BRASKEM SA
Form 6-K
February 08, 2013

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 6-K

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

For the month of February, 2013
(Commission File No. 1-14862)

BRASKEM S.A.
(Exact Name as Specified in its Charter)

N/A
(Translation of registrant's name into English)

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

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

Form 20-F ___X___ Form 40-F ______

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

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

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

Yes ______ No ___X___

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

Braskem S.A.

Financial Statements

at December 31, 2012 and 2011

and Independent Auditors' Report

Independent Auditors' Report

on the individual and consolidated Financial Statements

To the Board of Directors and Shareholders

Braskem S.A.

We have audited the accompanying financial statements of Braskem S.A. ("Parent Company"), which comprise the balance sheet as at December 31, 2012 and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

We have also audited the accompanying consolidated financial statements of Braskem S.A. and its subsidiaries ("Consolidated"), which comprise the consolidated balance sheet as at December 31, 2012 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility
for the financial statements

Management is responsible for the preparation and fair presentation of the parent company financial statements in accordance with accounting practices adopted in Brazil, and for the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and accounting practices adopted in Brazil, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Brazilian and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the parent company financial statements

In our opinion, the parent company financial statements referred to above present fairly, in all material respects, the financial position of Braskem S.A. as at December 31, 2012, and its financial performance and its cash flows for the year then ended, in accordance with accounting practices adopted in Brazil.

Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Braskem S.A. and its subsidiaries as at December 31, 2012, and their financial performance and their cash flows for the year then ended, in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and accounting practices adopted in Brazil.

Emphasis of matter

As discussed in note 2 to these financial statements, the parent company financial statements have been prepared in accordance with accounting practices adopted in Brazil. In the case of Braskem S.A., these practices differ from IFRS applicable to separate financial statements, only in relation to the measurement of investments in subsidiaries, associates and jointly-controlled entities based on equity accounting, while IFRS requires measurement based on cost or fair value. Our opinion is not qualified in respect of this matter.

Other matters

Supplementary information - statements of value added

We also have audited the parent company and consolidated statements of value added for the year ended December 31, 2012, which are the responsibility of the Company's management. The presentation of these statements is required by the Brazilian corporate legislation for listed companies, but they are considered supplementary information for IFRS. These statements were subject to the same audit procedures described above and, in our opinion, are fairly presented, in all material respects, in relation to the financial statements taken as a whole.

Salvador, February 7, 2012

PricewaterhouseCoopers

Auditores Independentes

CRC 2SP000160/O-5 "F" BA

Fábio Cajazeira Mendes

Contador CRC 1SP196825/O-0 “S” BA

Braskem S.A.

Balance sheet at December 31

All amounts in thousands of reais

Braskem S.A.

		Parent Company		Consolidated	
Assets	**Note**	**2012**	**2011**	**2012**	**2011**
Current assets					
Cash and cash equivalents	7	1,627,928	2,224,335	3,287,622	2,986,819
Financial investments	8	155,535	168,979	172,146	170,297
Trade accounts receivable	9	1,834,491	1,097,482	2,326,480	1,843,756
Inventories	10	2,478,550	1,968,509	4,102,055	3,623,522
Taxes recoverable	12	1,005,842	606,258	1,476,211	1,036,253
Dividends and interest on capital	11	130,145	30,268	2,645	
Prepaid expenses		14,153	60,109	54,013	104,496
Related parties	11	13,906	25,660	13,912	86,591
Insurance claims	14	160,981		160,981	
Other receivables	15	761,450	136,513	818,434	328,583
		8,182,981	**6,318,113**	**12,414,499**	**10,180,317**
Non-current assets held for sale	6			277,828	
		8,182,981	**6,318,113**	**12,692,327**	**10,180,317**
Non-current assets					
Financial investments	8	34,088	34,720	34,489	34,752
Trade accounts receivable	9	35,710	49,858	37,742	51,056
Taxes recoverable	12	1,026,391	1,062,974	1,527,134	1,506,247
Deferred income tax and social contribution	22(b)	1,100,611	415,002	2,055,621	1,237,144
Judicial deposits	13	164,443	151,592	179,618	174,220
Related parties	11	988,589	1,624,513	127,627	58,169
Insurance claims	14	45,649	246,357	47,255	252,670
Other receivables	15	153,466	138,265	218,279	182,533
Investments in subsidiaries and jointly-controlled subsidiaries	16	9,571,515	8,091,220	86,842	
Investment in associates	16	31,945	29,870	31,945	29,870
Other investments		6,575	6,575	6,948	10,844
Property, plant and equipment	17	11,794,385	11,665,942	21,176,785	20,662,721
Intangible assets	18	2,241,565	2,248,675	2,940,966	3,016,692

	27,194,932	**25,765,563**	**28,471,251**	**27,216,918**
Total assets	**35,377,913**	**32,083,676**	**41,163,578**	**37,397,235**

The Management notes are an integral part of the financial statements.

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Braskem S.A.

Balance sheet at December 31

All amounts in thousands of reais **Continued**

Liabilities and equity	**Note**	**Parent Company 2012**	**Parent Company 2011**	**Consolidated 2012**	**Consolidated 2011**
Current liabilities					
Trade payables		6,446,898	5,052,757	8,897,597	6,847,340
Borrowings	19	1,887,811	961,519	1,836,028	1,391,779
Derivatives operations	20.2	293,378	82,912	293,378	83,392
Payroll and related charges		249,275	155,248	349,176	242,102
Taxes payable	21	245,173	215,924	342,789	329,987
Dividends and interest on capital		2,160	1,617	5,369	4,838
Advances from customers	26	257,079	13,935	237,504	19,119
Sundry provisions	23	11,930	18,759	52,264	23,629
Accounts payable to related parties	11	206,991	79,790		
Other payables	27	176,653	47,514	532,752	119,402
		9,777,348	**6,629,975**	**12,546,857**	**9,061,588**
Non-current liabilities held for sale	6			109,770	
		9,777,348	**6,629,975**	**12,656,627**	**9,061,588**
Non-current liabilities					
Borrowings	19	10,534,287	11,276,196	15,675,610	13,753,033
Debentures					19,102
Derivatives operations	20.2		10,278		10,278
Taxes payable	21	1,059,225	1,500,584	1,164,753	1,613,179
Accounts payable to related parties	11	3,667,754	1,297,567		44,833
Long-term incentives		10,405	15,213	10,405	15,213
Deferred income tax and social contribution	22(b)	1,015,743	900,716	2,138,622	1,953,353
Post-employment benefits	25		134,506	18,890	149,575
Provision for losses on subsidiaries and jointly-controlled subsidiaries		119,375	90,990		
Advances from customers	26	80,463	77,846	204,989	218,531
Sundry provisions	23	144,782	94,913	362,919	298,094
Other payables	27	343,652	241,412	266,963	280,546
		16,975,686	**15,640,221**	**19,843,151**	**18,355,737**
Equity	29				
Capital	(a)	8,043,222	8,043,222	8,043,222	8,043,222

Capital reserve		797,979	845,998	797,979	845,998
Revenue reserves			591,307		591,307
Other comprehensive income		349,227	315,586	349,227	315,586
Treasury shares	(b)		(11,325)	(48,892)	(60,217)
Profit (losses) accumulated		(565,549)	28,692	(565,549)	28,692
Total attributable to the Company's shareholders		8,624,879	9,813,480	8,575,987	9,764,588
Non-controlling interest	2.1.2			87,813	215,322
		8,624,879	**9,813,480**	**8,663,800**	**9,979,910**
Total liabilities and equity		**35,377,913**	**32,083,676**	**41,163,578**	**37,397,235**

The Management notes are an integral part of the financial statements.

Braskem S.A.

Statement of operations

Years ended December 31

All amounts in thousands of reais, except earnings (loss) per share

		Parent Company		Consolidated	
	Note	**2012**	**2011**	**2012**	**2012**
Net sales revenue	31	**20,634,400**	**18,205,335**	**35,513,397**	**32,497,075**
Cost of products sold		(18,217,333)	(15,512,386)	(32,209,958)	(28,819,369)
Gross profit		**2,417,067**	**2,692,949**	**3,303,439**	**3,677,706**
Income (expenses)					
Selling		(207,395)	(166,863)	(403,387)	(319,240)
Distribution		(381,677)	(325,079)	(564,950)	(480,532)
General and administrative		(695,828)	(694,396)	(998,261)	(934,779)
Research and development		(81,653)	(62,321)	(106,198)	(99,083)
Results from equity investments	16(c)	290,414	7,511	(25,807)	(1,665)
Results from business combinations	5				30,045
Other operating income (expenses), net	33	392,159	(19,906)	333,767	(3,612)
Operating profit		**1,733,087**	**1,431,895**	**1,538,603**	**1,868,840**
Financial results	34				
Financial expenses		(3,404,722)	(2,846,480)	(3,902,499)	(3,551,717)
Financial income		364,389	526,062	530,182	765,025
		(3,040,333)	**(2,320,418)**	**(3,372,317)**	**(2,786,692)**
Loss a before income tax and social contribution		**(1,307,246)**	**(888,523)**	**(1,833,714)**	**(917,852)**
Current income tax and social contribution	22(a)		(1,712)	(17,269)	(5,492)
Deferred income tax and social contribution	22(a)	576,103	393,785	810,645	379,234
		576,103	**392,073**	**793,376**	**373,742**
Loss a for the year of continued operations		**(731,143)**	**(496,450)**	**(1,040,338)**	**(544,110)**
Discontinued operations results	6(c)				
Discontinued operations results				451,262	70,911
Current income tax and social contribution				(10,265)	(14,948)
Deferred income tax and social contribution				(138,964)	

				302,033	**55,963**
Loss for the year		**(731,143)**	**(496,450)**	**(738,305)**	**(488,147)**
Attributable to:					
Company's shareholders				(731,143)	(731,143)
Non-controlling interest	2.1.2			(7,162)	(7,162)
				(738,305)	**(738,305)**
Loss per share attributable to the shareholders of the Company of continued operations at the end of the year (R$)	30				
Basic loss per share - common				(1.2975)	(0.6921)
Basic loss per share - preferred				(1.2975)	(0.6921)
Diluted loss per share - common				(1.2970)	(0.6919)
Diluted loss per share - preferred				(1.2970)	(0.6919)

The Management notes are an integral part of the financial statements.

Braskem S.A.

Statement of comprehensive income

Years ended December 31

All amounts in thousands of reais

			Parent Company		Consolidated
	Note	Note	2012	2012	2011
Loss for the year		**(731,143)**	**(496,450)**	**(738,305)**	**(488,147)**
Other comprehensive income or loss:					
Cash flow derivatives	20.2.2	16,238	7,231	16,238	45,034
Cash flow derivatives - subsidiaries			37,803		
Foreign currency translation adjustment	16(b)	60,850	54,631	77,968	56,809
Write-off foreign currency translation adjustment		812		812	
Income tax and social contribution related to components of comprehensive income	20.2.2	(5,522)	(2,458)	(5,522)	(2,458)
Total other comprehensive income or loss		72,378	97,207	89,496	99,385
Total comprehensive income or loss for the year		**(658,765)**	**(399,243)**	**(648,809)**	**(388,762)**
Attributable to:					
Company's shareholders - continued operations				(960,798)	(455,206)
Company's shareholders - discontinued operations				302,033	55,963
Non-controlling interest				9,956	10,481
				(648,809)	**(388,762)**

The Management notes are an integral part of the financial statements.

Braskem S.A.

Statement of changes in equity

All amounts in thousands of reais

						Revenue reserves				R e (accu
	Note	**Capital**	**Capital reserve**	**Legal reserve**	**Tax incentives**	**Unrealized profit reserve**	**Additional dividends proposed**	**Other comprehensive income**	**Treasury shares**	
At December 31, 2010		**8,043,222**	**845,998**	**87,710**	**5,347**	**995,505**	**250,346**	**221,350**	**(10,379)**	
Comprehensive income for the year:										
Loss for the year										(4
Fair value of cash flow derivative, net of taxes								42,576		
Foreign currency translation adjustment								54,631		
								97,207		(4
Equity valuation adjustments										
Deemed cost of jointly-controlled subsidiary, net								22,079		
Realization of deemed cost of jointly-controlled subsidiary, 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:										
Payment of additional dividends proposed							(250,346)			
Tax incentives					(800)					
Gain (loss) on interest in subsidiary								3,106		
Expired dividends / other										
Absorption of losses						(496,455)				
Additional dividends proposed						(482,593)	482,593			
Repurchase of treasury shares									(946)	
					(800)	(979,048)	232,247	3,106	(946)	
At December 31, 2011		**8,043,222**	**845,998**	**87,710**	**4,547**	**16,457**	**482,593**	**315,586**	**(11,325)**	
Comprehensive income for the year:										
Loss for the year										(7
Fair value of cash flow derivative, net of taxes	20.2.2							10,716		
Foreign currency translation adjustment	16(b)							60,850		
Write-off foreign currency translation adjustment								812		
								72,378		(7
Equity valuation adjustments										
Realization of deemed cost of jointly-controlled subsidiary, net of taxes								(952)		
Realization of additional										

property, plant and equipment price-level restatement, net of taxes								(27,236)		
								(28,188)		
Contributions and distributions to shareholders:										
Additional dividends approved at Shareholders' Meeting	29(d)						(482,593)			
Loss on interest in subsidiary	16(b)							(5,917)		
Write-off gain on interest in subsidiary by sale	6							(4,632)		
Recompra de ações	29(b)								(36,694)	
Repurchase of treasury shares	29(f)		(48,019)						48,019	
Cancellation of shares	29(h)			(87,710)	(4,547)	(16,457)				
			(48,019)	(87,710)	(4,547)	(16,457)	(482,593)		(10,549)	11,325
At December 31, 2012		**8,043,222**	**797,979**					**349,227**		**(5**

The Management notes are an integral part of the financial statements.

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Braskem S.A.

Statement of changes in equity

All amounts in thousands of reais

								Attributed to shareholders		
						Revenue reserves				**R**
	Note	**Capital**	**Capital reserve**	**Legal reserve**	**Tax incentives**	**Unrealized profit reserve**	**Additional dividends proposed**	**Other comprehensive income**	**Treasury shares**	**e (accu**
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 year:										
Loss for the year										(4
Fair value of cash flow derivative, net of taxes								42,576		
Foreign currency translation adjustment								54,631		
								97,207		(4
Equity valuation adjustments										
Deemed cost of jointly-controlled subsidiary, net								22,079		
Realization of deemed cost of jointly-controlled subsidiary, 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									(946)	
					(800)	(979,048)	232,247	3,106	(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 year:										
Loss for the year										(7
Fair value of cash flow derivative, net of taxes	20.2.2							10,716		
Foreign currency translation adjustment	16(b)							60,850		
Write-off foreign currency translation adjustment								812		

								72,378		(7
Equity valuation adjustments										
Realization of deemed cost of jointly-controlled subsidiary, net of taxes								(952)		
Realization of additional property, plant and equipment price-level restatement, net of taxes								(27,236)		
								(28,188)		
Contributions and distributions to shareholders:										
Additional dividends approved at Shareholders' Meeting	29(d)						(482,593)			
Capital loss from non-controlling interest										
Write-off non-controlling by investments sale										
Loss on interest in subsidiary	16(b)							(5,917)		
Write-off gain on interest in subsidiary by sale	6							(4,632)		
Repurchase of treasury shares	29(b)								(36,694)	
Cancellation of shares	29(f)		(48,019)						48,019	
Absorption of losses	29(h)			(87,710)	(4,547)	(16,457)				
			(48,019)	(87,710)	(4,547)	(16,457)	(482,593)	(10,549)	11,325	
At December 31, 2012		**8,043,222**	**797,979**					**349,227**	**(48,892)**	**(5**

The Management notes are an integral part of the financial statements.

Braskem S.A.

Statement of cash flows

Years ended December 31

All amounts in thousands of reais

	Parent Company		Consolidated	
	2012	**2011**	**2012**	**2011**
Loss before income tax and social contribution				
and of discountinued operations results	(1,307,246)	(888,523)	(1,382,452)	(846,941)
Adjustments for reconciliation of loss				
Depreciation, amortization and depletion	1,193,976	1,064,731	1,924,265	1,723,420
Results from equity investments	(290,414)	(7,511)	25,807	1,665
Results from business combinations				(30,045)
Interest and monetary and exchange variations, net	2,000,307	1,900,976	2,442,973	2,292,498
Other	240,675	517	294,199	2,056
	1,837,298	**2,070,190**	**3,304,792**	**3,142,653**
Changes in operating working capital				
Held-for-trading financial investments	16,216	83,224	16,716	90,953
Trade accounts receivable	(681,681)	(11,245)	(625,130)	365,901
Inventories	(495,689)	(173,519)	(566,025)	(382,465)
Taxes recoverable	(302,375)	(125,862)	(458,763)	(311,021)
Prepaid expenses	45,956	(29,871)	49,707	(62,531)
Receivables from related parties		128,429		
Other receivables	(710,879)	(138,106)	(529,103)	(356,253)
Trade payables	1,394,075	784,797	2,165,530	1,325,977
Taxes payable	(324,774)	(8,888)	(426,440)	(52,134)
Long-term incentives	(4,808)	771	(4,808)	771
Advances from customers	245,761	47,194	206,044	187,306
Sundry provisions	52,522	(56,607)	94,382	(74,402)
Other payables	326,513	(296,253)	389,032	(212,133)
Cash from operations	**1,398,135**	**2,274,254**	**3,615,934**	**3,662,622**
Interest paid	(583,738)	(639,680)	(1,006,840)	(802,427)
Income tax and social contribution paid	(35,403)	(50,439)	(37,283)	(82,695)
Net cash generated by operating activities	**778,994**	**1,584,135**	**2,571,811**	**2,777,500**

Proceeds from the sale of fixed assets		423	115,846	23,958
Proceeds from the capital reduction of associates		6,600		6,600
Cash effect from incorporated subsidiary	394		(141,348)	
Acquisitions of investments in subsidiaries and associates	(84,282)	(572,847)		(619,207)
Acquisitions to property, plant and equipment	(1,375,908)	(1,602,251)	(2,792,853)	(2,252,491)
Acquisitions of intangible assets	(13,384)	(5,131)	(15,734)	(11,474)
Held-for-trading and available for sale financial investments	19,453	(4,814)	(218)	(13,856)
Net cash used in investing activities	**(1,453,727)**	**(2,178,020)**	**(2,834,307)**	**(2,866,470)**
Short-term and long-term debt				
Obtained borrowings	4,058,052	4,284,538	6,665,938	7,122,632
Payment of borrowings	(4,760,048)	(4,305,282)	(5,493,015)	(6,042,644)
Related parties				
Obtained loans	1,823,138	2,459,254		
Payment of loans	(366,861)	(1,293,557)		
Dividends paid	(157,210)		(482,051)	(664,851)
Non-controlling interests in subsidiaries	(482,051)	(664,847)	(20,295)	76,406
Repurchase of shares			(36,694)	(946)
Capital increase	(36,694)	(946)		
Other				4,147
Net cash provided by (used in) financing activities	**78,326**	**479,160**	**633,883**	**494,744**
Exchange variation on cash of foreign subsidiaries			(36,037)	(117,030)
Increase (decrease) in cash and cash equivalents	**(596,407)**	**(114,725)**	**335,350**	**288,744**
Represented by				
Cash and cash equivalents at the beginning for the year	2,224,335	2,339,060	2,952,272	2,698,075
Cash and cash equivalents at the end for the year	1,627,928	2,224,335	3,287,622	2,986,819
Increase (decrease) in cash and cash equivalents	**(596,407)**	**(114,725)**	**335,350**	**288,744**

The Management notes are an integral part of the financial statements.

Braskem S.A.

Statement of cash flows

Years ended December 31

All amounts in thousands of reais

			Parent Company		Consolidated
Continued and discontinued operations	**Nota**	**Note**	**2012**	**Note**	**2012**
Revenue		**25,248,033**	**22,322,402**	**43,376,748**	**39,623,873**
Sale of goods, products and services, including discontinued operations	6(d)	24,868,066	22,339,568	42,647,728	39,579,217
Other income (expenses), net		410,617	(25,558)	779,083	40,044
Allowance for doubtful accounts		(30,650)	8,392	(50,063)	4,612
Inputs acquired from third parties		**(21,144,265)**	**(17,810,055)**	**(37,141,063)**	**(33,357,839)**
Cost of products, goods and services sold		(20,324,249)	(17,068,140)	(35,782,490)	(32,169,206)
Material, energy, outsourced services and others		(820,111)	(756,991)	(1,353,377)	(1,196,721)
Impairment / recovery of assets		95	15,076	(5,196)	8,088
Gross value added		**4,103,768**	**4,512,347**	**6,235,685**	**6,266,034**
Depreciation, amortization and depletion	6(d)	(1,193,976)	(1,064,731)	(1,933,776)	(1,723,420)
Net value added produced by the entity		**2,909,792**	**3,447,616**	**4,301,909**	**4,542,614**
Value added received in transfer		**655,020**	**533,807**	**519,926**	**798,220**
Results from equity investments	6(d)	290,414	7,511	(14,179)	(1,419)
Financial income	6(d)	364,389	526,062	532,012	769,341
Results from business combination	6(d)				30,045
Other		217	234	2,093	253
Total value added to distribute		**3,564,812**	**3,981,423**	**4,821,835**	**5,340,834**
Personnel		**505,687**	**487,508**	**807,804**	**762,314**
Direct compensation		378,082	371,573	608,193	577,110

Benefits		91,665	84,504	150,947	140,095
FGTS (Government Severance Pay Fund)		35,940	31,431	48,664	45,109
Taxes, fees and contributions		**254,347**	**1,001,877**	**653,659**	**1,313,149**
Federal		(440,584)	201,648	(174,029)	366,357
State		687,777	795,426	805,363	925,309
Municipal		7,154	4,803	22,325	21,483
Remuneration on third parties' capital		**3,535,921**	**2,988,488**	**4,098,677**	**3,753,518**
Financial expenses (including exchange variation)		3,391,552	2,836,289	3,908,924	3,558,776
Rentals		144,369	152,199	189,753	194,742
Remuneration on own capital	6(d)	**(731,143)**	**(496,450)**	**(738,305)**	**(488,147)**
Loss for the period, including discontinued operations		(731,143)	(496,450)	(1,033,176)	(552,413)
Non-controlling interests in loss for the year				(7,162)	8,303
Result from discontinued operations				302,033	55,963
Value added distributed		**3,564,812**	**3,981,423**	**4,821,835**	**5,340,834**

- The statement of value added is not a required part of a set of financial statements under IFRS.

The Management notes are an integral part of the financial statements.

Braskem S.A.

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1 Operations

Braskem S.A. (hereinafter "Parent Company") is a public corporation headquartered in Camaçari, Bahia, which jointly with its subsidiaries (hereinafter "Braskem" or "Company"), operates 36 industrial units, 29 of which in the Brazilian states of Alagoas, Bahia, Rio de Janeiro, Rio Grande do Sul and São Paulo, five are located in the United States, in the states of Pennsylvania, Texas and West Virginia and two are located in Germany. These units produce basic petrochemicals - such as ethylene, propylene butadiene, toluene, xylene and benzene, as well as gasoline and LPG (Liquefied Petroleum Gas) – and thermoplastic resins – polyethylene ("PE"), polypropylene ("PP") and polyvinyl chloride ("PVC").

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 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.

(a) Significant operating events

(i) In December 2011, Sunoco Chemicals, Inc. ("Sunoco") announced the definitive shutdown of operations at its refinery that was responsible for supplying polymer-grade propylene, the main feedstock to the PP plant of the subsidiary Braskem America Inc ("Braskem America) in the state of Pennsylvania.

In 2012, Sunoco formally informed the Management of Braskem America of its alternative plan to supply feedstock, as required under the supply agreement entered into in 2010. 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 33).

Despite the termination of the supply agreement, the Management of Braskem America pursued alternative supply and logistics solutions in order to continue operations at the unit and has already identified other sources to supply the feedstock required.

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. This acquisition does not represent a business combination, since it does not meet the definitions required by IFRS 3 and its corresponding CPC 15 (R1).

With the acquisition, Braskem America expanded its supply sources, since the supply of refinery-grade propylene is more abundant in the U.S. market.

(ii) On August 17, 2012, the Company inaugurated, in Marechal Deodoro, Alagoas, a new plant with annual production capacity of 200 kton (unaudited) of PVC, which expanded Braskem's total installed capacity to 710 kton (unaudited). 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 Rio Grande do Sul, a new plant with annual production capacity of 103 kton (unaudited) of butadiene, which expanded Braskem's total installed capacity to 477 kton (unaudited). Total investment was approximately R$300 million.

Braskem S.A.

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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	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, 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 5).

(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, 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 Parent Company, a sole partner, in the amount of R$81 (EUR 35 thousand) (Note 16(b)).

(viii) On February 28, 2012, the Extraordinary Shareholders’ Meeting of the Parent Company approved the merger of the subsidiary Ideom Tecnologia Ltda., 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. and Rio Polímeros S.A. ("Riopol") was increased in the amounts of R$649,639 and R$738,799, respectively (Note 16(b)), without the issue of new shares, as approved at the respective shareholders' meetings. 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 Parent Company, respectively.

(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. was approved, with the transfer of the facilities comprising the Water Treatment Unit (UTA) of the Basic Petrochemicals Unit at the Camaçari Petochemical Complex (Bahia) , in the amount of R$75,024, which corresponds to the residual book value , along with the change in the type of company to a corporation.

(xiv) On November 5, 2012, in the Extraordinary Shareholders Meeting, 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 (Mex$266.666 thousand), through the issue of 86,052 Class "A" shares, which was fully paid in by the Parent Company. Subsequently, part of the capital was returned to the non-controlling shareholder, which resulted in an increase in the interest held by the Parent Company in the capital stock of Braskem Idesa, from 65% to 75%.

(xv) On November 9, 2012, the Extraordinary Shareholders Meeting approved the change in the company name of Braskem Distribuidora S.A. 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 Alemanha.

(xvii) On December 17, 2012, the Extraordinary Shareholders Meeting 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, the Parent Company and Braskem Participações S.A. entered into a private instrument for the purchase and sale of shares through which it sold all shares of the subsidiary Braskem Distribuidora (Note 6).

(xix) On December 28, 2012, the Parent Company entered into a private instrument for the purchase and sale of shares through which it sold its interest in the subsidiary Cetrel S.A. (Note 6).

(xx) Braskem and Petroquimica 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 decided to withdraw the interest held by Braskem in the jointly-controlled company Polietilenos de America ("Polimerica"), whose corporate documents are currently in the process of being registered with the applicable body in Venezuela. As a result, the Management of Braskem decided to write off the investment in Polimerica already in 2012.

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(c) Net working capital

On December 31, 2012, net working capital at the Parent Company was negative R$1,594,367 (R$311,862 in 2011). On the other hand, consolidated net working capital was positive R$35,700 (R$1,118,729 in 2011). The consolidated figures are used in the management of working capital, since the Company uses mechanisms to transfer funds between the companies efficiently without jeopardizing the fulfillment of the commitments of each of the entities forming the consolidated statements. For this reasons, any analysis of the Parent Company's working capital will not reflect the actual liquidity position of the consolidated group.

Braskem also has three revolving credit lines that may be used at any time (Note 4.3).

(d) Effect of foreign exchange variation

The Company has balances and transactions in U.S. dollar, as well as financial investments, trade accounts receivable, trade payables, borrowings and sales. 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 each operation occurs. These rates are informed by the Central Bank of Brazil.

The following table shows the U.S. dollar average and end-of-period exchange rates for the fiscal years in this report:

U.S. dollar, end of period	
December 2012	R$ 2.0435
December 2011	R$ 1.8758
Appreciation of the U.S. dollar in relation to the Brazilian real	8.94%

Average U.S. dollar rate	
Nine-month period ended December 31, 2012	R$ 1.9550
Nine-month period ended December 31, 2011	R$ 1.6746
Appreciation of the U.S. dollar in relation to the Brazilian real	16.74%

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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 adoption of the equity method used for the recognition of investments in jointly-controlled companies in place of the proportional consolidation method (Note 2.12).

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.

The 2011 financial information, presented for comparison purposes, was altered to reflect: (i) the final valuation of the business combination of Dow (Note 5), whose impact on equity, recorded in the item "Profit (losses) accumulated", amounted to R$28,692; and (ii) the impacts of discontinued operations (Note 6).

The issue of these financial statements was authorized by the Company's Board of Directors on February 6, 2013.

2.1.1 Parent company financial statements

The Parent Company financial statements have been prepared in accordance with accounting practices adopted in Brazil, following the provisions in Brazilian Corporate Law and the standards issued by the Brazilian Accounting Pronouncements Committee ("CPC"), and are disclosed together with the consolidated financial statements. The accounting practices adopted in Brazil applicable to the Parent Company financial statements differ from International Financial Reporting Standards ("IFRS") only in relation to the valuation of investments in subsidiaries and associates based on the equity accounting method, instead of cost or fair value in accordance with IFRS. The reconciliations between equity and results of operations of the Parent Company with the consolidated are presented in Note 2.1.2 (a.ii).

2.1.2 Consolidated financial statements

The consolidated financial statements were prepared and presented in accordance with accounting practices adopted in Brazil, including the standards issued by the CPC, and in accordance with the IFRS issued by the International Accounting Standards Board ("IASB").

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(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 parent company.

The consolidation process provided for in pronouncements CPC 36 (R2) and IAS 27 corresponds to the sum of balance sheet accounts and profit and loss, in addition to the following eliminations:

a) the investments of the Parent 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 (loss) for the year and assets that correspond to unrealized gains and unrealized losses with third parties on transactions between companies.

The consolidated financial statements comprise the financial statements of the Parent Company and the following subsidiaries:

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			Total interest - %	
		Headquarters (Country)	**2012**	**2011**
Direct and Indirect subsidiaries				
Braskem America, Inc. (“Braskem America”)		USA	100,00	100,00
Braskem America Finance Company ("Braskem America Finance")		USA	100,00	100,00
Braskem Argentina S.A. (“Braskem Argentina”)		Argentina	100,00	100,00
Braskem Austria Finance GmbH ("Braskem Austria Finance")	(i)	Austria	100,00	
Braskem Chile Ltda. (“Braskem Chile”)		Chile	100,00	100,00
Braskem Europe GmbH ("Braskem Alemanha")		Germany	100,00	100,00
Braskem Finance Limited (“Braskem Finance”)		Cayman Islands	100,00	100,00
Braskem Idesa S.A.P.I (“Braskem Idesa")	(ii)	Mexico	75,00	65,00
Braskem Idesa Servicios S.A. de CV ("Braskem Idesa Serviços")		Mexico	75,00	65,00
Braskem Importação e Exportação Ltda. (“Braskem Importação”)		Brazil	100,00	100,00
Braskem Incorporated Limited (“Braskem Inc”)		Cayman Islands	100,00	100,00
Braskem International GmbH ("Braskem Austria")	(iii)	Austria	100,00	
Braskem Netherlands B.V (“Braskem Holanda”)		Netherlands	100,00	100,00
Braskem México, S de RL de CV (“Braskem México”)		Mexico	100,00	100,00
Braskem Participações S.A. (“Braskem Participações”)		Brazil	100,00	100,00
Braskem Petroquímica Ltda. (“Braskem Petroquímica”)		Brazil	100,00	100,00
Braskem Petroquímica Chile Ltda. (“Petroquímica Chile”)		Chile	100,00	100,00
Braskem Petroquímica Ibérica, S.L. ("Braskem Espanha")	(iv)	Spain	100,00	
Braskem Qpar S.A. (“Braskem Qpar”)		Brazil	100,00	100,00
Cetrel S.A. ("Cetrel")	(v)	Brazil		54,09
Commom Industries Ltd. (“Commom”)		British Virgin Islands	100,00	100,00
Distribuidora de Água Camaçari S.A (“Braskem Distribuidora”)	(v)	Brazil		100,00
Ideom Tecnologia Ltda. (“Ideom”)	(vi)	Brazil		100,00
IQ Soluções & Química S.A.(“Quantiq”)	(vii)	Brazil		100,00
IQAG Armazéns Gerais Ltda. (“IQAG”)	(vii)	Brazil		100,00
Lantana Trading Co. Inc. (“Lantana”)		Bahamas	100,00	100,00

Norfolk Trading S.A. (“Norfolk”)		Uruguay	100,00	100,00
Politeno Empreendimentos Ltda. (“Politeno Empreendimentos”)		Brazil	100,00	100,00
Rio Polímeros S.A. (“Riopol”)		Brazil	100,00	100,00
Specific Purpose Entity ("SPE")				
Fundo de Investimento Multimercado Crédito Privado Sol (“FIM Sol”)		Brazil	100,00	100,00
Jointly-controlled subsidiaries				
Refinaria de Petróleo Riograndense S.A. (“RPR”)	(viii)	Brazil		33,20
Polietilenos de America S.A.(“Polimerica”)	(ix)	Venezuela		49,00
Polipropileno Del Sur S.A.(“Propilsur”)	(viii)	Venezuela		49,00

(i) Company incorporated in August 2012 (Note 1(b)(xii)).

(ii) The Company increased its interest in this investment in November 2012 (Note 1(b)(xiiv)).

(iii) Company incorporated in February 2012 (Note 1(b)(vii)).

(iv) Company incorporated in June 2012 (Note 1(b)(x)).

(v) Divestments in December 2012 (Note 1(b)(xviii) and (xix)).

(vi) Company merged in February 2012 (Note 1(b)(viii)).

(vii) Companies in advanced stage of sale (Note 6).

(viii) Unconsolidated investments as from 2012 (Note 2).

(ix) The Company decided to withdraw its interest in this investment in November 2012 (Note 1(b)(xx)).

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Notes to the financial statements

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(a.i) Non-controlling interest in the equity and results of operations of the Company's subsidiaries

	Equity		Profit (loss) for the year	
	2012	**2011**	**2012**	**2011**
Braskem Idesa	87,813	93,578	(7,162)	(4,695)
Cetrel		121,744		12,998
Total	**87,813**	**215,322**	**(7,162)**	**8,303**

(a.ii) Reconciliation of equity and profit (loss) for the period between parent company and consolidated

	Equity		Profit (loss) for the year	
	2012	**2011**	**2012**	**2011**
Parent Company	**8,624,879**	**9,813,480**	**(731,143)**	**(496,450)**
Braskem shares owned by subsidiary Braskem Petroquímica	(48,892)	(48,892)		
Non-controlling interest	87,813	215,322	(7,162)	8,303
Consolidated	**8,663,800**	**9,979,910**	**(738,305)**	**(488,147)**

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 36).

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 CPC 02 (R2) and IAS 21.

(b) Brazilian real 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, except those designated for hedge accounting, which are deferred in equity as cash flow hedges.

Foreign exchange variations on financial assets and liabilities are classified as “financial income” and “financial expenses”, respectively.

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(c) Functional currency other than the Brazilian real

Some subsidiaries and a jointly-controlled subsidiary have a different functional currency from that of the Parent Company, namely:

(i) Propilsur, headquartered in Venezuela, adopts as functional currency the U.S. dollar, since it is in the construction stage and the main supplies of equipment and services for the installation of the project are based on this currency;

(ii) Braskem Idesa, Braskem Idesa Serviços and Braskem México, headquartered in Mexico, have as functional currency the Mexican peso, since they are in the construction stage and the main supplies of equipment and services are based on this currency, and because it has a management structure that is independent of the Parent Company's operations;

(iii) Braskem América and Braskem América Finance, headquartered in the United States, maintain a management structure that is independent from the operations of the Parent Company and that comprises own labor, outsourcing services, acquisition of raw materials and production and sale of resins. Prices, personnel expenses and other production costs are mostly determined in U.S. dollar, which is, therefore, its functional currency.

(iv) Braskem Alemanha, headquartered in Germany, maintains a management structure that is independent from the operations of the Parent Company and that comprises own labor, outsourcing services, acquisition of raw materials and production and sale of resins. Prices, personnel expenses and other production costs are mostly determined in euro, which is, therefore, its functional currency; and

(v) Braskem Áustria maintains a management and administrative structure that is independent from the operations of the Parent Company and has its own workforce, contracts third-party services and is involved in the buying and trading of naphtha. In addition to these operations, it also functions as a holding company, with certain subsidiaries abroad under its control. The euro was defined as the functional currency, since this currency is used in its main operations and is the local currency of that country.

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 rate prevailing on the dates of the transactions.

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.

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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

Financial assets are classified upon initial recognition in the categories listed below. This classification depends on the purpose for which they were acquired.

(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).

(b) Loans and receivables - these are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as current assets, except for those falling due more than 12 months after the balance sheet date, classified as non-current assets. 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).

(c) Held-to-maturity financial assets - these are financial assets acquired with the intention and financial capacity for their maintenance in the portfolio up to maturity. The Company's held-to-maturity financial assets comprise mainly quotas of investment funds in credit rights.

2.5.2 Recognition and measurement

Purchases and sales of financial assets are recognized on the trade date, usually when the Company commits to purchase or sell the asset.

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.

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.

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.

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Dividends declared by associates assessed at cost are recognized in the statement of operations as part of the account "results from equity investments".

2.5.3 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legal right to do to so and there is an intention to settle them on a net basis, or realize the asset and settle the liability simultaneously.

2.5.4 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 borrower 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 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.

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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

The fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months.

Management may designate certain derivatives as hedges of a particular risk associated with a recognized asset or liability or a highly probable forecast transaction (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.

The effective portion of the changes in the fair value of hedge derivatives is recognized in “other comprehensive income”. These amounts are transferred to profit or loss for the periods in which the hedged item affects profit or loss. 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 or discontinued, the cumulative gain or loss in equity is immediately transferred to profit or loss for the year.

The cash flow hedge transactions carried out by the Company are described in Note 20.

(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 provision for impairment. 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. Imports in transit are stated at the cost accumulated in each import (Note 10).

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2.9 ***Non-current assets held for sale***

(a) Held-for-sale assets

Non-current assets are classified as available-for-sale when (i) their book value is not impaired by the sale; and (ii) when this sale is practically certain. These assets are assessed at the lowest value between book value and fair value less selling costs.

These assets are presented in a specific item on the balance sheet. For investments in subsidiaries, their assets and liabilities, after eliminating the balances held at such companies, these are also presented in the same item on the consolidated balance sheet.

Property, plant and equipment and intangible assets are no longer depreciated and/or amortized and the ownership interest in associated companies, subsidiaries and jointly-controlled companies classified as held-for-sale are no longer evaluated using the equity method.

(b) 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 fiscal year. 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 and losses recognized upon measurement at sales value less selling expenses or upon sale of the available-for-sale assets that comprise the discontinued operation; and

(iv) income tax and social contribution related to item (iii) above.

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.

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2.10 Investments in subsidiaries

Subsidiaries are all entities over which the Company has the power to govern the financial and operating policies so as to obtain benefits from its activities (control). These investments are consolidated and measured in the financial statements of the Parent Company through the equity method.

The Company uses the acquisition method to account for the acquisitions of subsidiaries (business combinations). The use of this method requires (i) the identification of the acquirer; (ii) determination of the date of acquisition; (iii) the recognition and measurement of the identifiable assets acquired, contingencies, liabilities assumed and non-controlling interests; and (iv) the recognition and measurement of goodwill from future profitability or gain arising from a bargain purchase.

The consideration transferred for the acquisition of a subsidiary is the sum of the fair value of the assets transferred, liabilities incurred and equity interests issued by the Company. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The non-controlling interests in the investee are determined by means of the application of the respective interest percentage on the fair value of the acquiree’s net assets.

The excess of the consideration paid in relation to the fair value of the Company’s share of the identifiable net assets acquired, is recorded as goodwill. When the consideration transferred is less than the fair value of the net assets acquired, the difference, after all recalculations are made, is recognized directly as a gain in the statement of operations (bargain purchase).

The costs related to the acquisition of subsidiaries are accounted for in profit or loss for the year as they are incurred.

Investment gains and losses arising from transactions with non-controlling shareholders are directly recorded in equity in "other comprehensive income". These gains and losses are transferred to profit or loss for the year when the Company ceases to have control over the related subsidiary.

The Company recognizes, in the Parent Company's financial statements, a provision for losses in subsidiaries at an amount equivalent to the net capital deficiency of these subsidiaries. This provision is recorded in non-current liabilities with a contra-entry to the account "results from equity investments".

The unrealized gains in operations between the Parent Company and its subsidiaries that are still recorded in the assets held by the Company are fully eliminated from the financial statements of the Parent Company.

2.11 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.

Gains and losses arising from the dilution of or increase in investments in associates are recognized in the statement of operations.

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Other investments are stated at acquisition cost, less provision for adjustments to market value, when applicable.

2.12 Investments in jointly-controlled subsidiaries

Jointly-controlled subsidiaries are all entities over which the Company shares, under an agreement, control with one or more parties. Investments in jointly-controlled subsidiaries are initially accounted for at cost and subsequently using the equity method.

The unrealized gains in operations between the Company and its jointly-controlled companies are eliminated proportionately to its interest in these investments.

2.13 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 assets intended for maintaining the Company's activities arising from financial lease operations are recorded initially at the lower of fair value or the present value of the minimum payment of the contract, and are depreciated on a straight-line basis over the term of the contract.

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) above.

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.

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 3.4 .

Land has an indefinite useful life, therefore, it is not depreciated.

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Projects in progress are not depreciated. Depreciation begins when the assets are available for use.

The useful life is annually reviewed by the Company. The Company does not attribute a residual value to assets due to its insignificance.

2.14 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 CPC and IFRS pronouncements and represent the excess of the amount paid over the amount of equity of the entities acquired. Upon adoption of the CPC and IFRS pronouncements in 2009, 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.

Goodwill is accounted for at cost, net of accumulated impairment losses, when applicable. Impairment losses are not reversed.

(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 15 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 11 and 19 years).

(d) Software

Software is recorded at cost net of accumulated amortization and provision for impairment, when applicable. 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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2.15 Impairment of non-financial assets

Assets that have indefinite useful lives, for example 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 3.6).

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.

Non-financial assets other than goodwill that were adjusted due to impairment are subsequently reviewed for possible reversal of the impairment at least at the balance sheet date.

2.16 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.

2.17 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.

2.18 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 23).

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 CPC 25 and IAS 37.

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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”.

2.19 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.

2.20 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.

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The Company adopts the corridor approach to recognize actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions. Actuarial gains and losses that exceed the higher of 10% of plan assets or 10% of plan liabilities, are charged or credited to profit or loss according to the average remaining service period of the fund participants.

Past-service costs are recognized immediately in profit or loss on a straight-line basis over a period equivalent to the vesting period.

2.21 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 CPC 25 and 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 28).

(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.

2.22 Distribution of dividends

The distribution of dividends to shareholders of the company is recognized based on Brazilian corporate law and on the bylaws of the Company.

Upon closing the balance sheet, the amount corresponding to the minimum mandatory dividend (Note 29(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 "proposed additional dividend", in the "profit reserve" group under shareholders' equity. Once approved by the shareholders' meeting, this portion is transferred to current liabilities.

2.23 Leases

Leases in which a significant portion of the risks and rewards of ownership of the assets is retained by the lessor are classified as finance leases. Payments made under these leases are charged to the statement of operations on a straight-line basis over the period of the lease.

The contracts in which the Company holds substantially all risks and rewards of ownership of the assets, are classified as operating leases and recognized under liabilities in "other payables" as a contra-entry to property, plant and equipment.

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2.24 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.

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.

2.25 Rules, changes and interpretations of standards that will be in force in 2013

Rules, changes and interpretations of standards that will be in force in 2013 and have not been adopted early by the Company:

(a) On December 13, 2012, the Securities and Exchange Commission of Brazil (CVM) published Deliberation 695 approving CPC 33 (R1) "Employee benefits", which incorporated the changes under IAS 19 – "Employee benefits" amended in June 2011

The main impacts of the changes follow:

(i) elimination of the possibility of using the "corridor method" (permission for actuarial gains and losses up to the limit of 10% of the present value of the defined benefit obligation or 10% of the fair value of the plan's assets, the greater of the two values, to be recognized as profit or loss for the remaining average working life of participants in the plan);

(ii) recognition of actuarial gains and losses under "other comprehensive income", as they occur. These amounts will not be carried to the profit or loss of the fiscal year, remaining under equity in other comprehensive income.

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(iii) immediate recognition of the costs of past services in the profit or loss; and

(iv) substitution of the participation cost and expected return on the plan's assets for a net participation amount calculated by applying the discount rate to the assets (liabilities) of the net defined benefit.

This rule will not cause material impacts for Braskem, since the withdrawal of sponsorship by the Company for the two largest defined benefit plans was approved in 2012. For the remaining plans, the unrecognized balance of actuarial loss, at December 31, 2012, was R$19,218.

The rule applies to fiscal years beginning as of January 1, 2013.

(b) On December 20, 2012, the CVM released Deliberation 698 approving CPC 36 (R3) "Consolidated financial statements", which incorporated the changes under IFRS 10 – "Consolidated financial statements"

The new standard is based on existing principles and identifies the concept of control as the dominant factor when determining whether an entity should be included in the consolidated financial statements of the Parent Company. The standard provides additional guidance for determining control.

The Company analyzed this standard and concluded that it will not cause any impacts on its consolidated financial statements.

The rule applies to fiscal years beginning as of January 1, 2013.

(c) On November 23, 2012, the CVM released Deliberation 694 approving CPC 19 (R2) “Joint businesses”, which incorporated the changes introduced under IFRS 11 – “Joint arrangements”

The standard provides more realistic reflections of joint arrangements by focusing on the rights and obligations under the arrangement instead of on its legal form. There are two types of joint arrangements:

(i) joint operation - when one of the parties has rights to the assets and obligations relating to the arrangement and, as a result, will record its share of the assets, liabilities, revenues and expenses; and

(ii) joint venture – when one of the parties has rights to the net assets of the arrangement and will record the investment by the equity method.

The proportional consolidation method will no longer be permitted for joint control.

The adoption of this standard will have no impacts on the Company, since it already adopts the equity method for investments in jointly-controlled companies.

The rule applies to fiscal years beginning as of January 1, 2013.

(d) On December 13, 2012, the CVM released Deliberation 697 approving CPC 45 “Disclosure of interest in other entities”, which incorporated the changes under IFRS 12 – “Disclosure of interest in other entities”.

The standard deals with disclosure requirements for all forms of interest in other entities, including joint arrangements, associations, specific-purpose interest and other forms of interest that are not booked.

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The Company analyzed the standard and its impact will be to expand the respective Note in the financial statements.

The rule applies to fiscal years beginning as of January 1, 2013.

(e) On December 20, 2012, the CVM disclosed Deliberation 699 approving CPC 46 “Fair value measurement”, which incorporated the changes under IFRS 13 - “Fair value measurement”

The objective of the standard is to increase consistency and reduce the complexity of fair value measurement, providing a more precise definition and a single source of fair value measurement and its disclosure requirements under IFRS. The requirements do not expand the use of fair value booking, but rather provide instructions on how to apply it when already required or allowed under other IFRS standards.

The Company analyzed the standard and concluded that there will be no impacts on its consolidated financial statements.

The rule applies to fiscal years beginning as of January 1, 2013.

2.26 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 and its subsidiaries:

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 2012 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. This standard has not yet been issued by the CPC.

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. This standard has not yet been issued by the CPC.

IAS 1 – "Presentation of Financial Statements" – the main change was the requirement that entities group the items presented under other comprehensive income based on whether or not they are potentially reclassifiable to the subsequent profit or loss (reclassification adjustments). This change, however, does not establish which items should be presented under other comprehensive income. The standard will be applicable as of July 1, 2013. This standard has not yet been issued by the CPC.

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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 information is in the Business Plan, which is approved by the Board of Directors at the end of the second half of every year. This plan is prepared by the Executive Board and its main variables, such as the price of the products manufactured by the Company, price of naphtha, exchange variation, interest rate, inflation rate and fluctuations in the supply and demand of inputs and finished products are obtained from specialized external consultants. 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.

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3.2 Pension plans – defined benefit

The Company recognizes the obligation of the employee defined benefit plans and related costs, by adopting the following practices:

(i) the plan cost is determined by actuaries using the projected unit credit method and the best estimates of the plan's manager and the Company of the expected performance of the plan's investments, salary growth, retirement age of employees and discount rates; and

(ii) the plan assets are stated at fair value.

The discount rate used to determine the present value of future benefit obligations is a combination of the estimate for the market interest rate and annual inflation.

Additionally, actuaries, supported by the plan's manager, also use subjective factors such as rescission, turnover and mortality rates to estimate these factors. The actuarial assumptions used in the Company's plans can be materially different from the actual results due to changes in economic and market conditions, regulatory events, court decisions, higher or lower rescission rates or longer or shorter longevity of participants (Note 25).

3.3 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.

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3.4 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 2012, this analysis concluded that the useful lives applied in 2011 and 2012 should be maintained in 2013.

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:

Percentage (%)	
2012	**2011**
3.59	3.46
7.25	6.91
9.01	9.01
10.75	10.86
20.50	20.80
9.90	10.18

	9.99	9.96
Vehicles	18.71	20.00
Other	19.54	22.59

3.5 Business combination

In accordance with CPC 15 and 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.

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3.6 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 takes into consideration, among others, the following variables that are relevant to the Business Plan mentioned in (Note 3.1): (i) evolution of Industrial Gross Domestic Product; (ii) price of naphtha; (iii) evolution of Brazil's Gross Domestic Product; (iv) inflation; and (v) foreign exchange rates. The Company uses scenarios projected by specialized consultants to estimate these variables.

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 state of Bahia;
- CGU UNIB South: represented by assets of the basic petrochemicals plants located in the state of Rio Grande do Sul;
- CGU UNIB Southeast: represented by assets of the basic petrochemicals plants located in the states of Rio de Janeiro and São Paulo;

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;

Chemical Distribution operating segment:

- This segment was represented by assets of the subsidiaries Quantiq and IQAG and was discontinued after the decision was made to sell these companies (Note 6).

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(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 supplied by the Parent Company, 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.

3.7 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 28). In business combination transactions, in accordance with the provision in CPC 15 (R1) and IFRS 3, the Company records the fair value of the claims based on the assessment of loss. 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 (Note 23).

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.

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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 of a 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, such as refinancing programs (REFIS) implemented in Brazil at the Federal level, 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 (i) market risks arising from variations in commodity prices, foreign exchange rates and interest rates; (ii) the credit risks of its counterparties in cash equivalents, financial investments and trade accounts receivable; and (iii) 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 risk

Braskem prepares a sensitivity analysis for each type of market risk to which it is exposed, which is presented in Note 20.4.

(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 ethanol (Note 20.2.1). Also, an immaterial part of sales may be performed based on fixed-price contracts or contracts with a maximum and/or minimum fluctuation range. These contracts can be commercial agreements or derivative contracts associated with future sales.

(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 Brazilian real and 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.

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On December 31, 2012, Braskem prepared a sensitivity analysis for its exposure to U.S. dollar risk, as informed in Note 20.4(c).

(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"), in fixed rates in Brazilian real and in the Interbank Certificate of Deposit ("daily CDI") rate.

In the year, Braskem held swap contracts designated as hedge accounting (Note 20.2.1) 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, 2012, Braskem prepared a sensitivity analysis for the exposure to the floating interest rates Libor, CDI and TJLP, as informed in Notes 20.4(d), (e) and (f).

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, 2012, 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. (Brasil), Banco Votorantim S.A. Banco West LB do Brasil S.A. Banco Caixa Geral – Brasil S.A. and Banco Bradesco S.A. Approximately 55% 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, 2012, the balance of trade accounts receivable was net of allowance for doubtful accounts of R$256,884 (R$253,607 in 2011) (Note 9).

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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 short-term obligations, determined based on the operating disbursements projected 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 (h)), 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.

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 years as from November 2012; and (ii) US$250 million for a period of five years as from August 2011; and (iii) R$450 million for a period of three years as from December 2012. These credit facilities enable Braskem to reduce the amount of cash it holds. On December 31, 2012, Braskem had not drawn any credit from these lines.

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 (i)	Between one and two years (i)	Between two and five years (i)	More than five years (i)	Fair value total
Current						

Trade payables		8,897,597				8,897,597
Borrowings		1,912,252				1,912,252
Derivatives	20.2.1	293,378				293,378
Other payables	(ii)	260,649				260,649
Non-current						
Borrowings			1,947,669	4,111,398	19,656,704	25,715,771
Other payables	(iii)		155,966	166,381		322,347
At December 31, 2012		**11,363,876**	**2,103,635**	**4,277,779**	**19,656,704**	**37,401,994**

(i) The maturity terms presented are based on the contracts signed.

(ii) Refers to amounts payable to non-controlling shareholders of Braskem Idesa (Note 27(a)(i)).

(iii) Refers to amounts payable to BNDES Participações S.A., as part of the business combination with Quattor (Note 27(b)).

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.

As is also the case of liquidity, capital is not managed at the Parent Company level, but rather at the consolidated level.

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5 Business combination

PP assets abroad – Dow Chemical

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 million (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 (unaudited) 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 (unaudited). In Germany, the acquired plants are located in Wesseling and Schkopau and have annual production capacity of 545 thousand tons (unaudited).

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 (*Conselho Administrativo de Defesa Econômica*) 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 under CPC 15 (R1) and the corresponding IFRS 3, the Company recognized, retrospectively, among other amounts, the following main amounts in the 2011 financial statements:

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(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.

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					
Current assets					
Trade accounts receivable	143,932	133,438	277,370	18,948	296,318

Inventories	161,617	126,385	288,002	12,661	300,663
Non-current assets					
Property, plant and equipment	137,186	222,483	359,669		359,669
Current liabilities					
Trade accounts payables	(140,558)	(153,310)	(293,868)	(18,395)	(312,263)
Other payable accounts	(845)	(141)	(985)		(985)
Non-current liabilities					
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**

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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

(v) the fair value of private pension plans was determined based on the net present value of actuarial liabilities.

6 Held-for-sale assets and discontinued operations

In the last quarter of 2012, the Management of the Company divested its interests in the capital of Cetrel and Braskem Distribuidora and commenced negotiations for the divestment of Quantiq.

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.

This investment was sold, on December 28, 2012, to Odebrecht Ambiental (Note 11(b)). 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 final amount may still be altered due to adjustments defined between the parties and provided for in contract.

The operating profit or loss of Cetrel was presented under segment information as “Other segments” (Note 36).

Braskem recognized a gain from the sale, as detailed below:

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	Note	**Amount**
Sale amount (i)	15(a)	208,100
Cost amount of the investment sold in the divestment date	16(b)	(163,905)
Write-off net gain recognized in other comprehensive income	29(i)	4,632
Gain on sale		48,827

(i) Amount to be received in full in June 2013.

Cetrel's profit and losses in 2011 and 2012, and the gain from its divestment, are presented under "profit or loss from discontinued operations" in the consolidated statement of operations, and further detailed in item(c) of this Note.

- **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. The sale price defined by the parties was confirmed by a specialized company, which issued a favorable fairness opinion regarding the price. The final amount may still be altered due to adjustments defined between the parties and provided for in contract.

The operating profit or loss of Braskem Distribuidora was presented under segment information as "Other segments" (Note 36).

Braskem recognized a gain from the sale, as detailed below:

	Note	**Amount**
Sale amount (i)	15(a)	444,000
Cost amount of the investment sold in the divestment date	16(b)	(84,108)
Gain on sale		359,892

(i) Amount to be received in full by December 31, 2013.

Braskem Distribuidora's profits and losses in 2011 and 2012, and the gain from its divestment, are presented under "profit or loss from discontinued operations" in the consolidated statement of operations, and further detailed in item(c) of this Note.

- **Quantiq and IQAG**

Quantiq is engaged in the distribution, marketing and manufacture of petroleum-based solvents and of petrochemical manufacturers, in the distribution and marketing of process oils, other petroleum-based inputs, intermediate chemicals, special chemicals and pharmacons. IQAG is engaged in providing storage services.

These investments are in the advanced stages of the sale process and the Management of the Company estimates that the negotiations will be concluded in the first half of 2013.

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The transaction was submitted to the Administrative Council of Economic Defense (*Conselho Administrativo de Defesa Econômica - CADE*), which issued a favorable, unqualified opinion on December 7, 2012.

The operating profits or losses of Quantiq and IQAG were presented in the segment information as operating segment “Chemical distribution” (Note 36). The operating profits or losses of this segment were R$52,713 in 2012 and R$56,777 in 2011.

The profits and losses of Quantiq and IQAG in 2011 and 2012 are presented under “profit or loss from discontinued operations” in the consolidated statement of operations, and further detailed in item(c) of this Note. The assets and liabilities of these companies in 2012 are presented under “held-for-sale assets” and “held-for-sale liabilities”, respectively.

(a) Asset and liability items classified as held-for-sale

Consolidated balance sheet information for Quantiq and IQAG.

	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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(b) Gains or losses from discontinued operations

Consolidated statement of operations for Cetrel, Braskem Distribuidora, Quantiq and IQAG.

	Note	2012	2011
Net sales revenue		646,763	679,085
Cost of products sold		(499,110)	(500,574)
Gross profit		**147,653**	**178,511**
Selling, General and administrative expenses		(85,244)	(115,058)
Other operating income, net		2,017	25,665
Operating profit		**64,426**	**89,118**
Financial results		(21,883)	(18,207)
Gain on sale of equity investments		408,719	
Profit before income tax and social contribution		**451,262**	**70,911**
Current income tax and social contribution		(10,265)	(14,948)
Deferred income tax and social contribution	22.2 (a)	(138,964)	
Discountinued operations results		**302,033**	**55,963**
Earnings per share attributable to the shareholders of the Company of continued operations at the end of the year (R$)			
Basic earnings per share - common		0.2064	
Basic earnings per share - preferred		0.6049	0.1613
Diluted earnings per share - common		0.2067	

Diluted earnings per share - preferred	0.6051	0.1614

This information is presented after eliminating the operations between companies in the group.

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(c) Cash flow information from discontinued operations

Consolidated cash flow information for Cetrel, Braskem Distribuidora, Quantiq and IQAG.

	2012	**2011**
Profit before income tax and social contribution	42,543	70,911
Adjustments for reconciliation of profit		
Depreciation, amortization and depletion	18,136	17,509
Interest and monetary and exchange variations, net	3,035	(4,091)
Other adjustments	1,276	(443)
	64,990	**83,886**
Changes in operating working capital	(26,869)	(22,217)
Net cash generated by operating activities	**38,121**	**61,669**
Acquisitions to property, plant and equipment	(34,590)	(31,668)
Acquisitions of intangible assets	(745)	(6,198)
Held-for-trading and held for sale financial investments		816
Net cash used in investing activities	**(35,335)**	**(37,050)**
Short-term and long-term debt		
Obtained borrowings		55,560
Payment of borrowings	(20,277)	(7,602)

Non-controlling interests in subsidiaries	9,930	
Net cash provided by (used in) financing activities	**(10,347)**	**47,958**
Increase (decrease) in cash and cash equivalents	**(7,561)**	**72,577**
Represented by		
Cash and cash equivalents at the beginning of the year	148,909	76,332
Cash and cash equivalents at the end of the year	141,348	148,909
Increase (decrease) in cash and cash equivalents	**(7,561)**	**72,577**

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(d) Statement of value added for discontinued operations

Consolidated information from the statements of value added of Cetrel, Braskem Distribuidora, Quantiq and IQAG.

		2012	2011
Revenue		**1,256,423**	**901,469**
	Sale of goods, products and services, including discontinued operations	847,564	875,793
	Other income (expenses), net	408,859	25,676
Inputs acquired from third parties		**(784,439)**	**(844,466)**
	Cost of products, goods and services sold	(699,708)	(683,614)
	Material, energy, outsourced services and others	(84,731)	(160,852)
Gross value added		**471,984**	**57,003**
Depreciation, amortization and depletion		(9,511)	(5,904)
Net value added produced by the entity		**462,473**	**51,099**
Value added received in transfer		**15,335**	**4,549**
	Results from equity investments	11,628	246
	Financial income	1,830	4,316
	Other	1,877	(13)
Total value added to distribute		**477,808**	**55,648**
Personnel		**1,169**	**(1,130)**
	Direct compensation	899	(835)
	Benefits	208	(232)

FGTS (Government Severance Pay Fund)	62	(63)
Taxes, fees and contributions	**150,935**	**(21,739)**
Federal	149,945	(23,722)
Municipal	990	1.983
Remuneration on third parties' capital	**23,671**	**22,554**
Financial expenses (including exchange variation)	23,648	22,558
Rentals	23	(4)
Remuneration on own capital	**302,033**	**55,963**
Result from discontinued operations	302,033	55,963
Value added distributed	**477,808**	**55,648**

Braskem S.A.

Notes to the financial statements

Years ended December 31

All amounts in thousands of reais

7 Cash and cash equivalents

		Parent Company		**Consolidated**
	2012	**2011**	**2012**	**2011**
Cash and banks	9,332	69,306	398,142	349,916
Cash equivalents:				
Domestic market	1,278,816	1,748,027	1,293,164	1,899,825
Foreign market	339,780	407,002	1,596,316	737,078
Total	**1,627,928**	**2,224,335**	**3,287,622**	**2,986,819**

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

		Parent Company		**Consolidated**
	2012	**2011**	**2012**	**2011**

Held-for-trading				
Investments in FIM Sol	50,803	36,410	50,803	36,410
Investments in foreign currency	5,256	10,716	5,256	10,716
Shares	3,023	3,023	3,023	3,023
Loans and receivables				
Investments in FIM Sol	77,469	116,007	77,469	116,007
Investments in local currency	513		513	
Held-to-maturity				
Quotas of investment funds in credit rights	52,559	34,720	52,559	34,720
Restricted deposits		2,823	1,281	4,173
Time deposit investment			15,731	
Investments in foreign currency			307,639	
Compensation of investments in foreign currency (i)			(307,639)	
Total	**189,623**	**203,699**	**206,635**	**205,049**
In current assets	155,535	168,979	172,146	170,297
In non-current assets	34,088	34,720	34,489	34,752
Total	**189,623**	**203,699**	**206,635**	**205,049**

(i) On December 31, 2012, Braskem Holanda had financial investments held to maturity that are irrevocably offset, by an export prepayment agreement of the Parent Company, in the amount of US$150 million, as provided for in the credit assignment agreement entered into between these two companies and Banco Bradesco (Note 19(b)). This offset was carried out in accordance with CPC 39 and IAS 32, which provides for the possibility of offsetting financial instruments when there is intent and rightfully executable right to realize an asset and settle a liability simultaneously.

Braskem S.A.

Notes to the financial statements

Years ended December 31

All amounts in thousands of reais

9 Trade accounts receivable

		Parent company		**Consolidated**
	2012	**2011**	**Sep/2012**	**2011**
Consumers				
Domestic market	790,518	660,289	1,038,673	866,168
Foreign market	1,283,605	676,122	1,582,433	1,282,251
Allowance for doubtful accounts	(203,922)	(189,071)	(256,884)	(253,607)
Total	**1,870,201**	**1,147,340**	**2,364,222**	**1,894,812**
In current assets	1,834,491	1,097,482	2,326,480	1,843,756
In non-current assets	35,710	49,858	37,742	51,056
Total	**1,870,201**	**1,147,340**	**2,364,222**	**1,894,812**

The breakdown of trade accounts receivable by maturity is as follows:

		Parent company		**Consolidated**
	2012	**2011**	**2012**	**2011**
Accounts receivables not past due	1,397,535	743,951	2,051,353	1,708,877
Past due securities:				
Up to 90 days	429,715	290,244	350,476	223,649
91 to 180 days	28,654	113,157	5,814	6,754
As of 180 days	218,219	189,059	213,463	209,139
	2,074,123	1,336,411	2,621,106	2,148,419
Allowance for doubtful accounts	(203,922)	(189,071)	(256,884)	(253,607)
Total customers portfolio	**1,870,201**	**1,147,340**	**2,364,222**	**1,894,812**

The changes in the balance of the allowance for doubtful accounts are presented below:

		Parent company		Consolidated
	2012	**2011**	**2012**	**2011**
Balance of provision at the beginning of the year	(189,071)	(212,363)	(253,607)	(269,159)
(Provision) reverse in the year	(30,650)	8,392	(53,255)	4,612
Write-offs	15,799	14,900	27,374	18,671
Addition by acquisition of companies				(7,731)
Write-off by investment sale			818	
Transfered to available for sale			21,786	
Balance of provision at the end of the year	**(203,922)**	**(189,071)**	**(256,884)**	**(253,607)**

Braskem S.A.

Notes to the financial statements

Years ended December 31

All amounts in thousands of reais

10 Inventories

		Parent company		Consolidated
	2012	**2011**	**2012**	**2011**
Finished goods	1,417,380	1,192,940	2,622,736	2,444,547
Raw materials, production inputs and packaging	908,298	620,877	1,175,451	866,206
Maintenance materials	113,118	95,980	211,517	183,779
Advances to suppliers	10,969	16,522	61,385	58,200
Imports in transit and other	28,785	42,190	30,966	70,790
Total	**2,478,550**	**1,968,509**	**4,102,055**	**3,623,522**

Advances to suppliers and expenditures with imports in transit are mainly related to operations for the acquisition of the main raw material of the Company, the petrochemical naphtha.

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Years ended December 31

All amounts in thousands of reais

11 Related parties

The Parent Company and its subsidiaries carry out transactions among themselves and with other 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) Parent company

Balances at December 31, 2012