loans with Braskem in the amount of US\$648.8 million (R\$1,449.8 million) and Idesa Group in the amount of US\$216.3 million (R\$483.3 million).

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In December 2012, we, Braskem Idesa, Etileno XXI, S.A. de C.V., and Idesa entered into an equity support agreement pursuant to which Braskem Idesa's shareholders agreed to make and guarantee payment of certain equity contributions to Braskem Idesa. Pursuant to the equity support agreement, the parties are required to make a base equity commitment of US\$1.4 billion in proportion to their percentage ownership in Braskem Idesa (Braskem 75% and Idesa 25%). Base equity payments must be made ten days prior to loan disbursements made under the project financing agreements (discussed above), in amounts calculated pursuant to the equity support agreement. In the event that project cost exceeds the US\$4.5 billion currently contemplated, the shareholders have also assumed the obligation of making certain primary and secondary contingent equity payments to cover any additional amounts necessary to complete the project. The primary contingent equity amount is approximately US\$344 million, to be funded in proportion to the parties' ownership percentages. Currently, we have not provided credit support for our obligation to fund our portion of such primary contingent equity obligations and the entirety of the secondary contingent equity payments, but in the event that we cease to have an investment grade rating prior to the release of our base and contingent equity obligations, we will be required to provide cash collateral or letters of credit in an amount equal to any such equity contributions that we may be required to make under the agreement.

Engineering, Procurement and Construction Contract Relating to Project Ethylene XXI

In September 2012, Braskem Idesa, as owner, and Ethylene XXI Contractors, S.A.P.I. de C.V. and Etileno XXI Services B.V., as contractors, entered into an alliance engineering, procurement and construction contract, or the EPC contract. This contract was amended and restated in December 2012. Each contractor consists of a joint venture among Odebrecht Industrial Engineering B.V., ICA Fluor Petroquímica, S.A. de C.V. and Technip Italy S.p.A. Payments under the EPC contract are made on a "cost-plus" basis, in which Braskem Idesa reimburses costs of the contractors and pays a profit margin. Payments of costs are made prior to the beginning of each month based on an estimate of costs expected to be incurred during that month and are reconciled with costs actually incurred in the following month, and payments of the profit margin are made based on the achievement of milestones defined under the contract. Any cost overrun will be borne equally between Braskem Idesa and the contractors and any cost savings will be shared equally by Braskem Idesa and the contractors, in each case up to a maximum amount as calculated pursuant to the EPC contract. The contract provides for a guaranteed completion date of June 30, 2015 for the Mexico Complex and contains certain other performance guarantees and provisions for damages in case completion does not occur on or prior to the scheduled completion date.

Amendments to Braskem Idesa Shareholders' Agreement Relating to Project Ethylene XXI

In February 2010, Braskem and Idesa entered into a shareholders' agreement, which we refer to as the Braskem Idesa shareholders' agreement, to govern our relationship with respect to Braskem Idesa. In November 2012, Braskem and Idesa entered into the first amendment to the Braskem Idesa shareholders' agreement, under which our ownership interest in Braskem Idesa was increased to 75% minus one share of the equity interest in Braskem Idesa and Idesa's ownership interest in Braskem Idesa was reduced to 25% plus one share of the equity interest. In December 2012, we and Idesa entered into the second amendment to the Braskem Idesa shareholders' agreement, under which we agreed to fund up to 100% of the secondary contingent equity commitment under the equity support agreement. The secondary contingent equity commitment is approximately US\$40 million.

COMPERJ Project

In connection with the Quattor Acquisition, on January 22, 2010, we entered into an Association Agreement with Odebrecht, OSP, Petroquisa and Petrobras regarding the continued development of the Rio de Janeiro Petrochemical Complex which we refer to as the COMPERJ Petrochemical Facility and which is part of the COMPERJ Complex (*Complexo Petroquímica do Rio de Janeiro*), an integrated refinery and petrochemical complex, under development by Petrobras to be located in Itaboraí in the State of Rio de Janeiro.

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Under the Association Agreement, Braskem entered into negotiations with the other parties to the Association Agreement to continue the development of, and assume control of, the COMPERJ Petrochemical Facility.

On December 14, 2011 we entered into a non-binding memorandum of understanding with Odebrecht, OSP and Petrobras that governs the development of the COMPERJ Petrochemical Facility. According to the memorandum of understanding, Braskem and Petrobras will jointly prepare the development of the COMPERJ Petrochemical Facility related to thermoplastic resins and will continue negotiations to reach the most efficient structure based on the analysis of all technical, environmental, financial, legal and tax aspects involved in the project. This will include an evaluation of whether Braskem will assume control of the existing assets of the COMPERJ Petrochemical Facility. We have concluded the initial engineering phase and expect to continue advancing in subsequent engineering phases in order to submit the project to our board of directors in 2015.

Joint Venture with Styrolution

In October 2013, we signed a memorandum of understanding with Styrolution, a global leader in the production of styrene, to assess the economic feasibility of forming a joint venture in Brazil. If approved, this joint venture would build and operate a plant with an expected annual production capacity of 100,000 tons of the copolymers acrylonitrile butadiene styrene and styrene acrylonitrile. The implementation of this joint venture is subject to, among other things, the negotiation of definitive agreements among the parties with respect to the joint venture and regulatory and antitrust approval. If this joint venture is implemented, we expect that construction will commence in early 2015 and that this plant would commence operations in 2017.

Other Investments

In October 2013, we announced that we intend to invest approximately R\$50 million in one of our polyethylene production lines in the Northeastern Complex to (1) expand the annual production capacity of this line by 30,000 tons and (2) convert 100,000 tons of the annual production capacity of this line to the production of metallocene-based LLDPE, which we intend to sell under the brand "Braskem Flexus." We expect to sell this resin, which takes advantage of the development of more modern technology, primarily to manufacturers of plastic films. We expect this production line to begin operations in the first half of 2015.

Additionally, we have projects in less advanced stages in Peru, Bolivia and Venezuela.

Maintenance

Most of our maintenance is performed by third-party service providers. For example, we have contracts with CNO, Asea Brown Boveri Ltd., Cegelec Ltda., Rip Serviços Industriais S.A., CI Engenharia Ltda. and other service providers to perform maintenance for our basic petrochemical plants in the Northeastern Complex and in the Southern Complex. We also perform some of our ordinary course maintenance with our small team of maintenance technicians, which also coordinate the planning and execution of maintenance services performed by third parties.

Basic Petrochemicals Plants

Regular basic petrochemicals plant maintenance requires complete plant shutdowns from time to time, and these shutdowns usually take approximately 30 days to complete. We occasionally undertake brief shutdowns of the basic petrochemical operations at our basic petrochemical plants that do not materially affect our production output, primarily for maintenance purposes, catalyst regeneration and equipment cleaning. In addition, because we have two

independent Olefins units and two independent Aromatics units at the Northeastern Complex and two independent Olefins units at the Southern Complex, we may continue production of basic petrochemicals at these complexes without interruption, even while we perform certain maintenance services.

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The next scheduled general maintenance shutdown of:

- the São Paulo Complex's Olefins and Aromatics units are scheduled to occur in 2014;
- the Southern Complex's Olefins 1 and Aromatics 1 units are scheduled to occur in 2014;
- the Southern Complex's Olefins 2 and Aromatics 2 units are scheduled to occur in 2014; and
- the Rio de Janeiro Complex's Olefins unit is scheduled to occur in 2017.

We last performed maintenance of the Northeastern Complex's Aromatics 1 and Olefins 1 units in 2013.

Plants of Our Polyolefins, Vinyls and USA and Europe Units

We have a regular maintenance program for each of our polyolefins plants. Production at each of our polyolefins plants generally is shut down for seven to 20 days every two to three years to allow for regular inspection and maintenance. In addition, we undertake other brief shutdowns for maintenance purposes that do not materially affect our production of polyolefins. We coordinate the maintenance cycles of our polyolefins plants with those of our basic petrochemicals plants. While our basic petrochemicals facilities must be shut down for up to 30 days for maintenance, our polyolefins facilities may be shut down for shorter periods because these facilities are less complex to operate and maintain than our basic petrochemicals plants. Similarly, Braskem America attempts to coordinate its maintenance cycles with the routines of their largest suppliers for each plant.

We have a regular maintenance program for each of our vinyls plants. Our Camaçari and Alagoas PVC plants are generally shut down for 15 to 20 days every two years to allow for regular inspection and maintenance. Our caustic soda and chlorine plant in Alagoas shuts down once a year for three days of maintenance in different parts of the plant. Our caustic soda and chlorine plant in Camaçari does not require prolonged maintenance shutdowns and is shut down for two or three days each year.

Discontinued Operations

As a result of our decision to maintain QuantiQ and IQAG, which previously represented the Chemical Distribution segment before we temporarily offered them for sale last year, we have restated our financials to include the Chemical Distribution segment as of 2011. As a result of our decision to dispose of our former subsidiary Cetrel and Braskem Distribuidora, both of which sold in December 2012, we have recorded the operations of these subsidiaries as discontinued operations as from January 1, 2010.

Environmental Regulation

In each of the countries in which we operate, our operations are subject to federal, state and local laws and regulations governing the discharge of effluents and emissions into the environment and the handling and disposal of industrial waste and otherwise relating to the protection of the environment.

Our consolidated annual expenditures on environmental control were R\$292.6 million in 2013, R\$256.3 million in 2012 and R\$198.9 million in 2011. Our consolidated environmental expenses relate to our continuous control and monitoring policies, and we do not have any material future environmental liabilities. However, our environmental compliance costs are likely to increase as a result of the projected increase in our production capacity and projected

increases in unit costs for treatment and disposal of industrial waste, as well as the cost of compliance with future environmental regulations.

We had established a provision for recovery of potential environmental liabilities in the amount of R\$59.4 million as of December 31, 2013.

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Compliance with Environmental Laws in Brazil

The Brazilian government enacted an Environmental Crimes Law in 1998 that imposes criminal penalties on corporations and individuals causing environmental damage. Corporations found to be polluting can be fined up to R\$50.0 million, have their operations suspended, be prohibited from government contracting, be required to repair damage that they cause and lose certain tax benefits and incentives. Executive officers, directors and other individuals may be imprisoned for up to five years for environmental violations.

Our operations are in compliance in all material respects with applicable Brazilian environmental laws and regulations currently in effect. Some environmental studies that we have commissioned have indicated instances of environmental contamination at certain of our plants. In addition, we and certain executive officers of our company and of our subsidiaries have received notices from time to time of minor environmental violations and are or have been subject to investigations or legal proceedings with respect to certain alleged environmental violations. These environmental issues, and any future environmental issues that may arise, could subject us to fines or other civil or criminal penalties imposed by Brazilian authorities. We are addressing all environmental issues of which we are aware, and we believe that none of these issues will have a material adverse effect on our business, financial condition or results of operations.

Operating Permits

Under Brazilian federal and state environmental laws and regulations, we are required to obtain operating permits for our manufacturing facilities. If any of our environmental licenses and permits lapse or are not renewed or if we fail to obtain any required environmental licenses and permits, we may be subject to fines ranging from R\$500 to R\$50.0 million, and the Brazilian government may partially or totally suspend our activities and impose civil and criminal sanctions on our company or both.

Each State in which we operate has its own environmental standards and state authorities in each state have issued operating permits that must be renewed periodically. Additionally, all projects for the installation and operation of industrial facilities in the Northeastern Complex, Southern Complex São Paulo Complex and Rio de Janeiro Complex are subject to approval by various environmental protection agencies, which must approve installed projects prior to their commencement of operations and must renew such approval periodically thereafter. State authorities have issued operating permits for all of our plants, as follows: the Northeastern Complex (State of Bahia); Southern Complex (State of Rio Grande do Sul), São Paulo Complex and Cubatão, Santo André, Mauá and Paulínia plants (State of São Paulo), Rio de Janeiro Complex (State of Rio de Janeiro) and our Alagoas plants (State of Alagoas). We are in possession of all necessary permits and do not expect to have difficulty in renewing any of them.

Industrial Waste

Companhia Riograndense de Saneamento, or Corsan, a state-owned sanitation company, operates an integrated system for liquid effluents treatment, or Sitel, in the Southern Complex. Sitel treats wastewater generated by our company and the other petrochemical producers at the Southern Complex at a liquid effluents treatment station located in the Southern Complex. This treatment station also includes a system for the collection of contaminated wastewater and disposal after treatment. We treat wastewater generated by our company at the Rio de Janeiro Complex at a liquid effluents treatment station located in the Rio de Janeiro Complex. This treatment station also includes a system for the collection and disposal of contaminated wastewater. Hazardous solid waste is co-processed in cement kilns or incinerated and other kinds of solid waste are disposed of in landfills at facilities approved by our company.

We treat wastewater generated by our company at the São Paulo Complex at a liquid effluents treatment station located in the São Paulo Complex. This treatment station also includes a system for the collection and disposal of contaminated wastewater, while hazardous waste generated at the São Paulo Complex is incinerated in cement kilns and other kinds of solid waste is disposed of in landfills.

In our Bahia facilities, all wastewater is transported to Cetrel, a wastewater treatment facility. Solid waste is incinerated in cement kilns or incinerators and the remaining waste is disposed of in landfills.

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Additionally, we have a series of recycling programs that includes recycling of solid waste and wastewater. We recycle or reuse 17% of the solid waste generated by our facilities and 18% of the water used in our production processes.

Compliance with Environmental Laws in the United States

Our operations in the United States are subject to United States federal, state and local laws and regulations governing the discharge of effluents and emissions into the environment; the storage, handling, management, transportation and disposal of hazardous waste, industrial waste and other types of waste; the use, storage, and handling of various types of products and materials; and the protection of human health, safety and the environment. In many instances, specific permits must be obtained for particular types of operations, emissions or discharges. We believe that our operations in the United States are in compliance in all material respects with applicable U.S. federal, state and local environmental laws and regulations currently in effect.

As with the U.S. petrochemical industry generally, compliance with existing and anticipated laws and regulations increases the overall cost of operating Braskem America's business, including operating costs and capital costs to construct, maintain and upgrade equipment and facilities. These laws and regulations have required, and are expected to continue to require, Braskem America to make expenditures of both a capital and an expense nature.

Our facilities in Texas, Pennsylvania and West Virginia are required to maintain various permits relating to air quality and treatment of industrial wastewater, and to comply with regulatory requirements relating to waste management. We are in possession of necessary permits to operate our facilities (or they are in the process of being renewed in the ordinary course) and we do not expect to have difficulty in renewing any of them.

The Clean Air Act, which was last amended in 1990, requires the United States Environmental Protection Agency to set National Ambient Air Quality Standards (NAAQS) for pollutants considered harmful to public health and the environment. The Clean Air Act requires periodic review of the science upon which the standards are based and the standards themselves. NAAQS, for ozone and fine particulate matter, PM_{2.5}, promulgated by the EPA have resulted in identification of nonattainment areas throughout the country, including certain areas within Texas, Pennsylvania and West Virginia, where Braskem America operates facilities. As a result of these nonattainment designations by the EPA, state or local air pollution control agencies are required to apply permitting and/or control requirements intended to reduce emissions of ozone precursors (nitrogen oxides and volatile organic compounds), and fine particles (including PM_{2.5} precursors), in order to demonstrate attainment with the applicable NAAQS. Such requirements may include imposition of stringent offset ratios and could result in enhanced emission control requirements. Numerous states have challenged the EPA's particulate standards. The EPA has signaled its plans to promulgate new regulations in 2014 related to the NAAQS, which may be stricter than the existing standards and require further reductions in allowable emissions of certain pollutants.

Additionally, there are various legislative and regulatory measures to address greenhouse gas emissions which are in various stages of review, discussion or implementation by Congress and the EPA. While it is currently not possible to predict the impact, if any, that these issues will have on Braskem America or the U.S. petrochemical industry in general, they could result in increases in costs to operate and maintain our facilities in the United States, as well as capital outlays for new emission control equipment at these facilities. In addition, regulations limiting greenhouse gas emissions of carbon content of products, which target specific industries such as petrochemical manufacturing could adversely affect our ability to conduct Braskem America's business and also may reduce demand for its products.

In addition to permitting and/or control requirements that may result from the implementation of the NAAQS at the state or local level, the EPA may promulgate new or revised federal New Source Performance Standards or National Emission Standards for Hazardous Air Pollutants that would apply directly to certain facility operations and may require the installation or upgrade of control equipment in order to satisfy applicable emission limits and/or operating standards under these regulatory programs.

Environmental Regulation in Germany and the European Union

Our operations of Germany are subject to German federal, state and local laws and regulations governing the discharge of effluents and emissions into the environment and the handling and disposal of industrial waste and otherwise relating to the protection of the environment and waste management. Our operations in Germany are in compliance in all material respects with applicable German federal, state and local environmental laws and regulations currently in effect.

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As with the petrochemical industry in the European Union generally, compliance with existing and anticipated German laws and regulations increases the overall cost of operating our European business, including operating costs and capital costs to construct, maintain and upgrade equipment and facilities. These laws and regulations have required, and are expected to continue to require us to make expenditures of both a capital and an expense nature.

At our Schkopau and Wesseling, Germany facilities, we are required to maintain air, radiation, waste water and waste management permits from the German government and local agreements relating to the treatment of industrial wastewaters. We are in possession of all necessary permits.

Our European facility in Wesseling is subject to existing European greenhouse gas regulations and a cap and trade program relating to emissions. The necessary steps for the trade credit allocations for the period from 2013 to 2020 have been taken and we have received an allocation based on carbon dioxide emissions in accordance with guidelines for normal use. We will purchase any additional permits that may be required on the emission trade market. We are not aware of any new environmental regulations that would affect our European operations. Accordingly, we cannot estimate the potential financial impact of any future European Union or German environmental regulations.

Property, Plant and Equipment

Our properties consist primarily of petrochemical production facilities in:

- Camaçari in the State of Bahia;
- Triunfo in the State of Rio Grande do Sul;
- Duque de Caxias in the State of Rio de Janeiro;
- São Paulo, Paulínia, Cubatão, Santo André and Mauá in the State of São Paulo;
- Maceió and Marechal Deodoro in the State of Alagoas;
- the United States in La Porte, Freeport and Seadrift, Texas, Marcus Hook, Pennsylvania, Neal, West Virginia, and
- Germany in Schkopau and Wesseling.

Our principal executive offices are located in São Paulo in the State of São Paulo, and we have an administrative support office in the City of Salvador in the State of Bahia. We also have equity interests in investments located in other parts of the country. We own all our production facilities, but we generally rent our administrative offices.

The following table sets forth our properties as of December 31, 2013 by location of facilities, products produced and size of plant.

<u>Type of Product or Service</u>	Location of Facilities	Size of Plant (in hectares)(1)
Basic petrochemicals	Triunfo	152.8
Basic petrochemicals	Santo André	74.1

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Basic petrochemicals	Camaçari	65.5
Basic petrochemicals	Duque de Caxias	53.0
Polypropylene	Paulínia	39.7
Polyethylene	Triunfo	30.5
Polyethylene	Camaçari	24.5
Polyethylene	Cubatão	17.6
Polyethylene	Santo André	15.8
Polyethylene	Duque de Caxias	15.0
Polypropylene	LaPorte, Texas	87.0
Polypropylene	Neal, West Virginia	27.1
Polypropylene	Mauá	15.8
Polypropylene	Duque de Caxias	15.0
Polypropylene	Camaçari	13.2
Polypropylene	Triunfo	10.0
Polypropylene	Marcus Hook, Pennsylvania	6.9
Polypropylene	Freeport, Texas	8.9
Polypropylene	Seadrift, Texas	2.5
Polypropylene	Schkopau, Germany	3.7
Polypropylene	Wesseling, Germany	26.0
Caustic soda/chlorine	Maceió	15.0
PVC/caustic soda/chlorine	Camaçari	12.6
PVC	Marechal Deodoro	186.7
Distribution Center	Vila Prudente/Capuava	3.2

(1) One hectare equals 10,000 square meters.

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We believe that all of our production facilities are in good operating condition. As of December 31, 2013, the consolidated net book value of our property, plant and equipment was R\$25,413.5 million.

The following properties are mortgaged or pledged to secure certain of our financial transactions: (1) our basic petrochemicals plant and our polyethylene plant located in the Southern Complex; (2) our chloro-soda plant and PVC plant located in the Northeastern Complex; (3) our basic petrochemicals plant and our polyethylene plant located in São Paulo Complex; (4) our chloro-soda plant and PVC plant located in the State of Alagoas; and (5) our basic petrochemicals plant, our polyethylene plant and our polypropylene plant located in the Rio de Janeiro Complex.

Insurance

In addition to the policies described below for our Brazilian and international operations, we maintain other insurance policies for specific risks, including directors and officers liability coverage, workers' compensation, employers practice liability and automotive insurance.

We do not anticipate having any difficulties in renewing any of our insurance policies and believe that our insurance coverage is reasonable in amount and consistent with industry standards applicable to chemical companies operating globally.

Operations in Brazil, the United States and Germany

We carry insurance for all our plants against material damage and consequent business interruption through comprehensive "all risk" insurance policies.

The all risks insurance program for our plants provides for a total replacement value of US\$22.6 billion for property damage. This insurance program is underwritten through separate policies in Brazil and the United States by large insurance companies. This all risk insurance program/policies are in force until October 2015.

The material damage insurance for our plants provides insurance coverage for losses due to accidents resulting from fire, explosion and machinery breakdown, among others. This coverage has a maximum indemnification limit of US\$2 billion per event (combined material damage and business interruption coverage) for the Brazilian plants and US\$250 million (combined material damage and business interruption coverage, excluding wind damage, which has a maximum indemnification limit of \$200 million per event) for our plants in the United States and Germany. Our policies have deductibles of up to US\$15 million, depending on the plant.

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The business interruption coverage under our policies provides coverage for losses resulting from interruptions due to any material damage covered by the policy. The losses are covered with maximum indemnity periods ranging from 12 to 24 months and deductibles ranging from 45 to 60 days, depending on the plant.

As a part of our insurance program, we also have a third-party liability policy for our operations, which covers losses for damages caused to third parties from our operations, including sudden environmental pollution.

Operations in Mexico

We have an insurance program for our Project Ethylene XXI project in Mexico that provides coverage for the project during the construction and testing stages until the commencement of operations, which is expected to occur in 2015. This insurance program is comparable to policies issued by large insurance companies in Mexico and includes: (1) all risk policies for construction and delays in commencement of operations up to an aggregate amount of US\$4.1 billion, (2) terrorism coverage up to a limit of US\$900 million, (3) marine cargo coverage up to a limit per shipment of US\$50 million and (4) delays in commencement of operations up to a combined limit of US\$629 million. The project also has comprehensive third-party liability insurance coverage for the construction and testing period.

ITEM 4A. UNRESOLVED STAFF COMMENTS

Not Applicable.

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ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following discussion of our financial condition and results of operations should be read in conjunction with our audited consolidated financial statements as of December 31, 2012 and 2011 and for the three years ended December 31, 2012, included in this annual report, as well as with the information presented under “Presentation of Financial and Other Information” and “Item 3. Key Information—Selected Financial and Other Information.”

The following discussion contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those discussed in the forward-looking statements as a result of various factors, including those set forth in “Cautionary Statement with Respect to Forward-Looking Statements” and “Item 3. Key Information—Risk Factors.”

Overview

Our results of operations for the years ended December 31, 2013, 2012 and 2011 have been influenced, and our results of operations will continue to be influenced, by a variety of factors, including:

- the growth rate of Brazilian GDP, which grew by an annual rate of an estimated 2.3% in 2013, 0.9% in 2012 and 2.7% in 2011, which affects the demand for our products and, consequently, our domestic sales volume;
- the expansion of global production capacity for the products that we sell and the growth rate of the global economy;
- the international market price of naphtha, our principal raw material, expressed in dollars, which has a significant effect on the cost of producing our products and which has been volatile during the three years ended December 31, 2013, fluctuating in a range between US\$816 and US\$992 per ton during 2013, between US\$729 and US\$1,069 during 2012 and between US\$854 and US\$1,053 during 2011;
- the average domestic prices of our principal products expressed in dollars, which fluctuate to a significant extent based on fluctuations of international prices for these products and which also have a high correlation to our raw material costs;
- our capacity utilization rates, which increased in 2013, primarily as a result of the improvement in the petrochemical sector;
- government industrial policy adopted by the government of Brazil;
- sales outside Brazil, which increased to R\$17.5 billion in 2013 from R\$15.6 billion in 2012;
- changes in the *real*/U.S. dollar exchange rate, including the depreciation of the *real* against the U.S. dollar by 14.6% in 2013, 8.9% in 2012 and 12.6% in 2011, which have affected our financial expenses as a result of our significant U.S. dollar-denominated liabilities that require us to make principal and interest payments in U.S. dollars;
- the level of our outstanding indebtedness, fluctuations in benchmark interest rates in Brazil, which affect our interest expenses on our *real*-denominated floating rate debt, and fluctuations in the LIBOR rate, which affect our interest expenses on our dollar-denominated floating rate debt;

- the inflation rate in Brazil, which was 5.5% in 2013, 7.8% in 2012 and 5.1% in 2011, in each case, as measured by the IGP-DI, and the effects of inflation on our operating expenses denominated in *reais* and our *real*-denominated debt that is indexed to take into account the effects of inflation or bears interest at rates that are partially adjusted for inflation; and

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- the tax policies adopted by, and resulting tax obligations to, the Brazilian government and the governments of the Brazilian states in which we operate.

Our financial condition and liquidity is influenced by various factors, including:

- our ability to generate cash flows from our operations and our liquidity;
- prevailing Brazilian and international interest rates and movements in exchange rates, which affect our debt service requirements;
- our ability to continue to be able to borrow funds from Brazilian and international financial institutions and to sell our debt securities in the Brazilian and international securities markets, which is influenced by a number of factors discussed below;
- our capital expenditure requirements, which consist primarily of maintenance of our operating facilities, expansion of our production capacity and research and development activities; and
- the requirement under Brazilian law and our by-laws that we pay dividends on an annual basis in an amount equal to at least 25% of our adjusted net income, unless our board of directors deems it inconsistent with our financial position and the decision of our board of directors is ratified by our shareholders.

Financial Presentation and Accounting Policies

Presentation of Financial Statements

We have prepared our audited consolidated financial statements as of December 31, 2013 and 2012 and for each of the years ended December 31, 2013, 2012 and 2011 in accordance with IFRS.

Our consolidated financial statements have been prepared in accordance with International Accounting Standards, or IAS, 27 (Consolidated and Separate Financial Statements) and 31 (Interests in Joint Ventures). Beginning on January 1, 2012, we adopted the alternative provided by IAS 31 under which jointly controlled investments may initially be valued at their acquisition cost and subsequently valued using the equity method. Prior to January 1, 2012, we proportionally consolidated these investments. As we believe that the information relating to jointly controlled companies is not material to our financial statements, we have not restated such information prior to January 1, 2012 has not been restated.

As a result of our decision to dispose of our former subsidiary Cetrel, which we sold in December 2012, and our former subsidiary Braskem Distribuidora, which we sold in December 2012, we have recorded the operations of these subsidiaries as discontinued operations as from January 1, 2010. In accordance with IFRS, we have not made adjustments to our balance sheet.

Operating Segments and Presentation of Segment Financial Data

We believe that our organizational structure as of December 31, 2013 reflected our business activities and corresponded to our principal products and production processes. As described in “—Results of Operations,” we no longer record results for our distribution segment as the operations of this segment are accounted for as discontinued operations. As of December 31, 2013, we had five production business units and reported our results by five

corresponding segments to reflect this organizational structure:

- *Basic Petrochemicals*—This segment includes (1) our production and sale of basic petrochemicals at the Northeastern Complex and the Southern Complex, (2) our production and sale of basic petrochemicals at the São Paulo Complex and the Rio de Janeiro Complex, and (3) our supply of utilities produced at these complexes to second generation producers, including some producers owned or controlled by our company.

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- *Polyolefins*—This segment includes the production and sale of polyethylene, including the production of “green polyethylene” from renewable resources, and polypropylene by our company, excluding the operations of Braskem Europe.
- *USA and Europe*—This segment includes the operations of Braskem America, which consists of the production and sale of polypropylene in the United States and the operations of our two polypropylene plants in Germany.
- *Vinyls*—This segment includes our production and sale of PVC, caustic soda and EDC. We produce EDC, the principal feedstock used in the production of PVC. In 2013, we used all of our EDC production for further processing into PVC. Although we have historically sold EDC to third parties, we do not expect to do so in the future due to the opening of our new PVC plant in Alagoas in August 2012, as a result of which we use all of the EDC we produce internally.
- *Chemical distribution*—This segment includes operations of QuantiQ and IQAG, which consists of distribution of petroleum-based solvents, intermediate chemicals, special chemicals and pharmacons.

We have included a reconciliation of the results of operations of our segments, as they existed as of December 31, 2013, to our consolidated results of operations under “—Results of Operations” below.

Critical Accounting Policies

The presentation of our financial condition and results of operations in conformity with IFRS requires us to make certain judgments and estimates regarding the effects of matters that are inherently uncertain and that impact the carrying value of our assets and liabilities. Actual results could differ from these estimates. In order to provide an understanding about how we form our judgments and estimates about certain future events, including the variables and assumptions underlying the estimates, and the sensitivity of those judgments to different variables and conditions, we have included comments related to the following critical accounting policies under IFRS:

- *Impairment of property, plant and equipment and non-financial assets.* Our goodwill based on expected future profitability and property, plant and equipment as of December 31, 2013 were R\$2,058.9 million and R\$25,413.5 million, respectively. The recoverable value of property, plant and equipment and other noncurrent assets including intangible assets (other than goodwill based on expected future profitability) are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable value of goodwill based on expected future profitability is reviewed for impairment on an annual basis. An impairment loss is recognized for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of (1) an asset’s fair value less costs to sell; and (2) its value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows that can be cash-generating units or operating segments. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

We did not record any impairment charges in the years ended December 31, 2013, 2012 and 2011. As of December 31, 2013, we do not believe that any of our cash generating units were at risk of impairment.

Our impairment tests of goodwill consider the lowest level of cash-generating operations at (1) the Southern Complex in the Basic Petrochemicals Unit, (2) the Polyolefins Unit and (3) the Vinyls Unit.

The discount rate applied is based on the weighted average cost of capital for our company at the relevant dates of valuation. Our projections include assumptions regarding (1) volumes that consider our current and projected production; (2) prices based on a sales prices cycle of approximately five years for our products; (3) costs of goods sold based on international reference prices; and (4) capital expenditures projected for future years. The current price cycle has exhibited low margins during the last three years, which reached a low point in 2012 due to global economic volatility. Changes to our projected margins resulting from changes in the petrochemical cycle, global economic conditions or strategic decisions to suspend or terminate production of certain products and to close the related plants could significantly impact our impairment charges. The impairment test performed as of October 31, 2012 supports a 5% negative fluctuation in contribution margin without changing the impairment result.

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- *Valuation of derivative instruments.* We use swaps, non-deliverable forwards and other derivative instruments to manage risks from changes in foreign exchange, interest rates and commodities prices. We record these instruments at their estimated fair market value based on market quotations for similar instruments, and based on standard mark-to-market practices, which take into account reliable market curves for interest rates, foreign exchange rates and commodities prices.
- *Deferred Income Tax and Social Contribution.* We recognize deferred income tax and social contribution assets and liabilities based on the differences between the financial statement carrying amounts and the tax basis of assets and liabilities using prevailing tax rates. We regularly review any deferred income tax and social contribution assets for recoverability and reduce their carrying value based on our historical taxable income, projected future taxable income and the expected timing of any reversals of existing temporary differences. If one of our subsidiaries operates at a loss or is unable to generate sufficient future taxable income, or if there is a material change in the actual effective tax rates or the time period within which the underlying temporary differences become taxable or deductible, we evaluate the need to reduce partially or completely the carrying value of our deferred income tax and social contribution assets.
- *Provisions and Contingencies.* We are currently involved in numerous judicial and administrative proceedings, as described under “Item 8. Financial Information—Legal Proceedings,” and in notes 24 and 29 to our audited consolidated financial statements. We record accrued liabilities for provisions that we deem probable of creating an adverse effect on our results of operations or financial condition. For the main contingencies that we deem possible of creating an adverse effect on our results of operations or financial condition, we disclose relevant information regarding the proceedings in accordance with IAS 37. Additionally, the contingencies assumed in a business combination for which an unfavorable outcome is considered possible are recognized at their fair value on the acquisition date. We believe that these judicial and administrative proceedings are properly recognized or disclosed in our financial statements.
- *Allowance for doubtful accounts.* We record an allowance for doubtful accounts in an amount considered sufficient to cover estimated losses on the realization of our trade accounts receivable, taking into account our loss experience and the aging of our accounts receivable. Additionally, we analyze, on a monthly basis, the amounts and characteristics of trade accounts receivable compared to our pre-defined credit limits for our customers in order to determine if additional provisions are required. As of December 31, 2013, our total trade accounts receivable was R\$3,155.1 million and the provision for doubtful accounts was R\$282.8 million. Significant changes in our historical loss experience on accounts receivable which are not apparent through our aging analysis could require significant changes to our provisions for doubtful accounts.
- *Pension plans.* For defined benefit plans that we sponsor, we calculate our funding obligations based on calculations performed by independent actuaries using assumptions provided by the plan’s management, such as interest rates investment returns, and levels of inflation, and provided by the actuaries, such as mortality rates and future employment levels. Collectively, these assumptions directly impact our liability for accrued pension costs and the amounts we record as pension costs, although individual assumptions are not expected to be material.
- *Useful life of long-lived assets.* We recognize the depreciation of long-lived assets based on their estimated useful life, which in turn is based on industry practices and previous experience. However, the actual useful life can vary based on the current state of technologies at each unit. The useful life of the long-lived asset also affects the impairment testing. We do not believe that there are any indications of material change in the estimates and assumptions used in the calculation or the impairment losses of long-lived assets. However, if the actual results are not

consistent with the estimates and assumptions used in the future cash flows estimating the fair value of the assets, we could be exposed to potentially significant losses.

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- *Valuation of assets and liabilities in business combinations.* We have entered into certain business combinations in accordance with IFRS, as described in note 5 to our audited consolidated financial statements. In this regard, we hire specialized service providers to evaluate the fair value of the assets acquired and liabilities assumed. We allocate the cost of the entity acquired to the assets acquired and liabilities assumed, on a fair value basis, estimated at the date of acquisition. Any difference between the cost of the acquisition and the fair value of the assets acquired and liabilities assumed is recorded as goodwill or a gain on bargain purchase. We exercise significant judgment in the process of identifying the tangible and intangible assets and liabilities, valuing such assets and liabilities in determining the remaining useful life. Assumptions used to value those assets and liabilities include estimates of discounted cash flows or discount rates and may result in a difference between the estimated and actual values. If the actual results are not consistent with the estimates and assumptions used, we could be exposed to potentially significant losses.

Principal Factors Affecting Our Results of Operations***Effects of the Dow Propylene Acquisition******Dow Polypropylene Acquisition***

On September 30, 2011, we acquired the polypropylene business of Dow for US\$323 million, excluding acquisition cost, and paid US\$166 million related to our assumption of certain trade payables. This business is conducted through four polypropylene plants located in Freeport and Seadrift, Texas, United States and Wesseling and Schkopau, Germany, with an aggregate annual production capacity of 1,050 tons. In addition to these plants, we acquired inventory, accounts receivable, business know-how, certain product and process technology, and customer contracts and lists. As a result of the completion of the Dow Polypropylene Acquisition, we believe that we have the largest polypropylene production capacity of United States producers and we now have a manufacturing presence in the European polypropylene market. We have consolidated the results of the acquired polypropylene business in our financial statements as from October 1, 2011.

We accounted for this acquisition under the purchase method. In the financial statements for the year ended December 31, 2011, the amounts were allocated, on a preliminary basis, to the assets acquired and liabilities assumed by the acquirers. Independent appraisers were hired to ensure that the assets were acquired and the liabilities were assumed at fair value. Because the acquisition cost for the polypropylene business of Dow of R\$570.7 million was lower than the fair value on the acquisition date of the net assets acquired of R\$600.7 million, the difference of R\$30.0 million was recognized in our statement of operations as a gain from business combination. In the second quarter of 2012, independent experts concluded the assessment of the fair value of the assets we acquired and the liabilities we assumed in the Dow Polypropylene Acquisition. As a result, and as required by IFRS 3, we recognized the amounts of the adjustments in the 2011 financial statements, which principally impacted (1) the line items “property, plant and equipment” and “deferred income tax” in the balance sheet and (2) gain recognition in the line item “results from business combination” in the statement of operations.

Our acquisition of the polypropylene business of Dow has increased the volume of our sales from polypropylene and the related net sales revenue as from October 1, 2011 as a result of the consolidation in our financial statements of the consolidated results of operations of Braskem America.

Growth of Brazil’s GDP and Domestic Demand for Our Products

Our sales in Brazil represented 57.5% of our net sales revenue in the year ended December 31, 2013. As a Brazilian company with a substantial majority of our operations in Brazil, we are significantly affected by economic conditions in Brazil. Our results of operations and financial condition have been, and will continue to be, affected by the growth rate of Brazilian GDP because our products are used in the manufacture of a wide range of consumer and industrial products.

Because of our significant market share in many of the Brazilian markets in which our petrochemical products are sold, fluctuations in Brazilian demand for polyethylene, polypropylene and PVC affect our production levels and net sales revenue. Brazilian GDP grew at an estimated compound average annual rate of 3.5% from 2004 through 2013. From 2004 through 2013, the apparent consumption volumes in Brazil of polyethylene (including EVA), polypropylene and PVC increased at compound average annual rates of 4.6%, 4.9% and 8.0%, respectively.

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The following table sets forth the growth rates of Brazilian GDP and domestic apparent consumption for polyethylene, polypropylene and PVC for the periods presented.

	Year Ended December 31,				
	2013	2012	2011	2010	2009
Brazilian GDP	2.3%	0.9%	2.7%	7.5%	(0.3)%
Brazilian consumption of polyethylene	10.2	2.9	(3.4)	22.8	6.4
Brazilian consumption of polypropylene	8.7	4.5	(4.0)	18.1	(3.4)
Brazilian consumption of PVC	2.4	(1.1)	5.7	18.9	(10.5)

Source: Brazilian government, IPEA and ABIQUIM

Brazilian GDP growth has fluctuated significantly, and we anticipate that it will likely continue to do so. Our management believes that economic growth in Brazil should positively affect our future net sales revenue and results of operations. However, continued low growth or a recession in Brazil would likely reduce our future net sales revenue and have a negative effect on our results of operations.

The Brazilian economy slowed in 2011, registering GDP growth of only 2.7%. This reduced growth rate, combined with an increase in imports of finished goods primarily as a result of the ICMS tax benefits granted by certain Brazilian ports and the effects of the stronger reais throughout much of the year, led to a decline in domestic resin sales volume of 0.8%. Brazilian apparent consumption volumes of polyethylene declined by 3.4%, polypropylene declined by 4.0% and PVC increased by 5.7%.

Despite government incentives, the Brazilian economy did not grow as expected in 2012, registering an increase in GDP growth of only 0.9%. Even with the slower growth, Brazilian consumption volumes increased by 2.9% for polyethylene and 4.5% for polypropylene, primarily as a result of a decline of imports of resins and finished goods and the depreciation of the *real* against the U.S. dollar, and declined by 1.1% for PVC.

In 2013, Brazilian GDP growth fell short of market expectations and increased by only 2.3% in 2013. However, the stronger performance of certain sectors, such as food, infrastructure, automotive and agribusiness, and the trend toward restocking supply chains positively influenced apparent consumption of thermoplastic resins, which increased by 10.2% for polyethylene, 8.7% for polypropylene and 2.4% for PVC.

We generally obtain higher prices in Brazil for our products than the prevailing international prices. The difference in prices between the Brazilian and export markets results from:

- high costs of transporting products to and within Brazil;
- warehousing, and other logistics costs; and
- tariffs and duties.

In addition, we are generally able to charge higher prices for our products than the *real* price of imports because we are able to provide better product customization services to our customers than sellers of imported products.

During periods in which the domestic demand for our products is reduced, we actively pursue export opportunities for our products in order to maintain capacity utilization rates. During periods of increased domestic demand for our products, our export sales volumes may decline as we increase domestic sales of our products.

We believe that domestic demand for thermoplastic resins may continue to be affected by global macroeconomic factors. In addition, although the volume of our basic petrochemical and thermoplastic resin sales has recovered significantly from the levels experienced in the fourth quarter of 2008, exports of basic petrochemicals now constitute a larger percentage of our sales than has historically been the case, a trend that we believe is likely to continue in the future.

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Global consumption of petrochemical products has increased significantly over the past 30 years. Due to this growth in consumption, producers have experienced periods of insufficient capacity for these products. Periods of insufficient capacity, including some due to raw material shortages, have usually resulted in increased capacity utilization rates and international market prices for our products, leading to increased domestic prices and operating margins. These periods have often been followed by periods of capacity additions, which have resulted in declining capacity utilization rates and international selling prices, leading to declining domestic prices and operating margins.

We expect that these cyclical trends in international selling prices and operating margins relating to global capacity shortfalls and additions will likely persist in the future, principally due to the continuing impact of four general factors:

- cyclical trends in general business and economic activity produce swings in demand for petrochemicals;
- during periods of reduced demand, the high fixed cost structure of the capital intensive petrochemicals industry generally leads producers to compete aggressively on price in order to maximize capacity utilization;
- significant capacity additions, whether through plant expansion or construction, can take two to three years to implement and are therefore necessarily based upon estimates of future demand; and
- as competition in petrochemical products is generally focused on price, being a low-cost producer is critical to improved profitability. This favors producers with larger plants that maximize economies of scale, but construction of plants with high capacity may result in significant increases in capacity that can outstrip demand growth.

A variety of petrochemical companies have announced plans to build significant additional ethylene production capacity, primarily in Asia, the Middle East and North America. According to IHS, 32.7 million tons of annual global ethylene capacity is scheduled to be commissioned between 2014 and 2018, including approximately 11.7 million tons of annual capacity in China and 6.5 million tons of annual capacity in the Middle East. According to IHS, the majority of the new capacity in China (5.7 million tons of annual capacity) will be based on coal as their principal feedstock. The majority of the new capacity in the Middle East (3.5 million tons of annual capacity) will be based on ethane as their principal feedstock. However, expansions of ethylene capacity are frequently subject to delays, and we cannot predict when the planned additional capacity will be commissioned, if at all.

The contraction of demand in the United States led thermoplastic resin producers in the United States to increase the volume of exports of their thermoplastic products in the second half of 2008, leading to greater price competition in the export markets that we serve, which led to a decline in margins available to us in our export sales of these resins. In 2009, this price competition from United States producers abated somewhat following the decision of resin producers in the United States to shut down, temporarily or permanently, a portion of their production capacity. However, international pricing pressures increased in 2010 and continued during 2011 and 2012 as the price differential between naphtha and gas increased and producers using ethane as raw materials were able to maintain competitive margins at sales prices lower than those required by some naphtha based producers. In 2013, the global economy showed signs of recovery, as reflected by the improved performance of the U.S. economy and indications that the euro zone had begun to emerge from crisis. This scenario helped support a recovery in the profitability of the global petrochemical industry, and the spreads for thermoplastic resins and main basic petrochemicals improved during the year.

We believe that this pricing pressure will continue through 2013 as some ethylene production in the United States is converted from naphtha to more competitive feedstocks such as ethane, resulting in higher spreads and consequently new projects to increase ethylene capacities based on lighter feedstocks.

Based on historical growth of demand for polyethylene, polypropylene and PVC, we believe that the additional capacity introduced in the market in 2011, 2012 and 2013 will be absorbed by the market in the medium-term. However, the production generated by this increase in capacity may lead to continued pressure on prices in the international markets and an increase in competition from imports in the Brazilian markets, which could adversely affect our net sales revenues, gross margins and overall results of operations.

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Effects of Fluctuations in Naphtha Prices

Fluctuations in the international market price of naphtha have significant effects on our costs of goods sold and the prices that we are able to charge our customers for our first and second generation products. Political instability in the Middle East, sanctions and other actions relating to Iran, or similar events that may occur in the future may lead to unpredictable effects on the global economy or the economies of the affected regions, have had and may continue to have negative effects on oil production and price volatility, consequently driving naphtha and petrochemical prices higher worldwide.

Effects on Cost of Sales

Naphtha is the principal raw material used by our Basic Petrochemicals Unit and, indirectly, in several of our other business units. Naphtha and condensate accounted for approximately 72.7% of the total cost of sales of our Basic Petrochemicals Unit during 2013. Naphtha accounted for approximately 68.7% of our direct and indirect consolidated cost of sales and services rendered during 2013.

The cost of naphtha varies in accordance with international market prices, which fluctuate depending upon the supply and demand for oil and other refined petroleum products. We purchase naphtha under a long-term supply contract with Petrobras, and we import naphtha from other suppliers through our terminal at Aratú in the State of Bahia and Petrobras' terminal at Osório in the State of Rio Grande do Sul. The prices that we pay for naphtha under these arrangements, other than our supply contract with Petrobras, are based on the Amsterdam-Rotterdam-Antwerp market price for naphtha. As a result, fluctuations in the Amsterdam-Rotterdam-Antwerp market price for naphtha have had a direct impact on the cost of our first generation products.

Our contracts with Petrobras provides for naphtha prices based on a variety of factors, including the market prices of naphtha and other basic petrochemical derivatives, the volatility of the prices of these products in the international markets, the *real*/U.S. dollar exchange rate, and the level of paraffinicity of the naphtha that is delivered. We believe that these contracts have reduced the exposure of the cost of our first generation products to fluctuations in the Amsterdam-Rotterdam-Antwerp market price for naphtha.

The international price of naphtha has fluctuated significantly in the past, and we expect that it will continue to do so in the future. Significant increases in the price of naphtha and, consequently, the cost of producing our products, generally reduce our gross margins and our results of operations to the extent that we are unable to pass all of these increased costs on to our customers, and may result in reduced sales volumes of our products. Conversely, significant decreases in the price of naphtha and, consequently, the cost of producing our products, generally increase our gross margins and our results of operations and may result in increased sales volumes if this lower cost leads us to lower our prices. In periods of high volatility in the U.S. dollar price of naphtha, there is usually a lag between the time that the U.S. dollar price increases or decreases and the time that we are able to pass on increased, or required to pass on reduced, costs to our customers in Brazil. These pricing discrepancies decrease when the U.S. dollar price of naphtha is less volatile.

We do not currently hedge our exposure to changes in the prices of naphtha because a portion of our sales are exports payable in foreign currencies and linked to the international market prices of naphtha and also because the prices of our polyethylene, polypropylene and PVC products sold in Brazil generally reflect changes in the international market prices of these products.

Effects on Prices of Our Products

The prices that we charge for many of our basic petrochemical products are determined by reference to the European contract prices for these products. Because European producers of basic petrochemical products primarily use naphtha as a raw material, changes in the European contract prices are strongly influenced by fluctuations in international market prices for naphtha. To the extent that our prices are based on the European contract prices for our products, the prices that we charge for these products are significantly influenced by international market prices for naphtha.

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We negotiate the real prices for certain of our products, principally polyethylene, polypropylene and PVC, on a monthly basis with our domestic customers. We attempt to revise our prices to reflect (1) changes in the international market prices of these products, which tend to fluctuate in tandem with naphtha prices, and (2) the appreciation or depreciation of the *real* against the U.S. dollar. However, during periods of high volatility in international market prices or exchange rates, we are sometimes unable to fully reflect these changes in our prices in a prompt manner.

The international market prices of our petrochemical products have fluctuated significantly, and we believe that they will continue to do so. Volatility of the price of naphtha and the upward trend in the price of petroleum and naphtha have effects on the price competitiveness of our naphtha-based crackers and our resins. Because pricing trends for naphtha and ethane have diverged in recent years to a greater extent than has been the case historically, producers of ethylene and resin products derived from ethane generally have experienced lower unit raw material costs than naphtha-based producers of these products. As a consequence, significant increases in the pricing differential between naphtha and gas increases the competitiveness of products derived from ethane and may result in pricing pressure in the international markets.

Significant increases in the international market prices of our petrochemical products and, consequently, the prices that we are able to charge, generally increase our net sales revenue and our results of operations to the extent that we are able to maintain our operating margins and increased prices do not reduce sales volumes of our products. Conversely, significant decreases in the international prices of our petrochemical products, and, consequently, the prices that we charge, generally reduce our net sales revenue and our results of operations if we are unable to increase our operating margins or these reduced prices do not result in increased sales volumes of our products.

Capacity Utilization

Our operations are capital intensive. Accordingly, to obtain lower unit production costs and maintain adequate operating margins, we seek to maintain a high capacity utilization rate at all of our production facilities.

The table below sets forth capacity utilization rates with respect to the production facilities for some of our principal products for the periods presented.

	Year Ended December 31,		
	2013	2012	2011
Ethylene	90%	89%	83%
Polyethylene	85%	84%	79%
Polypropylene	83%	84%	82%(1)
PVC(42)	83%	84%	86%

(1) Giving effect to our consolidation of the results of the acquired Dow polypropylene assets as from October 1, 2011.

(2) Giving effect to our new PVC plant in Alagoas in August 2012.

The utilization rate of our basic petrochemicals, polyolefins and vinyls plants in the Northeastern Complex and Alagoas was adversely affected during the first quarter of 2011 as a result of an interruption of the supply of energy in the north and northeast regions of Brazil. This power failure caused damage to our basic petrochemicals plants in the Northeastern Complex, which required us to undertake certain repairs to our plants and reduced the capacity utilization of these plants and the related plants of our Polyolefins Unit and our Vinyls Unit as we ramped up production to normal utilization levels following this power failure. We estimate that as a result of this power failure, production of ethylene was reduced by approximately 90,000 tons during the 2011, with consequent declines in production of polyethylene, polypropylene and vinyls products.

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In addition, the utilization rate of our ethylene production capacity was adversely affected during 2011 as a result of programmed maintenance shutdowns of the Northeastern Complex's Olefins 1 for 33 days in November and December 2011, the Southern Complex's Olefins 2 for 31 days in October and November 2011 and the Rio de Janeiro Complex for 33 days in June, July and August 2011.

In August 2012, our new PVC plant in Alagoas commenced operations with an annual production capacity of 200,000 tons. In June 2012, we expanded our annual production capacity of butadiene by 100,000 tons as a result of the completion of our butadiene plant in the Southern Complex, which was formally inaugurated in September 2012.

In 2013, our utilization rate was affected by a power outage that occurred on August 28, 2013, which affected the entire Brazilian Northeast and caused unscheduled shutdowns at our plants in the region. In addition, the utilization rate of our ethylene production capacity was adversely affected during 2013 as a result of planned maintenance shutdowns of the Northeastern Complex's Olefins 1 unit for 40 days in September, October and November of 2013.

Effects of Brazilian Industrial Policy

The Brazilian government has a significant influence in some sectors of the domestic economy, including the petrochemical sector in which we operate. The Brazilian government is actively involved in undertaking measures to manage the valuation of the Brazilian *real* and to improve the competitiveness of Brazilian manufacturers under the "Brasil Maior" economic stimulus plan. Additionally, the Brazilian government has adopted, or is considering adopting, measures to boost the competitiveness of domestic companies, as described below.

Reintegra

In December 2011, the Brazilian government implemented the "Reintegra" program, which is designed to improve the competitiveness of Brazilian plastics producers in the export markets by refunding the federal taxes levied on their export sales. As a result of this incentive, exports of third generation products by Brazilian companies have increased therefore increasing Brazilian demand for our products. This program was scheduled to expire at the end of December 2012, but was extended to the end of December 2013, when it expired.

Import Tariffs at Local Ports

Historically, tariffs on imports have been established by the federal government. However, in recent years, five Brazilian states established tax benefits to attract imports at local ports in order to raise revenue and develop local port infrastructure, primarily in the form of reductions of ICMS taxes that would otherwise be due to these states. Industry and union leaders alleged that such legislation creates a subsidy for imported products, thereby harming local industry.

On January 1, 2013, legislation took effect reducing the maximum ICMS tax that the state can charge from a rate of 12% to 4% on interstate sales of imported raw materials and other goods that are not wholly or partially manufactured in Brazil. In addition to certain other limited exceptions, this tax reduction does not apply to imported goods that do not have Brazilian-made substitutes. As a result, beginning in January 1, 2013, Brazilian states are no longer able to attempt to attract imports at local ports by offering tax benefits in the form of reduced ICMS tax rates.

Pricing and Tariffs

We set prices for ethylene, the principal first generation petrochemical product that we sell to third-party second generation producers, by reference to international market prices. See "—Basic Petrochemicals Unit—Sales and Marketing

of Our Basic Petrochemicals Unit.” Prices paid by second generation producers for imported first generation petrochemical products partly reflect transportation and tariff costs. We establish the prices of ethylene by-products, such as butadiene, by reference to several market factors, including the prices paid by second generation producers for imported products. Prices paid for such imports also reflect transportation and tariff costs.

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Second generation producers, including our company, generally set prices for their petrochemical products by reference to several market factors, including the prices paid by third generation producers for imported products. Prices paid for such imports also reflect transportation and tariff costs.

The Brazilian government has frequently used import tariffs to implement economic policies. As a result, import tariffs imposed on petrochemical products have varied in the past and may vary significantly in the future. Tariffs on imports of first generation petrochemical products, primarily propylene, were set at 2.0% in 2004, and tariffs on polyethylene, polypropylene and PVC resins were set at 14.0% in 2004.

Imports and exports within the free trade area in South America (*Mercado Comum do Sul*), or Mercosul, which is composed of Argentina, Brazil, Paraguay and Uruguay, have not been subject to tariffs since December 2001. Imports of suspension PVC from Colombia are not subject to tariffs and imports of suspension PVC from Venezuela are subject to reduced tariffs of 5.6% under the *Programa de Liberalização Comercial*, under which imports from these countries are lower than generally applicable tariffs.

Imports of suspension PVC from the U.S. and Mexico have been subject to tariffs of 16.0% and 18.0%, respectively, since 1992 as a result of the imposition of anti-dumping duties by the Brazilian Foreign Trade Chamber (*Câmara de Comércio Exterior*), or CAMEX, of the Ministry of Development, Industry and Trade. In 2005, the anti-dumping tariff regime was changed so that tariffs were assessed on a sliding scale (from 0% to 16.0% and 0% to 18.0% for the U.S. and Mexico, respectively), in which the rate of tariffs is determined based on a variety of factors, including the price of the products and the likelihood that imports of these products will adversely affect local industry. In September 2011, however, CAMEX changed the application of the anti-dumping practices for imports from the U.S. to an *ad valorem* rate of 16%, maintaining the sliding scale for Mexico.

Since 2008, imports of suspension PVC from China have been subject to tariffs ranging between 10.5% and 21.6%, and imports of suspension PVC from South Korea have been subject to tariffs ranging between 0% and 18.9%, depending on the producer, as a result of the imposition of anti-dumping duties by CAMEX. These duties will expire in August 2014.

Additionally, in December 2010, CAMEX imposed on an additional anti-dumping tariff of 10.6% on polypropylene imports for a period of five years. The Brazilian anti-dumping tariff regime is scheduled to expire in December 2015.

In 2013, approximately 28% of Brazilian polyethylene, polypropylene and PVC resins were imported products, which reflected a 18.8% annual increase in the volume of resins imported, reflecting the increase in the demand for thermoplastic resins in Brazil. For more information, see “Effects of Brazilian Industrial Policy—Import Tariffs at Local Ports.”

Increased Import Duties on Polyethylene

As part of its initiative to strengthen domestic manufacturers, on October 1, 2012, the Brazilian government adopted a resolution that increased import duties on 100 products related to various industries, including an increase on the import tariff for polyethylene from 14% to 20%. This tariff increase expired in October 2013.

Legislative Change Affecting Accumulated ICMS

In May 2013, the State of São Paulo approved new legislation reducing ICMS on certain sales of naphtha, ethylene and propylene within the state. This reduction is conditioned upon certain requirements, including (1) the parties to the

transactions must use a specified governmental data processing system to issue and account for tax documents, and they must regularly comply with related obligations and (2) the seller must be accredited by the applicable governmental authority. We believe that we comply with this legislation and, as a result, we expect our accumulated ICMS in the State of São Paulo to be reduced by approximately R\$140.0 million in 2014.

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Effect of Sales Outside Brazil on Our Financial Performance

We have significant production capacity located outside of Brazil from our plants located in the United States and Germany, through our subsidiaries Braskem America and Braskem Europe.

During the past several years, as the relative cost of naphtha and gas as feedstocks for petrochemical crackers has diverged, many naphtha crackers, such as our company, have seen their margins come under increasing pressure as crackers using gas as a feedstock have become low-cost producers in the global markets. However, as gas crackers are unable to produce the co-products and byproducts that naphtha crackers generate, such as propylene, butadiene and BTX products, the prices of these products in the international markets have increased. As a result of the increased prices available for most of these co-products and byproducts, our net sales revenue from export sales of these products substantially increased and we believe that this increase in net sales revenue from exports of these products will continue in future periods in which the relative competitiveness of cracker feedstocks is disrupted.

During the year ended December 31, 2013, 42.5% of our net sales revenue was derived from sales of our products outside Brazil as compared with 42.4% during 2012 and 42.7% during 2011. Net sales revenues derived from sales outside Brazil increased by 13.7% during 2013 and increased by 8.3% during 2012.

During the year ended December 31, 2013, sales to customers in countries in the Americas (other than Brazil) accounted for 81.0% of our sales outside Brazil. During the year ended December 31, 2013, sales to customers in Europe accounted for 13.5% of our sales outside Brazil, and sales to customers in East Asia accounted for 5.5% of our sales outside Brazil.

Our ability to export to other countries is a function of the level of economic growth in these countries and other economic conditions, including prevailing inflation rates and interest rates. We believe that continued slow or negative growth in the global economy, coupled with the increase in global capacity in the petrochemical industry, may lead to reduced profitability of the global petrochemical industry, and consequently reduced margin for our products. In addition, reduced global demand for our products may impair our ability to export our products in response to a decline in domestic demand for these products.

Effects of Fluctuations in Exchange Rates between the Real and the U.S. Dollar

Our results of operations and financial condition have been, and will continue to be, affected by the rate of depreciation or appreciation of the *real* against the U.S. dollar because:

- a substantial portion of our net sales revenue is denominated in or linked to U.S. dollars;
- our costs for some of our raw materials, principally naphtha and certain catalysts required in our production processes, are incurred in U.S. dollars or are U.S. dollar-linked;
- we have operating expenses, and make other expenditures, that are denominated in or linked to U.S. dollars; and
- we have significant amounts of U.S. dollar-denominated liabilities that require us to make principal and interest payments in U.S. dollars.

Virtually all of our sales are of petrochemical products for which there are international market prices expressed in U.S. dollars. We generally attempt to set prices that take into account (1) the international market prices for our

petrochemical products, and (2) in Brazil, variations in the *real*/U.S. dollar exchange rate. As a result, although a significant portion of our net sales revenue is denominated in *reais*, substantially all of our products are sold at prices that are based on international market prices that are quoted in U.S. dollars.

Fluctuations in the *real* affect the cost of naphtha and other U.S. dollar-linked or imported raw materials. The price of naphtha, our principal raw material, is linked to the U.S. dollar. The pricing formula included in the contract with Petrobras under which we purchase naphtha for our basic petrochemical plants in the Northeastern Complex and in the Southern Complex includes a factor that adjusts the price to reflect the *real*/U.S. dollar exchange rate.

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The depreciation of the *real* against the U.S. dollar generally increases the production cost for our products and we generally attempt to increase the Brazilian prices for our products in *reais* (to the extent possible in light of then-prevailing market conditions in Brazil), which may result in reduced sales volumes of our products. To the extent that our price increases are not sufficient to cover the increased costs for raw materials, our operating margin decreases. Conversely, the appreciation of the *real* against the U.S. dollar generally decreases the production cost for our products and we generally decrease the Brazilian prices for our products in *reais*, which may result in increased sales volumes of our products. In periods of high volatility in the *real*/U.S. dollar exchange rate, there is usually a lag between the time that the U.S. dollar appreciates or depreciates and the time that we are able to pass on increased, or are required to pass on reduced, costs in *reais* to our customers in Brazil. These pricing discrepancies decrease when the *real*/U.S. dollar exchange rate is less volatile.

Our consolidated U.S. dollar-denominated indebtedness represented 69.6% of our outstanding indebtedness as of December 31, 2013. As a result, when the *real* depreciates against the U.S. dollar:

- the interest costs on our U.S. dollar-denominated indebtedness increase in *reais*, which adversely affects our results of operations in *reais*;
- the amount of our U.S. dollar-denominated indebtedness increases in *reais*, and our total liabilities and debt service obligations in *reais* increase; and
- our financial expenses tend to increase as a result of foreign exchange losses that we must record, mitigated by our decision to designate, on May 1, 2013, part of our dollar-denominated liabilities as a hedge for our future exports.

Appreciation of the *real* against the U.S. dollar has the converse effects.

Export sales and sales by our USA and Europe Unit, which enable us to generate receivables payable in foreign currencies, tend to provide a hedge against a portion of our U.S. dollar-denominated debt service obligations, but they do not fully match them. To further mitigate our exposure to exchange rate risk, we try, where possible, to enter into trade finance loans for our working capital needs, which funding is generally available at a lower cost because it is linked to U.S. dollar exports.

Effect of Level of Indebtedness and Interest Rates

As of December 31, 2013, our total outstanding consolidated indebtedness, net of transaction costs, was R\$18,602.5 million. The level of our indebtedness results in significant financial expenses that are reflected in our statement of operations. Financial expenses consist of interest expense, exchange variations of U.S. dollar- and other foreign currency-denominated debt, foreign exchange losses or gains, and other items as set forth in note 34 to our audited consolidated financial statements. In the year ended December 31, 2013, we recorded total financial expenses in the financial expenses line item of R\$2,549.1 million, of which R\$1,121.8 million consisted of interest expense, R\$300.3 million consisted of expenses related to monetary variation on financing and R\$78.5 million consisted of foreign exchange losses. The interest rates that we pay depend on a variety of factors, including prevailing Brazilian and international interest rates and risk assessments of our company, our industry and the Brazilian economy made by potential lenders to our company, potential purchasers of our debt securities and the rating agencies that assess our company and its debt securities.

Standard & Poor's, Moody's and Fitch maintain ratings of our company and our debt securities. Currently, Standard & Poor's, Moody's and Fitch maintain ratings of our company on a local and a global basis. On a global basis, Standard &

Poor's maintains a local currency rating for our company of "BBB— (stable)" and a foreign currency rating for our company of "BBB— (stable)," Moody's maintains a local currency rating for our company of "Baa3 (negative)," and Fitch maintains a local currency rating for our company of "BBB-/Negative Outlook" and a foreign currency rating for our company of "BBB-/Negative Outlook." Any decision by these 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 the inclusion of financial covenants in the instruments governing new indebtedness, and could significantly reduce our ability to obtain such financing on satisfactory terms or in amounts required by us and our liquidity and would require us to post cash collateral pursuant to our obligations."

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Brazilian inflation affects our financial performance by increasing some of our operating expenses denominated in *reais* (and not linked to the U.S. dollar). A significant portion of our costs of sales and services rendered, however, are denominated in or linked to the U.S. dollar and are not substantially affected by the Brazilian inflation rate. Some of our *real*-denominated debt is indexed to take into account the effects of inflation. Under this debt, the principal amount generally is adjusted with reference to the General Price Index—Market (*Índice Geral de Preços—Mercado*), an inflation index, so that inflation results in increases in our financial expenses and debt service obligations. In addition, a significant portion of our *real*-denominated debt bears interest at the TJLP or the CDI rate, which are partially adjusted for inflation.

Effect of Taxes on Our Income

We are subject to a variety of generally applicable Brazilian federal and state taxes on our operations and results. We are generally subject to Brazilian federal income tax (combined with Social Contribution on Net Income (*Contribuição Social Sobre o Lucro Líquido*), or CSLL) at an effective rate of 34%, which is the standard corporate tax rate in Brazil. We have available certain federal tax exemptions based upon federal law that offers tax incentives to companies that locate their manufacturing operations in the Brazilian states of Bahia and Alagoas. These exemptions have been granted for varying lengths of time to each of our manufacturing plants located in these states.

We are entitled to pay 25% of the statutory income tax rate on the profits arising from the sale of:

- PVC manufactured at our plant in the Northeastern Complex until December 31, 2013;
- polyethylene manufactured at one of our polyethylene plants in the Northeastern Complex until December 31, 2016; and
- PVC manufactured at our plant in the Alagoas until December 31, 2019.

Additionally, until December 31, 2012, we were entitled to pay 25% of the statutory income tax rate on the profits arising from the sale of polyethylene manufactured at one of our polyethylene plants in the Northeastern Complex and caustic soda, chlorine and EDC produced at our plants in the Northeastern Complex and Alagoas.

Each of our exemptions entitles us to pay only 44.9% of the statutory income tax rate (of 34%) on the profits arising from products manufactured at these plants.

Due to operating losses sustained by us in the past, we had R\$1,015.6 million of deferred income tax and social contribution assets arising from tax loss carryforwards available as of December 31, 2013. Income tax loss carryforwards available for offset in Brazil do not expire. However, the annual offset is limited to 30% of our adjusted net profits. This limit also affects the CSLL.

Our export sales are currently exempt from (1) PIS (2) COFINS, a federal value-added tax, (3) the Tax on Industrial Products (*Imposto sobre Produtos Industrializados*), or IPI, a federal value-added tax on industrial products, and (4) ICMS.]

Recent Developments

The following is a summary of major transactions entered into, and other developments affecting, our company since December 31, 2013.

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Issuance of 6.450% Notes due 2024

In January 2014, we issued and sold US\$500.0 million aggregate principal amount of our 6.450% Notes due 2024. Interest on these notes is payable semiannually in arrears in February 3 and August 3 of each year. We used the proceeds of this offering to purchase from an international bank notes acquired by it in a tender offer that commenced immediately following the pricing of these notes.

Tender Offer for 2017 Notes, 2018 Notes and 2020 Notes

In February 2014, an international bank completed tender offers that it had made for any and all of our outstanding 8.00% Notes due 2017, or the 2017 Notes, 7.25% Notes due 2018, or the 2018 Notes, and 7.00% Notes due 2020, or the 2020 Notes. In connection with these tender offers, we repurchased US\$44.9 million aggregate principal amount of the 2017 Notes, US\$229.4 million aggregate principal amount of the 2018 Notes and US\$165.7 million aggregate principal amount of the 2020 Notes.

Credit Facility Agreement

In January 2014, we entered into a credit facility agreement with an international financial institution for a principal amount of US\$75.0 million. The facility bears interest at a floating rate of LIBOR plus 1.75% per annum, payable semi-annually, and matures in 2019. We used the proceeds of this loan for our general operating activities.

Project Ethylene XXI

On April 8, 2014, our subsidiary Braskem Idesa received a disbursement in an aggregate amount of US\$465.0 million from international financial institutions in connection with the financing agreements relating to Project Ethylene XXI. For more information, see “Item 4. Information on the Company—Technology, Research and Development—Joint Venture Projects—Project Ethylene XXI—Financing Agreements Relating to Project Ethylene.”

Results of Operations

The following discussion of our results of operations is based on our consolidated financial statements prepared in accordance with IFRS.

As a result of our acquisition of the polypropylene business of Dow, we have fully consolidated the results of this business into our financial statements as from October 1, 2011 and included the results of this business in our USA and Europe segment as from such date.

As a result of our decision to maintain QuantiQ and IQAG, which previously represented the Chemical Distribution segment before we temporarily offered them for sale last year, we have restated our financials to include the Chemical Distribution segment as of 2011. As a result of our decision to dispose of our former subsidiary Cetrel and Braskem Distribuidora, both of which sold in December 2012, we have recorded the operations of these subsidiaries as discontinued operations as from January 1, 2010.

The discussion of the results of our business segments is based upon financial information reported for each of the segments of our business, as presented in the following tables, which set forth the results of each of our segments and the reconciliation of these results of our segments to our consolidated results of operations. This segment information was prepared on the same basis as the information that our senior management uses to allocate resources among

segments and evaluate their performance. We evaluate and manage the performance of our segments based on information generated from our statutory accounting records maintained in accordance with IFRS, and reflected in our consolidated financial statements.

	Year Ended December 31, 2013						
	Net sales revenue	Cost of products sold	Gross profit	Selling, general, administrative, distribution and research and development expenses	Results from equity investments	Other operating income (expense), net(1)	Operating profit (loss)
	(in millions of reais)						
Basic Petrochemicals	25,037.8	(22,561.2)	2,476.6	(534.9)	—	(67.8)	1,873.9
Polyolefins	16,944.7	(14,694.3)	2,250.4	(852.6)	—	(30.7)	1,367.1
Vinyls	2,581.1	(2,384.5)	196.6	(174.1)	—	(11.2)	11.3
USA and Europe	6,748.5	(6,419.6)	328.9	(282.8)	—	(37.6)	8.5
Chemical Distribution	891.7	(761.1)	130.6	(96.7)	—	(6.5)	27.4
Total segments	52,203.8	(46,820.7)	5,383.1	(1,941.1)	—	(153.8)	3,288.2
Other segment(2)	130.3	(133.6)	(3.3)	(68.6)	—	0.1	(71.8)
Corporate unit(3)	—	—	—	(184.7)	(3.2)	(57.4)	(245.3)
Reclassifications and eliminations(4)	(11,364.6)	11,133.5	(231.1)	—	—	—	(231.1)
Consolidated	40,969.5	(35,820.8)	5,148.7	(2,194.4)	(3.2)	(211.1)	2,740.0

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	Year Ended December 31, 2012						
	Net sales revenue	Cost of products sold	Gross profit	Selling, general, administrative, distribution and research and development expenses	Results from equity investments	Other operating income (expense), net(1)	Operating profit (loss)
	(in millions of reais)						
Basic Petrochemicals	23,603.0	(21,793.5)	1,809.5	(492.0)	—	(64.1)	1,253.4
Polyolefins	14,456.8	(13,131.8)	1,325.0	(868.4)	—	(20.0)	436.6
Vinyls	2,019.9	(1,947.7)	72.2	(129.7)	—	1.8	(55.7)
USA and Europe	5,465.2	(5,272.1)	193.1	(243.3)	—	364.8	314.6
Chemical Distribution	898.8	(751.0)	147.8	(94.8)	—	(0.3)	52.7
Total segments	46,443.7	(42,896.1)	3,547.6	(1,828.2)	—	282.2	2,001.6
Other segment(2)	72.6	(88.1)	(15.5)	(37.8)	—	(98.2)	(151.5)
Corporate unit(3)	-	-	-	(301.6)	(25.8)	149.5	(177.9)
Reclassifications and eliminations(4)	(10,356.0)	10,275.1	(80.9)	—	—	—	(80.9)
Consolidated	36,160.3	(32,709.1)	3,451.2	(2,167.6)	(25.8)	333.5	1,591.3

Year Ended December 31, 2011

	Year Ended December 31, 2011							
	Net sales revenue	Cost of products sold	Gross profit	Selling, general, administrative, distribution and research and development expenses	Results from equity investments	Results from business combinations	Other operating income (expense), net(1)	Operating profit (loss)
	(in millions of reais)							
Basic Petrochemicals	23,080.9	(20,874.4)	2,206.5	(564.5)	—	—	(10.7)	1,631.3
Polyolefins	12,854.3	(11,729.1)	1,125.2	(850.8)	—	—	10.9	285.3
Vinyls	1,730.9	(1,608.1)	122.8	(146.4)	—	—	(32.1)	(55.7)
USA and Europe	3,283.8	(3,136.8)	147.0	(113.1)	—	—	(16.9)	17.0
Chemical Distribution	774.9	(631.6)	143.3	(93.6)	—	—	7.0	56.7
Total segments	41,724.8	(37,980.0)	3,744.8	(1,768.4)	—	—	(41.8)	1,934.6
Other segment(2)	146.2	(141.3)	4.9	(36.3)	—	—	94.3	62.9
Corporate unit(3)	-	-	-	(122.5)	(1.0)	30.0	(49.6)	(143.1)
	(8,784.5)	8,856.3	71.8	—	—	—	—	71.8

Reclassifications and eliminations(4)								
Consolidated	33,086.5	(29,265.0)	3,821.5	(1,927.2)	(1.0)	30.0	2.9	1,926.2

(1) Includes research and development.

(2) Includes revenues and expenses of Braskem Ilesa S.A.P.I. and revenues and expenses related to sales of cyclohexane and cyclohexanone. In 2011, includes jointly-controlled companies that were accounted for under the proportional consolidation method for those years (i.e., RPR, Propilsur and Polimerica).

(3) Represents expenses of Braskem that are not allocated to any particular segment.

(4) Eliminations consist primarily of intersegment sales, which are made on an arm's-length basis.

In the following discussion, references to increases or declines in any period are made by comparison with the corresponding prior period, except as the context otherwise indicates.

Year Ended December 31, 2013 Compared with Year Ended December 31, 2012

The following table sets forth consolidated financial information for the years ended December 31, 2013 and 2012.

	Year Ended December 31,		
	2013	2012 (1)	% Change
	(in millions of reais)		
Net sales revenue	40,969.5	36,160.3	13.3
Cost of products sold	(35,820.8)	(32,709.1)	9.5
Gross profit	5,148.7	3,451.2	49.2
Income (expenses):			
Selling and distribution	(1,000.7)	(990.4)	1.0
General and administrative	(1,077.9)	(1,071.0)	0.6
Research and development	(115.8)	(106.2)	9.0
Results from equity investments	(3.2)	(25.8)	(87.6)
Other operating income (expenses), net	(211.1)	333.5	n.m.
Operating profit	2,740.0	1,591.3	72.2
Financial results:			
Financial expenses	(2,549.1)	(3,926.2)	(35.1)
Financial income	773.0	532.0	45.3
Profit (loss) before income tax and social contribution	963.9	(1,802.9)	(153.5)
Income tax and social contribution	(456.9)	783.1	(158.3)
Profit (loss) from continuing operations	507.0	(1,019.8)	(149.7)
Results from discontinued operations	—	281.5	n.m.
Profit (loss)	507.0	(738.3)	(168.7)

n.m.: Not meaningful

(1) Restated to include the consolidation of QuantiQ and IQAG.

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Net sales revenue increased by 13.3% during 2013, primarily as a result of (1) a 17.2% increase in net sales revenue of our Polyolefins segment, (2) a 6.1% increase in net sales revenue of our Basic Petrochemicals segment and (3) a 10% appreciation in the average U.S. dollar exchange rate against the *real* during the year, which led to substantial increases in the prices of all our products as reported in *reais*, given that the pricing of our products is primarily linked to the U.S. dollar. Reclassifications and eliminations of net sales revenues of our segments in consolidation, primarily reflecting intercompany sales of basic petrochemicals by our Basic Petrochemicals segment to our other segments, increased by 9.7% during 2013.

Net Sales Revenue of Basic Petrochemicals Segment

Net sales revenue of the Basic Petrochemicals segment increased by 6.1% during 2013, primarily as a result of (1) a 1.9% increase in net sales revenue generated by sales of basic petrochemicals (excluding condensate, fuels, intermediates and utilities) to third parties to R\$9,227.2 million during 2013 from R\$9,054.1 million during 2012, and (2) a 17.4% increase in net sales revenue generated by sales of basic petrochemicals to our other business units of R\$11,378.2 million during 2013 from R\$9,692.5 million during 2012.

Net sales revenue generated by sales of:

- naphtha, condensate and crude oil declined by 7.3% to R\$2,241.0 million during 2013 from R\$2,417.4 million during 2012, as a result of (1) a 3.5% decline in the average Amsterdam-Rotterdam-Antwerp market price of naphtha in U.S. dollars to US\$903.0 per ton during 2013 from US\$936.1 per ton during 2012 and (2) the reduction of our resales volumes of naphtha in 2013; and
- basic chemicals (including intermediaries, fuels and utilities) increased by 16.6% to R\$2,853.9 million during 2013 from R\$2,447.5 million during 2012, primarily as a result of a 15.5% increase in revenues from intermediates and a 27.4% increase in the revenues from fuels.

The most significant factors contributing to the increase of net sales revenue generated by sales of basic petrochemicals to third parties were (1) a R\$246.6 million, or 9.0%, increase in net sales revenue of BTX products, (2) a R\$240.5 million, or 15.9%, increase in net sales revenue of ethylene, and (3) a R\$132.7 million, or 13.4% increase in net sales revenue of propylene. The effects of these increases were partially offset by a R\$448.3 million, or 27.3%, decline in net sales revenue of butadiene.

Sales volume of ethylene to third parties, substantially all of which is sold in the domestic market, remained stable at approximately 535,400 tons during 2013, as compared to approximately 531,900 tons during 2012. The average prices that we realized for sales of ethylene increased primarily as a result of a 14.2% average depreciation of the *real* against the euro, the effect of which was partly offset by the 0.7% decline in the average Western Europe contract price of ethylene in euros, as reported by IHS.

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Sales volume of propylene to third parties declined by 4.3% to approximately 389,000 tons during 2013 from approximately 406,600 tons during 2012. Domestic sales volume of propylene to third parties declined by 4.8%, principally due to reduced demand in the domestic market. Export sales volume of propylene declined by 3.8%, principally due to our increased consumption as a result of operational problems with our suppliers. The average prices that we realized for sales of propylene increased primarily as a result of (1) a 13.7% increase in the average North American contract price of propylene in U.S. dollars, as reported by IHS, and (2) the effects of the average depreciation of the *real* against the U.S. dollar.

The principal factors leading to the increase in net sales revenue generated by sales of BTX products to third parties were (1) a 23.1% increase in net sales revenue of benzene and (2) a 21.8% increase in net sales revenue of toluene. The effects of these increases were partially offset by a 25.5% decline in net sales revenue of para-xylene.

Sales volume of benzene to third parties increased by 4.5% to approximately 656,700 tons during 2013 from approximately 628,200 tons during 2012. Domestic sales volume of benzene increased by 0.6% and export sales volume of benzene increased by 14.2%. The average prices that we realized for sales of benzene increased primarily as a result of (1) a 3.1% increase in the average North American contract market price of benzene in U.S. dollars, as reported by IHS and (2) the effects of the average depreciation of the *real* against the U.S. dollar. Sales volume of para-xylene to third parties declined by 29.8% to approximately 128,600 tons during 2013 from 183,200 tons during 2012. The average prices that we realized for sales of para-xylene increased primarily as a result of the increase in international prices.

Sales volume of butadiene to third parties increased by 6.9% to approximately 381,800 tons during 2013 from 357,800 tons during 2012. The average prices that we realized for sales of butadiene declined primarily as a result of the decline in international prices.

Net Sales Revenue of Polyolefins Segment

Net sales revenue of the Polyolefins segment increased by 17.2% during 2013, primarily as a result of a 20.9% increase in net sales revenue generated by sales of polyethylene and a 14.0% increase in net sales revenue generated by sales of polypropylene.

Sales volume of polyethylene increased by 1.5% to approximately 2,467,300 tons in 2013 from approximately 2,467,300 tons in 2012. During 2013, domestic sales volume of polyethylene increased by 6.3%, principally as a result of increased demand for polyethylene products from producers of bags, inventory re-stocking by many of our customers, and the increased demand from manufactures using rotational molding to create pipes and related products in connection with the Brazilian government's "Agua para Todos" ("Water for All") program. Export sales volume of polyethylene declined by 7.7%, principally due to the reallocation of available polyethylene to the domestic market. The average prices that we realized for sales of polyethylene increased primarily as a result of the effects of (1) the average depreciation of the *real* against the U.S. dollar and (2) a 6.5%, 6.2% and 5.6% increase in HDPE, LLDPE and LDPE contract prices in the North American market, respectively, according to IHS.

Sales volume of polypropylene declined by 4.1% to approximately 1,580,800 tons during 2013 from approximately 1,648,800 tons during 2012. During 2013, domestic sales volume of polypropylene increased by 2.9%, reflecting the better performance of the agribusiness and food packaging sectors in Brazil. Export sales volume of polypropylene declined by 24.9% due to lower production volume and a change in our product mix to increase sales in the domestic market. The average prices that we realized for sales of polypropylene increased primarily as a result of the effects of (1) the average depreciation of the *real* against the U.S. dollar and (2) a 7.5% increase in the spot prices of the

Northeast Asian market, according to IHS.

Net Sales Revenue of Vinyls Segment

Net sales revenue of the Vinyls segment increased by 27.8% during 2013, primarily as a result of (1) a 13.4% increase in sales volume of PVC, (2) a 3.2% increase in the average Northeast Asian spot market prices of PVC in U.S. dollars, as reported by IHS, and (3) the average depreciation of the *real* against the U.S. dollar.

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Sales volume of PVC increased by 13.4% to approximately 636,500 tons during 2013 from approximately 561,500 tons during 2012, primarily as a result of our increased production volume as a result of the start-up of our new PVC facility in Alagoas in August 2012.

Sales volume of caustic soda increased by 0.7% to approximately 474,900 tons during 2013 from 471,600 tons in 2012, primarily as a result of our importation of raw materials to supply the domestic market to compensate for the lower production volume.

Net Sales Revenue of USA and Europe Segment

Net sales revenue of the USA and Europe segment, which includes our polypropylene assets in the United States and Europe, increased by 23.5% during 2013, primarily as a result of the increase in average prices of sales in the USA and Europe segment, which increased as a result of (1) the translation of the currencies of the countries in the USA and Europe segment into *reais* when preparing our financial statements, which resulted in foreign exchange gains attributable to fluctuations in the relative value of these currencies against the *real*, rather than operational gains, and (2) a 7.5% increase in the spot prices of the Northeast Asian market of polypropylene, according to IHS. Sales volume of polypropylene by our USA and Europe Unit increased by 2.7% to approximately 1,790,700 tons during 2013 from 1,744,600 tons during 2012, primarily due the increase in demand in the United States.

Net Sales Revenue of Chemical Distribution Segment

Net sales revenue of the Chemical Distribution segment declined by 0.8% during 2013 primarily as a result of (1) a 32.9% decline in sales volume of solvents, including a decline in sales volume of ecologically-friendly solvents to approximately zero. These effects were partially offset by (1) a 60.7% increase in sales volume of chloro-soda and (2) a 10.9% increase in sales volume of pharmaceuticals products.

Cost of Products Sold and Gross Profit

Cost of products sold increased by 9.5% during 2013, primarily as a result of (1) a 11.9% increase in cost of products sold in our Polyolefins segment, (2) a 3.5% increase in cost of products sold in our Basic Petrochemicals segment and (3) a 10% in the average U.S. dollar exchange rate against the *real* during the year, which generated a negative impact of R\$2.9 billion as a result of an increase in our main raw material costs (given that naphtha is dollar-linked). The higher costs were partially offset by the reduction in the price of naphtha in the international market and by the lower PIS and COFINS tax rates on raw material purchases, which took effect in May 2013. Reclassifications and eliminations of cost of sales and services rendered of our segments in consolidation, primarily reflecting the costs of basic petrochemicals purchases by our Polyolefins and Vinyls segments from our Basic Petrochemicals segment, increased by 8.4% during 2013.

Consolidated gross profit increased by 49.2% during 2013. Gross margin (gross profit as a percentage of net sales revenue) increased to 12.6% during 2013 from 9.5% during 2012.

Cost of Products Sold of Basic Petrochemicals Segment

Cost of products sold of the Basic Petrochemicals segment increased by 3.5% during 2013, primarily as a result of (1) the higher sales volume of basic petrochemicals and (2) the appreciation in the average U.S. dollar exchange rate

against the *real* during the year. These were partially offset by a 3.5% decline in the average Amsterdam-Rotterdam-Antwerp market price of naphtha in U.S. dollars as reported by IHS to US\$903.0 per ton during 2013 from US\$936.1 per ton during 2012.

Gross profit of the Basic Petrochemicals segment increased by 36.9% to R\$2,476.6 million during 2013 and gross margin increased to 9.9% in 2013 from 7.7% during 2012.

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Cost of Products Sold of Polyolefins Segment

Cost of products sold of the Polyolefins segment increased by 11.9% during 2013, primarily as a result of (1) the effects of the average depreciation of the *real* against the euro on the cost of raw materials of our Polyolefins Unit that are determined by reference to euro-denominated prices, and (2) the effects of the increase in the average cost of propylene, which was influenced by a 13.7% increase in the average North American contract price of propylene in U.S. dollars, as reported by IHS. These factors were partially offset by (1) the effects on our average cost of ethylene and propylene, which was influenced by the 0.7% and 2.3% decline in the average Western Europe contract price of ethylene and propylene in euros, respectively, as reported by IHS, and (2) a 1.1% decline in sales volume of the Polyolefins segment.

Gross profit of the Polyolefins segment increased by 69.8% to R\$2,250.4 million during 2013, and gross margin increased to 13.3% in 2013 from 9.2% during 2012.

Cost of Products Sold of Vinyls Segment

Cost of products sold of the Vinyls segment increased by 22.4% during 2013, primarily as a result of (1) the effects of the average depreciation of the *real* against the euro on the cost of raw materials of our Vinyls Unit that are determined by reference to euro-denominated prices, and (2) a 7.7% increase in the total sales volume of our Vinyls Unit. These factors were partially offset by the effects on our Vinyls Unit's average cost of ethylene of the 0.7% decline in the average Western Europe contract price of ethylene in euros, as reported by IHS.

Gross profit of the Vinyls segment increased by 172.2% to R\$196.5 million during 2013, while gross margin increased to 7.6% during 2013 from 3.6% during 2012.

Cost of Products Sold of USA and Europe Segment

Cost of products sold of the USA and Europe segment increased by 21.8% during 2013, primarily as a result of (1) the effects on this segment's average cost of propylene of a 13.7% increase in the average North American contract price of propylene in U.S. dollars, as reported by IHS, together with the effects of a 10% average depreciation of the *real* against the U.S. dollar, (2) the effects on this segment's average cost of propylene of the average depreciation of the *real* against the euro, which were partially offset by a 2.3% decline in the average Western Europe contract price of propylene in euros, as reported by IHS, and (3) a 5.5% increase in polypropylene sales volume recorded by this segment.

Gross profit of the USA and Europe segment increased by 70.3% to R\$328.9 million during 2013, and gross margin increased to 4.9% in 2013 from 3.5% during 2012.

Cost of Products Sold of Chemical Distribution Segment

Cost of sales of the Chemical Distribution segment increased by 1.3% during 2013 primarily as a result of a 10% appreciation in the average U.S. dollar exchange rate against the *real* during the year.

Gross profit of the Chemical Distribution segment declined by 11.6% to R\$130.6 million during 2013, while gross margin declined to 14.6% during 2013 from 16.4% during 2012.

Selling and Distribution Expenses

Selling and distribution expenses increased by 1.0% during 2013, primarily as a result of increased sales volumes. Selling and distribution expenses as a percentage of net sales revenue declined to 2.4% during 2013 from 2.7% during 2012.

General and Administrative Expenses

General and administrative expenses increased by 0.6% during 2013, primarily as a result of our successful efforts to reduce fixed expenses, despite inflationary pressures. General and administrative expenses as a percentage of net sales revenue declined to 2.6% during 2013 from 3.0% during 2012.

Research and Development Expenses

Research and development expenses increased by 9.0% during 2013 and as a percentage of net sales revenue remained stable at 0.3% during 2013 and 2012.

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Results from Equity Investments

Results from equity investments was a loss of R\$3.2 million in 2013 compared to a loss of R\$25.8 million in 2012, primarily as a result of a R\$3.2 million loss recorded as equity in the results of jointly-controlled subsidiaries and associate compared to a R\$22.2 million gain during 2012.

Other Operating Income (Expenses), Net

Other operating expenses, net was R\$211.1 million during 2013, primarily consisting of (1) expenses related to provisions for environmental damages of R\$94.4 million, (2) expenses related to inventory at idled plants of R\$44.0 million, (3) depreciation expenses of R\$39.5 million for idled plants and (4) expenses related to inventory adjustments and losses on changes in raw materials of R\$25.4 million.

Operating Profit (Loss)

As a result of the foregoing:

- operating profit on a consolidated basis increased by 72.2% during 2013. As a percentage of net sales revenue, operating profit increased to 6.7% during 2013 from 4.4% during 2012;
- operating profit of the Basic Petrochemical segment declined by 49.5% to R\$1,873.9 million during 2013 from R\$1,253.4 million during 2012, and the operating margin of the Basic Petrochemical segment increased to 7.5% during 2013 from 5.3% during 2013;
- operating profit of the Polyolefins segment increased by 213.1% to R\$1,367.0 million 2013 from R\$436.6 million during 2012, and the operating margin of the Polyolefins segment increased to 8.1% during 2013 from 3.0% during 2012;
- operating profit of the USA and Europe segment declined by 97.3% to R\$8.5 million during 2013 from R\$314.6 million during 2012, primarily as a result of our recording as other operating income of this segment during 2012 the R\$263.5 million in indemnification that Sunoco agreed to pay as a result of its termination of the feedstock supply agreement, and the operating margin of the USA and Europe segment declined to 0.1% during 2013 from 5.8% during 2012;
- operating profit of the Vinyls segment was R\$11.3 million during 2013 compared to an operating loss of R\$55.7 million during 2012, and the operating margin of the Vinyls segment was 0.4% during 2013 compared to an operating loss of 2.8% during 2012; and
- operating profit of the Chemical Distribution segment declined by 48.0% to R\$27.4 million during 2013 from R\$52.7 million during 2012, and the operating margin of the Chemical Distribution segment was 3.1% during 2013 and 5.9% during 2012.

Financial Results

Financial results increased by 47.7% during 2013, primarily as a result of a 45.43% increase in financial income and a 35.1% decline in financial expenses.

Financial Income

Financial income increased by 45.4% to R\$\$773.1 during 2013 from R\$531.9 during 2012, primarily as a result of (1) a 51.7% increase in gain on exchange variation on monetary assets to R\$333.4 million during 2013 from R\$219.8 million during 2012 as a result of a 10% appreciation in the average U.S. dollar exchange rate against the *real* during the year, and (2) to a lesser extent, a 27.9% increase in interest income to R\$281.7 million during 2013 from R\$220.2 million during 2012 as a result of the increase of the CDI rate during 2013.

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Financial expenses declined by 35.1% to R\$2,549.1 during 2013 from R\$3,926.2 during 2012, primarily as a result of a 95.9% decline in loss on exchange variation on monetary liabilities to R\$78.5 million during 2013 from R\$1,898.7 million during 2012 as a result of our designation on May 1, 2013 of part of our dollar-denominated liabilities as a hedge for our future exports in compliance with IAS 39. We regularly export a portion of our production and determined that the volume of highly probable future exports supported the treatment of these debt instruments as hedging instruments. As a result of this designation, the impact of exchange rates on future cash flows in dollars derived from these exports will be partially offset by the foreign exchange variation on the designated liabilities, partly eliminating the volatility in our statements of operations. Following the designation of these liabilities as a hedge, we record the exchange variation from the designated liabilities, which was previously recorded as a component of our net financial results as comprehensive income or loss and periodically adjust the other comprehensive income component of our shareholders' equity by this amount. The accumulated gain or loss related to exchange variation on the designated liabilities will be recorded against the revenue recorded in *reais* from our exports over the term of the designated liabilities, allowing us to simultaneously recognize the impacts of exchange rate fluctuations on our liabilities and exports. Because the value of the *real* fell substantially during the year following May 1, 2013, in the absence of the designation of these liabilities as a hedge, we would have recorded a net loss on exchange rate variation of R\$2,048.6 million and net financial expense of R\$4,079.5 million during 2013, primarily as a result of the foreign exchange variation of R\$2,303.5 relating to the hedged liabilities, which was recorded in "Other Comprehensive Income or Loss" in our income statement and statement of comprehensive income for the year ended December 31, 2013.

Income Tax and Social Contribution

The composite corporate statutory income tax and social contribution rate was 34% during 2013 and 2012. Income tax and social contribution was an expense of R\$456.9 million during 2013 and a benefit of R\$639.8 million during 2012.

The effective tax rate applicable to our profit before income tax and social contribution was 47.4% during 2013, primarily as a result of (1) permanent adjustments caused by differences of income tax rates of investments in countries that have a lower tax rate than Brazil by 6.3%, (2) adjustments of transfer pricing on business transactions with affiliated companies by 4.5% and (3) the effects of other non-deductible expenses by 2.6%.

The effective tax rate applicable to our loss before income tax and social contribution was 35.5% during 2012, primarily as a result of our inclusion of additional tax liabilities in the settlement that we entered into with tax authorities pursuant to the federal tax installment program established by Law No. 11,941/09, which increased the effective tax rate applied to our operating loss by 1.5 percentage points.

Profit (Loss)

We recorded profit of R\$507.0 million, or 1.2% of net sales revenue, during 2013 compared to net loss of R\$738.3 million, or 2.0% of net sales revenue, during 2012.

Year Ended December 31, 2012 Compared with Year Ended December 31, 2011

The following table sets forth consolidated financial information for the years ended December 31, 2012 and 2011.

Year Ended December 31,

	2012	2011	% Change
	(in millions of reais)		
Net sales revenue	R\$36,160.3	R\$33,086.5	9.3
Cost of products sold	(32,709.1)	(29,265.0)	11.8
Gross profit	3,451.2	3,821.5	(9.7)
Income (expenses):			
Selling and distribution	(990.4)	(820.0)	20.8
General and administrative	(1,071.0)	(1,008.1)	6.2
Research and development	(106.2)	(99.1)	7.2
Results from equity investments	(25.8)	(1.0)	2,480.0
Results from business combination	—	(30.0)	n.m
Other operating income (expenses), net	333.5	2.9	11,400.0
Operating profit	1,591.3	1,926.2	(17.4)
Financial results:			
Financial expenses	(3,926.2)	(3,560.5)	10.3
Financial income	532.0	759.0	(29.9)
Profit (loss) before income tax and social contribution	(1,802.9)	(875.3)	106.0
Income tax and social contribution	783.1	359.5	117.8
Profit (loss) from continuing operations	(1,019.8)	(515.8)	97.7
Results from discontinued operations	281.5	27.6	919.9
Profit (loss)	R\$(738.3)	R\$(488.2)	51.2

n.m.: Not meaningful.

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Net sales revenue increased by 9.3% during 2012, primarily as a result of (1) a 66.4% increase in net sales revenue of our USA and Europe segment, (2) a 12.5% increase in net sales revenue of our Polyolefins segment, and (3) a 2.3% increase in net sales revenue of our Basic Petrochemicals segment. Reclassifications and eliminations of net sales revenues of our segments in consolidation, primarily reflecting intercompany sales of basic petrochemicals by our Basic Petrochemicals segment to our other segments, increased by 17.5% during 2012.

Net Sales Revenue of Basic Petrochemicals Segment

Net sales revenue of the Basic Petrochemicals segment increased by 2.3% during 2012, primarily as a result of (1) a 16.1% increase in net sales revenue generated by sales of basic petrochemicals (which exclude condensate, fuels, intermediates and utilities) to third parties by our basic petrochemicals operations to R\$9,054.1 million during 2012 from R\$7,817.8 million during 2011, and (2) a 13.5% increase in net sales revenue generated by sales of basic petrochemicals to our other business units by our basic petrochemicals operations to R\$9,692.5 million during 2012 from R\$8,540.5 million during 2011.

Net sales revenue generated by sales of:

- naphtha and condensate declined by 44.5% to R\$2,417.4 million during 2012 from R\$4,356.1 million during 2011, primarily as a result of (1) the levels of our internal consumption of naphtha recovered following the unscheduled shutdown of our basic petrochemicals plants in the Northeastern Complex in 2011 as a result of a power failure on February 4, 2011 that affected most of the northeastern region of Brazil, including our basic petrochemical plants in the Northeastern Complex, which reduced our consumption of naphtha, and (2) a 9.7% increase in the average Amsterdam-Rotterdam-Antwerp market price of naphtha in U.S. dollars to US\$1,031.6 per ton during 2012 from US\$931.2 per ton during 2011;
- intermediates, including cumene, increased 0.9% to R\$773.5 million during 2012 from R\$766.6 million during 2011;
- fuels increased by 4.5% to R\$1,095.2 million during 2012 from R\$1,048.0 million during 2011, primarily as a result of a 10.7% increase in net sales revenue generated by sales of automotive gasoline during 2012, the effects of which were partially offset by a 51.8% decline in net sales revenue generated by fuels other than automotive gasoline; and

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- utilities, including sales of utilities to our other segments, increased by 4.7% to R\$578.0 million during 2012 from R\$552.0 million during 2011.

The most significant factors contributing to the increase of net sales revenue generated by sales of basic petrochemicals to third parties were (1) a R\$757.4 million, or 34.0%, increase in net sales revenue generated by sales of BTX products to third parties, and (2) a R\$222.7 million, or 17.3%, increase in net sales revenue generated by sales of ethylene to third parties.

Sales volume of ethylene to third parties, substantially all of which is sold in the domestic market, increased by 6.6% to approximately 531,900 tons during 2012 from approximately 499,000 tons during 2011, primarily as a result of the increased volume of ethylene available for export as a result of the recovery of our production volume in 2012 following the unscheduled shutdown of our basic petrochemicals plants in the Northeastern Complex in 2011. The average prices that we realized for sales of ethylene increased primarily as a result of a 8.7% increase in the average Western Europe contract price of ethylene in euros, as reported by IHS, and the effects of a 7.8% average depreciation of the *real* against the euro.

Sales volume of propylene to third parties increased by 8.9% to approximately 406,600 tons during 2012 from approximately 373,300 tons during 2011. Domestic sales volume of propylene to third parties increased by 1.2%. Export sales volume of propylene increased by 19.7%, primarily as a result of the increased volume of propylene available for export as a result of the recovery of our production volume in 2012 following the unscheduled shutdown of our basic petrochemicals plants in the Northeastern Complex in 2011. The average prices that we realized for sales of propylene declined primarily as a result of a 20.0% decline in the average North American contract price of propylene in U.S. dollars, as reported by IHS, the effects of which were partially offset by the effects of a 16.7% average depreciation of the *real* against the U.S. dollar.

The principal factors leading to the increase in net sales revenue generated by sales of BTX products to third parties were a 30.9% increase in net sales revenue generated by sales of benzene to third parties and a 43.8% increase in net sales revenue generated by sales of para-xylene to third parties.

Sales volume of benzene to third parties increased by 3.8% to approximately 628,200 tons during 2012 from approximately 605,000 tons during 2011. Domestic sales volume of benzene to third parties increased by 6.4% and export sales volume of benzene declined by 2.0%. The average prices that we realized for sales of benzene increased primarily as a result of a 12.7% increase in the average North American contract market price of benzene in U.S. dollars, as reported by IHS, and the effects of the average depreciation of the *real* against the U.S. dollar.

Sales volume of para-xylene to third parties, all of which is sold in the export market, increased by 20.8% to approximately 167,300 tons during 2012 from 138,400 tons during 2011. The average prices that we realized for sales of para-xylene increased primarily as a result of the effects of the average depreciation of the *real* against the U.S. dollar, the effects of which were partially offset by a 4.3% decline in the average North American contract market price of para-xylene in U.S. dollars, as reported by IHS.

Net Sales Revenue of Polyolefins Segment

Net sales revenue of the Polyolefins segment increased by 12.5% during 2012, primarily as a result of a 15.5% increase in net sales revenue generated by sales of polyethylene and a 7.5% increase in net sales revenue generated by sales of polypropylene, both primarily as a result of the recovery of volumes in 2012 from 2011 when there was an unscheduled shutdown of our basic petrochemicals plants in the Northeastern Complex, which reduced the available

supply of ethylene, and our polyolefins plants in the Northeastern Complex, both as a result of a power failure on February 4, 2011 that affected most of the northeastern region of Brazil and which required us to undertake certain repairs to our plants and reduced the capacity utilization of these plants as we ramped up production to normal utilization levels following this power failure.

Sales volume of polyethylene increased by 5.6% to approximately 2,430,000 tons during 2012 from approximately 2,300,700 tons during 2011. During 2012, domestic sales volume of polyethylene increased by 10.2% and export sales volume of polyethylene declined by 2.1%. The average prices that we realized for sales of polyethylene increased primarily as a result of the effects of the average depreciation of the *real* against the U.S. dollar, the effects of which were partially offset by a 2.3%, 2.4% and 3.1% decline in HDPE, LLDPE and LDPE contract prices in the North American market, respectively, according to IHS.

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Sales volume of polypropylene increased by 4.9% to approximately 1,648,800 tons during 2012 from approximately 1,571,500 tons during 2011. During 2012, domestic sales volume of polypropylene increased by 7.3% and export sales volume of polypropylene declined by 1.5%. The average prices that we realized for sales of polypropylene increased primarily as a result of the effects of the average depreciation of the *real* against the U.S. dollar, the effects of which were partially offset by a 8.0% decline in the spot prices of the Northeast Asian market, according to IHS.

Net Sales Revenue of Vinyls Segment

Net sales revenue of the Vinyls segment increased by 16.7% during 2012, primarily as a result of a 14.5% increase in net sales revenue generated by sales of PVC and a 25.7% increase in net sales revenue generated by sales of caustic soda.

Sales volume of PVC, substantially all of which we sold in the domestic market during 2012 and 2011, increased by 15.9% to approximately 561,500 tons during 2012 from approximately 484,400 tons during 2011, primarily as a result of the recovery of volumes in 2012 compared to 2011 in which there was an unscheduled shutdown of our vinyls plants as a result of a power failure on February 4, 2011 that affected most of the northeastern region of Brazil. The average prices that we realized for sales of PVC declined primarily as a result of a 7.8% decline in the average Northeast Asian spot market prices of PVC in U.S. dollars, as reported by IHS, the effects of which were partially offset by the effects of the average depreciation of the *real* against the U.S. dollar.

Sales volume of caustic soda, all of which we sold in the domestic market during 2012 and 2011, increased by 11.7% to approximately 471,600 tons during 2012 from approximately 422,100 tons during 2011, primarily as a result of the recovery of volumes in 2012 compared to 2011 in which there was (1) an unscheduled shutdown of vinyls plants as a result of a power failure on February 4, 2011 that affected most of the northeastern region of Brazil, and (2) an unscheduled stoppage at our Alagoas chlor-alkali plant for 23 days as a result of casualty incidents on May 21, 2011 and May 23, 2011. The average prices that we realized for sales of caustic soda increased primarily as a result of a 7.8% increase in the average North American spot market prices of caustic soda in U.S. dollars, as reported by IHS, and the effects of the average depreciation of the *real* against the U.S. dollar.

Net Sales Revenue of USA and Europe Segment

Net sales revenue of the USA and Europe segment, which includes the results of the propylene business we acquired from Dow which we have consolidated in our results as from October 1, 2011, increased by 66.4% during 2012. Sales volume of polypropylene by our USA and Europe segment increased by 71.6% to approximately 1,744,600 tons during 2012 from 1,016,800 tons during 2011. The average prices that we realized for sales of polypropylene by our USA and Europe segment increased primarily as a result of the effects of the average depreciation of the *real* against the U.S. dollar, the effects of which were partially offset by a 20.0% decline in the average North American contract price of polypropylene in U.S. dollars, as reported by IHS.

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Net sales of the Chemical Distribution segment increased by 16.0% during 2012, primarily as a result of (1) an increase in the sales volume of solvents in response to increased market demand, (2) a 42.6% increase in the sales volume of methanol, representing a 68.5% increase in net sales, partly attributable to our improved logistics operations, (3) a 11.8% increase in the sales volume in our general purpose group, primarily as a result of the increase of sales of process oils with an increase in sales volume of 32.5%, and (4) a 63.4% increase in net sales in connection with our importation and resale of a certain base oil. These increases were partially offset by (1) a 27.9% decline in sales volume in the synthetics segment and (2) a 19.0% decline in sales volume of the blended products.

Cost of Products Sold and Gross Profit

Cost of products sold increased by 11.8% during 2012, primarily as a result of (1) a 68.1% increase in cost of sales and services rendered of our USA and Europe segment, (2) an 12.0% increase in the cost of sales and services rendered of the Polyolefins segment, and (3) a 4.4% increase in the cost of sales and services rendered of the Basic Petrochemicals segment. Reclassifications and eliminations of cost of sales and services rendered of our segments in consolidation, primarily reflecting the costs of basic petrochemicals purchases by our Polyolefins and Vinyls segments from our Basic Petrochemicals segment, increased by 15.6% during 2012.

Consolidated gross profit declined by 9.7% during 2012. Gross margin (gross profit as a percentage of net sales revenue) declined to 9.5% during 2012 from 11.6% during 2011.

Cost of Sales and Services Rendered of Basic Petrochemicals Segment

Cost of sales and services rendered of the Basic Petrochemicals segment increased by 4.4% during 2012, primarily as a result of the effects of a 9.7% increase in the average Amsterdam-Rotterdam-Antwerp market price of naphtha in U.S. dollars to US\$1,031.6 during 2012 from US\$931.2 during 2011, and the effects of the average depreciation of the *real* against the U.S. dollar. Naphtha and condensate accounted for 68.7% of the Basic Petrochemicals segment's cost of sales and services rendered during 2012 and 60.3% during 2011.

Gross profit of the Basic Petrochemicals segment declined by 18.0% during 2012 and gross margin declined to 7.7% in 2012 from 9.6% during 2011.

Cost of Sales of Polyolefins Segment

Cost of sales of the Polyolefins segment increased by 12.0% during 2012, primarily as a result of (1) a 5.9% increase in the total sales volume of our Polyolefins segment's legacy polyolefins operations, (2) the effects on our Polyolefins Unit's average cost of ethylene of a 8.7% increase in the average Western Europe contract price of ethylene in euros, as reported by IHS, and (3) the effects of the average depreciation of the *real* against the euro on the contract price to this segment in *reais* of ethylene and propylene.

Gross profit of the Polyolefins segment increased by 17.8% during 2012, and gross margin increased to 9.2% in 2012 from 8.8% during 2011.

Cost of Sales of Vinyls Segment

Cost of sales of the Vinyls segment increased by 21.1% during 2012, primarily as a result of (1) a 10.5% increase in the total sales volume of our Vinyls Unit, (2) the effects on our Vinyls Unit's average cost of ethylene of a 8.7% increase in the average Western Europe contract price of ethylene in euros, as reported by IHS, and the effects of the average depreciation of the *real* against the euro, and (3) a 24.0% increase in the average cost of energy.

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Gross profit of the Vinyls segment declined by 41.2% during 2012, while gross margin declined to 3.6% during 2012 from 7.1% during 2011.

Cost of Sales of USA and Europe Segment

Cost of sales of the USA and Europe segment, which includes the results of the propylene business we acquired from Dow which we have consolidated in our results as from October 1, 2011, increased by 68.1% during 2012, primarily as a result of a 71.6% increase in polypropylene sales volume recorded by this segment.

Gross profit of the USA and Europe segment increased by 31.4% during 2012, while gross margin declined to 3.5% during 2012 from 4.5% during 2011.

Cost of Products Sold of Chemical Distribution Segment

Cost of sales of the Chemical Distribution segment increased by 18.9% during 2012 primarily as a result of the depreciation of the *real* against dollar.

Gross profit of the Chemical Distribution segment declined by 3.1% to R\$147.8 million during 2012, while gross margin declined to 16.4% during 2012 from 18.5% during 2011.

Selling and Distribution Expenses

Selling and distribution expenses increased by 20.8% during 2012, primarily as a result of (1) increased distribution and storage expenses as a result of increased sales volume, and (2) our consolidation of the results of the propylene business we acquired from Dow as from October 1, 2011. Selling and distribution expenses as a percentage of net sales revenue increased to 2.7% during 2012 from 2.5% during 2011.

General and Administrative Expenses

General and administrative expenses increased by 6.2% during 2012, primarily as a result of (1) our consolidation of the results of the polypropylene business we acquired from Dow as from October 1, 2011, (2) advertising expenses related to our sponsorship of the Rio+20 United Nations Conference on Sustainable Development and our 10 year anniversary celebration campaign, and (3) an increase in personnel expenses due collective bargaining agreements in 2012. General and administrative expenses as a percentage of net sales revenue remained stable at 3.0% during 2012 and 2011.

Research and Development Expenses

Research and development expenses increased by 7.2% during 2012, primarily as a result of an increase in investments for improvements in existing and new products and processes. Research and development expenses as a percentage of net sales revenue remained stable at 0.3% during 2012 and 2011.

Results from Equity Investments

Results from equity investments was a loss of R\$25.8 million in 2012 compared to a loss of R\$1.0 million in 2011, primarily as a result of a R\$22.2 million loss recorded as equity in the results of jointly-controlled subsidiaries and associate compared to a R\$3.3 million gain during 2011.

Results from Business Combinations

Gains from business combinations were R\$30.0 million in 2011. Gains from business combinations in 2011 consisted of a bargain purchase gain related to our acquisition of the polypropylene business of Dow. We did not record gains from business combinations in 2012.

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Other Operating Income (Expenses), Net

Other operating income, net was R\$333.5 million during 2012, primarily consisting of:

- R\$236.0 million in damages that Sunoco agreed to pay as a result of its termination effective on June 9, 2012 of our feedstock supply agreement under which Sunoco provided propylene to one of our polypropylene plants in the United States;
- R\$80.5 million in connection with a portion of the discount we realized as a result of our prepayment of R\$301.8 million to extinguish R\$403.8 million of taxes payable in installments under a settlement that we had entered into under the federal tax installment program established by Law No. 11,941/09;
- a gain of R\$107.0 million in connection with our sale of rail cars owned by our subsidiary Braskem America;
- expenses related to inventory adjustments and losses and write-offs of raw materials of R\$62.9 million; and
- depreciation expenses of R\$31.5 million on dormant plants.

Other operating income, net were R\$2.9 million during 2011, primarily consisting of:

- gains related to judicial and administrative proceedings in the amount of R\$152.2 million;
- losses on the sale of property, plant and equipment and investment of R\$55.5 million;
- write-offs of obsolete raw materials and machinery of R\$52.6 million;
- depreciation expenses of R\$20.7 million related to idle plants; and
- expenses related to inventory adjustments and losses on changes in raw materials of R\$14.4 million.

Operating Profit (Loss)

As a result of the foregoing:

- operating profit of the Basic Petrochemical segment declined by 23.2% to R\$1,253.4 million during 2012 from R\$1,631.3 million during 2011, and the operating margin of the Basic Petrochemical segment declined to 5.3% during 2012 from 7.1% during 2011;
- operating profit of the Polyolefins segment increased by 53.0% to R\$436.6 million during 2012 from R\$285.3 million during 2011, and the operating margin of the Polyolefins segment declined to 3.0% during 2012 from 2.2% during 2011;
- operating loss of the Vinyls segment remained stable during 2013 in R\$55.7 million, and the negative operating margin of the Vinyls segment declined to 2.8% during 2012 from 3.2% during 2011.
- operating profit of the USA and Europe segment increased to R\$314.6 million during 2012 from R\$17.0 million during 2011, reflecting our consolidation of the results of the polypropylene business we acquired from Dow as from

October 1, 2011, and the operating margin of the USA and Europe segment increased to 5.8% during 2012 from 0.5% during 2011; and

- operating profit of the Chemical Distribution segment declined by 7.1% to R\$52.7 million during 2012 from R\$56.7 million during 2011, and the operating margin of the Chemical Distribution segment declined to 5.9% during 2012 from 7.3% during 2011.

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Operating profit on a consolidated basis declined by 17.4% during 2012. As a percentage of net sales revenue, operating profit declined to 4.4% during 2012 from 5.8% during 2011.

Financial Results

Financial results increased by 21.2% during 2012 as a result of a 10.3% increase in financial expenses and a 29.9% decline in financial income.

Financial Income

Financial income declined by 29.9% during 2012, primarily as a result of (1) a 48.1% decline in gain on exchange variation on monetary assets to R\$219.7 million during 2012 from R\$423.1 million during 2011 as a result of the depreciation of the *real* against the U.S. dollar, and (2) to a lesser extent, a 17.5% decline in interest income to R\$220.0 million during 2012 from R\$266.7 million during 2011 as a result of the decline of the CDI rate during 2012.

Financial Expenses

Financial expenses increased by 10.3% during 2012, primarily as a result of (1) an increase in adjustment to present value—appropriation to R\$310.5 million during 2012 from R\$60.4 million during 2011 as a result of the change of feedstock payment terms in the domestic market to 90 days, and (2) a 14.6% increase in loss on exchange variation on monetary liabilities to R\$1,894.8 million during 2012 from R\$1,654.0 million during 2011 as a result of the decline of the depreciation of the *real* against the U.S. dollar to 9.0% during 2012 from 12.6% during 2011.

Income Tax and Social Contribution

The composite corporate statutory income tax and social contribution rate was 34% during 2012 and 2011. Income tax and social contribution was a benefit of R\$639.8 million during 2012 and R\$359.5 million during 2011.

The effective tax rate applicable to our operating loss was 35.5% during 2012, primarily as a result of the effects of the inclusion of new tax liabilities in the installment program, which increased the effective tax rate applied to our operating loss by 1.5%.

The effective tax rate applicable to our operating loss was 41.1% during 2011, primarily as a result of (1) social contribution recorded in previous years, which increased the effective tax rate applied to our operating loss by 8.4%, (2) the effects of the inclusion of new tax liabilities in the installment program, which increased the effective tax rate applied to our operating loss by 1.6%, (3) the IFRS effects on the business combination adjustments, which increased the effective tax rate applied to our operating loss by 1.1% because the bargain purchase gain is not taxed and (3) the effects of other non-deductible expenses which decreased our effective rate by 4.2%.

Profit (Loss) from Continuing Operations

Loss from continuing operations increased by 97.7% to R\$1,019.8 million, or 2.8% of net sales revenue, during 2012 from R\$515.8 million, or 1.6% of net sales revenue, during 2011.

Revenue from Discontinued Operations

Discontinued operations consist of the operations of (1) our former subsidiary Cetrel, which we sold in December 2012, and (2) our former subsidiary Braskem Distribuidora, which we sold in December 2012. Results of discontinued operations increased to R\$281.5 million during 2012 from R\$27.6 million during 2011.

Profit (Loss)

Loss increased by 51.2% to R\$738.3 million, or 2.0% of net sales revenue, during 2012 from R\$488.2 million, or 1.5% of net sales revenue, during 2011.

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Liquidity and Capital Resources

Our principal cash requirements for 2013 consisted of the following:

- servicing our indebtedness;
- working capital requirements;
- capital expenditures related to investments in operations, construction of new plant facilities, and maintenance and expansion of plant facilities; and
- dividends on our shares, including in the form of interest attributable to shareholders' equity.

Our principal sources of liquidity have traditionally consisted of the following:

- cash flows from operating activities;
- short-term and long-term borrowings; and
- sales of debt securities in domestic and international capital markets.

During 2013, cash flow generated by operations was used primarily for investing activities, for working capital requirements and to service our outstanding debt obligations. As of December 31, 2013, our consolidated cash and cash equivalents amounted to R\$4,335.9 million. As of December 31, 2013, we had net working capital (defined as (1) current assets plus non-current assets held for sale, minus (2) current liabilities plus non-current liabilities held for sale) of R\$1,402.3 million.

Projected Sources and Uses of Cash

We anticipate that we will be required to spend approximately R\$27.3 billion to meet our short-term contractual obligations and commitments and budgeted capital expenditures during 2014, and an additional approximate R\$27.6 billion to meet our long-term contractual obligations and commitments and some of our budgeted capital expenditures in 2015 (excluding equity contributions to our joint ventures in Mexico and Venezuela). We expect that we will meet these cash requirements for (1) our operations through sales of our products, and (2) our debt service through operating cash flow and new financing activities, including new debt financings and the refinancing of our existing short-term indebtedness as it becomes due.

We have commitments from several financial institutions to provide us with financing in the future, including commitments from the Brazilian National Bank for Economic and Social Development (*Banco Nacional do Desenvolvimento*), or BNDES, to lend us funds under our revolving stand-by credit facilities (*Contrato de Abertura de Limite de Crédito*), or CALC facilities, described under “—Indebtedness and Financing Strategy—Credit Facilities with BNDES.” As of December 31, 2013, an aggregate principal amount of R\$1.0 billion was available for disbursement under these facilities.

These commitments are subject to conditions precedent which we believe that we will be able to satisfy in connection with any amounts drawn under these facilities. We pay commitment fees to these financial institutions in connection with their commitments, other than our BNDES revolving stand-by credit facilities.

In addition, we entered into a project finance facility to fund the development of Project Ethylene XXI. For more information regarding this facility, see “Item 4. Information on the Company—Capital Expenditures—Joint Venture Projects—Project Ethylene XXI.”

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Cash Flows

Cash Flows Provided by Operating Activities

Net cash provided by operating activities was R\$2,457.8 million during 2013, R\$2,571.8 million during 2012 and R\$2,777.5 million during 2011.

Net cash provided by operating activities declined by R\$114.0 million during 2013 compared to 2012, primarily as a result of:

- the R\$742.6 million increase in trade payables during 2013 compared to the R\$2,165.5 million increase in trade payables during 2012 as a result of better payment terms available to our company from our principal Brazilian supplier of raw materials;
- a decline in non-cash interest and monetary and exchange variations, net to R\$1,341.8 million during 2013 compared to R\$2,443.0 million during the corresponding period of 2012, primarily as a result of our designation on May 1, 2013 of part of the liabilities our dollar-denominated debt instruments as a hedge for our future exports;
- the R\$927.4 million increase in inventories during 2013 compared to a R\$566.0 million increase during 2012, which resulted from increases in our inventories in the first half of 2013 to ensure that we would be able to serve our customers in the domestic polyolefin market during the scheduled maintenance shutdown of one of our polypropylene plants in the São Paulo Complex, which occurred in July 2013; and
- an increase in interest paid to R\$1,123.7 million during 2013 compared to a R\$ 1,006.8 million increase during 2012, primarily as a result of exchange variation.

The effects of these factors were partially offset by:

- our profit before income tax and social contribution and after discontinued operations of R\$963.9 million during 2013 compared to a loss of R\$1,378.1 million during the corresponding period of 2012; and
- a R\$492.9 million increase in accounts receivable during 2013 compared to a R\$625.1 million increase during 2012, primarily as a result of a 10% appreciation in the average U.S. dollar exchange rate against the *real* during the year..

Net cash provided by operating activities declined by R\$205.7 million during 2012 compared to 2011, primarily as a result of:

- a R\$531.2 million decline in profit before income tax and social contribution and after results from discontinued operations;
- a R\$625.1 million decline in trade accounts receivable during 2012 compared to a R\$365.9 million decline during 2011, primarily as a result of the depreciation of the *real* in 2012 compared to 2011 period, which directly impacted our receivables from exports;
- a R\$430.8 million decline in taxes and contributions payable during 2012 compared to a R\$52.1 million decline during 2011 as a result of installment payments made under a Brazilian federal tax settlement program; and

- a R\$204.4 million increase in interest paid to R\$1,006.8 million during 2012 from R\$802.4 million during 2011, primarily as a result of an increase in the principal amount of our outstanding debt.

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The effects of these factors were partially offset by:

- a R\$2,165.5 million increase in accounts payable to suppliers during 2012 compared to a R\$1,326.0 million increase in accounts payable to suppliers during 2011, principally as a result of an increase in the price of our principal raw materials, including naphtha, ethane, propane and propylene and the depreciation of the *real* in 2012 compared to 2011 period; and
- a R\$389.0 million increase in other accounts payable during 2012 compared to a R\$212.1 million decline during 2011, primarily as a result of our incurrence of accounts payable relating to our development of Project Ethylene XXI.

Cash Flows Used in Investing Activities

Investing activities used net cash of R\$4,954.2 million during 2013, R\$2,834.3 million during 2012 and R\$2,866.5 million during 2011.

During 2013, investing activities for which we used cash on a consolidated basis primarily consisted of (1) investments of R\$4,102.1 million in new capacity projects, including investments of R\$4,053.0 million for the construction of our facilities in Mexico, of which R\$1,098.4 million was in the form of an equity contribution, (2) investments of R\$781.0 million to perform maintenance on our plants during scheduled shutdowns, (3) investments of R\$275.5 million in modernization, in information technology and increased reliability of our systems, (4) investments of R\$284.7 million in equipment replacement, (5) investments of R\$194.1 million in productivity and safety improvements. These investments were partially offset by our receipt of R\$689.9 million from the divestments of Cetrel and Braskem Distribuidora.

During 2012, investing activities for which we used cash on a consolidated basis primarily consisted of (1) investments of R\$1,629.3 million in new capacity projects, including investments of R\$993.0 million for the construction of our facilities in Mexico, of which R\$34.0 million corresponds to our equity contribution, R\$357.0 million for the construction of our new PVC facilities and R\$174.2 million for the construction of our new butadiene plant, (2) investments of R\$486.6 million to perform maintenance on our plants during scheduled shutdowns, (3) investments of R\$183.5 million in information technology modernization and increased reliability of our systems, (4) investments of R\$180.8 million in equipment replacement, and (5) investments of R\$173.1 million in productivity and safety improvements.

During 2011, investing activities for which we used cash on a consolidated basis primarily consisted of (1) investments of R\$617.0 million to purchase the polypropylene business of Dow, (2) investments of R\$886.5 million in new capacity projects, including investments of R\$517.5 million for the construction of our new PVC facilities, R\$190.6 million for the construction of our facilities in Mexico and R\$126.6 million for the construction of our new butadiene plant, (3) investments of R\$469.4 million to perform maintenance on our plants during scheduled shutdowns, (4) investments of R\$241.2 million in information technology modernization and increased reliability of our systems, (5) investments of R\$235.1 million in productivity and safety improvements, and (6) investments of R\$206.9 million in equipment replacement.

Cash Flows Used in Financing Activities

Financing activities provided net cash of R\$3,614.2 during 2013, R\$633.9 million during 2012 and R\$494.7 million during 2011.

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During 2013:

- we borrowed US\$200.0 million aggregate principal amount in January 2013 under an export prepayment facility that we entered into with certain international financial institutions in December 2012;
- we entered into three credit export notes facilities with Brazilian financial institutions in the aggregate amount of R\$300.0 million in February 2013;
- we entered into a credit facility agreement with an international financial institution for a principal aggregate amount of US\$90.0 million in March 2013;
- we entered into a credit facility agreement with an international financial institution for a principal aggregate amount of US\$210.0 million in June 2013;
- Braskem Idesa borrowed US\$1,483.9 million aggregate principal amount in July 2013 under the financing agreements that Braskem Idesa entered into in December 2012 to finance the Ethylene XXI project;
- we entered into several credit export notes facilities with an international financial institution in the aggregate amount of R\$163.5 million in August 2013;
- we entered into a loan agreement with a Brazilian financial institution under which we borrowed an aggregate principal amount of US\$70.0 million in September 2013;
- we received disbursements under a financing agreement with BNDES, in the amounts of R\$178.0 million, R\$144.1 million and R\$188.7 million in October, November and December 2013, respectively;
- Braskem Idesa borrowed US\$546.9 million aggregate principal amount in November 2013 under the financing agreements that Braskem Idesa entered into in December 2012 to finance the Project Ethylene XXI project;
- we borrowed R\$150.0 million under a credit export note facility that we entered into in December 2013 with a Brazilian financial institution; and
- we entered into a ACC (advance payment on exchange contract) with an international financial institution for a principal aggregate amount of US\$50.0 million in December 2013.

During 2013, we used cash:

- to prepay R\$512.7 million, representing all principal amounts and interest outstanding under four export credit note facilities;
- to prepay R\$452.3 million, representing all principal amounts and interest outstanding under two export prepayment facilities;
- to prepay R\$123.6 million, representing all principal amounts and interest outstanding under a financing agreement with BNDES; and
- to make other scheduled payments and prepayments under several of our outstanding debt instruments.

During 2012:

- we borrowed R\$732.5 million and US\$81.5 million under our credit facilities with BNDES;

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- we issued and sold US\$500 million aggregate principal amount of our 5.375% Notes due 2022;
- we issued and sold US\$250.0 million aggregate principal amount of our 5.75% Notes due 2021;
- we issued and sold US\$250.0 million aggregate principal amount of our 7.125% Notes due 2041;
- we issued and sold US\$250.0 million aggregate principal amount of our 7.375% Perpetual Bonds;
- we borrowed R\$300.0 million aggregate principal amount under a credit export note facility that we entered into with a Brazilian financial institution in September 2012;
- we borrowed R\$200.0 million aggregate principal amount under a credit export note facility that we entered into with a Brazilian financial institution in January 2012;
- we borrowed R\$100.0 million aggregate principal amount under a credit export note facility that we entered into with a Brazilian financial institution in June 2012; and
- we borrowed R\$100.0 million aggregate principal amount under a credit export note facility that we entered into with a Brazilian financial institution in November 2012.

During 2012, we used cash:

- to prepay R\$504.6 million, representing all principal amounts and interest outstanding under three credit export note facilities;
- to prepay R\$129.2 million, representing a working capital loan;
- to prepay US\$600.0 million, representing all principal amounts outstanding, under four export prepayment facilities; and
- to make other scheduled payments and prepayments under various of our outstanding debt instruments.

In addition, we used cash to pay dividends in the aggregate amount of R\$482.1 million.

On August 13, 2012, our board of directors authorized a share repurchase program under which we were authorized to repurchase up to 13,376,161 class A preferred shares at market prices over the BM&FBOVSPA at any time and from time to time prior to August 28, 2013. Shares that were repurchased will be held in treasury and may be resold or cancelled. As of December 31, 2012, we had repurchased 262,300 class A preferred shares for an aggregate of R\$3.5 million.

During 2011:

- we borrowed R\$690.1 million under our credit facilities with BNDES;
- we issued and sold US\$750.0 million aggregate principal amount of our 5.75% Notes due 2021;
- we issued and sold US\$500.0 million aggregate principal amount of our 7.125% Notes due 2041;

- we borrowed R\$1,830.0 million aggregate principal amount and US\$200.0 million aggregate principal amount under seven export finance facilities that we entered into in 2011;
- we borrowed R\$101.9 million aggregate principal amount and US\$250.0 million aggregate principal amount under eight credit agreements with banks that we entered into in 2011; and

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- we borrowed US\$1,126.7 million aggregate principal amount under short term instruments, such as foreign exchange contracts (ACC — *Adiantamento sobre Contrato de Câmbio*).

During 2011, we used cash (1) to prepay US\$551.9 million and R\$482.5 million, representing all amounts outstanding, under five export finance facilities, (2) to prepay US\$210.4 million under a syndicated unsecured credit agreement that we entered into in March 2010 to finance the Sunoco Chemicals Acquisition, (3) to pay our 14th issue of unsecured non-convertible debentures in the amount of R\$530.4 million at maturity, (4) to redeem all of our 9.00% Perpetual Bonds in the aggregate principal amount of US\$200.0 million, (5) to repurchase US\$165.7 million aggregate principal amount of our 11.75% Notes due 2014, (6) to repurchase US\$144.3 million aggregate principal amount of our 8.00% Notes due 2017, (7) to repurchase US\$84.7 million aggregate principal amount of our 9.375% Notes due 2015, and (8) to make other scheduled payments and prepayments under various of our outstanding debt instruments. In addition, we used cash to pay dividends in the aggregate amount of R\$664.9 million.

On August 26, 2011, our board of directors authorized a share repurchase program under which we were authorized to repurchase up to 12,162,504 class A preferred shares at market prices over the BM&FBOVSPA at any time and from time to time prior to August 28, 2012. Shares that were repurchased will be held in treasury and may be resold or cancelled. During 2012, we repurchased 2,007,600 class A preferred shares for an aggregate of R\$26.3 million. During 2011, we repurchased 1,405,400 class A preferred shares for an aggregate of R\$19.8 million under a share repurchase program approved on August 26, 2011.

Unless our board of directors deems it inconsistent with our financial position and the decision of our board of directors is ratified by our shareholders, payment of dividends is mandatory under Brazilian Corporation Law and our by-laws and also is required under agreements with two of our shareholders and, consequently, may give rise to significant cash requirements in future periods.

Contractual Commitments

The following table summarizes significant contractual obligations and commitments as of December 31, 2013 that have an impact on our liquidity:

	Payments Due by Period				Total
	Less than one Year	One to Three Years	Three to Five Years	More than Five Years	
	<i>(in millions of reais)</i>				
Loans and financings (1)	1292.0	3,896.1	3,875.4	20,445.5	29,509.0
Project Ethylene XXI – Project finance debt (2)	29.3	106.9	720.9	6,588.4	7,445.5
Derivatives (3)	95.1	(68.1)	464.2	0.0	491.2
Tax refinancing program (4)	152.0	261.6	261.6	348.8	1,024.1
Petros Copesul plan contributions (5)	158.1	–	–	–	158.1
Defined benefit actuarial obligation (6)	–	–	–	44.1	44.1
Other payables (7)	–	133.4	142.4	370.4	646.2
Project Ethylene XXI – EPC (8)	2,966.5	888.6	–	–	3,855.1
Purchase obligations for raw materials (9)	20,302.0	17,048.1	17,048.1	1,037.4	55,435.6
Purchase obligations for electric power and gas (9)	970.0	1,264.0	951.0	374.0	3,559.0
Total contractual obligations	25,965.0	23,455.2	23,481.3	29,325.3	102,167.8

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- (1) Consists of estimated future payments of amortization amounts plus interest on our loans and financings, calculated based on interest rates and foreign exchange rates applicable as of December 31, 2013 and assuming (i) that all amortization payments and payments at maturity on our loans and financings will be made on their scheduled payment dates, and (ii) that our perpetual bonds are redeemed after 100 years.
 - (2) Consists of limited recourse project finance debt, which is repaid solely from the cash generated by the project itself and shareholders provide limited guarantees. For further information, see note 20 of our consolidated financial statements elsewhere in this annual report.
 - (3) Consists substantially of foreign exchange swaps that we entered into to offset the variation in the rates of export credit notes contracts. For further information, see note 21.2.1 of our consolidated financial statements elsewhere in this annual report.
 - (4) Consists of payments pursuant to the agreement that Braskem entered into in November 2009 with the Brazilian tax authorities. For further information, see the note 22(a) of our consolidated financial statements elsewhere in this annual report.
 - (5) Consists of payments to the participants of the Petros Copesul defined post-employment benefit plan in connection with our withdrawal as sponsor of this plan. For further information, see notes 26.2(a) and 26.3 to our consolidated financial statements elsewhere in this annual report.
 - (6) Consists of the actuarial liabilities in connection with the Novamont and Braskem Europe defined benefit plans. For further information, see note 26.3 to our consolidated financial statements elsewhere in this annual report.
 - (7) Consists of (i) amounts payable to non-controlling shareholders of Braskem Idesa and (ii) amounts payable to BNDES Participações S.A. as part of the business combination with Quattor. For further information, see note 28 of our consolidated financial statements elsewhere in this annual report.
 - (8) Consists of contractual commitments for the engineering, procurement and construction of Project Ethylene XXI and technology license fee regarding this project, calculated based on estimated future contractual payments and interest and based on the foreign exchange rate in effect as of December 31, 2013.
 - (9) Consists of purchase commitments for raw materials and electric power and gas pursuant to binding agreements of the company that specify all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction. Based upon the applicable purchase prices as of December 31, 2013.

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We are also subject to potential liabilities with respect to tax, labor, distributors and other claims, for which the chances of loss are considered probable, and for which we maintain provisions of R\$362.9 million as of December 31, 2013. These proceedings relate primarily to federal income taxes and VAT. See “Item 8. Financial Information—Legal Proceedings” and note 24 to our audited consolidated financial statements.

Indebtedness and Financing Strategy

As of December 31, 2013, our total outstanding consolidated indebtedness, net of transaction costs, was R\$18,602.5 million, consisting of R\$1,248.8 million of short-term indebtedness, including current portion of long term indebtedness (6.7% of our total indebtedness), and R\$17,353.7 million of long-term indebtedness (93.3% of our total indebtedness), in addition to an aggregate amount of R\$4,731.0 million (US\$2,030.8 million) outstanding as of December 31, 2013 in connection with the project finance debt related to Project Ethylene XXI. As of December 31, 2013, we had no outstanding indebtedness to related parties on a consolidated basis. On a consolidated basis, our *real*-denominated indebtedness as of December 31, 2013 was R\$5,662.4 million (30.4% of our total indebtedness), and our foreign currency-denominated indebtedness was R\$12,940.1 million (69.6% of our total indebtedness).

Our financing strategy has been to continue to extend the average maturity of our outstanding indebtedness, including by repaying short-term debt through longer-term borrowings and issuing longer-term debt securities, in order to increase our liquidity levels and improve our strategic, financial and operational flexibility. Our financing strategy over the next several years involves maintaining adequate liquidity and a debt maturity profile that is compatible with our anticipated cash flow generation and anticipated capital expenditures. In addition, we do not expect our capital expenditures to adversely affect the quality of our debt leverage ratios or our disciplined approach to capital allocation.

Short-Term Indebtedness

Our consolidated short-term debt, including current portion of long-term debt, was R\$1,248.8 million as of December 31, 2013.

We maintain short-term finance lines denominated in *reais* with a number of financial institutions in Brazil. Although we have no committed lines of credit with these financial institutions, we believe that we will continue to be able to obtain sufficient credit to finance our working capital needs based on our relationships with these financial institutions and current market conditions. As of December 31, 2013, the consolidated outstanding balance under our short-term finance lines denominated in *reais* was R\$634.1 million.

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We also obtain advances on certain export contracts from a variety of Brazilian financial institutions. These advances generally have a maturity of less than one year and relatively low interest rates. These advances on export contracts are generally secured by receivables to be generated from future export sales under those contracts. As of December 31, 2013, our consolidated outstanding advances on export contracts totaled R\$117.1 million (US\$50.0 million). See note 19 to our consolidated financial statements included in this annual report.

Long-Term Indebtedness

Our principal sources of long-term debt are:

- fixed-rate notes issued in the international market;
- export credit notes;
- credit facilities with BNDES;
- bank credit facilities;
- project financing;
- BNB/FINAME/FINEP/FUNDES; and
- export prepayment facilities.

Some of these instruments also contain other covenants that could restrict, among other things, the ability of our company and most of our subsidiaries to incur liens or merge or consolidate with any other person or sell or otherwise dispose of all or substantially all of our assets. In addition, the instruments governing a substantial portion of our indebtedness contain cross-default or cross-acceleration clauses, such that the occurrence of an event of default under one of these instruments could trigger an event of default under other indebtedness or enable the creditors under other indebtedness to accelerate that indebtedness.

As of December 31, 2013, R\$3,071.2 million of our *real*-denominated debt and R\$453.1 million of our foreign currency-denominated debt was secured. In order to secure this debt, we have pledged certain of our property and equipment and certain of our accounts receivable. The security arrangements for our secured debt vary depending on the transaction.

As of December 31, 2013, all of our project finance debt related to Project Ethylene XXI was secured. In order to secure this debt, we have pledged our shares in Braskem Idesa, some of our rights to repayment under subordinated loans that Braskem S.A. has made to Braskem Idesa and all of the assets of Braskem Idesa.

Fixed-Rate Notes

We have issued fixed-rate debt securities in the international market. All of these securities pay interest semi-annually in arrears, except for our perpetual bonds on which interest is payable quarterly in arrears. The table below sets forth our outstanding fixed-rate debt securities, the outstanding principal amount of these securities and their maturity dates.

Security	Outstanding Principal Amount at December 31, 2013 (in millions of U.S. dollars)	Final Maturity
11.75% Notes due 2014	72.6	January 2014
9.375% Notes due 2015	64.5	June 2015
8.00% Notes due 2017 (1)	125.9	January 2017
7.250% Notes due 2018(1)(2)	424.9	June 2018
7.00% Notes due 2020(1)(2)	747.5	May 2020
5.75% Notes due 2021(2)	997.5	April 2021
5.375% Notes due 2022(2)	500.0	May 2022
7.125% Notes due 2041(3)	750.0	July 2041
7.375% Perpetual Bonds(2)	700.0	—

(1) We repurchased US\$44.9 million aggregate principal amount of the 2017 Notes, US\$229.4 million aggregate principal amount of the 2018 Notes and US\$165.7 million aggregate principal amount of the 2020 Notes in connection with a tender offer that concluded in February 2014.

(2) Represents notes issued by Braskem Finance and guaranteed by Braskem.

(3) Represents notes issued by Braskem America Finance and guaranteed by Braskem.

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We have entered into several credit export note facilities. The table below sets forth our significant outstanding credit export note facilities, the amount outstanding under these facilities, the interest rate applicable to these facilities, the amortization schedule of these facilities and their maturity dates.

Issue Date	Outstanding Principal and Interest as of December 31, 2013 (in millions of reais)	Interest Rate	Amortization Schedule	Final Maturity
February 2013			Bullet	February
	101.08.00%		Maturity	2016
February 2013			Bullet	February
	101.28.00%		Maturity	2016
February 2013			Bullet	February
	100.98.00%		Maturity	2016
February 2013			Bullet	February
	50.57.5%		Maturity	2016
February 2013			Bullet	February
	50.48.00%		Maturity	2016
March 2013			Bullet	
	50.38.00%		Maturity	March 2016
December 2013			Bullet	December
	150.38.00%		Maturity	2016
April 2007 (1)			Bullet	
	119.37.87%		Maturity	March 2018
November 2006(1)			Bullet	
	184.88.1%		Maturity	May 2018
April 2011		112.5% of	Bullet	
	459.4CDI		Maturity	April 2019
May 2007(1)			Bullet	
	176.87.85%		Maturity	May 2019
August 2011		112.5% of	Bullet	
	403.5CDI		Maturity	August 2019
January 2008(1)			Bullet	February
	362.27.3%		Maturity	2020
June 2012		101.8105% of CDI	Annual (2)	October 2021
September 2012		305.3105% of CDI	Annual (2)	October 2021
April 2010		50.9105% of CDI	Annual (2)	October 2021
June 2010		203.5105% of CDI	Annual (2)	October 2021

February 2011	203.5105% of CDI Annual (2)	October 2021
June 2011	81.4105% of CDI Annual (2)	October 2021
October 2012	86.5105% of CDI Annual (2)	October 2021

(1) Facility denominated in U.S. dollars.

(2) Facilities amended in October 2013 to extend maturity from February 2014 to October 2021.

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We have entered into a variety of credit facilities with BNDES. The proceeds of these credit facilities have been used to finance a variety of capital expenditures, including:

- the expansion of the annual ethylene production capacity of the Santo André plant by 233,000 tons;
- the extension of a gas pipeline from REVAP, located in São José dos Campos, to RECAP, located in Mauá;
- the expansion of the annual polypropylene production capacity of one of our plants located in the Southern Complex by 100,000 tons;
- the expansion of the annual LDPE and HDPE production capacity of the Capuava plant by 200,000 tons;
- the construction of our “green” polyethylene facilities;
- the construction of our new butadiene plant;
- the construction of our new PVC facilities;
- the construction of a new salt well in Maceió, Alagoas to supply our Vinyls Unit;
- the replacement of some equipment at our PVC plant in the Northeastern Complex; and
- quality, productivity, environmental, health and safety projects at our plants.

The table below sets forth selected information with respect to our BNDES term loan credit facilities as of December 31, 2013.

<u>Facility</u>	Outstanding Principal and Interest (in millions of reais)	Interest Rate	Amortization Schedule	Final Maturity
August 2007 credit facility(1)				
<i>Cesta de Moedas</i> loans		<i>Cesta de Moedas</i> plus 10.12.80%;	Monthly	April 2016
TJLP loans		TJLP plus 2.8% to 62.73.3%	Monthly	February 2016
June 2009 credit facility(2)				
<i>Cesta de Moedas</i> loans		<i>Cesta de Moedas</i> plus 39.82.58%	Monthly	July 2017
TJLP loans		TJLP plus 0% to 277.04.78%	Monthly	June 2017
December 2010 credit facility(3)				

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<i>Cesta de Moedas</i> loans	<i>Cesta de Moedas</i> plus 115.12.58%	Monthly(4)	January 2020
TJLP loans	TJLP plus 0% to 352.43.58%	Monthly(4)	December 2019
Fixed-rate loans	5.50%	Monthly(4)	December 2019
November 2011 credit facility(5)	40.1	Monthly(4)	2019
<i>Cesta de Moedas</i> loans	<i>Cesta de Moedas</i> plus 40.52.45%	Monthly	January 2021
TJLP loans	TJLP plus 0% to 134.43.45%	Monthly	December 2020

-
- (1) Relates to the Quattor Acquisition.
 - (2) Relates to our “green” polyethylene plant that began operations in September 2010.
 - (3) Relates to our PVC plant in Alagoas that began operations in August 2012.
 - (4) Principal payments on this tranche commenced in July 2013.
 - (5) Relates to our butadiene plant in the Southern Complex that began operations in September 2012.

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Each of these credit facilities is secured by mortgages on (1) two of the Quattor plants located between the cities of Santo André and Mauá or (2) two of our plants located in the Southern Complex (including the land on which this plant is located, as well as certain of the equipment, machinery and improvements in this plant).

Revolving Stand-by Credit Facilities

In addition, we have entered into three revolving stand-by credit facilities with BNDES. Loans under these facilities are required to be used to fund specified capital expenditure projects, including:

- expansion and modernization of fixed assets;
- acquisition of new machinery and equipment produced in Brazil;
- programs related to technical training and management, and information technology;
- social investment programs;
- environmental investments; and
- investments in research, development and innovation.

The interest rates for loans drawn under these facilities are set at the time the loans are made and are based on the TJLP rate or the average annual currency basket rate published by BNDES, or the *Cesta de Moedas* rate or the accumulated annual average of SELIC.

Loans made under these facilities may have maturities up to ten years. The outstanding principal and interest of each of these loans is payable in monthly installments following the expiration of the grace period for these loans, which is generally one year or 18 months, depending upon the terms of the relevant facility.

The table below sets forth selected information with respect to our BNDES revolving credit facilities as of December 31, 2013.

<u>Facility</u>	Committed Principal Amount (in millions of reais)	Outstanding Principal and Interest (in millions of reais)	Weighted Average Interest Rate	Expiration of Commitment
December 2009(1)	R\$500.0			
<i>Cesta de Moedas</i> loans			<i>Cesta de Moedas</i> plus 80.82.58%	January 2017
TJLP loans			TJLP plus 2.58% to	January 2017
Fixed rate			10.84.5%	January 2017
November 2011(2)	R\$2,460.0			
<i>Cesta de Moedas</i> loans			<i>Cesta de Moedas</i> plus 159.92.42% to 2.45%	October 2018

TJLP loans	TJLP plus 0.00% to 969.73.58%	October 2019
Fixed rate	3.5% to 5.5%	November
SELIC	228.6	2019
	82.4SELIC plus 2.58%	October 2019

(1) Relates to the CALC facility with BNDES, secured by a pledge of one of our crackers in the Southern Complex.

(2) This agreement was amended in September 2013 to provide for disbursements in the aggregate amount of R\$789.4 million between October 2013 and April 2015. In October and November 2013, we received disbursements under this financing agreement in the amounts of R\$178.0 million and R\$144.1 million, respectively. These disbursements mature in October 2019.

Disbursements under these facilities are contingent on our pledge of fixed assets with a value at least equal to the aggregate outstanding principal amount under these facilities. We have pledged one of our crackers in the Southern Complex, one of our polyethylene plants in the Southern Complex and our chloro-soda plant in Alagoas to secure loans under these facilities (including the land on which this plant is located, as well as certain of the equipment, machinery and improvements in this plant).

TABLE OF CONTENTS*Revolving Credit Facility Agreements*

We have entered into three revolving credit lines, under which no amounts were outstanding as of December 31, 2013. The first line, which we entered into in August 2011, in the amount of US\$250.0 million, may be drawn down at any time until August 2016 and bears interest at floating rates based on LIBOR plus 1.20% per annum. The second line, which we entered into in November 2012, in the amount of US\$350.0 million, may be drawn down at any time until November 2016 and bears interest at floating rates based on LIBOR plus 1.65% per annum. The third line, which we entered into in December 2012, in the amount of R\$450.0 million, may be drawn down at any time until December 2015 and bears interest at floating rates based CDI plus 0.95% per annum.

Bank Credit Facilities

From September to December 2011 we entered into five loan agreements, each in the aggregate amount of US\$50.0 million, with Brazilian and international financial institutions. We are using the loan proceeds to finance the manufacturing and sale of chemical, petrochemical and ethanol-based products. The loans bear interest at LIBOR plus 1.70% to LIBOR plus 2.25%, and mature between March 2015 and December 2016.

In January 2013, we received proceeds under a loan facility that we entered into in December 2012 with certain international financial institutions in the aggregate amount of US\$200.0 million. The loan proceeds were used for improvements at our butadiene plant in the Southern Complex and certain related facilities in the Southern Complex, Northeastern Complex and Southeastern Complex. This loan bears interest at a floating rate of LIBOR plus 1.1% per annum, payable semiannually, and matures in November 2022.

In September 2013, we entered into a loan agreement with a Brazilian financial institution under which we borrowed an aggregate principal amount of US\$70.0 million. The loan proceeds will be used for working capital purposes. This loan bears interest at a rate of LIBOR plus 1.13% payable quarterly in arrears. Principal on this loan is payable upon maturity in September 2016.

Export Prepayment Agreements

We have entered into a several export prepayment agreements. One of our export prepayment agreements is secured by certain of our export receivables. The table below sets forth our significant outstanding export prepayment agreements, the outstanding principal amount of these facilities, the interest rate applicable to these facilities, the amortization schedule of these facilities and their maturity dates.

Issue Date	Outstanding Principal Amount as of December 31, 2013 (in millions of U.S. dollars)	Interest Rate	Amortization Schedule	Final Maturity
December 2010		LIBOR + 50.02.47%	Semi-annual (1)	December 2017

January 2013

LIBOR +
180.01.10%

Semi-annual
(2)

December
2022

(1) Amortization on this facility commences in December 2015.

(2) Amortization on this facility commences in May 2013.

On December 3, 2012, the Brazilian federal government introduced changes to the regulations applicable to new export prepayment financings. These regulations allowed export prepayment financings for finance operations maturing in up to five years, which had previously been limited to a 360 day maximum.

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Although export prepayment facilities have historically accounted for an important part of our financing strategy, as of December 31, 2013, they accounted for only 2.9% of our outstanding indebtedness.

Financing Agreements

In December 2012, Braskem Idesa entered into a common terms agreement with certain financial institutions to finance the development, design, construction and initial operation of the Mexico Complex. In connection with the common terms agreement, Braskem Idesa entered into eight separate financing agreements with Brazilian and international financial institutions and development banks in an aggregate principal amount of up to US\$3.2 billion. In July 2013, Braskem Idesa received the initial disbursement of US\$1,483.9 million (R\$3,316.2 million) under these credit facilities and in November 2013, it received the second disbursement in the amount of US\$546.9 million (R\$1,246.1 million) under credit facilities. The financing consists of two tranches. The interest rates on the first tranche are fixed within a range of 4.33% to 6.17%. The interest rates on the second tranche are floating within a range of LIBOR plus 2.73% to LIBOR plus 4.65%. To reduce the interest rate risk, the second tranche is hedged through several swap agreements. Interest on both tranches is payable quarterly in arrears and principal is amortized quarterly. The final maturity date of these loans is February 15, 2029 with amortizations beginning in April 2016. Braskem Idesa used the proceeds from the first disbursement to repay indebtedness incurred to fund the Project Ethylene XXI before this disbursement, including the repayment of bridge loans with Braskem in the amount of US\$648.8 million (R\$1,449.8 million) and Idesa Group in the amount of US\$216.3 million (R\$483.3 million). For more information, see “Item 4. Information on the Company—Capital Expenditures—Joint Venture Projects—Project Ethylene XXI.”

Off-Balance Sheet Arrangements

We do not currently have any transactions involving off-balance sheet arrangements.

TABLE OF CONTENTS**ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES****Directors and Senior Management**

Our board of directors (*conselho de administração*) and our board of executive officers (*diretoria*) are responsible for operating our business.

Board of Directors of Braskem

Our by-laws provide for a board of directors of eleven members and eleven alternate members. During periods of absence or temporary unavailability of a regular member of our board of directors, the corresponding alternate member substitutes for the absent or unavailable regular member. Our board of directors is a decision-making body responsible for, among other things, determining policies and guidelines for our business and our wholly-owned subsidiaries and controlled companies. Our board of directors also supervises our board of executive officers and monitors its implementation of the policies and guidelines that are established from time to time by the board of directors. Under the Brazilian Corporation Law, our board of directors is also responsible for hiring independent accountants.

The members of our board of directors are elected at general meetings of shareholders for two-year terms and are eligible for reelection. The terms of all current members expire at our 2014 annual shareholders' meeting. Members of our board of directors are subject to removal at any time with or without cause at a general meeting of shareholders. Our by-laws do not contain any citizenship or residency requirements for members of our board of directors and the members of our board of directors need not be shareholders of our company. Our board of directors is presided over by the president of the board of directors, and, in his absence, the vice president of the board of directors. The president and the vice president of our board of directors are elected at a general meeting of shareholders from among the members of our board of directors, serve for two-year terms and are eligible for reelection.

Our board of directors ordinarily meets four times a year and extraordinarily when a meeting is called by the president, the vice president or any two other members of our board of directors. Decisions of our board of directors require a quorum of a majority of the directors and are taken by majority vote, other than certain actions which require the consensus of the nominees of Odebrecht and Petrobras under the Petrobras Shareholders' Agreement. See "Item 7. Major Shareholders and Related Party Transactions—Major Shareholders—Shareholders' Agreements—Petrobras Shareholders' Agreement."

The following table sets forth certain information with respect to the current members of our board of directors and their alternates:

<u>Name</u>	<u>Member Since</u>	<u>Position Held</u>	<u>Age</u>
Marcelo Bahia Odebrecht	July 25, 2008	President of the Board	45
Cláudio Melo Filho	October 3, 2005	Alternate	46
José Carlos Cosenza	June 12, 2012	Board Member	63
Antonio Aparecida de Oliveira	April 30, 2010	Alternate	53
Alfredo Lisboa Ribeiro Tellechea	April 15, 2009	Board Member	57
Luiz de Mendonça	April 27, 2012	Alternate	50
Alvaro Fernandes da Cunha Filho	November 6, 1997	Board Member	65
Paulo Oliveira Lacerda de Melo	April 27, 2012	Alternate	61
Marcela Aparecida Drehmer Andrade	August 27, 2013	Board Member	45

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Mauro Motta Figueira	April 27, 2012	Alternate	42
Newton Sergio de Souza	August 15, 2001	Board Member	60
Mauricio Roberto de Carvalho Ferro	March 26, 2014	Alternate	47
Daniel Bezerra Villar	August 27, 2013	Alternate	42
Jairo Elias Flor	August 27, 2013	Alternate	50
Almir Guilherme Barbassa	April 30, 2010	Board Member	67
Gustavo Tardin Barbosa	February 28, 2012	Alternate	52
José Alcides Santoro Martins	April 27, 2012	Board Member	59
Arão Dias Tisser	July 25, 2008	Alternate	38
Patrick Horbach Fairon	August 13, 2012	Board Member	59
Andrea Damiani Maia	April 30, 2010	Alternate	42
Roberto Zurli Machado	April 27, 2012	Board Member	58
José de Freitas Mascarenhas	August 15, 2001	Alternate	72

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The following is a summary of the business experience, areas of expertise and principal outside business interests of our current directors and their alternates.

Directors

Marcelo Bahia Odebrecht. Mr. Odebrecht was elected to our board of directors as a nominee of Odebrecht. He has been the president of Odebrecht S.A. since the end of 2008. Mr. Odebrecht holds a bachelor's degree in civil engineering from Universidade Federal da Bahia, or UFBA, and an MBA from International Institute for Management Development, or IMD, Business School, in Lausanne, Switzerland.

Alvaro Fernandes da Cunha Filho. Mr. Cunha Filho was elected to our board of directors as a nominee of Odebrecht. He is currently the president of Valora Participações Ltda. Mr. Cunha Filho served as vice president of the board of directors of Norquisa from 1997 through 1999, and from 2001 through 2003 as a member of the board of directors of Norquisa. He has also occupied several executive positions in subsidiaries and affiliates of Odebrecht. Mr. Cunha Filho holds a bachelor's degree in civil engineering and a master's degree in economics from the UFBA.

Alfredo Lisboa Ribeiro Tellechea. Mr. Tellechea was elected to our board of directors as a nominee of Odebrecht. He served as one of the vice president executive officers of Braskem from 2007 to 2009 and headed Braskem's Polyolefins Units from 2008 to 2009. Mr. Tellechea has previously held a variety of positions in the Ipiranga Group including serving as the chief superintendent of Distribuidora de Produtos de Petróleo Ipiranga from 2002 to 2006, chief superintendent of Ipiranga Petroquímica from 2006 to 2007, and chief executive officer of Copesul from 2007 until 2008. Mr. Tellechea holds a bachelor's degree in civil engineering from Pontifícia Universidade Católica do Rio Grande do Sul, or PUC/RS, and a post-graduate degree in Marketing from the Escola Superior de Propaganda e Marketing, or ESPM.

Newton Sergio de Souza. Mr. Souza was elected to our board of directors as a nominee of Odebrecht. He has been the general counsel and an executive officer of Odebrecht since May 1997 and an executive officer of Norquisa since April 2003. He also serves in several executive and board positions in subsidiaries and affiliates of Odebrecht. Mr. Souza served as the president of the board of directors of Companhia de Concessões Rodoviárias, or CCR. He was also a visiting lawyer at the law firm Dechert, Price & Rhoads (Philadelphia), a senior lawyer at the law firm Pinheiro Neto Advogados from 1976 through 1982 and a senior counsel of the Latin America and Caribbean Division of the World Bank (Washington, D.C.) from 1982 through 1987. Mr. Souza holds a law degree from Pontifícia Universidade Católica do Rio de Janeiro, or PUC/RJ, and an LL.M. from the University of Pennsylvania.

Almir Guilherme Barbassa. Mr. Barbassa was elected to our board of directors as a nominee of Petrobras. He has been Petrobras' chief financial officer and chief investor relations officer since July 2005. Mr. Barbassa joined Petrobras in 1974 and has worked in several financial and planning capacities, both in Brazil and abroad. Mr. Barbassa has served as Petrobras' corporate finance and treasury manager, and he has also served at various times as financial manager and chairman of Petrobras subsidiaries that carry out international financial activities. In addition, he was an economics professor at Petrópolis Catholic University and Faculdades Integradas Bennett from 1973 to 1979. Mr. Barbassa holds a master's degree in economics from the FGV.

Marcela Aparecida Drehmer Andrade. Ms. Drehmer was elected to our board of directors as a nominee of Odebrecht. She has served as one of our vice president executive officers, our chief financial officer and our director of investor relations from 2010 until June 2013. She has served as financial officer for Odebrecht S.A. since July 2013 and served as a member of the board of directors of Quattor, Quattor Química S.A. and Rio Polímeros S.A. in 2010, Borealis Brasil S.A. from 2005 to 2006, and Braskem Idesa SAPI from 2010 to 2013. Ms. Drehmer served as our financial

officer from 2005 to 2010. She worked for our company in structured operations and financial operations from 2002 to 2005, and worked for OPP Petroquímica S.A. in the financial department where she was responsible for the structured operations and planning departments from 1994 to 1999, served directly under the vice president of investments of Odebrecht from 2001 to 2002. In 2000, Ms. Drehmer participated in Credit Suisse First Boston's Corporate Finance Internship Program, in New York. Ms. Drehmer holds a bachelor's degree in business administration from UNIFACS and an MBA in finance from IBMEC.

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José Alcides Santoro Martins. Mr. Santoro Martins was elected to our board of directors as a nominee of Petrobras. He has served as chief gas and power officer at Petrobras since February 2012. Mr. Santoro Martins has been at Petrobras for 34 years and has held various management positions, as well as serving on the board of directors of various of Petrobras's subsidiaries. In addition, he served as managing director of Termobahia S.A., Termoceará Ltda. and Termomacaé Ltda. from September/October 2008 to March/April 2012 and administrative officer of Sociedade Fluminense de Energia Ltda. from August 2008 to December 2011. Mr. Santoro Martins also served as technology director at the Center for Gas & Renewable Energy Technology—CTGAS-ER from February 2004 to May 2005 and director for oil, gas and biofuels at the Energy Research Company (*Empresa de Pesquisa Energética*), or EPE, from May 2005 to June 2006. Mr. Santoro is currently chairman of the board of Transportadora Associada de Gás S.A. and a full member of the board of directors of Petrobras Gas S.A. and Petrobras Transportes S.A. Mr. Santoro Martins has a bachelor's degree in civil engineering from the University of São Paulo—USP.

Roberto Zurli Machado. Mr. Zurli was elected to our board of directors as a nominee of Odebrecht. He worked as a consultant in transportation projects up until 1984, when he joined BNDES. From 1985 to 2006, he assumed various executive positions in the Transportation, Logistics and Telecommunications divisions of BNDES. From 2006 to 2011, he worked as deputy director of basic industries divisions, where he was responsible for the mining, steel, chemical and petrochemical, pulp and paper, oil and gas sectors. Mr. Zurli was elected to the board of director of BNDES in 2011, and currently still holds that position where he is responsible for the infrastructure area, including the energy and transport sectors, as well as basic industries and public-private partnership structuring. Mr. Zurli holds a bachelor's degree in civil engineering and a master's degree in industrial engineering.

Patrick Horbach Fairon. Mr. Fairon was elected to our board of directors as a nominee of Petrobras. Previously, he served on our board of directors from 2004 to 2007, as president of the board of directors of Nova Petroquímica S.A. from 2007 to 2008, as vice president of the board of directors of Quattor and its subsidiaries and as a member of the board of directors of Petroquímica Suape from 2006 to 2010 and of REFAP from 2003 to 2010. From 2000 to 2005, Mr. Fairon served as the chief financial officer of Downstream Participações S.A. and from 2004 to 2010 as executive director of Petroquisa S.A. From 2010 to 2012, Mr. Fairon served as executive officer of Braskem. Since 2012, he has been the executive manager of Petrobras Petrochemical Downstream. He has also served as general manager of business development for Petrobras. Mr. Fairon holds a bachelor's degree in electrical engineering from the Universidade Federal do Rio de Janeiro, a master's degree in business administration from Pontifícia Universidade Católica do Rio de Janeiro and an MBA in finance from COPPEAD. He also attended the Advanced Management Program at INSEAD in France and the Management Executive Program at Kellogg and completed a post-graduate course in automation at Petrobras (CENEL).

José Carlos Cosenza. Mr. Cosenza was elected to our board of directors as a nominee of Petrobras. He joined Petrobras in 1976 and has served as the chief downstream officer at Petrobras since April 2012. Previously, Mr. Cosenza worked as production manager at Refinaria Alberto Pasqualini, or REFAP; general manager at both Refinaria do Paraná, or REPAR, and Refinaria de Paulínia, or REPLAN; and was the chief of executive office of Petrobras Argentina and Petrobras Uruguay. He also served as the vice president of the Pasadena Refinery expansion project in the United States and executive manager of Refining. Mr. Cosenza holds a degree in chemical engineering from the Universidade Federal do Rio Grande do Sul.

Daniel Bezerra Villar. Mr. Villar was elected as an alternate member of our board of directors as a nominee of Odebrecht. Mr. Villar is a member of the Odebrecht Group since 1994 and since December 2013 has responsible for People and Organizations at Odebrecht S.A. Mr. Villar has a degree in Civil Engineering from Pontificia Unversidade

Catolica do Rio de Janeiro in Brazil. At Construtora Norberto Odebrecht, the engineering branch within Odebrecht Group, he lead the company's Southern Cone infrastructure market (Argentina, Uruguay, Paraguay and Bolivia) between 2006 and 2007 as well as the Libyan infrastructure market between 2008 and 2010. His international background also includes seven years in Peru and three years in Ecuador. He joined Odebrecht Realizações Imobiliárias in 2011 and is currently leading its Rio de Janeiro real estate market.

TABLE OF CONTENTS*Alternate Directors*

Cláudio Melo Filho. Mr. Melo was elected as an alternate member of our board of directors as a nominee of Odebrecht. He currently serves as the vice president of institutional and political relations at Odebrecht. Mr. Melo served as financial manager and contract manager in several projects in Brazil and Angola for CNO from 1990 to 2004. Mr. Melo holds a bachelor's degree in business administration from the Universidade de Brasilia and a post-graduate degree in financial administration from FGV.

Antonio Aparecida de Oliveira. Mr. Oliveira was elected as an alternate member of our board of directors as a nominee of Petrobras. He is currently the manager of petrochemicals at Petrobras. He has worked at Petrobras since 1987 in several technical, executive and management positions. He has also served as a member of the board of directors of Ipiranga Petroquímica from 2007 to June 2008, a member of the board of directors of Quattor from June 2008 to June 2010 and corporate and planning superintendent of FINEP. Mr. Oliveira holds a degree in engineering from the Universidade Federal de Minas Gerais, or UFMG, and a Master in business administration from UFRJ. He also attended various programs specializing in business administration and the petroleum industry, including executive education programs at the Wharton School of the University of Pennsylvania and Harvard Business School.

Jairo Elias Flor. Mr. Flor was elected as an alternate member of our board of directors as a nominee of Odebrecht. He is currently responsible for People & Organization at Odebrecht S.A., where he focuses on maintaining the entrepreneurial philosophy and all matters associated with human resources. He has 35 years of professional experience, 28 of which he has worked at Odebrecht, during which time he worked in the United States, Peru, Chile, Bolivia and Brazil in the areas of finance, planning, logistics, export and human resources. He earned a degree in business administration from the state university of Ponta Grossa and a degree in economics from Paranaense University in Umuarama, both in Brazil. He also completed a specialization in administration at Mackenzie University – São Paulo and earned an MBA in business management from IBMEC – Rio de Janeiro.

José de Freitas Mascarenhas. Mr. Mascarenhas was elected as an alternate member of our board of directors as a nominee of Odebrecht. He has been an executive officer of Odebrecht since September 2001 and serves in various capacities with other companies in the Odebrecht Group. He has served as vice president of Confederação Nacional das Indústrias, or CNI, since October 1985 and as president of Federação das Indústrias do Estado da Bahia, or FIEB, since April 2010 and previously from 1992 until 2002. He also has served as vice president of the Brazilian Association of Chemical Industry and Derivative Products from May 1993 to April 2008. He is also a member of the Board of the Brazilian Competitiveness Council (*Movimento Brasil Competitivo*). Mr. Mascarenhas holds a bachelor's degree in civil engineering from UFBA.

Andrea Damiani Maia de Andrade. Ms. Andrade was elected as an alternate member of our board of directors as a nominee of Petrobras. Ms. Andrade was elected as an alternate member of our board of directors as a nominee of Petrobras. She has been a lawyer at Petrobras since 2004. She has served as sectional manager of new business in Petrobras' legal department, and she has served as legal manager for the petrochemicals business since 2012. Ms. Andrade holds a degree in law from USP and a postgraduate degree in competition law from FGV in Rio de Janeiro. She has also taken extension courses in natural gas contract negotiations at the University of Dundee in Scotland.

Mauricio Roberto de Carvalho Ferro. Mr. Ferro was elected as an alternate member of our board of directors as a nominee of Odebrecht. Mr. Ferro is currently an officer in the legal department of the Odebrecht S.A. Mr. Ferro served as an officer in Braskem from 2001 to 2013. He served as a member of the board of directors of Ipiranga Petroquímica, prior to its merger into Braskem, and Copesul, prior to its merger into Ipiranga Petroquímica. He was also the vice president of the board of directors of Politeno prior to our merger with Politeno, an alternate member of

the board of directors of Petroflex Indústria e Comércio S.A., or Petroflex, until the sale of our interest in Petroflex in April 2008, and a member of the board of directors of Polialden until our merger with Polialden. He served as a lawyer at the law firm of Carlos Eduardo Paladini Cardoso in 1989 and as a lawyer at the law firm of Bulhões Pedreira, Bulhões Carvalho e Advogados Associados from 1991 until 1995. Mr. Ferro holds a law degree from the Pontifícia Universidade Católica do Rio de Janeiro and an LL.M. from the University of London and from the London School of Economics.

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Gustavo Tardin Barbosa. Mr. Barbosa was elected as an alternate member of our board of directors as a nominee of Petrobras. Mr. Barbosa has held the position of executive manager of finance of Petrobras since 2011 and previously held the position of financial manager of Petrobras America Inc. Mr. Barbosa obtained a bachelor's degree in civil engineering from the Pontifícia Universidade Católica do Rio de Janeiro, graduate degrees in corporate finance from the London Business School and advanced management from the Wharton School.

Arão Dias Tisser. Mr. Tisser was elected as an alternate member of our board of directors as a nominee of Petrobras. He previously served as a member of our board of directors from May 2008 to July 2008, and was first elected as an alternate member of our board of directors in March 2008. He has been the management coordinator of holdings in petrochemical centers for Petrobras since 2004, and worked in commercial management of naphtha and industrial raw materials for Petrobras from February 2001 to October 2004. Mr. Tisser holds a bachelor's degree in Civil Engineering from UFRJ and a master's degree in engineering from the Instituto Alberto Luiz Coimbra de Pós-Graduação e Pesquisa de Engenharia, or COPPE, of UFRJ.

Mauro Motta Figueira. Mr. Figueira was elected as an alternate member of our board of directors as a nominee of Odebrecht. Mr. Figueira currently serves as the financial planning director of Odebrecht S.A. Previously, he was a financial analyst at Citibank and strategic planning manager at OPP Petroquímica until 2002; senior consultant at management consulting firm A.T. Kearney from 2004 to 2006, marketing controller at Johnson & Johnson from 2006 to 2008 and senior manager at strategic consulting firm Monitor Group from 2008 to 2010. Mr. Figueira holds a degree in production engineering from the University of São Paulo and has an MBA from the Darden School of Business.

Paulo Oliveira Lacerda de Melo. Mr. Melo was elected as an alternate member of our board of directors as a nominee of Odebrecht. He is currently the operations director of Odebrecht S.A. and acted as senior vice president of Construtora Norberto Odebrecht S. A. from 1997 to 2010. Ever since he joined the Odebrecht Group he has worked as project manager in several projects in Brazil from 1978 to 1987. He also served as managing director of Odebrecht in Angola from 1988 to 1992 and chief executive officer of Tenenge – Técnica Nacional de Engenharia S.A., the EPC division of Odebrecht, from 1993 to 1996. He holds a degree in civil engineering from Escola Politécnica da Fundação de Ensino Superior de Pernambuco.

Luiz de Mendonça. Mr. Mendonça was elected to our board of directors as a nominee of Odebrecht. He is currently the chief executive officer of Odebrecht Agroindustrial (former ETH Bioenergia). Mr. Mendonça joined the Odebrecht Group in 2002 when he started working at Braskem, where he held several positions, such as executive vice president of the polyolefins unit, executive vice president of the basic petrochemicals unit and executive vice president of the polymers unit. He also acted as chief executive officer of Braskem QPar S.A. (former Quattor Participações). In 2011, Mr. Mendonça was appointed chief executive officer of Braskem America and executive vice president of the international unit of Braskem. Before joining Braskem, Luiz spent a significant part of his career at Rhodia, in the textile and chemical sectors, where he held several business/operational positions throughout Latin America, France and the United States. Luiz has a bachelor's degree in production engineering from University of São Paulo and a MBA from Insead-France.

Board of Executive Officers of Braskem

Our board of executive officers is our executive management body. Our executive officers are our legal representatives and are responsible for our internal organization and day-to-day operations and the implementation of the general policies and guidelines established from time to time by our board of directors.

Our by-laws require that the board of executive officers consist of a chief executive officer and between three and nine additional members, each responsible for business areas that our board of directors assigns to them. The members of our board of executive officers, other than our chief executive officer, have no formal titles (other than the title of executive officer or “*Diretor*”) but have the informal titles set forth in the table below.

The members of our board of executive officers are elected by our board of directors for three-year terms and are eligible for reelection. The current term of all of our executive officers ends at the first board of directors meeting held immediately after our annual shareholders’ meeting to be held in 2015. Our board of directors may remove any executive officer from office at any time with or without cause. According to the Brazilian Corporation Law, executive officers must be residents of Brazil but need not be shareholders of our company. Our board of executive officers holds meetings when called by our chief executive officer.

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The following table lists the current members of our board of executive officers:

Name	Year of Appointment	Position Held	Age
Carlos José Fadigas de Souza Filho	2010	Chief Executive Officer	44
Mário Augusto da Silva	2013	Vice President Executive Officer, Chief Financial Officer and Director of Investor Relations	37
Gustavo Sampaio Valverde	2013	Vice President Executive Officer and General Counsel	40
Décio Fabricio Oddone da Costa	2010	Vice President Executive Officer of Investments	53
Edmundo José Correia Aires	2010	Vice President Executive Officer of Technology and Innovation	55
Luciano Nitrini Guidolin	2012	Vice President Executive Officer of Polyolefins, Project COMPERJ and Renewable Chemicals	41
Marcelo de Oliveira Cerqueira	2013	Vice President Executive Officer of Basic Petrochemicals Unit	48

Summarized below is information regarding the business experience, areas of expertise and principal outside business interests of our current executive officers.

Carlos José Fadigas de Souza Filho. Mr. Fadigas is currently our chief executive officer, a position which he has held since December 2010. Mr. Fadigas joined Braskem in 2007 and previously held the positions of chief financial officer and investor relations officer of Braskem and chief executive officer of Braskem America. He joined the Odebrecht Group as investment analyst at Odebrecht Química in 1993 and subsequently worked as strategic planning director at OPP Petroquímica and Trikem. Later, Mr. Fadigas held several different positions throughout the Odebrecht Group, as controller-director at OPP Petroquímica and Trikem in 2000, finance manager at CNO in 2002, and finance director at CNO in 2004. From 1991 to 1992 Mr. Fadigas worked as relationship manager at Citibank. Mr. Fadigas holds a degree in business administration from Universidade Salvador, or UNIFACS, and a MBA from the IMD in Switzerland.

Mário Augusto da Silva. Mr. Silva is currently our chief financial officer and investor relations officer and previously served in our strategic planning area from 2001 to 2005. He has also been responsible for the financial areas of Construtora Norberto Odebrecht, Odebrecht Óleo & Gás and, most recently, Odebrecht Infraestrutura – América Latina. He holds a bachelor's degree in business administration from Universidade de Salvador, or UNIFACS, and an MBA from Harvard Business School.

Gustavo Sampaio Valverde. Mr. Valverde is currently our vice president of legal and corporate affairs and previously served as our vice president of legal and external affairs from 2011 to 2013, our legal director from 2009 to 2011 and senior in-house counsel to Braskem S.A. (OPP Química S.A.) from 2001 to 2002. Mr. Valverde also served as legal director at CBPO Ingeniería de Venezuela from 2007 to 2009, senior in-house counsel at Construtora Norberto Odebrecht from 2003 to 2007, and previously as an attorney at Costa, Mello & Cavalcanti Advogados from and in-house counsel at Meta Brasil Engenharia. He holds a bachelor's degree in law from Universidade Federal da Bahia, a specialization in tax law and a master's degree in law from Pontifícia Universidade Católica de São Paulo and a master's degree in law from Columbia University.

Décio Fabricio Oddone da Costa. Mr. Oddone is currently our vice president executive officer of investments. He has served as the chief executive officer of Petrobras Energía S.A. from 2008 to 2010 and, since 2005, as a member of its

board of directors. He has also served as chairman of the board of directors of Innova from 2008 to 2010. Mr. Oddone previously held several managerial positions with Petrobras and other companies in the Petrobras group in Brazil, Argentina, Angola, Libya, and Bolivia, including chief executive officer and chairman of Petrobras Bolivia S.A. He was responsible for Petrobras' international operations in the Southern Cone and other countries in Latin America. He holds a bachelor's degree in electrical engineering from Universidade Federal do Rio Grande do Sul, Brazil. He completed post-graduate courses in petroleum engineering promoted by Petrobras and attended the Advanced Management Program at Harvard University Business School and the Advanced Management Program at INSEAD in France. He holds an Honoris Causa Doctoral Degree in Education from Aquino University, Bolivia.

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Edmundo José Correia Aires. Mr. Aires is currently our vice president executive officer of technology and innovation. He served as a member of our board of directors from 2008 to 2010 and as an alternate member of our board of directors from 2001 to 2008. He served as president of the board of directors of Triunfo from 2005 to 2008 and as a member of the board of directors of FCC—Fábrica Carioca de Catalisadores S.A. from 2004 to 2008, and of Ipiranga Petroquímica from 2007 to 2008. He served as the partnership manager of Petroquisa since 2001. Previously, Mr. Aires occupied several executive positions with Petroquisa and Petrobras beginning in 1980. Mr. Aires holds a bachelor's degree in chemical engineering from UFRJ and an MBA in finance from COPPEAD. He has also completed a post-graduate course in petrochemical process at Petrobras (CENPEQ).

Luciano Nitrini Guidolin. Mr. Guidolin is currently our vice president executive officer of polyolefins, project COMPERJ and renewable chemicals. He joined the Odebrecht Group in 1994 and has held several positions in OPP and later at Braskem, such as corporate planning director, vinyl marketing and development director, polyolefin export director and vinyl commercial director. In 2007, Mr. Guidolin was appointed executive director of Odebrecht Agroindustrial (former ETH Bioenergia), in which he was responsible for the finance, information technology and planning areas. From 2011 to 2012, Mr. Guidolin worked as chief financial officer for Odebrecht S.A. where he served on the board of directors of several of the Odebrecht group companies, including Braskem. He holds a bachelor's degree in engineering from Universidade de São Paulo, and a master's degree in business administration from Harvard Business School.

Marcelo de Oliveira Cerqueira. Mr. Cerqueira is currently the vice president of our basic petrochemicals unit. Mr. Cerqueira previously served as head of our vinyls unit from 2010 until October 2013, as industrial vinyls director from 2009 until 2010 and as production manager of our PVC production unit in the State of Bahia from 2003 until 2008. Previously he worked at Trikem in various capacities, including production manager of the PVC unit in the State of Alagoas from 1997 until 2002. At Companhia Petroquímica Camaçari he worked with the production logistics, health, safety and the environment and procurement engineering areas from 1989 until 1996. He began his career at Companhia Alcoolquímica Nacional and COPERBO (now Lanxess), where he worked from 1987 until 1989. He holds a bachelor's degree in chemical engineering from the University of Pernambuco and an MBA from FGV.

Fiscal Council

The Brazilian Corporation Law requires us to establish a permanent or non-permanent fiscal council (*conselho fiscal*). Our by-laws provide for a permanent fiscal council composed of five members and their respective alternate members. The fiscal council is a separate corporate body, independent of our management and our independent accountants.

The members of our fiscal council are elected by our shareholders at the annual general shareholders' meeting for one-year terms and are eligible for reelection. The terms of the members of our fiscal council expire at the next annual general shareholders' meeting. Under the Brazilian Corporation Law, the fiscal council may not contain members who are members of our board of directors or our board of executive officers or are employees or spouses or relatives of any member of our management. To be eligible to serve on our fiscal council, a person must be a resident of Brazil and either be a university graduate or have been a company officer or fiscal council member of another Brazilian company for at least three years prior to election to our fiscal council. Holders of (1) preferred shares without voting rights and; (2) non-controlling common shareholders that together hold at least 10.0% of our voting share capital are each entitled to elect one member and his or her respective alternate to the fiscal council.

The responsibilities of a fiscal council are established by the Brazilian Corporation Law. In accordance with the Brazilian Corporation Law, our fiscal council has the right and obligation to, among other things:

- supervise, through any of its members, the actions of our managers and to verify their fulfillment of their duties;

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- give an opinion on the annual report of our management, including the supplementary information deemed necessary or useful for deliberation at a general meeting;
- at least every three months examine the trial balance sheet and other financial statements periodically prepared by the company;
- examine the accounts and financial statements for the financial year and give an opinion on them;
- opine on any management proposals to be submitted to a vote of our shareholders related to:
 - Ø changes in our share capital;
 - Ø issuances of debentures or rights offerings entitling the holder to subscribe for equity securities;
 - Ø distributions of dividends; and
 - Ø transformation of our corporate form and any corporate restructuring, such as takeovers, mergers and spin-offs;
- inform our management of any error, fraud or misdemeanor detected and suggest measures we should take in order to protect our primary interests. If our management fails to take the measures required to protect our interests, inform our shareholders at a shareholders' meeting of these facts; and
- call general shareholders' meetings if management delays the general shareholders' meeting for more than one month and call special shareholders' meetings in the event that important matters arise.

As described in "Item 16D. Exemptions From the Listing Standards for Audit Committees," we are relying on the general exemption from the listing standards relating to audit committees contained in Rule 10A-3(c)(3) under the Exchange Act. In order to comply with the requirements of this exemption, our board of directors has delegated to our fiscal council certain additional responsibilities and our fiscal council adopted rules under which our fiscal council has the duties and responsibilities of a U.S. audit committee to the extent permitted under Brazilian corporate law. Because Brazilian corporate law does not permit the board of directors to delegate responsibility for the appointment, retention and compensation of the external auditors and does not provide our board of directors or fiscal council with the authority to resolve disagreements between management and our external auditors regarding financial reporting, our fiscal council cannot fulfill these functions. Our fiscal council may only make recommendations to our board of directors and shareholders with respect to the appointment, retention and compensation of the external auditors, and with regard to resolution of disagreements between management and the external auditors, our fiscal council may only make recommendations to our board of directors and shareholders. Under the rules governing our fiscal council, our fiscal council has the following rights and obligations, among others, in addition to those established by the Brazilian Corporation Law:

- to follow and analyze the process of hiring independent auditors, observing applicable Brazilian rules and legislation, and considering the technical expertise, independence, efficiency, experience and costs of the independent auditors, and recommend to our board of directors the selection and remuneration for the work of independent auditors and their possible replacement;
- to approve the annual list of pre-approval services that may be provided in a given year by the independent auditors, as well as ensure that the policy is observed by our management and independent auditors;

- to supervise the work of our independent auditors, as well as to discuss the scope of audit services to be performed by them;
- to analyze the recommendations report prepared by our independent auditors and the internal control over financial reporting, including items that may impact our financial statements;

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- to request from our independent auditors, if necessary, any clarification or information that is deemed to be necessary for the verification of specific facts;
- to meet with our management and independent auditors, whenever required, for the analysis of adoption of critical accounting policies and practices, including analysis of alternative treatments of policies, practices and disclosures related to material items, giving preferential treatment to the guidelines of our independent auditors;
- to intermediate possible discussion and conflicts arising between our independent auditors and our management related to the draft of financial reports, providing, if necessary, opinions regarding such conflicts;
- to discuss the content of all material and relevant communication made in writing by our independent auditors to our management which come to its knowledge;
- to hire, as appropriate, in accordance with § 8 of Article 163 of the Brazilian Corporation Law, independent experts and advisers, including but not limited to legal counsel, to advise and give opinions on matters related to the performance of its duties;
- to meet regularly and privately with the head of internal audit to discuss any issues and/or concerns; and
- to receive information and oversee the evaluation process regarding complaints received by the Company, whether through its confidential, anonymous ethics hotline or otherwise, with respect to the company's financial statements, internal accounting controls and auditors (whether internal or independent).

The following table lists the current members of our fiscal council and their alternates:

<u>Name</u>	<u>First Year of Appointment</u>
Ismael Campos de Abreu	2003
Afonso Celso Florentino (alternate)	2010
Manoel Mota Fonseca	2002
Ana Patricia Soares Nogueira (alternate)	2010
Aluizio da Rocha Coelho Neto	2010
Tatiana Macedo Costa Rego Tourinho (alternate)	2014
Maria Alice Ferreira Deschamps Cavalcanti	2011
Carlos Alberto Siqueira Gomes (alternate)	2011
Luiz Gonzaga do Monte Teixeira	2014
Miqueias Bezerra Simões (alternate)	2014

The following is a summary of the business experience, areas of expertise and principal outside business interests of the current members of our fiscal council and their alternates.

Members of Fiscal Council

Ismael Campos de Abreu. Mr. Abreu was elected as a member of our fiscal council as a nominee of Odebrecht. He served as president of our fiscal council from 2006 to 2010. Mr. Abreu has been an executive officer of Kieppe Participações e Administração Ltda. since April 2011 and previously served as controller of Odebrecht from 1995 to 2011 and manager of the tax consulting division of PricewaterhouseCoopers Auditores Independentes from 1978 to 1985, controller of Corrêa Ribeiro S.A. Comércio e Indústria from 1986 to 1988, manager of the consulting area of

Arthur Andersen from 1989 to 1991, and a partner of Performance Auditoria e Consultoria from 1992 to 1995. He was a member of the fiscal council of Petroflex until the sale of our interest in Petroflex in April 2008 and was a member of the fiscal council of Polialden until our merger with Polialden. Mr. Abreu holds a bachelor's degree in accounting from Fundação Visconde de Cairú, and a post-graduate degree in economic engineering from Centro Interamericano de Desenvolvimento.

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Manoel Mota Fonseca. Mr. Fonseca was elected as a member of our fiscal council as a nominee of Odebrecht. He served as president of our fiscal council in 2003 and 2004. Mr. Fonseca has been a partner of the law firm Mota Fonseca e Advogados since 1990 and previously served as legal and tax counsel of Coopers & Lybrand, KPMG and PricewaterhouseCoopers Auditores Independentes. Mr. Fonseca holds a law degree from the USP, and a post-graduate degree in tax law from FGV.

Alúzio da Rocha Coelho Neto. Mr. Rocha was elected as a member of our fiscal council as a nominee of Odebrecht. He has been the controller of CNO since April 2010 and previously served as the leader of the international tax planning department of CNO since 2008. He has previously served as the senior manager of tax planning of our company, as part of the tax planning team at Arcelor—Cia. Siderúrgica de Tubarão, and as a senior auditor with PricewaterhouseCoopers. Mr. Rocha holds a bachelor's degree in accounting from the Federal Universidade do Espírito Santo, or UFES, and a master's degree in accounting from USP (FIECAFI).

Maria Alice Ferreira Deschamps Cavalcanti. Mrs. Cavalcanti was elected as a member of our fiscal council as a nominee of Petrobras. She has acted as tax executive manager in the finance department at Petrobras since 2003. She started her career at Petrobras in 1983 as a processing engineer and since she has worked in several departments of company, mainly in the supply, new businesses, finance and tax departments. Mrs. Cavalcanti majored in chemical engineering at Universidade Federal do Rio de Janeiro and has a graduate degree in oil processing engineering from Universidade Petrobras. In addition, she has a master's degree in marketing and strategy from Pontifícia Universidade Católica do Rio de Janeiro and an MBA in finance from IBMEC.

Luis Gonzaga do Monte Teixeira. Mr. Teixeira was elected as a member of our fiscal council as a nominee of Odebrecht. Mr. Gonzaga received bachelor's degrees in Accounting Sciences and Business Administration from Faculdade Moraes Junior (Mackenzie). He joined Petrobras in 1975 and held various positions in the company's Accounting Department. Since September 2012, he has served as General Accounting Manager for Subsidiaries. Previously he was General Manager of Accounting Support from 2006 to 2012, Accounting Planning Manager from 2000 to 2005, and Head of the Cost and Managerial Accounting Division from 1996 to 2000. He is a member of the Audit Boards of companies in the Petrobras System since 2005, including PETROCOQUE S/A, COMPERJ companies, Cia. Integrada Textil de Pernambuco (CITEPE) and Petroquímica SUAPE.

Alternate Members of Fiscal Council

Afonso Celso Florentino de Oliveira. Mr. Oliveira was elected as an alternate member of our fiscal council as a nominee of Odebrecht. He has served as accounting manager for CNO and ODB since March 2008 and served as a senior manager with PricewaterhouseCoopers from July 1994 through February 2008. Mr. Oliveira holds a bachelor's degree in accounting sciences from UFMG, an MBA from IMBEC in Minas Gerais and an MBA from INSPER in São Paulo.

Ana Patricia Soares Nogueira. Ms. Nogueira was elected as an alternate member of our fiscal council as a nominee of Odebrecht. Ms. Nogueira served as an attorney for our company from August 2001 until December 2008. She was a private practitioner from October 1997 to August 2001. Prior to October 1997, Ms. Nogueira held a variety of legal positions at Trikem and Odebrecht. She holds a bachelor's degree in law from Universidade Católica de Salvador and is pursuing an MBA from FGV.

Tatiana Macedo Costa Rego Tourinho. Mrs. Tourinho was elected as an alternate member of our fiscal council as a nominee of Odebrecht. Mrs. Tourinho has served since May 2007 as head of tax planning at CNO. From 2000 to 2007, she worked in the tax department of Vivo S/A as tax planning division manager. Previously she worked for two

years at Arthur Andersen. Except for the position of alternate member on our audit board from 2010 to 2011, she has not served in the past and does not currently serve in management positions in any other publicly held corporation. She received a bachelor's degree in public and private business administration from the Federal University of Bahia and an MBA in Management from IBMEC.

Miqueias Bezerra Simões. Mr. Simões was elected as an alternate member of our fiscal council as a nominee of Petrobras. Mr. Miquéias Bezerra das Neves Simões is currently regional sector manager of tax orientation at Petrobras (Pernambuco and Paraíba), a position he has held since 2002. Previously he was coordinator of tax orientation for pension plan contributions, sector manager of tax orientation for withheld federal taxes and pension plan taxes, and sector manager of tax foreclosure for Petrobras' northeast refinery. He served as an alternate member on the audit board of Companhia Pernambucana de Gás (COPERGAS). He holds a bachelor's degree in accounting from the Federal University of Paraíba, a law degree from Veiga de Almeida University and a graduate degree in tax management from Pontifical Catholic University of Rio de Janeiro (PUC-RJ).

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Carlos Alberto Siqueira Gomes. Mr. Alberto was elected as an alternate member of our fiscal council as a nominee of Petrobras. He has worked in the finance department of Petrobras since 2002, during which time he held the position of general accounting manager and, since September 2004, the position of gas and energy business accounting manager. Mr. Alberto majored in accounting sciences at Universidade Cândido Mendes, has a graduate degree in accounting sciences from FGV and has a master's degree in business economics and finance from FGV.

Board Committees

On June 22, 2005, our board of directors approved its internal operating rules. An English translation of the internal operating rules of our board of directors is available on our investor relations website at www.braskem.com.br/ir. Under these rules, our board of directors has established three permanent committees and has the power to establish ad-hoc committees. Permanent committees must have no fewer than three and no more than four members. Members of permanent committees serve one-year terms and may be re-appointed. Ad-hoc committees may be convened for a limited period to consider temporary issues and are dissolved when their purpose has been achieved or when the term established upon the creation of such committees expires. The number of members of the ad-hoc committees is defined upon the creation of such committees. As of the date of this annual report, we do not have any existing ad-hoc committees.

We currently have the following three permanent committees: (1) the Finance and Investments Committee, (2) the Personnel and Corporate Issues Committee, and (3) the Strategy and Communication Committee. The duties of each permanent committee are established by our board of directors. The members of each permanent committee are appointed by our board of directors, solely from among its members and alternate members, and the board of directors also designates the coordinating of each permanent committee. Our board of directors does not delegate the power to take actions on behalf of our company to the permanent committees; rather the role of the permanent committees is to provide analyses of issues in order to assist the full board of directors in its deliberations.

Finance and Investments Committee

Our Finance and Investments Committee meets quarterly and has the following duties: (1) to evaluate new policies relating to financial management, insurance and guarantees and analyze existing policies, (2) to evaluate new risk management policies and analyze existing policies, (3) to analyze opportunities related to financing and investment transactions that may improve our capital structure, and (4) to analyze transactions approved by our board of directors that involve parties related to our company. Our Finance and Investments Committee is currently composed of Marcela Aparecida Drehmer Andrade, Almir Guilherme Barbassa, Mauro Motta Figueira and Roberto Zurli Machado.

Personnel and Corporate Issues Committee

Our Personnel and Corporate Issues Committee meets quarterly and has the following duties: (1) to evaluate new policies and review existing policies relating to personnel matters and organizational issues, (2) to analyze processes relating to identification, training, development and succession of executives for or in strategic positions, (3) to analyze processes relating to the determination of fixed and variable compensation for executives in strategic positions, (4) to analyze issues relating to compliance with our Code of Conduct, and (5) to evaluate new policies and review existing policies relating the maintenance and strengthening of our corporate culture. Our Personnel and Corporate Issues Committee is currently composed of José Carlos Cosenza, Daniel Bezerra Villar, Álvaro Fernandes da Cunha Filho and Jairo Elias Flor.

Strategy and Communication Committee

Our Strategy and Communication Committee meets at least twice a year and has the following duties: (1) to evaluate determinations relating to the foundation of our business plan, (2) to evaluate the business direction being pursued to achieve objectives defined by our board of directors, (3) to evaluate new policies and review existing policies relating to the capital markets and social responsibility, (4) to evaluate the image of our company projected to and perceived in the market and make recommendations to our board of directors to maintain or to redefine our social communications programs, and (5) to analyze guidelines and protocols for our business planning and execution cycle. Our Strategy and Communication Committee is currently composed of Newton Sérgio de Souza, Alfredo Lisboa Ribeiro Tellechea, José Alcides Santoro Martins and Patrick Horbach Fairon.

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Compensation

According to our by-laws, our shareholders are responsible for establishing the aggregate compensation we pay to the members of our board of directors, our board of executive officers and our fiscal council. Our shareholders determine this aggregate compensation at the general shareholders' meeting each year. Once aggregate compensation is established, the members of the board of directors are responsible for distributing such aggregate compensation individually to the members of our board of directors, our board of executive officers and our fiscal council in compliance with our bylaws.

Compensation and Benefits

The aggregate compensation paid by us to all members of our board of directors, board of executive officers and our fiscal council for services in all capacities was approximately R\$25.3 million in 2013. On March 26, 2014, our shareholders (acting in the annual general meeting) will establish the compensation for our board of directors, our board of executive officers and the member of our fiscal council for the year 2014.

The members of the board of directors receive a fixed monthly compensation, which is not affected by the numbers of meetings that take place each month. The members of the fiscal council receive a fixed monthly compensation, which is not affected by the numbers of meetings that take place each month. The alternate members of the board of directors and of the fiscal council do not receive any compensation.

Our executive officers receive the same benefits generally provided to our employees, such as medical (including dental) assistance, private pension plan and meal vouchers. Like our employees, our executive officers also receive a yearly bonus equal to one-month's salary (known as the "thirteenth" (monthly) salary in Brazil), an additional one-third of one-month's salary for vacation, and contributions of 8.0% of their salary into a defined contribution pension fund known as the Guarantee Fund for Time of Service (*Fundo de Garantia por Tempo de Serviço*). Members of our board of directors and fiscal council are not entitled to these benefits.

Members of our board of directors, board of executive officers and fiscal council are not parties to contracts providing for benefits upon the termination of employment other than, in the case of executive officers, the benefits described above.

Long-Term Incentive Plan

On September 26, 2005, we adopted a long-term incentive plan. Under the terms of this plan, we issued investment units, each having an economic value equivalent to the economic value of one class A preferred share of our company, to our executive officers, senior management and other employees involved in our strategic programs, which the plan refers to as our business partners.

Our board of directors adopted an annual program for the 2007 and 2008 fiscal years but has not adopted programs in subsequent years. Under these annual plans, the value of shares held by members of our board of executive officers on December 31, 2013 was R\$9.3 million. This long-term incentive plan is no longer being offered. Currently we are manage the remaining balances and rights relating to prior year programs.

Corporate Governance Practices

The significant differences between our corporate governance practices and the standards of the NYSE are described in “Item 16G. Corporate Governance.”

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As of April 14, 2014, no member of Braskem's board of directors or executive officer owned more than 0.1% of Braskem's share capital. All shares owned by our directors and executive officers were purchased at market prices through the BM&FBOVESPA.

Employees

The following table sets forth the number of our employees by geographic location at the dates indicated.

<u>Number of Employees by Geographic Location</u>	2013	2012	2011
State of Bahia	1,811	1,858	1,862
State of Rio Grande do Sul	1,781	1,787	1,762
State of São Paulo	2,109	1,846	1,821
State of Alagoas	535	523	514
State of Rio de Janeiro	493	474	461
Other Brazilian states	13	14	14
Brazil	6,742	6,502	6,434
United States	624	595	543
Germany	168	147	100
Mexico	524	81	46
Other countries	38	40	41
Total	8,096	7,365	7,164

We do not employ a material number of temporary employees.

Employees in Brazil

In Brazil, both employees and employers have the right to organize unions. Employees belonging to a specific "professional category" and employers constituting a specific "economic category" may each be represented by a single union in a particular geographic area. Individual unions generally belong to state-wide union federations, which in turn belong to nationwide union confederations. We are a member of the Petrochemicals and Synthetic Resins Industries Union of the States of Bahia, Alagoas, Rio Grande do Sul and São Paulo, and our employees belong to the Petrochemicals Industries Workers' Unions in each of these states. As of December 31, 2013, approximately 22.4% of our employees in Brazil were union members. We believe that we have good ongoing relations with our employees and their unions. We have not experienced a strike in Brazil since Trikem was privatized in 1995. The current collective bargaining agreements with our unions have one-year to two year terms and are subject to annual renegotiation. We have traditionally applied the terms of bargaining agreements entered into with the unions equally to unionized and non-unionized employees.

Post-Employment Benefits in Brazil***ODEPREV Defined Contribution Plan***

The majority of our employees participate in the Odebrecht Pension Plan (*Odebrecht Previdência*), or ODEPREV. We pay part of the monthly payments made by our employees to ODEPREV. This pension fund is a defined contribution plan that pays pension and retirement amounts that supplement those paid by the Brazilian government's pension system and is intended to provide its members with income upon retirement. In 2013, we paid R\$19.7 million into this

fund.

Petros Copesul Defined Benefit Plan

As a result of our merger with Copesul, we became the sponsor of the Petros Copesul plan. On September 28, 2012, PREVIC approved the withdrawal of sponsorship of this plan by Braskem. The payment of the mathematical reserves of participants is expected to be made in 2014 and, for this reason, the provisioned amount of R\$158,122 is recorded under current liabilities.

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Petros PQU Defined Benefit Plan

With the acquisition of Quattor (in April 2010), we assumed the liabilities of Petros PQU. On August 6, 2012, PREVIC approved the sponsorship withdrawal process, which had been requested on September 30, 2009. The payment of the reserves to participants is expected to be made in 2014. This plan currently has a surplus and consequently no provision has been made.

Other Benefits in Brazil

Our employees in Brazil and their dependents receive medical and dental assistance through a network of accredited doctors. We pay most of the costs for these services, with a small portion being paid by our employees. A small monthly fee is also charged to our employees to pay for more costly medical services. In 2013, we spent R\$52.6 million on this assistance.

Employees in the United States

The employees of Braskem America are not represented by any union, other than employees of Braskem America's Neal, West Virginia plant. As of December 31, 2013, approximately 56.0% of the employees of this plant were represented by the United Steel, Paper & Forestry, Rubber, Manufacturing, Energy Allied-Industrial & Service Workers International Union. The collective bargaining agreement with this union expires in May 2015.

Post-Employment Benefits in the United States

We offer a 401(k) retirement plan that, as of December 31, 2013, had 51 active participants, compared to 54 participants in 2012. The company made a cash contribution to the plan of \$560,000 in 2013. There were no participant contributions in 2013.

Other Benefits in the United States

Braskem America offers its employees the ability to participate in a variety of health and welfare benefit plans, including medical, dental vision, life and disability coverage.

Employees in Germany

The employees of Braskem Europe are not represented by any union, other than certain employees in our Schkopau plant. As of December 31, 2013, approximately 78.0% of the employees of this plant were represented by IG BCE Ost.

In October 2011, the obligations of Dow under German pension plans were assumed by Braskem Europe as a result of the Dow Polypropylene Acquisition. As of December 31, 2013, 95 of our employees were active participants in this plan. In 2013, Braskem Europe and participants did not make any contributions to the defined benefit plan. As of December 31, 2013, the balance of the fair value of the plan's assets was composed solely of contributions made by participants. In 2013, Braskem Europe implemented a new defined contribution pension plan. In 2013 the new pension plan had 36 participants.

Other Benefits in Germany

Braskem Europe offers its employees the ability to participate in benefit plans, including pension, life and disability coverage.

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Employees in Mexico

Post-Employment Benefits in Mexico

Braskem Idesa employees are granted a government retirement benefit plan when they retire or reach retirement age. On December 31, 2013, this government retirement plan had 203 active participants.

Other Benefits in Mexico

Braskem Mexico offers its employees the ability to participate in benefit plans, including a savings plan, food plan, life insurance and health insurance.

Performance-Based Employee Compensation Plan

We have adopted and applied a personnel management philosophy which emphasizes a performance related pay structure and a decentralized management structure. Employees in each of our business units participate in setting and achieving their business unit's annual objectives. As a result, employees in those business units that meet or exceed their goals share in our financial performance through performance-based employee compensation plans. During 2013, we recorded an expense of R\$169.02 million related to this program with respect to approximately 8,096 employees, including our executive officers. The members of our board of directors do not participate in this program.

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ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS**Major Shareholders**

As of April 14, 2014, we had outstanding share capital of R\$8,043,222,080.50 equal to 797,265,348 total shares consisting of 451,668,652 common shares, 345,002,878 class A preferred shares and 593,818 class B preferred shares. As of April 14, 2014, all of our authorized shares were issued and outstanding, other than 1,154,758 class A preferred shares held in treasury. All of our share capital is fully paid. All of our shares are without par value.

Generally, only our common shares have voting rights. Our preferred shares have voting rights only in exceptional circumstances.

As permitted by the Brazilian Corporation Law, our by-laws specify that 25% of our adjusted net profits for each fiscal year must be distributed to shareholders as dividends or interest attributable to shareholders' equity. Under our by-laws, our preferred shareholders are entitled to a minimum annual non-cumulative preferential dividend, or the Minimum Preferred Dividend, equal to 6% of their *pro rata* share of our capital before dividends may be paid to our common shareholders. Distributions of dividends in any year are made:

- first, to the holders of preferred shares, up to the amount of the Minimum Preferred Dividend for such year;
- then, to the holders of common shares, until the amount distributed in respect of each common share is equal to the amount distributed in respect of each preferred share; and
- thereafter, to the holders of our common shares and our class A preferred shares on a pro rata basis.

Our class B preferred shareholders are not entitled to receive any additional dividend amounts after they have received the Minimum Preferred Dividend. If the Minimum Preferred Dividend is not paid for a period of three years, holders of preferred shares will be entitled to full voting rights.

The following table sets forth information concerning the ownership of our common shares and class A preferred shares as of April 3, 2014 by each person whom we know to be the owner of more than 5.0% of our common shares and our class A preferred shares, and by all of our directors and executive officers as a group. Our principal shareholders have the same voting rights with respect to each class of our shares that they own as other holders of shares of that class.

	Common Shares		Class A Preferred Shares		Total	
	Number of Shares	%	Number of Shares	%	Number of Shares	%
Odebrecht(1)	226,334,623	50.1	79,182,498	23.0	305,517,121	38.3
Petrobras	212,426,951	47.0	75,550,823	21.9	287,977,774	36.1
BNDESPAR	—		40,102,837	11.6	40,102,837	5.0
All directors, fiscal council members, their alternates and executive officers as a group (39 persons)	100	*	77,626	*	77,626	*

* less than 1%

(1) Includes 79,182,486 class A preferred shares held by OSP, a wholly-owned subsidiary of Odebrecht.

We currently have no management or employee option plans or management or employee options outstanding. See “Item 6. Directors, Senior Management and Employees—Compensation—Long-Term Incentive Plan.”

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Changes in Ownership

On January 27, 2012, OSP, Petrobras and Petroquisa approved a partial split off (*cissão*) in which BRK transferred 102,222,019 of our common shares to Petrobras and 92,204,840 of our common shares to Petroquisa. BRK retained 226,334,622 of our common shares and became a wholly-owned subsidiary of OSP. On the same date, the shareholders of Petrobras voted to merge its subsidiary Petroquisa into Petrobras.

Shareholders' Agreements

Petrobras Shareholders' Agreement

Odebrecht, OSP, Petrobras and Petroquisa, with Braskem and BRK as intervening parties, entered into the Petrobras Shareholders' Agreement, effective February 8, 2010, which has a term of 35 years. The Petrobras Shareholders' Agreement superseded the Shareholders' Agreement that formerly governed the relationship between Petrobras, Petroquisa, Odebrecht and Norquisa regarding our shares.

Under the Petrobras Shareholders' Agreement Petrobras has the right to designate:

- four members of our board of directors and their alternates for so long as they own, directly or indirectly, an aggregate of 30% or more of our voting share capital;
- three members of our board of directors and their alternates for so long as they own, directly or indirectly, an aggregate of 18%, but less than 30%, of our voting share capital;
- two members of our fiscal council and their alternates, one of which will serve as president, for so long as they own, directly or indirectly, an aggregate of 30% or more of our voting share capital; and
- two members of our fiscal council and their alternates for so long as they own, directly or indirectly, an aggregate of 18%, but less than 30%, of our voting share capital and for so long as Odebrecht has the right to elect more than a majority of the members.

For so long as Petrobras has the right to designate three or four members of our board of directors, one of these designees will serve as vice president of our board of directors.

Under the Petrobras Shareholders' Agreement, Odebrecht is entitled to nominate our chief executive officer. Our chief executive officer must choose our chief financial officer from among three nominees submitted by Odebrecht and the executive officer responsible for our investment and portfolio area from among three nominees submitted by Petrobras. Our chief executive officer has the power to nominate the other members of our board of executive officers.

Under the Petrobras Shareholders' Agreement, Odebrecht has the sole power to approve the business plan of our company. However, for so long as Petrobras owns, directly or indirectly, an aggregate of less than 30% and more than 18% of our voting share capital, we are prohibited from taking certain strategic actions unless a consensus regarding those actions is reached between Odebrecht and Petrobras, including, among others:

- actions affecting our share capitalization or the rights of holders of our shares;
- mergers, spin-offs or similar transactions;

- investments and purchases of non-current assets with a value in excess of 30% of our non-current assets;
- dispositions of non-current assets with a value in excess of 10% of our non-current assets;
- creation of liens on our non-current assets with a value in excess of the lesser of R\$350 million and 20% of our non-current assets; and

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- actions that would result in our violating specified net debt to EBITDA and EBITDA to total interest ratios.

Under the Petrobras Shareholders' Agreement, we have agreed that investments that we make to increase our capacity must be supported by an evaluation demonstrating profitability under standards such as net present value or internal rate of return. Petrobras has granted a right of first refusal to our company with respect to development of any petrochemical project that Petrobras proposes to pursue. In the event that we decide not to participate in any such proposed project, Petrobras has agreed that we will have the right to market the products produced by the proposed project on conditions satisfactory to us and Petrobras.

Under the Petrobras Shareholders' Agreement, Petrobras has the right to sell a pro rata portion of their common shares of our company in connection with any direct or indirect sale of our common shares by the Odebrecht Group to a third party.

Under the Petrobras Shareholders' Agreement, each of the parties has agreed:

- subject to certain exceptions, not to grant any liens on any of its Braskem shares;
- to grant a right of first refusal and tag along rights to the other parties to the Petrobras Shareholders' Agreement with respect to any sale of its Braskem shares;
- in the event that a party's interest in our voting share capital is diluted in a transaction involving one or more of the other parties to the Petrobras Shareholders' Agreement, the diluted party will have the right to purchase shares of Braskem from the diluting parties in an amount that would, after giving effect to such purchase, result in the diluted party holding the same percentage interest in our voting share capital that it held immediately prior to the dilution event; and
- in the event that any party acquires or receives a right to acquire common shares of Braskem from a third party, to offer to sell to the other parties to the Petrobras Shareholders' Agreement an amount of common shares of Braskem that would, after giving effect to such sale, result in each of the parties to the Petrobras Shareholders' Agreement holding the same direct and/or indirect proportion of the common shares of Braskem that the parties held prior to the acquisition of common shares of Braskem from the third party.

Pension Funds Memorandum of Understanding

On July 20, 2001, Odebrecht Química, Petroquímica da Bahia S.A., Petros and the pension fund of Banco do Brasil S.A. (*Caixa de Previdência dos Funcionários do Banco do Brasil*), or Previ, entered into a Memorandum of Understanding Regarding Shareholders Agreement, which we refer to as the Pension Funds Memorandum of Understanding. The Pension Funds Memorandum of Understanding grants certain preemptive and share transfer rights to Petros and Previ. The Pension Funds Memorandum of Understanding has a term of 20 years, unless a shareholders' agreement containing the terms set out below is entered into prior to that date. Under the Pension Funds Memorandum of understanding, the parties agreed to adopt the following basic principles for our management:

- our board of executive officers will be composed of competent professionals;
- our dividend policy will have as its objective the distribution of at least 50.0% of net income available during the relevant period, provided that all necessary reserves for the efficient operation and development of our business are established and maintained; and

- we will adopt a commercial policy that assures the regular and continuous supply of raw materials and utilities on a competitive basis and consistent with the domestic and international markets.

Under the Pension Funds Memorandum of Understanding, Petros and Previ have the right to sell our shares owned by each of them in connection with any sale of our shares by our controlling shareholders to a third party that involves a change of our control.

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BNDESPAR Shareholders' Agreement

We, Odebrecht and BNDESPAR have entered into a shareholders' agreement. This shareholders' agreement will expire on the earlier of the first date on which BNDESPAR ceases to own more than 5.0% of our total share capital and August 24, 2016. This shareholders' agreement provides that BNDESPAR has the right to appoint one member of our board of directors for so long as Odebrecht and its subsidiaries have the right to elect more than a majority of the members of our board of directors. This shareholders' agreement also provides that BNDESPAR has the right to (1) require our company and Odebrecht to purchase the shares that it owns in our company if we do not comply with the terms of this shareholders' agreement and do not cure any such non-compliance within a specified period, and (2) sell its shares in the event that Odebrecht sells its voting control of our company to a third party.

Related Party Transactions

The following summarizes the material transactions that we have engaged in with our principal shareholders and their affiliates since January 1, 2013.

We have engaged in extensive transactions with our principal shareholders and their affiliates and expect to do so in the future. We also have commercial relationships with some of our affiliates and, as a result, record trade accounts receivable and current and long-term liabilities mainly from purchases and sales of goods and services at prices and on terms equivalent to the average terms and prices of transactions that we enter into with third parties. In addition, we have entered into financial and other transactions with our principal shareholders and their affiliates, including, among others, as a party to three shareholders' agreements or memoranda of understandings with shareholders of our company. See “—Major Shareholders—Shareholders' Agreements.”

Under the Brazilian Corporation Law, each of our directors, their alternates and our executive officers cannot vote on any matter in which they have a conflict of interest and such transactions can only be approved on reasonable and fair terms and conditions that are no more favorable than the terms and conditions prevailing in the market or offered by third parties. However, if one of our directors is absent from a meeting of our board of directors, that director's alternate may vote even if that director has a conflict of interest, unless the alternate director shares that conflict of interest or has another conflict of interest.

The Odebrecht Group

In February 2007, we entered into an Alliance Agreement with CNO under which we have appointed CNO as a non-exclusive preferred provider with respect to maintenance services and efficiency enhancement projects at each of our plants. This agreement was unanimously approved by our board of directors. Under this agreement, we are required to request bids from CNO for these services and projects. If CNO is retained for any specific service or project, we will pay CNO its costs related to the service or project plus 15%. We are also required to pay any applicable taxes with respect to such fees. This agreement expires in February 2014.

In April 2011, we entered into another Alliance Agreement with companies in the Odebrecht Group and Genpro Engenharia S.A. for the construction of a new Butadiene plant in Triunfo. For more information regarding this project, see “Item 4. Information on the Company—Capital Expenditures—Greenfield Plants—Butadiene Plant.”

In October 2011, we entered into an Alliance Agreement with companies in the Odebrecht Group and ICA Flour for the site preparation construction works to be performed for the construction of Project Ethylene XXI. The total value of this contract was US\$150.0 million.

In September 2012, we entered into an Alliance EPC contract with Ethylene XXI Contractors, S.A.P.I. de C.V. and Etileno XXI Services B.V., as contractors, and Technip and ICA Flour for the construction of Project Ethylene XXI. Each contractor consists of a joint venture among Odebrecht Industrial Engineering B.V., ICA Fluor Petroquímica, S.A. de C.V. and Technip Italy S.p.A. Payments under the EPC contract are made on a “cost-plus” basis, in which Braskem Idesa reimburses costs of the contractors and pays a profit margin. Payments of costs are made prior to the beginning of each month based on an estimate of costs expected to be incurred during that month and are reconciled with costs actually incurred in the following month, and payments of the profit margin are made based on the achievement of milestones defined under the contract. Any cost overrun will be borne equally between Braskem Idesa and the contractors and any cost savings will be shared equally by Braskem Idesa and the contractors, in each case up to a maximum amount as calculated pursuant to the EPC contract. The contract provides for a guaranteed completion date of June 30, 2015 for the Mexico Complex and contains certain other performance guarantees and provisions for damages in case completion does not occur on or prior to the scheduled completion date.

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The aggregate amount of services we purchased under these Alliance Agreements in 2013 was R\$284.4 million. We had accounts payable to companies in the Odebrecht Group of R\$533.5 million as of December 31, 2013.

In December 2012, we sold all of our shares of Braskem Distribuidora, which owned our water treatment unit, and Cetrel, to Odebrecht Ambiental, a subsidiary of Odebrecht, for an aggregate principal amount of R\$652 million, to be adjusted pursuant to the net cash position on December 28, 2012. The sale was for: (1) all of our shares in Braskem Distribuidora, equivalent to 100% of the total and voting capital of Braskem Distribuidora, which owned the assets related to the water treatment unit located at the Camaçari petrochemical complex (owned by Braskem Distribuidora), which is responsible for producing demineralized, clear and drinkable water, as well as for managing the fire water reservoir, and (2) all our shares in Cetrel, equivalent to 54.2% of the total and voting capital of Cetrel, which is responsible, among other things, for the treatment and final disposal of industrial effluents and waste, as well as for environmentally monitoring the Camaçari petrochemical complex. The supply of industrial water and the treatment and disposal of industrial effluents and waste are guaranteed to Braskem through contracts entered into with Braskem Distribuidora (currently Distribuidora de Águas Camaçari) and Cetrel, respectively.

In July 2013, we acquired 2,000 shares, or 20%, of the capital of Odebrecht Comercializadora de Energia. See “Item 4—Information on the Company—Acquisition of Interest in Odebrecht Comercializadora de Energia S.A.”

On December 31, 2013, we entered into a share purchase agreement relating to all of our shares of Distribuidora de Água Triunfo S.A., or DAT, which represented all of its outstanding shares, for an aggregate principal amount of R\$315.0 million. See “Item 4—Information on the Company—Sale of Southern Complex Water Treatment Assets.”

Petrobras

Commercial Transactions with Petrobras

We have entered into the following supply contracts with Petrobras:

- A Petrochemical Naphtha Purchase and Sale Contract that we and Petrobras entered into in 2009. See “Item 4—Information on the Company—Supply Contracts and Pricing of the Basic Petrochemicals Unit—Supply Contracts with Petrobras” for more information.
- A Petrochemical Naphtha Purchase and Sale Contract that we and Petrobras entered into in May 2006. See “Item 4—Information on the Company—Supply Contracts and Pricing of the Basic Petrochemicals Unit—Supply Contracts with Petrobras” for more information.
- An ethane and propane supply agreement that RioPol and Petrobras entered into in December 2000. See “Item 4—Information on the Company—Supply Contracts and Pricing of the Basic Petrochemicals Unit—Ethane and Propane” for more information.
- An agreement for the purchase and sale of a chain of light refinery hydrocarbons, that Quattor Química (currently known as Braskem Qpar) and Petrobras entered into in January 2005. See “Item 4—Information on the Company—Supply Contracts and Pricing of the Basic Petrochemicals Unit—Light Refinery Hydrocarbons” for more information.

- Two five-year propylene supply contracts that we and REFAP, a subsidiary of Petrobras, entered into in March 2007, a subsidiary of Petrobras. See “Item 4—Information on the Company—Raw Materials of Our Polyolefins Unit—Propylene Contracts with Petrobras and its Subsidiaries” for more information.

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- A 20-year propylene supply contract we and Petrobras entered into in May 2008 for our Paulínia plant. See “Item 4—Information on the Company—Raw Materials of Our Polyolefins Unit—Propylene Contracts with Petrobras and its Subsidiaries” for more information.
- Five propylene supply agreements that Braskem Petroquímica (formerly known as Quattor Petroquímica) and Petrobras entered into between May 2001 and February 2006. See “Item 4—Information on the Company—Raw Materials of Our Polyolefins Unit—Propylene Contracts with Petrobras and its Subsidiaries” for more information.
- A three-year caustic soda supply contract that we Petrobras entered into January 2012, under which we will supply approximately 68,000 tons of caustic soda for use by Petrobras’ Brazilian refineries. This contract expires in January 2015.

We purchased raw materials from Petrobras and its subsidiaries of R\$15,980.0 million in 2013 and sold products to Petrobras and its subsidiaries of R\$1,369.9 million in 2013. We had accounts payable to Petrobras and its subsidiaries in an aggregate amount of R\$1,833.0 million at 2013, and we had accounts receivable from Petrobras and its subsidiaries in an aggregate amount of R\$187.3 million as of December 31, 2013.

BNDESPAR

In August 2010, BNDESPAR exercised its option to sell 60% of the RioPol shares that it held to Braskem for R\$210.0 million. Payment for the shares acquired by Braskem will be made in three annual installments beginning in June 2015 and the amounts of each installment will be adjusted by the TJLP plus 2.5% per annum from June 2008 until the respective payment dates.

Our Jointly Controlled Companies and Associated Companies

Borealis Brasil S.A.

We sell polypropylene and polyethylene to Borealis in which we have a 20.0% interest. We recorded net sales to Borealis of R\$291.8 million in 2013. We account for Borealis under the equity method of accounting. We had accounts receivable from Borealis of R\$11.6 million as of December 31, 2013.

Refinaria de Petróleo Rio-grandense S.A.

We own directly 33.2% of the voting and total share capital of RPR. As of January 1, 2012, we have valued this investment using the equity method, which was proportionally consolidated prior to that date. We sell condensate to RPR and purchase naphtha from RPR. In 2013, we recorded sales to RPR of R\$18.8 million and purchases from RPR of R\$39.6 million.

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ITEM 8. FINANCIAL INFORMATION

Consolidated Statements and Other Financial Information

Reference is made to Item 19 for a list of all financial statements filed as part of this annual report.

Legal Proceedings

We are, and may be in the future, involved in numerous tax, civil and labor disputes, among others, involving monetary claims. If any of these legal proceedings were decided adversely to us, we do not believe that our results of operations or financial condition would be materially and adversely affected.

For some of these lawsuits, we have not established any provision on our balance sheet nor have we established provisions only for part of the amounts claimed, based on our judgments as to the outcomes of these lawsuits.

Tax Proceedings

We are engaged in several legal proceedings with Brazilian tax authorities for which we have established provisions in an aggregate amount of R\$227.0 million as of December 31, 2013. In addition, there are currently certain legal proceedings pending in which we are involved for which we have not established provisions. If any of these legal proceedings were decided adversely to us, we do not believe that our results of operations, cash flows or financial condition would be materially and adversely affected.

IR/CSLL Tax Assessment Notices

In 2007, tax assessment notices were issued by the Federal Brazilian Revenue Service against Braskem Petroquímica claiming unpaid income tax and CSLL in connection with foreign exchange variation in foreign subsidiary investment accounts in 2002. As of December 31, 2013, the amount in dispute of these claims was approximately R\$114.4 million. We challenged these assessment notices in the administrative court because we believe that there are reasonable grounds on which we can successfully defend against these assessments. We believe that a loss in this claim is possible. As of December 31, 2013, we have established related provisions in the amount of R\$32.3 million.

In November and December 2013, tax assessment notices were issued by the Federal Brazilian Revenue Service against us claiming that the amortization of the goodwill recorded in 2002 in connection with the purchase of shares of certain companies in connection with the formation of Braskem was not deductible for purposes of calculating our income tax and social contribution. The amount claimed is R\$650.0 million, including interest and fines. The tax assessment also reduced the income tax and social contribution losses in R\$483.5 million and R\$497.7 million, respectively. We challenged these assessment notices because we believe that these claims are based on a misinterpretation of both the applicable law and facts by the tax authorities and that the statute of limitations has expired. We believe that a loss in this claim is possible and have made no provision with respect to this claim.

In December 2013, tax assessment notices were issued by the Federal Brazilian Revenue Service against us claiming that the interest expenses and exchange variation losses recorded by Braskem relating to indebtedness of Ipiranga Petroquímica S.A. was not deductible for purposes of calculating our income tax and social contribution. This notice asserts that our income tax and social contribution losses for year the 2008 in the amount of R\$169.1 million were invalid. We challenged this assessment because we believe that the assumption of Ipiranga Petroquímica debt instruments had strong business purposes. We believe that a loss in this claim is possible and have made no provision with respect to this claim.

ICMS Tax Assessment Notice

In December 2010, 2011 and 2012, tax assessment notices were issued by the internal revenue department of the State of Bahia against Braskem claiming unpaid ICMS taxes in the amount of R\$513.5 million, retrospectively revised by inflation and the benchmark rate, in connection with several alleged violations of certain provisions of the ICMS tax legislation, including, among others: (1) the failure to account for certain tax credits in the amount of R\$387.2 million granted in connection with the purchase of goods that we subsequently sold on a reduced tax basis; (2) the failure to adhere to certain ancillary obligations under the ICMS tax legislation; and (3) the transfer of goods below the cost of production. We challenged these assessment notices in the administrative court because we believe that there are reasonable grounds on which we can successfully defend against these assessments. We believe that a loss in the claim described in item (1) is remote and that losses in claims described in items (2) and (3) above are possible. As of December 31, 2013, we have not recognized any provision with respect to these claims.

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In addition, the internal revenue department of the State of Bahia has repeatedly issued tax assessment notices claiming other unpaid ICMS taxes. The subject matter of the tax assessments include, among others: (1) inappropriately claiming ICMS credits for the acquisition of assets; (2) the transfer of goods at prices below production cost; (3) failure to ship goods; (4) lack of evidence that the company exported goods; (5) failure to register invoices; and (6) claiming ICMS credits on transportation services without providing adequate evidence. As of December 31, 2013, the amount in dispute of these claims was approximately R\$126.2 million. We challenged these assessment notices in the administrative court because we believe that there are reasonable grounds on which we can successfully defend against these assessments. We believe that a loss in this claim is possible. As of December 31, 2013, we have not recognized any provision with respect to this claim.

From 1999 to 2009, the internal revenue department of the States of Alagoas, São Paulo and Bahia issued tax assessment notices claiming unpaid ICMS taxes in the aggregate amount of R\$509.3 million. The subject matter of the tax assessments include, among others: (1) inappropriately claiming ICMS credits for the acquisition of goods that the internal revenue department considers for use and consumption; (2) inappropriately claiming ICMS credits for the acquisition of assets not related to production; (3) failure to pay taxes on the sale of products subject to tax substitution; and (4) failure to register invoices. We challenged these assessment notices in the administrative court because we believe that there are reasonable grounds on which we can successfully defend against these assessments. We believe that a loss in this claim is possible. As of December 31, 2013, we have not recognized any provision with respect to this claim.

In 2009, tax assessment notices were issued by the internal revenue department of the State of São Paulo against Braskem Qpar claiming unpaid ICMS taxes in connection with several alleged violations of certain provisions of the ICMS tax legislation, including (1) inappropriately claiming ICMS credits for the acquisition of assets between February 2004 and January 2008 and (2) failure to register invoices. As of December 31, 2013, the amount in dispute of these claims was approximately R\$373.0 million. We challenged these assessment notices in the administrative court because we believe that there are reasonable grounds on which we can successfully defend against these assessments. We believe that a loss in this claim is possible. As of December 31, 2013, we have established related provisions in the amount of R\$86.2 million.

In addition, the internal revenue department of the State of São Paulo against Braskem Qpar has repeatedly issued tax assessment notices claiming other unpaid ICMS taxes. The subject matter of the tax assessments include, among others (1) inappropriately claiming ICMS credits between 2004 and 2005, and (2) failure to pay taxes on the sale of certain intrastate sale operations between 2002 and 2004. In 2013, we paid the claims related to item (2) above, in the amount of R\$47.7 million in connection with an installment payment program implemented by the state of São Paulo. The assessment described in item (1), in the amount R\$28.6 million, remains under dispute. We believe that there are reasonable grounds on which we can successfully defend against this assessment. We believe that a loss in this claim is possible. We have established provisions in the amount of R\$11.4 million.

PIS and COFINS Non-Cumulative Tax Assessment Notice

We received assessment notices from the federal internal revenue department alleging that we had inappropriately claimed certain PIS and COFINS credits in relation to: (1) wastewater treatment, (2) charges for electricity transmission, (3) freight related to the storage of finished goods and (4) credits claimed at inappropriate times, relating to the acquisition of fixed assets between 2006 and 2011. As of December 31, 2013, the amount in dispute of these claims was approximately R\$712.0 million. We challenged these assessment notices in an administrative court because we believe that there are reasonable grounds on which we can successfully defend against these assessments. We believe that a loss on these claims is possible. As of December 31, 2013, we have not recognized any provision

with respect thereto.

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TABLE OF CONTENTS*PIS and COFINS Tax Assessment Notice*

Braskem Petroquímica is involved in several judicial and administrative proceedings related to the payment of PIS and COFINS, including (1) unpaid COFINS from March 1999 to December 2000, February 2001 to March 2002, May 2002 to July 2002 and during September 2002, (2) inappropriately claimed credits due to the additional 1% in the COFINS rate and PIS Decree-Law No. 2,445 and 2,449, and (3) an omission in the base revenue resulting from exchange gains earned due to successive reductions of our associated capital. As of December 31, 2013, the amount in dispute of these claims was approximately R\$73.3 million. We challenged these assessment notices in an administrative court because we believe that there are reasonable grounds on which we can successfully defend against these assessments. We believe that a loss on these claims is possible. As of December 31, 2013, we have established related provisions in the amount of R\$35.6 million.

Other Tax Proceedings

We and our affiliates are involved in several other judicial and administrative proceedings regarding withholding taxes, corporate income taxes (*Imposto de Renda da Pessoa Jurídica*), the COFINS, IPI, the tax on financial transactions (*Imposto Sobre Operações Financeiras*), monetary adjustments, the PIS and other issues related to tax matters. As of December 31, 2013, the amounts in material disputes relating to COFINS was approximately R\$342.0 million and the amount in material disputes relating IPI was approximately R\$111.0 million. We believe that a loss in this claim is possible. As of December 31, 2013, we have not recognized any provision with respect thereto.

In December 2013, we received a deficiency notice from the Brazilian federal tax authority claiming that the amortization of the goodwill recorded in 2002 and 2003 in connection with the purchase of shares of our then subsidiaries as part of the formation of our company was not deductible for purposes of calculating our income tax and social contribution on net profits. The amount under discussion is R\$465.0 million, including interest and fines. We believe that this tax assessment is based on a misinterpretation of both the applicable law and facts by the tax authorities and that the statute of limitations for this claim has expired. We intend to vigorously defend ourselves against this claim. We believe that the chances of success are more likely than not and have made no provision with respect to this claim.

In December 2013, we received a deficiency notice from the Brazilian federal tax authority claiming that the tax losses offset in the taxable year ended September 30, 2008 by Ipiranga Petroquímica S.A. (which merged with and into Braskem on September 30, 2008) were in excess of the limitation of 30% of the taxable profits of a given year, as imposed by Brazilian tax law. The amount under discussion is R\$278.6 million, including interest and fines. We believe that the 30% limitation is not applicable in the event of the merger of the taxpayer and that the statute of limitations for this claim has expired. We intend to vigorously defend ourselves against this claim. We believe that chances of success are more likely than not and have made no provision with respect to this claim.

In December 2013, we received a deficiency notice from the Brazilian federal tax authority claiming that the interest expenses and exchange variation losses recorded by Braskem relating to the indebtedness of Ipiranga Petroquímica prior to its merger with and into Braskem were not deductible for purposes of calculating our income tax and social contribution on net profits. Consequently, the deficiency notice alleges that the amount of R\$169.1 million was not tax deductible, which would have reduced our tax losses for 2008 by the same amount. Given that our losses for 2008 were higher than R\$169.1 million, no taxes, interest or fines were claimed in the deficiency notice. As we believe that this tax assessment does not have a sound legal basis, we intend to vigorously defend ourselves against this claim. We believe that chances of success are more likely than not and have made no provision with respect to this claim.

Labor Proceedings

Overtime Claims

In late September 2010, we received notice that a lawsuit had been commenced against our company by the Petrochemical Industry Workers' Union of Triunfo (*Sindicato dos Trabalhadores das Indústrias Petroquímicas de Triunfo*) alleging that we had violated an agreement regarding payment of overtime at our Triunfo basic petrochemicals plant. The suit claims damages of R\$311.[?] million, retrospectively revised by inflation and the benchmark rate. We have presented our defense to the court and have received a partial decision in our favor that reduced the damage to R\$79.[?] million. The remaining claims are currently being reviewed by the higher labor court and we believe that the likelihood of loss in this suit is possible.

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The Petrochemical Industry Workers' Union of Triunfo filed similar claims in the second quarter of 2005 claiming overtime payment in the amount of R\$806.7 million. These suits are pending. We believe the chances of loss are remote in regards to R\$759.4 million of the alleged claims and are possible in regards to the remaining R\$39.3 million and are probable in regards to R\$7.9 million.

Employment and Occupational Health and Safety Proceedings

As of December 31, 2013, we were involved in approximately 1,961 employment and occupational health and safety proceedings as to which the total amount claimed was approximately R\$819.9 million. We have established a provision for these claims in an aggregate amount of R\$125.9 million as of December 31, 2013. We do not believe that these proceedings will have a material adverse effect on our business, financial condition or operations.

Social Security

As of December 31, 2013, we were involved in approximately 50 social security proceedings as to which the aggregate amount claimed was approximately R\$137.0 million. We believe that our chance of loss is possible and therefore have not established a provision for these claims.

Other Proceedings

As of December 31, 2013, we were a defendant in two civil suits filed by a former caustic soda distributor, its controlling shareholder and a former transporter for breach of a caustic soda distribution agreement. The damages claimed in these suits totaled R\$100.5 million as of December 31, 2013. These suits are pending and we believe that our chance of loss is possible in these suits.

Dividends and Dividend Policy

Payment of Dividends

Our dividend distribution policy has historically included the distribution of periodic dividends, based on annual balance sheets approved by our board of directors. When we pay dividends on an annual basis, they are declared at our annual shareholders' meeting, which we are required by the Brazilian Corporation Law and our by-laws to hold by April 30 of each year. When we declare dividends, we are generally required to pay them within 60 days of declaring them unless the shareholders' resolution establishes another payment date. In any event, if we declare dividends, we must pay them by the end of the fiscal year for which they are declared. Any holder of record of shares at the time that a dividend is declared is entitled to receive dividends. Our payment of annual dividends is based on our audited financial statements prepared for our preceding fiscal year.

Our board of directors may declare interim dividends based on the accrued profits recorded or the realized profits in our annual or semi-annual financial statements approved by our common shareholders. In addition, we may pay dividends from net income based on our unaudited quarterly financial statements. These quarterly interim dividends may not exceed the amounts included in our capital reserve accounts. We may set off any payment of interim dividends against the amount of the mandatory distributable amount for the year in which the interim dividends were paid.

The following table sets forth the dividends and/or interest attributable to shareholders' equity paid to holders of our common shares, class A preferred shares and class B preferred shares since January 1, 2007 in *reais* and in U.S. dollars translated from *reais* at the commercial market selling rate in effect as of the payment date.

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Year	Payment Date	Nominal Brazilian Currency per			US\$ equivalent per		
		Common shares	Class A Preferred Shares	Class B Preferred Shares	Common shares	Class A Preferred Shares	Class B Preferred Shares
2007	April 9, 2007	R\$—	R\$0.16	R\$0.16	US\$—	US\$0.07	US\$0.07
2008	April 7, 2008	0.64	0.64	0.64	0.38	0.38	0.38
2011	May 10, 2011	0.83	0.83	0.60	0.52	0.52	0.37
2012	November 19, 2012	0.61	0.61	0.61	0.29	0.29	0.29

On April 9, 2014, our shareholders approved a dividend payment of R\$0.61 per share and R\$1.21 per ADR with respect to the fiscal year 2013. The payment of dividends is expected to begin on April 23, 2014.

The following discussion summarizes the principal provisions of the Brazilian Corporation Law and our by-laws relating to the distribution of dividends, including interest attributable to shareholders' equity.

Calculation of Adjusted Net Profits

At each annual shareholders' meeting, our board of directors is required to recommend how to allocate our net profits for the preceding fiscal year, which recommendation our board of executive officers initially submits to our board of directors for approval. This allocation is subject to approval by our common shareholders. The Brazilian Corporation Law defines "net profits" for any fiscal year as our net income after income taxes for that fiscal year, net of any accumulated losses from prior fiscal years and any amounts allocated to employees' participation in our net profits in that fiscal year. Under the Brazilian Corporation Law, our adjusted net profits available for distribution are equal to our net profits in any fiscal year, reduced by amounts allocated to our legal reserve and other applicable reserves, and increased by any reversals of reserves that we constituted in prior years.

Reserve Accounts

Under the Brazilian Corporation Law and our by-laws, we are required to maintain a legal reserve. In addition, we are permitted by the Brazilian Corporation Law to establish the following discretionary reserves:

- a contingency reserve for an anticipated loss that is deemed probable in future years. Any amount so allocated in a previous year must be reversed in the fiscal year in which the loss had been anticipated if the loss does not occur as projected or charged off in the event that the anticipated loss occurs;
- a reserve for investment projects, in an amount based on a capital expenditure budget approved by our shareholders;
- an unrealized profit reserve described under "—Mandatory Distributions" below; and
- a tax incentive investment reserve, included in our capital reserve accounts, in the amount of the reduction in our income tax obligations due to government tax incentive programs. See note 29(c) of our consolidated financial statements elsewhere in this annual report.

Allocations to each of these reserves (other than the legal reserve) are subject to approval by our common shareholders voting at our annual shareholders' meeting.

Legal Reserve Account

Under the Brazilian Corporation Law and our by-laws, we must allocate 5% of our net profits for each fiscal year to our legal reserve until the aggregate amount of our legal reserve equals 20% of our paid-in capital. However, we are not required to make any allocations to our legal reserve in a fiscal year in which our legal reserve, when added to our other reserves, exceeds 30% of our shareholders' equity. As of December 31, 2013, we had a balance of R\$26.9 million in our legal reserve account.

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Dividend Preference of Preferred Shares

Under our by-laws, our preferred shareholders are entitled to a Minimum Preferred Dividend, equal to 6% of the book value of such shares, before dividends may be paid to our common shareholders. Distributions of dividends in any year are made:

- first, to the holders of preferred shares, up to the amount of the Minimum Preferred Dividend for such year;
- then, to the holders of common shares, until the amount distributed in respect of each common share is equal to the amount distributed in respect of each preferred share; and
- thereafter, to the holders of our common shares and our class A preferred shares on a pro rata basis.

Our class B preferred shareholders are not entitled to receive any additional dividend amounts after they have received the preferential dividend. If the Minimum Preferred Dividend is not paid for a period of three years, holders of preferred shares will be entitled to full voting rights.

Mandatory Distributions

As permitted by the Brazilian Corporation Law, our by-laws specify that 25% of our adjusted net profits for each fiscal year must be distributed to shareholders as dividends or interest attributable to shareholders' equity. We refer to this amount as the mandatory distributable amount.

Under the Brazilian Corporation Law, the amount by which the mandatory distributable amount exceeds the "realized" portion of net income for any particular year may be allocated to the unrealized profit reserve, and the mandatory distribution may be limited to the "realized" portion of net income. The "realized" portion of net income is the amount by which our net income exceeds the sum of (1) our net positive results, if any, from the equity method of accounting for earnings and losses of our subsidiaries and certain associated companies, and (2) the profits, gains or income obtained on transactions maturing after the end of the following fiscal year. As amounts allocated to the unrealized profit reserve are realized in subsequent years, such amounts must be added to the dividend payment relating to the year of realization.

The Brazilian Corporation Law permits us to suspend the mandatory distribution if our board of directors reports to our annual shareholders' meeting that the distribution would be incompatible with our financial condition at that time. Our fiscal council must approve any suspension of the mandatory distribution. In addition, our management must report the reasons of any suspension of the mandatory distribution to the CVM. We must allocate net profits not distributed by our company as a result of a suspension to a special reserve and, if not absorbed by subsequent losses, we must distribute these amounts as soon as our financial condition permits. In case our profits reserves, as defined in the Brazilian Corporation Law, exceed our share capital, the excess must be credited to shareholders' equity or used for the payment of distributions.

Interest Attributable to Shareholders' Equity

Brazilian companies, including our company, are permitted to pay interest attributable to shareholders' equity as an alternative form of payment of dividends to our shareholders. These payments may be deducted when calculating Brazilian income tax and social contribution tax. The interest rate applied to these distributions generally cannot exceed the TJLP for the applicable period. The amount of interest paid that we can deduct for tax purposes cannot

exceed the greater of:

- 50% of our net income (after the deduction of the provision for social contribution tax and before the deduction of the provision for corporate income tax) before taking into account any such distribution for the period for which the payment is made; and
- 50% of the sum of our retained earnings and profit reserves.

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Any payment of interest attributable to shareholders' equity to holders of common shares, preferred shares or ADSs, whether or not they are Brazilian residents, is subject to Brazilian withholding tax at the rate of 15%, except that a 25% withholding tax rate applies if the recipient is a resident of a tax haven jurisdiction. A tax haven jurisdiction is a country (1) that does not impose income tax or whose income tax rate is lower than 20% or (2) which does not permit disclosure of the identity of shareholders of entities organized under its jurisdiction. See "Item 10. Additional Information—Taxation—Brazilian Tax Considerations." Under our by-laws, we may include the amount distributed as interest attributable to shareholders' equity, net of any withholding tax, as part of the mandatory distributable amount.

Significant Changes

Other than as disclosed in this annual report, no significant change has occurred since the date of the audited consolidated financial statements included in this annual report.

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The principal trading market for our common shares, class A preferred shares and class B preferred shares is the BM&FBOVESPA, where they are traded under the symbols “BRKM3”, “BRKM5”, and “BRKM6”, respectively. Our common shares and class A preferred shares began trading on the BM&FBOVESPA on November 11, 1980, and our class B preferred shares began trading on the BM&FBOVESPA on August 19, 1983.

On December 21, 1998, ADSs representing our class A preferred shares began trading on the NYSE. Our ADSs are traded under the symbol “BAK”. On December 31, 2013, there were 17,095,872 ADSs outstanding, representing 34,191,744 class A preferred shares, or 9.9% of our outstanding class A preferred shares. Each ADS represents two 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 one share.

Price History of Our Class A Preferred Shares and the ADSs

The tables below set forth the high and low closing sales prices and the approximate average daily trading volume for our class A preferred shares on the BM&FBOVESPA and the high and low closing sales prices and the approximate average daily trading volume for the ADSs on the NYSE for the periods indicated.

	BM&FBOVESPA		NYSE	
	Closing Price per Class A Preferred Share		Closing Price per ADS	
	High	Low	High	Low
	(in reais)		(in dollars)	
2009	R\$ 14.72	R\$ 4.41	US\$ 16.73	US\$ 3.73
2010	19.85	9.74	24.62	10.77
2011	25.00	12.80	32.15	13.91
2012	16.60	10.48	18.58	10.54
2013	21.18	13.32	18.40	13.34

	BM&FBOVESPA		NYSE	
	Closing Price per Class A Preferred Share		Closing Price per ADS	
	High	Low	High	Low
	(in reais)		(in dollars)	
2012				
First Quarter	R\$ 15.73	R\$ 12.33	US\$ 18.58	US\$ 13.49
Second Quarter	14.50	10.48	16.01	10.54
Third Quarter	16.60	11.25	16.50	11.06

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Fourth Quarter 2013	14.60	12.79	14.36	12.43
First Quarter	15.31	13.32	15.51	13.34
Second Quarter	17.40	13.60	17.65	13.61
Third Quarter	18.63	15.78	16.82	13.91
Fourth Quarter 2014	21.18	17.90	18.40	16.27
First Quarter	15.05	20.61	12.75	17.41
Most Recent Six Months				
September 2013	18.63	17.57	16.82	15.20
October 2013	20.14	17.90	18.40	16.27
November 2013	21.18	19.30	18.39	16.81
December 2013	21.05	19.58	18.03	16.66
January 2014	20.61	18.50	17.41	15.15
February 2014	19.47	16.15	16.22	13.70
March 2014	15.05	17.79	12.75	15.62
April 2014 (through April 10)	16.95	15.76	15.72	14.90

Source: Economática Ltda/Bloomberg

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On April 2014, the closing sales price of:

- our class A preferred shares on the BM&FBOVESPA was R\$15.76 per share;
- our class A preferred shares on the LATIBEX was €5.43 per share; and
- the ADSs on the NYSE was US\$14.90 per ADS.

Regulation of Brazilian Securities Markets

The Brazilian securities markets are regulated by the CVM, which has regulatory authority over the stock exchanges and the securities markets generally, the National Monetary Council and 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 markets are governed by (1) Law No. 6,385, as amended and supplemented, which is the principal law governing the Brazilian securities markets and which we refer to as the Brazilian Securities Law; (2) the Brazilian Corporation Law; and (3) the regulations issued by the CVM, the National Monetary Council and the Central Bank.

Trading on the BM&FBOVESPA

Overview of the BM&FBOVESPA

In 2000, the *Bolsa de Valores de São Paulo S.A. – BVSP* (the São Paulo Stock Exchange), or the BM&FBOVESPA, was reorganized through the execution of memoranda of understanding by the Brazilian stock exchanges. Following this reorganization, the BM&FBOVESPA was a non-profit entity owned by its member brokerage firms and trading on the BM&FBOVESPA was limited to these member brokerage firms and a limited number of authorized nonmembers. Under the memoranda, all securities are now traded only on the BM&FBOVESPA, with the exception of electronically traded public debt securities and privatization auctions, which are traded on the Rio de Janeiro Stock Exchange.

Regulation of Foreign Investments

Trading on the BM&FBOVESPA 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-Brazilian holders may trade on the BM&FBOVESPA only in accordance with the requirements of Resolution No. 2,689 of the National Monetary Council. Resolution No. 2,689 requires that securities held by non-Brazilian holders be maintained in the custody of, or in deposit accounts with, financial institutions that are authorized by the Central Bank and the CVM. In addition, Resolution No. 2,689 requires non-Brazilian holders to restrict their securities trading to transactions on the BM&FBOVESPA or qualified 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. See “Item 10. Additional Information—Exchange Controls” for further information about Resolution 2,689, and “Item 10. Additional Information—Taxation—Brazilian Tax Considerations—Taxation of Gains in Brazil” for a description of certain tax benefits extended to non-Brazilian holders who qualify under Resolution No. 2,689.

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ITEM 10. ADDITIONAL INFORMATION

General

As of April 14, 2014, we had outstanding share capital of R\$8,043,222,080.50, equal to 797,265,348 total shares consisting of 451,668,652 common shares, 345,002,878 class A preferred shares and 593,818 class B preferred shares, including 1,154,758 class A preferred shares held in treasury. All of our share capital is fully paid. All of our shares are without par value. Under the Brazilian Corporation Law, the aggregate number of our non-voting and limited voting class A and class B preferred shares may not exceed two-thirds of our total outstanding share capital.

Description of Our Company's By-laws

The following is a summary of the material provisions of our by-laws and of the Brazilian Corporation Law. In Brazil, a company's by-laws (*estatuto social*) is the principal governing document of a corporation (*sociedade por ações*).

Corporate Purposes

Article 2 of our by-laws establishes our corporate purposes to include:

- the manufacture, trading, import and export of chemical and petrochemical products and petrochemical derivatives;
- the production, distribution and trading of utilities such as: steam, water, compressed air, industrial gases, as well as the provision of industrial services;
- the production, distribution and trading of electricity for its own consumption and that of other companies;
- holdings of equity stakes in other companies, pursuant to Law No. 6,404/76, as a holder of quotas or shares; and
- the manufacture, distribution, trading, import and export of gasoline, diesel oil, LPG and other oil derivatives.

Board of Directors

Under the Brazilian Corporation Law, any matters subject to the approval of our board of directors can be approved by a simple majority of votes of the members present at a duly convened meeting, unless our by-laws otherwise specify. Under our by-laws, our board of directors may only deliberate if a majority of its members are present at a duly convened meeting. Any resolutions of our board of directors may be approved by the affirmative vote of a majority of the members present at the meeting, subject to veto rights of Petrobras, over resolutions of our board of directors relating to certain matters under the Petrobras Shareholders' Agreement. See "Item 7. Major Shareholders and Related Party Transactions—Major Shareholders—Shareholders Agreements—Petrobras Shareholders' Agreement." The majority of the members of our board of directors are elected by the Odebrecht Group. In addition, any director appointed by a shareholder pursuant to a shareholders agreement is bound by the terms of such agreement. See "Item 7. Major Shareholders and Related Party Transactions—Major Shareholders—Shareholders Agreements." The majority of the members of our board of directors are elected by the Odebrecht Group. In addition, any director appointed by a

shareholder pursuant to a shareholders agreement is bound by the terms of such agreement. See “Item 7. Major Shareholders and Related Party Transactions—Major Shareholders—Shareholders Agreements. The members of our board of directors are elected at general meetings of shareholders for concurrent two-year terms. Our by-laws do not require the members of our board of directors to be a resident in Brazil or a shareholder of our company. The Brazilian Corporation Law requires each of our executive officers to be residents of Brazil. Under our by-laws, our common shareholders approve the aggregate compensation payable to our directors, executive officers and members of our fiscal council. Subject to this approval, our board of directors establishes the compensation of its members and of our executive officers. See “Item 6. Directors, Senior Management and Employees—Compensation.” Neither the Brazilian Corporation Law nor our by-laws establish any mandatory retirement age for our directors or executive officers.

Share Capital

Under the Brazilian Corporation Law, the number of issued and outstanding non-voting shares or shares with limited voting rights, such as our class A preferred shares and class B preferred shares, may not exceed two-thirds of total outstanding share capital. Each of our common shares entitles its holder to one vote at our annual and extraordinary shareholders’ meetings. Holders of our common shares are not entitled to any preference in respect of our dividends or other distributions or otherwise in case of our liquidation. Our class A preferred shares and class B preferred shares are non-voting, except in limited circumstances, and have priority over our common shares in the case of our liquidation. See “—Voting Rights” for information regarding the voting rights of our preferred shares, “—Liquidation” for information regarding the liquidation preferences of our preferred shares, and “Item 8. Financial Information—Dividends and Dividend Policy—Calculation of Adjusted Net Profits” and “Item 8. Financial Information—Dividends and Dividend Policy—Dividend Preference of Preferred Shares” for information regarding the distribution preferences of our preferred shares.

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Shareholders' Meetings

Under the Brazilian Corporation Law, we must hold an annual shareholders' meeting by April 30 of each year in order to:

- approve or reject the financial statements approved by our board of directors and board of executive officers, including any recommendation by our board of directors for the allocation of net profits and distribution of dividends; and
- elect members of our board of directors (upon expiration of their two-year term) and members of our fiscal council, subject to the right of minority shareholders to elect members of our board of directors and our fiscal council.

In addition to the annual shareholders' meetings, holders of our common shares have the power to determine any matters related to changes in our corporate purposes and to pass any resolutions they deem necessary to protect and enhance our development whenever our interests so require, by means of extraordinary shareholders' meetings.

Under the Brazilian Corporation Law, the holders of our common shares have the power, among other powers, to vote at shareholders' meetings to:

- amend our by-laws;
- approve any capital increase in excess of the amount of our authorized capital;
- approve any capital reduction;
- accept or reject the valuation of assets contributed by any of our shareholders in exchange for the issuance of our share capital;
- suspend the rights of any of our shareholders in default of their obligations established by law or by our by-laws;
- authorize the issuance of convertible debentures;
- approve any reorganization of our legal form or any merger, consolidation or spin-off involving us;
- authorize our dissolution and liquidation, the election and dismissal of liquidators appointed in connection with any dissolution or liquidation of our company, and the examination of the liquidators' accounts;
- participate in a centralized group of companies (as defined under the Brazilian Corporation Law);
- approve the aggregate compensation payable to our directors and executive officers;
- authorize management to declare us insolvent or bankrupt and to request a *concordata* (a procedure involving our protection from our creditors similar in many respects to a reorganization under the U.S. bankruptcy code);
- elect and substitute members of our board of directors and fiscal council;

- modify the number of members our board of directors;
- alter our dividend policy; and
- authorize the delisting of our shares.

We convene our shareholders' meetings, including our annual shareholders' meeting, by publishing a notice in the *Diário Oficial do Estado da Bahia*, in at least one additional newspaper designated by our shareholders with general circulation in Bahia, where we maintain our registered office. On the first call of any meeting, the notice must be published no fewer than three times, beginning at least 15 calendar days prior to the scheduled meeting date. The notice must contain the meeting's place, date, time, agenda and, in the case of a proposed amendment to our by-laws, a description of the subject matter of the proposed amendment.

In order for a valid action to be taken at a shareholders' meeting, shareholders representing at least 25% of our issued and outstanding voting share capital must be present on first call. However, shareholders representing at least two-thirds of our issued and outstanding voting share capital must be present at a shareholders' meeting called to amend our by-laws. If a quorum is not present, our board of directors may issue a second call by publishing a notice as described above at least eight calendar days prior to the scheduled meeting. The quorum requirements do not apply to a meeting held on the second call, and the shareholders' meetings may be convened with the presence of shareholders representing any number of shares (subject to the voting requirements for certain matters described below). A shareholder without a right to vote may attend a shareholders' meeting and take part in the discussion of matters submitted for consideration.

TABLE OF CONTENTS***Voting Rights***

Under the Brazilian Corporation Law and our by-laws, each of our common shares entitles its holder to one vote at our shareholders' meetings. Our preferred shares generally do not confer voting rights, except in the limited circumstances. We may not restrain or deny any voting rights without the consent of the majority of the shares affected. Whenever the shares of any class of share capital are entitled to vote, each share is entitled to one vote.

Preemptive Rights

Under the Brazilian Corporation Law, each of our shareholders has a general preemptive right to subscribe for our shares or securities convertible into our shares in any capital increase, in proportion to the number of our shares held by such shareholder. However, under our by-laws, the holders of our class B preferred shares do not have preemptive rights. In the event of a capital increase that would maintain or increase the proportion of our capital represented by our class A preferred shares, holders of our class A preferred shares would have preemptive rights to subscribe to newly issued class A preferred shares only. In the event of a capital increase that would reduce the proportion of our capital represented by our class A preferred shares, holders of our preferred shares would have preemptive rights to subscribe to any new class A preferred shares in proportion to the number of our shares that they hold, and to our common shares only to the extent necessary to prevent dilution of their interests in our total capital.

Under our by-laws, except when issuing voting shares or securities convertible into voting shares, our board of directors or our shareholders, as the case may be, may decide to reduce the term of preemptive rights or not to extend preemptive rights to our shareholders with respect to any issuance of our non-voting shares, debentures convertible into our shares or warrants made in connection with a public exchange made to acquire control of another company or in connection with a public offering or through a stock exchange. The preemptive rights are transferable and must be exercised within a period of at least 30 days following the publication of notice of the issuance of shares or securities convertible into our shares. Holders of the ADSs may not be able to exercise the preemptive rights relating to our class A preferred shares underlying their 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 the ADSs, and we may not file any such registration statement.

Redemption, Amortization, Tender Offers and Rights of Withdrawal

Our by-laws or our shareholders at a shareholders' meeting may authorize us to use our profits or reserves to redeem or amortize our shares in accordance with conditions and procedures established for such redemption or amortization. The Brazilian Corporation Law defines "redemption" (*resgate de ações*) as the payment of the value of the shares in order to permanently remove such shares from circulation, with or without a corresponding reduction of our share capital. The Brazilian Corporation Law defines "amortization" (*amortização*) as the distribution to the shareholders, without a corresponding capital reduction, of amounts that they would otherwise receive if we were liquidated. If an amortization distribution has been paid prior to our liquidation, then upon our liquidation, the shareholders who did not receive an amortization distribution will have a preference equal to the amount of the amortization distribution in the distribution of our capital.

The Brazilian Corporation Law authorizes us to redeem shares not held by our controlling shareholders, if, after a tender offer effected as a consequence of delisting or a substantial reduction in the liquidity of our shares, our controlling shareholders increase their participation in our total share capital to more than 95%. The redemption price

in such case would be the same price paid for our shares in any such tender offer.

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Rights of Withdrawal

The Brazilian Corporation Law provides that, in certain limited circumstances, a dissenting shareholder may withdraw its equity interest from our company and be reimbursed by us for the value of our common or preferred shares that it then holds.

This right of withdrawal may be exercised by the holders of the adversely affected common or preferred shares if we decide:

- to create a new class of our preferred shares with greater privileges than the existing classes of our preferred shares;
- to increase an existing class of our preferred shares relative to the other classes of our preferred shares (unless such actions are provided for or authorized by our by-laws); or
- to modify a preference, privilege or condition of redemption or amortization conferred on one or more classes of our preferred shares.

In addition, holders of our common and preferred shares may exercise their right of withdrawal if we decide to undertake any of the following actions:

- to merge with another company or to consolidate with another company in a transaction in which our company is not the surviving entity;
- to transfer all of our shares to another company or to acquire all of the shares of another company (“*incorporação de ações*”);
- to participate in a centralized group of companies as defined under the Brazilian Corporation Law;
- to reduce the mandatory distribution of dividends;
- to change our corporate purposes; or
- to spin-off a portion of our company.

Only shareholders who own shares on the date of publication of the first notice convening the relevant shareholders’ meeting or the press release concerning the relevant shareholders’ meeting is published, whichever is earlier, will be entitled to withdrawal rights.

Shareholders will not be entitled to this right of withdrawal if the shares of the entity resulting from a merger, incorporation, consolidation of our company or participation of our company in a group of companies have minimal market liquidity and are dispersed among a sufficient number of shareholders. For this purpose, shares that are part of general indices representative of portfolios of securities traded in Brazil or abroad are considered liquid, and sufficient dispersion will exist if the controlling shareholder holds less than half of the class and type of the outstanding shares. In case of a spin-off, the right of withdrawal will only exist if there is a significant change in the corporate purpose or a reduction in the mandatory dividend.

The redemption of shares arising out of the exercise of any withdrawal rights would be made at book value per share, determined on the basis of their most recent audited balance sheet approved by our dissenting shareholders. However, if the shareholders' meeting approving the action that gave rise to withdrawal rights occurred more than 60 days after the date of the most recent approved audited balance sheet, a shareholder may demand that its shares be valued on the basis of a balance sheet prepared specifically for this purpose. The right of withdrawal lapses 30 days after the date of publication of the minutes of the shareholders' meeting that approved one of the matters described above. Our shareholders may reconsider any resolution giving rise to withdrawal rights within 10 days following the expiration date for such rights if we believe that the withdrawal of shares of dissenting shareholders would jeopardize our financial stability.

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Disclosures of Share Ownership

Brazilian regulations require that (1) each of our controlling shareholders, directly or indirectly, (2) shareholders who have elected members of our board of directors, and (3) any person or group of persons representing a person that has directly or indirectly acquired or sold an interest corresponding to at least 5% of the total number of our shares of any type or class to disclose its or their share ownership or divestment to the CVM and to the BM&FBOVESPA. In addition, a statement (*fato relevante*) containing certain required information must be published in the newspapers with wide circulation generally used by us and/or on websites in which the information may be viewed in its entirety free of charge.

Our controlling shareholders, shareholders that appoint members of our board of directors or fiscal council and members of our board of directors, board of executive officers or fiscal council must file a statement of any change in their holdings of our shares with the CVM and the Brazilian stock exchanges on which our securities are traded.

Form and Transfer

Our preferred shares and common shares are in book-entry form, registered in the name of each shareholder or its nominee. The transfer of our shares is governed by Article 35 of the Brazilian Corporation Law, which provides that a transfer of shares is effected by our transfer agent, Banco Itaú S.A., by an entry made by the transfer agent in its books, upon presentation of valid written share transfer instructions to us by a transferor or its representative. When preferred shares or common shares are acquired or sold on a Brazilian stock exchange, the transfer is effected on the records of our transfer agent by a representative of a brokerage firm or the stock exchange's clearing system. The transfer agent also performs all the services of safe-keeping of our shares. Transfers of our shares by a non-Brazilian investor are made in the same manner and are executed on the investor's behalf by the investor's local agent. If the original investment was registered with the Central Bank pursuant to foreign investment regulations, the non-Brazilian investor is also required to amend, if necessary, through its local agent, the electronic certificate of registration to reflect the new ownership.

The BM&FBOVESPA operates a central clearing system. A holder of our shares may choose, at its discretion, to participate in this system, and all shares that such shareholder elects to be put into the clearing system are deposited in custody with the clearing and settlement chamber of the BM&FBOVESPA (through a Brazilian institution that is duly authorized to operate by the Central Bank and maintains a clearing account with the clearing and settlement chamber of the BM&FBOVESPA). Shares subject to the custody of the clearing and settlement chamber of the BM&FBOVESPA are noted as such in our registry of shareholders. Each participating shareholder will, in turn, be registered in the register of the clearing and settlement chamber of the BM&FBOVESPA and will be treated in the same manner as shareholders registered in our books.

Material Contracts

We have not entered into any material contracts, other than those described elsewhere in this annual report or entered into in the ordinary course of business.

Exchange Controls

There are no restrictions on ownership or voting of our capital stock by individuals or legal entities domiciled outside Brazil. However, the right to convert dividend payments, interest on shareholders' equity payments and proceeds from the sale of our share capital into foreign currency and to remit such amounts outside Brazil is subject to restrictions under foreign investment legislation and foreign exchange regulations, which generally require, among other things, the registration of the relevant investment with the Central Bank and the CVM.

Investments in our class A preferred shares by (1) a holder not deemed to be domiciled in Brazil for Brazilian tax purposes, (2) a non-Brazilian holder who is registered with the CVM under Resolution No. 2,689, or (3) the depositary, are eligible for registration with the Central Bank. This registration (the amount so registered is referred to as registered capital) allows the remittance outside Brazil of foreign currency, converted at the commercial market rate, acquired with the proceeds of distributions on, and amounts realized through, dispositions of our class A preferred shares.

Resolution No. 1,927 of the National Monetary Council, as amended, provides for the issuance of depositary receipts in foreign markets in respect of shares of Brazilian issuers. It restates and amends Annex V to Resolution No. 1,289 of the National Monetary Council, known as the Annex V Regulations. The ADS program was approved under the Annex V Regulations by the Central Bank and the CVM prior to the issuance of the ADSs. Accordingly, the proceeds from the sale of ADSs by ADS holders outside Brazil are not subject to Brazilian foreign investment controls, and holders of the ADSs who are not resident in a "tax haven" jurisdiction are entitled to favorable tax treatment. See "—Taxation—Brazilian Tax Considerations."

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We pay dividends and other cash distributions with respect to our class A preferred shares in reais. We have obtained an electronic certificate of foreign capital registration from the Central Bank in the name of the depositary with respect to our ADSs to be maintained by the custodian on behalf of the depositary. Pursuant to this registration, the custodian is able to convert dividends and other distributions with respect to our class A preferred shares represented by ADSs into foreign currency and remit the proceeds outside Brazil to the depositary so that the depositary may distribute these proceeds to the holders of record of the ADSs.

Registration under Resolution No. 2,689 affords favorable tax treatment to non-Brazilian portfolio investors who are not resident in a tax haven jurisdiction, which is defined under Brazilian tax laws as a country or jurisdiction that does not impose taxes or where the maximum income tax rate is lower than 20% or that restricts the disclosure of shareholder composition or ownership of investments. See “—Taxation—Brazilian Tax Considerations.”

Under Resolution No. 2,689, non-Brazilian investors registered with the CVM may invest in almost all financial assets and engage in almost all transactions available to Brazilian investors in the Brazilian financial and capital markets without obtaining a separate Central Bank registration for each transaction, provided that certain requirements are fulfilled. Under Resolution No. 2,689, the definition of a non-Brazilian investor includes individuals, legal entities, mutual funds and other collective investment entities, domiciled or headquartered outside Brazil.

Pursuant to Resolution No. 2,689, non-Brazilian investors must:

- appoint at least one representative in Brazil with powers to take action relating to its investments;
- appoint an authorized custodian in Brazil for its investments, which must be a financial institution duly authorized by the Central Bank and CVM;
- complete the appropriate foreign investor registration forms;
- register as a non-Brazilian investor with the CVM;
- register its investments with the Central Bank; and
- obtain a taxpayer identification number from the Brazilian federal tax authorities.

The securities and other financial assets held by a non-Brazilian investor pursuant to Resolution No. 2,689 must be registered or maintained in deposit accounts or under the custody of an entity duly licensed by the Central Bank or the CVM or be registered in registration, clearing and custody systems authorized by the Central Bank or by the CVM. In addition, the trading of securities held under Resolution No. 2,689 is restricted to transactions carried out on stock exchanges or through organized over-the-counter markets licensed by the CVM.

Foreign direct investors under Law No. 4,131 may sell their shares in both private or open market transactions, but these investors will generally be subject to less favorable tax treatment on gains with respect to our class A preferred shares. See “—Taxation—Brazilian Tax Considerations.”

Foreign investors must be registered with the Brazilian Internal Revenue Service (“Receita Federal”) pursuant to the Nominative Instruction 1,183, dated as of August 19, 2011. This registration process is undertaken by the investor’s

legal representative in Brazil.

Taxation

The following summary contains a description of the material Brazilian and U.S. federal income tax consequences of the purchase, ownership and disposition of class A preferred shares and ADSs, but it does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase any such securities.

There is at present no income tax treaty between Brazil and the United States.

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The description below is not intended to constitute a complete analysis of all tax consequences relating to the acquisition, ownership and disposition of class A preferred shares or ADSs. Prospective purchasers of our class A preferred shares or ADSs are advised to consult their own tax advisors in respect of the consequences that the purchase, ownership or disposition of our class A preferred shares or ADSs might trigger under the laws of Brazil, the United States or any other jurisdiction in light of their particular investment circumstances.

Brazilian Tax Considerations

The following discussion summarizes the material Brazilian tax consequences of the acquisition, ownership and disposition of class A preferred shares or ADSs by an individual, entity, trust or organization that is not domiciled or resident in Brazil for purposes of Brazilian taxation and, in the case of a holder of class A preferred shares, which has registered its investment with the Central Bank, or a non-resident holder. The following discussion is based upon the tax laws of Brazil as in effect on the date of this annual report, which are subject to change, with possible retroactive effect, and to differing interpretation. Furthermore, the following discussion does not specifically address all of the Brazilian tax considerations applicable to any particular non-resident holder, and each non-resident holder should consult his or her own tax advisor concerning the Brazilian tax consequences of an investment in any of such securities.

Acquisition of ADSs or Class A Preferred Shares

The acquisition of ADSs or class A preferred shares by non-resident holders is not a taxable event in Brazil. See “—Taxation of Gains Outside Brazil” for further information on the tax implications arising from the exchange of existing class A preferred shares for ADSs, as well as those arising from the exchange of ADSs for class A preferred shares.

Taxation of Dividends

Dividends paid by a Brazilian corporation with respect to profits generated as of January 1, 1996, including dividends paid in kind to the depository in respect of our class A preferred shares underlying the ADSs or to a non-resident holder in respect of class A preferred shares, are not subject to withholding income tax in Brazil.

Dividends paid from profits generated before January 1, 1996 may be subject to Brazilian withholding income tax at variable rates, according to the tax legislation applicable to each corresponding year.

Interest on Shareholders' Equity

Distributions of interest on our shareholders' equity in respect of our class A preferred shares or the ADSs are subject to Brazilian withholding tax at the rate of 15% or 25% in the case of a non-resident holder domiciled in a country or location or other jurisdiction (1) that does not impose income tax, (2) where the maximum income tax rate is lower than 20%, or (3) the laws of which do not allow access to information related to the composition of shareholders, ownership of investments or identification of beneficial owners of earnings attributed to non-residents, or a tax favorable jurisdiction.

Since 1997 and in accordance with Laws Nos. 9,249/95 and 9,430/96, we have been permitted to deduct these distributions for purposes of calculating the CSLL and the corporate income taxes that we owe, provided that each such distribution is approved by our shareholders in a general meeting and complies with the limits established by Brazilian tax legislation.

Payments of interest on shareholders' equity may be included, at their net value, as part of any mandatory dividend. To the extent payment of interest on shareholders' equity is so included, the corporation is required to distribute to shareholders an additional amount to ensure that the net amount received by them, after payment of the applicable withholding income tax plus the amount of declared dividends, is at least equal to the mandatory dividend.

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According to Brazilian Law No. 10,833/03, gains realized on the disposition or sale of assets located in Brazil are subject to income tax in Brazil, regardless of whether the sale or the disposition is made by the non-resident holder to a Brazilian resident or to another non-resident of Brazil, as follows: “the acquiror, individual or legal entity resident or domiciled in Brazil, or the acquiror’s attorney-in-fact, when such acquiror is resident or domiciled abroad, shall be responsible for the retention and payment of the income tax applicable to capital gains under Article 18 of Law 9,249 of December 26, 1995 earned by the individual or legal entity resident or domiciled abroad who disposes of property located in Brazil.”

Holders of the ADSs outside of Brazil may have grounds to assert that Brazilian Law No. 10,833/03 does not apply to sales or other dispositions of ADSs as ADSs are not assets located in Brazil. However, the sale or other disposition of class A preferred shares abroad may be subject to the provisions of Brazilian Law No. 10,833/03. Any capital gains arising from sales or other dispositions outside Brazil would be subject to Brazilian income tax at the rate of 15% or 25% if the investor is located in a Tax Favorable Jurisdiction. Brazilian Law No. 10,833/03 requires the purchaser of our class A preferred shares outside Brazil or its attorney-in-fact in Brazil to withhold the income tax. A disposition of class A preferred shares can only occur abroad if any investor decides to cancel its investment in ADSs and register the underlying class A preferred shares as a direct foreign investment under Law No. 4,131/62.

Taxation of Gains in Brazil

The exchange of ADSs for class A preferred shares is not subject to Brazilian tax. Upon receipt of the underlying class A preferred shares in exchange of ADSs, a non-resident investor will be entitled to register with the Central Bank the U.S. dollar value of such shares as a foreign portfolio investment under Resolution No. 2,689/00. See “—Exchange Controls” and “—Tax on Foreign Exchange and on Bonds and Securities Transactions—Registered Capital.” The sale or disposition of class A preferred shares on a Brazilian stock exchange is exempt from capital gains tax, provided that such shares are held by a non-resident holder that (1) has registered its investment in Brazil with the Central Bank under the rules of under Resolution No. 2,689/00, or a 2,689 Holder, and (2) is not resident or domiciled in a tax favorable jurisdiction. Upon receipt of the underlying class A preferred shares, a non-resident holder is also entitled to register with the Central Bank the U.S. dollar value of such shares as a foreign direct investment under Law 4,131/62. See “—Exchange Controls” and “—Tax on Foreign Exchange and on Bonds and Securities Transactions—Registered Capital.” 15% capital gains tax is applicable to the sale or other disposition of preferred class A shares in Brazil where such shares are held by a non-resident holder as a foreign direct investment and the transaction is executed outside a Brazilian stock exchange. If the non-resident holder is domiciled in a tax favorable jurisdiction and the disposition of the preferred class A shares is executed outside a Brazilian stock exchange, the income tax rate will be 25%.

If the sale or other disposition of such shares is carried out on a Brazilian stock exchange, the capital gains on the sale or disposition will be taxed at a rate of 15%. This 15% rate applies to all transactions carried out on a Brazilian stock exchange by non-resident holders regardless of whether or not they are domiciled in tax favorable jurisdiction (except to gains realized by a 2,689 Holder that is not resident or domiciled in a tax favorable jurisdiction as described above). In these transactions, the gain realized is calculated based on the amount registered with the Central Bank. As of January 1, 2005, a withholding tax of 0.005% will also be assessed on the sales price or other disposition value of shares sold or disposed of in transactions carried out on a Brazilian stock exchange. The withholding tax, to be offset against tax due on eventual capital gain, must be withheld by one of the following entities: (1) the agent receiving the sale or disposition order from the client; (2) the stock exchange responsible for registering the transactions; or (3) the entity responsible for the settlement and payment of the transactions. Such withholding does not apply to a 2,689 Holder that is not a resident of or domiciled in a favorable tax jurisdiction.

The deposit of class A preferred shares in exchange for ADSs is not subject to Brazilian tax, provided that these shares are held by the non-resident holder as a foreign portfolio investment under Resolution No. 2,689/00. In the event our class A preferred shares are held by the non-resident holder as a foreign direct investment under Law No. 4,131/62, the deposit of these shares in exchange for ADSs is subject to payment of Brazilian capital gains tax at the rate of 15% (25% in the case of a non-resident holder located in a tax favorable jurisdiction).

The current preferential treatment for non-resident holders of ADSs and non-resident holders of class A preferred shares under Resolution No. 2,689/00 may not continue in the future.

Any exercise of preemptive rights relating to our class A preferred shares will not be subject to Brazilian taxation. Gains on the sale or assignment of preemptive rights relating to our class A preferred shares by the depositary may be subject to Brazilian taxation. Tax authorities may attempt to tax such gains even when the sale or assignment of such rights takes place outside Brazil, based on the provisions of Law No. 10,833/03. These authorities may allege that the preemptive rights relate to assets located in Brazil (the class A preferred shares) and require payment of capital gains tax at the rate of 15% (or 25% if the beneficiary of the payments is resident of a tax favorable jurisdiction). If the preemptive rights are assigned or sold in Brazil, capital gains tax will apply at a rate of 15% (or 25% in the case of a non-resident holder located in a tax favorable jurisdiction). Sales or assignments of preemptive rights effected on Brazilian stock exchanges are exempt from income tax, provided that such preemptive rights relate to shares registered as a foreign portfolio investment under Resolution No. 2,689/00 and the 2,689 Holder is not a resident of or domiciled in a tax favorable jurisdiction.

Other Brazilian Taxes

There are no Brazilian inheritance, gift or succession taxes applicable to the ownership, transfer or disposition of class A preferred shares or ADSs by a non-resident holder except for gift and inheritance imposed by some states of Brazil on gifts made or inheritances bestowed by individuals or entities not resident or domiciled in Brazil or domiciled within the state to individuals or entities resident or domiciled within such state in Brazil. There are no Brazilian stamp, issue, registration or similar taxes or duties payable by holders of class A preferred shares or ADSs.

Tax on Foreign Exchange and on Bonds and Securities Transactions

Foreign Exchange Transactions

Pursuant to Decree 6,306 of December 14, 2007, as amended, or Decree 6,306/07, the conversion of Brazilian currency into foreign currency (e.g., for purposes of paying dividends and interest) and on the conversion of foreign currency into Brazilian currency may be subject to the IOF/Exchange Tax. Currently, for most exchange transactions, the rate of IOF/Exchange is 0.38%. This is the rate applicable to the inflow and outflow of foreign direct investments for companies in Brazil according to Law 4,131/62 (other than trading portfolio investments in securities under Resolution 2,689/00).

The IOF/Exchange Tax levies a 6% flat rate on capital inflows from non-residents who invest in the Brazilian stock exchange, futures and commodities exchanges, including inflows that serve as margin guarantees in these transactions. As of December 2011, however, the 6.0% rate was reduced to 0% on the following capital inflows from non-residents: (1) investments in securities bearing a variable rate of return that are purchased on the Brazilian stock exchange, futures and commodities exchanges; (2) acquisition of stocks in public offerings on the Brazilian stock exchange or subscriptions of capital increases; (3) investments in Brazilian stocks using funds derived from the cancelation of “depository receipts”; (4) certain investments in private equity or emerging companies investment funds (FIP and FIEE) and funds of these funds; and (5) conversion of foreign direct investments in stocks under Law 4,131/62 into foreign investment in stocks under Resolution 2,689/00.

In March 2012, Brazilian federal regulators clarified that the 0% rate also applies to investments in Brazilian depository receipts representing shares of foreign companies and traded in Brazilian stock exchanges.

The IOF is 0% on the outflow of foreign investments in portfolio in Brazil under Resolution 2,689/00. The remittance abroad of dividends and interest on equity to non-Brazilian residents is subject to 0% IOF tax.

Additionally, the transfers of shares traded on the stock exchange with the purpose of enabling the issuance of ADSs are subject to the IOF/Bonds Tax at a rate of 1.5%, which is aimed at correcting an asymmetry created by the IOF/Exchange Tax.

The Brazilian government may increase the rate of the IOF/Exchange Tax to a maximum of 25% of the amount of the foreign exchange transaction at any time, but such an increase would only apply to future foreign exchange transactions. The imposition of these taxes may discourage foreign investment in shares of Brazilian companies, including our company, due to higher transaction costs, and may negatively impact the price and volatility of our ADSs and preferred shares on the NYSE and the BM&FBOVESPA.

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The amount of an investment in class A preferred shares held by a non-Brazilian holder as a foreign direct investment under Law No. 4,131/02 or a foreign portfolio investment under Resolution No. 2,689/00 or in ADSs held by the depository representing such holder, as the case may be, is eligible for registration with the Central Bank; such registration (the amount so registered is referred to as “registered capital”) allows the remittance outside Brazil of foreign currency, converted at the commercial market rate, acquired with the proceeds of distributions on, and amounts realized with respect to disposition of, such class A preferred shares. The registered capital for class A preferred shares purchased in the form of ADSs, or purchased in Brazil and deposited with the depository in exchange for an ADS, is equal to their purchase price in U.S. dollars paid by the purchaser. The registered capital for class A preferred shares that are withdrawn upon surrender of ADSs is the U.S. dollar equivalent of (1) the average price of our class A preferred shares on the Brazilian stock exchange on which the greatest number of such class A preferred shares was sold on the day of withdrawal, or (2) if no class A preferred shares were sold on such day, the average price of class A preferred shares that were sold in the fifteen trading sessions immediately preceding such withdrawal. The U.S. dollar value of our class A preferred shares is determined on the basis of the average commercial market rates quoted by the Central Bank on such date (or, if the average price of class A preferred shares is determined under clause (2) of the preceding sentence, the average of such average quoted rates on the same fifteen dates used to determine the average price of our class A preferred shares).

A non-Brazilian holder of class A preferred shares may experience delays in effecting the registration of registered capital, which may delay remittances abroad. Such a delay may adversely affect the amount, in U.S. dollars, received by the non-Brazilian holder. See “—Exchange Controls” and “Item 3. Key Information—Risk Factors—Risks Relating to Our Class A Preferred Shares and the ADSs.

U.S. Federal Income Tax Considerations

The following is a discussion of the material U.S. federal income tax consequences that may be relevant with respect to the acquisition, ownership and disposition of our class A preferred shares or ADSs, which are evidenced by ADRs. This description addresses only the U.S. federal income tax considerations of U.S. holders (as defined below) that will hold class A preferred shares or ADSs as capital assets. This description does not address tax considerations applicable to holders that may be subject to special tax rules, such as banks, financial institutions, insurance companies, real estate investment trusts, grantor trusts, regulated investment companies, dealers or traders in securities or currencies, tax-exempt entities, pension funds, persons that received our class A preferred shares or ADSs pursuant to an exercise of employee stock options or rights or otherwise as compensation for the performance of services, persons that will hold our class A preferred shares or ADSs as a position in a “straddle” or as a part of a “hedging”, “conversion” or other risk reduction transaction for U.S. federal income tax purposes, persons that have a “functional currency” other than the U.S. dollar, persons that will own our class A preferred shares or ADSs through partnerships or other pass through entities, holders subject to the alternative minimum tax, certain former citizens or long-term residents of the United States or holders that own (or are deemed to own) 10% or more (by voting power) of our shares.

This description does not address any state, local or non-U.S. tax consequences of the acquisition, ownership and disposition of our class A preferred shares or ADSs. Moreover, this description does not address the consequences of any U.S. federal tax other than income tax, including but not limited to the U.S. federal estate and gift taxes. This description is based on (1) the Internal Revenue Code of 1986, as amended (the “Code”), existing, proposed and temporary U.S. Treasury Regulations and judicial and administrative interpretations thereof, in each case as in effect and available on the date of this annual report and (2), in part, on the representations of the depository and the

assumption that each obligation in the deposit agreement and any related agreement will be performed in accordance with its terms. All of the foregoing are subject to change, which change could apply retroactively and could affect the tax consequences described below.

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As used below, a “U.S. holder” is a beneficial owner of a class A preferred share or ADS that is, for U.S. federal income tax purposes, (1) an individual citizen or resident of the United States, (2) a corporation organized under the laws of the United States, any state thereof or the District of Columbia, (3) an estate the income of which is subject to U.S. federal income taxation regardless of its source, or (4) a trust if (i) a court within the United States is able to exercise primary supervision over its administration and (ii) one or more U.S. persons have the authority to control all of the substantial decisions of such trust. As used below, a “Non-U.S. holder” is a beneficial owner of a class A preferred share or ADS that is neither a U.S. holder nor a partnership (or other entity treated as a partnership for U.S. federal income tax purposes).

If a partnership (or any other entity treated as a partnership for U.S. federal income tax purposes) holds class A preferred shares or ADSs, the tax treatment of a partner in such partnership will generally depend on the status of the partner and the activities of the partnership. A partnership or its partners should consult their tax advisor as to its tax consequences.

The class A preferred shares will be treated as equity for U.S. federal income tax purposes. In general, for U.S. federal income tax purposes, a holder of an ADR evidencing an ADS will be treated as the beneficial owner of our class A preferred shares represented by the applicable ADS. The U.S. Treasury Department has expressed concern that depositories for ADSs, or other intermediaries between the holders of shares of an issuer and the issuer, may be taking actions that are inconsistent with the claiming of U.S. foreign tax credits by U.S. holders of such receipts or shares. Such actions include, for example, a pre-release of an ADS by a depository. Accordingly, the analysis regarding the availability of a U.S. foreign tax credit for Brazilian taxes, the sourcing rules and the availability of the reduced tax rate for dividends received by certain non-corporate holders, each described below could be affected by future actions that may be taken by the U.S. Treasury Department.

Taxation of Dividends

Subject to the discussion under “—Passive Foreign Investment Company Rules,” in general, the gross amount of a distribution made with respect to a class A preferred share or ADS (which for this purpose shall include distributions of interest attributable to shareholders’ equity before any reduction for any Brazilian taxes withheld therefrom) will, to the extent made from the current or accumulated earnings and profits of our company, as determined under U.S. federal income tax principles, constitute a dividend to a U.S. holder for U.S. federal income tax purposes. Non-corporate U.S. holders may be taxed on dividends from a qualified foreign corporation at the lower rates applicable to long-term capital gains (*i.e.*, gains with respect to capital assets held for more than one year). A foreign corporation is treated as a qualified foreign corporation with respect to dividends received from that corporation on shares or ADSs that are readily tradable on an “established securities market” in the United States. U.S. Treasury Department guidance indicates that the ADSs (which are listed on the NYSE), but not our class A preferred shares, are readily tradable on an established securities market in the United States. Thus, subject to the discussion below under “—Passive Foreign Investment Company Rules,” dividends that we pay on the ADSs, but not on our class A preferred shares, currently meet the conditions required for these reduced tax rates. There, however, can be no assurance that the ADSs will be considered readily tradable on an established securities market in later years. Furthermore, a U.S. holder’s eligibility for such preferential rate is subject to certain holding period requirements and the non-existence of certain risk reduction transactions with respect to the ADSs. Such dividends will not be eligible for the dividends received deduction generally allowed to corporate U.S. holders. Subject to the discussion below under “—Passive Foreign Investment Company Rules,” if a distribution exceeds the amount of our company’s current and accumulated earnings and profits, it will be treated as a non-taxable return of capital to the extent of the U.S. holder’s tax basis in our class A preferred share or ADS on which it is paid and thereafter as capital gain. Our company does not maintain calculations of our earnings and profits under U.S. federal income tax principles. Therefore, U.S. holders should expect that

distributions by our company generally will be treated as dividends for U.S. federal income tax purposes.

A dividend paid in *reais* will be includible in the income of a U.S. holder at its value in U.S. dollars calculated by reference to the prevailing spot market exchange rate in effect on the day it is received by the U.S. holder in the case of our class A preferred shares or, in the case of a dividend received in respect of ADSs, on the date the dividend is received by the depositary, whether or not the dividend is converted into U.S. dollars. Assuming the payment is not converted at that time, the U.S. holder will have a tax basis in *reais* equal to that U.S. dollar amount, which will be used to measure gain or loss from subsequent changes in exchange rates. Any gain or loss realized by a U.S. holder that subsequently sells or otherwise disposes of *reais*, which gain or loss is attributable to currency fluctuations after the date of receipt of the dividend, will be ordinary gain or loss. The amount of any distribution of property other than cash will be the fair market value of such property on the date of distribution.

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The gross amount of any dividend paid (which will include any amounts withheld in respect of Brazilian taxes) with respect to a class A preferred share or ADS will be subject to U.S. federal income taxation as foreign source dividend income, which may be relevant in calculating a U.S. holder's foreign tax credit limitation. Subject to limitations under U.S. federal income tax law concerning credits or deductions for foreign taxes and certain exceptions for short-term and hedged positions, any Brazilian withholding tax will be treated as a foreign income tax eligible for credit against a U.S. holder's U.S. federal income tax liability (or at a U.S. holder's election, may be deducted in computing taxable income if the U.S. holder has elected to deduct all foreign income taxes for the taxable year). The limitation on foreign taxes eligible for the U.S. foreign tax credit is calculated separately with respect to specific "baskets" of income. For this purpose, the dividends should generally constitute "passive category income", or in the case of certain U.S. holders, "general category income." The rules with respect to foreign tax credits are complex, and U.S. holders are urged to consult their own tax advisors regarding the availability of the foreign tax credit under their particular circumstances.

Subject to the discussion under "—Information Reporting and Backup Withholding," a Non-U.S. holder of class A preferred shares or ADSs generally will not be subject to U.S. federal income or withholding tax on dividends received on such shares or ADSs, unless such income is effectively connected with the conduct by such Non-U.S. holder of a trade or business in the United States.

Sale, Exchange or Other Disposition of Class A Preferred Shares or ADSs

A deposit or withdrawal of class A preferred shares by a holder in exchange for an ADS that represents such shares will not result in the realization of gain or loss for U.S. federal income tax purposes. A U.S. holder generally will recognize capital gain or loss upon a sale, exchange or other disposition of a class A preferred share or ADS held by the U.S. holder or the depositary, as the case may be, in an amount equal to the difference between the U.S. holder's adjusted basis in our class A preferred share or ADS (determined in U.S. dollars) and the U.S. dollar amount realized on the sale, exchange or other disposition. If a Brazilian tax is withheld on the sale, exchange or other disposition of a share, the amount realized by a U.S. holder will include the gross amount of the proceeds of that sale, exchange or other disposition before deduction of the Brazilian tax. In the case of a non-corporate U.S. holder, the maximum marginal U.S. federal income tax rate applicable to capital gain will generally be lower than the maximum marginal U.S. federal income tax rate applicable to ordinary income (other than, as discussed above, certain dividends) if such holder's holding period for such class A preferred share or ADS exceeds one year (i.e., such gain is a long-term capital gain). Capital gain, if any, realized by a U.S. holder on the sale or exchange of a class A preferred share or ADS generally will be treated as U.S. source income for U.S. foreign tax credit purposes. Consequently, in the case of a disposition or deposit of a class A preferred share or ADS that is subject to Brazilian tax, the U.S. holder may not be able to use the foreign tax credit for that Brazilian tax unless it can apply the credit against U.S. tax payable on other income from foreign sources in the appropriate income category, or, alternatively, it may take a deduction for the Brazilian tax if it elects to deduct all of its foreign income taxes. The deductibility of capital losses is subject to limitations under the Code.

The initial tax basis of class A preferred shares or ADSs to a U.S. holder is the U.S. dollar value of the *reais*-denominated purchase price determined on the date of purchase. If our class A preferred shares or ADSs are treated as traded on an "established securities market," a cash basis U.S. holder, or, if it elects, an accrual basis U.S. holder, will determine the dollar value of the cost of such class A preferred shares or ADSs by translating the amount paid at the spot rate of exchange on the settlement date of the purchase. The conversion of U.S. dollars to *reais* and the immediate use of that currency to purchase class A preferred shares or ADSs generally will not result in taxable gain or loss for a U.S. holder.

With respect to the sale or exchange of class A preferred shares or ADSs, the amount realized generally will be the U.S. dollar value of the payment received determined on (1) the date of receipt of payment in the case of a cash basis U.S. holder and (2) the date of disposition in the case of an accrual basis U.S. holder. If our class A preferred shares or ADSs are treated as traded on an “established securities market,” a cash basis taxpayer, or, if it elects, an accrual basis taxpayer, will determine the U.S. dollar value of the amount realized by translating the amount received at the spot rate of exchange on the settlement date of the sale.

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Subject to the discussion below under “—Information Reporting and Backup Withholding,” a Non-U.S. holder of class A preferred shares or ADSs generally will not be subject to U.S. federal income or withholding tax on any gain realized on the sale or exchange of such shares or ADSs unless (1) such gain is effectively connected with the conduct by such Non-U.S. holder of a trade or business in the United States or (2) in the case of any gain realized by an individual Non-U.S. holder, such holder is present in the United States for 183 days or more in the taxable year of such sale or exchange and certain other conditions are met.

Passive Foreign Investment Company Rules

A Non-U.S. corporation will be classified as a “passive foreign investment company”, or a PFIC, for U.S. federal income tax purposes in any taxable year in which, after applying certain look-through rules, either (1) at least 75 percent of its gross income is “passive income” or (2) at least 50 percent of the average value of its gross assets is attributable to assets that produce “passive income” or is held for the production of passive income. Passive income for this purpose generally includes dividends, interest, royalties, rents and gains from commodities and securities transactions.

Based on certain estimates of its gross income and gross assets and the nature of its business, our company believes that it will not be classified as a PFIC for its taxable year ending December 31, 2014. The company’s status in future years will depend on its assets and activities in those years. The company has no reason to believe that its assets or activities will change in a manner that would cause it to be classified as a PFIC for the taxable year ended December 31, 2012 or any future year, but there can be no assurance that the company will not be considered a PFIC for any taxable year. If we were a PFIC, a U.S. holder of class A preferred shares or ADSs generally would be subject to imputed interest charges and other disadvantageous tax treatment with respect to any gain from the sale or exchange of, and certain distributions with respect to, the shares or ADSs (including the loss of the potential reduced tax rate on certain dividends described above).

If we were a PFIC, a U.S. holder of class A preferred shares or ADSs could make a variety of elections that may alleviate certain of the tax consequences referred to above, and one of these elections may be made retroactively. However, it is expected that the conditions necessary for making certain of such elections will not apply in the case of the class A preferred shares or ADSs. U.S. holders should consult their own tax advisors regarding the tax consequences that would arise if the company were treated as a PFIC.

If a U.S. holder owns our class A preferred shares or ADSs during any year in which we were a PFIC, the U.S. holder generally must file IRS Form 8621 with respect to our company, generally with the U.S. holder’s federal income tax return for that year. If our company was a PFIC for a given taxable year, then U.S. holders of class A preferred shares or ADSs should consult their tax advisor concerning their annual filing requirements.

Medicare Tax on “Net Investment Income”

Certain U.S. Holders who are individuals, estates or trusts are required to pay an additional 3.8% tax on, among other things, dividends and capital gains for the sale or other disposition of class A preferred shares and ADSs.

Foreign Asset Reporting

Pursuant to the Hiring Incentives to Restore Employment Act of 2010 and recently promulgated temporary regulations thereunder, certain U.S. holders who are individuals are required to report information relating to an interest in our class A preferred shares or ADSs, subject to certain exceptions (including an exception for shares or ADSs held in custodial accounts maintained with a financial institution). U.S. holders of the class A preferred shares or ADSs are urged to consult their tax advisors regarding their information reporting obligations, if any, with respect to their ownership and disposition of our class A preferred shares or ADSs.

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Information Reporting and Backup Withholding

U.S. backup withholding tax and information reporting requirements generally apply to certain payments to certain non-corporate holders of shares. Information reporting generally will apply to payments of dividends on, and to proceeds from the sale or redemption of, our class A preferred shares or the ADSs made within the United States or by a U.S. payor or U.S. middleman to a holder of our class A preferred shares or the ADSs, other than an exempt recipient, including a corporation, a payee that is not a U.S. person that provides an appropriate certification and certain other persons. Backup withholding tax will apply to any payments of dividends on, or the proceeds from the sale or redemption of, class A preferred shares or the ADSs within the United States or by a U.S. payor or U.S. middleman to a holder, other than an exempt recipient, if such holder fails to furnish its correct taxpayer identification number or otherwise fails to comply with, or establish an exemption from, such backup withholding tax requirements. The backup withholding tax rate is 28%.

Backup withholding is not an additional tax. Holders generally will be entitled to credit any amounts withheld under the backup withholding rules against their U.S. federal income tax liability or a refund of the amounts withheld provided the required information is furnished to the IRS in a timely manner.

The above description is not intended to constitute a complete analysis of all tax consequences relating to ownership and disposition of class A preferred shares or ADSs. Prospective purchasers should consult their own tax advisors concerning the tax consequences of their particular situations.

Documents on Display

Statements contained in this annual report regarding the contents of any contract or other document filed as an exhibit to this annual report summarize their material terms, but are not necessarily complete, and each of these statements is qualified in all respects by reference to the full text of such contract or other document.

We are subject to the periodic reporting and other informational requirements of the Exchange Act applicable to a foreign private issuer. Accordingly, we are required to file with or furnish to the SEC, reports and other information, including annual reports on Form 20-F and reports on Form 6-K.

As a foreign private issuer, we are exempt under the Exchange Act from, among other things, the rules prescribing the furnishing and content of proxy statements, and members of our board of directors and board of executive officers and our principal shareholders are exempt from reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act. In addition, as a foreign private issuer, we will not be required under the Exchange Act to file periodic reports and financial statements with the SEC as frequently or as promptly as U.S. companies whose securities are registered under the Exchange Act.

You may inspect and copy reports and other information that we file with or furnish to the SEC at the SEC's Public Reference Room located at 100 F Street, N.E., Washington D.C. 20549. Copies of these materials may be obtained by mail from the SEC's Public Reference Room at prescribed rates. The public may obtain information on the operation of the SEC's Public Reference Room by calling the SEC in the United States at 1-800-SEC-0330. In addition, the SEC maintains an internet website at www.sec.gov from which you can electronically access these materials.

We also file financial statements and other periodic reports with the CVM, which are available for investor inspection at the CVM's offices located at Rua Sete de Setembro, 111, 2nd floor, Rio de Janeiro, RJ, and Rua Cincinato Braga, 340, 2nd, 3rd and 4th floors, São Paulo, SP. The telephone numbers of the CVM in Rio de Janeiro and São Paulo are

+55-21-3554-8686 and +55-11-2146- 2097, respectively.

Copies of our annual report on Form 20-F and documents referred to in this annual report and our bylaws are available for inspection upon request at our headquarters at Rua Lemos Monteiro, 120 – 24º andar, Butantã—São Paulo—SP, CEP 05501-050, Brazil. Our filings are also available to the public through the internet at our website at www.braskem.com.br. The information included on our website or that might be accessed through our website is not included in this annual report and is not incorporated into this annual report by reference.

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ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risks arising from our normal business activities. These market risks, which are beyond our control, principally involve the possibility that changes in interest rates, exchange rates or commodity prices will adversely affect the value of our financial assets and liabilities or future cash flows and earnings. Market risk is the potential loss arising from adverse changes in market rates and prices.

In order to mitigate the market risks to which we are exposed, we have used, and we may use, foreign currency, interest rate, commodity derivative instruments, cash and receivables. As of December 31, 2013, we had cross-currency, interest rate swaps and commodities swaps with an aggregate notional amount of R\$4,311.0 million in addition to R\$1,341.0 million related to Project Ethylene XXI, which is scheduled to mature between January 2014 and August 2025. These cross-currency and interest rate swaps match certain of our foreign currency-denominated debt obligations.

It is our policy to assess the potential and consolidated impact of market risks and to mitigate assessed risks in accordance with our risk management policy.

On August 9, 2010, our board of directors adopted a new risk management policy covering our cash flow management and liquidity, investment of cash and cash equivalents, funding activities and guarantees, and management of foreign exchange and commodity risks. This policy reflects our conservative financial practices and risk management procedures. Its objective is to manage and anticipate risks by continuously evaluating several key factors, including the risk-adjusted return of our business strategies, the overall financial health of the company, any financial operations we have with related parties, our ratings, counterparty risk and hedging strategy. Additionally, the policy aims to ensure the alignment of the objectives of the teams involved in risk management with the overall objectives of Braskem.

We do not enter into derivative transactions for speculative purposes.

As of December 31, 2013, we had US\$1,058.3 million in foreign currency-denominated cash, cash equivalents and financial investments, which may partially offset the effects of any depreciation of the *real* against the foreign currency on our ability to service our foreign currency-denominated debt to the extent of these foreign currency-denominated cash equivalents and other investments.

Interest Rate Risk

Our variable interest rate exposure is primarily subject to the variations of the TJLP rate and the CDI rate for *real*-denominated borrowings and short-term cash investments.

With respect to Brazilian interest rates:

- the short-term domestic CDI rate increased to 9.8% per annum as of December 31, 2013 from 6.9% per annum as of December 31, 2012 and 10.9% per annum as of December 31, 2011; and
- the TJLP declined to 5.0% per annum as of December 31, 2013 from 5.5% per annum as of December 31, 2012 and 6.0% per annum as of December 31, 2011.

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The table below provides information about our significant interest-rate sensitive instruments:

	Payment Schedule—Breakdown by Type of Interest Rate							Fair
	As of December 31, 2013							
	Expected Maturity Date							Value(1)
	2014	2015	2016	2017	2018	Thereafter	Total	
	(in millions of reais, unless otherwise indicated)							
Liabilities:								
Loans and financings:								
Fixed rate, denominated in U.S. dollars	469.5	151.1	23.4	388.6	1,295.2	9,183.0	11,510.9	11,319.7
Average interest rate	7.2%	9.4%	2.8%	6.8%	7.4%	6.6%	6.8%	
Variable rate, denominated in U.S. dollars	155.1	209.2	721.2	115.2	90.0	219.7	1,510.6	1,510.6
Average interest rate (over LIBOR)	4.6%	4.0%	2.5%	4.1%	3.6%	2.1%	3.1%	
Ethylene XXI Project Finance fixed rate, denominated in U.S. dollars	8.5	23.4	0.0	77.2	96.8	1,107.7	1,313.6	1,313.6
Average interest rate	4.2%	0.0%	0.0%	4.1%	4.0%	4.0%	4.0%	
Ethylene XXI Project Finance variable rate, denominated in U.S. dollars	20.6	0.0	68.3	181.1	220.5	2,978.6	3,469.1	3,469.1
Average interest rate	4.1%	0.0%	4.2%	4.1%	4.1%	4.1%	4.1%	
Fixed rate, denominated in <i>reais</i>	138.9	168.0	312.9	133.2	127.9	216.8	1,097.6	1,097.6
Average interest rate	6.4%	5.9%	6.8%	5.2%	5.3%	6.1%	6.1%	
Variable rate, denominated in <i>reais</i>	457.2	501.7	460.5	330.9	215.5	154.1	2,119.8	2,119.8
Average interest rate (over TJLP)	7.9%	7.9%	8.0%	7.9%	7.8%	7.9%	7.9%	
Variable rate, denominated in <i>reais</i>	35.2	145.0	612.5	145.0	145.0	1,285.0	2,367.7	2,367.7
Average interest rate (% of CDI)	106.1%	105.0%	94.7%	105.0%	105.0%	110%	105.0%	
Variable rate, denominated in <i>reais</i>	3.9	16.2	16.2	16.2	16.2	13.5	82.4	82.4
Average interest rate (over SELIC)	12.5%	12.5%	12.5%	12.5%	12.5%	12.5%	12.5%	
Total loans and financings	1,288.8	1,214.6	2,215.0	1,387.5	2,207.2	15,158.4	23,471.6	23,280.4
Assets:								
Cash and cash equivalents and other instruments:								
Variable rate, denominated in foreign currency	2,479.1						2,479.1	2,479.1
Variable rate, denominated in reais	1,943.5					20.8	1,964.3	1,964.3
Total cash and cash equivalents and other investments	4,422.6					20.8	4,443.4	4,443.4

(1) Represents the net present value of the future cash flows from the obligations converted into *reais* at fair market value as of December 31, 2013.

In the event that the average interest rate applicable to our financial assets and debt in 2014 were 1% higher than the average interest rate in 2013, our financial income would increase by approximately R\$43.6 million and our financial expenses would increase by approximately R\$234.7 million.

Foreign Currency Exchange Rate Risk

Our liabilities that are exposed to foreign currency exchange rate risk are primarily denominated in U.S. dollars. To partially offset our risk of any devaluation of the *real* against the U.S. dollar, we currently maintain available liquid resources denominated in U.S. dollars and may enter into derivative contracts. Because we borrow in the international markets to support our operations and investments, we are exposed to market risks from changes in foreign exchange rates and interest rates.

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The table below provides information about our significant foreign currency exposures:

	Payment Schedule—Breakdown by Currency As of December 31, 2013 Expected Maturity Date						Total	Fair Value(1)	
	2014	2015	2016	2017	2018	Thereafter			
	(in millions of <i>reais</i>)								
Liabilities:									
Loans and financings:									
Denominated in U.S. dollars	653.7	360.3	836.4	762.1	1,702.5	13,489.0	17,804.0	17,804.0	
Denominated in <i>reais</i>	635.2	830.9	1,402.1	625.3	504.7	1,669.4	5,667.5	23,471.6	
Total loans and financings	1,841.7	1,069.2	954.3	681.2	1,142.2	11,883.2	23,471.6	23,280.4	
Assets:									
Cash and cash equivalents and other investments:									
Denominated in foreign currency	2,234.8						2,234.8	2,234.8	
Denominated in <i>reais</i>	2,101.1					20.8	2,121.9	2,121.9	
Total cash and cash equivalents and other investments	4,335.9					20.8	4,356.7	4,356.7	

(1) Represents the net present value of the future cash flows from the obligations converted into *reais* at fair market value as of December 31, 2013.

Our foreign currency exposures give rise to market risks associated with exchange rate movements of the *real* against the U.S. dollar. Foreign currency-denominated liabilities as of December 31, 2013 consisted primarily of U.S. dollar-denominated debt. Our U.S. dollar-denominated debt, including short-term debt and current portion of long-term debt, was R\$17,804.0 million (US\$7,600.1 million) as of December 31, 2013 and R\$12,167.3 million (US\$5,954.2 million) as of December 31, 2012. This foreign currency exposure is represented by debt in the form of notes, bonds, pre-export finance facilities and working capital loans. Our cash and funds available in U.S. dollars partially protect us against exposure arising from the U.S. dollar-denominated debt.

In the event that the *real* were to devalue by 10% against the U.S. dollar during 2014 as compared to the *real*/U.S. dollar exchange rate as of December 31, 2013, our financial expenses indexed to the dollar in 2014 would increase by approximately R\$1,780.4 million, and our financial income would increase by approximately R\$223.5 million.

Commodity Prices

Although we have commodities swaps related to specific transactions, we do not currently hedge our main exposure to changes in prices of naphtha, our principal raw material, which are linked to international market prices denominated in U.S. dollars of naphtha and other petroleum derivatives. We do not hedge this main exposure, in part, because a portion of our sales are exports payable in foreign currencies and linked to the international market prices of these commodities denominated in U.S. dollars and, in part, because the prices of our polyethylene, polypropylene and PVC products sold in domestic markets generally reflect changes in the international market prices of these products denominated in U.S. dollars, converted into *reais*. In periods of high volatility in the U.S. dollar price of naphtha or the *real*/U.S. dollar exchange rate, there is usually a lag between the time that the U.S. dollar price of naphtha increases or the U.S. dollar appreciates and the time that we can effectively pass on the resulting increased cost in *reais* to our customers in Brazil. Accordingly, if the U.S. dollar price of naphtha increases precipitously or the *real*

devalues 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 could materially adversely affect our results of operations and financial condition. See “Item 3. Key Information—Risk Factors—Risks Relating to Our Company and the Petrochemical Industry.”

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ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

The depositary, JP Morgan Chase Bank, NA, collects its fees for the delivery and surrender of ADSs directly from investors depositing shares or surrendering ADSs or from intermediaries acting for them. The depositary also collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The depositary may collect its annual fee for depositary services by deductions from cash distributions or by directly billing investors or by charging the book-entry system accounts of participants acting for them. The depositary may generally refuse to provide fee-attracting services until its fees for those services are paid.

Persons depositing or withdrawing shares must pay:

- U.S.\$5.00 for each 100 ADSs (or portion thereof) issued, delivered, reduced, cancelled or surrendered (as the case may be) plus any additional fees charged by any governmental authorities or other institutions such as the Companhia Brasileira de Liquidação e Custódia (the Brazilian Clearing and Depository Corporation);
- a fee of U.S.\$0.05 or less per ADS for any Cash distribution made pursuant to the Deposit Agreement;
- a fee of U.S.\$1.50 per ADR or ADRs for transfers made pursuant to paragraph;
- a fee for the distribution or sale of securities;
- an aggregate fee of U.S.\$0.05 or less per ADS per calendar year (or portion thereof) for services performed by the Depositary in administering the ADRs;
- a fee for the reimbursement of such fees, charges and expenses as are incurred by the Depositary and/or any of its agents; and
- transfer or registration fees for the registration or transfer of Deposited Securities on any applicable register in connection with the deposit or withdrawal of Deposited Securities.

During the year ended December 31, 2013, we changed our depositary bank. The total amount that we received from both of the depositaries of our ADSs was approximately US\$276,000, which was used for general corporate purposes such as the payment of costs and expenses associated with (1) the preparation and distribution of proxy materials, (2) the preparation and distribution of marketing materials and (3) consulting and other services related to investor relations.

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PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

Not applicable.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

Not applicable.

ITEM 15. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Our chief executive officer and our chief financial officer are responsible for establishing and maintaining our disclosure controls and procedures. These controls and procedures were designed to ensure that information that we are required to disclose in the reports that we file under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the applicable rules and forms of the SEC, and that it is accumulated and communicated to our management, including our chief executive officer and our chief financial officer, as appropriate to allow timely decisions regarding required disclosure. We performed an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2013 under the supervision of our chief executive officer and our chief financial officer. Based on our evaluation, our chief executive officer and our chief financial officer concluded that our disclosure controls and procedures were effective as of December 31, 2013.

Management's Annual Report on Internal Control over Financial Reporting and Report of Independent Registered Public Accounting Firm

Our management's report on internal control over financial reporting is included in this annual report on page F-2 and the opinion issued by our independent registered public accounting firm is included in the report of PricewaterhouseCoopers Auditores Independentes that is included in this annual report on pages F-3 and F-4.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting that occurred during the year ended December 31, 2013 that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

Our fiscal council currently includes an "audit committee financial expert" within the meaning of this Item 16A. Our fiscal council has determined that Ismael Campos de Abreu is our fiscal council financial expert. Mr. Neto's biographical information is included in "Item 6. Directors, Senior Management and Employees—Directors and Senior Management—Fiscal Council." Given that our board has not made a formal determination as to Mr. Abreu's independence, as that term is defined in Rule 303A.02 of the New York Stock Exchange's Listed Company Manual, he

is not considered independent under that standard. However, he meets the standards of independence for fiscal council members under Brazilian Corporation Law. See “Item 6. Directors, Senior Management and Employees—Directors and Senior Management—Fiscal Council” for more information.

ITEM 16B. CODE OF ETHICS

We have adopted a code of ethics that applies to members of our board of directors, fiscal council and board of executive officers, as well as to our other employees. A copy of our code of ethics may be found on our website at www.braskem.com.br. The information included on our website or that might be accessed through our website is not included in this annual report and is not incorporated into this annual report by reference.

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The following table sets forth the fees billed to us by our independent registered public accounting firm, PricewaterhouseCoopers Auditores Independentes, during the fiscal years ended December 31, 2013 and 2012.

	Year Ended December 31,	
	2013	2012
	(in millions of reais)	
Audit fees(1)	R\$8.0	R\$10.1
Audit-related fees	—	—
Tax fees(2)	0.4	1.0
All other fees	—	—
Total fees	R\$8.4	R\$11.1

(1) Audit fees consist of the aggregate fees billed by PricewaterhouseCoopers Auditores Independentes in connection with the audit of our annual financial statements, interim audits, interim reviews of our quarterly financial information, issuance of comfort letters, procedures as related to audit of income tax provisions and related reserves in connection with the audit and review of financial statements and review of documents filed with the CVM and the SEC.

(2) Tax fees consist of the aggregate fees billed by PricewaterhouseCoopers Auditores Independentes for tax compliance reviews.

Pre-Approval Policies and Procedures

Our fiscal council and board of directors have approved an Audit and Non-Audit Services Pre-Approval Policy that sets forth the procedures and the conditions pursuant to which services proposed to be performed by our independent auditors may be pre-approved. This policy is designed to (1) provide both general pre-approval of certain types of services through the use of an annually established schedule setting forth the types of services that have already been pre-approved for a certain year and, with respect to services not included in an annual schedule, special pre-approval of services on a case by case basis by our fiscal council and our independent auditors, and (2) assess compliance with the pre-approval policies and procedures. Our management periodically reports to our fiscal council the nature and scope of audit and non-audit services rendered by our independent auditors and is also required to report to our fiscal council any breach of this policy of which our management is aware.

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

We are relying on the general exemption from the listing standards relating to audit committees contained in Rule 10A-3(c)(3) under the Exchange Act for the following reasons:

- we are a foreign private issuer that has a fiscal council, which is a board of auditors (or similar body) established and selected pursuant to and as expressly permitted under Brazilian law;
- Brazilian law requires our fiscal council to be separate from our board of directors;
- members of our fiscal council are not elected by our management, and none of our executive officers is a member of our fiscal council;

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- Brazilian law provides standards for the independence of our fiscal council from our management;
- our fiscal council, in accordance with its charter, makes recommendations to our board of directors regarding the appointment, retention and oversight of the work of any registered public accounting firm engaged (including, the intermediation of disagreements between our management and our independent auditors regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for our company, as Brazilian law requires that our board of directors appoint, retain and oversee the work of our independent public accountants;
- our fiscal council (1) has implemented procedures for receiving, retaining and addressing complaints regarding accounting, internal control and auditing matters, including the submission of confidential, anonymous complaints from employees regarding questionable accounting or auditing, and (2) has authority to engage independent counsel and other advisors as it determines necessary to carry out its duties; and
- our company compensates our independent auditors and any outside advisors hired by our fiscal council and provides funding for ordinary administrative expenses incurred by the fiscal council in the course of its duties.

We do not believe that our reliance on this general exemption will materially adversely affect the ability of our fiscal council to act independently and to satisfy the other requirements of the listing standards relating to audit committees contained in Rule 10A-3 under the Exchange Act.

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

On August 13, 2012, our board of directors authorized a share repurchase program under which we are authorized to repurchase up to 13,376,161 class A preferred shares at market prices over the BM&FBOVESPA at any time and from time to time prior to August 28, 2013. In 2012, we repurchased 262,300 shares under this program. In 2013, we did not repurchase any shares.

ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

Not applicable.

ITEM 16G. CORPORATE GOVERNANCE

On November 4, 2003, the SEC approved the final corporate governance rules established by the NYSE. According to these rules, foreign private issuers that are listed on the NYSE, such as Braskem, are subject to a more limited set of corporate governance requirements than those imposed on U.S. domestic issuers. As a foreign private issuer, Braskem must comply with the following four requirements imposed by the NYSE:

- Braskem must satisfy the audit committee requirements of Rule 10A-3 under the Exchange Act;
- Braskem's Chief Executive Officer must promptly notify the NYSE in writing if any executive officer of Braskem becomes aware of any material non-compliance with any of the applicable NYSE corporate governance

rules;

- Braskem must provide a brief description of any significant ways in which Braskem's corporate governance practices differ from those required to be followed by U.S. domestic issuers under the NYSE corporate governance rules; and
- Braskem must submit an executed written affirmation annually to the NYSE and an interim written affirmation to the NYSE each time a change occurs to Braskem's board of directors or any committees of Braskem's board of directors that are subject to Section 303A, in each case in the form specified by the NYSE.

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Significant Differences

The significant differences between Braskem's corporate governance practices and the NYSE's corporate governance standards are mainly due to the differences between the U.S. and Brazilian legal systems. Braskem must comply with the corporate governance standards set forth under the Brazilian Corporation Law, the rules of the CVM and the applicable rules of the BM&FBOVESPA, as well as those set forth in Braskem's bylaws.

The significant differences between Braskem's corporate governance practices and the NYSE's corporate governance standards are set forth below.

Independence of Directors and Independence Tests

In general, the NYSE corporate governance standards require listed companies to have a majority of independent directors and set forth the principles by which a listed company can determine whether a director is independent. However, under the NYSE corporate governance standards, a listed company (whether U.S or foreign) of which more than 50% of the voting power is held by another company (a "controlled company"), need not comply with the following NYSE corporate governance standards:

- A controlled company need not have a majority of independent directors;
- A controlled company need not have a nominating/corporate governance committee composed of independent directors with a charter that complies with the NYSE corporate governance rules; and
- A controlled company need not have a compensation committee composed of independent directors with a charter that complies with the NYSE corporate governance rules.

Because a majority of the voting power of Braskem's capital stock is directly controlled by Odebrecht, Braskem is a controlled company, and would therefore not be required to have a majority of independent directors if it were a U.S. domestic issuer.

Although Brazilian Corporation Law and Braskem's by-laws establish rules in relation to certain qualification requirements of its directors, neither Brazilian Corporation Law nor Braskem's by-laws require that Braskem have a majority of independent directors nor require Braskem's board of directors or management to test the independence of Braskem's directors before such directors are appointed.

Executive Sessions

The NYSE corporate governance standards require non-management directors of a listed company to meet at regularly scheduled executive sessions without management.

According to the Brazilian Corporation Law, up to 1/3 of the members of Braskem's board of directors can be elected to management positions. The remaining non-management directors are not expressly empowered to serve as a check on Braskem's management, and there is no requirement that those directors meet regularly without management. Notwithstanding the foregoing, Braskem's board of directors consists entirely of non-management directors, and therefore Braskem believes it would be in compliance with this NYSE corporate governance standard.

Nominating/Corporate Governance and Compensation Committees

The NYSE corporate governance standards require that a listed company have a nomination/corporate governance committee and a compensation committee, each composed entirely of independent directors and each with a written charter that addresses certain duties. However, as a controlled company, Braskem would not be required to comply with these requirements if it were a U.S. domestic company.

Braskem is not required under Brazilian law to have, and accordingly does not have, a nominating/corporate governance committee. Currently, all of Braskem's directors are nominated by certain of its shareholders, including Odebrecht, pursuant to shareholders agreements and Braskem's Bylaws.

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Braskem is not required under Brazilian law to have a compensation committee. However, Braskem has a personnel and organization committee, which is a subcommittee of its board of directors which is responsible for, among other things, analyzing proposals and making recommendations to Braskem's board of directors with respect to the total compensation paid to Braskem's management, including Braskem's chief executive officer. This committee, however, does not evaluate the performance of the chief executive officer in light of corporate goals and objectives. Under Brazilian Corporation Law, Braskem's shareholders establish the aggregate compensation of its directors and executive officers, including benefits and allowances, at a general shareholder's meeting based on the recommendation of Braskem's board of directors.

Audit Committee and Audit Committee Additional Requirements

The NYSE corporate governance standards require that a listed company have an audit committee with a written charter that addresses certain specified duties and that is composed of at least three members, all of whom satisfy the independence requirements of Rule 10A-3 under the Exchange Act and Section 303A.02 of the NYSE's Listed Company Manual.

As a foreign private issuer that qualifies for the general exemption from the listing standards relating to audit committees set forth in Section 10A-3(c)(3) under the Exchange Act, Braskem is not subject to the independence requirements of the NYSE corporate governance standards. See "Item 16D. Exemptions From the Listing Standards for Audit Committees."

Shareholder Approval of Equity Compensation Plans

The NYSE corporate governance standards require that shareholders of a listed company must be given the opportunity to vote on all equity compensation plans and material revisions thereto, subject to certain exceptions.

Under Brazilian Corporation Law, shareholder pre-approval is required for the adoption and revision of any equity compensation plans. Braskem does not currently have any equity compensation plans.

Corporate Governance Guidelines

The NYSE corporate governance standards require that a listed company must adopt and disclose corporate governance guidelines that address certain minimum specified standards which include: (1) director qualification standards; (2) director responsibilities; (3) director access to management and independent advisors; (4) director compensation; (5) director orientation and continuing education; (6) management succession; and (7) annual performance evaluation of the board of directors.

Braskem has adopted the BM&FBOVESPA's corporate governance rules for Level 1 companies and must also comply with certain corporate governance standards set forth under Brazilian Corporation Law. See "Item 9. The Offer and Listing—Trading on the BM&FBOVESPA—BM&FBOVESPA Corporate Governance Standards." The Level 1 rules do not require Braskem to adopt and disclose corporate governance guidelines covering the matters set forth in the NYSE's corporate governance standards. However, certain provisions of Brazilian Corporation Law that are applicable to Braskem address certain aspects of director qualifications standards and director responsibilities.

Code of Business Conduct and Ethics

The NYSE corporate governance standards require that a listed company must adopt and disclose a code of business conduct and ethics for directors, officers and employees and promptly disclose any waivers of the code for directors or officers. Each code of business conduct and ethics should address the following matters: (1) conflicts of interest; (2) corporate opportunities; (3) confidentiality; (4) fair dealing; (5) protection and proper use of company assets; (6) compliance with laws, rules and regulations (including insider trading laws); and (7) encouraging the reporting of any illegal or unethical behavior.

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Although the adoption of a code of business conduct is not required by Brazilian law, Braskem has adopted a code of business conduct applicable to its directors, officers and employees, which addresses each of the items listed above. Braskem's code of business conduct is available on Braskem's website at www.braskem.com.br. The information included on our website or that might be accessed through our website is not included in this annual report and is not incorporated into this annual report by reference. No waivers of the provisions of the code of business conduct are permitted, except that the restrictions on outside activities do not apply to Braskem's directors and members of its fiscal council.

ITEM 16H. MINE SAFETY DISCLOSURE

The information concerning mine safety violations or other regulatory matters required by Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and this Item is included in exhibit 99.01.

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We have responded to Item 18 in lieu of responding to this item.

ITEM 18. FINANCIAL STATEMENTS

Reference is made to Item 19 for a list of all financial statements filed as part of this annual report.

ITEM 19. EXHIBITS

(a) Financial Statements

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(b) List of Exhibits

Exhibit Number	Exhibit
1.01	By-laws, as amended (English translation) (incorporated by reference to Exhibit 1.01 to Form 6-K of Braskem S.A. filed on March 1, 2012).
2.01	Amended and Restated Deposit Agreement, dated as of March 3, 2008, among Braskem S.A., The Bank of New York and all and all Owners and holders from time to time of American Depositary Shares issued thereunder (incorporated by reference to Exhibit 1 to Form F-6 of Braskem S.A. filed on February 22, 2008).
2.02	The total amount of long-term debt securities of our company and its subsidiaries under any one instrument does not exceed 10% of the total assets of our company and its subsidiaries on a consolidated basis. We agree to furnish copies of any or all such instruments to the SEC upon request.
3.01	Shareholders' Agreement of BRK Investimentos Petroquímicos S.A. and Braskem S.A., dated as of February 8, 2010, among Odebrecht S.A., Odebrecht Serviços e Participações S.A., Petróleo Brasileiro S.A. – Petrobras, and Petrobras Química S.A. – Petroquisa, and BRK Investimentos Petroquímicos S.A. and Braskem S.A., as intervening parties (English translation) (incorporated by reference to Exhibit 3.01 to Form 20-F of Braskem S.A. filed on June 1, 2010).
3.02	Memorandum of Understanding Regarding Shareholders Agreement, dated July 20, 2001, among Odebrecht Química S.A., Petroquímica da Bahia S.A., PETROS—Fundação Petrobras de Seguridade Social and PREVI—Caixa de Previdência dos Funcionários do Banco do Brasil (English translation)

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- 3.03 (incorporated by reference to Exhibit 3.05 to Form 20-F of Braskem S.A. filed on June 30, 2003). Shareholders' Agreement Entered into between the Controlling Shareholders of Trikem S.A. and BNDES Participações S.A. – BNDESPAR, with Trikem S.A acting as Intervening Party (English translation) (incorporated by reference to Exhibit 3.3 to Form 20-F of Braskem S.A. filed on June 30, 2008).
- 3.04 Fourth Addendum to the Shareholders' Agreement Entered into between the Controlling Shareholders of Trikem S.A. and BNDES Participações S.A. – BNDESPAR (English translation)(incorporated by reference to Exhibit 3.4 to Form 20-F of Braskem S.A. filed on June 30, 2008).
- 4.01 Investment Agreement, dated as of January 22, 2010, among Odebrecht S.A., Odebrecht Serviços e Participações S.A., Petróleo Brasileiro S.A. – Petrobras, Petrobras Química S.A. – Petroquisa, Braskem S.A. and UNIPAR – União de Indústrias Petroquímicas S.A.(English translation) (incorporated by reference to Exhibit 4.02 to Form 20-F of Braskem S.A. filed on June 1, 2010).
- 4.02 Braskem S.A. Long-Term Incentive Plan (English translation)(incorporated by reference to Exhibit 4.23 to Form 20-F of Braskem S.A. filed on June 23, 2006).
- 4.03 Amendment and Restatement of Section 7 of Braskem's Long-Term Incentive Plan, adopted at Extraordinary Shareholder's Meeting on April 7, 2006 (English translation)(incorporated by reference to Exhibit 4.24 to Form 20-F of Braskem S.A. filed on June 23, 2006).
- 4.04 Naphtha Purchase and Sale Agreement, dated as of May 17, 2006, between Petróleo Brasileiro S.A. and Quattor Química S.A. (English translation)(incorporated by reference to Exhibit 4.04 to Form 20-F of Braskem S.A. filed on April 10, 2012). (*Confidential treatment has been granted for certain portions omitted from this exhibit pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended. Confidential portions of this Exhibit have been separately filed with the Securities and Exchange Commission).
- 4.05 First Amendment, dated February 29, 2008, to the Naphtha Purchase and Sale Agreement, dated as of May 17, 2006, between Petróleo Brasileiro S.A. and Quattor Química S.A. (English translation) (English translation)(incorporated by reference to Exhibit 4.05 to Form 20-F of Braskem S.A. filed on April 10, 2012). (*Confidential treatment has been granted for certain portions omitted from this exhibit pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended. Confidential portions of this Exhibit have been separately filed with the Securities and Exchange Commission).
- 4.06 Second Amendment, dated October 22, 2010, to the Naphtha Purchase and Sale Agreement, dated as of May 17, 2006, between Petróleo Brasileiro S.A. and Quattor Química S.A. (English translation) (English translation)(incorporated by reference to Exhibit 4.06 to Form 20-F of Braskem S.A. filed on April 10, 2012). (*Confidential treatment has been granted for certain portions omitted from this exhibit pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended. Confidential portions of this Exhibit have been separately filed with the Securities and Exchange Commission.)
- 4.07 Petrochemical Naphtha Purchase and Sale Contract, dated as of July 24, 2009, between Petróleo Brasileiro S.A. and Braskem S.A. (English translation)(incorporated by reference to Exhibit 4.07 to Form 20-F of Braskem S.A. filed on April 10, 2012). (*Confidential treatment has been granted for certain portions omitted from this exhibit pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended. Confidential portions of this Exhibit have been separately filed with the Securities and Exchange Commission.)
- 8.01 List of subsidiaries (incorporated by reference to note 2.1(a) to our audited consolidated financial statements included elsewhere in this annual report).
- 12.01 Certification of Principal Executive Officer dated April 14, 2014 pursuant to Exchange Act Rules 13a-15(e) and 15d-15(e).
- 12.02 Certification of Principal Financial Officer dated April 14, 2014 pursuant to Rules 13a-15(e) and 15d-15(e).
- 13.01 Certifications of Principal Executive Officer and Principal Financial Officer dated April 14, 2014 pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 15.01 Consent letter of Independent Registered Public Accounting Firm.

99.01 Disclosure of Mine Safety and Health Administration Safety Data.

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SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

April 14, 2014

BRASKEM S.A.

By /s/ Carlos José Fadigas de Souza Filho

Name: Carlos José Fadigas de Souza Filho

Title: Chief Executive Officer

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<u>Exhibit Number</u>	<u>Exhibit</u>
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<u>13.01</u>	<u>Certifications of Principal Executive Officer and Principal Financial Officer dated April 14, 2014 pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
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<u>99.01</u>	<u>Disclosure of Mine Safety and Health Administration Safety Data.</u>

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(a) Management's report on internal controls over financial reporting

The management of Braskem S.A. ("Braskem" or the "Company"), including the CEO and CFO, is responsible for establishing and maintaining adequate internal controls over financial reporting, as defined on article 13a-15 (f) according "Exchange Act" of United States of America.

The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards - "IFRS" issued by International Accounting Standards Board - "IASB". The Company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of the effectiveness of internal control to future periods are subject to the risk that controls may become inadequate because of changes in conditions, and that the degree of compliance with the policies or procedures may deteriorate.

Braskem's management has assessed the effectiveness of the Company's internal controls over financial reporting as of December 31, 2013 based on the criteria established in Internal Control – "Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO" 1992) and, based on such criteria, Braskem's management has concluded that, as of December 31, 2013, the Company's internal control over financial reporting is effective.

(b) Attestation report of the registered public accounting firm.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2013 has been audited by PricewaterhouseCoopers Auditores Independentes, an independent registered public accounting firm, as stated in their report which appears herein.

February 13, 2014

By: /s/ Carlos Jose Fadigas de Souza Filho

Name: Carlos José Fadigas de Souza Filho

Title: Chief Executive Officer

/s/ Mario Augusto da Silva

Name: Mario Augusto da Silva

Title: Chief Financial Officer

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Report of Independent Registered

Public Accounting Firm

To the Board of Directors and Shareholders of

Braskem S.A.

In our opinion, the accompanying consolidated balance sheets and the related statements of income and comprehensive income, of shareholders' equity and of cash flows present fairly, in all material respects, the financial position of Braskem S.A. and its subsidiaries at December 31, 2013 and 2012, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2013, 2012 and 2011 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on criteria established in *Internal Control - Integrated Framework* (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying "Management's Report on Internal Control over Financial Reporting". Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Salvador, February 13, 2014

/s/ PricewaterhouseCoopers

Auditores Independentes

CRC 2SP000160/O-5 "F" BA

/s/ Fábio Cajazeira Mendes

Fábio Cajazeira Mendes

Contador CRC 1SP196825/O-0 "S" BA

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Braskem S.A.**Balance sheet at December 31****All amounts in thousands of reais**

Assets	Note	2013	2012
	2.1.1(a)		Revised
Current assets			
Cash and cash equivalents	7	4,335,859	3,287,622
Financial investments	8	86,719	172,146
Trade accounts receivable	9	2,810,520	2,326,480
Inventories	10	5,033,593	4,102,055
Taxes recoverable	12	2,237,213	1,476,211
Dividends and interest on capital		150	2,645
Prepaid expenses		62,997	54,013
Related parties	11	124,487	13,912
Insurance claims	14	27,691	160,981
Other receivables	15	240,218	818,434
		14,959,447	12,414,499
Non-current assets held for sale	1(b)(xxxi); 2.1.1(b)	37,681	277,828
		14,997,128	12,692,327
Non-current assets			
Financial investments	8	20,779	34,489
Trade accounts receivable	9	61,875	37,742
Advances to suppliers	10	116,714	
Taxes recoverable	12	1,285,990	1,527,134
Deferred income tax and social contribution	23	2,653,606	2,062,009
Judicial deposits	13	209,910	179,618
Related parties	11	133,649	127,627
Insurance claims	14	139,497	47,255
Other receivables	15	278,871	218,279
Investments in subsidiaries and jointly-controlled investments	16	115,385	118,787
Other investments		6,501	6,948
Property, plant and equipment	17	25,413,548	21,176,785
Intangible assets	18	2,912,630	2,940,966
		33,348,955	28,477,639
Total assets		48,346,083	41,169,966

The Management notes are an integral part of the financial statements.

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TABLE OF CONTENTS**Braskem S.A.****Balance sheet at December 31**

All amounts in thousands of reais

Continued

Liabilities and shareholders' equity	Note	2013	2012
	2.1.1(a)		Revised
Current liabilities			
Trade payables		10,421,687	8,897,597
Borrowings	19	1,248,804	1,836,028
Project finance	20	25,745	
Derivatives operations	21.2	95,123	293,378
Payroll and related charges		490,816	349,176
Taxes payable	22	445,424	342,789
Dividends and interest on capital		131,799	5,369
Advances from customers	27	297,403	237,504
Sundry provisions	24	105,856	52,264
Post-employment benefits	26	158,137	147,175
Other payables	28	174,007	385,577
		13,594,801	12,546,857
Non-current liabilities held for sale	2.1.1(b)		109,770
		13,594,801	12,656,627
Non-current liabilities			
Borrowings	19	17,353,687	15,675,610
Project finance	20	4,705,661	
Derivatives operations	21.2	396,040	
Taxes payable	22	902,875	1,164,753
Long-term incentives	25	9,274	10,405
Deferred income tax and social contribution	23	2,393,698	2,138,622
Post-employment benefits	26	44,054	36,602
Advances from customers		152,635	204,989
Sundry provisions	24	449,694	363,411
Other payables	28	662,330	266,963
		27,069,948	19,861,355

Shareholders' equity	30		
Capital		8,043,222	8,043,222
Capital reserve		232,430	797,979
Revenue reserves		410,149	
Other comprehensive income		(1,092,691)	337,411
Treasury shares		(48,892)	(48,892)
Accumulated loss			(565,549)
Total attributable to the Company's shareholders		7,544,218	8,564,171
Non-controlling interest	2.1.2	137,116	87,813
		7,681,334	8,651,984
Total liabilities and shareholders' equity		48,346,083	41,169,966

The Management notes are an integral part of the financial statements.

TABLE OF CONTENTS**Braskem S.A.****Statement of operations****Years ended December 31****All amounts in thousands of reais**

	Note	2013	2012 Revised	2011 Revised
Continued operations	2.1.1(b)			
Net sales revenue	32	40,969,490	36,160,327	33,086,506
Cost of products sold		(35,820,761)	(32,709,068)	(29,264,970)
Gross profit		5,148,729	3,451,259	3,821,536
Income (expenses)				
Selling and distribution		(1,000,749)	(990,365)	(820,015)
General and administrative		(1,077,934)	(1,071,029)	(1,008,067)
Research and development		(115,812)	(106,197)	(99,083)
Results from equity investments	16(c)	(3,223)	(25,807)	(1,043)
Results from business combination				30,045
Other operating income (expenses), net	34	(211,090)	333,457	2,861
Operating profit		2,739,921	1,591,318	1,926,234
Financial results	35			
Financial expenses		(2,549,111)	(3,926,209)	(3,560,533)
Financial income		773,138	531,928	759,078
		(1,775,973)	(3,394,281)	(2,801,455)
Profit (loss) before income tax and social contribution		963,948	(1,802,963)	(875,221)
Current and deferred income tax and social contribution	23	(456,910)	783,111	359,505
		(456,910)	783,111	359,505
Profit (loss) for the period of continued operations		507,038	(1,019,852)	(515,716)

Discontinued operations results	5			
Profit from discontinued operations		424,860		28,280
Current and deferred income tax and social contribution		(143,313)		(711)
		281,547		27,569
Profit (loss) for the year		507,038	(738,305)	(488,147)
Attributable to:				
Company's shareholders		509,697	(731,143)	(496,450)
Non-controlling interest	2.1.2	(2,659)	(7,162)	8,303
Profit (loss) for the year		507,038	(738,305)	(488,147)

The Management notes are an integral part of the financial statements.

TABLE OF CONTENTS**Braskem S.A.****Statement of comprehensive income****Years ended December 31****All amounts in thousands of reais, except earnings (loss) per share****Continued**

	Note 2.1.1(b)	2013	2012 Revised	2011 Revised
Profit (loss) for the year		507,038	(738,305)	(488,147)
Other comprehensive income or loss:				
Items that will be reclassified subsequently to profit or loss				
Fair value of cash flow hedge		(127,520)	16,238	45,034
Income tax and social contribution		40,120	(5,522)	(2,458)
		(87,400)	10,716	42,576
Exchange variation of foreign sales hedge	21.2.1(b.iii)	(2,303,540)		
Income tax and social contribution		783,204		
		(1,520,336)		
Foreign currency translation adjustment		221,270	78,780	56,809
Total		(1,386,466)	89,496	99,385
Items that will not be reclassified to profit or loss				
Deemed cost of jointly-controlled investment				22,079
Defined benefit plan actuarial (loss) gain		169	(18,204)	
Income tax and social contribution			6,388	

Total	169	(11,816)	22,079
Total other comprehensive income (loss)	(1,386,297)	77,680	121,464
Total comprehensive income (loss) for the year	(879,259)	(660,625)	(366,683)
Attributable to:			
Company's shareholders - continued operations	(890,241)	(952,128)	(404,733)
Company's shareholders - discontinued operations		281,547	27,569
Non-controlling interest	10,982	9,956	10,481
Total comprehensive income (loss) for the year	(879,259)	(660,625)	(366,683)

		2013	2012	2011
	Note	Basic and diluted	Basic and diluted Revised	Basic and diluted Revised
Profit (loss) per share attributable to the shareholders of the Company of continued operations at the end of the year (R\$)	2.1.1(b)			
	31			
Earnings per share - common		0.6403	(1.2718)	(0.6566)
Earnings per share - preferred shares class "A"		0.6403	(1.2718)	(0.6566)
Earnings per share - preferred shares class "B"		0.6062		
Profit (loss) per share attributable to the shareholders of the Company of discontinued operations at the end of the year (R\$)	5			
Earnings per share - common			0.3536	0.0346
Earnings per share - preferred shares class "A"			0.3536	0.0346
Profit (loss) per share attributable to the shareholders of the Company at the end of the year (R\$)				
Earnings per share - common		0.6403	(0.9182)	(0.6220)
Earnings per share - preferred shares class "A"		0.6403	(0.9182)	(0.6220)
Earnings per share - preferred shares class "B"		0.6062		

The Management notes are an integral part of the financial statements.

TABLE OF CONTENTS**Braskem S.A.****Statement of changes in equity**

All amounts in thousands of reais

						Attributed to shareholder			
		Capital	Legal	Tax	Revenue reserves	Additional	Other	Treasury	
	Note	reserve	reserve	incentives	Unrealized	dividends	comprehensive	shares	
		Capital	reserve	incentives	profit	proposed	income	Acco	
		reserve	reserve	incentives	reserve	proposed	income	shares	
At December 31, 2010		8,043,222	845,998	87,710	5,347	995,505	250,346	221,350	(59,271)
Comprehensive income for the period:									
Loss for the period									
Fair value of cash flow hedge, net of taxes							42,576		
Foreign currency translation adjustment							54,631		
							97,207		
Equity valuation adjustments:									
Deemed cost of jointly-controlled investment, net							22,079		
Realization of deemed cost of jointly-controlled investment, net of taxes							(920)		

Realization of additional property, plant and equipment price-level restatement, net of taxes							(27,236)	(6,077)
Contributions and distributions to shareholders:								
Capital increase from non-controlling interest								
Payment of additional dividends proposed						(250,346)		
Tax incentives	(800)							
Gain (loss) on interest in subsidiary							3,106	
Acquisition of non-controlling interest - Cetrel								
Expired dividends / other								
Absorption of losses					(496,455)			
Additional dividends proposed					(482,593)	482,593		
Repurchase of treasury shares	(800)	(979,048)				232,247	3,106	(946)
								(946)
At December 31, 2011	8,043,222	845,998	87,710	4,547	16,457	482,593	315,586	(60,217)
Comprehensive income for the period:								
Loss for the period								
Fair value of cash flow hedge, net of taxes							10,716	
Foreign currency translation							61,662	

adjustment						72,378	
Equity valuation adjustments							
Realization of deemed cost of jointly-controlled investment, net of taxes						(952)	
Realization of additional property, plant and equipment price-level restatement, net of taxes						(27,236)	
Actuarial loss with post-employment benefits, net of taxes						(11,816)	
						(40,004)	
Contributions and distributions to shareholders:							
Additional dividends approved at Shareholders' Meeting				(482,593)			
Capital loss from non-controlling interest							
Write-off non-controlling by investments sale							
Loss on interest in subsidiary						(5,917)	
Write-off gain on interest in subsidiary by sale						(4,632)	
Repurchase of treasury shares							(36,694)
Cancellation of shares	(48,019)						48,019
Absorption of losses		(87,710)	(4,547)	(16,457)			
	(48,019)	(87,710)	(4,547)	(16,457)	(482,593)	(10,549)	11,325

At December 31,
2012 (Revised) 2.1.1(a) **8,043,222 797,979**

337,411 (48,892)

The Management notes are an integral part of the financial statements.

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investment, net of taxes								
Realization of additional property, plant and equipment price-level restatement, net of taxes						(967)		967
Actuarial loss with post-employment benefits, net of taxes						169		
						(28,034)		28,203
Contributions and distributions to shareholders:								
Absorption of losses	30	(565,549)						565,549
Capital loss from non-controlling interest								
Loss on interest in subsidiary						(1,961)		(26,895)
Legal reserve			26,895					(26,895)
Mandatory minimum dividends								(127,751)
Additional dividends proposed					354,842			(354,842)
Retained earnings				28,412				(28,412)
		(565,549)	26,895	28,412	354,842	(1,961)		27,649
At December 31, 2013	8,043,222	232,430	26,895	28,412	354,842	(1,092,691)	(48,892)	

The Management notes are an integral part of the financial statements.

TABLE OF CONTENTS**Braskem S.A.****Statement of cash flows****Years ended December 31****All amounts in thousands of reais**

	Note	2013	2012	2011
	2.1.1(b)		Revised	Revised
Profit (loss) before income tax and social contribution and after of discontinued operations results		963,948	(1,378,103)	(846,941)
Adjustments for reconciliation of profit (loss)				
Depreciation, amortization and depletion		2,056,088	1,924,265	1,723,420
Results from equity investments	16(c)	3,223	25,807	1,043
Results from business combinations				(30,045)
Interest and monetary and exchange variations, net		1,341,770	2,442,973	2,292,498
Other		9,175	294,199	2,678
		4,374,204	3,309,141	3,142,653
Changes in operating working capital				
Held-for-trading financial investments		97,693	16,716	90,953
Trade accounts receivable		(492,851)	(625,130)	365,901
Inventories		(927,435)	(566,025)	(382,465)
Taxes recoverable		(448,378)	(458,763)	(311,021)
Prepaid expenses		(8,915)	49,707	(62,531)
Other receivables		(27,019)	(529,103)	(356,253)
Trade payables		742,649	2,165,530	1,325,977
Taxes payable		(127,443)	(430,789)	(52,134)
Long-term incentives		(1,131)	(4,808)	771
Advances from customers		6,344	206,044	187,306
Sundry provisions		139,858	94,382	(74,402)
Other payables		308,734	389,032	(212,133)
Cash from operations		3,636,310	3,615,934	3,662,622
Interest paid		(1,123,691)	(1,006,840)	(802,427)

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Income tax and social contribution paid	(54,828)	(37,283)	(82,695)
Net cash generated by operating activities	2,457,791	2,571,811	2,777,500
Proceeds from the sale of fixed assets	2,576	115,846	23,958
Proceeds from the sale of investments	689,868		
Cash effect of discontinued operations	9,985	(141,348)	
Acquisitions of investments in subsidiaries and associates	(86)		(619,207)
Acquisitions to property, plant and equipment	(5,656,440)	(2,792,853)	(2,252,491)
Acquisitions of intangible assets	(25,748)	(15,734)	(11,474)
Held-for-maturity financial investments	25,645	(218)	(13,856)
Net cash used in investing activities	(4,954,200)	(2,834,307)	(2,866,470)
Short-term and long-term debt			
Obtained borrowings	6,317,022	6,665,938	7,122,632
Payment of borrowings	(7,300,718)	(5,493,015)	(6,042,644)
Project finance	20		
Obtained funds	4,562,343		
Dividends paid	(35)	(482,051)	(664,851)
Non-controlling interests in subsidiaries	35,628	(20,295)	76,406
Repurchase of treasury shares		(36,694)	(946)
Other			4,147
Net cash provided by financing activities	3,614,240	633,883	494,744
Exchange variation on cash of foreign subsidiaries	(69,594)	(36,037)	(117,030)
Increase in cash and cash equivalents	1,048,237	335,350	288,744
Represented by			
Cash and cash equivalents at the beginning for the period	3,287,622	2,952,272	2,698,075
Cash and cash equivalents at the end for the period	4,335,859	3,287,622	2,986,819
Increase in cash and cash equivalents	1,048,237	335,350	288,744

The Management notes are an integral part of the financial statements.

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1 Operations

Braskem S.A. together with its subsidiaries (hereinafter “Braskem” or “Company”) is a public corporation headquartered in Camaçari,, Bahia (“BA”), which jointly with its subsidiaries (hereinafter “Braskem” or “Company”), operates 36 industrial units, 29 of which in the Brazilian states of Alagoas (“AL”), BA, Rio de Janeiro (“RJ”), Rio Grande do Sul (“RS”) and São Paulo (“SP”), 5 are located in the United States, in the states of Pennsylvania, Texas and West Virginia and 2 are located in Germany. These units produce thermoplastic resins – polyethylene (“PE”), polypropylene (“PP”) and polyvinyl chloride (“PVC”), as well as basic petrochemicals - such as ethylene, propylene butadiene, toluene, xylene and benzene, as well as gasoline, diesel and LPG (Liquefied Petroleum Gas), and other petroleum derivatives.

Additionally, Braskem is also engaged in the import and export of chemicals, petrochemicals and fuels, the production, supply and sale of utilities such as steam, water, compressed air, industrial gases, as well as the provision of industrial services and the production, supply and sale of electric energy for its own use and use by other companies. Braskem also invests in other companies, either as a partner or as shareholder.

The Company is controlled by Odebrecht S.A. (“Odebrecht”), which directly and indirectly holds interests of 50.11% and 38.32% in its voting and total capital, respectively.

The issue of these financial statements was authorized by the Company’s Board of Directors on February 12, 2014.

(a) Significant operating events

(i) In 2012, Sunoco Chemicals, Inc. (“Sunoco”) formally informed the Management of Braskem America, Inc. (“Braskem America”) of its alternative plan to supply feedstock to the PP plant in Pennsylvania, after having announced in December 2011 the definitive shutdown of operations of its refinery. The definitive termination of the supply agreement occurred on June 8, 2012, upon payment of the respective compensation set forth in the contract, in the amount of R\$235,962 (Note 34).

Despite the termination of the supply agreement, operations at the unit were maintained through other propylene supply sources.

Another important and fundamental step in maintaining the operations at the plant was the acquisition of a propylene splitter unit from Sunoco on June 29, 2012. This unit transforms refinery-grade propylene into polymer-grade propylene. With the acquisition, Braskem America expanded its supply sources, since the supply of refinery-grade propylene is more abundant in the U.S. market. This acquisition does not represent a business combination, since it does not meet the definitions required by IFRS 3.

(ii) On August 17, 2012, the Company inaugurated, in Marechal Deodoro, Alagoas, a new plant with annual production capacity of 200 kton of PVC*, which expanded Braskem’s total installed capacity to 710 kton*. Total investment in the plant was approximately R\$1 billion.

(iii) On September 13, 2012, the Company inaugurated, in the Triunfo Petrochemical Complex in the state of RS, a new plant with annual production capacity of 103 kton of butadiene*, which expanded Braskem’s total installed capacity to 477 kton*. Total investment was approximately R\$300 million.

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(b) Corporate events

(i) On May 25, 2011, the Company entered into a private instrument for the purchase and sale of quotas by means of which all the quotas of the subsidiary ISATEC – Pesquisa, Desenvolvimento e Análises Ltda. (“ISATEC”) were sold for R\$1,100.

(ii) On July 7, 2011 the company Braskem America Finance Company (“Braskem America Finance”), a wholly-owned subsidiary of Braskem America, was incorporated for the purposes of raising funds in the international financial market.

(iii) On July 29, 2011, Braskem increased the capital of many subsidiaries. The breakdown of the increases that were fully subscribed and paid up by Braskem is presented below:

	Capital Increase	Number of share / quotas issued
Braskem Participações S.A. (“Braskem Participações”)	53	without the issue of new shares
Ideom Tecnologia Ltda. (“Ideom”)	23,701	23,700,974
Politeno Empreendimentos Ltda. (“Politeno Empreendimentos”)	35	18
IQ Soluções & Química S.A.(“Quantiq”)	61,100	
		329

		without the issue of new shares
Rio Polímeros S.A. (“Riopol”)	14,108	without the issue of new shares
	98,997	

(iv) On August 25, 2011, Braskem Europe GmbH (“Braskem Alemanha”), a wholly-owned subsidiary of Braskem Netherlands B.V. (“Braskem Holanda”), was incorporated for the purpose of producing, trading, distributing, importing and exporting, research and development of chemical and petrochemical products, among other things. The assets acquired in the business combination of The Dow Chemical (“Dow Chemical”) in Germany were recorded in this subsidiary in October 2011 (Note 6).

(v) On September 27, 2011, Braskem increased the capital of its subsidiary Braskem Holanda by R\$415,168 (US\$230 million) through the issue of 84,465,660 shares. A portion of this amount was used in the incorporation of Braskem Alemanha.

(vi) On January 27, 2012, the controlling shareholder of Braskem, at the time, BRK Investimentos Petroquímicos S.A. (“BRK”) was proportionally spun-off. In the spin-off, a part of the shares issued by Braskem that were held by BRK was delivered to Petróleo Brasileiro S.A. – Petrobras (“Petrobras”). With the spin-off, BRK became a wholly-owned subsidiary of Odebrecht Serviços e Participações (“OSP”) and maintained ownership of shares corresponding to 50.11% and 28.23% of the voting and total capital of Braskem, respectively. On the same date, the merger of Petrobras Química S.A. – Petroquisa (“Petroquisa”) into Petrobras was approved and Petrobras became the holder of 47.03% and 35.95% of the voting and total capital of Braskem, respectively.

(vii) On February 27, 2012, the company Braskem International GmbH (“Braskem Áustria”) was incorporated with the purpose of holding equity interests in other companies, and conducting financial and commercial operations. The capital stock was fully paid up by the Braskem S.A., a sole partner, in the amount of R\$81 (EUR\$35 thousand).

(viii) On February 28, 2012, the Extraordinary Shareholders’ Meeting (“ESM”) of the Braskem S.A. approved the merger of the subsidiary Ideom Tecnologia Ltda. (“Ideom”), based on its net book value as of December 31, 2011, in the amount of R\$20,762, pursuant to the terms and conditions set forth in the protocol and justification dated February 6, 2012.

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(ix) On April 30, 2012, the capital stock of the subsidiaries Braskem Petroquímica S.A. (“Braskem Petroquímica”) and Rio Polímeros S.A. (“Riopol”) was increased in the amounts of R\$649,639 and R\$738,799, respectively, without the issue of new shares. The increases occurred through utilization of the balances recorded under advance for future capital increase.

(x) On June 27, 2012, Braskem Áustria incorporated Braskem Petroquímica Ibérica, S.L. (“Braskem Espanha”), which has capital of R\$8 (EUR\$3 thousand). The purpose of this subsidiary is to hold equity interests in other companies.

(xi) On June 30, 2012, BRK was merged into its parent company OSP, which changed its interest to 50.11% and 38.11% of the voting and total capital of the Braskem S.A., respectively, held directly and indirectly.

(xii) On August 27, 2012, Braskem Áustria incorporated Braskem Áustria Finance GmbH (“Braskem Áustria Finance”), which has paid up capital of R\$47 (EUR\$18 thousand). The subsidiary’s purpose is to raise funds in international financial markets.

(xiii) On September 3, 2012, a capital increase at the subsidiary Braskem Distribuidora Ltda. (“Braskem Distribuidora”) was approved, with the transfer of the facilities comprising the Water Treatment Unit (WTU) of the Basic Petrochemicals Unit at the Camaçari Petrochemical Complex (BA), in the amount of R\$75,024, which corresponds to the residual book value of the assets in this unit, along with the change in the type of company to a corporation operating under the new corporate name of Braskem Distribuidora S.A.

(xiv) On November 5, 2012, in an ESM, approval was given for the increase in the capital stock of the subsidiary Braskem Idesa S.A.P.I. (“Braskem Idesa”), in the amount of R\$41,573 (MXN\$266.666 thousand), through the issue of 86,052 Class “A” shares, which was fully paid in by the Braskem S.A.. Subsequently, part of the capital was returned to the non-controlling shareholder, which resulted in an increase in the interest held by the Braskem S.A. in the capital stock of Braskem Idesa, from 65% to 75%.

(xv) On November 9, 2012, the ESM approved the change in the company name of Braskem Distribuidora to Distribuidora de Águas Camaçari S.A. (“Braskem Distribuidora”).

(xvi) On December 11, 2012, through a series of corporate decisions, the subsidiary Braskem America became a wholly owned subsidiary of Braskem Europe GmbH (“Braskem Alemanha”).

(xvii) On December 17, 2012, the ESM approved the change in the type of company of Braskem Petroquímica S.A. to a limited liability company, with the new corporate name Braskem Petroquímica Ltda. (“Braskem Petroquímica”).

(xviii) On December 28, 2012, Braskem S.A. and Braskem Participações S.A. (“Braskem Participações”) entered into a private instrument for the purchase and sale of shares through which it sold all shares of the subsidiary Braskem Distribuidora (Note 5).

(xix) On December 28, 2012, Braskem S.A. entered into a private instrument for the purchase and sale of shares through which it sold its interest in the subsidiary Cetrel S.A. (“Cetrel”) (Note 5).

(xx) Braskem and Petroquímica de Venezuela S.A. (“Pequiven”) decided to concentrate their estimated investments in Venezuela in the jointly-controlled company Polipropileno Del Sur (“Propilsur”). As a result of this decision, the shareholders meeting held in 2012 decided to withdraw the interest held by Braskem in the jointly-controlled company Polietilenos de America (“Polimerica”).

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(xxi) On January 24, 2013, Braskem Participações acquired from Braskem Chile Ltda. (“Braskem Chile”), 215,552 common shares issued by Braskem Argentina S.A. (“Braskem Argentina”) for CLP\$21,667 thousand.

(xxii) On May 15, 2013 the ESM approved the increase in the capital stock of the subsidiary Braskem Idesa, without the issue of new shares, in the amount of R\$141,620 (MXN\$850,061 thousand), through capital injection of R\$106,214 (MXN\$637,546 thousand) by the Braskem S.A. and R\$35,406 (MXN\$212,515 thousand) by the non-controlling shareholder.

(xxiii) On July 1, 2013, Braskem S.A. acquired 2 thousand common shares of Odebrecht Comercializadora de Energia S.A. (“OCE”), equivalent to 20% of the capital of that company, whose main corporate purpose is to buy and sell energy in the spot market. Due to the provisions in the shareholders' agreement, OCE was classified as a jointly-controlled investment.

(xxiv) On August 30, 2013, the ESM approved the merger of Riopol with Braskem Qpar S.A. (“Braskem Qpar”) and the increase in its capital from R\$4,252,353 to R\$7,131,165, through the issue of 293,604,915 common shares.

(xxv) On September 19, 2013, the Braskem S.A. and Braskem Austria acquired the shares issued by Braskem Mexico and held by Braskem Participações and Braskem Importação e Exportação Ltda. (“Braskem Importação”) for R\$1,803 and R\$1, respectively.

(xxvi) On November 1, 2013, approval was given to increase the capital of the subsidiary Distribuidora de Águas Triunfo S.A. (“DAT”) through the transfer of assets of the WTU at the Basic Petrochemicals Unit in the Triunfo

Petrochemical Complex in RS, amounting to R\$37,561, after which the capital increased from R\$5 to R\$37,566.

(xxvii) On November 21, 2013, Braskem Mexico constituted Braskem Mexico Servicios S. de R. L. de C.V. (“Braskem Mexico Serviços”), whose capital amounts to MXN\$3 thousand. The purpose of this subsidiary is to provide services to Braskem Mexico.

(xxviii) On November 27, 2013, Common Industries Ltd. (“Common”) repurchased 49,995 of its shares held by Braskem Qpar for US\$2,591 thousand. On the same date, Braskem Incorporated Limited (“Braskem Inc”) acquired 5 common shares of Common, also held by Braskem Qpar, for US\$259. Furthermore, on the same date Common canceled the shares and Braskem Inc. became the sole shareholder.

(xxix) On December 17, 2013, the Braskem S.A. entered into a share sales agreement (“Agreement”) with Solvay Argentina S.A. (“Solvay Argentina”), through which it committed to acquire, upon the fulfillment of certain conditions provided for in the Agreement (“Acquisition”), shares representing 70.59% of the total and voting capital of Solvay Indupa S.A.I.C. (“Solvay Indupa”).

Solvay Indupa, which produces PVC and caustic soda, has two integrated production sites located in: (i) Santo André, (SP), with the capacity to produce 300 kton of PVC* and 170 kton of caustic soda*; and (ii) Bahía Blanca in the Province of Buenos Aires, Argentina, with the capacity to produce 240 kton of PVC* and 180 kton of caustic soda*.

The Agreement provides for the acquisition by Braskem of 292,453,490 shares representing 70.59% of the total and voting capital of Solvay Indupa that are held by Solvay Argentina, at the price of US\$ 0.085, to be paid upon the settlement of the acquisition. The acquisition price is based on the Enterprise Value of US\$290 million.

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Meanwhile, Solvay Indupa holds, as of December 31, 2013, (i) 158,534,671 shares in Solvay Indupa do Brasil S.A. (“Indupa Brasil”) representing 99.99% of the total and voting capital of Indupa Brasil; and (ii) 1,010,638 shares in Solalban Energía S.A. (“Solalban”) representing 58.00% of the total and voting capital of Solalban. As a result of the Acquisition, Braskem will become an indirect shareholder of Indupa Brasil and of Solalban.

As a result of the Acquisition, Braskem carried out a public tender offer on December 18, 2013 for shares representing 29.41% of the capital of Solvay Indupa traded on the Buenos Aires Stock Exchange - BCBA, pursuant to governing legislation, and also plans to cancel the registration of Solvay Indupa at the Securities and Exchange Commission of Brazil (“CVM”).

The conclusion and effective implementation of the acquisition is subject to, among other operational conditions, approval by Brazil’s antitrust agency CADE (Administrative Council for Economic Defense).

(xxx) On December 30, 2013, Quantiq changed its corporate type to limited liability company, with its new name being Quantiq Distribuidora Ltda.

(xxxi) On December 31, 2013, the Braskem S.A. entered into a share sales agreement with Odebrecht Ambiental (“OA”), through which it sold its interest in the subsidiary DAT for R\$315 million, to be received during 2014.

The DAT assets are shown in the balance sheet as “non-current assets held for sale.” DAT did not register results or hold liabilities in the year ended on December 31, 2013.

The change of administration with the consequent transfer of management of the DAT operations will only occur in 2014.

* *Unaudited*

(c) Effect of foreign exchange variation

The Company is exposed to foreign exchange variation on the balances and transactions made in currencies other than its functional currencies, particularly in U.S. dollar, such as financial investments, trade accounts receivable, trade payables, borrowings and sales. In addition to the exchange effect of the U.S. dollar in relation to the Brazilian real, Braskem is exposed to the U.S. dollar through its subsidiaries abroad, particularly in Euros and Mexican pesos. The balances of assets and liabilities are translated based on the exchange rate at the end of each period, while transactions are based on the effective exchange rate on the date of each operation.

The following table shows the U.S. dollar average and end-of-period exchange rates for the fiscal years in this report:

Effect of foreign exchange variation

End of period rate

U.S. dollar - Brazilian real, 2013	2.3426	U.S. dollar - Mexican peso, 2013	13.1005	U.S. dollar - Euro, 2013	0.7261
U.S. dollar - Brazilian real, 2012	2.0435	U.S. dollar - Mexican peso, 2012	13.0327	U.S. dollar - Euro, 2012	0.7582
Appreciation of the U.S. dollar in relation to the Brazilian real	14.64%	Appreciation of the U.S. dollar in relation to the Mexican peso	0.52%	Devaluation of the U.S. dollar in relation to the euro	-4.23%

Average rate

U.S. dollar - Brazilian real, 2013	2.3455	U.S. dollar - Mexican peso, 2013	13.0088	U.S. dollar - Euro, 2013	0.7296
U.S. dollar - Brazilian real, 2012	2.0778	U.S. dollar - Mexican peso, 2012	12.8647	U.S. dollar - Euro, 2012	0.7619
Appreciation of the U.S. dollar in relation to the Brazilian real	12.88%	Appreciation of the U.S. dollar in relation to the Mexican peso	1.12%	Devaluation of the U.S. dollar in relation to the euro	-4.24%

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2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are described below. These policies have been consistently applied to the years presented, with the exception of the cases mentioned in Note 2.1.1.

2.1 Basis of preparation and presentation of the financial statements

The financial statements have been prepared under the historical cost convention and were adjusted, when necessary, to reflect the fair value of assets and liabilities.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires Management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

2.1.1 Revised

The financial statements of 2012 was retrospectively revised to reflect (a) the effects of the retroactive application of CPC 33 (R1) and IAS 19. The income statements for 2012 and 2011 were also retrospectively revised to reclassify (b)

the results from discontinued operations to continuing operations of IQ Soluções & Química S.A. (“Quantiq”) and IQAG Armazéns Gerais Ltda. (“IQAG”) resulting from the Company’s decision to not sell assets previously held for sale.

In additional, the Company revised the “Other comprehensive income or loss” at the statement of operations separating the items between “Items that will be reclassified subsequently to profit or loss” and “Items that will not be reclassified to profit and loss”.

(a) Post-employment benefits plans

Until 2012, actuarial gains and losses arising from actuarial remeasurement were not recognized if they were lower than 10% (a) of the present value of the defined benefit obligation; and (b) of the fair value of any assets of the plan. The accounting practice adopted in accordance with IAS 19 is in note 2.19.

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(b) Held-for-sale assets

The Management of the Company decided to maintain the investments in Quantiq and IQAG. Hence, the Company is consolidating the effects of the income statements with retroactive effect from 2011. The Company recorded charges of R\$7,300 related to amortization and depreciation in 2013. The effect of those expenses for prior year is immaterial as the decision to classify these investments as held for sale occurred on December 07, 2012.

The assets and liabilities of this company in 2012 are presented at the under "Non-current assets held for sale" and "Liabilities related to non-current assets held for sale".

The consolidated information of balance sheets for Quantiq and IQAG are demonstrated below:

	2012
Assets	
Cash and cash equivalents	9,985
Trade accounts receivable	17,897
Inventories	106,386
Property, plant and equipment	56,727
Intangible assets	13,246
Other	73,587

Total assets	277,828
Liabilities	
Trade payables	101,893
Borrowings	1,095
Payroll and related charges	5,232
Other	1,550
Total liabilities	109,770

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The effects of the revision of items (a) and (b) are demonstrated below:

Balance sheet

			2012
	Published	(a) Post- employment benefits	Revised
Assets			
Current assets and non-current assets held for sale	12,692,327		12,692,327
Non-current			
Deferred income tax and social contribution	2,055,621	6,388	2,062,009
Investments in subsidiaries and jointly-controlled investments	86,842		86,842
Other non-current assets	26,328,788		26,328,788
	28,471,251	6,388	28,477,639
Total assets	41,163,578	6,388	41,169,966
Liabilities			
Current liabilities and non-current liabilities held for sale	12,656,627		12,656,627
Non-current			
Deferred income tax and social contribution	2,138,622		2,138,622

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Other non-current liabilities	17,704,529	18,204	17,722,733
	19,843,151	18,204	19,861,355
Equity			
Other comprehensive income	349,227	(11,816)	337,411
Other equity	8,226,760		8,226,760
Total attributable to the Company's shareholders	8,575,987	(11,816)	8,564,171
Non-controlling interest	87,813		87,813
	8,663,800	(11,816)	8,651,984
Total liabilities and equity	41,163,578	6,388	41,169,966

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Statement of operations

			2012		
	Published	Reclassification (b) Assets held for sale	Revised	Published	Reclass (b) As
Continued operations					
Net sales revenue	35,513,397	646,930	36,160,327	32,497,075	
Cost of products sold	(32,209,958)	(499,110)	(32,709,068)	(28,819,369)	
Gross profit	3,303,439	147,820	3,451,259	3,677,706	
Income (expenses)					
Selling and distribution	(968,337)	(22,028)	(990,365)	(799,772)	
General and administrative	(998,261)	(72,768)	(1,071,029)	(934,779)	
Research and development	(106,198)	1	(106,197)	(99,083)	
Results from equity investments	(25,807)		(25,807)	(1,665)	
Other operating income (expenses), net	333,767	(310)	333,457	26,433	
Operating profit	1,538,603	52,715	1,591,318	1,868,840	
Financial results					
Financial expenses	(3,902,499)	(23,710)	(3,926,209)	(3,551,717)	
Financial income	530,182	1,746	531,928	765,025	
	(3,372,317)	(21,964)	(3,394,281)	(2,786,692)	
Profit (loss) before income tax and social contribution	(1,833,714)	30,751	(1,802,963)	(917,852)	

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Current and deferred income tax and social contribution	793,376	(10,265)	783,111	373,742
	793,376	(10,265)	783,111	373,742
Profit (loss) for the period of continued operations	(1,040,338)	20,486	(1,019,852)	(544,110)
Discontinued operations results				
Profit from discontinued operations	451,262	(26,402)	424,860	(70,911)
Current and deferred income tax and social contribution	(149,229)	5,916	(143,313)	(14,948)
	302,033	(20,486)	281,547	(85,859)
Loss for the year	(738,305)		(738,305)	(488,147)
Attributable to:				
Company's shareholders	(731,143)		(731,143)	(496,450)
Non-controlling interest	(7,162)		(7,162)	8,303
	(738,305)		(738,305)	(488,147)

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Statement of comprehensive income

	Published	(b) Post-employment benefits	2012 Revised
Loss for the year	(738,305)		(738,305)
Other comprehensive income or loss:			
Items that may be reclassified subsequently to profit or loss			
Fair value of cash flow hedge	16,238		16,238
Income tax and social contribution	(5,522)		(5,522)
	10,716		10,716
Foreign currency translation adjustment	78,780		78,780
Total	89,496		89,496
Items that will not be reclassified to profit or loss:			
Defined benefit plan actuarial (loss) gain		(18,204)	(18,204)
Income tax and social contribution		6,388	6,388
Total		(11,816)	(11,816)
Total other comprehensive income or loss	89,496	(11,816)	77,680
Total comprehensive income or loss for the year	(648,809)	(11,816)	(660,625)

Attributable to:

Company's shareholders - continued operations	(940,312)	(11,816)	(952,128)
Company's shareholders - discontinued operations	281,547		281,547
Non-controlling interest	9,956		9,956
Total comprehensive income or loss for the year	(648,809)	(11,816)	(660,625)

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2.1.2 Consolidated financial statements

The consolidated financial statements were prepared and presented in accordance with the International Reporting Standards “IFRS” issued by the International Accounting Standards Board “IASB”.

(a) Consolidation

The financial statements of subsidiaries and specific purpose entities included in the consolidated financial statements have been prepared in accordance with the same accounting practices as those adopted by the Braskem S.A..

The consolidation process provided for in pronouncement IFRS 10 corresponds to the sum of balance sheet accounts and profit and loss, in addition to the following eliminations:

- a) the investments of the Company in the equity of subsidiaries;
- b) balance sheet accounts between companies;
- c) income and expenses arising from commercial and financial operations carried out between companies; and

d) the portions of profit and loss for the year and assets that correspond to unrealized gains and unrealized losses with third parties on transactions between companies.

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The consolidated financial statements comprise the financial statements of Braskem S.A. and the following subsidiaries:

	Headquarters (Country)	2013	2012	Total interest - % 2011
Direct and Indirect subsidiaries				
Braskem Alemanha	Germany	100.00	100.00	100.00
Braskem America Finance Company ("Braskem America Finance")	USA	100.00	100.00	100.00
Braskem America, Inc. ("Braskem America")	USA	100.00	100.00	100.00
Braskem Argentina S.A. ("Braskem Argentina")	Argentina	100.00	100.00	100.00
Braskem Austria	Austria	100.00	100.00	
Braskem Austria Finance	Austria	100.00	100.00	
Braskem Chile	Chile	100.00	100.00	100.00
Braskem Espanha	Spain	100.00	100.00	
Braskem Finance Limited ("Braskem Finance")	Cayman Islands	100.00	100.00	100.00
Braskem Idesa	Mexico	75.00	75.00	65.00
Braskem Idesa Servicios S.A. de CV ("Braskem Idesa Serviços")	Mexico	75.00	75.00	65.00
Braskem Importação	Brazil	100.00	100.00	100.00
Braskem Incorporated Limited ("Braskem Inc")	Cayman Islands	100.00	100.00	100.00
Braskem México Serviços	Mexico	100.00		
Braskem México, S de RL de CV ("Braskem México")	Mexico	100.00	100.00	100.00
Braskem Netherlands B.V ("Braskem Holanda")	Netherlands	100.00	100.00	100.00
Braskem Participações	Brazil	100.00	100.00	100.00
Braskem Petroquímica	Brazil	100.00	100.00	100.00
	Chile	100.00	100.00	100.00

Braskem Petroquímica Chile Ltda. ("Petroquímica Chile")				
Braskem Qpar	Brazil	100.00	100.00	100.00
Cetrel	Brasil			54.09
Common	British Virgin Islands	100.00	100.00	
DAT	Brazil	100.00		100.00
Ideom Tecnologia Ltda. ("Ideom")	Brazil			100.00
IQAG	Brazil	100.00	100.00	100.00
Lantana Trading Co. Inc. ("Lantana")	Bahamas	100.00	100.00	100.00
Norfolk Trading S.A. ("Norfolk")	Uruguay	100.00	100.00	100.00
Politeno Empreendimentos Ltda. ("Politeno Empreendimentos")	Brazil	100.00	100.00	
Quantiq	Brazil	100.00	100.00	100.00
Riopol	Brazil		100.00	100.00
Specific Purpose Entity ("SPE")				
Fundo de Investimento Multimercado Crédito Privado Sol ("FIM Sol")	Brazil	100.00	100.00	
Fundo de Investimento Caixa Júpiter Multimercado Crédito Privado				100.00
Longo Prazo ("Fundo Júpiter")	Brazil	100.00	100.00	
Jointly-controlled investment				
Refinaria de Petróleo Riograndense S.A. ("RPR")	Brazil			33.20
Polietilenos de America S.A. ("Polimerica")	Venezuela			49.00
Polipropileno Del Sur S.A. ("Propilsur")	Venezuela			49.00

(a.i) Non-controlling interest in the equity and results of operations of the Company's subsidiaries

	Adjusted shareholders' equity			Adjusted profit (loss) for the period		
	2013	2012	2011	2013	2012	2011
Braskem Idesa	137,116	87,813	93,578	(2,659)	(7,162)	(4,695)
Cetrel			121,744			12,998
Total	137,116	87,813	215,322	(2,659)	(7,162)	8,303

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2.2 Operating segment reporting

This information is prepared and presented consistently with the internal report provided to the Chief Executive Officer, who is the main operating decision-maker and responsible for allocating resources and assessing performance of the operating segments (Note 37).

The determination of results per segment takes into consideration transfers of goods and provision of services between segments that are considered arm's length sales and stated based on market prices.

2.3 Foreign currency translation

(a) Functional and presentation currency

The functional and presentation currency of the Company is the real, determined in accordance with IAS 21.

(b) Brazilian real as functional currency

The company has a few companies abroad that also use the real as their functional currency. Foreign currency transactions and balances are translated into the functional currency using the foreign exchange rates prevailing at the dates of the transactions or at year end, as applicable. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end foreign exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of operations as “financial income” and “financial expenses”, respectively, except those designated for hedge accounting, which are, in this case, deferred in equity as cash flow hedges.

(c) Functional currency other than the Brazilian real

Some subsidiaries and a jointly-controlled investments have a different functional currency from that of the Braskem S.A., as follows:

				Braskem		Braskem			
		Braskem	Braskem	México	Braskem	America	Braskem	Braskem	
	Braskem	Idesa	Serviços	México	Serviços	America	Finance	Alemanha	Áustria
Propilur	Idesa	Serviços	México	Serviços	America	Finance	Alemanha	Áustria	
USD	MXN	MXN	MXN	MXN	USD	USD	EUR	EUR	

USD = U.S. dollar

EUR = Euro

MXN = Mexican peso

The financial statements of these companies are translated into reais based on the following rules:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- equity is converted at the historical rate, that is, the foreign exchange rate prevailing on the date of each transaction; and
- income and expenses for each statement of operations are translated at the monthly average rate.

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All resulting exchange differences are recognized as a separate component of equity in the account “other comprehensive income”. When a foreign investment is partially or fully written off for any reason, the respective exchange differences recorded in equity are recognized in the statement of operations as part of the gain or loss on the transaction.

2.4 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and highly liquid investments with maturities of three months or less. They are convertible into a known amount and subject to an immaterial risk of change in value (Note 7).

2.5 Financial assets

2.5.1 Classification and measurement

Financial assets are classified as held for trading, loans and receivables held to maturity. This classification depends on the purpose for which they were acquired.

These financial assets are derecognized when the corresponding rights to receive cash flows have been received or transferred and the Company has transferred substantially all risks and rewards of ownership of the related assets.

Eventual expenses with the acquisition or sale of held-for-trading financial assets are expensed in the statement of operations. For the other financial assets, these expenses, when significant, are added to their respective fair value.

(a) Held-for-trading financial assets – these are measured at fair value and they are held to be actively and frequently traded in the short term. The assets in this category are classified as current assets.

Derivatives are also categorized as held for trading unless they are designated for hedge accounting (Note 2.6).

Held-for-trading financial assets are carried at fair value on an ongoing basis. Gains or losses arising from changes in the fair value of these financial assets are presented in “financial results” in the period in which they arise.

(b) Loans and receivables - these are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company’s loans and receivables comprise loans to related parties and accounts with associates (Note 11), trade accounts receivable (Note 9), other accounts receivable (Note 15), cash and cash equivalents (Note 7) and financial investments (Note 8).

Loans and receivables are carried at amortized cost using the effective interest method. These assets are stated at cost of acquisition, plus earnings accrued, against profit or loss for the year.

Assets held to maturity – the Company’s held-to-maturity financial investments comprise mainly quotas of investment funds in credit rights.

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2.5.2 Impairment of financial assets

The Company permanently assesses the existence of objective evidence that a financial asset, classified as loans and receivables or held-to-maturity is impaired. The criteria the Company uses to determine that there is objective evidence of an impairment loss include:

- a) significant financial difficulty of the issuer or debtor;
- b) a breach of contract by the issuer or debtor, such as a default or delinquency in interest or principal payments;
- c) it becomes probable that the debtor will enter bankruptcy or other financial reorganization; or
- d) the disappearance of an active market for that financial asset because of financial difficulties.

Losses are recorded when there is objective evidence of impairment as a result of one more events that occurred after the initial recognition of the asset and that loss event has an impact on the future cash flows that can be reliably estimated.

The amount of any impairment loss is measured as the difference between the asset's carrying amount and the present value of future cash flows carried to their future value at market rates and discounted at the financial asset's original effective interest rate. This methodology does not apply to the calculation of the provision for impairment.

The methodology adopted by the Company for recognizing the provision for impairment is based on the history of losses and considers the sum of (i) 100% of the amount of receivables past due for over 180 days; (ii) 50% of the amount of receivables past due for over 90 days; (iii) 100% of the amount of receivables under judicial collection (iv) all the receivables from the first renegotiation maturing within more than 24 months; and (v) 100% of the receivables arising from a second renegotiation with customers. Receivables from related parties are not considered in this calculation.

2.6 Derivative financial instruments and hedging activities

Derivatives are recognized at fair value on an ongoing basis. The recognition of the gain or loss in profit or loss depends on whether the derivative is designated as a hedging instrument.

(a) Designated as hedge accounting

Management may designate certain derivatives as hedges of a particular risk associated with a recognized asset or liability or a highly probable forecast transaction. It may also designate non-derivative financial instruments as hedge for highly probable future sales in foreign currency (cash flow hedge). The Company documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. It also documents its assessment, on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

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The effective portion (i) of the changes in the fair value of hedge derivatives and (ii) of the exchange variation of financial liabilities designated and qualified as sales flow hedge is recognized in equity, under “other comprehensive income”. These amounts are transferred to profit or loss for the periods in which the hedged item affects the financial results. The ineffective portion is recognized immediately in the statement of operations as “financial result”.

When the hedge instrument matures or is sold or when it no longer meets the criteria for hedge accounting, it is prospectively discontinued and any cumulative gain or loss in equity remains in equity and is recognized in profit or loss when the hedged item or transaction affects profit or loss. If the hedged item or transaction is settled in advance, discontinued or is not expected to occur, the cumulative gain or loss in equity is immediately transferred to “financial result”.

The cash flow hedge transactions carried out by the Company are described in Note 21.2.1(b).

(b) Derivatives at fair value through profit or loss

Derivatives not designated as hedge instruments are classified as current assets or liabilities. Changes in the fair value of these derivative instruments are recognized immediately in the statement of operations under “financial results”, regardless of the instrument contracted.

2.7 Trade accounts receivable

Trade accounts receivable are recognized at the amount billed net of the allowance for doubtful accounts. The Company's billing period is generally 30 days; therefore, the amount of the trade accounts receivable corresponds to their fair value on the date of the sale (Note 9).

2.8 Inventories

Inventories are stated at the lower between the average acquisition or production cost or at the estimated retail price, net of taxes. The Company determines the cost of its production using the absorption method, and uses the weighted average cost to determine the value of its inventories.

2.9 Discontinued operations

The Company classifies as discontinued the operations related to cash generating units or reportable operating segment that have been divested or are undergoing divestment and are classified as held-for-sale.

Profit or loss from discontinued operations is presented in a single item on the statement of operations for the period. In addition, detailed information is also reported, as follows:

(i) revenue, cost of sales, general and administrative expenses and profit or loss before income tax and social contribution;

(ii) income tax and social contribution;

(iii) gains from the sale of assets that comprise the discontinued operation; and

(iv) income tax and social contribution related to item (iii) above.

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Profit or loss from discontinued operations is recognized after eliminating the revenues and expenses arising from any commercial and financial operations carried out among the companies.

2.10 Investments in associates and other investments

Associates are all entities over which the Company has the power to participate in the financial and operating decisions without having control (significant influence). Investments in associates are initially accounted for at cost and subsequently using the equity method and they may include possible goodwill identified on acquisition, net of any accumulated impairment loss.

Unrealized gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in these investments.

Other investments are stated at acquisition cost, less provision for adjustments to market value, when applicable.

2.11 Investments in jointly-controlled investments

Jointly-controlled investments are all entities over which the Company shares, under an agreement, control with one or more parties. Jointly-controlled investments are initially accounted for at cost and subsequently using the equity method.

The unrealized gains in operations between the Company and its jointly-controlled investments are eliminated proportionately to its interest in these investments.

2.12 Property, plant and equipment

Property, plant and equipment is stated at cost net of accumulated depreciation and provision for impairment, when applicable. The cost includes:

- (a) the acquisition price and the financial charges incurred in borrowings during the phase of construction (Note 17), and all other costs directly related with making the asset usable; and
- (b) the fair value of assets acquired through business combinations.

The financial charges are capitalized on the balance of the projects in progress using (i) an average funding rate of all borrowings; and (ii) the portion of the foreign exchange variation that corresponds to a possible difference between the average rate of financing in the internal market and the rate mentioned in item (i).

The machinery, equipment and installations of the Company require inspections, replacement of components and maintenance in regular intervals. The Company makes shutdowns in regular intervals that vary from two to six years to perform these activities. These shutdowns can involve the plant as a whole, a part of it, or even relevant pieces of equipment, such as industrial boilers, turbines and tanks.

Shutdowns that take place every six years, for example, are usually made for the maintenance of industrial plants as a whole. Costs of materials and outsourced services that are directly attributable to these shutdowns are capitalized when (i) it is probable that future economic benefits associated with these costs will flow to the Company; and (ii) these costs can be measured reliably. Expenses with each scheduled shutdown are included in property, plant and equipment items that were the subject matter of the stoppage and are fully depreciated until the beginning of the following related stoppage.

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The expenditures with personnel, the consumption of small materials, maintenance and the related services from third parties are recorded, when incurred, as production costs.

Property, plant and equipment items are depreciated on a straight-line basis. The average depreciation and depletion rates used, determined based on the useful lives of the assets, are presented in Note 17.

Projects in progress are not depreciated. Depreciation begins when the assets are available for use.

The Company does not attribute a residual value to assets due to its insignificance.

2.13 Intangible assets

The group of accounts that comprise the intangible assets is the following:

- (a) **Goodwill based on future profitability**

The existing goodwill was determined in accordance with the criteria established by the accounting practices adopted in Brazil before the adoption of the IFRS and represent the excess of the amount paid over the amount of equity of the entities acquired. Upon adoption of IFRS, the Company applied the exemption related to business combinations prior to January 1, 2009 and did not remeasure these amounts. This goodwill has not been amortized since that date and it is tested annually for eventual impairment.

(b) Trademarks and patents

The technologies acquired from third parties, including those acquired through business combination, are recorded at the cost of acquisition and/or fair value and other directly attributed costs, net of accumulated amortization and provision for impairment, when applicable. Technologies that have defined useful lives and are amortized using the straight-line method based on the term of the purchase agreement (between 10 and 20 years)

Expenditures with research and development are accounted for in profit or loss as they are incurred.

(c) Contractual customer and supplier relationships

Contractual customer and supplier relationships arising from a business combination were recognized at fair value at the respective acquisition dates. These contractual customer and supplier relationships have a finite useful life and are amortized using the straight-line method over the term of the respective purchase or sale agreement (between 14 and 28 years).

(d) Software

Software is recorded at cost net of accumulated amortization. Cost includes the acquisition price and/or internal development costs and all other costs directly related with making the software usable. All software booked has defined useful life estimated between 3 and 10 years and is amortized using the straight-line method. Costs associated with maintaining computer software programs are recognized in profit or loss as incurred.

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2.14 Impairment of non-financial assets

Assets that have indefinite useful lives, as goodwill based on future profitability, are not subject to amortization and are tested annually for impairment. This goodwill is allocated to the Cash Generating Units (“CGU”) or operating segments for the purposes of impairment testing.

Assets that that have defined useful lives are reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized when the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of (i) an asset’s fair value less costs to sell; (ii) and its value in use. Taking into consideration the peculiarities of the Company’s assets, the value used for assessing impairment is the value in use, except when specifically indicated otherwise. The value in use is estimated based on the present value of future cash flows (Note 17(a)).

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are identifiable cash flows that can be CGUs or operating segments.

2.15 Trade payables

Trade payables are obligations arising from the acquisition of goods or services in the ordinary course of business and they are recorded at the amount billed. When applicable, they are recorded at present value based on interest rates that reflect the term, currency and risk of each transaction. The Company calculates the adjustment to present value for operations that have material impact on its financial statements.

2.16 Borrowings

Borrowings are recognized initially at fair value and net of the transaction costs incurred in structuring the transaction, when applicable. Subsequently, borrowings are presented with the charges and interest in proportion to the period incurred.

2.17 Provisions

Provisions are recognized in the balance sheet when (i) the Company has a present legal, contractual or constructive obligation as a result of past events, (ii) it is probable that an outflow of financial resources will be required to settle the obligation and (iii) the amount can be reliably estimated.

The provisions for tax, labor and other contingencies are recognized based on Management's expectation of probable loss in the respective proceedings and supported by the opinion of the Company's external legal advisors (Note 24).

The contingencies assumed in a business combination for which an unfavorable outcome is considered possible are recognized at their fair value on the acquisition date. Subsequently, and until the liability is settled, these contingent liabilities are measured at the higher of the amount recorded in the business combination and the amount that would be recognized under IAS 37.

Provisions are measured at the present value of the expenditures required to settle the obligation using a rate before tax effects that reflects current market assessments. The increase in the provision due to passage of time is recognized in "financial results".

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2.18 Current and deferred income tax and social contribution

The income tax (“IR”) and social contribution (“CSL”) recorded in the year are determined on the current and deferred tax basis. These taxes are calculated on the basis of the tax laws enacted at the balance sheet date in the countries where the Company operates and are recognized in the statement of operations, except to the extent they relate to items recorded in equity.

Deferred income tax and social contribution are recognized on temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. On the other hand, the deferred income tax and social contribution are not accounted for if they arise from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting, nor taxable profit or loss.

Deferred income tax and social contribution assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized based on projections of future results prepared and based on internal assumptions and future economic scenarios that will allow for their utilization. The amounts accounted for and projections are regularly reviewed.

Deferred income tax and social contribution assets and liabilities are presented net in the balance sheet when there is a legally enforceable right to offset them upon the calculation of current taxes. Accordingly, deferred tax assets and liabilities in different companies or countries are generally presented separately, and not on a net basis.

Management periodically evaluates positions taken by the Company in income tax returns with respect to situations in which applicable tax regulation is subject to interpretation.

2.19 Post-employment benefits

The Company sponsors a defined contribution plan and defined benefit plans.

(i) Defined contribution plan

For the defined contribution plan, the Company pays contributions to private pension plan on contractual or voluntary bases. As soon as the contributions are paid, the Company does not have any further obligations related to additional payments.

(ii) Defined benefit plan

The defined benefit plans are financed by the payment of contributions to pension funds and the use of actuarial assumptions is necessary to measure the liability and the expenses of the plans, as well as the existence of actuarial gains and losses.

The liability recognized in respect of these plans is the present value of the defined benefit obligation at the balance sheet date, less the fair value of plan assets, adjusted by actuarial gains or losses and past-service costs.

The cost components of defined-benefit plans are recognized as follows:

- (i) actuarial gains and losses from the actuarial remeasurement are recognized under “other comprehensive income”.

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- (ii) costs of past services are recognized as profit or loss as they are incurred; and

- (iii) the net amount of interest on the assets and liabilities of the plan are recorded in the financial results for the period.

2.20 Contingent assets and liabilities and judicial deposits

The recognition, measurement and disclosure of contingent assets and liabilities and judicial deposits are performed in accordance with IAS 37 as follows:

- (i) Contingent assets – are not recognized in the books, except when management considers, supported by the opinion of its external legal advisors, the gain to be virtually certain or when there are secured guarantees or for which a favorable final and unappealable decision has been rendered.

- (ii) Contingent liabilities – are not recognized, except when Management considers, supported by the opinion of its external legal advisors, that the chances of an unfavorable outcome is probable. For unrecognized contingencies, the Company discloses the main proceedings for which an unfavorable outcome is assessed as a possible in (Note 29).

- (iii) Judicial deposits – are maintained in non-current assets without the deduction of the related provisions for contingencies or legal liabilities, unless such deposit can be legally offset against liabilities and the Company intends

to offset such amounts.

2.21 Distribution of dividends

The distribution of dividends to shareholders of the company is recognized based on Brazilian Corporation Law and on the bylaws of the Company.

Upon closing the balance sheet, the amount corresponding to the minimum mandatory dividend (Note 30(b)) is registered in current liabilities under “dividends and interest on capital payable” since it is considered a legal obligation provided for in the bylaws of the Company. The portion of dividends that exceeds the minimum mandatory amount is represented in “additional proposed dividend”, in the “revenue reserves” group under shareholders' equity. Once approved by the shareholders' meeting, this portion is transferred to current liabilities.

2.22 Recognition of sales revenue

Sales revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities. Revenue is shown net of taxes, returns and rebates.

Revenue from the sale of goods is recognized when (i) the amount of revenue can be reliably measured and the Company no longer has control over the goods sold; (ii) it is probable that future economic benefits will be received by the Company; and (iii) all legal rights and risks and rewards of ownership have been transferred to the customer. The Company does not make sales with continued Management involvement. Most of Braskem's sales are made to industrial customers and, in a lower volume, to resellers.

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The moment at which the legal right, as well as the risks and rewards, are substantially transferred to the customer and determined as follows:

- (i) for contracts in which the Company is responsible for freight and insurance, the legal right, as well as the risks and rewards, are transferred to the customer after the good is delivered at the contractually agreed destination;
- (ii) for contracts in which the freight and insurance are the responsibility of the customer, the risks and rewards are transferred at the moment the goods are delivered at the client's shipping company; and
- (iii) for contracts in which the delivery of the goods involves the use of pipelines, particularly basic petrochemicals, the risks and rewards are transferred immediately after the Company's official measures, which is the point of delivery of the goods and transfer of their ownership

The cost of freight services related to sales, transfers to storage facilities and product transfers are included in cost of sales.

2.23 Rules, changes and interpretation applied for the first time in 2013

Braskem applied for the first time in 2013 the effects of IAS 19 – “Employee benefits” (Note 2.1.1 (a)) and the amendment of IAS 1 – “Presentation of Financial Statements” including the disclosure of profits and losses in other

comprehensive income that will affect or not the result of the period at the Financial of Operations.

There are other changes applied for the first time in 2013. Nonetheless, they have no impact to the Company financial statements.

2.24 Rules, changes and interpretations of standards that will be in force in 2014

Rules, changes and interpretations of standards that will be in force in 2014 and have not been adopted early by the Company:

IAS 32 – “Financial Instruments: Presentation” provides further clarification in addition to the application guidance in IAS 32 on the requirement to offset financial assets and liabilities in the balance sheet. The standard will be applicable as of January 1, 2014.

IFRS 10, IFRS 12 and IAS 27 - "Investment Entities" – in October 2012, IASB issued an amendment to the IFRS 10, IFRS 12 and IAS 27 standards, which defines investment entities and introduces an exception to the consolidation of subsidiaries by investment entities, also establishing the accounting treatment in these cases. These will be applicable as of January 1, 2014.

The Company analyzed these standards and concluded that there will be no impacts on its consolidated financial statements.

2.25 Rules, changes and interpretations of standards that are not yet in force

Rules, changes and interpretations of standards that currently are not in force and have not been adopted early by the Company:

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IFRS 9 – “Financial Instruments” outlines the requirements for the classification, measurement and recognition of financial assets and liabilities IFRS 9 was issued in November 2009 and October 2010 and substitutes the paragraphs in IAS 39 related to the classification and measurement of financial instruments. IFRS 9 required classification of financial assets into two categories: measured at fair value and measured at amortized cost. Classification is determined when the financial asset is initially recognized. Classification depends on the business model of the entity and the characteristics of the cash flow arrangements of the financial instruments. For financial liabilities, the standard maintains most of the requirements under IAS 39. The main change is when the fair value option is adopted for financial liabilities, in which case the portion of change in fair value that is attributable to changes in the credit risk of the entity is registered in “other comprehensive income” and not in the statement of operations, except for cases in which this results in accounting mismatches. The standard will be applicable as of January 1, 2015.

3 Application of critical accounting practices and judgments

Critical estimates and judgments

Critical estimates and judgments are those that require the most difficult, subjective or complex judgments by Management, usually as a result of the need to make estimates that affect issues that are inherently uncertain. Estimates and judgments are continually reassessed and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results can differ from planned results due to differences in the variables, assumptions or conditions used in making estimates

In order to provide an understanding of the way the Company forms its judgments on future events, the variables and assumptions used in estimates are presented below:

3.1 Deferred income tax and social contribution

The Company keeps a permanent record of deferred income tax and social contribution on the following bases: (i) tax losses and social contribution tax loss carryforwards; (ii) temporarily non-taxable and nondeductible income and expenses, respectively; (iii) tax credits and expenses that will be reflected in the books in subsequent periods; and (iv) asset and liability amounts arising from business combinations that will be treated as income or expenses in the future and that will not affect the calculation of income tax and social contribution.

The recognition and the amount of deferred taxes assets depend on the generation of future taxable income, which requires the use of an estimate related to the Company's future performance. This estimative is in the Business Plan, which is approved by the Board of Directors. This plan is prepared by the Executive Board using as main variables the price of the products manufactured by the Company, price of naphtha, expected market growth, Gross Domestic Product ("GDP"), exchange variation, interest rate, inflation rate and fluctuations in the supply and demand of inputs and finished products are obtained from expert external consultants, historical performance and results of the Company and its capacity to generate taxable income, improvement in the utilization rates of the Company's plants based on market growth and internal programs focused on operational efficiency, specific incentives from the Brazilian government for the petrochemical sector in Brazil. The Company annually reviews the projection of taxable income. If this projection shows that the taxable income will not be sufficient to absorb the deferred tax, the corresponding portion of the asset that cannot be recovered is written off.

The tax losses and social contribution negative bases do not expire under Brazilian tax laws, as well as tax losses in Germany.

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3.2 Fair value of derivative and non-derivative financial instruments

The Company evaluates the derivative financial instruments at their fair value and the main sources of information are the stock exchanges, commodities and futures markets, disclosures of the Central Bank of Brazil and quotation services like Bloomberg and Reuters. Nevertheless the high volatility of the foreign exchange and interest rate markets in Brazil caused, in certain periods, significant changes in future rates and interest rates over short periods of time, leading to significant changes in the market value of swaps and other financial instruments. The fair values recognized in its financial statements may not necessarily represent the amount of cash that the Company would receive or pay upon the settlement of the transactions.

The fair values of non-derivative, quoted financial instruments are based on current bid prices. If the market for a financial asset and for unlisted securities is not active, the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models that make maximum use of market inputs and rely as little as possible on information provided by the Company's Management.

3.3 Useful life of assets

The Company recognizes the depreciation and depletion of its long-lived assets based on their useful life estimated by independent appraisers and approved by the Company's technicians taking into consideration the experience of these professionals in the Management of Braskem's plants. The useful lives initially established by independent appraisers are reviewed at the end of every year by the Company's technicians in order to check whether they need to be changed. In December 2013, this analysis concluded that the useful lives applied in 2013 should be maintained in 2014.

The main factors that are taken into consideration in the definition of the useful life of the assets that compose the Company's industrial plants are the information of manufacturers of machinery and equipment, volume of the plants' operations, quality of preventive and corrective maintenance and the prospects of technological obsolescence of assets.

The Company's Management also decided that (i) depreciation should cover all assets value because when the equipment and installations are no longer operational, they are sold by amounts that are absolutely immaterial; and (ii) land is not depreciated because it has an indefinite useful life.

The useful lives applied to the assets determined the following average depreciation and depletion rates:

	2013	(%) 2012
Buildings and improvements	3.42	3.59
Machinery, equipment and installations	7.23	7.25
Mines and wells	8.96	9.01
Furniture and fixtures	10.28	10.75
IT equipment	21.21	20.50
Lab equipment	9.30	9.90
Security equipment	9.83	9.99
Vehicles	20.02	18.71
Other	15.86	19.54

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3.4 Business combination

In accordance with IFRS 3, the Company must allocate the cost of the assets acquired and the contingencies and liabilities assumed based on their estimated fair values on the acquisition date.

The Management of the Company exercises a significant amount of judgment when measuring tangible assets, identifying and measuring intangible assets, identifying and measuring risks and contingencies, measuring other assets acquired and liabilities assumed and determining remaining useful lives. The use of assumptions in risk measurements and assessments may result in estimated amounts that differ from the assets acquired and liabilities assumed. The Company contracts specialized companies to support it in these activities.

If the future results are not consistent with the estimates and assumptions used, the Company may be exposed to losses that may be material.

3.5 Impairment test for tangible and intangible assets

(a) Tangible and intangible assets with defined useful lives

On the balance sheet date, the Company makes an analysis to determine if there is evidence that the amount of long-lived tangible assets and intangible assets with defined useful lives will not be recoverable. This analysis is based on the business plan prepared and approved annually by the Management of the Company (Note 3.1).

When some indication that the amount of these assets will not be recovered is identified, the Company compares the book value of such assets with the respective values in use. For this test, the Company uses the cash flow that is prepared based on the Business Plan. The assets are allocated to the CGUs as follows:

Basic petrochemicals operating segment:

- CGU UNIB Bahia: represented by assets of the basic petrochemicals plants located in the BA;
- CGU UNIB South: represented by assets of the basic petrochemicals plants located in the RS;
- CGU UNIB Southeast: represented by assets of the basic petrochemicals plants located in the RJ and SP;

Polyolefins operating segment:

- CGU Polyethylene: represented by assets of the PE plants located in Brazil;
- CGU Polypropylene: represented by assets of the PP plants located in Brazil;
- CGU Renewables: represented by the Green PE plant located in Brazil;

Vinyls operating segment:

- CGU Vinyls: represented by assets of PVC plants and chloride soda located in Brazil;

International businesses operating segment:

- CGU Polypropylene USA: represented by assets of PP plants located in the United States;
- CGU Polypropylene Germany: represented by assets of PP plants located in Germany;

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Chemical Distribution operating segment:

- represented by assets of the subsidiaries Quantiq and IQAG.

(b) Goodwill based on future profitability and intangible assets with indefinite useful lives

Whether there are indications that the amount of an asset may not be recovered or not, the balances of goodwill from future profitability arising from business combinations and intangible assets with indefinite useful lives are tested for impairment at least once a year at the balance sheet date.

For the purposes of testing impairment, the Company allocated the goodwill existing at the CGU UNIB South and in the Polyolefins and Vinyls operating segments. The Company's Management allocated the goodwill to the Polyolefins segment based on the way this goodwill is internally managed. The existing goodwill was generated in a business combination that resulted in the simultaneous acquisition of polypropylene and polyethylene plants. The main raw materials of these plants were already supplied by the Braskem S.A., which allowed for the obtainment of significant synergies in the operation. These synergies were one of the main drivers of that acquisition. Accordingly, the Company's Management tested this goodwill and assets for impairment in the ambit of their operating segment since the benefits of the synergies are associated with all units acquired.

3.6 Provisions and contingent liabilities

The contingent liabilities and provisions that exist at the Company are mainly related to discussions in the judicial and administrative spheres arising from primarily labor, pension, civil and tax lawsuits and administrative procedures.

Braskem's Management, based on the opinion of its external legal advisors, classifies these proceedings in terms of probability of loss as follows:

Probable loss – these are proceedings for which there is a higher probability of loss than of a favorable outcome, that is, the probability of loss exceeds 50%. For these proceedings, the Company recognizes a provision that is determined as follows:

(i) labor claims – the amount of the provision corresponds to the amount to be disbursed as estimated by the Company's legal counsels;

(ii) tax claims - the amount of the provision corresponds to the value of the matter plus charges corresponding to the variation in the Selic rate; and

(iii) other claims – the amount of the provision corresponds to the value of the matter.

Possible loss – these are proceedings for which the possibility of loss is greater than remote. The loss may occur, however, the elements available are not sufficient or clear to allow for a conclusion on whether the trend is for a loss or a gain. In percentage terms, the probability of loss is between 25% and 50%. For these claims, except for the cases of business combinations, the Company does not recognize a provision and mentions the most significant ones in a note to the financial statements (Note 29). In business combination transactions, in accordance with the provision in IFRS 3, the Company records the fair value of the claims based on the assessment of loss (Note 24). The amount of the provision corresponds to the value of the matter, plus charges corresponding to the variation in the Selic rate, multiplied by the probability of loss.

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Remote loss – these are proceedings for which the risk of loss is small. In percentage terms, this probability is lower than 25%. For these proceedings, the Company does not recognize a provision nor does it disclose them in a note to the financial statements regardless of the amount involved.

The Company's Management believes that the estimates related to the outcome of the proceedings and the possibility of future disbursement may change in view of the following: (i) higher courts may decide in a similar case involving another company, adopting a final interpretation of the matter and, consequently, advancing the termination of the proceeding involving the Company, without any disbursement or without implying the need of any financial settlement of the proceeding; and (ii) programs encouraging the payment of the debts implemented in Brazil at the Federal and State levels, in favorable conditions that may lead to a disbursement that is lower than the one that is recognized in the provision or lower than the value of the matter.

4 Risk Management

Braskem is exposed to market risks arising from variations in commodity prices, foreign exchange rates, interest rates, credit risks of its counterparties in cash equivalents, financial investments, trade accounts receivable and liquidity risks to meet its obligations from financial liabilities.

Braskem adopts procedures for managing market and credit risks that are in conformity with the financial policy approved by the Board of Directors on August 9, 2010. The purpose of risk management is to protect the cash flows of Braskem and reduce the threats to the financing of its operating working capital and investment programs.

4.1 Market risks

Braskem prepares a sensitivity analysis for risks of exchange rates and interests to which it is exposed, which is presented in Note 21.4.

(a) Exposure to commodity risks

Braskem is exposed to the variation in the prices of various commodities and, in general, seeks to transfer the variations caused by fluctuations in market prices. In addition, the Company entered into derivative operations to hedge against the exposure to risks arising from isolated transactions involving the commodities naphtha and ethylene (Note 21.2.1).

(b) Exposure to foreign exchange risk

Braskem has commercial operations denominated in or pegged to foreign currencies. Braskem's inputs and products have prices denominated in or strongly influenced by international prices of commodities, which are usually denominated in U.S. dollar. Additionally, Braskem has long-term loans in foreign currencies that expose it to variations in the foreign exchange rate between the function currency (principally Brazilian real, Mexican pesos and euro) with the foreign currency, in particular the U.S. dollar. Braskem manages its exposure to foreign exchange risk through the combination of debt, financial investments, accounts receivable and raw material purchases denominated in foreign currencies and through derivative operations. Braskem's financial policy for managing foreign exchange risks provides for the maximum and minimum coverage limits that must be observed and which are continuously monitored by its Management.

On December 31, 2013, Braskem prepared sensitivity analysis for its exposures to risks of exchange rate fluctuation of euro and dollar, as informed in Note 21.4.

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(c) Exposure to interest rate risk

Braskem is exposed to the risk that a variation in floating interest rates causes an increase in its financial expense due to payments of future interest. Debt denominated in foreign currency subject to floating rates is mainly subject to fluctuations in Libor. Debt denominated in local currency is mainly subject to the variation in the Long-Term Interest Rate (“TJLP”), and in the Interbank Certificate of Deposit (“daily CDI”) rate.

In the year, Braskem held swap contracts (Note 21.2.1) in which it: (i) receives the pre-contractual rate and pays the CDI overnight rate; and (ii) receives Libor and pays a fixed rate.

On December 31, 2013, Braskem prepared a sensitivity analysis for the exposure to the floating interest rates Libor, CDI and TJLP, as informed in Notes 21.4(f), (g) and (h).

4.2 Exposure to credit risk

The transactions that subject Braskem to the concentration of credit risks are mainly in current accounts with banks, financial investments and trade accounts receivable in which Braskem is exposed to the risk of the financial institution or customer involved. In order to manage this risk, Braskem maintains bank current accounts and financial investments with major financial institutions, weighting concentrations in accordance with the credit rating and the daily prices observed in the Credit Default Swap market for the institutions, as well as netting contracts that minimize the total credit risk arising from the many financial transactions entered into by the parties.

On December 31, 2013, Braskem held netting contracts with Banco Citibank S.A., HSBC Bank Brasil S.A. – Banco Múltiplo, Banco Itaú BBA S.A., Banco Safra S.A., Banco Santander S.A., Banco Votorantim S.A., Banco West LB do Brasil S.A., Banco Caixa Geral – Brasil S.A., and Banco Bradesco S.A. Approximately 36% of the amounts held in cash and cash equivalents (Note 7) and financial investments (Note 8) are contemplated by these agreements, whose related liabilities are accounted for under “borrowings” (Note 19). The effective netting of these amounts is possible only in the event of default by one of the parties.

With respect to the credit risk of customers, Braskem protects itself by performing a rigorous analysis before granting credit and obtaining secured and unsecured guarantees when considered necessary.

The maximum exposure to credit risk of non-derivative financial instruments on the reporting date is the sum of their carrying amounts less any provisions for impairment losses. On December 31, 2013, the balance of trade accounts receivable was net of allowance for doubtful accounts of R\$282,753 (2012 - R\$256,884) (Note 9).

4.3 Liquidity risk

Braskem has a calculation methodology to determine operating cash and minimum cash for the purpose of, respectively: (i) ensuring the liquidity needed to comply with obligations for the following month; and (ii) ensuring that the Company maintains liquidity during potential crises. These amounts are calculated based on the projected operating cash generation, less short-term debts, working capital needs and other items.

Some of Braskem’s borrowing agreements had financial covenants that linked net debt and the payment of interest to its consolidated EBITDA (earnings before interest, tax, depreciation and amortization) (Note 19), which were monitored on a quarterly basis by the Company’s Management. These agreements were settled in the third quarter of 2012 and the Company no longer holds commitments of this nature.

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Additionally, Braskem has three revolving credit lines that may be used without restrictions in the amounts of: (i) US\$350 million for a period of four 4 as from November 2012; and (ii) US\$250 million for a period of 5 years as from August 2011; and (iii) R\$450 million for a period of 3 years as from December 2012. These credit facilities enable Braskem to reduce the amount of cash it holds. Until December 31, 2013, any credit from these lines had being drowned.

The table below shows Braskem's financial liabilities by maturity, corresponding to the period remaining between the balance sheet date and the contractual maturity date. These amounts are calculated from undiscounted cash flows and may not be reconciled with the balance sheet.

	Note	Until one year	Between one and two years	Between two and five years	More than five years	Total
Financial liabilities						
Trade payables		10,421,687				10,421,687
Borrowings		1,291,993	3,896,070	3,875,378	20,445,519	29,508,960
Project finance		29,317	106,888	720,944	6,588,359	7,445,508
Derivatives		95,123	(68,128)	464,168		491,163
Other payables	(i)		133,416	142,326	370,420	646,162
At December 31, 2013		11,838,120	4,068,246	5,202,816	27,404,298	48,513,480

(i) Refers to amounts payable to non-controlling shareholders of Braskem Idesa and amounts payable to BNDES Participações S.A., as part of the business combination with Quattor, in the amounts of R\$370,420 and R\$275,742, respectively.

4.4 Capital management

The ideal capital structure, according to Braskem's Management, considers the balance between own capital and the sum of all payables less the amount of cash and cash equivalents and investments. This composition meets the Company's objectives of perpetuity and of offering an adequate return to shareholders and other stakeholders. This structure also permits borrowing costs to remain at adequate levels to maximize shareholder remuneration.

Due to the impact of the U.S. dollar on the Company's operations, the Management of Braskem believes that the own capital used for capital management purposes should be measured in this currency and on a historical basis. Moreover, the Company may temporarily maintain a capital structure that is different from this ideal. This occurs, for example, during periods of growth, when the Company may finance a large portion of its projects through borrowings, provided that this option maximizes return for shareholders once the financed projects start operating. In order to adjust and maintain the capital structure, the Management of Braskem may also consider the sale of non-strategic assets, the issue of new shares or even adjustments to dividend payments.

5 Discontinued operations

In the last quarter of 2012, the Management of the Company divested its interests in the capital of Cetrel and Braskem Distribuidora.

The accounting practices used to recognize and measure these transactions are described in Note 2.9.

- **Cetrel**

Braskem held 54.2% of the total and voting capital of Cetrel, whose activities include effluent treatment, industrial waste management, air and water monitoring, laboratory services and environmental consulting services.

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This investment was sold, on December 28, 2012, to Odebrecht Ambiental (Note 1(b.xix)) for R\$208,100. The sale price defined by the parties was confirmed by a specialized company contracted for this purpose, which issued a favorable fairness opinion regarding the price. The amount was fully received in 2013.

With this sale, Braskem recognized a gain of R\$48,827 in 2012.

The results of Cetrel for 2012 and the gain from its divestment are presented in the line “profit or loss from discontinued operations” in the consolidated statements of operations and detailed in item (a) of this Note.

The operating profit or loss of Cetrel was presented under segment information as “Other segments” (Note 37).

- **Braskem Distribuidora**

Braskem held 100% of the capital of Braskem Distribuidora, whose business activities include the production of demineralized, clear drinking water and managing the fire water reservoir.

This investment was sold on December 28, 2012 to Odebrecht Ambiental for R\$444,000. The sale price defined by the parties was confirmed by a specialized company, which issued a favorable fairness opinion regarding the price.

The amount was fully received in 2013.

With this sale, Braskem recognized a gain of R\$359,892 in 2012.

The results of Braskem Distribuidora for 2012 and the gain from its divestment are presented in the line “profit or loss from discontinued operations” in the consolidated statements of operations and detailed in item (a) of this Note.

The operating results of Braskem Distribuidora were presented in the segment information as “Other segments” (Note 37).

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Statements of discontinued operations.

	Note 2.1.1(b)	2012 Revised	2011 Revised
Net sales revenue		81,703	89,654
Cost of products sold		(48,660)	(54,973)
Gross profit		33,043	34,681
Selling, General and administrative expenses		(30,592)	(22,149)
Other operating income, net		5,209	19,192
Operating gain		7,660	31,724
Financial results		8,481	(3,444)
Gain on sale of equity investments		408,719	
Profit before income tax and social contribution		424,860	28,280
Current and deferred income tax and social contribution		(143,313)	(711)
Discontinued operations results		281,547	27,569

This information is presented after eliminating the operations between companies in the group.

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Statements of cash flow from discontinued operations.

	Note 2.1.1(b)	2012 Revised	2011 Revised
Profit before income tax and social contribution		424,860	28,280
Adjustments for reconciliation of profit			
Depreciation, amortization and depletion		10,644	11,757
Interest and monetary and exchange variations, net		2,964	1,585
Gain on sale of equity investments		(408,719)	
Other adjustments		1,276	47
		31,025	41,669
Changes in operating working capital		2,642	(294)
Net cash generated by operating activities		33,667	41,375
Acquisitions to property, plant and equipment		(33,883)	(21,065)
Acquisitions of intangible assets		(732)	(179)
Net cash used in investing activities		(34,615)	(21,244)
Short-term and long-term debt			
Obtained borrowings			54,980
			392

Payment of borrowings	(19,423)	(7,157)
Non-controlling interests in subsidiaries	9,930	
Net cash used in financing activities	(9,493)	47,823
Increase in cash and cash equivalents	(10,441)	67,954
Represented by		
Cash and cash equivalents at the beginning of the period	141,804	73,850
Cash and cash equivalents at the end of the period	131,363	141,804
Decrease in cash and cash equivalents	(10,441)	67,954

6 Business combination

On September 30, 2011, Braskem, through its subsidiaries Braskem America and Braskem Alemanha, acquired the PP business of Dow Chemical for R\$608 million (US\$323 million). On the same date, the amount of R\$312 (US\$166 million) was paid, which corresponds to the portion of accounts payables that were assumed in the transaction.

The agreement also provided for adjustments to the amount paid based on the variation in trade accounts receivable and inventory, for which the final amount was a receivable of R\$24 million (US\$12 million) by the acquirers.

The negotiation included four industrial units, of which two are in the United States and two in Germany, with combined annual production capacity of 1,050 thousand tons of PP.

The negotiation involved the acquisition mainly of industrial plants, trade accounts receivable, inventory and assumed liabilities related to the business operation. In the United States, the acquired plants are located in the state of Texas and have annual capacity of 505 thousand tons. In Germany, the acquired plants are located in Wesseling and Schkopau and have annual production capacity of 545 thousand tons.

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The amount paid included trade accounts receivable and inventory located in Mexico through the subsidiary Braskem México, in the amount of R\$13 million (US\$8 million), net of the accounts payable assumed. Since it represented an isolated asset acquisition closed in the short term with the sale of inventory and the financial settlement of accounts receivable and payable, this part of the operation was not considered a business combination.

The effective settlement of the operation by the parties occurred on September 30, with financial settlement on October 3, 2011. Until the effective payment to Dow Chemical, the acquirers did not make any relevant decisions regarding the operations of the plants, which began to occur only after October 3. The rights and obligations generated as of October 1, 2011 are the responsibility of the acquirers, such as the inventory produced and the new obligations assumed.

The reasons mentioned above led to the conclusion that the acquisition of control occurred on October 3, 2011, the date of the registration of the business combination and as of when the acquired assets and liabilities were consolidated into Braskem's financial statements.

This acquisition was approved by Brazil's antitrust authority CADE on February 8, 2012, by the corresponding U.S. regulatory body on September 9, 2011, and by the European antitrust authorities on September 28, 2011.

The allocation of the amounts of the assets acquired and liabilities assumed in the financial statements for the year ended December 31, 2011 was made on a preliminary basis by the acquirers. The Company contracted independent experts to measure the fair value of this acquisition, which was concluded in the second quarter of 2012. As a result of this assessment, and as required by IFRS 3, the Company recognized, retrospectively, among other amounts, the following main amounts in the 2011 financial statements:

- (i) addition of property, plant and equipment, in the amount of R\$36,526;

- (ii) effect on deferred income tax loss, in the amount of R\$15,021.

The Company also recognized a credit, in the amount of R\$8,540, related to an adjustment in the amount paid, as provided for by the initial agreement.

Therefore, the Company recognized a gain (bargain purchase) of R\$30,045 (US\$16 million) in the specific line on the statement of operations for fiscal year 2011 referred to as “results from business combinations”. The Company also recognized depreciation on the fair value adjustment in the amount of R\$1,992, and its deferred income tax effect in the amount of R\$639.

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The following table summarizes the consideration paid to Dow Chemical and the fair values of the assets acquired and liabilities assumed, which were recognized retrospectively in the financial statements of December 31, 2011:

	United States	Germany	Total business combination	Mexico	Total
Consideration transferred					
Cash	285,135	285,551	570,686	13,214	583,900
Total consideration transferred (A)	285,135	285,551	570,686	13,214	583,900
Fair value of the identifiable assets and liabilities assumed					
<u>Current assets</u>					
Trade accounts receivable	143,932	133,438	277,370	18,948	296,318
Inventories	161,617	126,385	288,002	12,661	300,663
<u>Non-current assets</u>					
Property, plant and equipment	137,186	222,483	359,669		359,669
<u>Current liabilities</u>					
Trade accounts payables	(140,558)	(153,310)	(293,868)	(18,395)	(312,263)
Other payable accounts	(845)	(141)	(985)		(985)
<u>Non-current liabilities</u>					
Deferred income tax	(6,374)	(8,647)	(15,021)		(15,021)
Pension plans		(14,436)	(14,436)		(14,436)

Total identifiable assets acquired and liabilities assumed (B)	294,959	305,773	600,731	13,214	613,945
Result of business combination (A) - (B)	9,824	20,222	30,045		30,045

A specialized independent company estimated the fair value of assets acquired and liabilities assumed, based on the following assumptions:

- (i) the fair value of trade accounts receivable was calculated based on the collectability of the receivables acquired;
- (ii) the fair value of inventory was calculated considering the net realizable value of inventories;
- (iii) the method used to calculate the value of property, plant and equipment was the “replacement cost approach”, reduced by economic and functional obsolescence. The Management, together with its external valuation experts, believed that because it uses the unit value of each asset comprising the plant, the “market approach” would not reflect the actual economic value, since it would not consider the costs with the technologies installed, installation-support and the active connection with the production and distribution system. During the valuation process, the following information was considered: (a) the installation cost of similar plants; (b) the most recent quotes for the expansion and replacement of similar assets; (c) the cash price for replacing the asset, considering the use conditions on the inspection date; and (d) the projected cash flows of the business.
- (iv) the fair value of trade payables was determined based on the amount paid to settle these obligations; and

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(v) the fair value of private pension plans was determined based on the net present value of actuarial liabilities.

7 Cash and cash equivalents

	2013	2012
Cash and banks (i)	987,824	398,142
Cash equivalents:		
Domestic market	1,906,790	1,293,164
Foreign market (i)	1,441,245	1,596,316
Total	4,335,859	3,287,622

(i) The amount of R\$656,427 corresponds to cash and bank balance and R\$153,448 corresponds to cash equivalents abroad of Braskem Idesa, available for its use on the project.

Investments in Brazil are mainly represented by fixed-income instruments and time deposits held by the exclusive FIM Sol fund. Investments abroad mainly comprise fixed-income instruments issued by first-class financial institutions (time deposit) with high market liquidity.

8 Financial investments

		2013	2012
Held-for-trading			
	Investments in FIM Sol	61,670	50,803
	Investments in foreign currency	3,773	5,256
	Shares	1,170	3,023
Loans and receivables			
	Investments in FIM Sol		77,469
	Investments in local currency		513
Held-to-maturity			
	Quotas of investment funds in credit rights	(i) 40,696	52,559
	Restricted deposits		1,281
	Time deposit investment	189	15,731
	Investments in foreign currency	(ii) 469,376	307,639
	Compensation of investments in foreign currency	(ii) (469,376)	(307,639)
Total		107,498	206,635
In current assets		86,719	172,146
In non-current assets		20,779	34,489
Total		107,498	206,635

(i) On December 31, 2013, the Braskem S.A. held junior subordinated shares issued by receivables-backed investment funds. These shares are measured by their redemption value and are held until the conclusion of operations of said funds. The funds issue two other types of shares that enjoy priority in compensation over the junior subordinated shares. The risk related to the operations of these funds is limited to the value of the shares held by the Braskem S.A..

(ii) On December 31, 2013, Braskem Holanda had financial investments held to maturity that are irrevocably offset, by an export prepayment agreement of the Braskem S.A., in the amount of US\$200 million, as provided for in the credit assignment agreement entered into between these two companies and Banco Bradesco (Note 19). This accounting offset was carried out in accordance with IAS 32, which provide for the possibility of offsetting financial instruments when there is intent and rightfully executable right to realize an asset and settle a liability simultaneously.

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	2013	2012
Consumers		
Domestic market	1,578,008	1,038,673
Foreign market	1,577,140	1,582,433
Allowance for doubtful accounts	(282,753)	(256,884)
Total	2,872,395	2,364,222
In current assets	2,810,520	2,326,480
In non-current assets	61,875	37,742
Total	2,872,395	2,364,222

The breakdown of trade accounts receivable by maturity is as follows:

	2013	2012
Accounts receivables not past due	2,650,938	2,051,353
Past due securities:		
Up to 90 days	246,740	350,476
91 to 180 days	8,393	5,814
As of 180 days	249,077	213,463
	3,155,148	2,621,106
Allowance for doubtful accounts	(282,753)	(256,884)
Total customers portfolio	2,872,395	2,364,222

The changes in the balance of the allowance for doubtful accounts are presented below:

	2013	2012	2011
Balance of provision at the beginning of the year	(256,884)	(253,607)	(269,159)
Provision in the year	(27,333)	(53,255)	4,612
Write-offs	23,250	27,374	18,671
Addition by acquisition of companies			(7,731)
Write-off by investment sale		818	
Transfers (of) to non-current assets held for sale	(21,786)	21,786	
Balance of provision at the end of the year	(282,753)	(256,884)	(253,607)

The Company realizes part of its trade accounts receivable through the sale of trade notes to funds that acquire receivables. These operations are not entitled to recourse, for which reason the trade notes are written-off at the moment of the operation.

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	2013	2012
Finished goods	3,429,979	2,622,736
Raw materials, production inputs and packaging	1,113,272	1,175,451
Maintenance materials	230,822	211,517
Advances to suppliers	236,672	61,385
Imports in transit and other	139,562	30,966
Total	5,150,307	4,102,055
In current assets	5,033,593	4,102,055
In non-current assets	116,714	
Total	5,150,307	4,102,055

Advances to suppliers and expenditures with imports in transit are mainly related to operations for the acquisition of the main raw material.

11 Related parties

The Company carries out transactions with related parties in the ordinary course of its operations and activities. The Company believes that all the conditions set forth in the contracts with related parties meet the Company's interests. To ensure that these contracts present terms and conditions that are as favorable to the Company as those it would enter into with any other third parties is a permanent objective of Braskem's Management.

(a) Balances and transactions

					Current				Balances
	Trade accounts receivable	Related parties Receivable notes	Other Other receivable	Other	Total	Related parties Loan agreements	Other receivable	Other	N
Jointly-controlled investment									
Refinaria de Petróleo Riograndense S.A. ("RPR")				150 (i)	150				
				150	150				
Associated companies									
Borealis Brasil S.A. ("Borealis")	11,368	187			11,555				
	11,368	187			11,555				
Related companies									
Odebrecht and subsidiaries	440		78,068	37,436 (ii)	115,944				782,565
Petrobras and subsidiaries	99,018	9,925	36,307	42,013 (ii)	187,263	67,348	66,301		
Other	15,135				15,135				
	114,593	9,925	114,375	79,449	318,342	67,348	66,301		
Total	125,961	10,112	114,375	79,599	330,047	67,348	66,301		

(i) Amount in "dividends and interest on capital payable".

(ii) Amount related to raw material suppliers.

(iii) Amount of R\$665,851 in "Property and equipment", referring to works in progress and R\$116,714 related to raw material supply.

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Income statement transactions from January to December 31, 2013

	Sales of products	Purchases of raw materials, services and utilities	Financial income (expenses)	Cost of production/general and administrative expenses
Jointly-controlled investment				
RPR	18,775	39,640		
	18,775	39,640		
Associated companies				
Borealis	291,836			
	291,836			
Related companies				
Odebrecht and subsidiaries	23,707	284,433		
Petrobras and subsidiaries	1,369,882	15,980,040	4,525	
Other	34,014	4,625		
	1,427,603	16,269,098	4,525	
Post employment benefit plan				
Odebrecht Previdência Privada ("Odeprev")				19,703
				19,703
Total	1,738,214	16,308,738	4,525	19,703

Balances at December

					Assets			
	Current		Non-current		Current		Non-current	
	Trade accounts receivable	Related parties Receivable notes	Other Other receivable	Other	Total	Related parties Loan agreements	Other receivable	Total
Jointly-controlled investment								
RPR				2,645 (i)	2,645			
				2,645	2,645			
Associated companies								
Borealis	1,017	187			1,204			
	1,017	187			1,204			
Related companies								
Odebrecht and subsidiaries				652,100(ii)	652,100			
Petrobras and subsidiaries	95,462		13,725		109,187	62,822	64,805	127,627
Sansuy	15,640				15,640			
	111,102		13,725	652,100	776,927	62,822	64,805	127,627
Total	112,119	187	13,725	654,745	780,776	62,822	64,805	127,627

(i) Amount in “dividends and interest on capital receivable”.

(ii) Amount in “other receivables” in the balance sheet.

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	Income statement transactions from January to December 31, 2012			
	Sales of products	Purchases of raw materials, services and utilities	Financial income (expenses)	Cost of production/general and administrative expenses
Jointly-controlled investment				
Propilsur			43	
RPR	24,434	42,925	743	
	24,434	42,925	786	
Associated companies				
Borealis	143,477			
	143,477			
Related companies				
Odebrecht and subsidiaries		276,193		
Petrobras and subsidiaries	1,227,344	16,783,645	4,304	
Sansuy	27,871	11,050		
Other	3,150	232,988		
	1,258,365	17,303,876	4,304	
Post employment benefit plan				
Odeprev				24,898
				24,898
Total	1,426,276	17,346,801	5,090	24,898

Income statement transactions from January to December 31, 2011

	Purchases of raw materials,	Financial	Cost of production/general
--	--	------------------	---------------------------------------

	Sales of products	services and utilities	income (expenses)	and administrative expenses
Jointly-controlled investment				
RPR	15,624	5,362	(56)	
	15,624	5,362	(56)	
Associated companies				
Borealis	167,408		1,500	
Sansuy	23,663	658		
	191,071	658	1,500	
Related companies				
CNO		190,484		
Odebrecht Ingeniería y Construcción de México, S. de R.L. de C.V ("CNO México")		16,461		
OCS		2,348		
OSP		205,824		
Petrobras	1,457,484	14,321,986	4,427	
Petrobras Global Trading BV	7,446			
Refap	11,699			
	1,476,629	14,737,103	4,427	
Post employment benefit plan				
Odeprev				13,873
				13,873
Total	1,683,324	14,743,123	5,871	13,873

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As provided for in the Company's bylaws, the Board of Directors has the exclusive power to decide on any contract but those related to the supply of raw materials that exceed R\$5,000 per operation or R\$15,000 altogether per year. This provision encompasses contracts between the Braskem S.A. and its subsidiaries and any of its common shareholders, directors of the Company, its Braskem S.A. or subsidiary or its respective related parties. Additionally, the Company has a Finance and Investment Committee that, among other things, monitors the contracts with related parties that are approved by the Board of Directors.

Pursuant to Brazilian Corporation Law, officers and directors are prohibited from: (i) performing any acts of freedom with the use of the Company's assets and in its detriment; (ii) intervening in any operations in which these officers and directors have a conflict of interest with the Company or in resolutions in which they participate; and (iii) receiving, based on their position, any type of personal advantage from third parties, directly or indirectly, without an authorization granted by the proper body.

The related parties have the following relationship with the Company:

- Cetrel: subsidiary of Odebrecht
- CNO: subsidiary of Odebrecht
- Odebrecht Ambiental: subsidiary of Odebrecht
- OCS: subsidiary of Odebrecht
- Petrobras: shareholder of Braskem
- Petrobras Global Trading BV: subsidiary of Petrobras

- Refap: merged by Petrobras

The transactions with related parties, except wholly-owned subsidiaries of the Company, are summarized below:

- Cetrel:

(i) In November 2012, an agreement was executed for the acquisition of reuse water by plants installed in the Camaçari Petrochemical Complex for a period of 15 years and with an estimated value of R\$120 million;

(ii) In August 2010, an agreement was executed for the treatment of the effluents discharged by the plants located in the Camaçari Petrochemical Complex for a period of 4 years and with a total maximum value of R\$60 million.

- CNO:

(i) Braskem – In February 16, 2007, an agreement was executed, with the objective of performing services in the shutdowns for maintenance and inspection in the industrial units. This agreement is valid through February, 15 2014 and provides for a different price for each type of activity carried out by CNO;

(ii) Braskem Idesa – In September 28, 2012, an agreement was executed for the engineering, procurement and construction services of the Ethylene XXI Project. The contract has an estimated value of US\$3 billion and duration through 2015.

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- Odebrecht Ambiental:

On September 30, 2009, the Company entered into an agreement for the acquisition of reuse water with Aquapolo (a special purpose entity formed by Odebrecht Ambiental and the water utility Company of Basic Sanitation of São Paulo State– SABESP for the production of industrial reuse water) by the plants located in the SP Petrochemical Complex. The agreement is valid through 2053 and has an estimated annual value of R\$65 million.

- Petrobras:

- (i) Naphtha

The Braskem S.A. and the subsidiary Braskem Qpar have agreements for the supply of naphtha with Petrobras. The agreements provide for the supply of naphtha to the basic petrochemicals plants located in the Triunfo, Camaçari and SP Petrochemical Complexes. The agreed-upon price of the naphtha is based on several factors, such as the market price of the naphtha itself and a number of oil byproducts, the volatility of the prices of these products in the international markets, the Brazilian real - U.S. dollar exchange rate and the concentration of paraffinic content and contaminants present in the naphtha delivered. The agreement provides for a minimum consumption of 3,800,000 tons a year and a maximum consumption of 7,019,600 tons a year. The subsidiary of Petrobras, Petrobras Global Trading BV, also supplies naphtha to the Company and its subsidiaries.

- (ii) Propylene

Braskem has propylene supply agreements with Petrobras through its refineries for the Company's plants located in the Petrochemical Complexes of Triunfo, RJ and SP. These agreements provide for the full supply of approximately 910,000 tons of propylene a year. The contracted propylene price is based on various international references linked to the most important markets for propylene and polypropylene, particularly the U.S., European and Asian markets.

(iii) Ethane, propane, light refinery hydrocarbons ("HLR") and electricity

The subsidiary Riopol has an agreement with Petrobras for the supply of 392,500 metric tons of ethane a year, 392,500 tons of propane a year, 438,0 n/m³ of HLR year and 306.6 GWh of electricity a year.

(iv) Fuel oil

Braskem has an agreement with BR Distribuidora, a subsidiary of Petrobras, to supply fuel oil to its unit in the Camaçari Petrochemical Complex.

(v) Sale of various products

The Company supplies to Petrobras and its subsidiaries many products it manufactures, such as solvents, automotive gasoline, butadiene, paraxylene, benzene, toluene, etc. These supplies are not covered by an agreement and take place on a regular basis at market prices.

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- OCS:

The Company entered into a risk and insurance management agreement with OCS, amounting to approximately R\$3.6 million, which may be renewed for another year.

(b) Key management personnel

The Company considers “Key management personnel” to be the members of the Board of Directors and the Executive Board, composed of the CEO and vice-presidents. Not all the members of the Executive Board are members of the statutory board.

Non-current liabilities	2013	2012	
Long-term incentives	2,333	2,897	
Total	2,333	2,897	
Income statement transactions	2011	2012	2011
Remuneration			
Short-term benefits to employees and managers	35,380	35,026	32,445
Post-employment benefit	275	214	223
Long-term incentives	15	565	1,519
Total	35,670	35,805	34,187

12 Taxes recoverable

		2013	2012
Brazil			
	IPI	28,701	32,734
	Value-added tax on sales and services (ICMS) - normal operations	(a) 738,282	845,045
	ICMS - credits from PP&E	123,354	178,920
	Social integration program (PIS) and social contribution on revenue (COFINS) - normal operations	(b) 719,448	484,692
	PIS and COFINS - credits from PP&E	269,006	273,693
	PIS and COFINS - Law 9,718/98	(c) 24,207	171,140
	PIS - Decree-Law 2,445 and 2,449/88	(d) 88,339	104,256
	Income tax and social contribution (IR and CSL)	(e) 542,686	452,867
	REINTEGRA program	(f) 267,049	217,775
	Other	155,965	150,980
Other countries			
	Value-added tax	(g) 563,650	90,301
	Income tax	2,516	942
Total		3,523,203	3,003,345
Current assets		2,237,213	1,476,211
Non-current assets		1,285,990	1,527,134
Total		3,523,203	3,003,345

(a) ICMS – normal operations

The Company has accumulated ICMS credits over the past few years arising mainly from domestic sales subject to deferred taxation and export sales. This accumulation of tax credits was more evident in the states of BA, RS and SP where most production units are concentrated.

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The Company's Management has been prioritizing a series of actions to maximize the use of these credits and, currently, it does not expect losses on their realization. Among the actions carried out by Management are:

- Agreement with the Government of RS, maintaining the full deferral of ICMS on the imports, reduction in the ICMS tax levied on domestic operations with naphtha and limiting the use of accumulated ICMS credits to R\$8,500 per month for offsetting monthly ICMS payable by the units in that state;
- Maintenance of the Agreement with the Government of BA, which ensures the effective enforcement of State Decree No. 11,807 of October 27, 2009, which (i) full deferral of the ICMS tax on domestic and imported naphtha acquired in that state and; (ii) capped at R\$9,100 per month the use of cumulative ICMS tax credits that can be deducted from the debt balance between April 2011 and March 2014, and the amount of R\$5,907 per month between April 2014 and March 2018; and
- In SP, Decree 59,232/13 allowed deferral of the ICMS tax on naphtha, propylene and ethylene produced in Brazil or imported, acquired in this state, which enabled Braskem to use the accumulated ICMS credits.

(b) PIS and COFINS

The Company has PIS and COFINS tax credits arising materially from the internal outflows promoted by the deferment of taxes and sales destined to foreign markets and those related to the acquisition of property, plant and equipment.

The realization of these credits occurs in two ways: (i) offset of overdue or falling due liabilities related to taxes levied by the Federal Revenue Service; or (ii) cash reimbursement.

(c) PIS and COFINS – Law 9,718/98

This account contains credits arising from legal discussions on the constitutionality of some aspects of Law No. 9,718/98. These credits are used to offset the federal taxes payable and have been restated by the basic interest rate (Selic). In 2013, Braskem offset the amount of R\$144,184 (R\$15,729 in 2012).

(d) PIS – Decree-Laws 2,445 and 2,449/88

This item includes credits arising from decisions in lawsuits that challenged the constitutionality of Decree Laws No. 2,445 and No. 2,449/88. In 2013, Braskem offset the amount of R\$13,311 (R\$90,561 in 2012)

(e) Income tax and social contribution

This account contains IR and CSL credits arising from prepayments in years that did not present taxable income at year end in addition to the taxes withheld on financial investments and restatements by the Selic basic interest rate. These credits will be realized by offsetting other federal taxes and withholdings payable.

(f) REINTEGRA Program

The REINTEGRA program aims to refund to exporters the federal taxes levied on the production chain for goods sold abroad. The amount to be refunded is equivalent to 3% of all export revenue and such credits may be made in two ways: (i) by offsetting own debits overdue or undue related to taxes levied by the Federal Revenue Service; or (ii) by a cash reimbursement.

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In accordance with Provisional Presidential Decree (“PPD”) 601, the program was valid until December 31, 2013.

In the fiscal year ended December 31, 2013, the Company recognized credits in the amount of R\$229,742 (R\$228,052 in 2012) (Note 12) and offset the amount of R\$180,468 (R\$28,201 in 2012).

(g) Value added tax – subsidiaries abroad

On December 31, 2013, this line included:

(i) R\$16,111 from sales by Braskem Alemanha to other countries. These credits are reimbursed in cash by the local government; and

(ii) R\$541,904 from purchases of machinery and equipment for the Ethylene XXI project (Note 17). These credits will be reimbursed in cash by the local government after validating the credits according to established tax procedures.

13 Judicial deposits – non-current assets

	2013	2012
		416

Judicial deposits			
	Tax contingencies	137,631	101,499
	Labor and social security contingencies	62,621	73,177
	Other	9,658	4,942
Total		209,910	179,618

As of December 31, 2013, a portion of the deposits is associated with legal proceedings for which the probability of loss is possible (Note 24) and a portion is associated with proceedings for which the probability of loss is remote.

In addition, on December 31, 2013, the Company maintains escrow deposits amounting to R\$54,793 (R\$44,163 in 2012) related to legal proceedings for which the chance of loss was deemed as probable. Such deposits are offset by their respective provisions.

14 Insurance claims

On December 31, 2013, this item under current and non-current was as follows:

- (i) R\$119,937 related to damages receivable from losses that occurred in the furnaces, electric system and equipment of the Basic Petrochemicals unit of the Camaçari Complex (BA);
- (ii) R\$37,823 related to damages receivable from losses at the Chlor-Alkali and PVC plants in the state of AL.

In 2013, the Company received R\$178,190 relating mainly to the losses arising in UNIB BA in December 2010 and February 2011.

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15 Other accounts receivable

(a) Current

The main balances forming this line under current assets are:

(i) R\$95,149 in advances to service suppliers (2012 - R\$91,090);

(ii) R\$34,101 from operations for hedge accounting (Note 21.2.1(b)); and

(iii) During fiscal year 2013, Braskem received from Odebrecht Ambiental the amount of R\$689,868 related to the divestment of the interests in Cetrel and Braskem Distribuidora.

(b) Non-current

The main balances under this item in non-current assets are:

(i) Eletrobras compulsory loans

The compulsory loan created to benefit Eletrobras was instituted by Law 4,156/62 with the objective of financing the power industry. The amounts owed were charged monthly on the electricity bills of companies that surpassed a certain level of consumption. This compulsory loan was in force between 1962 and 1993.

Between 2001 and 2003, the merged companies Trikem S.A., Copesul – Companhia Petroquímica do Sul S.A. (“Copesul”), Companhia Alagoas Industrial – Cinal (“Cinal”) and the subsidiaries Alclor Química de Alagoas Ltda. (“Alclor”) and Braskem Petroquímica filed lawsuits claiming credits arising from amounts unduly paid to Eletrobras as compulsory loan, interest and monetary adjustment.

The Superior Court of Justice (STJ) appeased the matter in favor of the taxpayers upon the judgment of RESP No. 1003955 and RESP No. 1028592 made after repetitive appeals under Article 543-C of the Civil Procedure Code, establishing this decision to all cases that address this matter. Meanwhile, through the judgment of the Interlocutory Appeal No. 735933 lodged by Eletrobras, the Federal Supreme Court (STF) consolidated the understanding of the STJ in the sense that the discussion over the matter relates to ordinary law.

In 2011, the lawsuits of Trikem S.A. and Braskem Petroquímica received final and unappealable decisions by the STJ, which exhausted the option of appealing these decisions. Accordingly, based on the opinion of its external legal advisors, the Company recognized in 2011 the corresponding credits, which, as per its understanding, are uncontested, amounting to R\$51,000 and R\$29,000, respectively, for the lawsuits of Trikem and Braskem Petroquímica. In 2012, the Company received the amount of R\$21,932 related to part of the credits of the Braskem Petroquímica lawsuit.

In 2012, the lawsuits of Copesul and Cinal also received final and unappealable decisions by the STJ. In 2013, the Alclor case received the final and unappealable judgment. The amount for 2013 of deemed uncontested in relation to the companies Copesul, Cinal and Alclor totaled R\$13,339.

The amounts recorded correspond to 60% of the total claimed and the legal counsels assess as probable the chance of obtaining a favorable outcome for receiving the remaining 40%.

On December 31, 2013, the balance of this account is R\$71,895 (2012 – R\$71,895).

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(ii) R\$137,345, from operations to hedge accounting (Note 21.2.1(b)).

16 Investments**(a) Information on investments**

	Interest in total capital		Adjusted net profit (loss)			Adjusted equity	
	Direct	total (%) - 2013 Direct and Indirect	2011	2012	for the period 2011	2013	2012
Jointly-controlled investment							
RPR	33.20	33.20	1,871	24,335	18,339	124,980	128,591
OCE	(i) 20.00	20.00	402			689	
Propilsur	49.00	49.00	(4,445)	(556)	(1,305)	109,300	109,695
Associates							
Borealis	20.00	20.00	5,492	16,102	22,307	166,746	165,459
Companhia de Desenvolvimento Rio Verde ("Codeverde")	35.97	35.97	(596)	(596)	1,561	46,342	46,342

(i) Shares acquired in July 2013 (Note 1(b.xxiii)).

(a.1) Description of jointly-controlled investments

The operations of subsidiaries and jointly-controlled investments of Braskem are as follows:

- Propilsur –installing the PP production unit in Venezuela.
- RPR –refining, processing and sale and import of oil, its byproducts and correlated products.
- OCE – purchase and sale of electricity in the spot market.

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(b) **Changes in jointly-controlled investments and investments and associates**

	Balance at Dec/2012	Capital increase	Dividends and interest on equity	Effect of results Other	Interest Gain	Currency translation adjustments	Balance at Dec/2013
Jointly-controlled investments							
Propilur	44,145			(752)		(2,993)	40,400
RPR	42,698			(1,428)	230		41,500
OCE		55		48	2	33	138
Total jointly-controlled investments	86,843	55		(2,132)	232	(2,993)	82,038

	Balance at Dec/2012	Capital increase	Dividends and interest on equity	Effect of results Other	Interest Gain (loss)	Currency translation adjustments	Balance at Dec/2013
Associates							
Borealis	31,945			1,404			33,349
Nitrocolor		38		(38)			
Total associates	31,945	38		1,404	(38)		33,349

(c) Breakdown of equity accounting results

	2013	2012	2011
Equity in results of subsidiaries, associate and jointly-controlled investments	(3,223)	(22,199)	3,892
Provision for losses on investments			(18)
Other		(3,608)	(4,917)
	(3,223)	(25,807)	(1,043)

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	Note	Land	Buildings and Improvements	Machinery, Equipment and Facilities	Projects and Stoppage in Progress	Other	
Cost		417,077	1,749,193	24,514,118	4,057,731	805,160	31,542
Accumulated depreciation/depletion			(699,935)	(9,296,148)		(370,411)	(10,366)
Balance as of December 31, 2012		417,077	1,049,258	15,217,970	4,057,731	434,749	21,176
Transfers of non-current assets held for sale							
Balance as of December 31, 2012 (adjusted)		417,077	1,049,258	15,217,970	4,057,731	434,749	21,176
Acquisitions			831	162,838	5,124,431	5,812	5,292
Capitalized financial charges	19(f)				362,528		362
Foreign currency translation adjustment		6,820	9,524	82,325	426,684	2,504	52
Transfers by concluded projects			31,178	950,857	(1,087,668)	114,188	8
Transfers to intangible					(28,653)	(76)	(28)
Other disposals, net of depreciation/depletion			(798)	(3,450)	(4,361)	(1,659)	(10)
Depreciation / depletion			(73,526)	(1,783,223)		(79,693)	(1,936)
Transfers from non-current assets held for sale	(i)	5,162	31,484	15,500	1,361	3,220	5
Non-current assets held for sale	(ii)	(151)	(790)	(15,804)	(19,147)	(1,485)	(37)
Net book value		428,908	1,047,161	14,627,013	8,832,906	477,560	25,411
Cost		428,908	1,830,245	25,671,115	8,832,906	936,228	37,699
Accumulated depreciation/depletion			(783,084)	(11,044,102)		(458,668)	(12,285)
Balance as of December 31, 2013		428,908	1,047,161	14,627,013	8,832,906	477,560	25,411

(i) Transfer of assets from Quantiq and IQAG from non-current assets held for sale

(c) Breakdown of equity accounting results

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- (ii) Transfer of assets from DAT to non-current assets held for sale

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On December 31, 2013, the main project in progress is located in Mexico, through the subsidiary Braskem Idesa (Note 20).

Braskem offered in guarantee plants, land, real estate properties and machinery and equipment to comply with the obligations assumed in financing agreements (Note 19).

(a) Impairment test for property, plant and equipment

In the preparation of the Business Plan for the 2014/2018 period, the Company's Management analyzed the prospects for the main variables that affect its activities (Note 3.6) in both domestic and international markets.

In general, the Business Plan was prepared taking into consideration that no situation that may prevent the operational continuity of Braskem's assets, both in terms of obsolescence of the industrial park and technologies employed and of legal restrictions is foreseen. Braskem's Management believes that the plants will operate at their full capacity, or close to it, within the projected period. Also, no significant changes in the Braskem's business are expected, such as a significant excess in the offer by other manufacturers that may negatively affect future sales, with the exception of the seasonal price and profitability increases and decreases, which are historically associated with the petrochemical business worldwide. Also, no new technologies or raw materials, which could negatively impact Braskem's future performance, are expected. Braskem expects to continue to operate in a regulatory environment aimed at environmental preservation, which is absolutely in line with its practices.

(c) Breakdown of equity accounting results

In view of all the analysis made throughout 2013, Braskem's Management understood that there was no need to conduct an impairment test for the assets of the Foreign Business and Chemical Distribution operating segments, as well as of the CGUs UNIB-Bahia and UNIB-Southeast. Despite this conclusion, Braskem conducted an impairment test for the assets of the Polyolefins and Vinyls operating segments and CGU UNIB-South since they are associated with goodwill from future profitability (Note 18).

18 Intangible assets

	Goodwill based on expected future profitability	Brands and Patents	Software licenses	Costumers and Suppliers Agreements	Total
Cost	3,187,722	199,367	402,396	685,890	4,475,375
Accumulated amortization	(1,128,804)	(71,141)	(183,908)	(150,556)	(1,534,409)
Balance as of December 31, 2012	2,058,918	128,226	218,488	535,334	2,940,966
Acquisitions			25,608	140	25,748
Foreign currency translation adjustment		1,394	5,365	26,469	33,228
Transfers from PP&E		7,813	20,916		28,729
Transfers from non-current assets held for sale (i)			13,246		13,246
Amortization		(11,035)	(54,987)	(63,265)	(129,287)
Net book value	2,058,918	126,398	228,636	498,678	2,912,630
Cost	3,187,722	208,574	473,560	712,499	4,582,355
Accumulated amortization	(1,128,804)	(82,176)	(244,924)	(213,821)	(1,669,725)
Balance as of December 31, 2013	2,058,918	126,398	228,636	498,678	2,912,630
Average annual rates of amortization		5.80%	8.09%	7.96%	

(i) Transfer of assets from non-current assets held for sale of Quantiq and IQAG.

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The Company's goodwill was systematically amortized until December 2008. As from 2009, it has been subject to annual impairment tests in accordance with the provisions in IAS 36. On December 31, 2013, the goodwill of the Company is allocated at the CGU of UNIB-South and at the Polyolefins and Vinyls operating segments.

The CGU UNIB-South belongs to the Basic Petrochemicals operating segment, which is divided into three CGUs. The other CGU, called UNIB-BA and UNIB-Southeast do not have goodwill allocated.

The Polyolefins operating segment is divided into two CGUs: Polyethylene and Polypropylene. Part of the industrial plants that compose these CGUs was acquired in a business combination that resulted in a goodwill based on the future profitability of these plants. The Company's Management established that the benefits from the synergy of this transaction should be associated with all units acquired and, therefore, the goodwill recognized is allocated and monitored at the lowest level of the corresponding group of assets, which is the Polyolefins operating segment.

In October 2013, Braskem conducted an impairment test of the goodwill using the value in use method (discounted cash flow) and did not identify any loss, as shown in the table below:

	Allocated goodwill	Cash flow (CF)	Book value (with goodwill and work capital)	CF/Book value
(c) Breakdown of equity accounting results				429

CGU and operating segments

CGU - UNIB - South	926,854	7,353,584	848,412	8.7
Operating segment - Polyolefins	939,711	12,468,556	7,658,046	1.6
Operating segment - Vinyls	192,353	3,829,542	3,237,688	1.2

The following premises were adopted to determine the discounted cash flow: cash flow for 5 years based on the Business Plan, discount rate and perpetuity rate based on the Weighted Average Cost of Capital (WACC) of 13.26% p.a. and without real growth rate.

(b) Sensitivity analysis

Given the potential impact on cash flows of the “discount rate” and the “growth rate in perpetuity”, Braskem conducted a sensitivity analysis based on changes in these variables, with cash flows shown in the table below:

	+0,5% on discount rate	-0,5% on growth rate to perpetuity
CGU and operating segments		
CGU - UNIB - South	6,702,392	7,042,942
Operating segment - Polyolefins	11,223,392	11,864,605
Operating segment - Vinyls	3,434,515	3,638,822

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		Annual financial charges	Average interest (unless otherwise stated)	2013	2012
		Monetary restatement			
<u>Foreign currency</u>					
Bonds and Medium term notes (MTN)	Note 19 (a)	Note 19 (a)		10,432,526	9,278,759
Advances on exchange contracts	US dollar exchange variation	0.60%		117,132	173,939
Export prepayment BNDES	Note 19 (b)	Note 19 (b)		540,744	513,610
Export credit notes	Note 19 (c)	Note 19 (c)		453,065	495,260
Working capital	Note 19 (d)	Note 19 (d)		843,060	787,687
	US dollar exchange variation	1.77% above Libor		633,632	
Other	US dollar exchange variation	4.00% above Libor		1,268	917,283
Other	Exchange variation (UMBNDDES)	6.06%			768
Transactions costs				(81,375)	(60,285)
<u>Local currency</u>					
Export credit notes BNDES	Note 19 (d)	Note 19 (d)		2,528,077	2,384,414
BNB/ FINAME/ FINEP/ FUNDES	(i) Note 19 (c)	Note 19 (c)		2,464,987	2,381,892
	(i)	6.51%		658,372	605,273
	(i) TJLP	0.35%		16,093	25,746
(c)	Breakdown of equity accounting results				431

BNB/ FINAME/ FINEP/ FUNDES			
Other	2.87%		7,292
Transactions costs		(5,090)	
Total		18,602,491	17,511,638
Current liabilities		1,248,804	1,836,028
Non-current liabilities		17,353,687	15,675,610
Total		18,602,491	17,511,638

(i) Governmental financial companies

(a) Bonds and MTN

Issue date	Issue amount (US\$ in thousands)	Maturity	Interest (% per year)	2013	2012
July 1997	250,000	June 2015	9.38	152,328	134,175
January 2004	250,000	January 2014	11.75	178,897	169,609
September 2006 (i)	275,000	January 2017	8.00	305,006	275,270
June 2008 (i)	500,000	June 2018	7.25	1,000,375	1,026,894
May 2010 (i)	400,000	May 2020	7.00	940,780	820,621
May 2010	350,000	May 2020	7.00	828,360	722,596
October 2010	450,000	no maturity date	7.38	1,072,742	935,776
April 2011	750,000	April 2021	5.75	1,772,070	1,545,798
July 2011	500,000	July 2041	7.13	1,207,927	1,053,701
February 2012	250,000	April 2021	5.75	592,666	516,995
February 2012	250,000	no maturity date	7.38	595,968	519,876
May 2012	500,000	May 2022	5.38	1,181,443	1,030,598
July 2012	250,000	July 2041	7.13	603,964	526,850
Total	4,975,000			10,432,526	9,278,759

(i) Partially liquidated in February 2014 (Nota 40).

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Issue date		Initial amount of the transaction (US\$ thousand)	Maturity Charges (% per year)	2013
May 2010	(i)	150,000	May-2015 US dollar exchange variation + semiannual Libor + 2.40	
December 2010		100,000	December-2017 US dollar exchange variation + semiannual Libor + 2.47	118,505
January 2013		200,000	November-2022 US dollar exchange variation + semiannual Libor + 1.10	422,239
Total		450,000		540,744

(i) On September 30, 2013, Braskem Europe maintained an investment of US\$150,000 thousand to offset this operation (Note 8).

(c) BNDES borrowings

Projects	Issue date	Maturity Charges (% per year)	2013
<u>Foreign currency</u>			
Other	2006	October-2016 US dollar exchange variation + 6.47	6,533
Other	2006	January-2013 Monetary variation (UMBNDDES) + 5.46	
Limit of credit UNIB-South	2006	July-2014 US dollar exchange variation + 5.46 to 5.66	1
Braskem Qpar expansion	2006/2007/2008	April-2016 US dollar exchange variation + 6.32 to 6.47	10,389
Braskem Qpar expansion	2006/2007/2008	January-2015 Monetary variation (UMBNDDES) + 6.29	
Limit of credit I	2007	April-2015 US dollar exchange variation + 4.96 to 5.85	4
Green PE	2009	July-2017 US dollar exchange variation + 6.25	39,838

(c) Breakdown of equity accounting results 433

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Limit of credit II	2009	January-2017 US dollar exchange variation + 6.25	80,826	9
New plant PVC Alagoas	2010	January-2020 US dollar exchange variation + 6.25	115,082	10
Limit of credit III	2011	October-2018 US dollar exchange variation + 6.09 to 6.12	159,917	14
Butadiene	2011	January-2021 US dollar exchange variation + 6.12	40,480	2
			453,065	49
<u>Local currency</u>				
Other	2006	September-2016 TJLP + 2.80	49,294	6
Limit of credit UNIB-South	2006	May-2014 TJLP + 2.02 to 2.32		4
Braskem Qpar expansion	2006/2007/2008	February-2016 TJLP + 2.15 to 3.30	75,867	19
Limit of credit I	2007	April-2015 TJLP + 1.81 to 2.32		17
Green PE	2008/2009	June-2017 TJLP + 0.00 to 4.78	280,631	41
Limit of credit II	2009	January-2017 TJLP + 2.58 to 3.58	240,915	31
Limit of credit II	2009	January-2017 4.50	10,763	1
New plant PVC Alagoas	2010	December-2019 TJLP + 0.00 to 3.58	352,364	35
New plant PVC Alagoas	2010	December-2019 5.50	40,091	4
Limit of credit III	2011	October-2019 TJLP + 0.00 to 3.58	969,715	58
Limit of credit III	2011	October-2019 SELIC + 2.58	82,362	
Limit of credit III	2011	November-2019 3.50 to 5.50	228,583	6
Butadiene	2011	December-2020 TJLP + 0.00 to 3.45	134,402	11
			2,464,987	2,38
Total				2,918,052 2,87

In December 2011, BNDES approved a new revolving credit line limit for the Company in the total amount of R\$2.5 billion, which may be used for 5 years as from the date it is contracted. The funds are being used in the Company's investment plan. As of December 31, 2013, a total of R\$1.5 billion has been released, of which R\$724 million was released in 2013.

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Issue date		Initial amount of the transaction	Maturity Charges (% per year)	2013	2012
<u>Foreign currency</u>					
November 2006		167,014	May 2018 Us dollar exchange variation + 8.10	184,778	161,150
April 2007		101,605	March 2018 Us dollar exchange variation + 7.87	119,255	104,029
May 2007		146,010	May 2019 Us dollar exchange variation + 7.85	176,806	154,298
January 2008		266,430	February 2020 Us dollar exchange variation + 7.30	362,221	315,973
March 2008	(i)	41,750	March 2016 Us dollar exchange variation + 7.50		52,237
		722,809		843,060	787,687
<u>Local currency</u>					
April-2010	(ii)	50,000	October-2021 105% of CDI	50,880	65,678
June-2010	(ii)	200,000	October-2021 105% of CDI	203,521	256,471
February-2011	(ii)	250,000	October-2021 105% of CDI	203,521	297,434
April-2011	(iii)	450,000	April-2019 112.5% of CDI	459,408	456,876
June-2011	(ii)	80,000	October-2021 105% do CDI	81,408	91,563
August-2011	(iii)	400,000	August-2019 112.5% of CDI	403,513	402,527
January-2012		200,000	December-2013 103% of CDI		217,320
June-2012	(ii)	100,000	October-2021 105% of CDI	101,761	103,818
September-2012	(ii)	300,000	October-2021 105% of CDI	305,282	305,684
October-2012	(ii)	85,000	October-2021 105% of CDI	86,496	86,419
November-2012		100,000	November-2013 106% of CDI		100,624
February-2013	(iv)	100,000	February-2016 8.00	101,183	
February-2013	(iv)	50,000	February-2016 7.50	50,505	
February-2013	(iv)	100,000	February-2016 8.00	101,010	

(c) Breakdown of equity accounting results

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February-2013	(iv)	50,000	February-2016 8.00	50,440
February-2013	(iv)	100,000	February-2016 8.00	100,923
March-2013	(iv)	50,000	March-2016 8.00	50,257
March-2013	(iv)	17,500	March-2016 8.00	17,583
August-2013	(iv)	10,000	August-2016 8.00	10,129
December-2013		150,000	December-2016 8.00	150,257
Total		2,842,500		2,528,077 2,384,414

- (i) Financing paid in advance in September 2013.
- (ii) Maturities and charges on these operations were renegotiated in October 2013.
- (iii) The Company enters into swap transactions to offset the variation in the Interbank Certificate of Deposit (CDI) rate.
- (iv) The Company entered into swap transactions for these contracts (77.52% to 92.70% of CDI).

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The maturity profile of the long-term amounts is as follows:

	2013	2012
2014		1,759,551
2015	1,121,998	1,515,498
2016	1,738,496	1,092,519
2017	1,576,790	715,362
2018	1,881,848	1,512,383
2019	1,479,686	1,146,166
2020	2,366,125	1,884,761
2021	2,561,516	2,059,513
2022	1,248,355	1,042,067
2023	1,676	
2024		
2025 and thereafter	3,377,197	2,947,790
Total	17,353,687	15,675,610

(f) Capitalized financial charges - consolidated

The Company capitalized financial charges in the year ended December 31, 2013 in the amount of R\$362,528 (2012 - R\$162,227), including monetary variation and part of the exchange variation. The average rate of these charges in the year was 7.40% p.a. (2012 - 6.98% p.a.).

(g) Guarantees

Braskem gave collateral for part of its borrowings as follows:

Loans	Maturity	Total debt 2013	Total guaranteed	Guarantees
BNB	March-2023	341,051	341,051	Mortgage of plants, pledge of machinery and equipment
BNDES	January-2021	2,918,052	2,918,052	Mortgage of plants, land and property, pledge of machinery and equipment
FUNDES	June-2020	207,694	207,694	Mortgage of plants, land and property, pledge of machinery and equipment
FINEP	August-2023	122,255	122,255	Bank surety
FINAME	February-2022	3,465	3,465	Pledge of equipment
Total		3,592,517	3,592,517	

(h) Financial covenants

The Company has not entered into financing agreements that establish limits for certain indicators related to the capacity to contract debt and pay interest.

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20 Project finance

Braskem Idesa is constructing a plant in Mexico (Ethylene XXI Project), with capacity to produce around 750 kton of high-density polyethylene and 300 kton of low-density polyethylene using ethane as feedstock. The raw material will be supplied through an agreement with PEMEX-Gás for delivery of 66,000 barrels of ethane per day for 20 years.

In line with the Company's financial policy, the investment is being financed under the Project finance mode, whereby the project loan must be paid exclusively with the cash generated by the project itself and shareholders provide limited guarantees (limited recourse project finance). Thus, this financing has the usual guarantees of this type of operation such as assets, receivables, cash generation and other rights from the project, as well commitments by shareholders to inject a limited amount of capital to provide for eventual additional costs thereof.

The financing structure was concluded in December 2012, at the ratio of 70% debt and 30% equity. The total financing contracted to meet construction expenses and start project operation was US\$3,193,095 thousand. In 2013, a total of R\$4,562,343 (US\$2,030,812) thousand was released. A portion of these funds was used to settle the amounts lent by shareholders Braskem (without impact to the consolidated information) and Grupo Idesa, totaling R\$1,449,826 (US\$648,750 thousand) and R\$483,276 (US\$216,250 thousand), respectively.

Braskem Idesa capitalized the interest on this financing, since its funding through December 31, 2013, in the amount of R\$69,097 (MXN\$391,915 thousand). The average interest rate was 4.88% p.a.

The breakdown of charges and final maturities is as follows:

(c) Breakdown of equity accounting results

Identification	Contract value	Value received		Maturity Charges (% per year)
	US\$ thousands	US\$ thousands		
Project finance I	700,000	484,847	February-2027	Us dollar exchange variation + quarterly Libor + 3.25
Project finance II	210,000	51,422	February-2027	Us dollar exchange variation + 6.17
Project finance III	600,000	263,264	February-2029	Us dollar exchange variation + 4.33
Project finance IV	660,000	551,173	February-2029	Us dollar exchange variation + quarterly Libor + 3.88
Project finance V	400,000	277,055	February-2029	Us dollar exchange variation + quarterly Libor + 4.65
Project finance VI	90,000	33,811	February-2029	Us dollar exchange variation + quarterly Libor + 2.73
Project finance VII	533,095	369,242	February-2029	Us dollar exchange variation + quarterly Libor + 4.64
Transactions costs				
Total	3,193,095	2,030,814		
Current liabilities				
Non-current liabilities				
Total				

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The maturity profile of this long-term financing, by year of maturity, is as follows:

	2013	2012
2016	85,068	
2017	254,883	
2018	313,944	
2019	327,391	
2020	389,584	
2021	447,535	
2022	377,156	
2023	493,770	
2024	534,866	
2025 and thereafter	1,481,464	
Total	4,705,661	

In accordance with the Company's risk management strategy and based on its financial policy, the Management contracted and designated derivative operations under hedge accounting (Note 21.2.1 (c.ii)) in order to offset the change in future debt-related financial expenses caused by the fluctuation of the Libor rate.

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	Note	Classification by category	Fair value hierarchy	Book value		Fair value	
				2013	2012	2013	2012
Cash and cash equivalents	7						
Cash and banks		Loans and receivables		987,824	398,142	987,824	398,142
Financial investments in Brazil		Held-for-trading	Level 2	687,938	393,348	687,938	393,348
Financial investments in Brazil		Loans and receivables		1,218,852	899,816	1,218,852	899,816
Financial investments abroad		Held-for-trading	Level 2	1,441,245	1,596,316	1,441,245	1,596,316
				4,335,859	3,287,622	4,335,859	3,287,622
Financial investments	8						
FIM Sol investments		Held-for-trading	Level 2	61,670	50,803	61,670	50,803
Investments in foreign currency		Held-for-trading	Level 2	3,773	5,256	3,773	5,256
Investments in foreign currency		Held-to-maturity		189	15,731	189	15,731
Shares		Held-for-trading	Level 1	1,170	3,023	1,170	3,023
FIM Sol investments		Loans and receivables			77,469		77,469
Investments in national currency		Loans and receivables			513		513
Quotas of receivables investment fund		Held-to-maturity		40,696	52,559	40,696	52,559

Restricted deposits		Held-to-maturity		1,281		1,281	
			107,498	206,635	107,498	206,635	
Trade accounts receivable	9	Loans and receivables	2,872,395	2,364,222	2,872,395	2,364,222	
Related parties credits	11	Loans and receivables	258,136	141,539	258,136	141,539	
Other receivables							
Disposal of shareholdings		Loans and receivables		652,100		652,100	
Trade payables		Other financial liabilities	10,421,687	8,999,491	10,421,687	8,999,491	
Borrowings	19						
Foreign currency - Bond		Other financial liabilities	Level 1	10,432,526	9,278,759	10,241,359	10,032,553
Foreign currency - other borrowings		Other financial liabilities		2,588,901	2,888,547	2,588,901	2,888,547
Local currency		Other financial liabilities		5,667,529	5,404,617	5,667,529	5,404,617
				18,688,956	17,571,923	18,497,789	18,325,717
Project finance	20	Other financial liabilities		4,782,602		4,782,602	
Other payables							
Creditors for the acquisitions of shares		Other financial liabilities		275,743	256,030	275,743	256,030
Accounts payable to non-controlling		Other financial liabilities		341,993	260,649	341,993	260,649
				617,736	516,679	617,736	516,679

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(a) Fair value

The fair value of financial assets and liabilities is estimated as the amount for which a financial instrument could be exchanged in an arm's length transaction and not in a forced sale or settlement. The following methods and assumptions were used to estimate the fair value:

(i) held-for-trading and available-for-sale financial assets are measured in accordance with the fair value hierarchy (Level 1 and Level 2), with inputs used in the measurement processes obtained from sources that reflect the most recent observable market prices.

(ii) trade accounts receivable and trade payables approximate their respective carrying amount due to the short-term maturity of these instruments.

(iii) the fair value of related parties is the same as the carrying amount.

(iv) the fair value of borrowings is estimated by discounting future contractual cash flows at the market interest rate, which is available to Braskem in similar financial instruments.

(v) the fair value of debentures is obtained through secondary market prices disclosed by ANDIMA (National Association of Financial Market Institutions).

(c) Breakdown of equity accounting results

(b) Fair value hierarchy

The Company adopts IFRS 7 for financial instruments that are measured in the balance sheet, this requires disclosure of measurements by level of the following fair value measurement hierarchy:

Level 1 – fair value obtained through prices quoted (without adjustments) in active markets for identical assets or liabilities, such as the stock exchange; and

Level 2 – fair value obtained from discounted cash flow models, when the instrument is a forward purchase or sale or a swap contract, or valuation models of option contracts, such as the Black-Scholes model, when the derivative has the characteristics of an option.

The valuation assumptions (inputs to models) are obtained from sources that reflect the most recent observable market prices, particularly the curves of interest and future currency quotes disclosed by the Commodities & Futures Exchange, the spot exchange rate disclosed by the Central Bank of Brazil and the foreign interest curves disclosed by well-known quoting services such as Bloomberg or Reuters.

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21.2 Financial instruments designated and not designated for hedge accounting

Financial instruments designated and not designated for hedge accounting are presented in the balance sheet at their fair value in an asset or liability account depending on whether the fair value represents a positive or a negative balance to Braskem, respectively. Financial instruments are necessarily classified as "held-for-trading". The regular changes in the fair value are recognized as financial income or expense in the period in which they occur, except when designated and qualified for hedge accounting.

All financial instruments held at December 31, 2013 were contracted on Over the Counter - OTC markets with large financial counterparties under global derivative contracts in Brazil or abroad and its fair value is classified as Level 2.

Braskem's Financial Policy provides for a continuous short-term hedging program for foreign exchange rate risk arising from its operations and financial items. The other market risks are addressed on a case-by-case basis for each transaction. In general, Braskem assesses the need for hedging in the analysis of prospective transactions and seeks to customize the hedge for each operation and keeps it in place for the whole period of the hedged transaction.

Braskem may elect derivatives as hedges for the application of hedge accounting in accordance with IAS 39-32 and IFRS 7. The hedge designation is not mandatory. In general, Braskem will elect to designate financial instruments as hedges when the application is expected to provide a significant improvement in the presentation of the offsetting effect on the changes in the hedged items.

21.2.1 Changes in derivative financial instruments designated and not designated for hedge accounting

(c) Breakdown of equity accounting results

Identification	Note	Fair value hierarchy	Operation characteristics		Balance at 2012	Change in fair value
			Principal exposure	Derivatives		
<u>Non-hedge accounting transactions</u>						
Non-deliverable forward ("NDF") - ethanol		Level 2	Real	Dollar	1,791	5
Commodity swap - Naphtha	21.2.1 (a.i)	Level 2	Fixed price	Variable price		(287)
Commodity swap - Naphtha	21.2.1 (a.i)	Level 2	Fixed price	Variable price		(1,080)
Contract for the future purchase - ethanol		Level 1	Fixed price	Variable price	2	
Exchange swap		Level 2	Dollar	CDI	4,968	(1,688)
Interest rate swaps	21.2.1 (a.ii)	Level 2	Fixed rate	CDI		18,45
Deliverable Forward	21.2.1 (c.i.i)	Level 2	Mexican peso	Dollar		65,11
Deliverable Forward	21.2.1 (c.i.ii)	Level 2	Euro	Dollar		(8,801)
					6,761	71,77
<u>Hedge accounting transactions</u>						
Exchange swap	21.2.1 (b.i)	Level 2	CDI	Dollar	286,617	68,20
Commodity swap - ethylene	21.2.1 (b.ii)	Level 2	Variable price	Fixed price		(69)
Commodity swap - PGP	21.2.1 (b.ii)	Level 2	Fixed price	Variable price		(59)
Interest rate swaps	21.2.1 (c.ii.i)	Level 2	Libor	Dollar		(116,476)
					286,617	(48,402)
Current assets (other receivables)						
Non current assets (other receivables)						
Current liabilities (derivatives operations)					293,378	
Non current liabilities (derivatives operations)						
					293,378	

The counterparties in these contracts are daily monitored based on the analysis of their respective ratings and Credit Default Swaps – CDS. Braskem has many bilateral risk mitigators in its derivative contracts, such as the possibility of depositing or requesting deposits of a guarantee margin from the counterparties it deems convenient. On December 31, 2013, the Company had security deposits related to NCE currency swaps (Note 21.2.1(a.ii)) amounting to R\$244,832.

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The Company has operations that were not designated as hedge accounting since the risks posed to the principals protected are satisfactorily represented by the coinciding results from the variation in the exposure indexes of the principal and the variation in the fair value.

The regular changes in the fair value of these swaps are recorded as financial income or expenses in the same period in which they occur. In the fiscal year ended December 31, 2013, the Company recognized a financial expense of R\$15,455.

(a.i) Commodity swap - Naphtha

Braskem made a single operation of resin at a fixed price sale to a final customer. With the goal of preserving its margin, potentially affected by the fluctuation in the price of naphtha, were made four future purchase contracts at a fixed price of this raw material, as shown below:

Identification	Nominal value US\$ thousands	Fixed price - US\$/Ton (hedge)	Maturity	Fair value	
				2013	2012
Commodity swap - naphtha	477	830,000	February-2014	(144)	
Commodity swap - naphtha	477	830,000	March-2014	(127)	

(c) Breakdown of equity accounting results 448

Commodity swap - naphtha	477	830,000	April-2014	(112)
Commodity swap - naphtha	425	830,000	May-2014	(87)
Total	1,856			(470)
Current assets (other receivables)				(470)
Total				(470)

(a.ii) Interest rate swap linked to NCE

The Braskem S.A. has contracted financing facilities in the form of NCE (Note 19(d)) with fixed interest payments. Considering that the cash in Brazilian real is largely invested in the overnight rate (CDI)-indexed investments, the company contracted swaps to match financial charges with cash yields.

Identification	Nominal value	Interest rate (hedge)	Maturity	Fair value	
				2013	2012
Swap NCE I	100,000	90.65% CDI	February-2016	4,086	
Swap NCE II	50,000	88.20% CDI	February-2016	2,243	
Swap NCE III	100,000	92.64% CDI	February-2016	4,435	
Swap NCE IV	50,000	92.70% CDI	February-2016	2,315	
Swap NCE V	100,000	91.92% CDI	February-2016	4,407	
Swap NCE VI	50,000	92.25% CDI	March-2016	2,310	
Swap NCE VII	17,500	91.10% CDI	March-2016	765	
Swap NCE VIII	10,000	77.52% CDI	August-2016	190	
Total	477,500			20,751	
Current liabilities (derivatives operations)				20,751	
Total				20,751	

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In line with the Company's risk management strategy and based on its financial policy, the Management contracted swap operations to offset the interest rate and currency risks arising from the financings mentioned in Note 19(d), by maintaining its exposure to long-term financial liabilities in the U.S. dollar.

Identification			Interest rate	Maturity	Fair value	
	Nominal value	US\$ mil	(hedge)		2013	2012
Swap NCE I	200,000	122,100	5.44%	August 2019	101,904	82,812
Swap NCE II	100,000	60,187	5.40%	August 2019	48,414	39,008
Swap NCE III	100,000	59,588	5.37%	August 2019	46,642	37,333
Swap NCE IV	100,000	56,205	5.50%	April 2019	39,005	29,904
Swap NCE V	100,000	56,180	5.50%	April 2019	38,939	29,250
Swap NCE VI	150,000	82,372	5.43%	April 2019	52,745	38,585
Swap NCE VII	100,000	58,089	4.93%	April 2019	39,910	29,725
Total	850,000	494,721			367,559	286,617
Current assets (other receivables)					(28,481)	
Current liabilities (derivatives operations)						286,617

(c) Breakdown of equity accounting results

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Non Current liabilities (derivatives operations)	396,040	
Total	367,559	286,617

Prior to designating these swaps as hedge accounting, on May 1, 2013, the Company had recognized financial income of R\$43,651 as profit for the fiscal year. After the recognition of this designation, an expense of R\$111,853, relating to changes in the fair value of these swaps since the designation until December 31, 2013, was recognized.

(b.ii) Commodity swap – Ethylene and PGP

To reduce the volatility of its results, the subsidiary Braskem America decided to swap the part of the ethylene used in the production of PP copolymers for Polymer Grade Propylene (PGP), which is the main factor influencing the price of this resin. For this purpose, the company contracted 2 operations with derivatives for the same terms and volumes.

In the first operation, the ethylene cost was fixed:

Identification	Nominal value US\$ thousands	Hedge		Fair value	
		Cents/Pound	Maturity	2013	2012
Commodity swap - ethylene	285	0.57	January-2014	(6)	
Commodity swap - ethylene	285	0.57	February-2014	(10)	
Commodity swap - ethylene	285	0.57	March-2014	(13)	
Commodity swap - ethylene	285	0.57	April-2014	(15)	
Commodity swap - ethylene	285	0.57	May-2014	(13)	
Commodity swap - ethylene	285	0.57	June-2014	(12)	
Total	1,710			(69)	
Current assets (other receivables)				(69)	
Total				(69)	

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To preserve its margin, potentially affected by the fluctuation in resin prices, it contracted a swap operation that makes the cost variable on account of the PGP, as follows:

Identification	Nominal value US\$ thousands	Hedge		Fair value	
		Cents/Pound	Maturity	2013	2012
Commodity swap - PGP	385	0.77	January-2014	41	
Commodity swap - PGP	390	0.78	February-2014	53	
Commodity swap - PGP	390	0.78	March-2014	53	
Commodity swap - PGP	365	0.73	April-2014	(6)	
Commodity swap - PGP	340	0.68	May-2014	(64)	
Commodity swap - PGP	310	0.62	June-2014	(136)	
Total	2,180			(59)	
Current assets (other receivables)				(59)	
Total				(59)	

On the date of contracting the derivative, the operations were designated as hedge accounting. Thus, the Company recognized income of R\$128 in shareholders' equity, relating to the variation in the fair value of these swaps.

(b.iii) Non-derivative liabilities designated for export hedge accounting

On May 1, 2013, Braskem S.A. designated non-derivative financial instrument liabilities, denominated in U.S. dollars, as hedge for the flow of its highly probable future exports. Thus, the impact of exchange rates on future cash flows in dollars derived from these exports will be offset by the foreign exchange variation on the designated liabilities, partly

eliminating the volatility of results.

The Company considers the flow covered as highly probable based, on the following factors:

- Historically, annual export volumes represent three to four times the annual amount covered; In the past 5 years, Braskem S.A. recorded average exports of US\$2.4 billion annually, supporting the export amounts underlying the hedge; and
- The flow covered varies between 15% and 30% of the export flows planned by the Company;

The Company designated longer export flows than the financial liabilities that hedge them. However, to analyze the effectiveness of the operations, the export flows will be considered only until the date of maturity of the underlying debt.

Nevertheless, to ensure continuity of the relation and strategy of the proposed hedge, the Company plans to refinance and/or substitute these hedging instruments according to their maturity, in accordance with IAS 39.

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On December 31, 2013, the following non-derivative financial liabilities were designated as guarantee for the hedge, considering the scope of the consolidated balance sheet:

Identification	Maturity	Hedge	Nominal value US\$ thousands	Financial liabilities	
				Balance at 2013	Balance at 2012
<u>Operations designated for hedge accounting</u>					
Bond	2016	Dollar	78,893	184,814	
Trade payables	2016	Dollar	760,551	1,781,674	
Bond	2017	Dollar	213,220	499,489	
Foreign currency borrowings	2017	Dollar	72,632	170,148	
Trade payables	2017	Dollar	543,833	1,273,982	
Bond	2018	Dollar	340,455	797,550	
Trade payables	2018	Dollar	439,275	1,029,046	
Bond	2019	Dollar	315,483	739,051	
Trade payables	2019	Dollar	378,712	887,170	
Advance on exchange contracts	2019	Dollar	47,949	112,325	
Bond	2020	Dollar	460,001	1,077,599	
Foreign currency borrowings	2020	Dollar	39,923	93,523	
Trade payables	2020	Dollar	120,076	281,291	
Export prepayments	2020	Dollar	104,000	243,630	
Bond	2021	Dollar	480,001	1,124,450	
Foreign currency borrowings	2021	Dollar	99,999	234,257	
Trade payables	2021	Dollar	10,001	23,428	
Export prepayments	2021	Dollar	126,000	295,168	
Bond	2022	Dollar	363,656	851,901	
Trade payables	2022	Dollar	2,344	5,490	
Credit note export	2022	Dollar	353,000	826,938	
Bond	2023	Dollar	698,372	1,636,005	
Trade payables	2023	Dollar	20,000	46,852	
Bond	2024	Dollar	681,199	1,595,776	

Trade payables	2024	Dollar	7,656	17,934
			6,757,231	15,829,491

The amounts of the operations designated for hedge accounting booked in shareholders' equity are described below:

	Balance at 2012	Addition	Reversion	Balance at 2013
Exchange variation of foreign sales hedge		2,303,540		2,303,540
Income tax and social contribution on foreign sales hedge		(783,204)		(783,204)
Fair value of cash flow hedges, net of taxes		1,520,336		1,520,336

(c) Hedge operations by Braskem Idesa related to project finance

The hedge operations of Braskem Idesa follow the same mode as project finance, whereby the project loan must be paid exclusively with the cash generated by the project itself and shareholders provide limited guarantees (limited recourse project finance) (Note 20).

(c.i) Operations not designated for hedge accounting

The periodic changes in the fair value of swaps are recorded as financial income or expense in the same period in which they occur. In the year ended December 31, 2013, the Company recognized a financial expense of R\$56,316.

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Braskem Idesa contracted currency purchase transactions through futures contracts to hedge its future obligations in Mexican peso (local trade payables, payroll, taxes and etc.). Since the cash of this subsidiary is maintained in U.S. dollar, these operations were contracted to ensure cash flow balance.

Identification	Nominal value US\$ thousands	Foreign exchange		Fair value	
		(hedge)	Maturity	2013	2012
Deliverable Forward	41,020	13.1120	jan-2014	3,620	
Deliverable Forward	35,453	13.1428	feb-2014	3,815	
Deliverable Forward	39,206	13.1742	mar-2014	4,065	
Deliverable Forward	42,391	13.1998	apr-2014	3,468	
Deliverable Forward	32,410	13.2305	jun-2014	3,164	
Deliverable Forward	36,844	13.2645	jun-2014	3,624	
Deliverable Forward	36,839	13.2953	jul-2014	3,612	
Deliverable Forward	33,627	13.3273	sep-2014	3,281	
Deliverable Forward	30,750	13.3544	sep-2014	2,988	
Deliverable Forward	30,079	13.3871	oct-2014	2,923	
Deliverable Forward	27,843	13.4200	dec-2014	2,707	
Deliverable Forward	24,091	13.4519	dec-2014	2,344	
Deliverable Forward	22,522	13.4906	feb-2014	2,202	
Deliverable Forward	18,209	13.5217	mar-2015	1,788	
Deliverable Forward	15,394	13.5551	mar-2015	1,519	
Deliverable Forward	9,703	13.5896	apr-2015	961	
Deliverable Forward	5,299	13.6264	jun-2015	525	
Deliverable Forward	3,191	13.6598	jun-2015	317	

Deliverable Forward	1,769	13.6952	jul-2015	176
Deliverable Forward	1,840	13.7306	aug-2015	181
Total	488,480			47,280

Current liabilities (derivatives operations)				47,280
Total				47,280

(c.i.ii) Currency futures contract - Euro

Braskem Idesa contracted currency purchase transactions through futures contracts to hedge its future obligations in euro (trade payables). Since the cash of this subsidiary is maintained in U.S. dollar, these operations were contracted to ensure cash flow balance.

Identification	Nominal value US\$ thousands	Foreign exchange		Fair value	
		(hedge)	Maturity	2013	2012
Deliverable Forward	8,485	1.3053	January-2014	(1,119)	
Deliverable Forward	6,096	1.3059	January-2014	(801)	
Deliverable Forward	7,839	1.3066	March-2014	(1,020)	
Deliverable Forward	3,287	1.3068	March-2014	(426)	
Deliverable Forward	6,501	1.3079	June-2014	(831)	
Deliverable Forward	6,555	1.3089	July-2014	(825)	
Total	38,763			(5,022)	
Current assets (other receivables)				(5,022)	
Total				(5,022)	

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On December 31, 2013, Braskem Idesa held 6 interest rate swap contracts for a nominal value of US\$1,312,892 thousand, contracted on the future disbursements of the Project Finance (Note 20) contracted in U.S. dollar at floating rates (based on Libor). In these swaps, Braskem Idesa receives floating rates (Libor) and pays fixed rates periodically, coinciding with the financing cash flows. The objective of these swaps is to offset the changes in the future financial expenses from debt caused by changes in the Libor rate. The term, amount, settlement dates and floating interest rates coincide with the terms of the Project Finance.

Identification	Nominal value US\$ thousands	Interest rate		Fair value	
		(hedge)	Maturity	2013	2012
Swap Libor I	299,996	1.9825%	May-2025	(25,124)	
Swap Libor II	299,996	1.9825%	May-2025	(25,213)	
Swap Libor III	299,996	1.9825%	May-2025	(25,213)	
Swap Libor IV	129,976	1.9825%	May-2025	(10,924)	
Swap Libor V	132,996	1.9825%	May-2025	(11,178)	
Swap Libor VI	149,932	1.9825%	May-2025	(12,601)	
Total	1,312,892			(110,253)	
Non-Current assets (other receivables)				(137,345)	
Current liabilities (derivatives operations)				27,092	
Total				(110,253)	

Before designating these swap operations as hedge accounting, on September 1, 2013, the Company recognized financial income of R\$116,007 as profit in the fiscal year. After recognizing such designation, in shareholders' equity, the Company recognized financial expense of R\$469 relating to changes in the fair value of these swaps since the designation through December 31, 2013.

(d) Estimated maximum loss

On December 31, 2013 the amount at risk of the derivatives held by Braskem, which is defined as the highest loss that could result in one month and in 95% of the cases under normal market conditions, was estimated by the Company at R\$31,045 (US\$13,252 thousand) for the NCE swap designated for hedge accounting and R\$1,773 for the NCE swap that is not designated for hedge accounting.

The value at risk of derivatives related to the Ethylene XXI Project in Mexico in 95% of the cases, under normal market conditions, was estimated at R\$23,101 (US\$9.861 thousand) for the Libor derivative and R\$3,342 (US\$1.426 thousand) for the derivative of Mexican pesos.

21.3 Credit quality of financial assets

(a) Trade accounts receivable

Virtually none of Braskem's clients have risk ratings assigned by credit rating agencies. For this reason, Braskem developed its own credit rating system for all accounts receivable from domestic clients and for part of the accounts receivable from foreign clients. Braskem does not apply this rating to all of its foreign clients because most accounts receivable from them are covered by an insurance policy or letters of credit issued by banks. On December 31, 2013, the credit ratings for the domestic market were as follows:

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	2013	2012
1Minimum risk	16.56	21.19
2Low risk	32.61	32.04
3Moderate risk	23.54	33.68
4High risk	26.26	4.23
5Very high risk (i)	1.03	8.85

(i) Most clients in this group are inactive and the respective accounts are in the process of collection actions in the courts. Clients in this group that are still active buy from Braskem and pay in advance.

Default indicators for the periods ended:

December 31, 2013	0.14%	0.13%
December 31, 2012	0.28%	0.37%
December 31, 2011	0.18%	0.43%

LTM – last 12 months

(b) Other financial assets**(c) Breakdown of equity accounting results**

In order to determine the credit ratings of counterparties in financial assets classified as cash and cash equivalents, held-for-trading, held-to-maturity and loans and receivables, Braskem uses the following credit rating agencies: Standard & Poor's, Moody's and Fitch Ratings.

	2013	2012
Financial assets with risk assessment		
AAA	3,436,378	2,484,788
AA+		190,660
AA	93,955	5
AA-		449,555
A+		120,123
A	865,105	19
A-	1,485	80,231
	4,396,923	3,325,381
Financial assets without risk assessment		
Quotas of investment funds in credit rights (i)	40,696	103,359
Sundry funds (ii)	3,773	60,356
Restricted deposits (iii)		1,281
Other financial assets with no risk assessment	1,965	3,880
	46,434	168,876
Total	4,443,357	3,494,257

- (i) Financial assets with no internal or external ratings and approved by the Management of the Company.
- (ii) Investment funds with no internal and external risk assessment whose portfolio is composed of assets from major financial institutions and that comply with Braskem's financial policy.
- (iii) Risk-free financial assets

Braskem's financial policy determines "A-" as the minimum rating for financial investments.

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21.4 Sensitivity analysis

Financial instruments, including derivatives, may be subject to changes in their fair value as a result of the variation in commodity prices, foreign exchange rates, interest rates, shares and share indexes, price indexes and other variables. The sensitivity of the derivative and non-derivative financial instruments to these variables are presented below:

(a) Selection of risks

On December 31, 2013, the main risks that can affect the value of Braskem's financial instruments are:

- Brazilian real/U.S. dollar exchange rate;
- Mexican peso/U.S. dollar exchange rate;
- Euro/U.S. dollar exchange rate;
- Libor floating interest rate;
- CDI interest rate; and
- TJLP interest rate.

(c) Breakdown of equity accounting results

For the purposes of the risk sensitivity analysis, Braskem presents the exposures to currencies as if they were independent, that is, without reflecting in the exposure to a foreign exchange rate the risks of the variation in other foreign exchange rates that could be directly influenced by it.

(b) Selection of scenarios

In accordance with CVM Instruction No. 475/08, Braskem included three scenarios in the sensitivity analysis, with one that is probable and two that represent adverse effects to the Company. In the preparation of the adverse scenarios, only the impact of the variables on the financial instruments, including derivatives, and on the items covered by hedge transactions, was considered. The overall impacts on Braskem's operations, such as those arising from the revaluation of inventories and revenue and future costs, were not considered. Since Braskem manages its exposure to foreign exchange rate risk on a net basis, adverse effects from depreciation in the Brazilian real in relation to the U.S. dollar can be offset by opposing effects on Braskem's operating results.

(b.1) Probable scenario

The *Market Readout* published by the Central Bank of Brazil on December 27, 2013 was used to create the probable scenario for the U.S. dollar/Brazilian real exchange rate and the CDI interest rate, using the reference date of December 31, 2013. The *Market Readout* presents a consensus of market expectations based on a survey of the forecasts made by various financial and non-financial institutions. According to the *Market Readout*, by the end of 2014, the U.S. dollar will appreciate 4.58% against the Brazilian real compared to the end of 2013, and the CDI rate will be 10.50%.

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The *Market Readout* does not publish forecasts for the interest rates Libor and TJLP. Therefore, Braskem considered the expectations for the CDI interest rate for determining the probable scenario for those rates, given their correspondence. The probable scenario for the TJLP is an increase of 0.5% from the current rate of 5%, in line with the size of the government's most recent decisions to increase or decrease the rate, and accompanying the forecast for the cumulative increase in the CDI rate by end-2014 of 0.50%.

(b.2) Possible and extreme adverse scenarios

For the Brazilian real/U.S. dollar and the Mexican peso/U.S. dollar exchange rates, a positive change of 25% was considered for the possible adverse scenario and of 50% for the extreme scenario based on the exchange rate on December 31, 2013.

For the Euro/U.S. dollar exchange rate, a negative change of 25% was considered for the possible adverse scenario and of 50% for the extreme scenario based on the rate on December 31, 2013.

For the Libor and CDI interest rates, a positive change of 25% was considered for the possible adverse scenario and of 50% for the extreme scenario based on their respective rates on December 31, 2013.

For the TJLP interest rate, an increase of 1% was considered for the possible adverse scenario and of 1.5% for the extreme scenario based on its rate on December 31, 2013, in accordance with the upward or downward adjustments made by the government in the rate, in this order of scale.

The sensitivity values in the table (c) below are the changes in the value of the financial instruments in each scenario. Tables (d), (e), (f), (g) and (h) show the changes in future cash flows.

(c) **Sensitivity to the Brazilian real/U.S. dollar exchange rate**

The sensitivity of each financial instrument, including derivatives and items covered by them, to the variation in the Brazilian real/US dollar exchange rate is presented in the table below:

Instrument	Probable	Possible adverse (25%)	Extreme adverse (50%)
Bonds and MTN	(478,295)	(2,608,132)	(5,216,263)
Advance on exchange contracts	(5,370)	(29,283)	(58,566)
BNDES	(20,771)	(113,266)	(226,533)
Working capital / structured operations	(67,701)	(369,173)	(738,346)
Raw material financing	(58)	(317)	(634)
Export prepayments	(24,791)	(135,186)	(270,372)
Financial investments abroad	74,884	408,340	816,679
Swaps	(93,287)	(355,034)	(675,561)

(d) **Sensitivity to the Mexican peso /U.S. dollar exchange rate**

The sensitivity of each financial instrument, including derivatives and items covered by them, to the variation in the U.S. dollar/Mexican peso exchange rate is presented in the table below:

Instrument	Probable	Possible adverse (25%)	Extreme adverse (50%)
Project finance	(65,712)	(504,931)	(1,009,862)
Deliverable Forward	(33,999)	(216,414)	(361,505)

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The sensitivity of each financial instrument, including derivatives and items covered by them, to the variation in the U.S. dollar/Euro exchange rate is presented in the table below:

Instrument	Probable	Possible adverse (25%)	Extreme adverse (50%)
Deliverable Forward	(1,466)	(23,957)	(47,914)

(f) Sensitivity of future cash flows to the Libor floating interest rate

The sensitivity of future interest income and expenses of each financial instrument, including derivatives and items covered by them, is presented in the table below. The figures represent the impact on financial income (expenses), taking into consideration the average term of the respective instrument.

Instrument	Probable	Possible adverse (25%)	Extreme adverse (50%)
Borrowings	(998)	(4,992)	(9,984)
Export prepayments	(2,102)	(10,510)	(21,020)
Swaps	1,703	(8,513)	(17,026)

(g) Sensitivity of future cash flows to the CDI interest rate**(c) Breakdown of equity accounting results**

The sensitivity of each financial instrument, including derivatives and items covered by them, to the variation in CDI interest rate is presented in the table below:

Instrument	Probable	Possible adverse (25%)	Extreme adverse (50%)
Export credit notes	(4,294)	(20,898)	(40,442)
Agricultural credit note	(39,666)	(182,183)	(329,235)
Financial investments in local currency	(9,878)	(49,376)	(98,720)

(h) Sensitivity of future cash flows to the TJLP interest rate

The sensitivity of each financial instrument, including derivatives and items covered by them, to the variation in TJLP interest rate is presented in the table below:

Instrument	Probable 5.5%	Possible adverse 6.0%	Extreme adverse 6.5%
BNDES	(43,377)	(85,661)	(126,884)
FINEP	(113)	(225)	(335)
Other governmental agents	(31)	(61)	(91)

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		2013	2012
Brazil			
	IPI	81,282	71,440
	PIS and COFINS	615	5,764
	Income tax and social contribution	52,226	54,987
	ICMS	120,941	72,435
	Federal tax payment program - Law 11,941/09	(a) 1,024,127	1,237,156
	Other	67,680	59,630
Other countries			
	Value-added tax		2,538
	Income tax		2,132
	Other	1,428	1,460
Total		1,348,299	1,507,542
Current liabilities		445,424	342,789
Non-current liabilities		902,875	1,164,753
Total		1,348,299	1,507,542

(a) Tax debt refinancing program – Law 11,941/09

In 2009, the Braskem S.A. and the subsidiaries Braskem Qpar and Braskem Petroquímica adhered to the federal tax debit refinancing program established by Law 11.941 on May 27, 2009. The associated installments were deferred over a maximum of 180 months, which is the maximum limit permitted by said law. The law also provides for the

possibility of amortizing at least 12 installments with the same reduction in penalties and interest applicable to the payment in cash of tax debits that fall under the scope of this law.

In June 2012, the Company's Management decided to pay in advance part of the installments of the Parent Braskem S.A. under the program, amortizing 72 installments at once, which amounted to R\$403,821. After applying the benefits of cash payment to the amortization, Braskem disbursed R\$301,841 on July 31, 2012. The reduction, in the amount of R\$101,980, was recognized as follows: (i) the amounts corresponding to the renegotiated tax payments, of R\$80,496, were recorded under "other operating income (expenses), net"; and (ii) their restatement by the Selic interest rate, as from the renegotiation date, was recorded under "financial results", in the amount of R\$21,484.

In September and December 2013, Brazil's Federal Revenue Service offset, through a circular, with the approval of the Management, a part of the installments of the Braskem S.A., amortizing 39 installments amounting to R\$156,484. Applying the benefits of cash payment on amortization, Braskem paid R\$8,200, used credits from the Reintegra program in the amount of R\$112,564, and other credits of R\$1,658, obtaining a discount of R\$34,062. This discount was recognized as follows: (i) the amount corresponding to the renegotiated tax installments, of R\$25,063, was recorded under "other net operating income (expenses)"; and (ii) its restatement by the Selic interest rate, from the renegotiation date, was recorded under "financial results", in the amount of R\$8,999.

Due to the reopening of the installment program, the Braskem S.A. included a few more tax dues amounting to R\$25,965, deferred for payment in up to 180 months.

As established in the rules of said installment program, Braskem will lose all the reductions of arrears charges if it fails to pay three installments, whether consecutive or not.

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	Note	2013	2012	2011
	2.1.1(b)		Revised	Revised
Income (loss) before IR and CSL and after discontinued operations		963,948	(1,802,963)	(875,221)
IR and CSL at the rate of 34%		(327,742)	613,007	297,575
Permanent adjustments to the IR and CSL calculation basis				
IR and CSL on equity in results of investees		(1,096)	(7,548)	1,112
Effects from pre-payment of taxes		8,539	27,374	13,896
IR and CSL accrued in previous years		1,236	1,652	73,773
Business combination adjustments				10,215
Other permanent adjustments		(137,847)	5,313	(37,066)
Effect of IR and CSL on results of operations		(456,910)	639,798	359,505
Breakdown of IR and CSL:				
Current IR and CSL / continued operations		(45,218)	(29,165)	(16,980)
Current IR and CSL		(45,218)	(29,165)	(16,980)
Deferred IR and CSL / continued operations		(411,692)	812,276	376,485
Deferred IR and CSL / discontinued operations			(143,313)	

(c) Breakdown of equity accounting results

Deferred IR and CSL	(411,692)	668,963	376,485
Total IR and CSL on income statement	(456,910)	639,798	359,505

Disregarded the amount of R\$61,017, which refers to the impact of the loss of subsidiaries based in countries with favored taxation, for which it was not recorded deferred income tax, the effective tax rate in 2013 would be 41.07%.

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The Braskem S.A. has subsidiaries abroad, whose nominal income tax (IR) rates differ from those in Brazil, of 34% (IR – 25% and CSL 9%), as shown below:

	Headquarters (Country)	Official rate - % 2013
Direct and Indirect subsidiaries		
Braskem America and Braskem America Finance	USA	35.00
Braskem Argentina	Argentina	35.00
Braskem Austria Finance	Austria	25.00
Braskem Chile	Chile	20.00
Braskem Alemanha	Germany	31.90
Braskem Finance and Braskem Inc	Cayman Islands*	
Braskem Idesa, Braskem Idesa Serviços and Braskem México	Mexico	30.00
Braskem Austria	Austria	25.00
Braskem Holanda	Netherland	25.00
Petroquímica Chile	Chile	20.00
Braskem Espanha	Spain	30.00
Common	British Virgin Islands*	
Lantana	Bahamas*	
Norfolk	Uruguay	25.00

(*) *Country with favored taxation – rate of 0%.*

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	Note	As of December 31, 2012 Revised	Transfers of non-current assets held for sale	Impact on the result (expense) income	Impact on the equity / (decrease) increase	As of December 31, 2012
Deferred tax - assets	2.1.1(a)					
Tax losses (IR) and negative base (CSL)		1,099,345		(83,758)		1,015,587
Goodwill amortized		31,432		(19,367)		12,065
Exchange variations		215,545		575,963		791,508
Temporary adjustments		362,198	4,112	44,594	(2,671)	408,233
Business combination		243,517		(11,478)		232,039
Pension plan		49,912		12,015		61,927
Deferred charges - write-off		60,060		(22,089)		37,971
Investments in subsidiaries				94,276		94,276
Total assets		2,062,009	4,112	590,156	(2,671)	2,653,600
		As of December 31, 2012	Transfers of non-current liabilities held for sale	Impact on the result (income) expense	Impact on the equity / (increase) decrease	As of December 31, 2012
Deferred tax - liabilities						

(c) Breakdown of equity accounting results

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Amortization of goodwill based on future profitability	586,857		56,193		643,050
Tax depreciation	391,224		150,101		541,325
Temporary differences	327,500	260	22,134	76,292	426,186
Business combination	624,817		(39,567)		585,250
Write-off negative goodwill of incorporated subsidiaries	1,781		(594)		1,187
Additional indexation PP&E	154,189		(14,032)		140,157
Hedge accounting			823,324	(823,324)	
Other	52,254		4,289		56,543
Total liabilities	2,138,622	260	1,001,848	(747,032)	2,393,698

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			2013
	Headquarters (Country)	IR-CSL Asset	IR-CS Liability
Braskem S.A.	Brazil	1,769,683	(1,095,410)
Braskem Argentina	Argentina	5,552	
Braskem Alemanha	Germany	67,910	
Braskem Idesa	Mexico	57,613	(52,554)
Braskem Petroquímica	Brazil	215,348	(129,022)
Petroquímica Chile	Chile	123	
Braskem Qpar	Brazil	532,285	(755,006)
Braskem America	USA		(361,706)
IQAG	Brazil	23	
Quantiq	Brazil	5,069	
		2,653,606	(2,393,698)

			2012
	Headquarters (Country)	IR-CSL Asset	IR-CS Liability
Braskem S.A.	Brazil	1,100,611	(1,015,743)
Braskem Argentina	Argentina	3,251	
Braskem Alemanha	Germany	17,448	(9,176)

(c) Breakdown of equity accounting results**475**

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Braskem Idesa	Mexico	24,677	
Braskem Petroquímica	Brazil	214,430	(93,256)
Petroquímica Chile	Chile	168	
Braskem Qpar	Brazil	459,914	(626,807)
Riopol	Brazil	237,944	(88,201)
Braskem America	USA	3,566	(305,439)
		2,062,009	(2,138,622)

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Deferred tax - assets	Note	December 31, 2013	2014	2015 and 2016	2017 and 2018	2019 thereafter
Tax losses (IR) and negative base (CSL)	2.18	1,015,587	66,986	390,957	398,657	158,987
Goodwill amortized	(i)	12,065	2,210	3,650	1,934	4,271
Exchange variations	(ii)	791,508				791,508
Temporary adjustments	(iii)	408,233	219,936	11,988	7,910	168,399
Business combination	(iv)	232,039				232,039
Pension plan	(v)	61,927	61,927			
Deferred charges - write-off	(vi)	37,971	16,890	21,081		
Investments in subsidiaries	(vii)	94,276	94,276			
Total assets		2,653,606	462,225	427,676	408,501	1,355,204

Deferred tax - liabilities	Note	December 31, 2013	2014	2015 and 2016	2017 and 2018	2019 thereafter
Amortization of goodwill based on future profitability	(viii)	643,050				643,050
Tax depreciation	(ix)	541,325				541,325
Temporary differences	(x)	426,186	38,743	77,486	78,518	231,439
Business combination	(xi)	585,250	40,469	80,938	80,938	382,905
Write-off negative goodwill of incorporated subsidiaries	(xii)	1,187	594	593		
Additional indexation PP&E	(xiii)	140,157	14,031	28,062	28,062	70,002
Other		56,543				56,543
Total liabilities		2,393,698	93,837	187,079	187,518	1,925,264

Basis for constitution and realization:

(c) Breakdown of equity accounting results

- (i) Goodwill recognized from merged investments amortized prior to Law 11,638/07, which are controlled in the Taxable Income Journal (LALUR). Realization is based on the tax rules for amortization.
- (ii) Exchange variation of assets and liabilities denominated in foreign currency, whose tax realization is recognized upon their receipt or settlement.
- (iii) Accounting expenses not yet deductible for calculating income tax and social contribution, whose recognition for tax purposes occurs in subsequent periods.
- (iv) Refers to: (i) tax-related goodwill generated by the acquisition of Quattor and (ii) contingencies recognized from business combinations at Quattor. Tax realization of goodwill will occur upon the merger of the investments and contingencies arising from write-offs due to the settlement or reversal of the processes involved.
- (v) Provision for the defined-benefit plan at Petros Copesul, with realization expected for 2014.
- (vi) Amounts constituted based on the deferred assets written off due to the adoption of Law 11,638/07. Tax realization is based on the application of the amortization rate used prior to the adoption of this law.
- (vii) Realization will take place in the first quarter of 2014.
- (viii) Goodwill for the future profitability of the merged companies not amortized since the adoption of Law 11,638/07. Tax realization is associated with the impairment or realization of assets related to goodwill.
- (ix) Difference between the accounting and tax depreciation rates in accordance with Normative Rule 1 of July 29, 2011.
- (x) Accounting revenues not yet taxable for calculation of income tax and social contribution, whose taxation will occur in subsequent periods.
- (xi) Added value adjustments on property, plant and equipment and intangible assets identified in business combinations at Quattor, Unipar and Petroquímica Triunfo, whose tax realization is based on the depreciation and amortization of these assets.
- (xii) Write-off of negative goodwill from the merged company Cinal, which was offered as tax based on the amortization of taxes.
- (xiii) Adjustments to the additional indexation of property, plant and equipment, whose tax realization is based on the depreciation of assets.

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Annually, the Company revises its projection of taxable income using as base the Business Plan, which is approved by the Company's Management, using as key variables those described in Note 3.1. If this projection indicates that the taxable income will not be sufficient to absorb the deferred taxes, the amount corresponding to portion of the asset that will not be recovered is written off.

23.3 Provisional Presidential Decree No. 627

On November 11, 2013, PPD 627 was passed, which introduced several provisions, notably the following: (i) revocation of the Transitional Tax System (RTT); (ii) changes to Decree-Law 1,598/77 related to Corporate Income Tax, and to the law related to Social Contribution; (iii) provision that any changes or adoption of accounting methods and criteria through administrative acts issued based on the powers granted by business law, after the publication of this PPD, will not have any implication in the calculation of federal taxes until the applicable tax law regulates the matter; (iv) inclusion of specific treatment on the taxation of profits or dividends; (v) provisions for the calculation of interest on capital; and (vi) new considerations on investments valued using the equity accounting method.

The PPD mentioned in items (i) to (iii) above came into effect in 2015. However, the Decree allows taxpayers to choose to advance the effects to 2014 as a condition for eliminating any tax effects related to dividends paid up to the date of publication of said Decree, the calculation of interest on capital and the valuation of significant investments in subsidiaries and associated companies using the equity accounting method. Though there is the possibility of the Company announcing the early adoption, the final decision on the effective exercise of said option will be taken when the PPD is made into law.

The Company conducted studies on the possible effects that could arise from the adoption of this PPD and concluded that there are no material adjustments to its financial statements of December 31, 2013.

24 Sundry provisions

	2013	2012
(c) Breakdown of equity accounting results		479

Measures to			
Provision for customers rebates	(a)	45,060	40,666
Provision for recovery of environmental damages	(b)	132,762	32,944
Judicial and administrative provisions	(c)	362,896	333,218
Other		14,832	8,847
Total		555,550	415,675
Current liabilities		105,856	52,264
Non-current liabilities		449,694	363,411
Total		555,550	415,675

(a) **Provision for client rebates**

Some sales agreements of Braskem provide for a rebate, in products, should some sales volumes be achieved within the year, six-month period or three-month period, depending on the agreement.

The rebate is monthly recognized in a provision, assuming that the minimum contractual amount will be achieved. As they are recognized based on contracts, the provisions are not subject to significant uncertainties with respect to their amount or settlement.

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Braskem has a provision for future expenses for the recovery of environmental damages in some of its industrial plants. The term estimated for this recovery is measured at present value.

(c) Judicial and administrative provisions

As presented below, Braskem maintains a provision for legal and administrative proceedings against the Company, for which the chances of loss are considered probable, and tax claims against Quattor, for which the chances of loss are considered possible on April 30, 2010, date on which the control of Quattor was acquired.

		2013	2012
Labor claims	(c.1)	125,887	75,697
Tax claims	(c.2)		
Income tax and social contribution	(i)	32,319	29,980
PIS and COFINS	(ii)	35,634	32,929
ICMS - interstate purchases	(iii)	86,233	79,688
ICMS - other	(iv)	11,432	56,974
Other		61,372	50,744

(c) Breakdown of equity accounting results

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Societary claims and other	10,019	7,206
	362,896	333,218

(c.1) Labor claims

On December 31, 2013, the Company is involved in 358 labor claims, including occupational health and security cases, which were assessed as probable losses. For these claims, the Company maintains a provision of R\$125,887, which corresponds to the expected amount of disbursement upon their resolution. The Company's legal advisors estimate that the term for the termination of these types of claims in Brazil exceeds 5 years.

The estimates related to the outcome of proceedings and the possibility of future disbursement may change in view of new decisions in higher courts. The Company's Management believes that the chances of increasing the amount of the existing provision are remote.

(c.2) Tax claims

On December 31, 2013, Braskem has recognized a provision in the amount of R\$61,372 for claims from the Brazilian tax authorities and the chances of loss for which are considered probable. On the same date, the Company has recognized a provision in the amount of R\$165,618 for these claims arising from business combination and the chances of loss for which are considered possible.

On December 31, 2013, the main tax claims for which the Company maintains a provision are the following:

(i) Income tax and social contribution

At the administrative level, the subsidiary Braskem Petroquímica is assessed for the payment of such taxes, in the amount of R\$32,319 as of December 31, 2013, represented mostly by income tax and social contribution on the foreign exchange variation in the account of investments in foreign subsidiaries in 2002. The amount of the provision recognized is based on the estimate of future disbursement made by an external legal advisor taking into consideration the case law on the matter at the administrative and judicial levels.

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There is no judicial deposit or other type of guarantee for this claim.

The Company's Management expects this case to be terminated by 2015.

(ii) PIS and COFINS taxes

The subsidiary Braskem Petroquímica is assessed for the payment of these taxes in many claims, such as:

- allegedly insufficient payment of COFINS for the period from March 1999 to December 2000, from February 2001 to March 2002, from May to July 2002 and September 2002 due to alleged calculation errors by tax authorities, of widening the tax calculation base and increasing the contribution rate envisaged in Law 9,718/98;
- offset of the COFINS dues relating to September and October 1999 using the credit resulting from the addition of 1% to the COFINS rate;
- rejection of the offset of PIS and COFINS dues relating to the period from February to April 2002 using the PIS credits under Decree-Laws 2,445 and 2,449, calculated between June 1990 and October 1995, under the argument that the time period for using said credits had expired;

(c) Breakdown of equity accounting results

- alleged non-taxation of revenue in the calculation basis of income arising from foreign exchange variations on assets, determined as a result of successive reductions in the capital of the associated company.

On December 31, 2013, the total amount involved in these claims is R\$35,634. The amount of the provision recognized is based on the estimate of future disbursement made by an external legal advisor taking into consideration the case law on the matters at the administrative and judicial levels.

Guarantees were offered for these claims in the form of bank guarantee and finished products manufactured by Braskem Petroquímica, which, together, cover the amount of the claims.

The Company's Management estimates that these cases should be terminated by 2020.

(iii) ICMS - interstate purchases

In 2009, the subsidiary Braskem Qpar was assessed by the Finance Department of the State of São Paulo for the payment, at the administrative level, of ICMS in view of:

- use of tax credits in the periods from February 2004 to August 2005, November 2005 to February 2006, and September 2006 to January 2008, arising from the bookkeeping of credits that were presented in the purchase invoices of products acquired from another company, since the operations were aimed at the export of the products and, as such, they would not be subject to ICMS;
- issue of invoices without registering the shipment of the goods from its facilities for storage; and
- non-presentation of the tax documents requested by inspection authorities.

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On December 31, 2013, the amount involved is R\$86,233. The amount of the provision recognized is based on the estimate of future disbursement made by an external legal advisor taking into consideration the case law on the matters at the administrative and judicial levels.

No judicial deposits or other types of security were accrued for this procedure.

Management estimates that this case should be terminated by 2019.

(iv) ICMS - sundry violations

The subsidiary Braskem Qpar was served a tax deficiency notice by the Finance Department of the State of São Paulo, demanding (i) the payment of ICMS tax in view of the alleged non-payment of the tax from 2002 to 2004 while carrying out interstate sales to taxpayers located in other states though the goods never left the state of São Paulo, and (ii) the payment of ICMS and fines for using tax credits from August 2004 and November 2005, issuing tax documents without the corresponding exit of goods, and for alleged failing to submit the requested tax documents.

In 2013, Braskem paid R\$47,746, taking advantage of the Special Installment Program announced by the São Paulo state government, thereby eliminating the contingency described in item (i) above, while the amount of R\$28,581 relating to the contingency described in item (ii).

The amount of the provision recognized is based on the estimate of disbursement made by an external legal advisor taking into consideration the case law on the matters at the administrative and judicial levels.

No judicial deposits or other types of security were accrued for this procedure.

The Company's Management estimates that these cases should be terminated by 2020.

(d) Changes in provisions

	Bonus	Recovery of environmental damage	Legal provisions	Other	Total
December 31, 2010	21,538	36,282	330,807	6,240	394,867
Additions, inflation adjustments and exchange variation, net	33,452	16,542	(28,335)	3,694	25,353
Write-offs through usage and payments	(41,413)	(16,047)	(27,015)	(4,867)	(89,342)
Compensation			(9,155)		(9,155)
December 31, 2011	13,577	36,777	266,302	5,067	321,723
Additions, inflation adjustments and exchange variation, net	58,387	18,622	68,268	3,780	149,057
Write-offs through usage and payments	(31,298)	(22,455)	(1,352)		(55,105)
December 31, 2012	40,666	32,944	333,218	8,847	415,675
Additions, inflation adjustments and exchange variation, net	58,794	96,589	92,575	5,985	253,943
Write-offs through usage and payments	(54,400)	3,229	(62,897)	-	(114,068)
December 31, 2013	45,060	132,762	362,896	14,832	555,550

25 Long-term incentive

A long-term non-share-based plan ("ILP") was approved at the Shareholders' Meeting held in September 2005, under which the participants in strategic programs can acquire securities issued by the Company that are called "Certificates of Investment Units". The objective of the plan is, among others, to align the interests of participants in strategic programs in the creation of long-term value with those of shareholders, in order to motivate the vision and

commitment of these participants to long-term results.

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No new certificates have been issued since 2008, and the transactions under this program are, since then, limited to redemptions.

The balances at December 31, 2013 and 2012 are as follows:

	Quantity	2013 Amount	Quantity	2012 Amount
Investment units				
Issued (Alfa units)	377,156	5,254	427,313	6,200
Bonus (Beta units)	341,408	4,020	389,336	4,205
Total	718,564	9,274	816,649	10,405

26 Post-employment benefits**26.1 Defined contribution plans****(a) ODEPREV**

The Company maintains a defined contribution plan for its employees managed by ODEPREV, a private pension plan entity created by Odebrecht. ODEPREV offers its participants, which are employees of the sponsoring companies, an

(c) Breakdown of equity accounting results

optional defined contribution plan in which monthly and additional participant contributions and monthly and annual sponsor contributions are made to individual pension savings accounts.

On December 31, 2013, the number of active participants in ODEPREV totals 5,451 (5,404 in 2012). The contributions made by the Company in the year amount to R\$19,703 (2012 - R\$24,898) and the contributions made by the participants amounted to R\$46,411 (2012 - R\$44,070).

(b) Triunfo Vida

Braskem, due to the merger of Petroquímica Triunfo S.A., became a sponsor of Triunfo Vida. On May 31, 2010, the Company requested to withdraw its sponsorship of this plan and on July 27, 2012 PREVIC – National Superintendence of Supplementary Pension Plan (“PREVIC”) approved the withdrawal without the need for any further disbursements by Braskem.

26.2 Post-employment benefit plans

(a) PETROS Copesul Plan

Braskem, due to the merger of Copesul, became the sponsor of the Petros Copesul plan. On September 28, 2012, PREVIC approved the withdrawal of sponsorship of this plan by Braskem. The payment of the mathematical reserves of participants is expected to be made in 2014. For this reason, the provisioned amount of R\$158,122 (Note 26.3.1 (a)) is recorded under current liabilities.

(b) PETROS PQU Plan

With the acquisition of Quattor, in April 2010, the Company assumed the liabilities of Petros PQU. On August 6, 2012, PREVIC approved the sponsorship withdrawal process, which had been requested on September 30, 2009. The payment of the mathematical reserves to participants is expected to be made in 2014. Due to the plan’s surplus situation, no provision has been accrued.

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26.3 Defined benefit plans

(a) Novamont – Braskem America

With the acquisition of Sunoco Chemicals, Braskem America became the sponsor of Novamont, which is a defined benefit plan of the employees of the plant located in the State of West Virginia. At December 31, 2013, the plan has 54 active participants (2012 - 53). In 2013, 2012 and 2011, no contributions were made by the Company or by participants.

(b) Braskem Alemanha

With the acquisition of the PP business from Dow Chemical, Braskem Alemanha became the sponsor of the defined benefit plan of the employees of the plants located in that country. On December 31, 2013, the plan has 136 (2012 – 96) active participants. In 2013, 2012 and 2011, no contributions were made by the Company or by participants.

The defined benefit plan of Braskem Alemanha is a non-contribution plan, that is, the contributions of the sponsor are managed directly by the company and this type of plan is allowed by legislation of that country.

26.3.1 Composition and changes in the balances of the post-employment benefit plans

(c) Breakdown of equity accounting results

(a) Amounts in balance sheet

	Note	2013	2012
	2.1.1(a)		Revised
Post-employment benefits			
Petros Copesul		158,122	147,175
Defined benefit			
Novamont Braskem America (i)	(i)	9,554	10,381
Braskem Alemanha (i)	(i)	34,515	26,221
		44,069	36,602
		202,191	183,777
Current liabilities		158,137	147,175
Non-current liabilities		44,054	36,602
Total		202,191	183,777

(i) With the adoption of IAS 19, the actuarial losses previously unrecognized in these two plans in the amount of R\$18,204 (R\$11,816, net of income tax) were recognized retroactively, on December 31, 2012, under "other comprehensive income (loss)". The balance sheet on that date was restated to reflect the changes to the item "post-employment benefits". For comparison purposes, the information for December 31, 2011 was not revised in the statement of changes in shareholders' equity, since the amounts are immaterial.

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	Note	2013	2012
	2.1.1(a)		Revised
Benefit obligations		(67,668)	(56,338)
Fair value of plan assets		23,599	19,736
Funded status of the plan		(44,069)	(36,602)
Consolidated net balance		(44,069)	(36,602)
In non-current liability		(44,069)	(36,602)
		(44,069)	(36,602)

(b) Change in obligations

	Note	2013	2012	2011
	2.1.1(a)		Revised	Revised
Balance at beginning of year		56,338	37,166	19,634
Acquisition of company				12,675
Current service cost		2,593	1,255	426
Interest cost		2,561	2,138	1,292
Special retirement				278
Benefits paid		(1,693)	(2,561)	(125)
Actuarial losses (gain)		(909)	14,769	1,026
Exchange variation		8,778	3,571	1,960
Balance at the end of the year		67,668	56,338	37,166

(c) Change in fair value plan assets**(c) Breakdown of equity accounting results**

	Note	2013	2012 Revised	2011 Revised
Balance at beginning of year	2.1.1(a)	19,736	18,981	19,353
Acquisition of company				631
Actual return on plan assets		1,158	314	9
Employer contributions		1,392	178	
Current expenses			(39)	(36)
Benefits paid		(1,619)	(1,406)	(976)
Exchange variation		2,932	1,708	
Balance at the end of the year		23,599	19,736	18,981

(d) Amounts recognized in profit or loss

	Note	2013	2012 Revised	2011 Revised
	2.1.1(a)			
Current service cost		2,593	1,255	427
Interest cost		2,547	2,138	1,292
Expected return on plan assets		(1,614)	(1,489)	(189)
Amortization of actuarial loss		675	74	
Amortization of unrecognized service cost		119	104	
		4,320	2,082	1,530

The amounts recognized in the statement of operations refer to transactions involving the defined benefit pension plans that are recognized in “other operating (revenues) expenses, net” and in “financial results”, depending on their nature.

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		2013		2012		2011	
	United States	Germany	United States	Germany	United States	Germany	(%)
Discount rate	5.00	3.75	5.00	5.75	5.70	5.75	
Inflation rate	3.00	1.51	3.00	2.00	3.00		
Expected return on plan assets	7.50	n/a	7.50	n/a	1.00	4.00	
Rate of increase in future salary levels	n/a	3.00	n/a	3.00	n/a	3.00	
Rate of increase in future pension plan	n/a	n/a	n/a	n/a	n/a	2.25	

(f) Hierarchy of fair value assets

On December 31, 2013, the balance of the fair value of assets is represented by the assets of the Novamont defined benefit plan of Braskem America, which has a level-1 fair value hierarchy. As mentioned in item 26.3.1(c) of this Note, the defined benefit plans of Braskem Alemanha is not a contribution-based plan and as such, on December 31, 2013, this plan had no assets.

27 Advances from clients

The balance includes advances amounting to R\$430,959 (2012 - R\$358,428) from four clients overseas for the acquisition of products for supply between February 2013 and December 2016.

28 Other accounts payable

(a) Non-current

(i) On August 9, 2010, as part of the business combination of Quattor (currently named Braskem Qpar), BNDES Participações S.A. (“BNDESPAR”) exercised its option to sell the shares in Riopol, incorporated by Braskem Qpar in August, 2013 (Note 1(b.xxiv)). The balance, on December 31, 2013, is R\$275,743 (2012 - R\$256,030).

The purchase price will be paid in 3 installments, with restatement by the TJLP, as follows:

- On June 11, 2015, the amount corresponding to 15% of the purchase price;
- On June 11, 2016, the amount corresponding to 35% of the purchase price; and
- On June 11, 2017, the amount corresponding to 50% of the purchase price.

(ii) amounts payable to the non-controlling shareholder of Braskem Idesa, in the amount of R\$370,420, arising from loans for the Ethylene XXI Project.

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Braskem has contingent liabilities related to lawsuits and administrative proceedings arising from the normal course of its business. These contingencies are of a labor and social security, tax, civil and corporate nature and involve risks of losses that are classified by the Company's Management as possible.

The balance of contingent liabilities not booked as on December 31, 2013 and 2012 is classified as below:

		2013	2012
Labor claims	(a)	606,166	698,036
Tax claims	(b)	3,399,794	2,967,799
Other lawsuits	(c)	389,352	411,324
Total		4,395,312	4,077,159

(a) Labor

On December 31, 2013, the Company is involved in 1,934 indemnity and labor claims for which the chances of loss are considered possible. Among these claims are:

(a.1) Class actions filed by the Union of Workers in the Petrochemical and Chemical Industries in Triunfo (RS), in the second quarter of 2005, claiming the payment of overtime amounting to R\$39 million. The chances of loss are deemed as possible.

The Management of the Company does not expect further disbursements to terminate these lawsuits.

All actions in progress are with the Superior Labor Court and Management expects them to be judged in 2014.

Two of these actions were awarded a final and unappealable decision in favor of the Company.

There are no judicial deposits related to these claims.

(a.2) Class actions filed by the Union of Workers in the Petrochemical and Chemical Industries in Triunfo (RS) in the third quarter of 2010 claiming the payment of overtime referring to work breaks and integration into base salary of the remunerated weekly day-off amounting to R\$311 million.

The Management of the Company does not expect to disburse any amounts upon their closure.

The claims are in the fact finding and appeals phase and they are expected to be granted a final and unappealable decision in the last quarter of 2014.

No judicial deposit or other form of security was accrued for these claims.

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(b) Tax

On December 31, 2013, the Company is involved in many proceeding with the Brazilian tax authorities. Management considers the chances of loss possible but not probable based on the estimate and opinion of its external advisors.

On December 31, 2013 the main tax contingencies, together by matter and totaling at least R\$60 million, are the following:

(b.1) ICMS

The Company is involved in many ICMS collection claims related to assessment notices drawn up mainly by the Finance Department of the States of SP, BA and AL. On December 31, 2013, the adjusted amounts of these claims total R\$773 million and the claims include the following matters:

- ICMS credit on the acquisition of assets that are considered by the Revenue Services as being of use and consumption. The Revenue Service understands that the asset has to be a physically integral part of the final product to give rise to a credit. Most of the inputs questioned do not physically compose the final product. However, the Judicial branch has a precedent that says that the input must be an integral part of the product or be consumed in the production process;

- ICMS credit arising from the acquisition of assets to be used in property, plant and equipment, which is considered by the Revenue Services as not being related to the production activity, such as laboratory equipment, material for the construction of warehouses, security equipment, etc;
- transfer of goods for an amount lower than the production cost;
- omission of the entry or shipment of goods based on physical count of inventories;
- lack of evidence that the Company exported goods so that the shipment of the goods is presumably taxed for the domestic market;
- non-payment of ICMS on the sale of products subject to tax substitution and credit from acquisitions of products subject to tax substitution; and
- fines for the failure to register invoices.

The Company's legal advisors estimate that: (i) these judicial proceedings are expected to be terminated in 2020, and (ii) in the event of an unfavorable decision to the Company, which is not expected, these contingencies could be settled for up to 40% of the amounts in dispute. This estimate is based on the probability of loss of the Company's defense theory taking into consideration the case law at the administrative and judicial levels.

No judicial deposit or other form of security was accrued for these claims.

(b.2) COFINS

The Company is involved in collection actions related to COFINS in which the use, by the Company, of certain tax credits to determine and pay this tax is under discussion. These credits arise from (i) legal actions; and (ii) income tax prepayments.

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On December 31, 2013, the adjusted amounts involved of these assessments total R\$342 million.

The Company's external legal advisors estimate that: (i) these judicial proceedings are expected to be terminated in 2018; and (ii) in the event of an unfavorable decision to the Company, which is not expected, these contingencies could be settled for up to 50% of the amounts in dispute. This estimate is based on the probability of loss of the Company's defense theory taking into consideration the case law at the administrative and judicial levels.

The Company offered assets in guarantee, in the amount of R\$136 million, that cover the amount involved in these claims.

(b.3) IPI – presumed credit

The Company is involved in tax assessments that question the undue use of presumed IPI credit as a way to offset the payment of PIS and COFINS levied on the acquisitions of raw materials, intermediate products and packaging material used in the industrialization of exported products. The Revenue Service understands that only the inputs that have been in contact with or have a direct influence on the final product are entitled to the presumed credit. The Judicial branch understands that the products that give rise to the right to the credits are those that (i) are incorporated into the final product; or (ii) are immediately and completely consumed in the production process. On December 31, 2013, the adjusted amount involved of these assessments is R\$111 million.

The Company's legal advisors estimate that: (i) the judicial proceeding is expected to be terminated in 2020; and (ii) in the event of an unfavorable decision to the Company, which is not expected, this contingency could be settled for up

to 60% of the amount in dispute. This estimate is based on the probability of loss of the Company's defense theory taking into consideration the case law at the administrative and judicial levels.

The Company furnished guarantee of R\$19 million, which sustains the amount involved in the lawsuit on the issue.

(b.4) Non-cumulative PIS and COFINS

The Company received a deficiency notice from the Brazilian Federal Revenue Service due to the use of non-cumulative PIS and COFINS tax credits related to: (i) expenditures with treatment of effluents; (ii) charges on transmission of electricity; (iii) freight for storage of finished products; and (iv) extemporaneous credits from acquisitions of property, plant and equipment. These deficiency notices have already been contested at the administrative level and comprise the period from 2006 to 2011, on December 31, 2013 totaled R\$712 million, of which R\$366 million related to principal and R\$346 million of fine and interest.

The Company's legal counsel, in view of the recent decisions by the Tax Resources Administrative Board and the evidence provided by the Company, assess as possible the chances of loss at the administrative and legal levels. For this reason, no provision has been accrued for these deficiency notices. Any changes in the court's understanding of the position could cause future impacts on the financial statements of the Company due to such proceedings.

The Company's external legal counsel expect the proceedings at administrative level to conclude in 2020.

No judicial deposit or other form of guarantee was accrued for this claim.

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(b.5) IR and Social Contribution Taxes – Goodwill amortization and other charges

The Company was served a tax deficiency notice by the Federal Revenue Service for having deducted, between 2007 and 2012, amortization charges from goodwill originated from equity interests acquired in calendar year 2012. That year, several business groups divested their petrochemical assets, the consolidation of which enabled the incorporation of Braskem. On December 31, 2013, the updated value of said income and social contribution tax deficiency notice was R\$650 million.

In addition to the amounts related to Income and Social Contribution taxes recorded in the notices filed by tax authorities, the company rectified the balances of tax losses and negative social contribution tax bases corresponding to the disallowance of part of the amortization charges on the goodwill mentioned above, and the interest and exchange variation expenses incurred in 2008. The offset amounts represent R\$653 million of the balance of tax losses and R\$667 million of the balance negative social contribution bases, whose estimated tax impact is equivalent to the principal amount of R\$223 million.

The Management, based on the opinion of the Company's legal counsel, believes that the existence of an effective business purpose in the acquisition of the aforementioned petrochemical assets, the participation of third parties in the businesses that originated the goodwill from acquisitions, and the real economic nature of the operations that led to the recording of interest and exchange variation expenses, considers the chances of loss in the administrative and legal spheres as possible. Hence, no provision was accrued for these tax deficiency notices.

There is no judicial deposit or any other type of guarantee for all these proceedings.

For being recent contingencies, is unfeasible to estimate when these proceedings are expected to be terminated.

(c) Other court disputes involving the Company and its subsidiaries

(c.1) Civil

The Company is the defendant in civil lawsuits filed by the owner of a former distributor of caustic soda and by the shipping company that provided services to this former distributor, which, on December 31, 2013, totaled R\$123 million. The claimants seek indemnity for damages related to the alleged non-performance of the distribution agreement by the Company.

No judicial deposit or other form of guarantee was accrued for these lawsuits.

Management's evaluation, supported by the opinion of its external legal advisors who are responsible for the cases, is that the lawsuits will possibly be dismissed within a period of 8 years.

(c.2) Societary

Some shareholders of preferred shares acquired with incentives filed lawsuits, originally against Copene, the former name of the Company, and against the merged companies Nitrocarbono, OPP Química, Salgema, Trikem, Polialden and Politeno. They claim a share in the profit remaining after the payment of priority dividends on the same basis as the common shareholders, in addition to the right to vote in shareholders' meetings until the distribution of dividends in the desired conditions is reestablished. The amount involved in the lawsuits for which there is a possibility of loss is R\$17 million.

No judicial deposits or other types of security were accrued for these lawsuits.

Since the lawsuits are in different phases, the Company's external legal advisors consider it unfeasible to estimate when these proceedings are expected to be terminated.

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(c.3) Social security

The Company is a party to various administrative and judicial proceedings concerning social security matters, which total approximately R\$137 million on December 31, 2013, as adjusted by the Selic rate.

The Management of the Company, based on the opinion of its external legal advisors, understands that no amount is due with respect to these assessments.

Additionally, Management believes that is not possible to estimate the amount of disbursement to cover a possible unfavorable decision to the Company, or even estimate when these proceedings will be brought to conclusion.

For these proceedings, security was given in the form of judicial deposits and finished products that combined cover the amounts claimed.

The Company's external legal advisors consider it unfeasible to estimate when these proceedings are expected to be terminated.

30 Equity

(c) Breakdown of equity accounting results

(a) Capital

On December 31, 2013, the Company's subscribed and paid up capital stock amounted to R\$8,043,222 and comprised 797,265,348 shares with no par value divided into 451,668,652 common shares, 345,002,878 class "A" preferred shares, and 593,818 class "B" preferred shares, distributed as follows:

	Common shares	%	Preferred shares class A	%	Preferred shares class B	%	Total	%
OSP e Odebrecht	226,334,623	50.11%	79,182,498	22.96%			305,517,121	38.32%
Petrobras	212,426,951	47.03%	75,591,019	21.91%			288,017,970	36.13%
BNDESPAR			40,102,837	11.62%			40,102,837	5.03%
ADR	(i)		34,191,744	9.91%			34,191,744	4.29%
Other	12,907,078	2.86%	114,780,022	33.27%	593,818	100.00%	128,280,918	16.09%
Total	451,668,652	100.00%	343,848,120	99.67%	593,818	100.00%	796,110,590	99.86%
Braskem shares owned by subsidiary of Braskem								
Petroquímica	(ii)		1,154,758	0.33%			1,154,758	0.14%
Total	451,668,652	100.00%	345,002,878	100.00%	593,818	100.00%	797,265,348	100.00%

(i) American Depositary Receipts traded on the New York Stock Exchange (USA).

(ii) These share are considered "treasury shares" in the consolidated shareholders' equity, amounting to R\$48,892.

(b) Share rights

Preferred shares carry no voting rights, but they ensure priority, non-cumulative annual dividend of 6% of their unit value, according to profits available for distribution. The unit value of the shares is obtained through the division of capital by the total number of outstanding shares. Only class "A" preferred shares will have the same claim on the remaining profit as common shares and will be entitled to dividends only after the priority dividend is paid to preferred shareholders. Only class "A" preferred shares also have the same claim as common shares on the distribution of shares resulting from capitalization of other reserves. Only class "A" preferred shares can be converted into common shares upon resolution of majority voting shareholders present at a General Meeting. Class "B" preferred shares can be converted into class "A" preferred shares at any time, at the ratio of two class "B" preferred shares for one class "A" preferred share, upon a simple written request to the Company, provided that the non-transferability period provided for in specific legislation that allowed for the issue and payment of such shares with tax incentive funds has elapsed.

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In the event of liquidation of the Company, class “A” and “B” preferred shares will have priority in the reimbursement of capital.

Shareholders are entitled to receive a mandatory minimum dividend of 25% on profit for the year, adjusted under Brazilian Corporation Law.

(c) Tax incentive reserve

This reserve mainly comprised the income tax deduction benefit determined before the base period of 2006 (Note 33(a)). After the adoption of Laws 11,638/07 and 11,941/09, as from January 1, 2007, the income tax benefit started to be recorded in the statement of operations in the revenue reserves account as proposed by Management and approved at the General Shareholders’ Meeting. Regardless of the change introduced by Laws 11,638/07 and 11,941/09, this tax incentive can be used only for capital increase or absorption of losses.

At the end of fiscal year 2012, the Company used the balance of this reserve to absorb part of the fiscal year’s loss.

(d) Legal reserve

(c) Breakdown of equity accounting results

Under Brazilian Corporation Law, the Company must transfer 5% of net profit for the year, determined in accordance with the accounting practices adopted in Brazil, to a legal reserve until this reserve is equivalent to 20% of the paid-up capital. The legal reserve can be used for capital increase or absorption of losses.

At the end of fiscal year 2012, the Company used part of the balance of this reserve to absorb partially the loss in the period.

(e) Unrealized profit reserves

This reserve was established based on unrealized profits in fiscal year 2011, in accordance with items I and II, paragraph 1 of Article 197 of Law No. 6,404/76, which states that in the fiscal year that the distributable dividends exceed the amount of profits, which generated cash inflows to the Company, the General Stockholders' Meeting may, upon proposal of the board, attribute such excess to "unrealized profit reserves". Under the terms of the Law No 6,404/76, this reserve should only be used to absorb losses or pay dividends.

At the end of fiscal year 2012, the Company used part of the balance of this reserve to absorb partially the loss in the period.

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(f) Ongoing share repurchase programs

(f.1) 3rd Share repurchase program

On August 26, 2011, Braskem's Board of Directors approved a program for the repurchase of shares effective for the period between August 29, 2011 and August 28, 2012, through which the Company could acquire up to 12,162,504 class A preferred shares at market price. Shares could be purchased by the Company or by financial institutions hired for that purpose. Upon the expiration of the program, Braskem would have to acquire from financial institutions, at market value, the shares acquired by the latter. The private deal was approved by the Securities and Exchange Commission of Brazil ("CVM").

During the program, a total of 2,595,300 shares were repurchased for the amount of R\$33,204, of which 2,007,600 were repurchased by financial institutions, and 587,700 shares were repurchased directly by Braskem. The average cost of these shares was R\$12.79 (minimum of R\$10.53 and maximum R\$15.15).

The shares purchased by financial institutions were purchased by Braskem in August 2012, when the program ended. In the operation, Braskem received R\$1,575 related to the swap instrument associated with the repurchase transaction, net of withholding income tax of R\$698.

The purchased shares were canceled in December 2012.

(c) Breakdown of equity accounting results

(f.2) 4th Share repurchase program

On August 13, 2012, Braskem's Board of Directors approved a program for the repurchase of shares effective for the period between August 29, 2012 and August 28, 2013, through which the Company might acquire up to 13,376,161 class "A" preferred shares at market price. The shares might be acquired by the Company or by financial institutions hired for such purpose. Upon the expiration of the program, Braskem would have to acquire from financial institutions, at market value, the shares eventually acquired by the latter. The private transaction was approved by the CVM.

As of November 2012, the financial institutions had acquired 262,300 shares for the amount of R\$3,489 (item (f) of this Note) at the average cost of R\$13.30 per share (minimum of R\$12.66 and maximum R\$14.07)

On November 12, 2012, the Company acquired these shares and received in the operation R\$71 related to the swap instrument associated with the repurchase transaction, net of the withholding income tax of R\$29.

The shares repurchased were cancelled in December 2012. There were no purchases under this program in 2013.

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(g) Dividends proposed and appropriation of profit

Under the Company's bylaws, profit for the year, adjusted according to Law 6,404/76, is appropriated as follows:

- (i) 5% to a legal reserve, which must not exceed 20% of capital;

- (ii) 25% to pay for mandatory, non-cumulative dividends, provided that the legal and statutory advantages of the Class "A" and "B" preferred shares are observed. When the amount of the priority dividend paid to class "A" and "B" preferred shares is equal to or higher than 25% of profit for the year calculated under Article 202 of Brazilian Corporation Law, it is the full payment of the mandatory dividend. Any surplus remaining after the payment of the priority dividend will be used to:
 - pay dividends to common shareholders up to the limit of the priority dividends of preferred shares;

 - if there still is any surplus, distribute additional dividends to common shareholders and class "A" preferred shareholders so that the same amount of dividends is paid for each common share or class "A" preferred share.

(g.1) Profit or loss in 2013 and dividends proposed

- (c) Breakdown of equity accounting results

Management proposes paying total dividends of R\$482,593. The total dividends proposed correspond to R\$0.6061888020 for all classes of shares and meets the priority dividend of preferred shares in accordance with the Bylaws of the Company.

Management proposes to the Annual Shareholders Meeting the allocation of net income from 2013 as follows:

	2013
Net income for the year of Company's shareholders	509,697
Realization of additional property, plant and equipment	28,203
Net income adjusted	537,900
Legal reserves distribution	(26,895)
Net income adjusted by dividends calculation	511,005
Proposed dividends (*)	(482,593)
Portion allocated to unrealized profit reserves	(28,412)
Balance of retained earnings	
(*) Minimum dividends - 25% adjusted net income	(i) 127,751
Additional proposed dividends	(ii) 354,842
Total dividends	482,593

(i) Recorded in current liabilities.

(ii) Recorded in shareholders' equity, under the item "proposed additional dividend".

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Notes to the financial statements

Years ended December 31, 2013

All amounts in thousands of reais

(g.2) Absorption of the balance of retained losses and dividend payment

The adjusted loss for fiscal year 2012, in the amount of R\$674,263, was absorbed by the unrealized profits reserves, tax incentives and the legal reserve, resulting in a balance of R\$565,549. On April 2, 2013, the Annual Shareholders Meeting approved the absorption of the balance by using a portion of the “capital reserve” account.

On April 27, 2012, the Annual Shareholders’ Meeting approved the payment of dividends as per the Management proposal in 2011, in the amount of R\$482,593, equivalent to R\$0.605085049 per class “A” and “B” common and preferred share, paid as of November 19, 2012.

TABLE OF CONTENTS**Braskem S.A.****Notes to the financial statements****Years ended December 31, 2013****All amounts in thousands of reais****(h) Other comprehensive income – Equity**

	Note	Additional indexation of PP&E (i)	Deemed cost of PP&E (i)	Defined benefit plan actuarial Gain (loss) (ii)	Fair value of hedge adjustment (iii)	Foreign currency translation adjustment (iv)
As of December 31, 2010		353,777			(53,292)	(79,135)
Additional indexation						
Realization by depreciation or write-off assets		(41,267)				
Income tax and social contribution		14,031				
Deemed cost of jointly-controlled investment						
Deemed cost of jointly-controlled investment			22,079			
Realization by depreciation or write-off assets			(1,394)			
Income tax and social contribution			474			
Fair value of cash flow hedge						
Change in fair value					(1,939)	
Transfer to result					46,973	
Income tax and social contribution					(2,458)	
Gain on interest in subsidiary						
Foreign currency translation adjustment						54,631
On December 31, 2011		326,541	21,159		(10,716)	(24,504)

(c) Breakdown of equity accounting results

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Additional indexation					
Realization by depreciation or write-off assets	(41,268)				
Income tax and social contribution	14,032				
Deemed cost of jointly-controlled investment					
Realization by depreciation or write-off assets	(1,442)				
Income tax and social contribution	490				
Defined benefit plan actuarial loss					
Actuarial loss				(18,204)	
Income tax and social contribution				6,388	
Fair value of Cash flow hedge					
Change in fair value					1,948
Transfer to result					14,290
Income tax and social contribution					(5,522)
Loss on interest in subsidiary					
Write-off gain on interest in subsidiary					
Foreign currency translation adjustment					61,662
On December 31, 2012 (revised)	2.1.1(a)	299,305	20,207	(11,816)	37,158
Additional indexation					
Realization by depreciation or write-off assets	(41,268)				
Income tax and social contribution	14,032				
Deemed cost of jointly-controlled investment					
Realization by depreciation or write-off assets	(1,465)				
Income tax and social contribution	498				
Foreign sales hedge					
Exchange rate				(2,303,540)	
Income tax and social contribution				783,204	
Fair value of Cash flow hedge					
Change in fair value					(83,413)
Transfer to result					(41,727)
Income tax and social contribution					40,120
Defined benefit plan actuarial gain				169	
Net loss interest in subsidiary					
Foreign currency translation adjustment					205,249
On December 31, 2013		272,069	19,240	(11,647)	(1,605,356)
242,407					

(i) Realization as the asset is depreciated or written-off.

(c) Breakdown of equity accounting results

- (ii) Realization upon extinction of the plan.
- (iii) Realization upon maturity, prepayment or loss of efficacy for hedge accounting.
- (iv) Realization upon write-off of subsidiary abroad.
- (v) Realization upon divestment or transfer of control of subsidiary.

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TABLE OF CONTENTS**Braskem S.A.****Notes to the financial statements****Years ended December 31, 2013****All amounts in thousands of reais****31 Earnings per share**

Basic and diluted earnings (loss) per share is calculated by means of the division of adjusted profit for the year attributable to the Company's common and class "A" preferred shareholders by the weighted average number of these shares held by shareholders, excluding those held in treasury and following the rules for the distribution of dividends provided for in the Company's bylaws, as described in Note 30 (g). Due to the limited rights for class "B" shares mentioned at the Company's bylaws, is not applicable the participation of those shares when the period result is a net loss.

The weighted average numbers per share is calculated based on the number of outstanding common and Class "A" preferred shares at the beginning of the period, adjusted by the number of shares repurchased or issued in the period, multiplied by a weighting time factor. There has been no change in the number of shares in fiscal year 2013. The calculation of the weighted average in 2012 is shown below:

Note	Total of outstanding shares			Weighted average		
	Common shares	Preferred shares class "A"	Total of weighted average	Common shares	Preferred shares class "A"	Total of weighted average
As of December 31, 2011	451,668,652	345,300,320	796,968,972	451,668,652	346,451,489	798,120,141
(i)		(1,452,200)	(1,452,200)		(700,738)	(700,738)

Repurchase of
shares

**As of
December 31,
2012**

451,668,652 343,848,120 795,516,772 451,668,652 344,599,582 796,268,234

(i) The shares repurchased were not considered in the calculation of earnings per share since they are not entitled to dividends (Note 30(f)).

Class "A" preferred shares participate in dividends with common shares after the mandatory dividends has been attributed in accordance with the formula provided for in the Company's bylaws, as described in Note 30(f). There is no highest limit for their participation.

Basic and diluted earnings per share are equal, since the Company does not have any financial instruments which may be convertible in the Company's shares.

TABLE OF CONTENTS**Braskem S.A.****Notes to the financial statements****Years ended December 31, 2013****All amounts in thousands of reais**

As required by IAS 33, the table below show the reconciliation of profit (loss) for the period adjusted to the amounts used to calculate basic and diluted earnings (loss) per share.

	Note	2013 Basic and diluted	2012 Basic and diluted Revised	2011 Basic and diluted Revised
Profit (loss) for the period attributed to Company's shareholders of continued operations	2.1.1(b)	509,697	(1,012,690)	(524,019)
Distribution of dividends attributable to priority:				
Preferred shares class "A"		208,437		
Preferred shares class "B"		360		
		208,797		
Distribution of 6% ??of unit value of common shares		273,796		
Distribution of plus income, by class				
Common shares		15,389		
Preferred shares class "A"		11,715		
		27,104		
Reconciliation of income available for distribution, by class (numerator):				
Common shares		289,185	(574,430)	(296,551)

Preferred shares class "A"	220,152	(438,260)	(227,468)
Preferred shares class "B"	360		
	509,697	(1,012,690)	(524,019)

Weighted average number of shares, by class**(denominator):**

Common shares	451,668,652	451,668,652	451,668,652
Preferred shares class "A" (i)	343,848,120	344,599,582	346,451,489
Preferred shares class "B"	593,818		
	796,110,590	796,268,234	798,120,141

Profit (loss) per share (in R\$)

Common shares	0.6403	(1.2718)	(0.6566)
Preferred shares class "A"	0.6403	(1.2718)	(0.6566)
Preferred shares class "B"	0.6062		

(i) In the calculation of the weighted average, the shares of the Company that were repurchased were excluded from the base (Note 30(f)).

TABLE OF CONTENTS**Braskem S.A.****Notes to the financial statements****Years ended December 31, 2013****All amounts in thousands of reais****32 Net sales revenues**

	Note	2013	2012	2011
	2.1.1(b)		Revised	Revised
Sales revenue				
Domestic market		30,236,855	27,409,691	25,574,949
Foreign market		17,532,783	15,572,798	14,143,107
		47,769,638	42,982,489	39,718,056
Sales deductions				
Taxes		(6,414,524)	(6,487,401)	(6,395,071)
Sales returns and other		(385,624)	(334,761)	(236,479)
		(6,800,148)	(6,822,162)	(6,631,550)
Net sales revenue		40,969,490	36,160,327	33,086,506

33 Tax incentives**(a) Income Tax**

The PE plant installed in Camaçari (BA) and the PVC plant installed in Marechal Deodoro (AL) benefit from a 75% relief on the income tax levied over the profits obtained from the sale of their production, valid until 2016 and 2019, respectively. The other industrial plants located in the states of BA and AL are currently requesting the renewal of said benefit. The Management of the Company believes it may obtain the renewal of the incentive.

(c) Breakdown of equity accounting results

(b) PRODESIN - ICMS

The Company has ICMS tax incentives granted by the state of AL, through the state of Alagoas Integrated Development Program - PRODESIN. These incentives are aimed at the implementation and expansion of a plant in that state and are recorded in the account “net sales revenue” in the statement of operations and in the account “taxes” of Note 32. In 2013, the amount of this incentive was R\$50,908 (2012 - R\$32,780).

(c) REINTEGRA

In 2013, the Company determined a credit of R\$229,742 (Note 12 (f)) (2012 - R\$228,052), which is presented in the account “cost of goods sold”, in the statement of operations.

34 Other operating income (expenses), net

For the year ended December 31, 2013, the main expenditure under this heading refer to the depreciation and maintenance of paralyzed plants, provision for remedying environmental damage and inventory adjustments, that sum R\$203,207. Additionally, the Company recorded revenues of R\$25,063 due to the reduction in the balance of the installment of Law 11.941/09 (Note 22 (a)).

On December 31, 2013, the main amount is the indemnity received under the supply agreement between Sunoco and Braskem America in the amount of R\$235,962.

TABLE OF CONTENTS**Braskem S.A.****Notes to the financial statements****Years ended December 31, 2013****All amounts in thousands of reais****35 Financial results**

	Note	2013	2012	2011
	2.1.1(b)		Revised	Revised
Financial income				
Interest income		281,669	220,169	257,616
Monetary variations		24,117	40,599	59,226
Exchange rate variations		333,424	219,757	423,299
Other		133,928	51,403	18,937
		773,138	531,928	759,078
Financial expenses				
Interest expenses		(1,121,761)	(973,195)	(990,053)
Monetary variations		(300,310)	(274,881)	(300,976)
Exchange rate variations		(78,510)	(1,898,677)	(1,659,839)
Inflation adjustments on fiscal debts		(173,864)	(208,186)	(235,769)
Tax expenses on financial operations		(32,884)	(17,289)	(15,640)
Discounts granted		(89,495)	(58,859)	(46,756)
Loans transaction costs - amortization		(6,200)	(27,221)	(21,159)
Adjustment to present value - appropriation		(592,413)	(310,525)	(60,353)
Other		(153,674)	(157,376)	(229,988)
		(2,549,111)	(3,926,209)	(3,560,533)
Total		(1,775,973)	(3,394,281)	(2,801,455)

	Note	2013	2012	2011
(c) Breakdown of equity accounting results				526

	2.1.1(b)	Revised	Revised
Interest income			
Held for sale	13,416	5,023	96,386
Loans and receivables	102,623	139,580	96,737
Held-to-maturity	31,147	17,841	16,636
	147,186	162,444	209,759
Other assets not classifiable	134,483	57,725	47,857
Total	281,669	220,169	257,616

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TABLE OF CONTENTS**Braskem S.A.****Notes to the financial statements****Years ended December 31, 2013****All amounts in thousands of reais****36 Expenses by nature**

The Company chose to present its expenses by function in the statement of operations. As required by IAS 1, the breakdown of expenses by nature is presented below:

	Note 2.1.1(b)	2013	2012 Revised	2011 Revised
Classification by nature:				
Raw materials other inputs		(30,515,643)	(27,812,462)	(25,146,769)
Personnel expenses		(1,953,194)	(1,772,097)	(1,574,303)
Outsourced services		(1,570,320)	(1,633,747)	(1,341,733)
Tax expenses		(9,847)	(8,293)	(54,730)
Depreciation, amortization and depletion		(2,038,366)	(1,902,475)	(1,704,524)
Freights		(1,471,853)	(1,302,899)	(993,428)
Other expenses		(667,123)	(111,229)	(373,787)
Total		(38,226,346)	(34,543,202)	(31,189,274)
Classification by function:				
Cost of products sold		(35,820,761)	(32,709,068)	(29,264,970)
Selling and distribution		(1,000,749)	(990,365)	(820,015)
General and administrative		(1,077,934)	(1,071,029)	(1,008,067)
Research and development		(115,812)	(106,197)	(99,083)
Other operating income (expenses), net		(211,090)	333,457	2,861
Total		(38,226,346)	(34,543,202)	(31,189,274)

37 Segment information

Management defined the organizational structure of Braskem based on the types of business, the main products, markets and production processes, and identified five operating and reportable segments - four production segments and one distribution segment. Considering that were not sold the assets of Quantiq and IQAG (Note 2.1.1(b)), the Chemical Distribution segment once again became a reportable segment on December 31, 2013. The information for 2012 and 2011 was revised to include this change.

The current operational segments are the following:

- **Basic petrochemicals:** comprises the activities related to the production of basic petrochemicals and the supply of electric energy, steam and compressed air to second-generation producers located in the Camaçari, Triunfo, SP and RJ petrochemical complexes.
- **Polyolefins:** comprises the activities related to the production of PE, PP and renewables.
- **Vinyls:** comprises the activities related to the production of PVC, caustic soda and chloride.
- **United States and Europe:** operations related to PP production in the United States and Europe.
- **Chemical distribution:** consists mainly of Quantiq's operations related to the distribution of petroleum-based solvents, intermediate chemicals, special chemicals and pharmacons.

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Notes to the financial statements

Years ended December 31, 2013

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(a) Presentation, measurement and conciliation of results

Information by segment is generated in accounting records maintained in accordance with the accounting principles and practices adopted in Brazil, according to IFRS, and which are reflected in the consolidated financial statements.

The eliminations stated in the operating segment information, when compared with the consolidated balances, are represented by sales between segments that are carried out as arm's length sales.

The results of equity investments recognized in the Company's statement of operations are presented in Corporate unit. The operating segments are stated based on the results of operations, which does not include financial results, and current and deferred income tax and social contribution expenses.

The Company does not disclose assets by segment since this information is not presented to its chief decision maker.

(b) Main clients

In 2013 and 2012, the Company does not have any revenue arising from transactions with only one client that is equal to or higher than 10% of its total net revenue.

(c) Breakdown of equity accounting results

In 2013, the most significant revenue from a single client amounts to approximately 3% of total net revenues of the Company and refers to the basic petrochemical segment.

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TABLE OF CONTENTS**Braskem S.A.****Notes to the financial statements****Years ended December 31, 2013****All amounts in thousands of reais****(c) Results of operations by segment**

	Note	Basic petrochemicals	Polyolefins	Vinyls	Reporting segments USA and Europe	Chemical distribution	Total reportable segments	Other segments (i)	Corporation
Net sales revenue		25,037,780	16,944,709	2,581,076	6,748,502	891,734	52,203,801	130,289	
Cost of products sold		(22,561,151)	(14,694,326)	(2,384,543)	(6,419,523)	(761,136)	(46,820,679)	(133,690)	
Gross profit		2,476,629	2,250,383	196,533	328,979	130,598	5,383,122	(3,401)	
Operating expenses									
Selling, general and distribution expenses		(534,896)	(852,680)	(174,072)	(282,880)	(96,673)	(1,941,201)	(68,576)	(184,000)
Results from equity investments									(3,000)
Other operating income (expenses), net		(67,835)	(30,673)	(11,179)	(37,621)	(6,537)	(153,845)	196	(57,000)
		(602,731)	(883,353)	(185,251)	(320,501)	(103,210)	(2,095,046)	(68,380)	(245,000)

(c) Breakdown of equity accounting results

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Operating profit (loss) 1,873,898 1,367,030 11,282 8,478 27,388 3,288,076 (71,781) (245,

2.1.1(b)

	Basic			Reporting segments		Total	Other	Corpo
	petrochemicals	Polyolefins	Vinyls	USA and Europe	Chemical distribution	reportable segments	segments (i)	
Net sales revenue	23,603,038	14,456,827	2,019,884	5,465,180	898,786	46,443,715	72,652	
Cost of products sold	(21,793,497)	(13,131,842)	(1,947,749)	(5,272,065)	(751,013)	(42,896,166)	(88,052)	
Gross profit	1,809,541	1,324,985	72,135	193,115	147,773	3,547,549	(15,400)	
Operating expenses								
Selling, general and distribution expenses	(491,999)	(868,410)	(129,696)	(243,300)	(94,796)	(1,828,201)	(37,823)	(301,
Results from equity investments								(25,
Other operating income (expenses), net	(64,050)	(20,012)	1,808	364,798	(265)	282,279	(98,298)	149
	(556,049)	(888,422)	(127,888)	121,498	(95,061)	(1,545,922)	(136,121)	(177,
Operating profit (loss)	1,253,492	436,563	(55,753)	314,613	52,712	2,001,627	(151,521)	(177,

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TABLE OF CONTENTS**Braskem S.A.****Notes to the financial statements****Years ended December 31, 2013****All amounts in thousands of reais**

	2.1.1(b)			Reporting segments		Total reportable segments	Other Corporate segments (i)	un
	Basic			USA and Europe	Chemical distribution			
	petrochemicals	Polyolefins	Vinyls					
Net sales revenue	23,080,909	12,854,346	1,730,894	3,283,828	774,923	41,724,900	146,224	
Cost of products sold	(20,874,367)	(11,729,117)	(1,608,055)	(3,136,788)	(631,552)	(37,979,879)	(141,312)	
Gross profit	2,206,542	1,125,229	122,839	147,040	143,371	3,745,021	4,912	
Operating expenses								
Selling, general and distribution expenses	(564,536)	(850,827)	(146,357)	(113,097)	(93,601)	(1,768,418)	(36,266)	(122,48)
Results from equity investments								(1,04)
Results from business combinations								30,04
Other operating income (expenses), net	(10,692)	10,933	(32,126)	(16,899)	7,007	(41,777)	94,199	(49,56)
	(575,228)	(839,894)	(178,483)	(129,996)	(86,594)	(1,810,195)	57,933	(143,04)

(c) Breakdown of equity accounting results

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Operating
profit (loss)

1,631,314 285,335 (55,644) 17,044 56,777 1,934,826 62,845 (143,04

(i) The other segments, includes the full results of the subsidiary Braskem Idesa.

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TABLE OF CONTENTS**Braskem S.A.****Notes to the financial statements****Years ended December 31, 2013****All amounts in thousands of reais****(d) Net sales revenue by country**

	Note	2013	2012	2011
	2.1.1(b)		Revised	Revised
Headquarter - Brazil		23,548,870	20,840,355	18,943,399
United States		7,981,211	5,642,946	5,032,359
Singapore		1,514,216	561,669	90,206
Argentina		1,222,729	1,195,728	1,058,825
Netherlands		1,099,945	913,208	862,310
Mexico		680,054	764,244	765,834
United Kingdom		578,351	406,132	434,930
Germany		536,343	583,952	134,363
Italy		318,357	282,671	159,084
Colombia		299,287	219,405	302,180
Chile		282,231	224,956	183,715
Peru		247,427	200,952	
Uruguay		243,672	263,163	225,832
Poland		221,433	232,004	
Switzerland		211,371	1,725,665	2,574,025
Japan		190,729	269,672	
Spain		186,354	216,405	309,616
Bolivia		154,473	-	
Canada		145,378	-	75,482
Paraguay		136,393	-	88,011
France		117,429	136,664	
South Korea		90,531	143,036	
Venezuela		90,595	152,870	
Barbados				742,183
Portugal				106,463
China				85,482

(c) Breakdown of equity accounting results

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Belgium				34,272
Other		872,111	1,184,628	877,935
		40,969,490	36,160,327	33,086,506

(e) Net sales revenue by product

	Note	2013	2012 Revised	2011 Revised
	2.1.1(b)			
PE/PP		23,693,211	19,922,007	16,138,174
Benzene, toluene and xylene		2,974,235	2,727,659	2,014,110
Ethylene, Propylene		2,875,381	2,502,111	2,237,711
Naphtha, condensate and crude oil		2,240,950	2,417,416	1,730,894
PVC/Caustic Soda/EDC		2,548,457	2,019,884	4,356,086
ETBE/Gasoline		2,015,749	1,751,961	1,557,080
Butadiene		1,194,839	1,643,172	1,547,222
Chemical distribution		879,801	889,190	774,923
Cumene		729,999	646,286	690,170
Solvents		527,083	515,130	487,204
Other		1,289,785	1,125,511	1,552,932
		40,969,490	36,160,327	33,086,506

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	2013	2012
Brazil - headquarters country	21,238,537	21,617,382
Mexico	5,684,813	1,255,171
United States of America	1,160,186	1,027,372
Germany	241,069	217,538
Other	1,573	288
	28,326,178	24,117,751

38 Insurance coverage

Braskem, according to the policy approved by the Board of Directors, maintains a broad risk and insurance management program. Specifically in the risk management area, the risk and procedure assessment practices are applied in all companies, in Brazil and abroad, including the acquisition for the period, following the principles adopted by Braskem.

In April 2013, the entire All Risks program of Braskem was renewed. In addition, in 2012, Braskem Idesa contracted insurance to cover the risks related to the construction of the Ethylene XXI Project.

The All-Risks insurance policies of Braskem, which include all assets in Brazil and abroad, have maximum indemnity limits established based on the amounts of maximum possible loss that are deemed sufficient to cover possible claims

(c) Breakdown of equity accounting results

in view of the nature of the Company's activities and based on the guidance of its insurance consultants.

The information on the All-Risks policies in effect is presented below:

		Effectiveness	Maximum indemnity limit	Amount insured
	Maturity	(in days)	US\$ million	US\$ million
Braskem (industrial units in Brazil)	April 8, 2014	372	2,000	24,44
Braskem America and Braskem Alemanha	April 8, 2014	372	250	2,58
Braskem Idesa	September 30, 2015	912	4,148	4,14
Quantiq	May 30, 2014	424	70	7
Total				31,24

Additionally, the Company contracted civil liability, transportation, sundry risk and vehicle insurance. The risk assumptions adopted are not part of the audit scope and, therefore, were not subject to review by our independent accountants.

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Management's notes to the financial statements on December 31, 2013

Amounts in thousands of Brazilian real, except where stated otherwise

39 Non-cash operations (Statements of cash flow)

(a) 2013

Capital increase in DAT (Note 1(b)(xxxi)) realized through transfer of assets.

(b) 2012

- Capital increase of Braskem Distribuidora (Note 1(b)(xiii)).
- Divestment of equity interests in Braskem Distribuidora and Cetrel (Note 5), with the stipulated receipt for 2013.

40 Subsequent events

On January 16, 2014, Braskem issued Notes amounting to US\$500 million in bonds, with coupon of 6.45% p.a. and maturing in February 2024. This was the first issue of Bonds by Braskem registered with the U.S. Securities and Exchange Commission (SEC). In February 2014, Braskem used the resources captured to partially settle the Bonds of 2017, 2018 and 2020 (Note 19 (c)).

(c) Breakdown of equity accounting results

41 Information related to guaranteed securities issued by subsidiaries

Braskem S.A. has fully and unconditionally guaranteed the debt securities issued by Braskem Finance, a 100-percent-owned finance subsidiary of Braskem. There are no significant restrictions on the ability of Braskem to obtain funds from Braskem Finance.

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