

BRASKEM SA  
Form 6-K  
November 18, 2011

# 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 2011**

**Commission File Number: 001-14862**

# **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**

# Edgar Filing: BRASKEM SA - Form 6-K

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of 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):

Yes:       No:

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):

Yes:       No:

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

Yes:       No:

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**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION**

**AND RESULTS OF OPERATIONS**

*The following discussion of the financial condition and results of operations of Braskem S.A., or Braskem, should be read in conjunction with (1) Braskem's unaudited consolidated interim financial information at September 30, 2011 and for the nine-month periods ended September 30, 2011 and 2010, filed with the United States Securities and Exchange Commission, or the SEC, on November 17, 2011, which we refer to as the Braskem Third Quarter Financial Statement Report, (2) the information presented under the sections entitled "Presentation of Financial and Other Information" and "Item 3. Key Information - Selected Financial Information," "Item 5: Operating and Financial Review and Prospects," "Quantitative and Qualitative Disclosures about Market Risk" and Braskem's audited consolidated financial statements at December 31, 2010 and 2009 and for the two years ended December 31, 2010 included in Braskem's annual report on Form 20-F for the fiscal year ended December 31, 2010, filed with the United States Securities and Exchange Commission, or the SEC, on June 10, 2011, which we refer to as the Braskem Annual Report, and (3) our Supplement Segment Information for the year ended December 31, 2010 contained in a Form 6-K which we filed with the SEC on June 15, 2011, which we refer to as the Supplemental Segment Information Report.*

*The following discussion contains forward-looking statements that involve risks and uncertainties. Braskem's actual results may differ materially from those discussed in the forward-looking statements as a result of various factors, including those set forth herein under "Forward-Looking Statements" and in "Item 3. Key Information - Risk Factors" in the Braskem Annual Report.*

The following discussion and analysis of our financial condition and results of operations presents the following:

a brief overview of our company and the principal factors that have influenced our results of operations during the nine-month period ended September 30, 2011;

a summary of our financial presentation;

a discussion of developments since September 30, 2011 that may materially affect our results of operations, financial condition and liquidity;

a discussion of our results of operations for the nine-month periods ended September 30, 2011 and 2010; and

a discussion of our liquidity and capital resources, including our cash flows for the nine-month period ended September 30, 2011 and our material short-term and long-term indebtedness at September 30, 2011.

**Overview**

We are the largest producer of thermoplastic resins in the Americas, based on annual production capacity of our 35 plants in Brazil, the United States and Germany at September 30, 2011. We are the only producer of ethylene, polyethylene and polypropylene in Brazil. We produce a diversified portfolio of petrochemical and thermoplastic products and have a strategic focus on polyethylene, polypropylene and polyvinyl chloride, or PVC. We are also the third largest Brazilian-owned private sector industrial company, based on net sales revenue in 2010. We recorded net sales revenue of R\$24,465.8 million and net loss of R\$316.0 million during the nine-month period ended September 30, 2011, and net sales revenue of R\$25,494.8 million and net income of R\$1,889.5 million during the year ended December 31, 2010.

Our results of operations for the nine-month period ended September 30, 2011 have been influenced, and will continue to be significantly influenced in future periods, as a result of (1) our acquisition of the Quattor Companies in the Quattor Acquisition and (2) our acquisition of Braskem America in the Sunoco Chemicals Acquisition. For information regarding these acquisitions and the acquired companies, see "Item 4. Information on the Company - History and Development of Our Company - Sunoco Chemicals Acquisition," "Item 4. Information on the

Company History and Development of Our Company Quattor Acquisition, Item 4. Information on the Company Quattor Unit, and Item 4. Information on the Company Braskem America in the Braskem Annual Report. In addition, our results of operations for the nine-month periods ended September 30, 2011 and 2010 have been influenced, and our results of operations will continue to be influenced, by a variety of factors, including:

the growth rate of Brazilian GDP, which grew by 4.7% during the 12-month period ended June 30, 2011 (the most recent 12-month period for which the Brazilian Institute of Geography and Statistics (*Instituto Brasileiro de Geografia e Estatística*) has released information), which affects the demand for our products and, consequently, our domestic sales volume;

the expansion of global production capacity for the products that we sell and the growth rate of the global economy;

the international market price of naphtha, our principal raw material, expressed in dollars, which has a significant effect on the cost of producing our products and the average price of which increased by 38.4% during the nine-month period ended September 30, 2011 compared to the corresponding period of 2010;

the average domestic prices of our principal products expressed in dollars, which fluctuate to a significant extent based on fluctuations of international prices for these products and which also have a high correlation to our raw material costs;

our capacity utilization rates, which declined during the nine-month period ended September 30, 2011 compared to the corresponding period of 2010, primarily as a result of the unscheduled shutdown of our plants in the States of Bahia and Alagoas, including our plants at the Northeastern Complex and the plants of our Vinyls Unit, as a result of a power failure on February 4, 2011 that affected most of the northeastern region of Brazil and which required us to undertake certain repairs to our plants and reduced the capacity utilization of these plants as we ramped up production to normal utilization levels following this power failure;

changes in the *real*/U.S. dollar exchange rate, including the 11.3% depreciation of the Brazilian *real* against the U.S. dollar during the nine-month period ended September 30, 2011 compared to the 2.7% appreciation of the Brazilian *real* against the U.S. dollar during the corresponding period of 2010, which have affected our financial expenses as a result of our significant U.S. dollar-denominated liabilities that require us to make principal and interest payments in U.S. dollars;

the level of our outstanding indebtedness, fluctuations in benchmark interest rates in Brazil, which affect our interest expenses on our *real*-denominated floating rate debt, and fluctuations in the LIBOR rate, which affect our interest expenses on our dollar-denominated floating rate debt;

the inflation rate in Brazil, which was 4.31% during the nine-month period ended September 30, 2011 (on an annualized basis) compared to 8.05% during the corresponding period of 2010, in each case, as measured by the General Price Index Internal Availability (*Índice Geral de Preços Disponibilidade Interna*), or the IGP-DI, and the effects of inflation on our operating expenses denominated in *reais* and our *real*-denominated debt that is indexed to take into account the effects of inflation or bears interest at rates that are partially adjusted for inflation; and

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

#### **Presentation of Financial Statements**

We have prepared our unaudited consolidated interim financial information at September 30, 2011 and for the nine-month periods ended September 30, 2011 and 2010 in accordance with International Financial Reporting Standards, or IFRS, as issued by the International Accounting Standards Board, or the IASB.



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**Reorganization of Business Segments**

As a result of our acquisition of control of Quattor Participações S.A., or Quattor, we have consolidated the results of Quattor and its subsidiaries, including Quattor Química S.A., or Quattor Química, Rio Polímeros S.A., or RioPol, and Braskem Petroquímica S.A. (formerly Quattor Petroquímica S.A.), or Braskem Petroquímica, into our financial statements as from May 1, 2010. As a result of our acquisition of control of Unipar Comercial e Distribuidora S.A., or Unipar Comercial, we consolidated the results of Unipar Comercial into our financial statements as from May 1, 2010 until its merger with our subsidiary IQ Soluções & Química, or quantiQ on January 3, 2011. As a result of our acquisition of control of Polibutenos S.A. Indústrias Químicas, or Polibutenos, we consolidated the results of Polibutenos into our financial statements as from May 1, 2010. On September 1, 2010, Polibutenos and Quattor Química merged with and into Quattor. We included the results of Quattor, Quattor Química (prior to its merger with and into Quattor), RioPol, Braskem Petroquímica, Polibutenos and their subsidiaries, which we refer to collectively as the Quattor Companies, in our Quattor segment as from the date on which the respective financial statements of these companies have been consolidated into our financial statements.

As a result of our acquisition of Sunoco Chemicals Inc., which we have renamed Braskem America Inc., or Braskem America, we have fully consolidated the results of Braskem America and its subsidiaries into our financial statements as from April 1, 2010 and included the results of Braskem America in our Braskem America segment as from such date.

Following the approval of our acquisition of Quattor and its subsidiaries by the Administrative Council for Economic Defense (*Conselho Administrativo de Defesa Econômica*), or CADE, in February 2011, we implemented a new organizational structure that we believe reflects our business activities and corresponds to our principal products and production processes. We now have four production business units and one distribution business unit, and report our results by five corresponding segments to reflect this organizational structure:

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

*Polyolefins* This segment includes the production and sale of polyethylene and polypropylene by our company, excluding the operations of Braskem America and the results of our green polyethylene operations.

*Vinyls* This segment includes our production and sale of PVC, caustic soda and EDC.

*Foreign Business* This segment, which began reporting as from April 1, 2010, includes the operations of Braskem America, which consist of the production and sale of polypropylene in the United States, and the results of our green polyethylene operations.

*Chemical Distribution* This segment includes the operations of QuantiQ, included the operations of Unipar Comercial from May 1, 2010 until its merger with QuantiQ on January 3, 2011, and included the operations of Variant Distribuidora de Resinas Ltda., or Variant, prior to our disposal of Variant in June 2010. This segment distributes petrochemical products manufactured by our company and other domestic and international companies.

We have included a reconciliation of the results of operations of our segments to our consolidated results of operations under Results of Operations for the Nine-month Period Ended September 30, 2011 Compared with Nine-month Period Ended September 30, 2010 below.

Prior to this reorganization of our business activities and segments, we accounted for the operations of Quattor, RioPol and Braskem Petroquímica, which consist of the production and sale of basic petrochemicals at the São Paulo Complex and the Rio de Janeiro Complex, our supply of utilities produced at these complexes to second generation producers, and the production and sale of polyethylene and polypropylene by the Quattor Companies as a single segment, which we referred to as the Quattor segment. This segment has been split and combined with our Basic Petrochemicals and Polyolefins segments.

In addition, prior to this reorganization of our business activities and segments, our Foreign Business segment was named the Braskem America segment.

As a result of this reorganization of our business activities and segments, the results of operations of our Basic Petrochemicals, Polyolefins and Foreign Business segments included in this report are not comparable to the results of operations of the predecessors of these segments as reported under Item 5: Operating and Financial Review and Prospects in our annual report on Form 20-F for the fiscal year ended December 31, 2010.

### **Recent Developments**

The following is a summary of major transactions entered into, and other developments affecting, our company since September 30, 2011.

#### ***Dow Polypropylene Acquisition***

On September 30, 2011, we completed the acquisition of the polypropylene business of Dow under a purchase agreement that we had entered into in July 2011. This business is conducted through four polypropylene plants located in Freeport and Seadrift, Texas, United States and Wesseling and Schkopau, Germany with an aggregate annual polypropylene production capacity of 1,050,000 tons. In addition to these plants, under the purchase agreement we acquired inventory, accounts receivable, business know-how, certain product and process technology, and customer contracts and lists. As a result of the completion of the Dow Polypropylene Acquisition, we believe that we have the largest polypropylene production capacity of United States producers and we now have a manufacturing presence in the European polypropylene market.

The requirements for this acquisition were met by all of the parties involved on October 3, 2011. However, as provided under the terms of the purchase agreement, the assets, liabilities and results of the acquired polypropylene business were assumed retroactively on October 1, 2011. As a result, the results of the acquired polypropylene business will be consolidated in our financial statements as from October 1, 2011.

#### ***Borrowings under ACCs***

In October 2011, we entered into eight foreign exchange contracts (*ACC Adiantamento sobre Contrato de Câmbio*), or ACCs, with Banco do Brasil in the aggregate principal amount of US\$180.8 million in connection with export of petrochemical products. Under the contracts, we are obligated to export goods in the amount of US\$80.8 million by December 29, 2011 and US\$100.0 million by October 11, 2012.

In October 2011, we entered into two ACCs with Banco Bradesco in the aggregate principal amount of US\$50.0 million in connection with export of petrochemical products. Under the contracts, we are obligated to export goods in the amount of US\$50.0 million by October 8, 2012.

In November 2011, we entered into three ACCs with Banco JP Morgan in the aggregate principal amount of US\$70.0 million in connection with export of petrochemical products. Under the contracts, we are obligated to export goods in the amount of US\$70.0 million by November 1, 2012.

#### ***Credit Export Note Facility***

In October 2011, we entered into a credit export note facility with a Brazilian financial institution in an aggregate principal amount of R\$250.0 million in connection with the production of goods or services to be exported. Interest accrues annually and is payable in April 2012. The loan bears interest at a floating rate of approximately 108.30% of CDI and matures in April 2012.

***BNDES Revolving Stand-by Credit Facility***

We have negotiated a revolving stand-by credit facility (*Contrato de Abertura de Limite de Crédito*), or CALC, with Brazilian National Bank for Economic and Social Development (*Banco Nacional de Desenvolvimento Econômico e Social*), or BNDES, which our board of directors has approved and which we expect will be executed by all parties during November 2011. Under this CALC facility we expect that BNDES will agree to disburse loans in an aggregate principal amount of up to R\$2,460.0 million at any one time outstanding during the five-year term of this facility.

We will be able draw funds under this facility to fund projects including: (1) expansion and modernization of fixed assets; (2) acquisition of new machinery and equipment produced in Brazil; (3) programs related to technical training and management, and information technology; (4) social investment programs; (5) environmental investments and (6) investments in research, development and innovation. The disbursements under this CALC facility will be divided into tranches according to the source and use of the funds.

**Results of Operations for the Nine-month Period Ended September 30, 2011 Compared with Nine-month Period Ended September 30, 2010**

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

The following tables set forth the results of each of our segments and the reconciliation of these results of our segments to our consolidated results of operations. This segment information was prepared on the same basis as the information that our senior management uses to allocate resources among segments and evaluate their performance. We evaluate and manage the performance of our segments based on information generated from our statutory accounting records maintained in accordance with IFRS, and reflected in our consolidated financial statements.

	Nine-month Period Ended September 30, 2011						
	Net sales revenue	Cost of sales and services rendered	Gross profit	Selling, general, administrative and distribution expenses(1)	Equity in results of investees	Other operating income (expense)	Operating profit (loss)
	(in millions of reais)						
Basic Petrochemicals	R\$ 17,503.9	R\$ (15,599.9)	R\$ 1,904.0	R\$ (414.4)	R\$	R\$ (8.3)	R\$ 1,481.3
Polyolefins	9,691.3	(8,802.8)	888.5	(599.6)		(6.2)	282.7
Foreign Business	2,108.9	(1,960.7)	148.2	(98.8)		(22.4)	27.0
Vinyls	1,306.3	(1,219.3)	87.0	(109.5)		(21.4)	(43.9)
Chemical Distribution	570.2	(464.2)	106.0	(72.8)		3.2	36.4
Total segments	31,180.6	(28,046.9)	3,133.7	(1,295.1)		(55.1)	1,783.5
Other segment(2)	176.3	(151.5)	24.8	(39.4)		20.6	6.0
Corporate unit(3)				(122.0)	(2.1)	(6.5)	(130.6)
Reclassifications and eliminations(4)	(6,891.1)	6,896.2	5.1			0.1	5.2
Consolidated	R\$ 24,465.8	R\$ (21,302.2)	R\$ 3,163.6	R\$ (1,456.5)	R\$ (2.1)	R\$ (40.9)	R\$ 1,664.1



	Nine-month Period Ended September 30, 2010							
	Net sales revenue	Cost of sales and services rendered	Gross profit	Selling, general, administrative and distribution expenses(1) (in millions of reais)	Equity in results of investees	Gains from business combinations	Other operating income (expense)	Operating profit (loss)
Basic Petrochemicals	R\$ 13,017.2	R\$ (11,301.1)	R\$ 1,716.1	R\$ (400.6)	R\$	R\$	R\$ (21.7)	R\$ 1,293.8
Polyolefins	8,080.7	(7,123.2)	957.5	(458.1)			4.3	503.7
Foreign Business	1,168.6	(1,052.8)	115.8	(43.6)			(6.9)	65.3
Vinyls	1,322.3	(1,192.9)	129.4	(101.0)			1.7	30.1
Chemical Distribution	572.0	(484.8)	87.2	(57.4)			1.1	30.9
Total segments	24,160.8	(21,154.8)	3,006.0	(1,060.7)			(21.5)	1,923.8
Other segment(2)	261.3	(249.8)	11.5	(23.2)			3.0	(8.7)
Corporate unit(3)				(125.9)	25.2	975.3	(51.4)	823.2
Reclassifications and eliminations(4)	(5,893.8)	5,754.4	(139.4)				0.1	(139.3)
Consolidated	R\$ 18,528.3	R\$ (15,650.2)	R\$ 2,878.1	R\$ (1,209.8)	R\$ 25.2	R\$ 975.3	R\$ (69.8)	R\$ 2,599.0

- (1) Includes research and development.
- (2) Represents jointly-controlled companies accounted for under the proportional consolidation method (i.e., RPR, Propilsur and Polimerica), Braskem Idesa S.A.P.I., Cetrel and our revenue and expenses related to sales of cyclohexane and cyclohexanone.
- (3) Represents expenses of Braskem that are not allocated to any particular segment.
- (4) Eliminations consist primarily of intersegment sales, which are made on an arm's-length basis. Reclassifications consist primarily of revenues arising from the provision of services which are reported as other operating income (expenses), net by the operating segments and as net sales revenue in the consolidated financial statement.

The following table sets forth consolidated financial information for the nine-month periods ended September 30, 2011 and 2010.

	Nine-month Period Ended September 30,		
	2011	2010	% Change
	(in millions of reais)		
Net sales revenue	R\$ 24,465.8	R\$ 18,528.3	32.0
Cost of sales and services rendered	(21,302.2)	(15,650.2)	36.1
Gross profit	3,163.6	2,878.1	9.9
Selling expenses	(253.5)	(286.6)	(11.5)
Distribution expenses	(355.6)	(221.7)	60.4
General and administrative expenses	(778.9)	(643.3)	21.1
Research and development expenses	(68.5)	(58.2)	17.7
Equity in results of investees	(2.1)	25.2	(108.3)
Gains from business combinations		975.3	(100.0)
Other operating (expenses) income, net			