Capstone Therapeutics Corp.
Form 4
October 30, 2013

# FORM 4

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

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

**STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES**

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL

| | |
|---|---|
| OMB Number: | 3235-0287 |
| Expires: | January 31, 2005 |
| Estimated average burden hours per response... | 0.5 |

(Print or Type Responses)

1. Name and Address of Reporting Person *
TAEGER LESLIE M

(Last) (First) (Middle)

1275 W. WASHINGTON STREET, SUITE 101

(Street)

TEMPE, AZ 85281

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
Capstone Therapeutics Corp. [CAPS]

3. Date of Earliest Transaction (Month/Day/Year)
10/25/2013

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
SVP Chief Financial Officer

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

**Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned**

| 1.Title of Security (Instr. 3) | 2. Transaction Date (Month/Day/Year) | 2A. Deemed Execution Date, if any (Month/Day/Year) | 3. Transaction Code (Instr. 8) | | 4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5) | | | 5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4) | 6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4) | 7. Nature of Indirect Beneficial Ownership (Instr. 4) |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | Code | V | Amount | (A) or (D) | Price | | | |

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

**Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.**

SEC 1474 (9-02)

**Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned**
**(*e.g.*, puts, calls, warrants, options, convertible securities)**

| 1. Title of Derivative Security | 2. Conversion or Exercise | 3. Transaction Date (Month/Day/Year) | 3A. Deemed Execution Date, if any | 4. Transaction Code | 5. Number of Derivative Securities | 6. Date Exercisable and Expiration Date (Month/Day/Year) | 7. Title and Amount of Underlying Securities (Instr. 3 and 4) |
|---|---|---|---|---|---|---|---|

| (Instr. 3) | Price of Derivative Security | | (Month/Day/Year) | (Instr. 8) | | Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5) | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Code | V | (A) | (D) | Date Exercisable | Expiration Date | Title | Amount or Number of Share |
| Stock Option (Right to Buy) | $ 0.35 | 10/25/2013 | | A | | 10,000 | | 10/25/2013 (1) | 10/25/2023 | Common Stock | 10,000 |

# Reporting Owners

| Reporting Owner Name / Address | Relationships | | | |
|---|---|---|---|---|
| | Director | 10% Owner | Officer | Other |
| TAEGER LESLIE M<br>1275 W. WASHINGTON STREET<br>SUITE 101<br>TEMPE, AZ 85281 | | | SVP Chief Financial Officer | |

# Signatures

| | |
|---|---|
| /s/ Les M. Taeger, Attorney in-fact | 10/30/2013 |
| **Signature of Reporting Person | Date |

# Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

**(1)** 50% to vest 10/25/2013 and 50% to vest monthly over 12 month-period

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. TD>

(456)

Merchandise term - ethanol

(ii)

Level 2

Variable price

Fixed price

(202)

(51)

253

Crack swap - naphtha

(ii)

Level 2

Brent (iii)

Naphtha

543

(543)

Non-deliverable forward ("NDF") - ethanol

(ii)

Note 20.2.1 (a.ii)

Level 2

Reais

Dollar

14,899

(13,108)

1,791

Contract for the future purchase - ethanol

(ii)

Note 20.2.1 (a.iii)

Level 1

Fixed price

Variable price

31

(29)

2

Contract for the future sale in euro

(ii)

Level 1

Reais

Euro

149

(149)

Exchange swap

Note 20.2.1 (a.vi)

Level 2

Dolar

CDI

5,466

(498)

4,968

**74,159**

**205,906**

**13,313**

**293,378**

Explanation of Responses:

**<u>Hedge accounting transactions</u>**

Interest rate swaps

(iv)

Level 2

Libor

Fixed rate

19,309

(685)

(18,624)

Interest rate swaps

(v)

Level 2

Pre-contractual rate

CDI

(833)

(1,263)

2,096

**18,476**

**(1,948)**

**(16,528)**

Current assets (other receivables)

Explanation of Responses:

(1,035)

Current liability (derivatives operations)

83,392

293,378

Non-current liabilities (derivatives operations)

10,278

**92,635**

**293,378**

Explanation of Responses:

(i) In June 2012, the Company paid at maturity the borrowing denominated in yen contracted from NEXI.

(ii) The Company entered into commodity derivative operations through swap instruments and naphtha and ethanol futures in order to protect itself from the fluctuations in feedstock prices to which it was exposed in certain transactions.

(iii) Brent – reference oil price.

(iv) The company settled in advance the borrowings that are subject to hedge accounting (Note 19 (b.i)).

(v) In September 2012, the Company settled at maturity the NCE contract that was classified as hedge accounting (Note 19(d)).

The counterparties in these contracts are daily monitored based on the analysis of their respective ratings and Credit Default Swaps – CDS. Braskem has many bilateral risk mitigators in its derivative contracts, such as the possibility of depositing or requesting deposits of a guarantee margin from the counterparties it deems convenient. On December 31, 2012, the Company had security deposits related to NCE currency swaps (Note 20.2.1(a.i)) amounting to R$185,000.

79

**Braskem S.A. and Its Subsidiaries**

**Notes to the Consolidation Financial Statements**

**December 31, 2012, 2011 and 2010**

**All amounts in thousands of Brazilian reais unless otherwise stated**

### (a) Non-hedge accounting transactions

The Company has operations that were not designated as hedge accounting since the risks posed to the principals protected are satisfactorily represented by the coinciding results from the variation in the exposure indexes of the principal and the variation in the fair value of the derivatives.

The regular changes in the fair value of these derivatives are recorded as financial income or expenses in the same period in which they occur. In the year ended December 31, 2012, the Company recognized a financial expense of R$209,603.

### (a.i) Swaps related to NCE

The Company contracted swap transactions to offset the variation in the rates of the NCE contracts (Note 19(d)). In these operations, the Company receives 112.5% of the CDI rate and pays the fixed rate of the currency coupon swap, periodically and coinciding with the cash flow from debt.

| | | | | **Fair value** | |
|---|---|---|---|---|---|
| **Identification** | **Nominal value** | **Interest rate** | **Maturity** | **2012** | **2011** |
| Swap NCE I | 200,000 | 5.44% | August 2019 | 82,812 | 32,023 |
| Swap NCE II | 100,000 | 5.40% | August 2019 | 39,008 | 13,952 |
| Swap NCE III | 100,000 | 5.37% | August 2019 | 37,333 | 12,512 |
| Swap NCE IV | 100,000 | 5.50% | April 2019 | 29,904 | 6,267 |
| Swap NCE V | 100,000 | 5.50% | April 2019 | 29,250 | 6,215 |
| Swap NCE VI | 150,000 | 5.43% | April 2019 | 38,585 | |
| Swap NCE VII | 100,000 | 4.93% | April 2019 | 29,725 | |
| **Total** | **850,000** | | | **286,617** | **70,969** |
| | | | | | |
| In current liabilities (derivatives operations) | | | | 286,617 | 70,969 |
| **Total** | | | | **286,617** | **70,969** |

**(a.ii) NDF – ethanol**

The Company contracted NDFs to exchange its exposure to the ethanol feedstock (traded in Brazilian real) used to make green polyethylene, which is traded in U.S. dollar. In these operations, the Company exchanges its exposure to prices in Brazilian real for U.S. dollar.

| **Identification** | **Nominal value** | **Fixed exchange (hedge)** | **Maturity** | **Fair value 2012** | **2011** |
|---|---|---|---|---|---|
| NDF | 5,690 | 1.9237 | January 2013 | 366 | |
| NDF | 5,514 | 1.8552 | January 2013 | 569 | |
| NDF | 3,014 | 1.8102 | January 2013 | 394 | |
| NDF | 4,545 | 1.8580 | January 2013 | 462 | |
| Total | **18,763** | | | **1,791** | |
| | | | | | |
| Current liability (hedge operations) | | | | 1,791 | |
| **Total** | | | | **1,791** | |

80

**Braskem S.A. and Its Subsidiaries**

**Notes to the Consolidation Financial Statements**

**December 31, 2012, 2011 and 2010**

**All amounts in thousands of Brazilian reais unless otherwise stated**

### (a.iii) Future ethanol purchases

The Company also entered into currency swap transactions through futures to protect its cash flow, exchanging its exposure to prices in Brazilian real for U.S. dollar, since ethanol (the main feedstock used to make green polyethylene) is traded in Brazilian real.

| **Identification** | **Nominal value** | **Fixed price R$/m³ (hedge)** | **Maturity** | **Fair value 2012** | **2011** |
|---|---|---|---|---|---|
| Ethanol future purchase - BMF | 251 | 1,195.00 | January 2013 | 2 | |
| **Total** | **251** | | | **2** | |
| In current liabilities (hedge operations) | | | | 2 | |
| **Total** | | | | **2** | |

### (a.iv) Currency swaps

The Company contracted swaps to offset the variation in the rates of advances on exchange contracts (“ACC”) (Note 19). In these operations, the Company receives a fixed rate and currency variation and pays a percentage of the variation in the CDI rate, in a way that coincides with the cash flow from debt.

| **Identification** | **Nominal value** | **Interest rate (hedge)** | **Maturity** | **Fair value 2012** | **2011** |
|---|---|---|---|---|---|
| Swap ACC | 35,000 | 99.85% CDI | November 2013 | 2,180 | |
| Swap ACC | 50,000 | 99.75% CDI | November 2013 | 2,788 | |
| **Total** | **85,000** | | | **4,968** | |

| | |
|---|---|
| In current assets (other receivables) | 4,968 |
| **Total** | **4,968** |

81

Explanation of Responses:

**Braskem S.A. and Its Subsidiaries**

**Notes to the Consolidation Financial Statements**

**December 31, 2012, 2011 and 2010**

**All amounts in thousands of Brazilian reais unless otherwise stated**

**(b) Hedge accounting transactions**

On December 31, 2012, all operations classified under hedge accounting had been settled.

**(b.i) Effectiveness test of transactions designated for hedge accounting**

During the year, the Company showed that the derivatives held as hedge accounting were effective in offsetting the changes in the hedged item from the time the derivatives were contracted until the settlement of underlying transactions, and that all other conditions for qualifying these instruments for hedge accounting were met. Accordingly, the effective portion of the changes in the fair value of the derivatives, amounting to R$1,948 (Note 20.2.2), was recorded under "other comprehensive income", completely transferred to profit or loss after the settlement of underlying transactions.

**(c) Estimated maximum loss**

The amount at risk of the derivatives held by Braskem on December 31, 2012, which is defined as the highest loss that could result in one month and in 95% of the cases under normal market conditions, was estimated by the Company at US$19,565 thousand for the EPP swaps and US$3,361 thousand for the NCE swap.

**20.2.2 Hedge operations presented under**

**“other comprehensive income” in shareholders' equity**

The derivatives designated as cash flow hedge impacted “other comprehensive income”. The appropriations of interest are allocated to interest expenses in the financial expenses group. The table below shows the summary of changes:

| | **2011** | **Appropriation of interest** | **Change in fair value** | **2012** |
|---|---|---|---|---|
| Swaps EPP | (17,071) | 16,386 | 685 | |
| Swaps NCE | 833 | (2,096) | 1,263 | |
| | **(16,238)** | **14,290** | **1,948** | |

In the year ended December 31, 2012, the appropriation of accrued interest and change in the fair value of derivatives designated as “cash flow hedge” was R$16,238, which, with the effect of income tax and social contribution of R$5,522, amounts to R$10,716 and is presented in “other comprehensive income” (Note 29(i)).

**Braskem S.A. and Its Subsidiaries**

**Notes to the Consolidation Financial Statements**

**December 31, 2012, 2011 and 2010**

**All amounts in thousands of Brazilian reais unless otherwise stated**

**20.3 Credit quality of financial assets**

**(a) Trade accounts receivable**

Virtually none of Braskem's clients have risk ratings assigned by credit rating agencies. For this reason, Braskem developed its own credit rating system for all accounts receivable from domestic clients and for part of the accounts receivable from foreign clients. Braskem does not apply this rating to all of its foreign clients because most accounts receivable from them are covered by an insurance policy or letters of credit issued by banks. On December 31, 2012, the credit ratings were as follows:

| | | | Percentage (%) | |
|---|---|---|---|---|
| | | | **2012** | **2011** |
| 1 | Minimum risk | | 21.19 | 24.09 |
| 2 | Low risk | | 32.04 | 33.04 |
| 3 | Moderate risk | | 33.68 | 30.25 |
| 4 | High risk | | 4.23 | 4.24 |
| 5 | Very high risk | (*) | 8.85 | 8.38 |

(*) Most clients in this group are inactive and the respective accounts are in the process of collection actions in the courts. Clients in this group that are still active buy from Braskem and pay in advance.

Default indicators for the periods ended:

| | Domestic Market (LTM) | Export Market (LTM) |
|---|---|---|
| December 31, 2012 | 0.28% | 0.37% |
| December 31, 2011 | 0.18% | 0.43% |
| December 31, 2010 | 0.13% | 0.37% |

LTM – last 12 months

**Braskem S.A. and Its Subsidiaries**

**Notes to the Consolidation Financial Statements**

**December 31, 2012, 2011 and 2010**

**All amounts in thousands of Brazilian reais unless otherwise stated**

**(b) Other financial assets**

In order to determine the credit ratings of counterparties in financial assets classified as cash and cash equivalents, held-for-trading, held-to-maturity and loans and receivables, Braskem uses the following credit rating agencies: Standard & Poor's, Moody's and Fitch Ratings.

| | **2012** | **2011** |
|---|---|---|
| **Financial assets with risk assessment** | | |
| AAA | 2,484,788 | 2,868,992 |
| AA+ | 190,660 | |
| AA | 5 | 206 |
| AA- | 449,555 | 72,029 |
| A+ | 120,123 | 96,464 |
| A | 19 | 28 |
| A- | 80,231 | 71,367 |
| BB+ | | 19,028 |
| B+ | | 3,590 |
| | 3,325,381 | 3,131,704 |
| **Financial assets without risk assessment** | | |
| Quotas of investment funds in credit rights (i) | 103,359 | 34,720 |
| Sundry funds (ii) | 60,356 | 10,723 |
| Restricted deposits (iii) | 1,281 | 4,173 |
| Other financial assets with no risk assessment | 3,880 | 10,548 |
| | 168,876 | 60,164 |
| **Total** | **3,494,257** | **3,191,868** |

(i) Financial assets with no internal or external ratings and approved by the Management of the Company.
(ii) Investment funds, whose portfolio is composed of assets from major financial institutions and that comply with Braskem's financial policy.
(iii) Risk-free financial assets

Braskem's financial policy determines "A-" as the minimum rating for financial investments. On December 31, 2011, the balances rated "B+" and "BB+" refer to the balance of the jointly-owned subsidiary Propilsur, in the amount of R$19,028, and Time Deposits with Special Guarantee (*Depósitos a Prazo com Garantia Especial – DPGE*) in the amount of R$3,590. DPGEs are guaranteed by the Credit Guarantee Fund – FGC (*Fundo Garantidor de Crédito*), which makes these investments adequate for Braskem’s policy.

**Braskem S.A. and Its Subsidiaries**

**Notes to the Consolidation Financial Statements**

**December 31, 2012, 2011 and 2010**

**All amounts in thousands of Brazilian reais unless otherwise stated**

**20.4 Sensitivity analysis**

Financial instruments, including derivatives, may be subject to changes in their fair value as a result of the variation in commodity prices, foreign exchange rates, interest rates, shares and share indexes, price indexes and other variables. The sensitivity of the derivative and non-derivative financial instruments to these variables are presented below.

**(a) Selection of risks**

On December 31, 2012, the main risks that can affect the value of Braskem's financial instruments are:

- Brazilian real/U.S. dollar exchange rate;
- Libor floating interest rate;
- CDI interest rate; and
- TJLP interest rate.

For the purposes of the risk sensitivity analysis, Braskem presents the exposures to currencies as if they were independent, that is, without reflecting in the exposure to a foreign exchange rate the risks of the variation in other foreign exchange rates that could be directly influenced by it.

**(b) Selection of scenarios**

In accordance with CVM Instruction No. 475/08, Braskem included three scenarios in the sensitivity analysis, with one that is probable and two that represent adverse effects to Braskem. In the preparation of the adverse scenarios, only the impact of the variables on the financial instruments, including derivatives, and on the items covered by hedge transactions, was considered. The overall impacts on Braskem's operations, such as those arising from the revaluation of inventories and revenue and future costs, were not considered. Since Braskem manages its exposure to foreign exchange rate risk on a net basis, adverse effects from depreciation in the Brazilian real in relation to the U.S. dollar can be offset by opposing effects on Braskem's operating results.

**(b.1) Probable scenario**

The *Market Readout* published by the Central Bank of Brazil on December 28, 2012 was used to create the probable scenario for the U.S. dollar/Brazilian real exchange rate and the CDI interest rate, using the reference date of December 31, 2012. The *Market Readout* presents a consensus of market expectations based on a survey of the forecasts made by various financial and non-financial institutions. According to the *Market Readout*, by the end of 2013, the U.S. dollar will appreciate 1.3% against the Brazilian real compared to the end of 2012, and the CDI rate will be 7.25%.

The *Market Readout* does not publish forecasts for the interest rates Libor and TJLP. Therefore, the Company considered the expectations for the CDI interest rate for determining the probable scenario for those rates, given their correspondence.



---

**Braskem S.A. and Its Subsidiaries**

**Notes to the Consolidation Financial Statements**

**December 31, 2012, 2011 and 2010**

**All amounts in thousands of Brazilian reais unless otherwise stated**

**(b.2) Possible and extreme adverse scenarios**

For the Brazilian real/U.S. dollar exchange rate, a positive change of 25% was considered for the possible adverse scenario and of 50% for the extreme scenario based on the exchange rate on December 31, 2012.

For the CDI interest rate, a positive change of 25% was considered for the possible adverse scenario and of 50% for the extreme scenario based on the interest rate on December 31, 2012.

For the Libor interest rate, a positive change of 25% was considered for the possible adverse scenario and of 50% for the extreme scenario based on the LIBOR rate on December 31, 2012.

For the TJLP interest rate, an increase of 0.5% was considered for the possible adverse scenario and of 1% for the extreme scenario based on its rate on December 31, 2012, in accordance with the upward or downward adjustments made by the government in the rate, in this order of scale.

The sensitivity values in the table (c) below are the changes in the value of the financial instruments in each scenario.Tables (d), (e) and (f) show the changes in future cash flows.

**(c) Sensitivity to the Brazilian real/U.S. dollar exchange rate**

The sensitivity of each financial instrument, including derivatives and items covered by them, to the variation in the Brazilian real/US dollar exchange rate is presented in the table below:

| | Possible adverse | Extreme adverse |
|---|---|---|

| Instrument | Probable | (25%) | (50%) |
|---|---|---|---|
| Bonds and MTN | (256,545) | (2,319,690) | (4,639,380) |
| BNDES | (13,715) | (124,013) | (248,027) |
| Working capital / structured operations | (47,079) | (47,079) | (47,079) |
| Raw material financing | (61) | (550) | (1,101) |
| Export prepayments | (14,201) | (128,403) | (256,805) |
| Financial investments abroad | 53,980 | 488,093 | 976,186 |
| Swaps | (28,073) | (251,664) | (510,037) |

**(d) Sensitivity of future cash flows to the Libor floating interest rate**

The sensitivity of future interest income and expenses of each financial instrument, including derivatives and items covered by them, is presented in the table below. The figures represent the impact on financial income (expenses), taking into consideration the average term of the respective instrument.

| Instrument | Probable | Possible adverse (25%) | Extreme adverse (50%) |
|---|---|---|---|
| Working capital / structured operations | (172) | (1,904) | (3,800) |
| Export prepayments | (200) | (2,207) | (4,395) |

86

**Braskem S.A. and Its Subsidiaries**

**Notes to the Consolidation Financial Statements**

**December 31, 2012, 2011 and 2010**

**All amounts in thousands of Brazilian reais unless otherwise stated**

**(e) Sensitivity of future cash flows to the CDI interest rate**

The sensitivity of each instrument, including derivatives and items not covered by them, to the variation in CDI interest rate is presented in the table below:

| Instrument | Probable | Possible adverse (25%) | Extreme adverse (50%) |
|---|---|---|---|
| Export credit notes | (252) | (2,758) | (5,431) |
| Agricultural credit note | (2,716) | (29,564) | (58,013) |
| Working capital / other | (243) | (2,654) | (5,225) |
| Financial investments in Brazil | 2,186 | 24,181 | 48,489 |

**(f) Sensitivity of future cash flows to the TJLP interest rate**

The sensitivity of each financial instrument, including derivatives and items covered by them, to the variation in TJLP interest rate is presented in the table below:

| Instrument | Probable | Possible adverse TJLP + 0.5% | Extreme adverse TJLP + 1% |
|---|---|---|---|
| BNDES | 38,137 | (36,892) | (72,599) |
| FINEP | 144 | (142) | (281) |
| Other governamental agents | 67 | (66) | (132) |

**21 Taxes payable**

| | Note | 2012 | 2011 |
|---|---|---|---|
| **Parent Company and subsidiaries in Brazil** | | | |

| | | | |
|---|---|---|---|
| IPI | | 71,440 | 38,654 |
| PIS and COFINS | | 5,764 | 7,172 |
| Income tax and social contribution | | 54,987 | 21,787 |
| ICMS | (a) | 72,435 | 94,668 |
| Federal tax payment program - Law 11,941/09 | (b) | 1,237,156 | 1,669,976 |
| Other | | 59,630 | 64,521 |
| **Foreign subsidiaries** | | | |
| Value-added tax | | 2,538 | 40,463 |
| Income tax | | 2,132 | 5,925 |
| Other | | 1,460 | |
| | | **1,507,542** | **1,943,166** |
| Current liabilities | | 342,789 | 329,987 |
| Non-current liabilities | | 1,164,753 | 1,613,179 |
| **Total** | | **1,507,542** | **1,943,166** |

87

**Braskem S.A. and Its Subsidiaries**

**Notes to the Consolidation Financial Statements**

**December 31, 2012, 2011 and 2010**

**All amounts in thousands of Brazilian reais unless otherwise stated**

**(a) ICMS**

At December 31, 2011, the consolidated ICMS balance payable included the amount of R$53,017 related to the ICMS due on the import of equipment and parts aimed at the construction of the industrial complex of the subsidiary Riopol. In 2012, the Company made a formal consultation to the Treasury Department of the State of Rio de Janeiro (“SEFAZ”),- RJ, which released Riopol from payment of such taxes, which would come due in March 2012. Accordingly, the amounts payable were written off and their corresponding credit used to offset taxes.

**(b) Federal tax payment program – Law 11,941/09**

In 2009, the Parent Company and the subsidiaries Braskem Qpar and Braskem Petroquímica adhered to the federal tax payment program established by Law 11.941 on May 27, 2009. The associated installments were deferred over a maximum of 180 months, which is the maximum limit permitted by said law. The law also provides for the possibility of amortizing at least 12 installments with the same reduction in penalties and interest applicable to the payment in cash of tax debits that fall under the scope of this law.

In June 2011, the Federal Revenue Service made the program available for consolidating the fiscal debts in said program. The amount consolidated totaled R$1,664,907 to be paid in monthly and consecutive installments of R$10,678, adjusted based on the Selic rate as from that month.

In June 2012, the Company's Management decided to pay in advance part of the installments of Braskem S.A. under the program, amortizing 72 installments at once, which amounted R$403,821. After applying the benefits of cash payment to the amortization, Braskem disbursed R$301,841 on July 31, 2012. The reduction, in the amount of R$101,980, was recognized as follows: (i) the amounts corresponding to the renegotiated tax payments, of R$80,496, were recorded under “other operating income (expenses), net”; and (ii) their restatement by the Selic interest rate, as from the renegotiation date, was recorded under “financial results”, in the amount of R$21,484.

As established in said Law, Braskem will lose all the reductions of arrears charges if it fails to pay three installments, whether consecutive or not. The consolidated balance on December 31, 2012 will be paid in a maximum of 142 months.

88

**Braskem S.A. and Its Subsidiaries**

**Notes to the Consolidation Financial Statements**

**December 31, 2012, 2011 and 2010**

**All amounts in thousands of Brazilian reais unless otherwise stated**

## 22 Income tax (“IR”) and social contribution (“CSL”)

### 22.1 Reconciliation of the effects of income tax and social contribution on profit or loss

| | 2012 | 2011 | 2010 |
|---|---|---|---|
| **Loss before IR and CSL and participation of non-controlling interest** | **(1,833,714)** | **(917,852)** | **1,867,577** |
| IR and CSL at the rate of 34% | 623,463 | 312,070 | (634,976) |
| **Permanent adjustments to the IR and CSL calculation basis** | | | |
| IR and CSL on equity in results of investees | (7,548) | 1,112 | 7,662 |
| Effects from pre-payment of taxes | 27,374 | 13,896 | |
| Tax losses (IR) and negative base (CSL), deferred (i) | 1,652 | 73,773 | 282,997 |
| Tax incentives (Sudene and PAT) | | | 5,479 |
| Recognition of prior period CSL | | | (18,186) |
| Results from business combination | | 10,215 | 331,596 |
| Other permanent adjustments | 9,471 | (37,324) | 31,527 |
| **Effect of IR and CSL on results of operations** | **654,412** | **373,742** | **6,099** |
| **Breakdown of IR and CSL:** | | | |
| Current IR and CSL | (17,269) | (5,492) | (43,182) |
| Tax incentives (Sudene and PAT) | | | 5,479 |
| Prior period CSL | | | (18,186) |
| **Current IR and CSL** | **(17,269)** | **(5,492)** | **(55,889)** |
| Deferred IR and CSL - continued operations | 810,645 | 379,234 | 61,988 |
| Deferred IR and CSL - discontinued operations | (138,964) | | |
| **Deferred IR and CSL** | **671,681** | **379,234** | **61,988** |

| | | | |
|---|---|---|---|
| **Total IR and CSL on income statement** | **654,412** | **373,742** | **6,099** |

**(i)** Constitution of deferred income tax and social contribution asses for nondeductible expenses from prior periods, especially losses due to the impairment of paralyzed industrial plants, for which the realization of corresponding tax assets became probable in 2011.

**Braskem S.A. and Its Subsidiaries**

**Notes to the Consolidation Financial Statements**

**December 31, 2012, 2011 and 2010**

**All amounts in thousands of Brazilian reais unless otherwise stated**

## 22.2 Deferred income tax and social contribution

### (a) Breakdown of and changes in deferred IR and CSL

| Deferred tax - assets | As of December 31, 2011 | Impact on the result (expense) income: Continued operations | Impact on the result (expense) income: Discontinued operations | Impact on the equity / (decrease) increase | Write-off investment by sale | Transfer to assets held for sale | As of December 31, 2012 |
|---|---|---|---|---|---|---|---|
| Tax losses (IR) and negative base (CSL) | 545,147 | 693,162 | (138,964) | | | | 1,099,345 |
| Goodwill amortized | 63,821 | (32,389) | | | | | 31,432 |
| Exchange variations | 11,979 | 203,566 | | | | | 215,545 |
| Temporary adjustments | 243,806 | 129,900 | | (399) | (15,006) | (2,491) | 355,810 |
| Business combination | 238,314 | 5,203 | | | | | 243,517 |
| Pension plan | 45,604 | 4,308 | | | | | 49,912 |
| Deferred charges - write-off | 82,952 | (22,892) | | | | | 60,060 |
| Other | 5,521 | | | (5,521) | | | |
| **Total assets** | **1,237,144** | **980,858** | **(138,964)** | **(5,920)** | **(15,006)** | **(2,491)** | **2,055,621** |

| Deferred tax - liabilities | As of December 31, 2011 | Impact on the result (expense) income: Continued operations | Impact on the result (expense) income: Discontinued operations | Impact on the equity / (increase) decrease | Write-off investment by sale | Transfer to assets held for sale | As of December 31, 2012 |
|---|---|---|---|---|---|---|---|
| Amortization of goodwill based on future profitability | 474,985 | 111,872 | | | | | 586,857 |
| Tax depreciation | 213,684 | 177,540 | | | | | 391,224 |

| | | | | |
|---|---|---|---|---|
| Exchange variations | 54,275 | (54,275) | | |
| Temporary differences | 321,033 | (21,500) | 27,967 | 327,500 |
| Business combination | 667,040 | (42,223) | | 624,817 |
| Write-off negative goodwill of incorporated subsidiaries | 2,375 | (594) | | 1,781 |
| Additional indexation PP&E | 168,220 | (14,031) | | 154,189 |
| Other | 51,741 | 13,424 | (12,911) | 52,254 |
| **Total liabilities** | **1,953,353** | **170,213** | **15,056** | **2,138,622** |

**Braskem S.A. and Its Subsidiaries**

**Notes to the Consolidation Financial Statements**

**December 31, 2012, 2011 and 2010**

**All amounts in thousands of Brazilian reais unless otherwise stated**

**(b) Realization of deferred income tax and social contribution**

| **Deferred tax - assets** | **Note** | **December 31, 2012** | **2013** | **2014 and 2015** | **2016 and 2017** | **2018 and thereafter** |
|---|---|---|---|---|---|---|
| Tax losses (IR) and negative base (CSL) | 2.19 | 1,099,345 | 4,926 | 573,375 | 324,115 | 196,929 |
| Goodwill amortized | (i) | 31,432 | 19,368 | 4,035 | 2,963 | 5,066 |
| Exchange variations | (ii) | 215,545 | | | | 215,545 |
| Temporary adjustments | (iii) | 355,810 | 161,071 | 19,291 | 13,580 | 161,868 |
| Business combination | (iv) | 243,517 | | | | 243,517 |
| Pension plan | (v) | 49,912 | 49,912 | | | |
| Deferred charges - write-off | (vi) | 60,060 | 22,087 | 33,780 | 4,193 | |
| **Total assets** | | **2,055,621** | **257,364** | **630,481** | **344,851** | **822,925** |

| **Deferred tax - liabilities** | **Note** | **December 31, 2012** | **2013** | **2014 and 2015** | **2016 and 2017** | **2018 and thereafter** |
|---|---|---|---|---|---|---|
| Amortization of goodwill based on future profitability | (vii) | 586,857 | | | | 586,857 |
| Tax depreciation | (viii) | 391,224 | | | | 391,224 |
| Exchange variations | 0 | | | | | |
| Temporary differences | (ix) | 327,500 | 32,957 | 65,914 | 67,534 | 161,095 |
| Business combination | (x) | 624,817 | 40,469 | 80,938 | 80,938 | 422,472 |
| Write-off negative goodwill of incorporated subsidiaries | (xi) | 1,781 | 594 | 1,187 | | |
| Additional indexation PP&E | (xii) | 154,189 | 16,232 | 32,463 | 32,463 | 73,031 |
| Other | | 52,254 | | | | 52,254 |
| **Total liabilities** | | **2,138,622** | **90,252** | **180,502** | **180,935** | **1,686,933** |

Basis for constitution and realization:

(i) Goodwill recognized from merged investments amortized prior to Law 11,638/07, which are controlled in the Taxable Income Journal (LALUR). Tax realization is based on the tax rules for amortization.

(ii) Exchange variation of assets and liabilities denominated in foreign currency, whose tax realization is recognized upon their receipt or settlement.

(iii) Accounting expenses not yet deductible for calculating income tax and social contribution, whose recognition for tax purposes occurs in subsequent periods.

(iv) Refers to: (i) tax-related goodwill generated by the acquisition of Quattor and (ii) contingencies recognized from business combinations at Quattor. Tax realization of goodwill will occur upon the merger of the investments and contingencies arising from write-offs due to the settlement or reversal of the processes involved.

(v) Provision for the defined-benefit plan at Petros Copesul, with realization projected for 2013.

(vi) Amounts constituted based on the deferred assets written off due to the adoption of Law 11,638/07. Tax realization is based on the application of the amortization rate used prior to the adoption of this law.

(vii) Goodwill for the future profitability of the merged companies not amortized since the adoption of Law 11,638/07. Tax realization is associated with the impairment or realization of assets related to goodwill.

(viii) Difference between the accounting and tax depreciation rates in accordance with Normative Rule 1 of July 29, 2011.

(ix) Revenues not yet taxable for calculation of income tax and social contribution, whose taxation will occur in subsequent periods.

(x) Fair value adjustments on property, plant and equipment and intangible assets identified in business combinations at Quattor, Unipar and Petroquímica Triunfo, whose tax realization is based on the depreciation and amortization of these assets.

(xi) Write-off of negative goodwill from the merged company Cinal, which was offered as tax based on the amortization of taxes.

(xii) Adjustments to the additional indexation of property, plant and equipment, whose tax realization is based on the depreciation of assets.

**Braskem S.A. and Its Subsidiaries**

**Notes to the Consolidation Financial Statements**

**December 31, 2012, 2011 and 2010**

**All amounts in thousands of Brazilian reais unless otherwise stated**

## 23 Sundry provisions

| | Note | 2012 | 2011 |
|---|---|---|---|
| Provision for costumers bonus | (a) | 40,666 | 13,577 |
| Provision for recovery of environmental damages | (b) | 32,944 | 36,777 |
| Judicial and administrative provisions | (c) | 333,218 | 266,302 |
| Other | | 8,355 | 5,067 |
| **Total** | | **415,183** | **321,723** |
| | | | |
| In current liabilities | | 52,264 | 23,629 |
| In non-current liabilities | | 362,919 | 298,094 |
| **Total** | | **415,183** | **321,723** |

### (a) Provision for client bonus

Some sales agreements of Braskem provide for a rebate, in products, should some sales volumes be achieved within the year, six-month period or three-month period, depending on the agreement.

The rebate is monthly recognized in a provision, assuming that the minimum contractual amount will be achieved. As they are recognized based on contracts, the provisions are not subject to significant uncertainties with respect to their amount or settlement.

### (b) Provision for recovery of environmental damages

Braskem has a provision for future expenses for the recovery of environmental damages in some of its industrial plants. The term estimated, which are measured at present value, is five years.

**(c) Judicial and administrative provisions**

As presented below, Braskem maintains a provision for legal and administrative proceedings against the Company, for which the chances of loss are considered probable, and tax claims against Quattor, for which the chances of loss are considered possible on April 30, 2010, date on which the control of Quattor was acquired.

| | Note | 2012 | 2011 |
|---|---|---|---|
| Labor claims | (c.1) | 75,697 | 36,718 |
| Tax claims | (c.2) | | |
| Income tax and social contribution | (i) | 29,980 | 27,753 |
| PIS and COFINS | (ii) | 32,929 | 30,354 |
| ICMS - interstate purchases | (iii) | 79,688 | 73,457 |
| ICMS - other | (iv) | 56,974 | 52,518 |
| Other | | 50,744 | 38,197 |
| Societary claims and other | | 7,206 | 7,305 |
| | | **333,218** | **266,302** |

**Braskem S.A. and Its Subsidiaries**

**Notes to the Consolidation Financial Statements**

**December 31, 2012, 2011 and 2010**

**All amounts in thousands of Brazilian reais unless otherwise stated**

### (c.1) Labor claims

On December 31, 2012, the Company is involved in 329 labor claims, including occupational health and security cases, that were assessed as probable losses. For these claims, the Company maintains a provision of R$75,697, which corresponds to the expected amount of disbursement upon their resolution. The Company’s legal advisors estimate that the term for the termination of these types of claims in Brazil exceeds five years.

The estimates related to the outcome of proceedings and the possibility of future disbursement may change in view of new decisions in higher courts. The Company’s management believes that the chances of increasing the amount of the existing provision are remote.

### (c.2) Tax claims

On December 31, 2012, Braskem has recognized a provision in the amount of R$50,744 for claims from the Brazilian tax authorities and the chances of loss for which are considered probable. On the same date, the Company has recognized a provision in the amount of R$199,571 for these claims arising from business combination and the chances of loss for which are considered possible.

On December 31, 2012, the main tax claims for which the Company maintains a provision are the following:

#### (i) Income tax and social contribution

The subsidiary Braskem Petroquímica is assessed for the payment of such taxes, in the amount of R$130 million as of December 31, 2012, represented mostly by income tax and social contribution on the foreign exchange variation in the account of investments in foreign subsidiaries in 2002. The amount of the provision recognized is based on the estimate of future disbursement made by an external legal advisor taking into consideration the case law on the matter at the administrative and judicial levels.

There is no judicial deposit or other type of guarantee for this claim.

The Company’s management expects this case to be terminated by 2015.

93

**Braskem S.A. and Its Subsidiaries**

**Notes to the Consolidation Financial Statements**

**December 31, 2012, 2011 and 2010**

**All amounts in thousands of Brazilian reais unless otherwise stated**

**(ii) PIS and COFINS**

The subsidiary Braskem Petroquímica is assessed for the payment of these taxes in many claims, such as:

- non-payment of COFINS for the period from March 1999 to December 2000, from February 2001 to March 2002, from May to July 2002 and September 2002;
- undue offset of credit arising from the additional 1% to the rate of COFINS;
- offset with credits from PIS – Decree-Laws No. 2,445 and No. 2,449;
- omission in the calculation basis of income arising from foreign exchange variations on assets, determined as a result of successive reductions in the capital of the associated company.

On December 31, 2012, the total amount involved in these claims is R$84 million. The amount of the provision recognized is based on the estimate of future disbursement made by an external legal advisor taking into consideration the case law on the matters at the administrative and judicial levels.

Guarantees were offered for these claims in the form of bank guarantee and finished products manufactured by Braskem Petroquímic, which, together, cover the amount of the claims. The Company’s management estimates that these cases should be terminated by 2020.

**(iii) ICMS - interstate purchases**

In 2009, the subsidiary Braskem Qpar was assessed by the Finance Department of the State of São Paulo for the payment of ICMS in view of:

- undue use of tax credits in the periods from February 2004 to August 2005, November 2005 to February 2006, and September 2006 to January 2008, arising from the bookkeeping of credits that were presented in the purchase invoices of products acquired from another company, since the operations were aimed at the export of the products and, as such, they would not be subject to ICMS;

- issue of invoices without registering the shipment of the goods from its facilities for storage;

- non-presentation of the tax documents requested by inspection authorities.

On December 31, 2012, the amount involved is R$379 million. The amount of the provision recognized is based on the estimate of future disbursement made by an external legal advisor taking into consideration the case law on the matters at the administrative and judicial levels.

No judicial deposits or other types of security were provided for this procedure.

Management estimates that this case should be terminated by 2019.



---

**Braskem S.A. and Its Subsidiaries**

**Notes to the Consolidation Financial Statements**

**December 31, 2012, 2011 and 2010**

**All amounts in thousands of Brazilian reais unless otherwise stated**

**(iv) ICMS - sundry violations**

The subsidiary Braskem Qpar was assessed by the Finance Department of the State of São Paulo for the payment of ICMS in view of an alleged non-payment of tax in the period from 2002 and 2004 when carrying out interstate sale operations to taxpayers located in another state but the goods never left the State of São Paulo.

On December 31, 2012, the total amount involved in these claims is R$142 million. The amount of the provision recognized is based on the estimate of disbursement made by an external legal advisor taking into consideration the case law on the matters at the administrative and judicial levels.

No judicial deposits or other types of security were accrued for this procedure.

The Company's management estimates that these cases should be terminated by 2020.

**(d) Changes in provisions**

| | **Bonus** | **Recovery of environmental damage** | **Legal provisions** | **Other** | **Total** |
|---|---|---|---|---|---|
| **December 31, 2009** | **10,845** | **57,797** | **94,402** | | **163,044** |
| Additions, inflation adjustments and exchange variation, net | 44,680 | 727 | 6,744 | 6,240 | 58,391 |
| Additions trough mergers | | | 233,029 | | 233,029 |
| Write-offs through usage and payments | (33,987) | (22,242) | (3,368) | | (59,597) |
| **December 31, 2010** | **21,538** | **36,282** | **330,807** | **6,240** | **394,867** |
| | 33,452 | 16,542 | (28,335) | 3,694 | 25,353 |

| | | | | | |
|---|---|---|---|---|---|
| Additions (reverse), inflation adjustments and exchange variation, net | | | | | |
| Write-offs through usage and payments | (41,413) | (16,047) | (27,015) | (4,867) | (89,342) |
| Compensation | | | (9,155) | | (9,155) |
| **December 31, 2011** | **13,577** | **36,777** | **266,302** | **5,067** | **321,723** |
| Additions, inflation adjustments and exchange variation, net | 58,387 | 18,622 | 68,285 | 3,288 | 148,582 |
| Write-offs through usage and payments | (31,298) | (22,455) | (1,369) | | (55,122) |
| **December 31, 2012** | **40,666** | **32,944** | **333,218** | **8,355** | **415,183** |

**Braskem S.A. and Its Subsidiaries**

**Notes to the Consolidation Financial Statements**

**December 31, 2012, 2011 and 2010**

**All amounts in thousands of Brazilian reais unless otherwise stated**

## 24 Long-term incentive

A long-term non-share-based plan ("ILP") was approved at the Shareholders' Meeting held in September 2005, under which the participants in strategic programs can acquire securities issued by the Company that are called "Certificates of Investment Units". The objective of the plan is, among others, to align the interests of participants in strategic programs in the creation of long-term value with those of shareholders, in order to motivate the vision and commitment of these participants to long-term results.

The investment unit does not give its holder rights as a shareholder of Braskem, or any other rights or privileges that are inherent to shareholders, in particular voting rights and other political rights.

On an annual basis, the Business Leader may propose to the Board of Directors the program for the respective period including the appointment of participants, the quantity of Investment Units to be issued, the percentage of the Company's consideration for the participants' acquisition and the number of units offered per participant. The acceptance by the participant implies cash payment of the amount attributed to the participant and the execution of the unit purchase agreement, with Braskem being responsible for issuing the respective Certificates of Investment Units.

The Investment Unit has its value annually adjusted based on the average price of the Company's class A preferred share at the closing of the trading sessions of the São Paulo Stock Exchange (BM&FBovespa) from October 1 to March 31. In addition to the change in its par value, the Investment Unit yields the same as the dividend and/or interest on capital distributed by Braskem.

There are three types of Investment Units:

- unit acquired by the participant, called "Alpha";
- unit received by the participant from Braskem as a consideration, called "Beta";

- unit received by the participant as earnings (equivalent to the dividends paid by Braskem), called “Gama”.

The Investment Unit (and its related certificate) is issued in its holder’s name and can be redeemed under the following conditions:

- as from the $5^{th}$ year, after the first acquisition, the acquirer can redeem up to 20% of the accumulated balance of investment units; and
- as from the 6th year, redemption is limited to 10% of the accumulated balance;
- annually, upon the issue of Gama Investment Units (equivalent to dividends); and
- in the event of the termination of the employment and/or representation relationship.

The balances at December 31, 2012 and 2011 are as follows:

| | | **2012** | | **2011** |
|---|---|---|---|---|
| | **Quantity** | **Amount** | **Quantity** | **Amount** |
| **Investment units** | | | | |
| Issued (Alfa units) | 427,313 | 6,200 | 538,978 | 10,429 |
| Bonus (Beta units) | 389,336 | 4,205 | 512,195 | 4,784 |
| **Total** | **816,649** | **10,405** | **1,051,173** | **15,213** |

**Braskem S.A. and Its Subsidiaries**

**Notes to the Consolidation Financial Statements**

**December 31, 2012, 2011 and 2010**

**All amounts in thousands of Brazilian reais unless otherwise stated**

## 25 Post-employment benefits

### 25.1 Defined contribution plans

#### (a) ODEPREV

The Company maintains a defined contribution plan for its employees managed by ODEPREV, a private pension plan entity created by Odebrecht. ODEPREV offers its participants, which are employees of the sponsoring companies, an optional defined contribution plan in which monthly and additional participant contributions and monthly and annual sponsor contributions are made to individual pension savings accounts.

At December 31, 2012, the number of active participants in ODEPREV totals 5,404 (2011 – 5,259). The contributions made by the Company in the year amounted to R$24,897 (2011 - R$13,873) and the contributions made by the participants amounted to R$44,070 (2011 - R$39,927). In 2011, it was started the process for the integration of the new participants at the subsidiaries Braskem Qpar, Braskem Petroquímica, Ripol and Quantiq in the ODEPREV plan.

#### (b) Triunfo Vida

Braskem, due to the merger of Petroquímica Triunfo S.A., became a sponsor of Triunfo Vida. On May 31, 2010, the Company requested to withdraw its sponsorship of this plan and on July 27, 2012 PREVIC – National Superintendence of Supplementary Pension Plan (“PREVIC”) approved the withdrawal without the need for any further disbursements by Braskem.

### 25.2 Defined benefit plans

**(a) PETROS - Fundação Petrobras de Seguridade Social**

**(a.i) PETROS Copesul Plan**

Braskem, due to the merger of Copesul, became the sponsor of the Petros Copesul plan. On September 28, 2012, PREVIC approved the withdrawal of sponsorship of this plan by Braskem. The payment of the mathematical reserves of participants is expected to be made in the first half of 2013. For this reasons, the provisioned amount of R$147,175 (Note 27 (a)) was transferred to current liabilities.

**Braskem S.A. and Its Subsidiaries**

**Notes to the Consolidation Financial Statements**

**December 31, 2012, 2011 and 2010**

**All amounts in thousands of Brazilian reais unless otherwise stated**

**(a.ii) PETROS PQU Plan**

With the acquisition of Quattor, in April 2010, the Company assumed the liabilities of Petros PQU. On August 6, 2012, PREVIC approved the sporsorship withdrawal process, which had been requested on September 30, 2009. The payment of the mathematical reserves to participants is expected to be made in the first half of 2013. Due to the plan's surplus situation, no provision has been accrued.

**(b) Novamont – Braskem America**

With the acquisition of Sunoco Chemicals, Braskem America became the sponsor of Novamont, which is a defined benefit plan of the employees of the plant located in the State of West Virginia. At December 31, 2012, the plan has 53 active participants (2011 – 56). In 2012 and 2011, no contributions were made by the Company or by participants.

**(c) Braskem Alemanha defined benefit plan**

With the acquisition of the PP business from Dow Chemical, Braskem Alemanha became the sponsor of the defined benefit plan of the employees of the plants located in that country. At December 31, 2012, the plan has 96 (2011 – 96) active participants. In 2012 and 2011, no contributions were made by Braskem Alemanha and participants.

The defined benefit plan of Braskem Alemanha is a non-contribution plan, that is, the contributions of the sponsor are managed directly by the company and this type of plan is allowed by legislation of that country.

**(d) Defined benefit plan of Braskem Idesa Serviços**

The employees of the subsidiary Braskem Idesa Serviços receive retirement benefits that are granted when the employee retires or reaches retirement age. On December 31, 2012, the plan had 65 active participants. During 2012, no contributions were made by Braskem Idesa Serviços or by the participants.

The defined benefit plan of Braskem Idesa Serviços does not feature contributions, i.e., the funds of the sponsor are managed directly by the company, with this type of plan permitted by the country’s legislation.

**Braskem S.A. and Its Subsidiaries**

**Notes to the Consolidation Financial Statements**

**December 31, 2012, 2011 and 2010**

**All amounts in thousands of Brazilian reais unless otherwise stated**

### 25.2.1 Composition and changes in the balances of the defined benefit plans

### (a) Amounts in balance sheet

| | | 2012 | 2011 |
|---|---|---|---|
| **Actuarial liabilities recorded with** | | | |
| Novamont Braskem America | | 999 | 821 |
| Petros Copesul | (i) | | 134,506 |
| Braskem Alemanha | | 17,399 | 14,248 |
| Braskem Idesa Serviços | | 492 | |
| | | **18,890** | **149,575** |

(i) The amount of the provision of Petros Copesul was transferred to "other accounts payable" (Note 27(a)), under current liabilities, due to the approval of Braskem's withdrawal by PREVIC, as mentioned in Note 25.2(a.i).

| | Note | 2012 | 2011 |
|---|---|---|---|
| Benefit obligations | | (832,275) | (780,561) |
| Fair value of plan assets | | 645,978 | 589,116 |
| Funded status of the plan | | (186,297) | (191,445) |
| Past service cost not recognized | | 1,014 | 4,182 |
| Actuarial gains | | 19,218 | 37,688 |
| Net balance of jointly-controlled subsidiaries | | | |
| Consolidated net balance | | (166,065) | (149,575) |
| | | | |
| In current liability | 25.2(a.i) | (147,175) | |
| In non-current liability | | (18,890) | (149,575) |
| | | **(166,065)** | **(149,575)** |

99

**Braskem S.A. and Its Subsidiaries**

**Notes to the Consolidation Financial Statements**

**December 31, 2012, 2011 and 2010**

**All amounts in thousands of Brazilian reais unless otherwise stated**

**(b) Change in defined benefit obligations**

| | Note | 2012 | 2011 | 2010 |
|---|---|---|---|---|
| Balance at beginning of year | | 780,561 | 680,010 | 563,058 |
| Acquisition of company | | | 13,661 | 695,302 |
| New plan | 25.2(d) | 233 | | |
| Current service cost | | 7,963 | 7,309 | 77,812 |
| Interest cost | | 52,314 | 70,480 | 64,444 |
| Special retirement | | | 278 | |
| Benefits paid | | (37,746) | (41,379) | (107,509) |
| Change of plan | | | 1,026 | |
| Actuarial losses | | 202,915 | 46,951 | 215,000 |
| Other revenue | | | | (41) |
| Plan curtailment | 25.2(a.i) | (177,637) | | (828,056) |
| Exchange variation | | 3,672 | 2,225 | |
| Balance at the end of the year | | **832,275** | **780,561** | **680,010** |

**(c) Change in fair value plan assets**

| | Note | 2012 | 2011 | 2010 |
|---|---|---|---|---|
| Balance at beginning of the year | | 589,116 | 541,761 | 512,143 |
| Acquisition of company | | | 632 | 878,198 |
| Actual return on plan assets | | (22,032) | 83,781 | 275,440 |
| Employer contributions | | 177 | | 2,526 |
| Employee contributions | | 2,525 | 2,955 | 9,180 |
| Current expenses | | (38) | (35) | (42) |
| Benefits paid | | (37,536) | (42,140) | (107,509) |
| Plan curtailment | 25.2(a.i) | 112,058 | | (1,028,175) |
| Exchange variation | | 1,708 | 2,162 | |
| Balance at the end of the year | | **645,978** | **589,116** | **541,761** |

**(d) Amounts recognized in profit or loss**

| | 2012 | 2011 | 2010 |
|---|---|---|---|
| Current service cost | (7,963) | (7,309) | (8,358) |
| Interest cost | (52,314) | (70,480) | 10,037 |
| Expected return on plan assets | 38,151 | 54,720 | (35,600) |
| Amortization of actuarial gains | (118,035) | (32) | (153,293) |
| Amortization of unrecognized service cost | (3,260) | (2,783) | (2,783) |
| Employee contributions | | | 2,526 |
| Actuarial losses | (4) | | |
| Charges on special retirement | | (278) | |
| Plan curtailment | 112,058 | | 173,117 |
| | **(31,367)** | **(26,162)** | **(14,354)** |

The amounts recognized in the statement of operations refer to transactions involving the defined benefit pension plans that are recognized in “other operating (revenues) expenses, net” and in “financial results”, depending on their nature.

**Braskem S.A. and Its Subsidiaries**

**Notes to the Consolidation Financial Statements**

**December 31, 2012, 2011 and 2010**

**All amounts in thousands of Brazilian reais unless otherwise stated**

**(e) Actuarial assumptions**

| | | | | | | | | | **Percentage (%)** |
|---|---|---|---|---|---|---|---|---|---|
| | | | | **2012** | | | **2011** | | **2010** |
| | **Brazil** | **United States** | **Germany** | **Mexico** | **Brazil** | **United States** | **Germany** | **Brazil** | **United States** |
| Discount rate | 4.25 | 5,00 | 5,75 | 6,00 | 6,00 | 5,70 | 5,75 | 6,00 | 6,00 |
| Inflation rate | 4.50 | 3,00 | 2,00 | 5,00 | 4,50 | 3,00 | n/a | 4,50 | 3,00 |
| Expected return on plan assets | 4.25 | 7,50 | n/a | n/a | 10,50 | 1,00 | n/a | 10,50 | 1,00 |
| Rate of increase in future salary levels | n/a | n/a | 3,00 | 4,00 | 4,50 | n/a | 3,00 | 4,50 | n/a |
| Rate of increase in future pension plan | n/a | n/a | n/a | n/a | 4,50 | n/a | 2,25 | 4,50 | n/a |

**(f) Hierarchy of fair value assets**

| | | | | | | **Percentual (%)** |
|---|---|---|---|---|---|---|
| | | **2012** | | | | **2011** |
| | **Level 1** | **Total** | **Level 1** | **Level 2** | **Level 3** | **Total** |
| Investment fund - equity | | | 39.41 | | | 39.41 |
| Receivables | | | 18.68 | | | 18.68 |
| Government debt securities | | | 12.78 | | | 12.78 |
| Shares | | | 14.17 | | | 14.17 |
| Real estate | | | | | 5.57 | 5.57 |
| Investment fund - fixed income | 100.00 | 100.00 | 4.93 | | | 4.93 |
| Debt securities | | | | 1.01 | 0.47 | 1.47 |
| Other assets | | | 1.98 | | | 1.98 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Loans | | | | | 1.02 | 1.02 |
| **Fair value of plan assets** | **100.00** | **100.00** | **91.94** | **1.01** | **7.05** | **100.00** |

On December 31, 2012, the balance of the fair value assets is represented by the assets of the Novamont defined benefit plan of Braskem America. As mentioned in items 25.2(c) and 25.2(d) of this Note, the defined benefit plans of Braskem Alemanha and of Braskem Idesa Serviços are not contribution-based plans and as such, on December 31, 2012, these plans had no assets.

**Braskem S.A. and Its Subsidiaries**

**Notes to the Consolidation Financial Statements**

**December 31, 2012, 2011 and 2010**

**All amounts in thousands of Brazilian reais unless otherwise stated**

## 26 Advances from clients

The balance includes advances amounting to R$358,428 (R$218,531 in 2011) from four clients overseas for the acquisition of products for supply between February 2013 and December 2016.

## 27 Other accounts payable

### (a) Current

On December 31, 2012, the main balances in this item were:

(i) amounts payable to the non-controlling shareholder of Braskem Idesa, in the amount of R$260,649, due in February 2013, arising from loans for the Ethylene XXI Project, which will be reimbursed upon disbursement of funds from the associated Project Finance structure (Note 17).

(ii) amounts payable to Plano Petros Copesul, in the amount of R$147,175 (Note 25.2(a.i)).

### (b) Non-current

On December 31, 2012, the balance includes the amount of R$ R$256,030 (2011 – R$235,968), which corresponds to the amounts payable to BNDESPAR arising from the acquisition of Riopol shares (Note 1(b.1).

102

**Braskem S.A. and Its Subsidiaries**

**Notes to the Consolidation Financial Statements**

**December 31, 2012, 2011 and 2010**

**All amounts in thousands of Brazilian reais unless otherwise stated**

## 28 Contingencies

The Company is a party to labor and social security, tax, civil and corporate claims for which the chances of loss was considered possible and for which no provision has been recognized, in accordance with the breakdown below:

| | Note | 2012 | 2011 |
|---|---|---|---|
| Labor claims | (a) | 698,036 | 768,022 |
| Tax claims | (b) | 2,967,799 | 3,455,777 |
| Other lawsuits | (c) | 411,324 | 416,321 |
| **Total** | | **4,077,159** | **4,640,120** |

### (a) Labor

At December 31, 2012, the Company is involved in 1,483 indemnity and labor claims for which the chances of loss are considered possible. Among these claims are:

**(a.1)** Class actions filed by the Union of Workers in the Petrochemical and Chemical Industries in Triunfo (State of Rio Grande do Sul), in the second quarter of 2005, claiming the payment of overtime amounting to R$23 million. The chances of loss are deemed as possible. In this group of actions, in addition to those classified as having a possible chance of loss, there are others amounting to R$693 million that were classified as having a remote chance of loss.

All actions in progress are with the Superior Labor Court and Management expects them to be judged by 2014.

Two of these actions were awarded a final and unappealable decision in favor of the Company.

There are judicial deposits related to these claims.

**(a.2)** Class actions filed by the Union of Workers in the Petrochemical and Chemical Industries in Triunfo (State of Rio Grande do Sul) in the third quarter of 2010 claiming the payment of overtime referring to work breaks and integration into base salary of the remunerated weekly day-off amounting to R$287 million.

All of these lawsuits were assessed as possible losses and the Management of the Company does not expect to disburse any amounts upon their closure.

The claims are in the fact finding and appeals phase and they are expected to be granted a final and unappealable decision in the last quarter of 2014.

No judicial deposit or other form of security was provided for these claims.

**(b) Tax**

On December 31, 2012, the Company is involved in many proceedings with the Brazilian tax authorities and the chances of loss are considered possible based on the estimate and opinion of its external advisors.

On December 31, 2012 the main tax contingencies are the following:

**Braskem S.A. and Its Subsidiaries**

**Notes to the Consolidation Financial Statements**

**December 31, 2012, 2011 and 2010**

**All amounts in thousands of Brazilian reais unless otherwise stated**

**(b.1) ICMS - reduction in calculation basis**

In 2010, the Company was assessed by the Finance Department of the State of Bahia due to various alleged irregularities. The main one was that the Department understood that there should be the unconditional refund of ICMS credit upon the sale of goods with reduction in the tax calculation base.

In 2012, the Treasury Departament of the State of Bahia ("SEFAZ-BA"), when responding to a consultation made by another taxpayer on the matter, supported the Company's procedure. This led Braskem's legal counsel to alter their assessment of the proceeding from a possible chance of loss to a remote chance of loss.

**(b.2) ICMS - sundry**

The Company is involved in many ICMS collection claims related to assessment notices drawn up mainly by the Finance Department of the States of São Paulo, Bahia and Alagoas. On December 31, 2012, the adjusted amounts of these claims total R$974 million and the the claims include the following matters:

- ICMS credit on the acquisition of assets that are considered by the Revenue Services as being of use and consumption. The Revenue Service understands that the asset has to be a physically integral part of the final product to give rise to a credit. Most of the inputs questioned do not physically compose the final product. However, the Judicial branch has a precedent that says that the asset must be an integral part of the product or be consumed in the production process.

- ICMS credit arising from the acquisition of assets to be used in property, plant and equipment, which is considered by the Revenue Services as not being related to the production activity, such as laboratory materials, construction of warehouses, security equipment, etc.

- transfer of goods for an amount lower than the production cost;

- omission of the entry or shipment of goods based on physical count of inventories;

- lack of evidence that the company exported goods so that the shipment of the goods is presumably taxed for the domestic market;

- non-payment of ICMS on the sale of products subject to tax substitution and credit from acquisitions of products subject to tax substitution;

- fines for the failure to register invoices.

The Company’s legal advisors estimate that: (i) these judicial proceedings are expected to be terminated in 2020, and (ii) in the event of an unfavorable decision to the Company, which is not expected, these contingencies could be settled for up to 40% of the amount in dispute. This estimate is based on the probability of loss of the Company’s defense theory taking into consideration the case law at the administrative and judicial levels.

No judicial deposit or other form of security was provided for these claims.

**Braskem S.A. and Its Subsidiaries**

**Notes to the Consolidation Financial Statements**

**December 31, 2012, 2011 and 2010**

**All amounts in thousands of Brazilian reais unless otherwise stated**

**(b.3) COFINS - sundry**

The Company is involved in collection actions related to COFINS in which the use, by the Company, of certain tax credits to determine and pay this tax is under discussion. These credits arise from (i) legal actions; and (ii) income tax prepayments.

On December 31, 2012, the adjusted amounts involved of these assessments total R$321 million.

The Company's external legal advisors estimate that: (i) the judicial proceedings are expected to be terminated in 2018; and (ii) in the event of an unfavorable decision to the Company, which is not expected, these contingencies could be settled for up to 50% of the amount in dispute. This estimate is based on the probability of loss of the Company's defense theory taking into consideration the case law at the administrative and judicial levels.

The Company offered assets in guarantee that cover the amount involved in these claims.

**(b.4) Income tax - BEFIEX**

In 2007, the Company was assessed by the Federal Revenue Service for two alleged irregularities in the payment of income tax for the calendar year 2001. The first matter of the notice of deficiency was related to the full offsetting of tax losses in view of the tax benefit granted to the Company through the Export Special Program – BEFIEX. The Revenue Service considered that such offsetting was made after the period of effectiveness of the program. The second matter on the notice of deficiency regarded the utilization of an income tax reduction benefit of 37.5% without proof of the right to such benefit.

In 2012, the Company received a favorable unappealable judgment for this proceeding at the administrative level, thus extinguishing the contingency.

**(b.5) IPI – presumed credit**

The Company is involved in tax assessments that question the undue use of presumed IPI credit as a way to offset the payment of PIS and COFINS levied on the acquisitions of raw materials, intermediate products and packaging material used in the industrialization of exported products. The Revenue Service understands that only the inputs that have been in contact with or have a direct influence on the final product provide for the right to the presumed credit. The Judicial branch understands that the products that give rise to the right to the credits are those that (i) are incorporated into the final product; or (ii) are immediately and completely consumed in the production process. On December 31, 2012, the adjusted amount involved of these assessments is R$116 million.

The Company's legal advisors estimate that: (i) the judicial proceeding is expected to be terminated in 2020; and (ii) in the event of an unfavorable decision to the Company, which is not expected, this contingency could be settled for up to 60% of the amount in dispute. This estimate is based on the probability of loss of the Company's defense theory taking into consideration the case law at the administrative and judicial levels.

No judicial deposits or other form of security were accrued for this proceeding.



---

**Braskem S.A. and Its Subsidiaries**

**Notes to the Consolidation Financial Statements**

**December 31, 2012, 2011 and 2010**

**All amounts in thousands of Brazilian reais unless otherwise stated**

**(b.6) Non-cumulative PIS and COFINS**

The Company received a deficiency notice from the Brazilian Federal Revenue Service due to the use of non-cumulative PIS and COFINS tax credits related to: (i) treatment of effluents; (ii) charges on transmission of electricity; (iii) freight for storage of finished products; and (iv) extemporaneous credits from acquisitions of property, plant and equipment. These deficiency notices have already been contested at the administrative level and comprise the period from 2006 to 2011, and as of December 31, 2012 totaled R$649 million, of which R$352 million related to principal and R$297 million of fine and interest.

The Company's legal counsel, in view of the recent decisions by the Tax Resources Administrative Board and the evidence provided by the Company, assess as possible the chances of loss at the administrative and judicial level. For this reason, no provision has been accrued for these deficiency notices. Any changes in the court’s understanding of the position could cause future impacts on the financial statements of the Company due to such proceedings.

No judicial deposit or other form of guarantee was provided for this claim.

For being a matter of recent contingencies, the Company cannot estimate the date for conclusion of the proceedings.



---

**Braskem S.A. and Its Subsidiaries**

**Notes to the Consolidation Financial Statements**

**December 31, 2012, 2011 and 2010**

**All amounts in thousands of Brazilian reais unless otherwise stated**

**(c) Other court disputes involving the Company and its subsidiaries**

**(c.1) Civil**

The Company is the defendant in civil lawsuits filed by the owner of a former distributor of caustic soda and by the shipping company that provided services to this former distributor, which, at December 31, 2012, totaled R$56 million. The claimants seek indemnity for damages related to the alleged non-performance of the distribution agreement by the Company.

No judicial deposit or other form of guarantee was provided for these lawsuits.

Management's evaluation, supported by the opinion of its external legal advisors who are responsible for the cases, is that the lawsuits will possibly be dismissed within a period of 8 years.

**(c.2) Corporate**

Some shareholders of preferred shares acquired with incentives filed lawsuits, originally against Copene, the former name of the Company, and against the merged companies Nitrocarbono, OPP Química, Salgema, Trikem, Polialden and Politeno. They claim a share in the profit remaining after the payment of priority dividends on the same basis as the common shareholders, in addition to the right to vote in shareholders' meetings until the distribution of dividends in the desired conditions is reestablished. The amount involved in the lawsuits for which there is a possibility of loss is R$15 million.

No judicial deposits or other types of security were provided for these lawsuits.

Since the lawsuits are in different phases, the Company’s external legal advisors are not able to estimate when these proceedings are expected to be terminated.

**(c.3) Social security**

The Company is a party to various administrative and judicial proceedings concerning social security matters, which total approximately R$204 million at December 31, 2012, as adjusted by the Selic rate.

The Company's management, based on the opinion of its external legal advisors, who consider that the chances of loss in all these proceedings are possible, understands that no amount is due with respect to these assessments and, for this reason, no provision was recognized to this end.

Additionally, management believes that is not possible to estimate the amount of disbursement to cover a possible unfavorable decision to the Company.

For these proceedings, security was given in the form of judicial deposits and finished products that combined cover the amounts claimed.

The Company’s external legal advisors were not able to estimate when these proceedings are expected to be terminated.



---

**Braskem S.A. and Its Subsidiaries**

**Notes to the Consolidation Financial Statements**

**December 31, 2012, 2011 and 2010**

**All amounts in thousands of Brazilian reais unless otherwise stated**

**29 Equity**

**(a) Capital**

On December 31, 2012, the Company's subscribed and paid up capital stock amounted to R$8,043,222 and comprised 797,265,348 shares with no par value divided into 451,668,652 common shares, 345,002,878 class “A” preferred shares, and 593,818 class “B’ preferred shares, distributed as follows:

| | | Commom shares | % | Preferred shares class A | % | Preferred shares class B | % | Total | % |
|---|---|---|---|---|---|---|---|---|---|
| OSP and Odebrecht | | 226,334,623 | 50.11% | 79,182,498 | 22.95% | | | 305,517,121 | 38.32% |
| Petrobras | | 212,426,950 | 47.03% | 75,792,589 | 21.97% | | | 288,219,539 | 36.15% |
| BNDESPAR | | | | 44,069,052 | 12.77% | | | 44,069,052 | 5.53% |
| ADR | (i) | | | 34,193,744 | 9.91% | | | 34,193,744 | 4.29% |
| Other | | 12,907,079 | 2.86% | 110,610,237 | 32.06% | 593,818 | 100.00% | 124,111,134 | 15.57% |
| Total | | **451,668,652** | **100.00%** | **343,848,120** | **99.67%** | **593,818** | **100.00%** | **796,110,590** | **99.86%** |
| Braskem shares owned by subsidiary of Braskem Petroquímica | (ii) | | | 1,154,758 | 0.33% | | | 1,154,758 | 0.14% |
| Total | | **451,668,652** | **100.00%** | **345,002,878** | **100.00%** | **593,818** | **100.00%** | **797,265,348** | **100.00%** |

(i) American Depository Receipt, negotiated in the New York stock market (USA).

(ii) This shares are treated as "treasury shares" in consolidated Equity.

**(b) Share rights**

Preferred shares carry no voting rights but they ensure priority, non-cumulative annual dividend of 6% of their unit value, according to profits available for distribution. The unit value of the shares is obtained through the division of capital by the total number of outstanding shares. Only class “A” preferred shares will have the same claim on the remaining profit as common shares and will be entitled to dividends only after the priority dividend is paid to preferred shareholders. Only class “A” preferred shares also have the same claim as common shares on the distribution of shares resulting from capitalization of other reserves. Only class “A” preferred shares can be converted into common shares upon resolution of majority voting shareholders present at a General Meeting. Class “B” preferred shares can be converted into class “A” preferred shares at any time, at the ratio of two class “B” preferred shares for one class “A” preferred share, upon a simple written request to the Company, provided that the non-transferability period provided for in specific legislation that allowed for the issue and payment of such shares with tax incentive funds has elapsed.

In the event of liquidation of the Company, class “A” and “B” preferred shares will have priority in the reimbursement of capital.

Shareholders are entitled to receive a mandatory minimum dividend of 25% on profit for the year, adjusted under Brazilian Corporate Law.

**Braskem S.A. and Its Subsidiaries**

**Notes to the Consolidation Financial Statements**

**December 31, 2012, 2011 and 2010**

**All amounts in thousands of Brazilian reais unless otherwise stated**

**(c) Tax incentive reserve – capital reserve**

The balance of this reserve mainly comprises the income tax deduction benefit determined before the base period of 2006 (Note 32(a)). After the adoption of Laws 11,638/07 and 11,941/09, as from January 1, 2007, the income tax benefit started to be recorded in the statement of operations in the revenue reserves account as proposed by management and approved at the General Shareholders' Meeting. Regardless of the change introduced by Laws 11,638/07 and 11,941/09, this tax incentive can be used only for capital increase or absorption of losses.

The Management of the Company will propose to the Annual Shareholders Meeting to use part of the balance of this reserve to absorb the accumulated loss in 2012.

**(d) Legal reserve**

Under Brazilian Corporate Law, the Company must transfer 5% of net profit for the year, determined in accordance with the accounting practices adopted in Brazil, to a legal reserve until this reserve is equivalent to 20% of the paid-up capital. The legal reserve can be used for capital increase or absorption of losses.

At the end of fiscal year 2012, the Company used part of the balance of this reserve to absorb partially the loss in the period.

**(e) Unrealized profit reserves**

This reserve was established based on unrealized profits in fiscal year 2011, in accordance with items I and II, paragraph 1 of Article 197 of Law No. 6,404/76, which states that in the fiscal year that the distributable dividends exceed the amount of profits, which generated cash inflows to the Company, the General Stockholders' Meeting may, upon proposal of the board, attribute such excess to "unrealized profit reserves". Under the terms of the Law No

6,404/76, this reserve should only be used to (i) absorb losses; and (ii) to pay dividends.

At the end of 2011, the Company used R$979,048 of the balance of this reserve to (i) absorb part of the accumulated deficit of 2011, amounting to R$496,455; and (ii) propose the payment of dividends, amounting to R$482,593 (Note 29(h.2)).

At the end of fiscal year 2012, the Company used part of the balance of this reserve to absorb partially the loss in the period.

**Braskem S.A. and Its Subsidiaries**

**Notes to the Consolidation Financial Statements**

**December 31, 2012, 2011 and 2010**

**All amounts in thousands of Brazilian reais unless otherwise stated**

**(f) Treasury shares**

| | 2012 | 2011 |
|---|---|---|
| **Quantity** | | |
| Common shares | | 411 |
| Preferred shares class "A" | 1,154,758 | 2,697,016 |
| | **1,154,758** | **2,697,427** |
| | | |
| **Amount (R$ thousand)** | 48,892 | 60,217 |

On the consolidated financial statements of December 31, 2012 and 2011, the Company had in the item “treasury shares” the amount of R$48,892 corresponding to 1,154,758 class “A” preferred shares issued by Braskem and owned by the subsidiary Braskem Petroquímica (Note 2.1.2(a.ii)).

On December 4, 2012, Braskem cancelled 4,400,269 shares, of which 411 were common shares and 4,399,858 were class “A” preferred shares. The changes in treasury shares were as follows:

| | Quantity | Balance |
|---|---|---|
| Common shares | 411 | 4 |
| Preferred shares class "A" | 2,697,016 | 60,213 |
| **As of December 31, 2011** | **2,697,427** | **60,217** |
| | | |
| Acquisition in 3$^{rd}$ repurchase program | 2,595,300 | 33,204 |
| Acquisition in 4$^{th}$ repurchase program | 262,300 | 3,489 |
| Cancellation of treasury shares - common | (411) | (4) |
| Cancellation of treasury shares - preferred class "A" | (4,399,858) | (48,014) |
| | | |
| **Total** | 1,154,758 | 48,892 |
| Common shares | | |

| | | |
|---|---|---|
| Preferred shares class "A" | 1,154,758 | 48,892 |
| **As of December 31, 2012** | **1,154,758** | **48,892** |

110

**Braskem S.A. and Its Subsidiaries**

**Notes to the Consolidation Financial Statements**

**December 31, 2012, 2011 and 2010**

**All amounts in thousands of Brazilian reais unless otherwise stated**

**(g) Ongoing share repurchase programs**

**(g.1) 3rd Share repurchase program**

On August 26, 2011, Braskem's Board of Directors approved a program for the repurchase of shares effective for the period between August 29, 2011 and August 28, 2012, through which the Company could acquire up to 12,162,504 class "A" preferred shares at market price. Shares could be purchased by the Company or by financial institutions hired for that purpose. Upon the expiration of the program, Braskem would have to acquire from financial institutions, at market value, the shares acquired by the latter. The private deal was approved by CVM.

During the program, a total of 2,595,300 shares were repurchased for the amount of R$33,204 (item (f) of this Note), of which 2,007,600 were repurchased by financial institutions, and 587,700 shares were repurchased directly by Braskem. The average cost of these shares was R$12.79 (minimum of R$10.53 and maximum R$15.15).

The shares purchased by financial institutions were purchased by Braskem in August 2012, when the program ended. In the operation, Braskem received R$1,575 related to the swap instrument associated with the repurchase transaction, net of withholding income tax of R$698.

The purchased shares were canceled in December 2012.

**(g.2) 4th Share repurchase program**

On August 13, 2012, Braskem's Board of Directors approved a program for the repurchase of shares effective for the period between August 29, 2012 and August 28, 2013, through which the Company may acquire up to 13,376,161 class "A" preferred shares at market price. The shares may be acquired by the Company or by financial institutions hired for such purpose. Upon the expiration of the program, Braskem will have to acquire from financial institutions, at market value, the shares acquired by the latter. The private transaction was approved by the CVM.

As of November 2012, the financial institutions had acquired 262,300 shares for the amount of R$3,489 (item (f) of this Note) at the average cost of R$13.30 per share (minimum of R$12.663 and maximum R$14.07)

On November 12, 2012, the Company acquired these shares and received in the operation R$71 related to the swap instrument associated with the repurchase transaction, net of the withholding income tax of R$29.

The shares repurchased were cancelled in December 2012.

There were no purchases under this program in December 2012.



---

**Braskem S.A. and Its Subsidiaries**

**Notes to the Consolidation Financial Statements**

**December 31, 2012, 2011 and 2010**

**All amounts in thousands of Brazilian reais unless otherwise stated**

**(h) Dividends proposed and appropriation of profit**

Under the Company's bylaws, profit for the year, adjusted according to Law 6,404/76, is appropriated as follows:

(i) 5% to a legal reserve, which must not exceed 20% of capital;

(ii) 25% to pay for mandatory, non-cumulative dividends, provided that the legal and statutory advantages of the Class "A" and "B" preferred shares are observed. When the amount of the priority dividend paid to class "A" and "B" preferred shares is equal to or higher than 25% of profit for the year calculated under Article 202 of Corporate Law, it is the full payment of the mandatory dividend. Any surplus remaining after the payment of the priority dividend will be used to:

- pay dividends to common shareholders up to the limit of the priority dividends of preferred shares;

- if there still is any surplus, distribute additional dividends to common shareholders and class "A" preferred shareholders so that the same amount of dividends is paid for each common share or class "A" preferred share.

**(h.1) Absorption of losses for the periods and payment of dividends**

As provided for in the sole paragraph of Article 189 of Brazilian Corporate Law, the remaining balance of the Company's loss for 2011 was absorbed by the unrealized profits reserve.

On April 27, 2012, the Annual Shareholders' Meeting approved the payment of dividends as per the Management proposal in 2011, in the amount of R$482,593, equivalent to R$0.605085049 per common, class "A" preferred and class

"B" preferred share, paid as of November 19, 2012.

The loss for fiscal year 2012, in the amount of R$674,263, was absorbed partially by the unrealized profit reserve, the tax incentive reserve and the legal reserve. The balance of retained losses after such absorption is R$565,549.

**Braskem S.A. and Its Subsidiaries**

**Notes to the Consolidation Financial Statements**

**December 31, 2012, 2011 and 2010**

**All amounts in thousands of Brazilian reais unless otherwise stated**

**(i) Other comprehensive income**

| | Note | Additional indexation of PP&E price-level | Deemed cost of jointly-controlled subsidiary | Fair value of cash flow derivatives | Foreign currency translation adjustment | Gain (loss) on interest in subsidiary | Total |
|---|---|---|---|---|---|---|---|
| **As of December 31, 2010** | | **353,777** | | **(53,292)** | **(79,135)** | | **221,350** |
| Additional indexation | | | | | | | |
| Realization by depreciation or writte-off assets | | (41,267) | | | | | (41,267) |
| Income tax and social contribution on realization | | 14,031 | | | | | 14,031 |
| Deemed cost of jointly-controlled subsidiary | | | | | | | |
| Deemed cost of jointly-controlled subsidiary | | | 22,079 | | | | 22,079 |
| Realization by depreciation or writte-off assets | | | (1,394) | | | | (1,394) |
| Income tax and social contribution on realization | | | 474 | | | | 474 |
| Cash flow derivatives | | | | | | | |
| Change in fair value | | | | (1,939) | | | (1,939) |
| Transfer to result | | | | 46,973 | | | 46,973 |
| Tax on fair value gains | | | | (2,458) | | | (2,458) |
| Gain on interest in subsidiary | | | | | | 3,106 | 3,106 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Foreign currency translation adjustment | | | | | 54,631 | | 54,631 |
| **As of December 31, 2011** | | **326,541** | **21,159** | **(10,716)** | **(24,504)** | **3,106** | **315,586** |
| Additional indexation | | | | | | | |
| Realization by depreciation or writte-off assets | | (41,268) | | | | | (41,268) |
| Income tax and social contribution on realization | | 14,032 | | | | | 14,032 |
| Deemed cost | | | | | | | |
| Realization by depreciation or writte-off assets | | | (1,442) | | | | (1,442) |
| Income tax and social contribution on realization | | | 490 | | | | 490 |
| Cash flow derivatives | 20.2.2 | | | | | | |
| Change in fair value | | | | 1,948 | | | 1,948 |
| Recycled through profit or loss | | | | 14,290 | | | 14,290 |
| Tax on fair value gains | | | | (5,522) | | | (5,522) |
| Net loss from change of interest in subsidiary | 16 (b) | | | | | (5,917) | (5,917) |
| Write-off gain on interest in subsidiary | 6 | | | | | (4,632) | (4,632) |
| Foreign currency translation adjustment | | | | | 61,662 | | 61,662 |
| **As of December 31, 2012** | | **299,305** | **20,207** | | **37,158** | **(7,443)** | **349,227** |

**Braskem S.A. and Its Subsidiaries**

**Notes to the Consolidation Financial Statements**

**December 31, 2012, 2011 and 2010**

**All amounts in thousands of Brazilian reais unless otherwise stated**

## 30 Earnings per share

Basic earnings (loss) per share is calculated by means of the division of adjusted profit for the year attributable to the Company's common and class "A" preferred shareholders by the weighted average number of these shares held by shareholders, excluding those held in treasury and following the rules for the distribution of dividends provided for in the Company's bylaws, as described in Note 29 (h).

Diluted earnings (loss) per share is calculated by means of the division of adjusted profit for the year attributable to the Company's common and class "A" preferred shareholders by the weighted average number of these shares held by shareholders, excluding those held in treasury. Also, the weighted average number of shares is adjusted by the potential convertibility of class "B" preferred shares into class "A" preferred shares in the proportion of two to one, and following the rules for the distribution of dividends provided for in the Company's bylaws, as described in Note 29 (h).

The weighted average numbers per share is calculated based on the number of outstanding common and Class "A" preferred shares at the beginning of the period, adjusted by the number of shares repurchased or issued in the period, multiplied by a weighting time factor. The calculation of the weighted average in 2012 is shown below:

| | | Total of outstanding shares | | | Weighted average | | |
|---|---|---|---|---|---|---|---|
| | Note | Common shares | Preferred shares class "A" | Total of weighted average | Common shares | Preferred shares class "A" | Total of weighted average |
| **As of December 31, 2011** | | **451,668,652** | **345,300,320** | **796,968,972** | **451,668,652** | **346,451,489** | **798,120,141** |
| Repurchase of shares | (i) | | (1,452,200) | (1,452,200) | | (700,738) | (700,738) |
| **As of December 31, 2012** | | **451,668,652** | **343,848,120** | **795,516,772** | **451,668,652** | **344,599,582** | **796,268,234** |

(i) The shares repurchased in the share repurchase program by financial institutions were not considered in the calculation of earnings per share since they are not entitle to dividends (Note 29(g)).

Class A preferred shares participate in dividends with common shares after the mandatory dividends has been attributed in accordance with the formula provided for in the Company’s bylaws, as described in Note 29(h). There is no highest limit for their participation.

As required by IAS 33, the table below show the reconciliation of profit (loss) for the period adjusted to the amounts used to calculate basic and diluted earnings (loss) per share.

**Braskem S.A. and Its Subsidiaries**

**Notes to the Consolidation Financial Statements**

**December 31, 2012, 2011 and 2010**

**All amounts in thousands of Brazilian reais unless otherwise stated**

| | 2012 Basic | Diluted | 2011 Basic | Diluted | Basic | 2010 Diluted |
|---|---|---|---|---|---|---|
| Profit (loss) for the year attributed to Company's shareholders of continued operations | (1,033,176) | (1,033,176) | (552,413) | (552,413) | 1,879,500 | 1,879,500 |
| Dividends attributable to priority | | | | | | |
| Preferred share class "A" | | | | | 209,824 | 209,902 |
| Preferred share class "A" potentially convertible (the ratio of 2 shares class "B" for each share class "A") | | | | | | 179 |
| Preferred share class "B" | | | | | 358 | |
| | | | | | 210,182 | 210,081 |
| Distribution of 6% of the unit value of common shares | | | | | 272,411 | 272,512 |
| **Distribution of plus income, by class:** | | | | | | |
| Common shares | | | | | 730,591 | 730,288 |
| Preferred shares class "A" | | | | | 666,316 | 666,039 |
| Preferred share class "A" potentially convertible (the ratio of 2 shares class "B" for each share class "A") | | | | | | 580 |
| | (1,033,176) | (1,033,176) | (552,413) | (552,413) | 1,396,907 | 1,396,907 |
| **Reconciliation of income available for distribution, by class (numerator):** | | | | | | |
| Common shares | (586,050) | (585,832) | (312,619) | (312,503) | 1,003,002 | 1,002,800 |
| Preferred shares class "A" | (447,126) | (446,959) | (239,794) | (239,705) | 876,140 | 875,941 |
| Preferred share class "A" potentially convertible (the ratio of 2 shares class "B" for each share class "A") | | (385) | | (205) | | 759 |

| | | | | | | |
|---|---|---|---|---|---|---|
| | (1,033,176) | (1,033,176) | (552,413) | (552,413) | 1,879,142 | 1,879,500 |
| **Weighted average number of shares, by class (denominator):** | | | | | | |
| Common shares | 451,668,652 | 451,668,652 | 451,668,652 | 451,668,652 | 374,037,573 | 374,037,573 |
| Preferred shares class "A" | 344,599,582 | 344,599,582 | 346,451,489 | 346,451,489 | 341,130,775 | 341,130,775 |
| Preferred share class "A" potentially convertible (the ratio of 2 shares class "B" for each share class "A") | | 296,909 | | 296,909 | | 296,909 |
| | 796,268,234 | 796,565,143 | 798,120,141 | 798,417,050 | 715,168,348 | 715,465,257 |
| **Earnings (loss) per share (in R$)** | | | | | | |
| Common shares | (1.2975) | (1.2970) | (0.6921) | (0.6919) | 2.6816 | 2.6810 |
| Preferred shares class "A" | (1.2975) | (1.2970) | (0.6921) | (0.6919) | 2.5683 | 2.5677 |

(i) The shares repurchased were not considered in the calculation of earnings per share since they are not entitled to dividends (Note 29(g)).

115

**Braskem S.A. and Its Subsidiaries**

**Notes to the Consolidation Financial Statements**

**December 31, 2012, 2011 and 2010**

**All amounts in thousands of Brazilian reais unless otherwise stated**

## 31 Net sales revenues

| | 2012 | 2011 | 2010 |
|---|---|---|---|
| **Sales revenue** | | | |
| Domestic market | 26,542,065 | 24,776,949 | 22,086,284 |
| Foreign market | 15,571,829 | 14,143,107 | 8,845,149 |
| | 42,113,894 | 38,920,056 | 30,931,433 |
| **Sales deductions** | | | |
| Taxes | (6,286,767) | (6,206,349) | (5,753,926) |
| Sales returns and other | (313,730) | (216,632) | (151,849) |
| | (6,600,497) | (6,422,981) | (5,905,775) |
| **Net sales revenue** | **35,513,397** | **32,497,075** | **25,025,658** |

## 32 Tax incentives

### (a) SUDENE – Income Tax

The benefit of the 75% reduction in the income tax from the sale of production until 2012, 2013 and 2016 applies to the Camaçari PE plants and the PP plant. The same benefit applies to the Camaçari and Marechal Deodoro (state of Alagoas) PVC plants until 2013 and 2019, respectively.

Productions of caustic soda, chloride, ethylene dichloride and caprolactam and the basic petrochemicals and utilities plant enjoy the benefit of a 75% decrease in the income tax rate, which expires at the end of 2012. However, the Management of the Company believes it is possible to request the renewal of this benefit.

### (b) PRODESIN - ICMS

The Company has ICMS tax incentives granted by the state of Alagoas, through the state of Alagoas Integrated Development Program - PRODESIN. These incentives are aimed at the implementation and expansion of a plant in that state and are recorded in the account “net sales revenue” in the statement of operations and in the account “taxes” of Note 31. In 2012, the amount of this incentive was R$32,780 (2011 – R$22,683).

**(c) REINTEGRA**

In fiscal year 2012, first month of effectiveness of REINTEGRA, the Company determined a credit of R$228,052 (Note 12(g)) (2011 – R$17,924), which is presented in the account “cost of goods sold”, in the statement of operations.

**Braskem S.A. and Its Subsidiaries**

**Notes to the Consolidation Financial Statements**

**December 31, 2012, 2011 and 2010**

**All amounts in thousands of Brazilian reais unless otherwise stated**

## 33 Other operating income (expenses), net

In the year ended December 31, 2012, this item is composed as follows:

(i) indemnity received under the supply agreement between Sunoco and Braskem America in the amount of R$235,962 (Note 1(a)(iii)).

(ii) reduction in the balance of the tax renegotiation program of Law 11,941/09 amounting to R$80,496 (Note 21 (b)).

(iii) gain from the sale of the rail cars of the subsidiary Braskem America amounting to R$106,979.

(iv) loss in change of raw material and negative adjustments in inventory amounting to R$62,887 (2011 – R$14,414).

**Braskem S.A. and Its Subsidiaries**

**Notes to the Consolidation Financial Statements**

**December 31, 2012, 2011 and 2010**

**All amounts in thousands of Brazilian reais unless otherwise stated**

## 34 Financial results

| | **2012** | **2011** | **2010** |
|---|---|---|---|
| **Financial income** | | | |
| Interest income | 220,023 | 266,702 | 267,306 |
| Monetary variations | 40,209 | 58,514 | 85,425 |
| Exchange rate variations | 219,728 | 423,072 | (15,291) |
| Other | 50,222 | 16,737 | 27,493 |
| | **530,182** | **765,025** | **364,933** |
| **Financial expenses** | | | |
| Interest expenses | (973,136) | (999,070) | (892,831) |
| Monetary variations | (274,860) | (300,530) | (327,023) |
| Exchange rate variations | (1,894,801) | (1,653,983) | 466,748 |
| Inflation adjustments on fiscal debts | (208,186) | (235,769) | (333,238) |
| Tax expenses on finacial operations | (17,289) | (15,640) | (30,987) |
| Discounts granted | (58,859) | (46,756) | (37,672) |
| Loans transaction costs - amortization | (27,221) | (21,159) | (50,514) |
| Adjustment to present value - appropriation | (310,525) | (60,353) | (162,104) |
| Other | (137,622) | (218,457) | (324,380) |
| | **(3,902,499)** | **(3,551,717)** | **(1,692,001)** |
| **Total** | **(3,372,317)** | **(2,786,692)** | **(1,327,068)** |

| | **2012** | **2011** | **2010** |
|---|---|---|---|
| **Interest income** | | | |
| Available for sale | | | 4,437 |
| Held-for-trading | 5,023 | 105,472 | 193,094 |
| Loans and receivables | 139,434 | 96,737 | 49,025 |
| Held-to-maturity | 17,841 | 16,636 | 8,185 |
| | 162,298 | 218,845 | 254,741 |
| Other assets not classifiable | 57,725 | 47,857 | 12,565 |
| **Total** | **220,023** | **266,702** | **267,306** |

118

**Braskem S.A. and Its Subsidiaries**

**Notes to the Consolidation Financial Statements**

**December 31, 2012, 2011 and 2010**

**All amounts in thousands of Brazilian reais unless otherwise stated**

## 35 Expenses by nature

The Company chose to present its expenses by function in the statement of operations. As required by IAS 1, the breakdown of expenses by nature is presented below:

| | 2012 | 2011 | 2010 |
|---|---|---|---|
| **Classification by nature:** | | | |
| Raw materials and other inputs | (27,342,763) | (24,752,314) | (17,697,874) |
| Personnel expenses | (1,717,777) | (1,517,256) | (1,225,738) |
| Outsourced services | (1,583,308) | (1,312,451) | (1,117,434) |
| Tax expenses | (7,077) | (53,566) | (59,168) |
| Depreciation, amortization and depletion | (1,863,506) | (1,678,075) | (1,601,744) |
| Freights | (1,302,899) | (965,244) | (786,353) |
| Other expenses | (465,424) | (374,097) | (239,633) |
| **Total** | **(34,282,754)** | **(30,653,003)** | **(22,727,944)** |
| | | | |
| **Classification by function:** | | | |
| Cost of products sold | (32,209,958) | (28,819,369) | (21,028,905) |
| Selling | (403,387) | (319,240) | (353,616) |
| Distribution | (564,950) | (480,532) | (335,510) |
| General and administrative | (998,261) | (934,779) | (931,135) |
| Research and development | (106,198) | (99,083) | (78,778) |
| **Total** | **(34,282,754)** | **(30,653,003)** | **(22,727,944)** |

**Braskem S.A. and Its Subsidiaries**

**Notes to the Consolidation Financial Statements**

**December 31, 2012, 2011 and 2010**

**All amounts in thousands of Brazilian reais unless otherwise stated**

## 36 Segment information

The organizational structure of the Company presented in this note considers (i) the restructuring carried out and announced in April 2012, through which the green polyethylene businesses, now called "Renewables", were reallocated to the Polyolefins segment; and (ii) the discontinuation of the segment Chemical Distribution (Note 6). The information for 2011 was restated to include these changes:

- Basic petrochemicals: comprises the activities related to the production of basic petrochemicals and the supply of electric energy, steam and compressed air to second-generation producers located in the Camaçari, Triunfo, São Paulo and Rio de Janeiro Petrochemical Complexes.

- Polyolefins: comprises the activities related to the production of PE, PP and renewables.

- Vinyls: comprises the activities related to the production of PVC, caustic soda and chloride.

- International business: formed by Braskem's operations in the United States and Europe. As of October 2011, the results of the plants acquired from Dow Chemical were considered in the profit and loss of this segment, as described in Note 5.

### (a) Presentation, measurement and reconciliation of results

Information by segment is generated in statutory accounting records maintained in accordance with IFRS, and which are reflected in the consolidated financial statements.

The eliminations stated in the operating segment information, when compared with the consolidated balances, are represented by sales between segments that are carried out as arm's length sales.

The results of equity investments recognized in the Company's statement of operations are presented in Corporate unit.

The operating segments are stated based on the results of operations, which does not include financial results, and current and deferred income tax and social contribution expenses.

The Company does not disclose assets by segment since this information is not presented to its chief decision maker.

**(b) Main clients**

In 2012 and 2011, the Company does not have any revenue arising from transactions with only one client that is equal or superior to 10% of its total net revenue.

In 2012, the most representative revenue arising from only one client amounts to approximately 5% of total net revenues of the Company and refers to the Basic petrochemical segment.



---

**Braskem S.A. and Its Subsidiaries**

**Notes to the Consolidation Financial Statements**

**December 31, 2012, 2011 and 2010**

**All amounts in thousands of Brazilian reais unless otherwise stated**

**(c) Results of operations by segment**

| | Reporting segments | | | | Total | | | Braskem |
|---|---|---|---|---|---|---|---|---|
| | Basic petrochemicals | Polyolefins | Vinyls | International business | reportable segments | Other segments (i) | Corporate unit | consolidated before adjustments |
| Net sales revenue | 23,603,038 | 14,456,827 | 2,019,884 | 5,465,180 | 45,544,929 | 72,652 | | 45,617,581 |
| Cost of products sold | (21,793,497) | (13,131,842) | (1,947,749) | (5,272,065) | (42,145,153) | (88,052) | | (42,233,205) |
| Gross profit | 1,809,541 | 1,324,985 | 72,135 | 193,115 | 3,399,776 | (15,400) | | 3,384,376 |
| Operating expenses | | | | | | | | |
| Selling, general and distribution expenses | (491,999) | (868,410) | (129,696) | (243,300) | (1,733,405) | (37,823) | (301,568) | (2,072,796) |
| Results from equity investments | | | | | | | (25,807) | (25,807) |
| Other operating income (expenses), net | (64,050) | (20,012) | 1,808 | 364,798 | 282,544 | (98,298) | 149,521 | 333,767 |
| | (556,049) | (888,422) | (127,888) | 121,498 | (1,450,861) | (136,121) | (177,854) | (1,764,836) |
| Operating profit (loss) | 1,253,492 | 436,563 | (55,753) | 314,613 | 1,948,915 | (151,521) | (177,854) | 1,619,540 |

| | Reporting segments | | | | Total | | | Braskem |
|---|---|---|---|---|---|---|---|---|
| | Basic | | | International | reportable | Other | Corporate | consolidated |

| | petrochemicals | Polyolefins | Vinyls | business | segments | segments (i) | unit | before adjustments |
|---|---|---|---|---|---|---|---|---|
| Net sales revenue | 23,080,909 | 12,854,346 | 1,730,894 | 3,283,828 | 40,949,977 | 146,224 | | 41,096,201 |
| Cost of products sold | (20,874,367) | (11,729,117) | (1,608,055) | (3,136,788) | (37,348,327) | (141,312) | | (37,489,639) |
| Gross profit | 2,206,542 | 1,125,229 | 122,839 | 147,040 | 3,601,650 | 4,912 | | 3,606,562 |
| Operating expenses | | | | | | | | |
| Selling, general and distribution expenses | (564,536) | (850,827) | (146,357) | (113,097) | (1,674,817) | (36,266) | (122,551) | (1,833,634) |
| Results from equity investments | | | | | | (246) | (1,419) | (1,665) |
| Results from business combinations | | | | | | | 30,045 | 30,045 |
| Other operating income (expenses) | (10,692) | 10,933 | (32,126) | (16,899) | (48,784) | 94,199 | (49,027) | (3,612) |
| | (575,228) | (839,894) | (178,483) | (129,996) | (1,723,601) | 57,687 | (142,952) | (1,808,866) |
| Operating profit (loss) | 1,631,314 | 285,335 | (55,644) | 17,044 | 1,878,049 | 62,599 | (142,952) | 1,797,696 |

| | Basic petrochemicals | Polyolefins | Reporting segments Vinyls | International business | Total reportable segments | Other segments (i) | Corporate unit | Braskem consolidated before adjustments |
|---|---|---|---|---|---|---|---|---|
| Net sales revenue | 17,794,560 | 11,386,539 | 1,799,335 | 1,697,843 | 32,678,277 | 548,246 | | 33,226,523 |
| Cost of products sold | (15,516,979) | (9,880,799) | (1,605,930) | (1,558,042) | (28,561,750) | (450,333) | | (29,012,083) |
| Gross profit | 2,277,581 | 1,505,740 | 193,405 | 139,801 | 4,116,527 | 97,913 | | 4,214,440 |
| Operating expenses | | | | | | | | |
| Selling, general and distribution expenses | (580,008) | (645,263) | (140,981) | (66,966) | (1,433,218) | (77,036) | (188,785) | (1,699,039) |
| Results from equity | | | | | | | 18,215 | 18,215 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| investments | | | | | | | | |
| Gain on business combination | | | | | | | 975,283 | 975,283 |
| Other operating income (expenses), net | (49,511) | (20,129) | 33 | (20,430) | (90,037) | (258) | (6,272) | (96,567) |
| | (629,519) | (665,392) | (140,948) | (87,396) | (1,523,255) | (77,294) | 798,441 | (802,108) |
| Operating profit (loss) | 1,648,062 | 840,348 | 52,457 | 52,405 | 2,593,272 | 20,619 | 798,441 | 3,412,332 |

(i) The segment Other includes the full results of the subsidiary Braskem Idesa.

121

**Braskem S.A. and Its Subsidiaries**

**Notes to the Consolidation Financial Statements**

**December 31, 2012, 2011 and 2010**

**All amounts in thousands of Brazilian reais unless otherwise stated**

**(d) Net sales revenue by country**

| | 2012 | 2011 | 2010 |
|---|---|---|---|
| Headquarter - Brazil | 19,941,569 | 18,353,968 | 16,179,601 |
| United States | 5,642,946 | 5,032,359 | 3,251,863 |
| Switzerland | 1,725,665 | 2,574,025 | 999,932 |
| Argentina | 1,195,728 | 1,058,825 | 1,243,790 |
| Mexico | 913,208 | 862,310 | 284,985 |
| Germany | 764,244 | 765,834 | 655 |
| United Kingdom | 583,952 | 134,363 | 376,652 |
| Italy | 406,132 | 434,930 | 42,425 |
| Japan | 282,671 | 159,084 | |
| Uruguay | 269,672 | | 108,656 |
| Poland | 263,163 | 225,832 | |
| Chile | 232,004 | | 116,084 |
| Colombia | 224,956 | 183,715 | 304,466 |
| Spain | 219,405 | 302,180 | 50,435 |
| Turkey | 216,405 | 309,616 | 7,410 |
| Singapore | 200,952 | | 141,558 |
| Venezuela | 561,669 | 90,206 | |
| South Korea | 152,870 | | |
| France | 143,036 | | |
| Netherlands | 136,664 | | 413,148 |
| Barbados | | 742,183 | 531,833 |
| Portugal | | 106,463 | 45,923 |
| Paraguay | | 88,011 | 62,592 |
| China | | 85,482 | 40,598 |
| Bolivia | | 75,482 | 44,625 |
| Belgium | | 34,272 | |
| Other | 1,436,484 | 877,935 | 778,427 |
| | **35,513,397** | **32,497,075** | **25,025,658** |

**(e) Net sales revenue by product**

| | **2012** | **2011** | **2010** |
|---|---|---|---|
| PE/PP | 19,922,007 | 16,138,174 | 13,084,382 |
| Benzene, toluene and xylene | 2,727,659 | 2,014,110 | 1,872,807 |
| Ethylene, Propylene | 2,502,111 | 2,237,711 | 1,956,721 |
| Naphtha, condensate and crude oil | 2,417,416 | 4,356,086 | 1,966,242 |
| PVC/Caustic Soda/EDC | 2,019,884 | 1,730,894 | 1,799,335 |
| ETBE/Gasoline | 1,751,961 | 1,557,080 | 1,285,521 |
| Butadiene | 1,643,172 | 1,547,222 | 1,016,795 |
| Cumene | 646,286 | 690,170 | 391,966 |
| Solvents | 515,130 | 487,204 | 284,761 |
| Other | 1,367,771 | 1,738,424 | 1,367,128 |
| | **35,513,397** | **32,497,075** | **25,025,658** |



Explanation of Responses:

**Braskem S.A. and Its Subsidiaries**

**Notes to the Consolidation Financial Statements**

**December 31, 2012, 2011 and 2010**

**All amounts in thousands of Brazilian reais unless otherwise stated**

## 37 Insurance coverage

Braskem, according to the policy approved by the Board of Directors, maintains a broad risk and insurance management program. Specifically in the risk management area, the risk and procedure assessment practices are applied in all companies, in Brazil and abroad, including the acquisition for the period, following the principles adopted by Braskem.

In October 2011, the entire All Risks program of Braskem was renewed and the polypropylene operations acquired from Dow Chemical were included in the insurance program of the "Foreign Businesses" segment.

In addition, in 2012, Braskem Idesa contracted insurance to cover the risks related to the construction of the Ethylene XXI Project.

The all-risk insurance policies of Braskem, which include all assets in Brazil and abroad, have maximum indemnity limits established based on the amounts of maximum possible loss that are deemed sufficient to cover possible claims in view of the nature of the Company's activities and based on the guidance of its insurance consultants.

The information on the all-risk policies in effect is presented below:

| | Maturity | Effectiveness (in days) | Maximum indemnity limit US$ million | Amount insured US$ million |
|---|---|---|---|---|
| Braskem (industrial units in Brazil) | April 8, 2013 | 548 | 2,000 | 25,335 |
| Braskem America and Braskem Alemanha | April 8, 2013 | 548 | 500 | 2,752 |
| Braskem Idesa | September 30, 2015 | 1,263 | 5,247 | 5,247 |
| Quantiq | May 30, 2012 | 365 | 69 | 74 |

| | |
|---|---|
| Total | **33,408** |

Additionally, the Company contracted civil liability, transportation, sundry risk and vehicle insurance. The risk assumptions adopted are not part of the audit scope and, therefore, were not subject to review by our independent accountants.



---

**Braskem S.A. and Its Subsidiaries**

**Notes to the Consolidation Financial Statements**

**December 31, 2012, 2011 and 2010**

**All amounts in thousands of Brazilian reais unless otherwise stated**

## 38 Non-cash operations

### (a) 2012

On September 3, 2012, the capital increase of Braskem Distribuidora, in the amount of R$75,024 (Note 1(b)(xv) led to a write off in Braskem S.A. property, plant and equipment and a subsequent increase in the property, plant and equipment of Braskem Distribuidora. The effects of the operation were eliminated for the purposes of the preparation of the statement of cash flows.

On December 28, 2012, the Company sold its ownership interests in Cetrel and Braskem Distribuidora (Note 6) for R$652,100, which was recognized in the balance sheet under “other accounts receivable”. The amount has not yet been realized financially and was adjusted in the group “change in operating working capital” under “other accounts receivable”.

### (b) 2011

Due to the consolidation of Cetrel as from 2011, the balance of cash and cash equivalents presented in the consolidated statement of cash flows for the beginning of the period (January 1, 2011) was increased by the amount of R$73,805, which corresponds to the amount of cash and cash equivalents of Cetrel on that date.

## 39 Subsequent events

On January 29, 2013, Braskem Áustria completed the issue of a borrowing agreement with NEXI amounting to US$200 million. The principal will be paid in semiannual installments, the first of which due in May 2013 and the last in November 2022. Interest will be due on a semiannual basis and be composed of exchange rate variation, semi-annual Libor and interest of 1.1% p.a.

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: February 8, 2013

**BRASKEM S.A.**

By: /s/ Marcela Aparecida Drehmer Andrade

| | |
|---|---|
| Name: | Marcela Aparecida Drehmer Andrade |
| Title: | Chief Financial Officer |

**FORWARD-LOOKING STATEMENTS**

This press release may contain forward-looking statements. These statements are statements that are not historical facts, and are based on management's current view and estimates offuture economic circumstances, industry conditions, company performance and financial results. The words "anticipates", "believes", "estimates", "expects", "plans" and similar expressions, as they relate to the company, are intended to identify forward-looking statements. Statements regarding the declaration or payment of dividends, the implementation of principal operating and financing strategies and capital expenditure plans, the direction of future operations and the factors or trends affecting financial condition, liquidity or results of operations are examples of forward-looking statements. Such statements reflect the current views of management and are subject to a number of risks and uncertainties. There is no guarantee that the expected events, trends or results will actually occur. The statements are based on many assumptions and factors, including general economic and market conditions, industry conditions, and operating factors. Any changes in such assumptions or factors could cause actual results to differ materially from current expectations.