

BRASKEM SA
Form 6-K
November 07, 2013

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 6-K

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

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

BRASKEM S.A.

(Exact Name as Specified in its Charter)

N/A

(Translation of registrant's name into English)

Rua Eteno, 1561, Polo Petroquimico de Camacari
Camacari, Bahia - CEP 42810-000 Brazil

(Address of principal executive offices)

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

Form 20-F Form 40-F

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

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

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

Yes No

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

HIGHLIGHTS:

4 Operations

- ü In 3Q13, the average capacity utilization of Braskem's crackers stood at 92%, down 2 p.p. from 2Q13, explained by the unscheduled shutdown due to the power outage in Brazil's Northeast in late August.
- ü The Brazilian resin market (PE, PP, PVC) amounted to 1.3 million tons, decreasing 8% from 2Q13, a period that had benefitted from the continued strong performance in certain sectors and from the restocking trend throughout the chain. Braskem's sales amounted to 898 kton, with its market share expanding 2 p.p. to 68%.
- ü EBITDA in 3Q13 reached R\$1,650 million, driven by the stability in spreads in the international market, the improvement in the contribution margin, which benefitted in the quarter from the three-month moving average for the naphtha price, and the 11% depreciation in the Brazilian real against the U.S. dollar. In U.S. dollar, EBITDA amounted to US\$720 million.

4 Macroeconomic scenario

- ü The tax rate relief on the purchase of raw materials by first and second generation of chemical producers was approved in September. The measure, which was one of the proposals under the Special Regime for the Chemical Industry (REIQ), should enable the competitiveness of the sector and promote investments in new production capacities.

4 Expansion and diversification of feedstock

- ü Braskem, in partnership with the manufacturing industry and aiming to improve the competitiveness of its clients and Brazil's plastics chain, launched the Plastics Chain Competitiveness Incentive Plan (PIC). The plan includes initiatives that range from promoting exports of manufactured products, supporting improvements in competitiveness and innovation and strengthening the advantages of plastics.
- ü As part of its commitment to add value to the existing streams, Braskem announced the execution of a memorandum

of understanding (MoU) with Styrolution to assess the possibility of forming a joint venture in Brazil. The objective is to analyze the economic feasibility of installing a plant with annual production capacity of 100 kton of styrenics specialties and the copolymers acrylonitrile butadiene styrene (ABS) and styrene acrylonitrile (SAN).

ii Braskem will invest approximately R\$50 million to expand and convert one of its polyethylene production lines in Bahia to produce metallocene-based LLDPE. The resin, which is based on more modern technology, will supply plastic films manufacturers.

ii Construction on the new petrochemical complex in Mexico (Ethylene XXI) continues to advance, with the project reaching 48.4% completion.

4 Commitment to financial health

ii Braskem's leverage, measured by the ratio of net debt to EBITDA, reached 2.73x in U.S. dollar. This 9% reduction in relation to 2Q13 was positively affected by the improvement in operating performance in the period.

ii In line with its strategy to maintain comfortable liquidity levels, Braskem lengthened the maturity of R\$1,015 million in Export Credit Notes from 2014/2015 to 2021.

EXECUTIVE SUMMARY

In 3Q13, the world economy was marked by improvement in euro zone performance, with signs that the region has begun to emerge from its crisis. Germany and France recorded stronger economic growth, while Spain, after two straight years of negative GDP growth, presented positive growth, signaling the end of its recession. In China, GDP growth strengthened in the quarter to reach 7.8%, alleviating fears of a slowdown in the country's economy. Despite the quarter marked by recovery, the situation in the world economy remains fragile.

Geopolitical issues related to Syria drove oil prices higher in 3Q13, leading the average price of naphtha (the main feedstock used by the petrochemical industry) to increase 9% from 2Q13. The prices of resins¹ and basic petrochemicals² followed the same trend, increasing 4% and 3%, respectively.

In the domestic market, apparent consumption of thermoplastic resins in 3Q13 amounted to 1.3 million tons, decreasing 8% from the previous quarter, in response to the restocking trend in 2Q13 and the slowdown in industrial production. In line with this trend, Braskem's sales amounted to 898 kton, down 5%, which led its market share to expand 2 p.p. to 68% in the quarter.

In the first nine months of the year, estimated demand for thermoplastic resins reached 4.0 million tons, increasing 9% from the year-ago period, driven by the performance of the agricultural, automotive and infrastructure sectors. Meanwhile, the Company recorded sales of 2.8 million tons, increasing 7% between the periods.

Braskem's crackers operated at an average capacity utilization rate of 92% in 3Q13, decreasing 2 p.p. from 2Q13, due to the power outage that affected Northeastern states in late August and forced unscheduled shutdowns at the Company's plants in the region.

Braskem's EBITDA amounted to R\$1,650 million in 3Q13. In U.S. dollar, EBITDA was US\$720 million, increasing 42% from 2Q13. This performance was driven by (i) the better level of spreads for resins and basic petrochemicals in the international market; (ii) the sale of resins and basic petrochemicals produced with a lower feedstock costs, since the three-month moving average for the naphtha price, the reference for domestic supply, decreased 5% from 2Q13; (iii) the positive impact of the PIS/COFINS tax relief on raw material purchases; and (iv) the impact of R\$52 million from the recognition of extemporaneous PIS/COFINS tax credits from Riopol.

In 9M13, EBITDA stood at R\$3,638 million. In U.S. dollar, EBITDA was US\$1,696 million, increasing 27% from the same period in 2012. The main factors driving this improvement were (i) the increase in international spreads for resins and basic petrochemicals; (ii) the higher sales volume in the domestic market; and (iii) the tax relief for raw materials purchases mentioned above.

Reflecting the better operating performance, Braskem recorded net income of R\$394 million in 3Q13 and of R\$492 million in the year to date.

On September 30, 2013, Braskem's net debt stood at US\$6,555 million, decreasing 6% from the end of 2Q13. The reduction is explained by the reimbursement, in the amount of US\$649 million, of the financial resources advanced by Braskem to the Mexico project via the bridge loan. Financial leverage measured by the ratio of net debt to EBITDA in U.S. dollar decreased from 3.01x to 2.73x, also reflecting the EBITDA growth in the last 12 months of 12%.

In September, approval was given for PIS and COFINS tax relief on feedstock purchases by the first and second generation of chemical producers. This measure was one of the proposals made by the Chemical Industry Competitiveness Council and aims to improve the competitiveness of the local industry, which still suffers from issues related to infrastructure, productivity and currency fluctuations.

¹ 65% PE (USA), 25% PP (Asia) and 10% PVC (Asia)

² 80% ethylene and propylene, 20% BTX – base Europe

The Brazilian petrochemical industry recorded a trade deficit of US\$32 billion, in the last twelve months ended on September 2013, which indicates the need for a more comprehensive industrial policy that continues to strengthen the country's industry and to attract new investments to the sector.

PERFORMANCE

4 Net Revenue

In 3Q13, Braskem's consolidated net revenue amounted to US\$4.7 billion, increasing 2% from the previous quarter, due to opportunities created by the higher volume of naphtha/condensate resales in the period. On the same basis, net revenue in Brazilian real reached R\$10.7 billion, increasing 12%, reflecting the 11% U.S. dollar appreciation against the Brazilian real. Excluding resales volumes from the analysis, net revenue in 3Q13 was 1.4% lower in U.S. dollar and 9% higher in Brazilian real.

Compared to 3Q12, consolidated net revenue in U.S. dollar was 3% higher. In Brazilian real, the 16% growth is mainly due to the impact of the 13% U.S. dollar average appreciation between the periods.

Export revenue in 3Q13 was US\$2.1 billion, increasing 9% from 2Q13, influenced by the higher resales volume, as explained above. Compared to 3Q12, export revenue grew by 10%, which is explained by the higher average sales price, in line with the international market, and by the increase in resales volume.

In 9M13, Braskem's consolidated net revenue amounted to US\$13.9 billion, up 2% from the year-ago period. The higher average price, which accompanied the improvement in the international market, partially offset the lower total sales volume. In Brazilian real, revenue was R\$29.5 billion, increasing 12%, due to the 10% U.S. dollar appreciation between the periods.

Export revenue amounted to US\$6.0 billion, in line with the first nine months of 2012, explained by the same factors described above.

Highlights by Segment

4 Capacity utilization rate

Braskem's plants continued to operate at a higher average capacity utilization rate in 3Q13, despite the power outage that occurred on August 28, which affected the entire Northeast and caused unscheduled shutdowns at Braskem's plants in the region. The exception was the utilization rate of PVC, which stood at 72% and was also affected by the anticipation of its scheduled maintenance shutdown. The Company's capacity utilization rates are shown below:

4 Polyolefins

Brazilian market: estimated demand for Polyolefins (PE and PP) was 1,008 kton in 3Q13, decreasing 7% from 2Q13. The reduction is explained by the restocking trend observed throughout the chain in the first half of the year and the resulting anticipation of a portion of sales volumes, particularly in the food and retail sectors. In relation to 3Q12, when resin demand responded more robustly to the government stimulus measures, demand contracted by 3%.

In the comparison with 9M12, the market expanded by 8% to reach 3.1 million tons, led by growth in the automotive, food, construction and agribusiness sectors.

Production: production volume amounted to 1,069 kton in 3Q13, virtually stable compared to the previous quarter. In relation to 3Q12, production decreased 3%, due to the scheduled maintenance shutdown at one of the PP plants.

Domestic sales: in 3Q13 sales volume came to 753 kton, down 4% from 2Q13, affected by the slowdown in domestic demand. Braskem's market share, however, expanded by 2 p.p. to 75%. Compared to 3Q12, sales contracted by 6%, which is mainly explained by the weaker domestic market.

Export sales: in 3Q13, exports amounted to 304 kton, increasing 16% from 2Q13, reflecting the lower level of domestic demand in the quarter and the opportunities to export overseas. In relation to 3Q12, sales decreased by 14%, which is explained by the restocking trend in anticipation of the scheduled maintenance shutdown in 4Q13 and by the lower production volume, as mentioned above.

In 9M13, polyolefins production was 3,193 kton, decreasing 1%. Domestic sales reached 2,295 kton, growing 5% from the same period in 2012, driven by stronger domestic demand. Exports reached 807 kton, down 20% from 9M12, due to the redirecting of sales to the

domestic market and to the restocking trend.

4 Vinyls

Brazilian market: in 3Q13, PVC demand came to 302 kton, down 14% from 2Q13, which is explained by the consumption of inventories built up in the chain in the first half of the year, especially in the construction industry. Compared to 3Q12, demand decreased by 2%.

In 9M13, PVC consumption reached 964 kton, growing 11% on the year-ago period, driven by the restocking trend and the performance of the infrastructure and construction sectors.

Production: PVC production totaled 129 kton in 3Q13, decreasing 12% from 2Q13, reflecting the power supply interruption and the anticipation of its scheduled maintenance shutdown. Meanwhile, caustic soda production amounted to 109 kton. Compared to 3Q12, PVC and caustic soda production decreased by 8% and 14%, respectively.

Domestic sales: following the slowdown in domestic demand, PVC sales came to 145 kton in the quarter, down 9% from 2Q13; however, market share expanded by 2 p.p. to 48% in the quarter. Despite the lower production volume, caustic soda sales grew 12%, reflecting the imports made to take advantage of opportunities in the local market. In relation to 3Q12, PVC sales decreased 6%, while caustic soda sales increased 10%.

In 9M13, PVC production amounted to 423 kton, increasing 16% from 9M12, benefitting from the startup of the new plant in Alagoas. PVC sales came to 471 kton, growing 13%. Caustic soda production was 335 kton, decreasing 2% from the same period of 2012, while caustic soda sales amounted to 357 kton, growing 5% driven by the better demand.

4 Basic Petrochemicals

Ethylene production in 3Q13 totaled 866 kton, down 1% from 2Q13, impacted by the power outage that affected plants in the country's Northeast region. Compared to 3Q12, production volume was virtually stable.

Performance (tons)	3Q13	2Q13	3Q12	Change (%)	Change (%)	9M13	9M12	Change (%)
BASIC PETROCHEMICALS	(A)	(B)	(C)	(A)/(B)	(A)/(C)	(D)	(E)	(D)/(E)

Production

Ethylene	865,868	875,943	868,891	(1)	(0)	2,577,342	2,558,870	1
Propylene	392,956	392,251	390,155	0	1	1,157,344	1,131,188	2
Butadiene	88,129	104,759	106,597	(16)	(17)	293,738	260,656	13
BTX*	309,332	326,784	331,178	(5)	(7)	960,474	953,315	1

BTX* - Benzene, Toluene, Orthoxylene and Paraxylene

Ethylene and propylene: sales in 3Q13 reached 241 kton, increasing 3% from 2Q13, reflecting the resumption of production by certain clients that had carried out scheduled maintenance shutdowns. Compared to 3Q12, sales were down 8%, driven by weaker demand for second generation products.

Butadiene: sales volume amounted to 90 kton in 3Q13, down 8% from 2Q13, explained by the lower production caused by the scheduled and unscheduled maintenance shutdowns, and by the lower demand in the international market. In relation to 3Q12, sales decreased 19%.

BTX: sales totaled 299 kton in 3Q13, growing 4% from 2Q13, explained by the better production mix and the opportunities in the market (both domestic and export). In relation to 3Q12, sales grew by 12%.

In 9M13, ethylene/propylene sales volume decreased by 2% from the year-ago period. Sales of butadiene, however, grew 11%, reflecting the expansion in the product's production capacity. BTX sales volume was up 5% in the period.

Performance (tons)	3Q13	2Q13	3Q12	Change (%)	Change (%)	9M13	9M12	Change (%)
BASIC PETROCHEMICALS	(A)	(B)	(C)	(A)/(B)	(A)/(C)	(D)	(E)	(D)/(E)

Total Sales

Ethylene/Propylene	240,824	233,621	261,075	3	(8)	700,394	713,517	(2)
Butadiene	90,322	97,871	111,795	(8)	(19)	286,430	256,932	11
BTX*	299,025	288,056	267,644	4	12	817,982	778,212	5

BTX* - Benzene, Toluene, Orthoxylene
and Paraxylene

4 Braskem America (USA and Europe)

Market: U.S. demand for PP was lower than in 2Q13, affected by the higher propylene price, whose supply was reduced by the unscheduled maintenance shutdowns. Reflecting the period's seasonality (holiday period), PP demand in the European market contracted by 6% in the quarter.

Production: in 3Q13, production volume amounted to 438 kton, decreasing 4% from 2Q13, due to the scheduled maintenance shutdowns in Germany and the lower demand. Compared to 3Q12, production was 2% down.

Sales: accompanying the performance of the U.S. and European markets, sales were 432 kton in 3Q13, decreasing 7% and 4% from 2Q13 and 3Q12, respectively.

In 9M13, sales increased by 2% from the same period of 2012, reflecting the gradual improvement in the macroeconomic scenario.

Performance (tons) UNITED STATES AND EUROPE	3Q13 (A)	2Q13 (B)	3Q12 (C)	Change (%) (A)/(B)	Change (%) (A)/(C)	9M13 (D)	9M12 (E)	Change (%) (D)/(E)
Sales								
PP	432,208	464,893	451,723	(7)	(4)	1,327,974	1,300,533	2
Production								
PP	438,160	456,650	448,500	(4)	(2)	1,322,567	1,314,755	1

4 Cost of Goods Sold

Braskem's cost of goods sold (COGS) in 3Q13 amounted to R\$9.0 billion, increasing 6% on the prior quarter. The higher sales volume, explained by the higher resales volume and increase in the propylene price, were partially offset by the decrease in the ARA naphtha price reference for domestic supply (three month moving average) to US\$853/ton, from US\$901/ton in the prior quarter, and by the PIS and COFINS tax relief on raw material purchases that began to be recorded in the middle of last quarter. The 11% U.S. dollar appreciation against the Brazilian real generated a loss of R\$747 million.

Braskem acquires around 70% of its naphtha needs from Petrobras, with the remainder imported directly from suppliers in North African countries, Argentina, Mexico and Venezuela. The ARA naphtha price, which is the price reference for imported naphtha, stood at US\$907/ton in the quarter, increasing 9% from 2Q13 (US\$831/ton).

Regarding the average gas price, the Mont Belvieu reference price for ethane decreased 9% from 2Q13 to US\$25 cts/gal (US\$184/ton), reflecting the supply improvement. The Mont Belvieu reference price for propane moved higher, however, increasing 13% from 2Q13 to US\$103 cts/gal (US\$538/ton). The increase is explained by the higher volume of exports,

which helped to balance the market. For propylene, the USG price reference averaged US\$1,506/ton, increasing 8%, which is explained by the unscheduled shutdowns and by the restocking trend in anticipation of the scheduled shutdowns at refineries in the Gulf region (hurricane season).

Compared to 3Q12, COGS increased 9%, mainly explained by the 33% increase in the average propylene USG price reference and the 13% U.S. dollar appreciation that generated a loss of R\$887 million, which was partially offset by the tax relief for raw material purchase.

In 9M13, COGS amounted to R\$25.8 billion, or 8% higher than in 9M12, which is explained by the higher propylene costs, the stronger sales volume and the 10% U.S. dollar appreciation between the periods; however, the increase was partially offset by the PIS/COFINS tax relief on raw material purchases mentioned above.

4 **Selling, General and Administrative Expenses (SG&A)**

In 3Q13, **SG&A Expenses** amounted to R\$542 million, increasing R\$47 million on the prior quarter. Compared to 3Q12, SG&A expenses increased by R\$25 million or 5%.

Selling Expenses came to R\$242 million, in line with the previous quarter. Compared to 3Q12, selling expenses fell R\$4 million, reflecting the reduction in sales volume between the periods.

In the quarter, **General and Administrative Expenses** amounted to R\$300 million, increasing R\$45 million from 2Q13. The increase is explained by nonrecurring expenses with outsourced services, such as consulting and auditing services and by the increases in the health insurance policy and in payroll that occurred in July. Compared to 3Q12, general and administrative expenses increased by R\$29 million.

In 9M13, SG&A expenses amounted to R\$1.5 billion, in line with the same period of 2012, reflecting the Company's efforts to reduce its fixed costs, despite the continued inflationary pressures.

4 **EBITDA**

Braskem's consolidated EBITDA³ in 3Q13 amounted to R\$1,650 million or US\$720 million, increasing 57% and 42%, respectively, from 2Q13. EBITDA margin excluding naphtha resales stood at 16.5%, expanding 5.1 p.p. The main factors contributing to this performance were (i) the sales of resins and basic petrochemicals produced with lower feedstock costs, since the three-month moving average of the naphtha price, the reference for domestic supply, decreased by 5%; (ii) the level of spreads for resins and basic petrochemicals in the international market; (iii) the PIS/COFINS tax relief on the purchase of raw materials; and (iv) the impact of R\$52 million from the recognition of extemporaneous PIS/COFINS tax credits from Riopol.

Compared to 3Q12, EBITDA increased by R\$720 million or US\$261 million. This performance is basically explained by (i) the recovery in thermoplastic resin and basic petrochemicals spreads in the international market of 29% and 24%, respectively, and (ii) the PIS/COFINS tax relief on raw material purchases.

³ EBITDA is defined as the net result in the period plus taxes on profit (income tax and social contribution), the financial result and depreciation, amortization and depletion. The Company opts to present adjusted EBITDA, which excludes or adds other items from the statement of operations that help improve the information on its potential gross cash generation.

EBITDA is used by the Company's management as a measure of performance, but does not represent cash flow for the periods presented and should not be considered a substitute for net income or an indicator of liquidity. The Company believes that in addition to serving as a measure of operating performance, EBITDA allows for comparisons with other companies. Note however that EBITDA is not a measure established in accordance with the international accounting standards (IFRS) and is presented in accordance with CVM Instruction 527 of October 4, 2012.

In 9M13, Braskem's consolidated EBITDA amounted to R\$3,638 million, increasing 42% from the prior-year period. In U.S. dollar, EBITDA grew by 28%. The increase in international spreads for resins and basic petrochemicals of 23% and 13%, respectively; the higher sales volume in the domestic market; and the PIS/COFINS tax relief on raw material purchases were the main factors in this performance.

4 Net Financial Result

The net financial result in 3Q13 was an expense of R\$536 million, compared to an expense of R\$666 million in the prior quarter.

Braskem holds net exposure to the U.S. dollar (more dollar-denominated liabilities than dollar-denominated assets), therefore any change in the exchange rate has an impact on the accounting financial result. On September 30, 2013, this net exposure was composed of: (i) in operations, 69% of supplier accounts, which was partially offset by 70% of accounts receivable; and (ii) in the capital structure, by 73% of net debt. Since the Company's operating cash flow is heavily linked to the U.S. dollar, the Company's believes that maintaining this level of net exposure to the dollar in liabilities acts as a natural hedge, which is in compliance with its Financial Management Policy. Virtually 100% of its revenue is directly or indirectly pegged to the variation in the U.S. dollar exchange rate and approximately 80% of its costs are also pegged to this currency.

Since the Company regularly exports part of its production and aiming to better reflect the effects of exchange variation on its result, it designated, as of May 1st, part of its dollar-denominated liabilities as a hedge for its future exports, in compliance with accounting standards IAS 39 and CPC 38. As a result, the exchange variation from these liabilities, which amounts to US\$6,757 million, is temporarily recorded under shareholders' equity and transferred to the income statement only when such exports occur, which enables the simultaneous recognition of the currency's impact on liabilities and on exports.

	US\$ million	R\$ million
Operations designated for hedge	6,757	15,069
(a) Exchange variation on liabilities designated as hedge		1,543
(b) Tax and Social Contribution		(525)
Amount recorded in shareholders' equity (a) - (b)		1,018

In 3Q13, the effect from the 1% appreciation in the U.S. dollar⁴ on the net exposure of liabilities not designated as hedge accounting generated a gain in the financial result of R\$16 million.

It is important to mention that in both cases the effect has no immediate impact on the Company's cash position, since the amount represents currency translation accounting impacts, especially on Braskem's debt, with any expenditure occurring upon the maturity of the debt, which has an average term of 15 years (up from 14.5 years). The portion of debt denominated in U.S. dollar has an average term of 20.7 years.

If hedge accounting had not been adopted, exchange variation would have negatively impacted the financial result by R\$1.3 billion and Braskem would have recorded a loss of R\$526 million in 9M13.

R\$ million	With Hedge	Without Hedge
Exchange Variation	217	(1,326)
Net Financial Result	(1,309)	(2,852)
Net Profit (loss)	492	(526)

Excluding the effects of exchange and monetary variation, the net financial result in 3Q13 was an expense of R\$476 million, in line with the previous quarter. Compared to 3Q12, the net financial result increased by R\$84 million.

On the same basis, the net financial result in 9M13 was an expense of R\$1,310 million, increasing R\$162 million from the prior-year period, which mainly reflects the application of the accounting rule regarding adjustment to present value due to the change in the payment term for raw material acquisitions in the domestic market to 90 days as of 2Q12.

The following table shows the composition of Braskem's net financial result.

R\$ million	3Q13	2Q13	3Q12	9M13	9M12
Financial Expenses	(574)	(995)	(554)	(1,799)	(3,130)
Interest Expenses	(307)	(288)	(235)	(831)	(745)
Monetary Variation (MV)	(82)	(74)	(56)	(230)	(191)
Foreign Exchange Variation (FX)	82	(327)	(62)	39	(1,619)
Net Interest on Fiscal Provisions	(34)	(83)	(27)	(139)	(160)

Others	(233)	(223)	(174)	(639)	(414)
Financial Revenue	38	330	(13)	491	353
Interest	53	50	31	131	120
Monetary Variation (MV)	6	5	8	14	30
Foreign Exchange Variation (FX)	(66)	202	(65)	178	152
Net Interest on Fiscal Credits	29	33	2	69	27
Others	16	40	11	100	24
Net Financial Result	(536)	(666)	(567)	(1,309)	(2,776)

R\$ million	3Q13	2Q13	3Q12	9M13	9M12
Net Financial Result	(536)	(666)	(567)	(1,309)	(2,776)
Foreign Exchange Variation (FX)	16	(126)	(128)	217	(1,467)
Monetary Variation (MV)	(76)	(69)	(47)	(216)	(162)
Net Financial Result Excluding FX and MV	(476)	(471)	(392)	(1,310)	(1,148)

⁴ On September 30, 2013, the Brazilian real/U.S. dollar exchange rate was R\$2.2300/US\$1.00

4 Net Income / Loss

Braskem recorded net income of R\$394 million in 3Q13 and of R\$492 million in the year to date. In both cases, the result benefitted from the improvement in operating performance.

4 Capital Structure and Liquidity

On September 30, 2013, Braskem's consolidated gross debt stood at US\$9,625 million. This amount considers the financing for the project in Mexico of US\$1,484 million that was received by the subsidiary Braskem-Idesa on July 24, 2013. Since this investment is made via a project finance structure (70% debt and 30% equity) and the project's debt will be repaid using own cash generation (for more information, see note 14 of the Quarterly Information – Project Finance), for the purpose of analyzing the Company's debt this project will not be included.

In this context, the Company's gross debt stood at US\$8,145 million, down 5% from the balance on June 30, 2013. The decline is explained mainly by the reimbursement of funds advanced to the project in Mexico by its shareholders via a bridge loan, which in the case of Braskem totaled US\$649 million. In Brazilian real, the gross debt decreased by 4%. At the end of the period, 69% of gross debt was denominated in U.S. dollar.

The balance of cash and investments remained virtually stable, at US\$1,590 million. In line with its strategy to maintain its high liquidity and financial health, the Company maintains three revolving stand-by credit facilities, with two in the aggregate amount of US\$600 million and one in the amount of R\$450 million, which do not include any restrictive covenants on withdrawals during times of Material Adverse Change (MAC Clause). Only prime banks with low default rates (credit default swap) and high credit ratings participated in the transactions.

As a result, Braskem's net debt stood at US\$6,555 million or R\$14,618 million, which represents decreases of 6% and 5%, respectively. At the end of the period, 73% of net debt was denominated in U.S. dollar.

The EBITDA growth in the last 12 months of 12% (US\$2.4 billion), combined with the reduction in net debt, led to a reduction from 3.01x to 2.73x in the Company's financial leverage measured by the ratio of net debt to EBITDA in U.S. dollar. In Brazilian real, the leverage ratio decreased by 12% to 2.87x.

On September 30, 2013, the average debt term stood at approximately 15 years. Considering only the portion of debt denominated in dollar, the average debt term was around 20.7 years. The average cost of servicing the Company's debt on September 30, 2013 was 6.24% in U.S. dollar and 9.01% in Brazilian real, compared to 5.90% and 8.26%, respectively, in the prior quarter.

The following charts show Braskem's gross debt by category and indexer.

The following chart shows the Company's consolidated amortization schedule as of September 30, 2013.

Only 3% of the Company's total debt matures in 2013, and its high liquidity ensures that its cash and cash equivalents cover the payment of obligations maturing over the next 23 months. Considering the stand-by credit facilities, this coverage extends to 33 months.

In keeping with its commitment to maintain healthy liquidity levels, on October 25, Braskem lengthened R\$1,015 million of its debt due in 2014/15 (export credit notes) to 2021.

CAPITAL EXPENDITURE:

Maintaining its commitment to making investments with returns above the cost of capital, in the nine months of 2013, Braskem made investments (excluding capitalized interest) of R\$1,699 million.

Of this amount, 42% (R\$716 million) was allocated to the project in Mexico. The deviation from the amount initially planned for the project in 2013 is mainly explained by the anticipation of the disbursements arising from the delivery and assembly of large pieces of equipment on the site. This amount was also affected by exchange variation effects on the translation of dollar-denominated investments to Brazilian real, which is the Company's functional currency.

Braskem also invested R\$836 million in maintenance in order to keep its assets operating at high levels of operating efficiency and reliability.

PROJECT PIPELINE:

Consistent with its middle and long term strategy, Braskem focuses on investments that improve the competitiveness and diversification of its feedstock matrix and strengthen its leadership in the Americas and in the biopolymers industry.

Ethylene XXI (Integrated ethylene/PE project) 1,050 ~US\$4.5 bn⁵ ~US\$2.0 bn • JV between Braskem (75%) and Idesa (25%)

Location: Coatzacoalcos, Mexico

- Long-term contract (20 years) with PEMEX-Gas based on the Mont Belvieu reference gas price.

- In addition to gaining access