

Operator:

Good morning ladies and gentlemen. At this time, we would like to welcome everyone to Braskem's 3Q13 earnings conference call. Today with us we have: Carlos Fadigas, CEO, Mario Augusto da Silva, CFO, and Roberta Varella, Head of Investor Relations.

We would like to inform you that this event is being recorded and all participants will be in listen-only mode during the Company's presentation. After Braskem remarks are completed, there will be a question and answer session. At that time further instructions will be given. Should any participant need assistance during this call, please press *0 to reach the operator.

We have simultaneous webcast that may be accessed through Braskem's IR website: www.braskem.com.br/ir. The slide presentation may be downloaded from this website; please feel free to flip through the slides during the conference call. There will be a replay facility for this call on the website. We remind you that questions, which will be answered during the Q&A session, may be posted in advance on the website.

Before proceeding, let me mention that forward-looking statements are being made under the Safe Harbor of the Securities litigation reform act of 1996. Forward-looking statements are based on the beliefs and assumptions of Braskem management, and on information currently available to the Company. They involve risks, uncertainties and assumptions because they relate to future events and therefore depend on circumstances that may or may not occur in the future.

Investors should understand that general economic conditions, industry conditions and other operating factors could also affect the future results of Braskem and could cause results to differ materially from those expressed in such forward-looking statements.

Now, I will turn the conference over to Roberta Varella, Head of IR. Ms. Varella, you may begin the conference.

Roberta Varella:

Good morning ladies and gentleman, thank you for participating in another Braskem earnings conference call. Today we will be commenting on our results for the 3Q and the 9M13.

First we would like to remind you that, pursuant to federal law 11,638/07, the results presented in today's presentation reflect the adoption of International Financial Reporting Standards.

Note also that, as of the 2Q12, the Company began to recognize investments in jointly controlled companies using the equity method, and no longer based on proportionate consolidation. The Company also currently has assets in the process of divestment and therefore their results are recognized as "discontinued operations results". The information in today's presentation was reviewed by the independent external auditor.

Let's go to the next slide, where we will begin our comments. On slide 3, we present the highlights of the 3Q13. The average capacity utilization rate of Braskem's crackers stood at 92%, down 2 p.p. from the previous quarter. The decline was due to the power

outage that affected the northeast of Brazil in late August, and forced an unscheduled shutdown at Braskem's plants in the region.

The Brazilian market of thermoplastic resins amounted to 1.3 million tons, decreasing 8% from the 2Q, when demand presented a strong performance, and compared to the same quarter of last year, the Brazilian thermoplastic resins market decreased by 3%. In this scenario, Braskem's sales came to 898 thousand tons, or 6% lower than in the 2Q, which led to a 2 p.p. recovery in its market share.

EBITDA reached R\$1.6 billion, benefitted from the contribution margin and the positive impact from the depreciation in the Brazilian real. Another factor was the positive impact from the PIS and COFINS tax rate relief on raw material purchases, which was one of proposals made by the chemical industry and was approved by the federal government in September.

In response to this measure, which seeks to support a recovery in the industry's competitiveness and attract new investment, Braskem, in partnership with plastics manufacturers, developed the plan to incentive competitiveness in the plastics chain, called PIC. The initiatives include promoting exports of manufactured goods, supporting innovation and strengthening the advantages of plastic applications.

In keeping with its strategy of adding value to the existing streams, Braskem announced the execution of a memorandum of understanding 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 thousand tons of styrenics specialties and the copolymers ABS and SAN.

Braskem also announced that will invest close to R\$50 million to expand and convert one of its polyethylene production lines in Bahia to produce metallocene-based polyethylene, which has a more modern technology and intends to meet the needs of plastic film converters.

As part of the strategy to diversify our feedstock matrix, the construction on the new petrochemical complex in Mexico continues to advance, with the project reaching 48.4% completion.

In line with its commitment to financial health, Braskem's leverage, measured by the ratio of net debt to EBITDA reached 2.73x in U.S. Dollar, a decline of 9% from the 2Q, mainly explained by the EBITDA growth in the last 12 months and the reduction in net debt .

Let's go now to slide 4. Slide 4 shows the performance of the Brazilian market of thermoplastic resin and Braskem's sales. In the 3Q, apparent consumption of thermoplastic resins was 1.3 million tons, down 8% from the previous quarter, explained by the slowdown in industrial production and the restocking trend observed in the 2Q. Braskem's sales followed the weaker demand and declined by only 5%, which led to a 2 p.p. recovery in its market share, which ended the quarter at 68%. Compared to the 3Q12, when the economy responded to government stimulus measures, Brazilian resin demand fell by 3%.

In the first 9M of the year, Brazilian consumption of thermoplastic resins grew by 9%, driven by the good performance of certain sectors, such as agriculture, automotive and

infrastructure. Meanwhile, Braskem's sales grew by 7%, impacted by scheduled shutdowns at PP and PVC units.

Let's go to the next slide, please. Slide 5 details the factors that influenced EBITDA in the 3Q13 compared to the previous quarter. Braskem's consolidated EBITDA was R\$1,650 million, a growth of 57%, mainly explained by the better contribution margin, which benefitted from sales of resins and basic petrochemicals produced from less expensive feedstock, the three-month moving average for naphtha prices, which is the reference for domestic supply, declined by 5% between the periods; the stability in international spreads for resins and basic petrochemicals; and the positive impact from the PIS and COFINS tax rate relief on raw material purchases.

Another factor impacting EBITDA performance was the U.S. Dollar appreciation, which generated a positive impact of R\$274 million, formed by a positive impact close to R\$1 billion on revenue and a negative impact of R\$750 million on cost.

Let's go now to slide 6. This slide presents the factors that influenced EBITDA in the first 9M13. Braskem's consolidated EBITDA reached R\$3.6 billion, growing by 42% from the same period last year.

This performance is mainly explained by the improvement in contribution margin, which benefitted from the recovery of the spreads for resins and basic petrochemicals in the international market, which increased by 23% and 13%, respectively; the positive impact in the quarter from the three-month moving average for naphtha prices; the higher sales volume in the domestic market; and the tax relief on raw material purchases.

Another factor was the appreciation in the average U.S. Dollar exchange rate, which generated a positive gain of R\$664 million, formed by a positive impact on revenue of R\$2.8 billion and a negative cost impact of R\$2.1 billion.

Let's go to the next slide, please. Slide 7 shows Braskem's debt. Since the investment made in the Mexico project by the subsidiary Braskem-Idesa is financed under a project finance model, with debt repaid using the project's own cash generation, the analysis here presented, of Braskem's debt, excludes this amount.

On this basis, on September 30, Braskem's gross debt stood at US\$8.1 billion, or 5% lower than on the end of June, which is mainly explained by the reimbursement of the bridge loan of US\$649 million advanced by Braskem to the Mexico project. The amount was repaid to the Company following the first withdraw of project finance funds by the subsidiary Braskem-Idesa in the amount of US\$1.5 billion. In Brazilian real, gross debt fell by 4%. At the end of the quarter, 69% of gross debt was denominated in U.S. Dollar.

The balance of cash and investments remained virtually stable in relation to the 2Q, at US\$1.6 billion. In line with its strategy of maintaining high liquidity and its financial health, the Company also 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 adverse markets; and which were not tapped in the period.

As a result, Braskem's net debt stood at US\$6.6 billion or R\$14.6 billion, which represent 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% to US\$2.4 billion, combined with the reduction in net debt, led to a 9% reduction in financial leverage measured by the ratio of net debt to EBITDA in U.S. Dollar from 3.01x to 2.73x. In Brazilian real, the leverage ratio decreased by 12% to 2.87x.

On September 30, the average debt term was 15 years, and considering only the Dollar-denominated debt, the average debt term extends to around 21 years. 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 revolving stand-by credit facilities, this coverage extends to 33 months.

In line with the strategy to lengthen its debt profile and its commitment to maintain comfortable liquidity levels, on October 25, Braskem renegotiated to 2021 the maturity of R\$1 billion in export credit notes that previously matured in 2014 and 2015.

Let's go now to slide 8. This slide shows CAPEX in the first 9M of the year. Maintaining its commitment to making investments with returns above the cost of capital, Braskem made operational investments totaling R\$1.7 billion.

Of this amount, 42% or R\$716 million were allocated to the project in Mexico. The deviation from the amount initially planned for the project in 2013 is explained mainly by the disbursements resulting from the delivery and assembly of large pieces of equipment on the site; the advanced stage of the project's construction; and the delay by the Mexican government in reimbursing the amounts of VAT tax paid on the investments made. This amount was also impacted by the exchange variation effect on the translation of the Dollar-denominated investments to Brazilian real, which is the Company's functional currency.

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

For 2013, the initial investment estimate of R\$2.2 billion should reach some R\$2.5 billion due to the same reasons described above.

Let's go to the next slide, please. Slide 9 covers the global scenario and the petrochemical industry. International spreads stayed at high levels in the 3Q, affected by the better demand from china and by the positive signs coming from the Euro Zone and U.S. Economies.

The average naphtha price, which is influenced by oil-price dynamics, increased by 9% in comparison to the 2Q, prices for resins and basic petrochemicals followed this same trend, increasing by 4% and 3%, respectively.

The expected outlook for the short term is that spreads in the international market remain similar to the levels presented on the last two quarters. For the mid to long term, spreads are expected to show a gradual recovery, reflecting a better global

demand. Uncertainty regarding the start-up of some projects is another positive risk factor for the recovery in profitability of the world petrochemical industry.

The new gas-based projects announced in the United States shall be commissioned as of 2017, which should resume pressure on global spreads. However, it is important to note that this new capacity is not expected to change the pricing dynamics of the global petrochemical market, which will continue to use naphtha as its main feedstock.

Let's go to the last slide, please. On this last slide, we present the outlook and main areas on which management is currently focused. In the economic scenario, the uncertainties persist, with signs of slower growth in emerging countries and of recovery in developed countries.

The geopolitical issues in the Persian Gulf region also generate volatility and affect the dynamics of oil and naphtha prices. This dynamic also affects the behavior of the U.S. Dollar, which changes its appreciation trend against the Brazilian real and should present a lower average exchange rate in the 4Q of the year when compared to the 3Q.

The approval of the measure to relief the PIS and COFINS tax rate on raw material purchases has already begun to generate positive impacts. However, the industry continues to suffer from issues related to feedstock competitiveness, infrastructure, productivity and exchange rates, which reinforces the need for a more comprehensive industrial policy that continues to strengthen the Brazilian petrochemical industry and plastics chain.

The extension of the Reintegra program, which expires at the end of 2013, it would be another important measure to assist in improving the competitiveness of the Brazilian industry and reduce the trade deficit in manufactured products. Note that in the chemical industry alone, this trade deficit already reaches R\$32 billion.

In this context, Braskem has invested in projects to diversify its feedstock matrix and make it more competitive in the global cost curve by building the integrated petrochemical complex in Mexico, for the production of polyethylene, and advancing the engineering studies for installing the petrochemical complex in Rio de Janeiro.

The Company also remains focused on its partnerships with clients, which has supported a recovery in its market share; investments in innovation, with the development of new applications and efforts to support the growth of the plastics converter industry; its continuous pursuit of higher operating efficiency by increasing its capacity utilization rates; and all this without losing sight of maintaining the Company's financial health and cost discipline.

That concludes today's presentation. So, let's go now to the question and answer session.

Denis Parisien, Deutsche Bank:

I have a couple of questions. The first one is could you help me reconcile, please, the statements on page 2 of the press release, where you discussed the reimbursement of US\$649 million of the previous bridge loan debt with the project finance debt with – on Page 12, where you discuss total consolidated debt, including the project finance debt

would be US\$9.625 billion and then the debt of minus the project finance would be US\$8.145 billion.

I guess the difference there you give on that page being US\$1.4 billion, so it rounded up to US\$1.5 billion. How should we consider your total debt with the project finance? I guess, is the US\$9.625 billion, but I'm not just sure how the US\$650 million reimbursement fits into that.

Mario Augusto Da Silva:

Hi, Denis. Good to talk to you again. So what you can see here, right, we have US\$9.6 billion, gross debt as of September, and we had a disbursement of US\$1.5 billion.

A portion of that disbursement was dedicated to reimburse both shareholders, to reimburse Braskem in the amount of US\$649 million, remember that last year, we had to anticipate resources to the project in the form of bridge loan.

So, as a consequence, when we had the disbursement of the project finance, a portion of that money was dedicated to reimburse both Braskem in Brazil and Idesa, the other shareholder that we have in the project in Mexico. So, it is just a matter of use of proceeds to US\$1.5 billion that was disbursed in July. So gross debt of US\$9.6 billion.

We thought the project finance US\$8.1 billion, and in terms of net debt, the US\$8.1 billion minus the cash position that we have at this point, we have a US\$6.5 billion net debt, excluding the project finance of Mexico. So it was just a matter of use of proceeds of the long-term debt that was disbursed in July. I do not know if this answers your question.

Denis Parisien:

Yes. If I might go on, you mentioned in several places, the tax break on raw materials helped reduce cost and increase EBITDA margin in the quarter. And then you have a fourth factor of, I guess, a onetime reimbursement for PIS/COFINS coming from RioPol.

But is it possible to quantify the amount that your COGS were reduced or your EBITDA benefited from the tax – the new tax and accounts scheme in the quarter? How much you expect that to be in the 4Q?

Looking at the moving average -- the 3-month moving average of naphtha prices in the market, clearly, you had a very nice average down in the 3Q. As you pointed out and hinted on in your press release, that average is now sliding back up in the 4Q. How much of that is due to the spike obviously that occurred in the 3Q, but averages in, in the 4Q?

I am just wondering if we can get some kind of idea of how much of that increase in the average price of naphtha that is coming in the 4Q that will feed through your cost. How much of that would be offset by the tax -- the new tax regime that is giving you a break there? And can you quantify how much that was in the 3Q?

Carlos Fadigas:

First of all, hi, good talking to you. We had a onetime regarding RioPol that we mentioned, so that is one, that was in the last quarter. What is recurring is the tax rate from raw materials and debt at the current exchange rates and at the current naphtha price represents roughly about R\$250 million per quarter.

This number, naturally, because it is the percentage on the cost of raw materials. It will vary with the cost of raw materials in BRL. Metric means that it will vary with the cost of raw material in BRL plus the exchange rate, at the current level of naphtha and at the current exchange rate, R\$250 million is a good estimate of the reduction on taxes we had on raw material.

Regarding the naphtha price in order to reduce volatility, as you mentioned in your question, the price of the naphtha paid by Braskem at every single month is calculated using the average of naphtha price over the last 3 months. It is a pretty straightforward calculation that could give you an idea of how much you have spent each month once we have the data of the previous months.

To finish, I will tell you at this point that the average price we are going to pay into the 4Q will be slightly higher than the average price for the spot naphtha in the quarter. So, if you compare replacement value, the naphtha price right now with the price that we obtained with these lags, the average on the quarter will be slightly lower than what we are going to be paying because we are going to paying based on the last few months' average.

To get to a more specific number, you would have to run the math. If you want to do that, let me encourage you to get in contact with Investor Relations team via email. We can provide the information because it is actually public information on naphtha prices coming from others, I see it at Bloomberg, and it is easy to make this calculation. Is that good enough?

Denis Parisien:

That is great, yes. We used to be able to get the add-up price off Bloomberg, but they stopped providing it. So, it would be great if you guys could help us out with that. That would be fantastic.

Carlos Fadigas:

We can do that.

Denis Parisien:

That is great. Thank you for all of those clarifications, that is very helpful for us for modelling purposes. A last quick one – it seems like you are indicating that the cost of raw materials are going up around 9%, and you are suggesting that polyolefins goods' price is going up 4% to 5%. That sounds like you are expecting an erosion in spreads in the 4Q. Or is there something in that calculation I am not understanding?

Carlos Fadigas:

We do not expect an erosion in margin, but the point that we would probably have to factor in the price of the core product in naphtha. So, sometimes polyethylene, polypropylene do not move up as fast as naphtha, but that gets compensated by the fact that out of the core products, butadine, benzene, paroxetine and so on also move with naphtha.

My final point is, overall, we do not expect an erosion in margin that we see in the 4Q compared to the 3Q in the international market. It is a lot of moving pieces, but the end result is that we expect stable margins. We are seeing stable margins in the 4Q for the PE and PP products coming from naphtha.

Denis Parisien:

Perfect, thank you so much for all the clarifications.

Christopher Buck, Barclays Capital:

I'm wondering if you can clarify the CAPEX? I was not able to fully understand the comments you made. It is now expected that CAPEX for this year is going up to R\$2.5 billion from R\$2.2 billion. I mean, could you clarify again that has to do with a tax reimbursement in Mexico?

Carlos Fadigas:

You are right. At this point, we believe that we are going to finish the year with a total CAPEX of roughly R\$2.5 billion. Some R\$300 million above the initial forecast of R\$2.2 billion. The full difference is coming from the difference in the investment in Mexico and the fact that we are spending more cash with the Mexican investment this year has to do with 3 things.

The first one you mentioned, and let me explain the first one in more detail. When you make an investment in Mexico, you pay the full amount for equipment and services, but you are entitled to receive back some of the taxes embedded in the price of the equipment themselves.

We forecasted the cash flow disbursement considering that the government would give us back these taxes faster than what we are actually reimbursing up. It is purely a time effect. So, it may take us one or two quarters more to get this money back, but it does not change the overall cost of construction.

It is very important to mention that we are not talking about a cost that we want. It is not the case. It is just, in each quarter, we are getting the money back and that is the first effect that when we make an investment in Mexico we have in the year.

The second one has to do with the exchange rate. The investment there is relatively limited investment, and the guidance we have given in BRL, so guidance was built, designed, defined about a year ago, at the end of 2012. Therefore, we have to factor that spending a significant amount of USD in Mexico will represent a little bit more off BRL.

The third and final effect has to do with a guarantee that the critical equipment gets on site as fast as we can. So, it does not change the schedule for the construction, for the assembly of the project.

These R\$300 million of additional CAPEX that you are forecasting for this year, roughly US\$150 million, US\$140 million has to do with these 3 effects, all of them associated with the Mexican project and, again, we are not talking about any cost that we want. We have had a good discipline in the past with investments, and we are working very hard to keep this instance in this case.

Christopher Buck:

OK, great. How should we think about these factors in 2014? And we saw some headlines – or comments that investment might increase next year. Can you comment on that?

Carlos Fadigas:

Yes. First of all, the Mexican overall investment as, I mentioned, will remain the same, even when we add all the years coming from 2011. And I believe we had some cash growth from 2011, 2012, 2013 and 2014 and, actually, 2015 as well. So, that will not change. What has changed is how it gets allocated between 2013, 2014 and 2015 between these three years.

When we say the overall investment for Braskem may increase next year, that has to do with the fact that we are going to have another maintenance stoppage in all our Crackers in Brazil. They stop work every six years, that is industry standard, you have to stop them.

Actually, we have been pushing to make this to a limit, in the past, we stopped them once every four years, then we move to five, and now we move to 6. It has been challenging to the teams to increase the business between one, again, stoppage and another one.

In 2013, we had one, again, stoppage that just happened at our Cracker in Bahia, in our case review. Next year, we are going to have two Crackers stopping. We are going to have the one in Rio Grande do Sul, the southernmost state of the country, and we are going to have the Crackers in the state of São Paulo stopping as well.

These stoppages are roughly R\$200 million to R\$300 million, to give you a round number. Because we are going to have two of them, that should push the total investment up a little bit. So, it does not have to do with Mexico, it has to do with the fact that we are going to have one additional stoppage for the next year.

We are, right now, discussing this number with the shareholders. We are going to have a Board of Directors meeting at December to discuss the forecast and the budget for 2014, and that is why I cannot give you the exact number right now. We have to agree on that with the board. But beginning in January, you are going to have this number available to give you an idea of how much we are going to be investing in 2014.

Christopher Buck:

OK, great. Could you also comment on your discussions with the rating agencies and if there has been any changes given the rising EBITDA? Or what are the other factors that the rating agencies are looking at when thinking about your rating?

Mario Augusto Da Silva:

We have been having discussion with some of the rating agencies in the past three months. Probably, you know that S&P – both S&P and Fitch, they have reviewed our rating, and we show an investment-grade company in the case of S&P, with a stable outlook in the case of Fitch.

To a negative outlook, however, if you take a look in the reviews of Fitch is already indicating that if we continue the level of results that we have been showing in 2013, there is a window of opportunity to revise the outlook from negative to stable.

So, I think we are improving the financial indicators of the Company. At this point, we have a net debt-to-EBITDA of about 2.7x coming from 3.3x in the beginning of the year, 3x in the 2Q, now 2.7x.

I think as a result of the stronger demand and cash generation that we had this year, financial indicators are better. We keep working with them, and we expect that beginning of 2014, we are going to keep trying to remove the negative outlook that we have with both Fitch and Moody's. S&P still has a positive view for the Braskem case, OK?

Operator:

I will turn over to Mr. Carlos Fadigas for closing remarks.

Carlos Fadigas:

Well, let me thank you for joining us at this call. Thanks for your interest in Braskem. Actually, we had a good quarter. EBITDA increased significantly, so we are glad to have a lot of our efforts are paying back. The Braskem teams in the different areas have been working very hard to reduce fixed cost against an environment where with inflation is roughly 5% to 6%, labor associated inflation is 8%. But we work with this gross.

We have been working to increase the operating rate of the Crackers that we have. We increased market share. At the same time, we have managed to get some tax reductions on raw materials. We are keeping the discipline on investments we are making. The most relevant one is the Mexican investment.

So, we have been working very hard to do everything we can to improve profitability of the current assets we have, and this quarter shows we have been successful in that front. We also have been working very hard to build additional capacity and, based on that, be more competitive to have a more balanced raw material matrix. That is the case again for Mexico. That is the case for Comperj.

We have been working hard with both Petrobras and with the Brazilian government to make sure we do develop the petrochemical complex in Rio de Janeiro. At the same time, we also had been looking for opportunities, searching for opportunity in the U.S. as well around the ethane, ethylene, polyethylene front.

We are the leader in polypropylene, but we do not have a presence in North America, in the United States, right now, in polyethylene, and that is something we are looking into. So that is our commitment, improving profitability of our current assets, at the same time, as we work to build a bigger, more competitive Braskem going forward.

Thanks, again, for your interest. I invite you all to visit our Investor Relations website. We have posted a video of our Mexican project there. It is a very nice video. It is a short one, 1.5 minutes, it is a small time investment to see what it looks like.

A huge petrochemical complex, being viewed with more than 10,000 people working at the same time, with more than 80 cranes available to move equipment and to start the assembly of this petrochemical complex. It is much more than just building one plant.

We are building power stations. We are building utilities, water treatment, and as we viewed the Cracker and the 3 polyethylene lines, all at the same time, it truly is a great team project. I invite you to visit. It is a very interesting video.

I wish you have a good weekend, and we are going to have another call again, one in the beginning of next year, so anticipate here my wishes of happy holidays. Merry Christmas to every one of you. Thanks.

Operator:

Thank you. This concludes today's Braskem's Earnings Conference Call. You may disconnect your lines at this time.

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