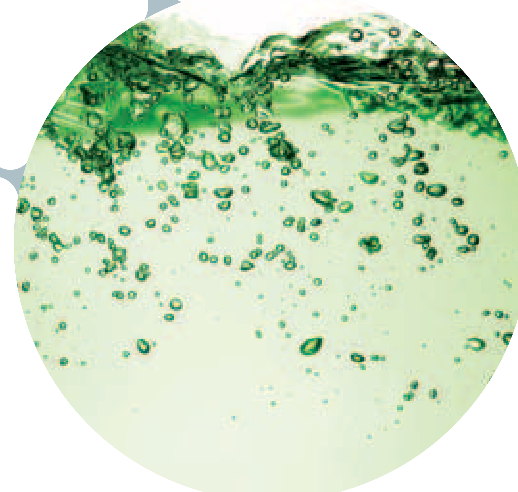
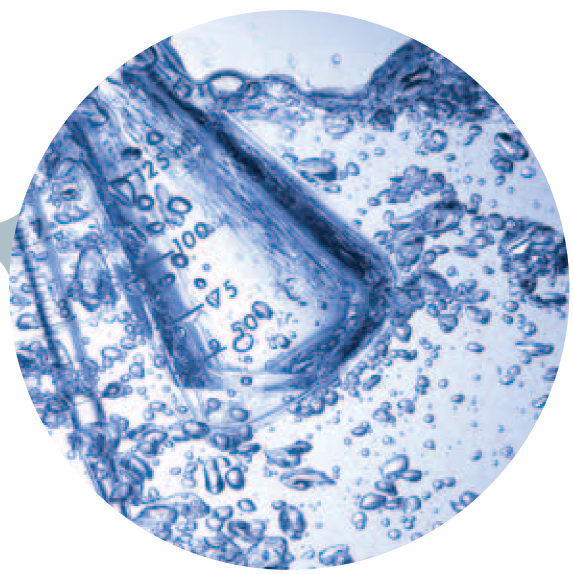
FINANCIAL STATEMENTS

2012





Elekeiroz

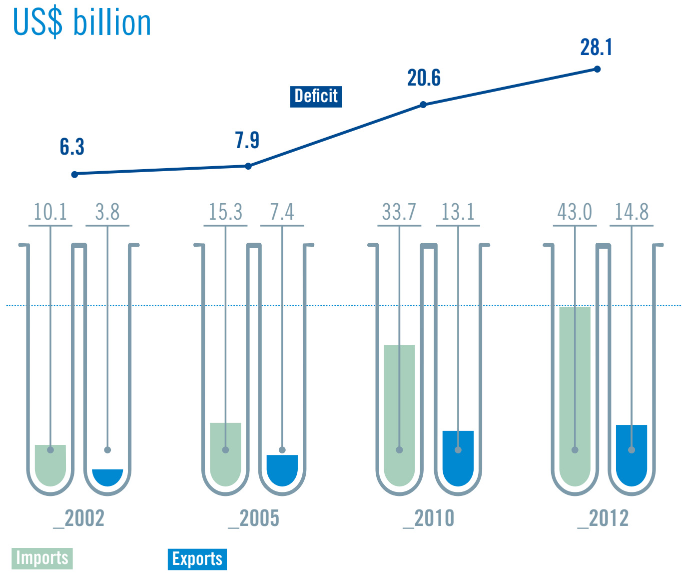
MANAGEMENT REPORT
Fiscal Year 2012

INDUSTRY SCENARIO

For 2012, the Brazilian chemical industry continued to see an increasing deficit in its specific trade balance, which reached US$28.1 billion, up 6.1 percent compared to the previous year. (Source: MDIC – SECEX / ABIQUIM)

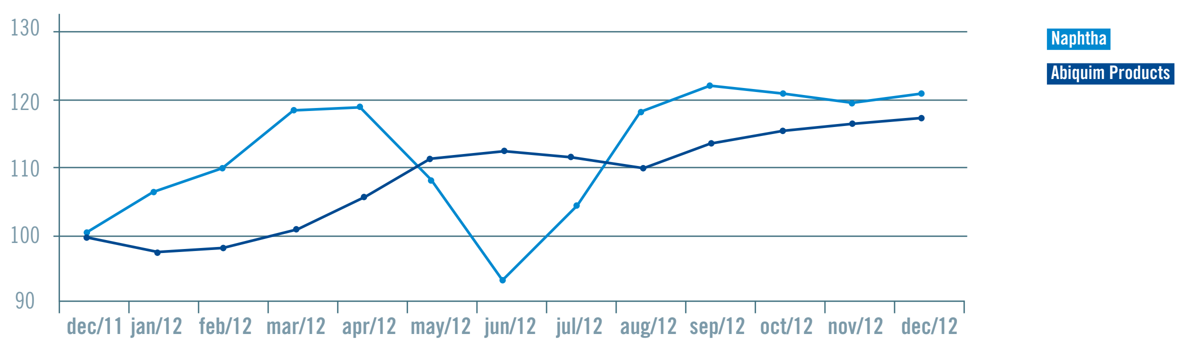
In the industrial chemicals segment, which had experienced fall in production and sales for 2011 compared to 2010, there was a pick-up in business in the course of 2012, with increases of 2.9 percent in production, 7.4 percent in sales to the domestic market and 1 percentage point in its capacity utilization rate over 2011, according to a report published by ABIQUIM[1].

For customers in the specific market segments served by Elekeiroz, production evolved as shown below, compared to the industry's sample and according to ABIQUIM's classification:



PRODUCTION	Intermediates for Plasticizers	Plasticizers	Other Organic Chemicals	Intermediates for Thermosetting Resins	Intermediates for Fertilizers
Industry Sample	8.6%	4.0%	-14.5%	-8.6%	8.8%
Elekeiroz	9.0%	6.8%	45.4%	10.0%	4.5%

The price index for the chemical industry, for its part, accrued an increase of 10.6 percent for the year, but was lower than the 17.2 percent rate for petrochemical naphtha, the industry's primary raw material. As a result, the industry's margins remained under pressure in the course of 2012, as shown by the chart below, with demonstrates the evolution in the ABIQUIM sample prices and international naphtha prices translated into Reais (December 2011 = baseline 100).



1. Short in Portuguese for Brazilian Chemical Industry's Association.

COMPANY OPERATIONS

The total amount shipped in the 4th quarter was 112,100 tons, up 1 percent compared to the same period of 2011, closing a period a fiscal year during which sales bounced back in all quarters in relation to the same periods of the previous year. In the aggregate for 2012, shipments gained 6 percent in the two of the product segments, namely, organic[2] and inorganic[3] chemicals, and exports stood out for their year-end growth of 50 percent, as shown in the table below:

SHIPPED VOLUME (THOUSAND METRIC TONS)	2012	A.V.	2011	A.V.	2012/2011
COMPANY TOTAL	470.6	100%	442.8	100%	6%
ORGANIC CHEMICALS	243.5	52%	221.8	50%	10%
Domestic Market	196.1	42%	190.2	43%	3%
International Market	47.4	10%	31.6	7%	50%
INORGANIC CHEMICALS AND RESALE	227.1	48%	221.0	50%	3%

ECONOMIC AND FINANCIAL PERFORMANCE

Net revenues for the 4th quarter amounted to R$242.2 million, up 13 percent compared to the previous year and thus following the trend towards price recovery observed in the preceding quarters. In the aggregate for the year, revenues hit R$899.8 million, increasing by 16 percent over 2011, with sales up 10 percent in the domestic market (83% of all sales) and 58 percent in export markets. Along with the increase in total revenues, however, came 17 percent increase in cost of products sold, and the resulting gross margin in the aggregate for the year was still not sufficient for the Company to restore its normal profitability levels.

Total Net Revenues for 2012, broken down by segment, evolved as follows:

NET REVENUE	Intermediates and Plasticizers	Other Organic Chemicals	Intermediates and Thermosetting Resins	Intermediates for Fertilizers
2012/2011 Evolution	14.2%	55.2%	33.7%	-22.6%
Share in 2012 Total	68.6%	6.5%	18.2%	6.7%

Income from operations, for its part, which was minus R$3.6 million (loss) for the first half, reached a positive R$6 million for the second half, reflecting a trend towards recovery over the fiscal year.

In line with the trend towards improved income from operations, the Company had turned out a net income of R$5.2 million by the end of the last quarter, but the aggregate for the year was R$0.5 million (R$14.8 million for 2011). The adjusted EBITDA[4] evolved along the same lines, reaching R$19.1 million in the fourth quarter and R$38.4 million for the fiscal year, up 42 percent over the previous year. The adjusted EBITDA margin was 4.3 percent in the aggregate for 2012, against 3.5 percent for 2011.

The Company's indebtedness to financial institutions remained low, amounting to R$93.9 million on December 31st, 2012, which represents 20 percent of the shareholders' equity.

STRATEGIC MANAGEMENT AND SUSTAINABILITY

RESEARCH & DEVELOPMENT

In order to expedite the process of expanding and refreshing Elekeiroz's product range, while improving the competitiveness of its production processes, the Company created the executive management of research, development and innovation, for which the existing team and resources were combined and reinforced by the hiring of new members with a view to getting innovation plans further in line with the Company's guidelines. Such plans refer to improvements in existing products and processes, as well as the development of new products using more competitive raw materials from renewable sources. To carry out these plans, not only is the Company using its own resources, it has also teamed up with research institutes by way of mechanisms available from Embrapii[5]. These initiatives will increase the Company's investment in research, development and innovation to 1.2 percent of its turnover for 2013 from the previous year's 0.3 percent.

2. Present in the segments consisting of Intermediate Chemicals for Plasticizers, Plasticizers, Other Organic Chemicals and Intermediate Chemicals for Thermosetting Resins.

3. Inorganic Chemicals: Intermediate Chemicals for Fertilizers.

4. Calculated as income (loss) from operations before financial income and equity method result plus depreciation and residual value of disposed assets.

5. Short in Portuguese for Brazilian Industrial Research and Development Agency, created by the Ministry of Science, Technology and Innovation (MCTI, the initials in Portuguese).

INVESTMENTS

A total of R$38.4 million were invested over the year, R$17.5 million of which in the 30 percent capacity expansion of the unsaturated polyester resin plant on the Várzea Paulista site. Productivity, safety and environmental preservation improvement programs were contemplated as well.

BUSINESS MANAGEMENT

In the course of the year, a decision-making system was implemented across the board by the name of "Management Cockpit" to provide all officers and directors, based on continuously updated indicators, with a systemic view of the Company's business and thus streamline decision-making processes pursuant to the its strategies.

SAFETY

The Company's management put greater emphasis on safety of workers and processes. For example, it implemented the Management Safety Tours (VSH, the initials in Portuguese), during which officers and directors drop into the Company's various sections to discuss the importance of acting safe with employees. The daily safety dialogues, which are held each day between leaders and employees before they working, also gained intensity.

SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

In May the Company published its Annual Sustainability Report, level A, according to the Global Reporting Initiative (GRI) guidelines. With it, Elekeiroz has taken yet another step forward in a process of communicating with our various stakeholders that dates back to 2009.

Elekeiroz was one of the sponsors to the 7th, Chemical Engineering Week of the University of São Paulo's (USP) Polytechnic School and the University of Campinas' (Unicamp) 15th Chemical Engineering Week. These events consist of several activities designed to prepare students to get into the job market.

We also backed the "Construindo o Futuro" (or "Building the Future") program, an initiative carried out by the COFIC[6] in partnership with the Camaçari and Dias D'Ávila Departments of Education. This program aims to show students some of the specific traits that workers are supposed to have, such as boldness, vision, autonomy and qualification to do their jobs, and, most importantly, to arouse interest in the students involved to work in the industry.

6. The initials in Portuguese for Camaçari Industrial Development Committee.

Elekeiroz also participated in the "Banco Contemporâneo" (or "Contemporary Bank") project carried out by a customer with the Biopoli line of resins, which are produced using raw materials from renewable sources and recycling. This project involves the construction of sustainable teller consoles using not only said resins, but also photovoltaic panels, LED lamps, power-saving air-conditioning systems and films that filter 80 percent of the infrared radiation.

In November the Company was visited by 20 students and a professor from the Dutch University of Twente. The main idea was to present them to the Foreign Trade, Production and Technology department, and Elekeiroz was one of the 20 Brazilian companies selected to participate in this interchange program.

Elekeiroz is a subscriber to the Responsible Care Program of the International Council of Chemical Associations, which is administered in Brazil by ABIQUIM, while having employees on the various commissions created by the entity in this respect. All the Company's production lines are ISO 9001 certified.

HUMAN RESOURCES

The Company had 755 employees by the end of 2012. In the year, R$83.0 million were paid in salaries, payroll charges, food for employees, staples baskets (food that meets minimum nutritional guidelines set by the government), transportation, medical care, insurance, supplementary pension plans and training, capacity-building and career development programs.

CORPORATE GOVERNANCE

The three of the Management Board's Advisory Committees —Governance and Risks, Strategy, and People—, all of which are coordinated by independent advisors, met regularly over the fiscal year. Of all themes referred to and assessed by the Board, the highlights were the Company's overall risk analysis aimed at a suitable risk management, the control of its internal audit program and the guidelines for the conduct thereof, the new performance assessment and career development methodology, and the new variable compensation system for executives, to be effective as of 2013.

CVM INSTRUCTION No. 381

PricewaterhouseCoopers Auditores Independentes provided only audit services to the Company in 2012.

ACKNOWLEDGEMENTS

Management once again thanks the shareholders for their confidence and the employees, customers, suppliers, contractors, financial institutions and communities with which the Company has relationships in conducting its business.

BALANCE SHEETS

In thousands of Reais

ASSETS	Note	December 31, 2012	December 31, 2011
CURRENT ASSETS			
Cash and cash equivalents	6	50,710	35,549
Held-to-maturity investments	6	161	1,190
Available-for-sale financial assets	6	626	1,603
Trade receivables	7	151,288	154,240
Inventories	8	107,871	100,023
Other receivables	11	770	1,792
Taxes recoverable	9	18,341	25,269
Prepaid expenses		710	404
TOTAL CURRENT ASSETS		330,477	320,070
NON-CURRENT ASSETS			
Long-Term Assets			
Trade receivables	7	1,664	1,864
Other receivables	11	13,585	12,683
Taxes recoverable	9	34,458	21,003
Deferred taxes	10	43,235	43,004
Investments	12	8,621	8,639
Property, plant and equipment	13	245,357	245,800
Intangible assets		611	474
TOTAL NON-CURRENT ASSETS		347,531	333,467
TOTAL ASSETS		678,008	653,537

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

BALANCE SHEETS

In thousands of Reais

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	December 31, 2012	December 31, 2011
CURRENT LIABILITIES			
Trade payables	14	40,687	44,778
Borrowings	15	42,787	29,120
Salaries, wages and employee-related expenses	14	8,186	8,950
Other payables	14	3,837	4,541
Taxes payable		5,690	3,272
Dividends and profit sharing for employees and officers	16	425	2,310
TOTAL CURRENT ASSETS		101,612	92,971
NON-CURRENT LIABILITIES			
Borrowings	15	51,134	36,712
Taxes payable	17	22,950	22,226
Provision for contingencies	18	20,048	19,658
Other payables	14	415	417
Deferred taxes	10	5,697	4,849
TOTAL NON-CURRENT ASSETS		100,244	83,862
TOTAL LIABILITIES		201,856	176,833
SHAREHOLDERS' EQUITY			
Capital stock	19	320,000	320,000
Capital reserves	19	8,327	8,327
Other comprehensive income	19	(798)	179
Revenue reserves	19	148,623	148,198
TOTAL SHAREHOLDERS' EQUITY		476,152	476,704
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		678,008	653,537

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

STATEMENT OF INCOME

(FISCAL YEARS ENDED ON DECEMBER 31)

In thousands of Reais

			Parent Company	Consolidated
STATEMENT OF INCOME	Note	2012	2011	2011
Operating revenues, net	20	899,809	776,693	776,693
Cost of sales	21	(803,659)	(687,123)	(687,123)
GROSS INCOME		96,150	89,570	89,570
Selling expenses	21	(42,031)	(37,762)	(37,762)
General and administrative expenses	21	(49,760)	(44,158)	(44,163)
Other expenses, net	22	(2,379)	(6,428)	(6,428)
Equity in earnings of associated and subsidiary companies		105	(5)	
OPERATING INCOME (LOSS)		2,085	1,217	1,217
Financial income	23	21,769	28,212	28,212
Financial expenses	23	(23,479)	(19,709)	(19,709)
FINANCIAL INCOME (LOSS), NET		(1,710)	8,503	8,503
INCOME (LOSS) BEFORE INCOME AND SOCIAL SECURITY TAXES		375	9,720	9,720
Income tax and social security funding tax	25	84	5,107	5,107
NET INCOME FOR THE FISCAL YEAR		459	14,827	14,827
EARNINGS PER SHARE, BASIC AND DILUTED	27	0,01	0,47	0,47
STATEMENTS OF COMPREHENSIVE INCOME				
NET INCOME FOR THE PERIOD		459	14,827	14,827
OTHER COMPREHENSIVE INCOME COMPONENTS				
Market value adjustment of financial instruments		(977)	12	12
Foreign exchange fluctuation in investee located abroad			191	191
Write-off of foreign exchange fluctuation on investee located abroad due to termination of activities			(125)	(125)
OTHER COMPREHENSIVE INCOME COMPONENTS FOR THE PERIOD		(977)	78	78
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		(518)	14,905	14,905

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

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

In thousands of Reais

		Capital reserves			Revenue reserves				
	Capital stock	Special goodwill	Tax incentives	Equity valuation adjustment	Statutory	Tax incentives	Special	Retained earnings	Total shareholders' equity
ON JANUARY 1ST, 2011	220,000	28,757	8,327	101	16,219	10,911	181,602		465,917
Market value adjustment of financial instruments				12					12
Exchange variation of investee located abroad				191					191
Write-off of exchange variation of investee located abroad due to termination of activities				(125)					(125)
NET INCOME FOR THE FISCAL YEAR								14,827	14,827
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD				78				14,827	14,905
TOTAL CONTRIBUTIONS BY AND DISTRIBUTIONS TO OWNERS OF THE COMPANY									
Capital increase	100,000	(28,757)					(71,243)		
APPROPRIATION OF NET INCOME FOR THE PERIOD									
Legal reserve					748			(748)	
Tax incentives						(125)		125	
Dividends and interest on capital								(4,118)	(4,118)
Special reserve							10,086	(10,086)	
TOTAL APPROPRIATION OF NET INCOME FOR THE PERIOD	100,000	(28,757)			748	(125)	(61,157)	(14,827)	(4,118)
ON DECEMBER 31, 2011	320,000		8,327	179	16,967	10,786	120,445		476,704

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

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

In thousands of Reais

	Capital stock	Capital Reserve		Revenue Reserves				
	Capital stock	Tax incentives	Equity valuation adjustment	Statutory	Tax incentives	Special reserve	Retained earnings	Total shareholders' equity
ON JANUARY 1ST, 2012	320,000	8,327	179	16,967	10,786	120,445		476,704
Market value adjustment of financial instruments			(977)					(977)
Net income for the fiscal year							459	459
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD			(977)				459	(518)
APPROPRIATION OF NET INCOME FOR THE PERIOD:								
Tax incentive					702		(702)	
Special reserve						(243)	243	
Dividends						(34)		(34)
TOTAL APPROPRIATION OF NET INCOME FOR THE PERIOD					702	(277)	(459)	(34)
ON JANUARY 31, 2012	320,000	8,327	(798)	16,967	11,488	120,168		476,152

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

STATEMENT OF CASH FLOWS
FISCAL YEARS ENDED ON DECEMBER 31,

In thousands of Reais

	Parent Company		Consolidated
	2012	2011	2011
CASH FLOW OF OPERATING ACTIVITIES			
Net income before income and social security funding taxes	375	9,720	9,720
ADJUSTMENTS FOR:			
Depreciation and amortization	37,632	25,577	25,577
Losses (gains) on the disposal of investments and property, plant and equipment	(105)	5	-
Provision for (reversal of) trade receivables, with present value adjustment of inventories and contingencies	1,000	297	297
Interest expenses	3,425	2,658	2,658
Equity method result of subsidiary and associated companies	5,797	1,466	1,466
Other expenses, net	1,739	(1,319)	(1,319)
CHANGES IN ASSETS AND LIABILITIES			
Trade receivables	2,807	(12,092)	(12,092)
Foreign exchange discount and vendor transactions	7,097	(8,043)	(8,043)
Inventories	(8,897)	(24,725)	(24,725)
Judicial deposits	(873)	(391)	(391)
Other receivables	7,643	7,677	7,677
Taxes recoverable, non-current	(13,455)	(843)	(843)
Receivables, non-current	(516)	(2,710)	(2,710)
Trade payables	(4,091)	11,454	11,454
Employee-related taxes and expenses	1,654	(267)	(267)
Provision for paid contingencies	(430)	(14,303)	(14,303)
Other payables	(603)	(1,945)	(1,940)
Cash provided by operating activities	40,199	(7,784)	(7,784)
Income and social security funding taxes paid	-	458	458
Interest on borrowings repaid	(4,983)	(1,568)	(1,568)
CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES, NET	35,216	(8,894)	(8,894)
CASH FLOW FROM INVESTING ACTIVITIES			
Holdings	-	(1,317)	(1,317)
Purchase of property, plant and equipment	(38,029)	(63,425)	(63,425)
Purchase of intangible assets	(353)	(55)	(55)
Revenue from disposal of assets	74	285	285
CASH USED IN INVESTING ACTIVITIES, NET	(38,308)	(64,512)	(64,512)
CASH FLOWS FROM BORROWING ACTIVITIES			
Borrowings	31,921	33,920	33,920
Borrowings repaid	(11,726)	(4,145)	(4,146)
Dividends and returns on equity capital paid	(1,942)	(9,146)	(9,146)
CASH (USED IN) PROVIDED BY BORROWING ACTIVITIES, NET	18,253	20,629	20,628
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS, NET	15,161	(52,777)	(52,778)
CASH AND CASH EQUIVALENTS AT THE START OF THE FISCAL YEAR (NOTE 6)	35,549	88,326	88,327
CASH AND CASH EQUIVALENTS AT THE END OF THE FISCAL YEAR (NOTE 6)	50,710	35,549	35,549

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

STATEMENT OF VALUE ADDED FISCAL YEARS ENDED ON DECEMBER 31,

In thousands of Reais

		Parent Company	Consolidated
	2012	2011	2011
REVENUES			
Products sold	1,121,250	976,481	976,481
Provision for doubtful debtors	(146)	(269)	(269)
	1,121,104	976,212	976,212
INPUTS PURCHASED FROM THIRD PARTIES			
Costs of products sold	958,155	819,040	819,040
Materials, electric power, third-party services, and expenses	78,022	71,890	71,895
	1,036,177	890,930	890,935
VALUE ADDED, GROSS	84,927	85,282	85,277
Depreciation, amortization, and depletion	(37,632)	(25,577)	(25,577)
VALUE ADDED BY THE COMPANY, NET	47,295	59,705	59,700
VALUE ADDED RECEIVED IN TRANSFERS			
Equity method result of subsidiary and associated companies	105	(5)	-
Financial income	21,769	28,212	28,212
TOTAL VALUE ADDED AVAILABLE FOR DISTRIBUTION	69,169	87,912	87,912

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

STATEMENT OF VALUE ADDED
FISCAL YEARS ENDED ON DECEMBER 31,

In thousands of Reais

	Parent Company		Consolidated
	2012	2011	2011
VALUE ADDED DISTRIBUTION			
PERSONNEL			
Direct compensation	53,545	49,777	49,777
Benefits	10,436	8,149	8,149
Severance Pay Fund (FGTS)	3,848	3,503	3,503
TAXES AND CHARGES			
Federal	12,548	11,733	11,733
State	(19,770)	(7,168)	(7,168)
Local/Municipal	782	850	850
RETURN ON DEBT			
Interest	7,321	6,241	6,241
RETURN ON EQUITY			
Return on equity capital	-	3,778	3,778
Dividends	34	340	340
Retained earnings for the fiscal year	425	10,709	10,709
VALOR ADICIONADO DISTRIBUÍDO	69,169	87,912	87,912

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

1 GENERAL INFORMATION

Elekeiroz S.A. ("Elekeiroz" or "the Company") is a publicly-held corporation with shares traded on the BM&FBovespa (São Paulo State Stock, Commodities and Futures Exchange), controlled by Itaúsa – Investimentos Itaú S.A., and has two industrial sites, one in Camaçari, Bahia, and one in Várzea Paulista, São Paulo, where its headquarters are located. The Company is engaged in the business of processing and marketing chemicals and petrochemicals at large, including the business of reselling such products purchased from third parties, as well as importing, exporting and holding interests in other companies.

Elekeiroz manufactures its products essentially for the manufacturing sector, particularly the building and construction, clothing, automotive and food industries.

The issue of these financial statements was authorized at a meeting of the Company's Management Board held on February 7th, 2013.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are described below. These policies have been consistently applied in all reported fiscal years, except as otherwise provided.

2.1 BASIS FOR PREPARATION

The financial statements have been prepared under the historical cost convention, and adjusted to reflect the measurement of financial assets and financial liabilities at fair value through profit or loss.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires Management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the parent company financial statements are disclosed in Note 3.

(A) CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared and are being presented in accordance with accounting practices in place in Brazil, including the pronouncements issued by the Brazilian Accounting Pronouncements Committee (CPC, the initials in Portuguese), as well as the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Up until December 31st, 2010 the Company published consolidated statements including its wholly-owned subsidiary Castletown Trading S.A. (referred to as "Subsidiary"), located in Uruguay, whose shut-down was approved by Elekeiroz's Management Board on August 2nd, 2011. On October 5th, 2011, at a Special Shareholders Meeting, the shareholders approved the liquidation of said company, transferring to the shareholder (Elekeiroz S.A.) all rights and obligations.

As a result, the consolidated financial statements of Elekeiroz S.A. and its Subsidiary ("Consolidated"), which comprise the consolidated statements of income, comprehensive income and cash flows for the year ended on December 31st, 2011, were consolidated up to October 5th, 2011. The operations from October 5th, 2011 to December 31st, 2011 refer solely to the Company.

The Company is not presenting the consolidated balance sheets as of December 31st, 2012 and 2011 because there were no investments subject to consolidation at the close of fiscal years 2012 and 2011.

(B) PARENT COMPANY FINANCIAL STATEMENTS

The parent company financial statements have been prepared and are being presented in accordance with accounting practices in effect in Brazil issued by the Accounting Pronouncements Committee ("CPC") and are disclosed together with the consolidated financial statements.

In the parent company financial statements, the Subsidiary is recorded based on the equity accounting method. The same adjustments are made to both the parent company and consolidated financial statements in order to reach the same profit or loss and shareholders' equity as attributable to the parent company. For Elekeiroz S.A., the accounting practices in place in Brazil, as applied to the parent company financial statements, differ from the IFRS applicable to the separate financial statements only in relation to the evaluation of investments in subsidiaries and associated companies based on the equity accounting method, whereas under the IFRS they would be based on cost or fair value.

The explanatory notes refer to the parent company financial statements and, where so indicated, also to the consolidated financial statements.

(C) CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

There are no such new CPC/IFRS pronouncements or interpretations effective as of 2012 as could be expected to have a material impact on the Company's financial statements.

2.2 SEGMENT REPORTING

The information on operating segments is reported in a manner consistent with the internal report provided to the principal operating decision-maker. The principal operating decision-maker, who is responsible for allocating funds, assessing the performance of operating segments and making the Company's strategic decisions, has been identified as the Company's Management, which consists of the Management Board and the Board of Directors.

2.3 FOREIGN CURRENCY TRANSLATION

(A) FUNCTIONAL CURRENCY AND PRESENTATION CURRENCY

The items included in the Company's financial statements are measured using the currency of the primary economic environment in which the Company operates ("functional currency"). These financial statements are presented in Reais (R$), which is the Company's functional currency and presentation currency.

(B) TRANSACTIONS AND BALANCES

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of the respective transactions or of valuation, where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognized in the statement of income for the fiscal year.

Foreign exchange gains and losses relating to borrowings, trade receivables and trade payables are presented in the statement of income within finance income or expenses.

2.4 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in hand, deposits held at call with banks and other highly liquid short-term investments with original maturities of three months or less and a negligible risk of change in value, and the balance is presented net of bank overdraft balances in the statement of cash flow, where applicable. Bank overdrafts are shown as borrowings in current liabilities in the balance sheets.

2.5 FINANCIAL ASSETS

2.5.1 CLASSIFICATION

At the initial recognition, the Company classifies its financial assets in the following categories: measured at fair value through profit or loss; loans and receivables held to maturity; and available for sale. The classification depends on the purpose for which the financial assets were acquired.

(A) FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired especially for realization in the short-term. All financial assets in this category are classified as current assets.

(B) LOANS AND RECEIVABLES

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturity periods in excess of 12 months of the issue date of the balance sheets, which are classified as non-current assets. The Company's loans and receivables comprise cash and cash equivalents, trade receivables, other receivables, and marketable securities (Notes 2.5, 2.6, 2.8 and 6).

(C) AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the previous categories. They are included in non-current assets, unless Management intends to dispose of them within 12 months of the balance sheet date. On the date of these financial statements, the available-for-sale financial assets basically consisted of shares in Eletrobras and are classified in current assets.

(D) HELD-TO-MATURITY INVESTMENTS

Investments held to maturity are non-derivative financial assets with fixed or determinable payments and defined maturity which the Company intends and is capable to hold up until their maturity. As of the date of these statements, they basically consist held-to-maturity financial investments for which the Company does not have an option of prepayment.

2.5.2 RECOGNITION AND MEASUREMENT

Purchases and sales of financial assets are usually recognized on the date when the Company commits to purchase or sell such assets. Investments are initially recognized at fair value, plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets at fair value through profit or loss are initially recognized at fair value, and the relevant transactions costs deducted from the statement of income. Financial assets are derecognized when the rights to receive cash flows have been realized or transferred, and in the former case, to the extent that the Company has transferred substantially all related ownership risks and rewards. Financial assets measured at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortized cost using the effective interest method.

Gains or losses arising out of changes in the fair value of financial assets measured at fair value through profit or loss are presented in the statement of income under "Other income (expenses), net" for the period in which they arise.

The fair values of publicly quoted assets and liabilities are based on current purchase prices. If the market for a given financial asset (and for unlisted securities) is not active, then the Company determines the fair value using valuation techniques. These techniques include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models that use as many market inputs as possible and rely as little as possible on inputs provided by the Company's own Management. Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognized in equity.

2.5.3 IMPAIRMENT OF FINANCIAL ASSETS

(A) ASSETS CARRIED AT AMORTIZED COST

The Company assesses on the date of each set of balance sheets whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are recognized as such only if there is objective evidence of impairment as a result of one or more events occurring after the initial recognition of the asset (a "loss event") and that such loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Company applies to determine whether there is objective evidence of impairment losses include:

(i) significant financial difficulty of the issuer or debtor;
(ii) breach of contract, such as default or delinquency in interest or principal payments;
(iii) the disappearance of an active market for the relevant financial asset on account of financial difficulties; or
(iv) observable data indicating that there has been a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of such assets, notwithstanding that such decrease may not be identified with any individual financial assets in said portfolio, including:

- adverse changes in the payment status of borrowers in the portfolio; and
- national or local economic conditions that correlate with defaults on the assets comprised in the portfolio.

The amount of any impairment loss is measured as the difference between the carrying amount of the relevant assets and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the original interest rate in place for such financial assets. The carrying amount of the asset is reduced, and the amount of the loss is recognized in the statement of income.

If the amount of the impairment loss decreases in a subsequent period and the decrease can be objectively related to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized loss is recognized in the statement of income.

(B) ASSETS CLASSIFIED AS AVAILABLE FOR SALE

At the end of each reporting period, the Company assesses whether any objective evidence exists that a financial asset or a group of financial assets is impaired. For debt securities, the Company uses the criteria referred to in item (a) above. For equity investments classified as available for sale, any significant or prolonged decline in the fair value of the relevant securities below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, then the cumulative loss —measured as the difference between the acquisition cost and the current fair value, minus any such impairment loss on the relevant financial asset as may have been previously recognized in profit or loss— is removed from equity and recognized in the statement of income. For debt instruments, if the fair value of any given instrument classified as available for sale increases in any subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, then the impairment loss is reversed through the statement of income.

The impairment of trade receivables is described in Note 2.6.

2.6 TRADE RECEIVABLES

Trade receivables correspond to amounts receivable from customers for merchandise sold and are recorded at the nominal amount of the trade notes arising from sales of products, plus foreign exchange fluctuation, where applicable. If expected to be received within one year or earlier, they are classified as current assets. Otherwise, they are presented as non-current assets.

Trade receivables are initially recognized at fair value, and subsequently measured at amortized cost using the effective interest method, minus a provision for doubtful debts (PDD) or provision for impairment of trade receivables. In practice, they are usually recognized at the amounts billed, as adjusted by said provision for impairment, where applicable.

2.7 INVENTORIES

Inventories are stated at either the cost or net realizable value, whichever the lower. The cost is determined using the moving weighted-average cost method. Costs of finished products comprise raw materials, direct labor, and other direct costs and related general production overheads (based on the normal operating capacity), except borrowing costs. The net realizable value is the estimated selling price in the ordinary course of business, minus estimated conclusion costs and estimated selling expenses. Imports in transit are stated at the accumulated cost of each import.

2.8 OTHER RECEIVABLES (CURRENT AND NON-CURRENT)

Other receivables are stated at cost or realizable value, including, where applicable, any interest accrued thereon and currency and exchange fluctuation, as adjusted to present value, where appropriate. Contingent assets are recognized only where there is evidence that realization is virtually certain or favorable, final and non-appealable court decisions have been obtained.

Court deposits refer to amounts deposited in court and maintained until the relevant legal proceedings are concluded and are measured at amortized cost. Where provision for contingencies exists, it is presented net of the related court deposits.

2.9 INTANGIBLE ASSETS

Includes the right to use software, with software licenses capitalized on the basis of the costs incurred and amortized over their lifespan, which is estimated at 05 years. Costs associated with software maintenance programs are recognized as expense, as incurred.

2.10 INVESTMENT PROPERTY

The Company owns a property in Arujá, State of São Paulo, which it does not occupy. The Company's Management has opted to value the property at cost, and the balance is presented at the historical cost of acquisition minus the depreciation amount, where applicable. Depreciation is calculated by the straight-line method to allocate the costs of the property to its residual value over its estimated lifespan at an average rate of 4 percent per annum. As of the date of these financial statements, the carrying amount of this asset did not exceed its recoverable value, as estimated based on an appraisal report at market value. The balance of the investment property is presented in the "Investments" account (Note 12).

2.11 PROPERTY, PLANT AND EQUIPMENT

Land and buildings comprise mostly production plants and offices. Property, plant and equipment are stated are historical cost minus accumulated depreciation. Historical cost includes expenditures directly attributable to the acquisition of such items and financing costs related to the acquisition of qualifying assets.

Any subsequent costs, such as those incurred in connection with renovations and periodic inspections required for operating, are included in the carrying amount of the relevant assets or recognized as a separate assets, as appropriate, only where the Company is likely to perceive economic benefits associated with the item in the future and the cost thereof can be reliably measured. The carrying amount of replaced item or parts is derecognized. All other repair and maintenance costs are entered in the statement of income for the fiscal year as incurred.

Land is not depreciated.

Depreciation is calculated by the straight-line method at rates compatible with the lifespan of the relevant assets. For equipment and facilities used directly in the production process, the Company applies the unit-of-production method, taking into consideration the lifespan of the relevant assets.

The estimated lifespan of each of such assets is reviewed annually, and then adjusted if necessary. The estimated average lifespan of each property, plant and equipment item by category is as follows:

	Years
Buildings	25
Equipment and facilities	5 to 20 (13 on average)*
Data processing equipment	5
Furniture and fixtures	10
Vehicles	5

* The depreciation of equipment and industrial facilities will vary according to the production volume at average rates ranging from 5 to 20 percent per annum.

The residual values and life spans are reviewed and, where appropriate, adjusted at the end of each reporting period.

The residual value of property, plant and equipment items is promptly derecognized at their recoverable amount when the residual value exceeds said recoverable amount (Note 2.12).

Gains and losses on disposals are determined by comparing the proceeds to the carrying amount and recognized in the “Other income (expenses), net” account in the statement of income.

On the date of these financial statements, the Company did not have any leasing transactions.

2.12 IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized at the value whereby the carrying amount of the relevant asset exceeds its recoverable amount. Recoverable amount is either the fair value of the asset minus costs or the current value thereof, whichever the higher. For impairment assessment purposes, assets are grouped at the lowest levels for which identifiable cash flows (Cash-Generating Units, or CGUs) exist separately. Non-financial assets other than goodwill having been adjusted due to impairment are subsequently reviewed for possible reversal of impairment at the balance sheet date.

2.13 TRADE PAYABLES

Trade payables are obligations to pay for goods or services having been acquired in the ordinary course of business, and are classified as current liabilities if payment is due in one year or less. Otherwise, they are presented as non-current liabilities.

Trade payables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method. In practice, they are usually recognized at the amount of the related invoices.

2.14 BORROWINGS

Borrowings are initially recognized at fair value, net of transaction costs incurred, and subsequently carried at amortized cost. Any difference between the proceeds (net of transaction costs) and the total amount payable is recognized in the statement of income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities, unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing costs directly attributable to the purchase, construction or production of a qualifying asset, which is one that necessarily takes a substantial period of time to get ready for the intended use or sale, are capitalized as part of the cost of the asset when they are likely to provide future economic benefits to the Company and can be reliably measured. Other borrowing costs are recognized as expenses for the period in which they are incurred.

2.15 PROVISIONS

Provisions for lawsuits (labor claims, civil and tax suits) are recognized when the Company has a present legal or constructive obligation as a result of past events, disbursements are likely to be required for settling the obligation, and the amount can be reliably estimated. These provisions do not include future operating losses.

2.16 CURRENT AND DEFERRED INCOME TAX AND SOCIAL SECURITY FUNDING TAX ON NET INCOME

The expenses incurred in connection with income tax and social security funding tax for the period comprise current and deferred taxes. Income taxes are recognized in the statement of income, except to the extent that they relate to items recognized directly in shareholders' equity or in comprehensive income. In such cases, the taxes are also recognized in shareholders' equity or comprehensive income.

The current income and social security funding taxes are calculated on the basis of the tax laws enacted or substantively enacted on the balance sheet date. Management periodically evaluates positions taken by the Company in income tax returns in respect of situations where the applicable tax regulations make room for interpretations. It makes provisions, where appropriate, based on the amounts expected to be paid to the relevant tax authorities.

The current income tax and social security funding tax are presented net, either in liabilities, where any amounts are payable, or in assets, where any amounts prepaid exceed the total amount due on the reporting date.

The income tax is calculated on taxable profit at the rate of 15 percent, plus a 10-percent surcharge, and existing tax losses are being offset. The social security funding tax on net income is calculated on the adjusted accounting profit at the rate of 9 percent, also taking into consideration any offset social security funding tax losses. The Company is a beneficiary of a partial income tax reduction at the rate of 75 percent on the operating results of its production site in Camaçari, State of Bahia, which reduction shall extend until December 31st, 2015. The provision for income tax is recorded net of the portion relating to tax incentives, and there are no conditions pending compliance by the Company which could affect the recognition of this credit.

Deferred income tax and social security funding tax are recognized on temporary differences between the tax bases for assets and liabilities and their carrying amounts in the financial statements. In practice, the inclusion of expenses in the accounting profit or exclusion of revenues from the accounting profit, which is temporarily non-deductible in either case, generates deferred tax credits or debts. However, deferred income tax and social security funding tax are not accounted for if they result from the initial recognition of an asset or liability in any transaction other than a combination of business, which transaction, at its closing time, affects neither the accounting income nor the taxable profit (tax loss).

Deferred income and social security funding tax assets are recognized only to the extent that future taxable profits are likely to be available against which temporary differences can be utilized.

Deferred income tax assets and liabilities are presented separately in assets and liabilities.

2.17 EMPLOYEE BENEFITS

(A) PRIVATE PENSION PLAN

The Company offers all of its employees a private pension plan of the defined contribution type whereby fixed contributions are paid to a separate Entity (a pension fund), and the Company has no legal or constructive obligations to pay any further contributions if the fund lacks sufficient assets to pay all benefits due. Contributions are recognized as expenses for the period in which they are incurred and cease when the employment relationship between an employee and the Company is terminated. Prepaid contributions are recognized as assets to the extent that a cash refund or reduction of the future payments is available.

(B) PROFIT SHARING

The Company recognizes a profit sharing liability and expense based on a methodology that takes into account the profit attributable to its shareholders after certain adjustments are made. The profit-sharing plan is also related to the achievement of specific targets which are set and approved at the beginning of each fiscal year. The Company recognizes a provision where contractually required to do so or where a past practice has created a constructive obligation.

(C) STOCK-BASED COMPENSATION

The Company has an approved stock-based compensation plan (stock options). Until the date of these financial statements no options had been granted to any officers.

(D) OTHER BENEFITS

Other benefits are provided as well, such as life insurance and health care, which are recorded on an accrual basis and cease when the employment relationship between an employee and the Company is terminated.

2.18 CAPITAL STOCK

The Company's capital is represented by shares in common and preferred stock, with no par value. Common and preferred shares are classified as shareholders' equity. Any incremental costs directly attributable to the issue of new shares or stock options are shown in shareholders' equity as a deduction from the proceeds, net of tax.

2.19 REVENUE RECOGNITION

Revenue consists of the fair value of a consideration received or receivable for a sale of products in the ordinary course of the Company's business. Revenues are shown net of taxes, returns, rebates and discounts.

The Company recognizes revenues when the corresponding amounts can be reliably measured and future economic benefits are likely to result from the transaction. No revenue is recognized if the realization thereof is uncertain.

(A) PRODUCT SALES

Revenues from product sales are recognized in the statement of income when all the risks and benefits inherent in the relevant product are transferred to the purchaser, i.e. for FOB sales, revenues are recognized at the time that each buyer picks up the goods at a Company site, while for CIF sales, the revenue is only recognized after the goods are delivered to the location designated by the customer.

(B) INTEREST INCOME

Interest income is recognized on an accrual basis, using the effective interest method. When a loan or receivable instrument is impaired, the Company reduces the carrying amount to its recoverable amount, which corresponds to the estimated future cash, as discounted at the original effective interest rate of the relevant instrument.

(C) DIVIDEND INCOME

Dividend income is recognized when the right to receive payment is established.

(D) OTHER INCOME AND EXPENSES

Other income and expenses are recognized on the accrual basis of accounting.

2.20 LEASES

Leases under which a significant portion of the ownership risks and benefits is retained by the lessor are classified as operating leases. Rents payable under operating leases (net of any incentives received from the lessor) are charged to the statement of income on a straight-line basis over the period of the lease.

2.21 DIVIDEND PAYOUT AND RETURN ON EQUITY CAPITAL

Dividend payouts and returns on equity capital paid to the Company's stockholders are recognized as a liability at the end of the fiscal year or in such shorter periods as may be determined by the Management Board based on the Company's by-laws. Any amount in excess of the compulsory minimum amount is only provided for on date of the Management Board's approval thereof. The tax benefit of return on equity capital is recognized in the statement of income.

2.22 NEW STANDARDS AND AMENDMENTS TO AND INTERPRETATIONS OF EXISTING STANDARDS YET TO TAKE EFFECT

The following new standards and amendments to and interpretations of existing standards were issued by the IASB, but are not effective for the fiscal year 2012. The early adoption of these standards, although encouraged by IASB, has not been implemented in Brazil by the Accounting Pronouncements Committee (CPC).

- IAS 1 – "Presentation of Financial Statements". The main change is the separation of other components of income in two groups: those to be realized against income, and those to remain in shareholders' equity. The amendment to this standard is effective as of January 1st, 2012. The implementation thereof is expected to only impact disclosures.

- IAS 19 – “Employee Benefits”, amended in June 2011. This amendment has been included in the wording of CPC 33 (R1) (Employee Benefits). The standard is effective as of January 1st, 2013. Considering the Company’s current operations, no relevant impacts are expected on its financial statements.

- IFRS 9 – “Financial Instruments” addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010 and replaces the sections of IAS 39 which relate to the classification and measurement of financial instruments. Considering the Company’s current operations, no relevant impacts are expected on its financial statements. The standard is effective as of January 1st, 2015.

- IFRS 12 – “Disclosure of Interests in Other Entities” is considered in the CPC’s new pronouncement no. 45 (Disclosure of Interests in Other Entities). This standard is effective as of January 1st, 2013. This standard will basically widen the range of disclosures and will have no impact on the Company.

- IFRS 13 – “Fair Value Measurement” was issued in May 2011 and published as part of a new pronouncement, namely, the CPC pronouncement No. 46 (Fair Value Measurement). The purpose of IFRS 13 is to improve the consistency and reduce the complexity of fair value measurements by providing a more precise definition and a single source of fair value measurement and setting forth the related disclosure requirements for use under the IFRSs. The standard is effective as of January 1st, 2013 and basically impacts the Company’s disclosures.

There are no such IFR standards or IFRIC interpretations yet to take effect as could have a significant impact on these financial statements.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Accounting estimates and judgments are continuously reviewed and based on historical experience and other factors, including future events that are reasonably expected to occur given existing circumstances.

3.1 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Based on assumptions, the Company makes estimates concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Estimates and assumptions posing a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities for the next fiscal year are addressed below:

(A) INCOME, SOCIAL SECURITY FUNDING AND OTHER TAXES

The Company records deferred income and social security funding tax assets on tax losses and negative social security funding tax bases. The recognition of these assets takes into consideration the expectation of future taxable profit. Estimates of future results that will allow these assets to be offset are based on the Company’s budget, which is reviewed and approved by the Management Board taking into consideration economic scenarios, discount rates and other variables that may not materialize.

(B) ICMS CREDITS

The Company has tax credit assets concerning the ICMS (the initials in Portuguese for Value-Added Tax on Goods and Services) accrued by its operations in the State of Bahia. The amount of these credits is reduced to the estimated amount of the actual utilization thereof based on projections. Any changes in the tax laws or even in the market conditions on which projections are based may result in changes in the fair value of these credits. Based on current projections, the accrued credits present an impairment of R$8,618 (Note 9).

3.2 CRITICAL JUDGMENTS IN APPLYING THE ENTITY’S ACCOUNTING POLICIES

The estimated realizable values of the Company’s financial assets and liabilities have been determined using the information available in the market and appropriate evaluation methodologies. Judgments were required in interpreting market data to produce the best estimates of realizable values. As a result, estimates may differ from the amounts that will be realized. The items in which the use of judgment can be considered more relevant refer to the determination of property, plant and equipment life spans and provisions for labor and tax liabilities.

4 FINANCIAL RISK MANAGEMENT

4.1 RISK FACTORS

The Company’s business exposes it to a variety of financial risks: market risks (including currency risk, interest rate risk and price risk), credit risks, and liquidity risks.

Risk management is carried out by the Chief Administrative Office in accordance with the policies approved by the Management Board. The Chief Administrative Office identifies, assesses and hedges the Company's financial risks in coordination with its sites' personnel. The Governance and Risks Committee, which advises the Management Board, is responsible for risk exposure and tolerance policies and for assessing particular situations and the Company's internal control processes and risk management structure.

Concerning financial instruments, the risk management activity is carried out by Management according to operating strategies and aiming at liquidity, profitability and safety. The control policy consists of the ongoing monitoring of contracted rates against those prevailing in the marketplace. The Company does not make any speculative investments in derivatives or any other risk assets.

(A) MARKET RISKS

(I) FOREIGN EXCHANGE RISK

The Company operates internationally and is exposed to foreign exchange risks arising out of its exposure in respect of various currencies, especially the US dollar. The foreign exchange risk corresponds to any decrease in assets or increase in liabilities due to foreign exchange rate fluctuations. Part of the sales revenues arises from exports and, consequently, the Company meets its working capital requirements through credit lines linked to exports, as their rates and terms are more attractive than the working capital financing alternatives in local currency. The sensitivity analysis required by the Brazilian Securities Commission (CVM) is presented in Note 4.1(e).

(II) CASH FLOW OR FAIR VALUE INTEREST RATE RISK

The interest rate risk is the risk that the Company may incur economic losses due to adverse fluctuations in interest rates. This risk is continuously monitored in order to assess the need to contract new derivatives to hedge against the volatility risk of these rates. The sensitivity analysis required by the CVM is presented in Note 4.1(e).

(B) CREDIT RISK

The credit risk is managed by an Operating Credit Committee, which consists of members of the Chief Administrative and Sales Offices and the Executive Financial Management. Credit risk arises from cash and cash equivalents and deposits with banks and other financial institutions, as well as credit exposures to domestic and foreign customers, including outstanding receivables. The Company's sales show a low degree of concentration, as no one customer accounts for more than 10 percent of its net revenues. The Company has a credit policy setting limits and repayment times consistent with liquidity standards determined by several rating instruments. In addition to diversification in the domestic market, a significant portion of the products is intended for foreign markets, following the same risk assessment procedure.

As regards financial and other investments, the Company's policy is to contract with prime institutions and to avoid concentrating investments in any one business group.

No credit limits were exceeded during the fiscal year, and Management does not expect any significant losses to arise out of any default on the part of any of these counterparties.

(I) CREDIT QUALITY OF FINANCIAL ASSETS

The credit quality of financial assets pertaining to current and non-current trade receivables is assessed by an internal customer credit rating methodology which considers each customer's listing time, sales and payment history. A score is assigned to each of these variables which results in a final grade ranging from 1 to 9, arranging customers into four rating groups:

RATING	Grade
A	8 to 9
B	4 to 7, 9
C	1 to 3, 9
D	Up to 1

- Group A – Customers listed for more than 5 years with sales in excess of R$20 million over the past 12 months and payments overdue for less than 3 days;
- Group B – Customers listed for 3 to 5 years with sales from R$5 million to R$20 million over the past 12 months and payments overdue for less than 10 days;
- Group C – Customers listed for less than 3 years or with sales of up to R$5 million over the past 12 months and payments overdue for 6 to 15 days; and
- Group D – Customers listed for less than 3 years or with no sales over the past 12 months or with payments overdue for more than 15 days.

RATING	December 31, 2012	December 31, 2011
A	79,600	71,994
B	66,783	81,313
C	-	2,796
D	6,569	1
TOTAL	152,952	156,104

Bank deposits and financial investments amounting to R$50,710 (R$35,549 on December 31st, 2011) are classified as posing a low short-term risk (A or equivalent rating) by credit risk rating agencies, such as Moody's, Standard and Poor's and others.

(C) LIQUIDITY RISK

Cash flow forecasting is performed by the Finance Department, which monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs.

The Company has a low level of indebtedness. The control of its liquidity position is carried out daily through the monitoring of cash flows. The surplus cash held is monitored by the Finance Department. The Company invests its surplus cash in financial investments and marketable securities with appropriate maturities or sufficient liquidity to provide sufficient margins, as determined by the aforementioned forecasts. On the reporting date, the Company had investments in Bank Deposit Certificates (CDB, the initials in Portuguese) of R$50,073 (R$35,182 for 2011) and in marketable securities of R$161 (R$1,190 for 2011), which are expected to promptly generate cash inflows for managing liquidity risk.

The table below shows the maturity of the financial liabilities and trade payables contracted by the Company on the closing date of these financial statements:

On December 31st, 2012:

	Less than one year	Between 1 and 3 years	Between 4 and 5 years	Total
Trade payables	40,687			40,687
Financing	42,787	44,262	6,872	93,921
Other payables	3,837	415		4,252
TOTAL	87,311	44,677	6,872	138,860

On December 31st, 2011:

	Less than one year	Between 1 and 3 years	Between 4 and 5 years	Over 5 years	Total
Trade payables	44,778				44,778
Financing	29,120	20,191	14,821	1,700	65,832
Other payables	4,541	417			4,958
TOTAL	78,439	20,608	14,821	1,700	115,568

The projections included in the budget approved by the Management Board for the next three-year period demonstrate the Company's ability to generate cash and meet its liabilities if said projections materialize.

(D) PRODUCTS AND INPUTS PRICE RISK

The Brazilian chemical industry is highly integrated with the global market and, therefore, prices in general are strongly influenced by the international supply and demand conditions. As a result, buying and selling prices for raw materials present practically simultaneous up and down cycles, preserving an average margin that enables the sustainability of the business.

(E) ADDITIONAL SENSITIVITY ANALYSES REQUIRED BY THE CVM – FOREIGN EXCHANGE AND INTEREST RATE RISK

Based on the balances of assets and liabilities exposed to foreign exchange rates on December 31st, 2012, the Company prepared two simulations with increases in the foreign exchange rates (R\$/US\$) of 25 and 50 percent. The probable scenario considers the Company's projected foreign exchange rates at the maturity of the transactions. As shown in the table below, considering a low net exposure, exchange rate fluctuations within the simulated limits would have no significant impacts on the Company's results.

FOREIGN EXCHANGE RISK

TRANSACTION	Balance 12/31/12	Effects on Results up to			
		Probable		Possible (+/- 25%)	Remote (+/- 50%)
FINANCIAL ASSETS					
Export receivables	38,529	45	USD depreciation	(9,644)	(19,287)
			USD appreciation	9,644	19,287
TOTAL FINANCIAL ASSETS	38,529				
FINANCIAL					
BNDES – Revolving Credit	10,957	(1,923)	USD depreciation	3,220	6,440
			USD appreciation	(3,220)	(6,440)
ACC (Advances Against Exchange Contracts) – Foreign Exchange Discount	5,174	(12)	USD depreciation	1,296	2,593
			USD appreciation	(1,296)	(2,593)
Foreign suppliers	15,249	(24)	USD depreciation	3,818	7,637
			USD appreciation	(3,818)	(7,637)
TOTAL FINANCIAL LIABILITIES	31,380				
NET EXPOSURE	7,149	(1,914)	USD depreciation	(1,310)	(2,617)
			USD appreciation	1,310	2,617

The Company carried out two simulations regarding the interest rates on financing and the return on financial investments at the Interbank Deposit Certificate (CDI, the initials in Portuguese) rate with increases and decreases of 25 and 50 percent. The results of these simulations are shown in the table below.

INTEREST RATE

TRANSACTION		Possible (+/- 25%)	Remote (+/- 50%)
Financial investments	Decrease	(1,417)	(2,817)
	Increase	1,434	2,885
Financing	Decrease	1,533	3,080
	Increase	(1,509)	(3,003)
NET EXPOSURE		41	145

Other risk factors were considered irrelevant to the results of financial instruments.

(F) DEPENDENCE ON BASIC INPUTS

As it usually happens in the chemical industry's supply chain, any one basic input could significantly influence the Company's cost structure due to the volatility of prices in international markets. In the case of Elekeiroz, such input is the propane purchased from Braskem and used in the manufacture of oxo alcohols, which are either sold to the market or utilized by the Company itself to manufacture plasticizers. When it is not possible to transfer price increases to selling prices, the Company's results may be adversely impacted.

4.2 CAPITAL MANAGEMENT

The Company conducts its capital management in such a manner as is to ensure its ability to carry on with its business, while providing returns to its shareholders and controlling its level of indebtedness by monitoring its financial leverage ratio. This ratio corresponds to the net debt divided by the total capital.

In order to maintain or adjust its capital structure, the Company may review its dividend payout policy, return capital to shareholders or even issue new shares or sell assets to reduce its indebtedness, for example.

The Company monitors capital based on the financial leverage ratio. This ratio corresponds to the net debt divided by the total capital. The net debt, for its part, corresponds to the total borrowings (including current and non-current borrowings, as shown in the balance sheets) minus the amount of cash and cash equivalents. The total capital is calculated adding the net shareholders' equity, as shown in the balance sheets, to the net debt.

For 2012, the Company maintained a low indebtedness level. The financial leverage ratios as of December 31st, 2012 and 2011 can be summed up as follows:

	December 31, 2012	December 31, 2011
A - Total borrowings (note 15)	93,921	65,832
B - (–) Cash and cash equivalents (note 6)	(50,710)	(35,549)
C = (A – B) – Net debt	43,211	30,283
D - Total shareholders' equity	476,152	476,704
E = (C + D) – Total capital	519,363	506,987
C /E = Financial leverage ratio	9%	6%

4.3 FAIR VALUE ESTIMATION

The carrying values of trade receivables and trade payables minus impairment are assumed to be near their fair values. The fair value of financial liabilities, for disclosure purposes, is estimated by discounting future contractual cash flows at the interest rate currently prevailing in the market that is available to the Company for similar financial instruments.

The Company applies CPC 40/IFRS 7 for financial instruments that are measured in the balance sheets at fair value, which requires disclosure of fair value measurements by level, according the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs, other than quoted prices, included at level 1 that are observable market data for the asset or liability, whether directly (i.e. prices) or indirectly (i.e. derived from prices) (level 2).
- Inputs for the assets or liabilities that are not based on observable market data (i.e. unobservable inputs) (level 3).

The following table shows the Company's assets and liabilities that were measured at fair value at December 31st, 2012 and 2011:

	Level 1		Level 2	
	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
Assets				
Financial assets at fair value through profit or loss				
Available-for-sale financial assets	626	1,603		
Financial investments held for trading			50,073	35,182
TOTAL ASSETS	626	1,603	50,073	35,182

5 FINANCIAL INSTRUMENTS BY CATEGORY

				DECEMBER 31, 2012
	Available-for-sale financial assets	Held-to-maturity investments	Loans and receivables	Total
ASSETS AS PER BALANCE SHEETS				
Trade and other receivables, excluding prepayments			167,308	167,308
Cash and cash equivalents			50,710	50,710
Held-to-maturity investments		161		161
Available-for-sale financial assets	626			626
TOTAL	626	161	218,018	218,805

		DECEMBER 31, 2012
	Other financial liabilities	Total
LIABILITIES AS PER BALANCE SHEETS		
Borrowings and financing	93,921	93,921
Other payables	4,252	4,252
Trade payables	40,687	40,687
TOTAL	138,860	138,860

				DECEMBER 31, 2011
	Available-for-sale financial assets	Held-to-maturity investments	Loans and receivables	Total
ASSETS AS PER BALANCE SHEETS				
Trade and other receivables, excluding prepayments			170,579	170,579
Cash and cash equivalents			35,535	35,535
Held-to-maturity investments		1,190		1,190
Available-for-sale financial assets	1,603			1,603
TOTAL	1,603	1,190	206,114	208,907

	DECEMBER 31, 2011	
	Other financial liabilities	Total
LIABILITIES AS PER BALANCE SHEETS		
Borrowings and financing	65,832	65,832
Other payables	4,958	4,958
Trade payables	44,778	44,778
TOTAL	115,568	115,568

6 CASH AND CASH EQUIVALENTS, MARKETABLE SECURITIES AND AVAILABLE-FOR-SALE FINANCIAL ASSETS

(A) CASH AND CASH EQUIVALENTS

	December 31, 2012	December 31, 2011
Cash in banks and on hand	637	367
Short-term investments	50,073	35,182
TOTAL	50,710	35,549

The short-term investments were classified as held for trading and were basically represented by floating-rate Bank Deposit Certificates (CDB) with prime financial institutions, bearing interest at the CDI rate. On December 31st, 2012 the average rate of return on the investments was 101.40 percent of the CDI rate (101.56% of the CDI rate on December 31st, 2011).

To preserve its capital, the Company makes financial investments out of its cash with selected institutions with low liquidity risk.

(B) HELD-TO-MATURITY INVESTMENTS

On December 31st, 2012 the Company had a balance of R$161 (R$1,190 on December 31st, 2011) concerning financial investments that it intends to hold up to maturity. These financial investments bear interest at 100 percent of the CDI rate.

(C) AVAILABLE-FOR-SALE FINANCIAL ASSETS

On December 31st, 2012 the Company had a balance of R$626 (R$1,603 on December 31st, 2011) which refers to 59,705 shares in [the electric power company] Eletrobras adjusted to their fair value at the quote for December 28th, 2012.

7 TRADE RECEIVABLES

	December 31, 2012	December 31, 2011
Local customers	115,759	117,644
Related parties	794	565
Foreign customers	38,529	39,680
Provision for impairment of trade receivables	(3,794)	(3,649)
TOTAL CURRENT	151,288	154,240
Local customers	2,473	2,678
Adjustment to present value of long-term trade receivables	(809)	(814)
TOTAL NON-CURRENT	1,664	1,864
TOTAL TRADE RECEIVABLES	152,952	156,104

Trade receivables are amounts receivable from customers and reduced through a provision to their estimated realizable values. The provision for impairment of trade receivables is made in an amount considered sufficient by Management to cover any possible losses on the realization of trade receivables.

The long-term portion refers to receivables from a customer undergoing judicial reorganization. These receivables were adjusted to their fair value using the present value of estimated cash flows. Up until the date of these financial statements, the customer has been performing its obligations under the reorganization plan.

The fair values of trade receivables are near their carrying amounts on December 31st, 2012 and 2011.

On December 31st, 2012 and 2011, none of the Company's customers accounted for more than 10 percent of its total revenues.

The Company has a Credit Policy aimed at establishing procedures for the grant of credit in commercial transactions which is compatible with the required levels of quality, promptness and security. The credit limit is set based on credit analysis that considers: company listing information; financial and economic information; history of purchases and payments (historical status and present status); market restriction information; reference to information systems; guarantees provided; and visits for determining credit (according to the relevance of each transaction).

On December 31st, 2012 trade receivables amounting to R$24,330 (R$33,462 on December 31st, 2011) were past due but not impaired. These accounts refer to a number of independent customers for which there is no recent history of default or for which the Company has collateral securities. The ageing analysis of these trade receivables is shown below:

	December 31, 2012	December 31, 2011
Up to 3 months	9,387	22,720
3 to 6 months	2,507	2,134
Over 6 months	12,436	8,608
	24,330	33,462

The securities overdue for up to three months, amounting to R$9,387, refer to extensions, normal delays and paid exports with currency exchange operations which were not finalized by the Company.

The securities overdue for more than three months, which amount to R$14,943 and are not impaired, refer to exports covered by credit insurance, a customer undergoing judicial reorganization which has been fulfilling the conditions set forth in the reorganization plan, or receivables with guarantees such as mortgages, debt certificates and sureties.

The amount of trade receivables with guarantees was R$9,196, and the amount of guarantees for these receivables was R$20,822.

On December 31st, 2012 trade receivables totaling R$3,794 (R$3,649 on December 31st, 2011) were past due and fully provided for. The ageing analysis of these trade receivables is shown below:

	December 31, 2012	December 31, 2011
Up to 3 months	-	8
3 to 6 months	50	37
Over 6 months	3,744	3,604
	3,794	3,649

The changes in the Company's provision for impairment of trade receivables were as follows:

	December 31, 2012	December 31, 2011
Opening balance	3,649	3,524
(+) Formation of provision	150	909
(-) Realization of provision	(5)	(784)
CLOSING BALANCE	3,794	3,649

The formation and realization of the provision for impaired receivables were included in “Selling expenses” in the statement of income for the fiscal year.

The Company’s trade accounts receivable are denominated in the following currencies:

	December 31, 2012	December 31, 2011
Real	118,217	120,073
US Dollar	38,529	39,680
TOTAL	156,746	159,753

8 INVENTORIES

	December 31, 2012	December 31, 2011
Finished products	53,899	39,919
Raw, auxiliary and packaging materials	44,914	51,997
General warehouse	9,975	11,912
Provision for losses on inventories (i)	(917)	(3,805)
TOTAL	107,871	100,023

(i) The provision for losses on inventories is formed for those products which are considered obsolete on the date of the financial statements and for those in respect of which the Company expects to incur losses on their realization.

Inventories were stated at the average purchase costs on December 31st, 2012 and 2011, which were lower than the replacement costs or realizable values.

The cost of inventories recognized as expenses and included in “Cost of sales” totaled R$702,983 in 2012 (R$605,498 for 2011).

9 TAXES RECOVERABLE

	December 31, 2012	December 31, 2011
TAXES RECOVERABLE/TO BE OFFSET		
Social Security Funding Tax on Net Income (CSLL)	2	1,275
Income tax (IRPJ)	2,463	2,625
Social Integration Program (PIS) tax and Social Security Funding Tax on Revenues (COFINS)	4,678	834
ICMS to be offset on acquisition of assets	2,392	1,639
(-) Impairment of ICMS credits on acquisition of assets	(275)	(209)
ICMS credit balance – State of Bahia	46,598	45,546
(-) Impairment on accumulated ICMS credits – State of Bahia	(8,618)	(6,372)
Accumulated PIS and COFINS credits on acquisition of assets	480	233
Tax credit related to the *Reintegra* program	4,343	135
Other	736	566
TOTAL	52,799	46,272
CLASSIFIED AS:		
Current	18,341	25,269
Non-current	34,458	21,003

The Company accumulated ICMS credits at its Bahia site arising from: (i) exports made from that site; (ii) sales in the domestic market to companies benefiting from the deferral of this tax in the State of Bahia; and (iii) sales to customers located out of said state with interstate rates lower than the internal rates paid on the purchase of inputs.

In May 2008, the State Government of Bahia reduced the tax rate on internal sales of certain chemicals, including the primary raw materials used by the Company, thus allowing it to utilize part of the accumulated credits.

In December 2008, the Company signed a settlement agreement with the State Treasury Department of Bahia containing a time schedule for the release of the accumulated ICMS credits, which were partially transferred to third parties during the period from 2009 to 2012. The table below shows the gradual decrease in these accumulated credits:

	ON DECEMBER 31ST,				
	2008	2009	2010	2011	2012
Accumulated ICMS credits	82,986	64,102	49,258	45,546	46,598

The Company calculates the impairment of these credits based on the projected cash flows of future offsets discounted at the Weighted Average Cost of Capital (WACC).

10 DEFERRED TAXES

The deferred income tax (IRPJ) and social security funding tax on net income (CSLL) are calculated on tax losses and temporary differences between the tax bases for assets and liabilities and their carrying amounts in the financial statements. The rates of such taxes, as currently set for determining deferred taxes, are 25 percent for the income tax and 9 percent for the social security funding tax on net income.

Deferred tax assets are recognized to the extent that the future taxable profit is likely to be available for offsetting temporary differences according to projections of future results based on internal assumptions and future economic scenarios, which may therefore change.

The amounts for future offset are as follows:

	December 31, 2012	December 31, 2011
DEFERRED TAX ASSETS		
Deferred tax assets to be recovered within 12 months	4,448	4,715
Deferred tax assets to be recovered within more than 12 months	38,787	38,289
	43,235	43,004
DEFERRED TAX LIABILITIES		
Deferred tax liabilities to be settled after more than 12 months	(5,697)	(4,849)
	(5,697)	(4,849)
DEFERRED TAX ASSETS (NET)	37,538	38,155

The net changes in the deferred tax account were as follows:

On December 31st, 2012	Opening balance	Formation	Reversal	Closing balance
DEFERRED TAX ASSETS				
Tax losses and negative tax bases	23,672	1,717		25,389
Provision for impairment of trade receivables	1,517	51	(3)	1,565
Provision for labor contingencies	4,501	859	(1,224)	4,136
Provision for tax contingencies	3,937	1,242	(649)	4,530
Miscellaneous provisions	4,477	5,722	(6,935)	3,264
RTT (TRANSITIONAL TAX SYSTEM) ADJUSTMENTS:				
Impairment – ICMS	2,343	1,003	(322)	3,024
Amortized goodwill	842		(842)	-
Disposal of deferred charges	1,373		(388)	985
Research and projects	342			342
TOTAL DEFERRED TAX ASSETS	43,004	10,594	(10,363)	43,235
DEFERRED TAX LIABILITIES				
Miscellaneous provisions	2,095	319	(34)	2,380
RTT ADJUSTMENTS:				
Surplus contributions to pension plan	2,754	1,319	(756)	3,317
TOTAL DEFERRED TAX LIABILITIES	4,849	1,638	(790)	5,697

On December 31st, 2011	Opening balance	Formation	Reversal	Closing balance
DEFERRED TAX ASSETS				
Tax losses and negative tax bases	20,076	3,596		23,672
Provision for impairment of trade receivables	1,198	601	(282)	1,517
Provision for labor contingencies	3,693	1,930	(1,122)	4,501
Provision for tax contingencies	2,205	3,454	(1,722)	3,937
Miscellaneous provisions	1,849	2,832	(204)	4,477
RTT ADJUSTMENTS:				
Impairment – ICMS	2,844		(501)	2,343
Amortized goodwill	2,819		(1,977)	842
Disposal of deferred charges	1,842		(469)	1,373
Research and projects	231	111		342
TOTAL DEFERRED TAX ASSETS	36,757	12,524	(6,277)	43,004
DEFERRED TAX LIABILITIES				
Capital gain	1,143		(1,143)	
Miscellaneous provisions		2,095		2,095
RTT ADJUSTMENTS:				
Surplus contributions to pension plan	2,107	647		2,754
TOTAL DEFERRED TAX LIABILITIES	3,250	2,742	(1,143)	4,849

Considering the Company's track record and profitability and based on the projected results for the following fiscal years, the expected realization of tax credits on IRPJ and CSLL losses and the offsetting of temporary differences are show below:

	December 31, 2012
2013	4,448
2014	6,471
2015	9,259
2016	8,993
2017 and beyond	14,064
TOTAL	43,235

11 OTHER RECEIVABLES

	December 31, 2012	December 31, 2011
Other receivables from foreign transactions		1,557
(-) Adjustment to present value – other receivables from foreign transactions		(311)
Restricted and judicial deposits	3,825	3,639
Participation in pension fund – Plan CD	9,755	8,100
Other amounts receivable	776	1,490
TOTAL	14,356	14,475
Classified as:		
CURRENT	771	1,792
NON-CURRENT	13,585	12,683

12 INVESTMENTS

	Holding	December 31, 2012	December 31, 2011
CASTLETOWN TRADING S.A. (1)	100%		
ON JANUARY 1ST			1,072
(+) Foreign exchange fluctuation			191
(-) Equity in the results of investee			(5)
(-) Write-off of investment – termination			(1,383)
(+) Foreign exchange fluctuation recorded in the statement of income			125
ON DECEMBER 31			
TOTAL INVESTMENT IN SUBSIDIARY		-	-
TCI TRADING S.A.	9%		
ON JANUARY 1ST		1,649	1,649
(+) Equity in the results of investee		105	-
(-) Dividends receivable		(105)	-
ON DECEMBER 31			
TOTAL INVESTMENT IN ASSOCIATED COMPANY		1,649	1,649
CETREL S.A.	3%		
Investment at cost		5,464	5,464
INVESTMENT PROPERTIES (2)			
Land and facilities, net of depreciation		1,506	1,524
OTHER INVESTMENTS		2	2
TOTAL OTHER INVESTMENTS		6,972	6,990
TOTAL INVESTMENTS		8,621	8,639

1. The activities of the wholly-owned subsidiary ceased on October 5th, 2011, as described in detail in Note 2.1 (a).
2. The fair value of the investment properties on December 31st, 2012 was R$18,300.
The other investments do not represent any subsidiaries and/or associated companies, and their accounting balances are recorded at acquisition cost, net of impairment, where applicable.

13 PROPERTY, PLANT AND EQUIPMENT

A. PROPERTY, PLANT AND EQUIPMENT BREAKDOWN:

	Land	Buildings	Equipment and facilities	Furniture and fixtures	Vehicles	Data processing and other equipment	Construction in progress	Total
OPENING BALANCE ON JANUARY 1ST, 2010								
Cost	11,088	55,581	386,187	6,495	2,881	3,493	17,475	483,200
Accumulated depreciation	-	(33,539)	(231,834)	(5,210)	(1,404)	(2,566)	-	(274,553)
NET BOOK AMOUNT	11,088	22,042	154,353	1,285	1,477	927	17,475	208,647
ON 12/31/2011								
OPENING BALANCE	11,088	22,042	154,353	1,285	1,477	927	17,475	208,647
Purchases	-	24	770	378	517	513	61,223	63,425
Disposals	-	(16)	(919)	(7)	(216)	(5)	-	(1,163)
Depreciation	-	(1,756)	(22,725)	(282)	(471)	(343)	-	(25,577)
Transfers	-	64	45,990	58	-	1	(46,171)	(58)
Reversal of provision for losses on PP&E	-	-	526	-	-	-	-	526
NET BOOK AMOUNT	11,088	20,358	177,995	1,432	1,307	1,093	32,527	245,800
BALANCE ON 12/31/2011								
Cost	11,088	55,606	426,295	5,153	2,837	3,429	32,527	536,935
Accumulated depreciation	-	(35,248)	(248,300)	(3,721)	(1,530)	(2,336)	-	(291,135)
NET BOOK AMOUNT	11,088	20,358	177,995	1,432	1,307	1,093	32,527	245,800
ON 12/31/2012								
OPENING BALANCE	11,088	20,358	177,995	1,432	1,307	1,093	32,527	245,800
Purchases	-	16	5,055	247	379	215	32,117	38,029
Disposals	-	(85)	(836)	(13)	(136)	(4)	-	(1,074)
Depreciation	-	(2,196)	(34,081)	(294)	(433)	(394)	-	(37,398)
Transfers	-	499	51,192	102	270	37	(52,100)	-
NET BOOK AMOUNT	11,088	18,592	199,325	1,474	1,387	947	12,544	245,357
BALANCE ON 12/31/2012								
Cost	11,088	55,899	476,789	3,838	3,095	3,191	12,544	566,444
Accumulated depreciation	-	(37,307)	(277,464)	(2,364)	(1,708)	(2,244)	-	(321,087)
NET BOOK AMOUNT	11,088	18,592	199,325	1,474	1,387	947	12,544	245,357

The depreciation of equipment and industrial facilities varies according to the production volume, with average rates ranging between 5 and 20 percent per annum. The balance of construction in progress refers mostly to investments in the expansion, upgrade and adaptation of manufacturing plants. Upon completion of such projects and start-up of these assets, they are transferred to the respective accounts of property, plant and equipment in use. Depreciation is recognized from that moment on.

The amount of R$37,398 (R$25,577 for 2011) corresponding to the depreciation expense was recorded in the statement of income in "Cost of sales", while R$35,751 (R$24,163 for 2011) and R$1,647 (R$1,414 for 2011) were recognized in "General and administrative expenses".

The Company capitalized the costs of borrowings directly attributable to the construction of qualifying assets as shown below:

	December 31, 2012	December 31, 2011
Equipment and industrial facilities	17,693	8,444
(+) Cost of borrowings capitalized	186	265

On December 31st, 2012 the Company had property, plant and equipment items, basically consisting of land, pledged as guarantee for lawsuits amounting to R$4,096.

14 TRADE PAYABLES; SALARIES, WAGES AND EMPLOYEE-RELATED EXPENSES; AND OTHER PAYABLES

	December 31, 2012	December 31, 2011
Trade payables	40,687	44,778
Salaries, wages and employee-related expenses	8,186	8,950
Other payables	4,252	4,958
	53,125	58,686
Current	52,710	58,269
Non-current	415	417

15 BORROWINGS

The borrowings, which refer to investments in the expansion and modernization of facilities and in working capital, are characterized as follows:

					December 31, 2012		December 31, 2011	
TYPE	Charges (%)	Guarantees	Amortization	Ending	Current	Non-current	Current	Non-current
BNDES	TJLP + 1.72-4.32 p.a.	Surety – Itaúsa	Monthly and Quarterly	09/15/2018	13,434	42,720	8,016	31,300
CREDIT ASSIGNMENT	7.96 p.a.				20,022	-	-	-
VENDOR				02/26/2013	1,614	-	1,238	-
TOTAL LOCAL CURRENCY					35,070	42,720	9,254	31,300
BNDES	FOREIGN EXCHANGE FLUCTUATION + 1.65-2.12 p.a.	Surety – Itaúsa	Monthly and Quarterly	10/15/2018	2,543	8,414	1,392	5,412
ADVANCES AGAINST EXCHANGE CONTRACTS – FOREIGN EXCHANGE DISCOUNTS	2.40 p.a.			05/20/2013	5,174	-	18,474	-
TOTAL FOREIGN CURRENCY					7,717	8,414	19,866	5,412
TOTAL					42,787	51,134	29,120	36,712

The sureties securing the Company's borrowings were granted by the shareholder Itaúsa S.A., amounting to R$67,111 on December 31st, 2012 (R$46,120 on December 31st, 2011).

The borrowings classified as non-current liabilities break down as follows, by year of maturity:

	December 31, 2012	December 31, 2011
2013		10,718
2014	16,159	9,473
2015	14,391	7,731
2016	13,712	7,090
2017 onwards	6,872	1,700
TOTAL	51,134	36,712

To finance the future continuity of modernization, rationalization and automation programs aimed at improving productivity and reducing operating costs, the Company has a long-term line of credit with the National Bank for Economic and Social Development (BNDES) in the amount of R$123,741 maturing in September 2018. The amount released until December 31st, 2012 was R$79,574, with an unpaid balance of R$67,111 (R$46,120 on December 31st, 2011).

The amounts corresponding to financing transactions are recorded at their amortized costs, which are near their fair values.

Covenants

In the ordinary course of its business, the Company borrows money from financial institutions and enters into commercial agreements with other entities, which are contractually formalized with respective their compliance, restriction and/or guarantee clauses ("covenants"). In general, the restrictions to which the Company is subject, especially as regards borrowing contracts with the BNDES, refer to the appropriate allocation of funds from the bank, which are to be invested in the following: (i) capacity expansion; (ii) modernization of plants; (iii) environment; (iv) purchase of domestically made machinery and equipment; and (v) implementation of production lines. The Company has been in full compliance with the contractual restrictions to which it is subject.

16 DIVIDENDS AND PROFIT SHARING FOR EMPLOYEES AND OFFICERS

	December 31, 2012	December 31, 2011
Dividends and return on equity capital	75	2,154
Profit sharing for officers		156
Profit sharing for employees	350	
TOTAL	425	2,310

Profit-sharing payments to officers are limited to 10 percent of the profit after tax and to the amount drawn thereby, as set forth in the Company's By-Laws. Profit-sharing payments to employees are linked to results, in accordance with the agreement signed with the employees through a committee appointed for this purpose.

17 TAXES PAYABLE

The Company maintains in non-current liabilities, as taxes payable, 100 percent of the amount of taxes which were not paid due to legal actions, as duly updated for inflation, and their respective judicial deposits, as shown below:

	December 31, 2012	December 31, 2011
PIS and COFINS – (i)	22,950	22,226
COFINS – (ii)	21,458	21,396
Other	55	55
TOTAL BEFORE OFFSET OF JUDICIAL DEPOSITS	44,463	43,677
Judicial deposits	(21,513)	(21,451)
TOTAL AFTER OFFSET OF JUDICIAL DEPOSITS	22,950	22,226

The unpaid taxes mainly involve lawsuits regarding the offset of the PIS tax and the COFINS, under Decree No. 07/70, and a 1 percent increase in the COFINS rate.

(I) PIS AND COFINS

The Company offset credits arising out of a lawsuit challenging the constitutionality of Executive Laws Nos. 2,445 and 2,449, of 1988, which changed the method of calculating the PIS tax, and has maintained provisions for these offsets, as duly restated, in non-current liabilities in the amount of R$22,950.

(II) COFINS

As a result of lawsuits challenging the legality of collecting a rate difference of 1 percent for the COFINS, the Company deposited in court, up to the fiscal year ended on December 31st, 2012, the amount of R$21,458 (R$21,396 on December 31st, 2011) in connection with the increase in the COFINS rate and maintains a duly updated provision in the same amount in non-current liabilities.

18 PROVISION FOR CONTINGENCIES

The Company is a party to labor, civil and tax lawsuits and administrative proceedings arising in the ordinary course of business.

(A) PROVISIONS FOR TAX, LABOR AND CIVIL CONTINGENCIES

The provisions for labor, tax and civil contingencies are sufficient to cover any of the losses initially classified as probable. Management believes, based on the opinion of its legal counsel, that such provisions are sufficient to cover probable losses arising out any unfavorable decisions and that the relevant final and non-appealable court decisions will not have significant impacts on the Company's financial and economic position on December 31st, 2012, as shown below:

	Tax	Labor	Civil	Total
ON JANUARY 1ST, 2012	2,983	13,238	3,437	19,658
Adjustment for inflation	113	1,419	445	1,977
Formation	2,815	1,107	-	3,922
Reversal	(1,908)	(2,485)	-	(4,393)
Payments	-	(1,116)	-	(1,116)
ON DECEMBER 31, 2012	4,003	12,163	3,882	20,048

(I) TAX

The actions which are likely to be lost basically refer to lawsuits concerning joint liability for contributions to the National Institute of Social Security (INSS) for contractors, in the amount of R$3,029, and a tax assessment notice regarding ICMS on imports, in the amount of R$974.

In June 2011, the Company settled the amount of R$13,453 concerning the ICMS assessment notice in the State of São Paulo. Since the Company's Management understands that such payment was not due, it has retained external legal advisor to find the best legal strategy for challenging in court the legality of said tax assessment notice.

(II) LABOR AND CIVIL

The Company is a party to labor and civil lawsuits that are being handled by the relevant courts. Provisions pertaining to these lawsuits are made when loss is deemed probable in the opinion of the attorneys responsible for such lawsuits.

The labor lawsuits mainly refer to claims of joint liability, occupational disease, salary equalization and overtime. On the date of these financial statements, 93 lawsuits totaling R$12,163 had their outcomes classified as probable losses. Individually, the amounts involved in such lawsuits do not represent a material risk to the Company's operations.

The civil lawsuits mainly refer to occupational accidents and environmental matters and are fully provided for when loss is considered probable by the attorneys responsible for such lawsuits.

(B) CONTINGENT LIABILITIES

The Company is a party to other tax, labor and civil lawsuits involving the aggregate amount of R$49,481, and because the outcomes were considered possible losses in the opinion of the Company's legal counsel, they are not provided for, as shown in the table below:

	Tax	Labor	Civil	Total
ON DECEMBER 31, 2012	29,461	16,505	3,515	49,481

I) TAX

Contingent liabilities comprise tax assessment notices concerning especially the following themes: (i) contributions to social security amounting to R$8,509; (ii) PIS tax and COFINS on financial income amounting to R$5,697; (iii) ICMS credits on purchases of raw materials originating in the Manaus Free-Trade Zone, in the amount of R$2,424; and (iv) other lawsuits amounting to R$12,831.

(II) LABOR AND CIVIL

Labor liabilities refer to 132 lawsuits involving the amount of R$16,505 and mainly relating to the following: pain and suffering damages, overtime, and joint liability in relation to third parties. Civil lawsuits refer especially to pain and suffering damages and pecuniary damages.

(C) CONTINGENT ASSETS

The Company is discussing in court the reimbursement of taxes, and it is also a party to civil lawsuits in which it has rights or the expectation of rights receivable. According to the assessment of the Company's legal counsel, these lawsuits are classified based on the possibility of victory as probable, possible or remote. Since they are contingent assets, the amounts below are not recorded in the financial statements.

The table below shows the main lawsuits pending decision to which the Company is a party where favorable outcomes are considered probable:

	December 31, 2012	December 31, 2011
TAX		
IPI – credits on products purchased at zero rate		10,392
Other tax lawsuits involving amounts lower than R$10 million	7,840	7,233
TOTAL TAX	7,840	17,625
CIVIL		
Collection/foreclosure of securities out of court	9,903	8,739
Other civil lawsuits involving amounts lower than R$10 million	4,268	3,877
TOTAL CIVIL	14,171	12,616

19 NET SHAREHOLDERS' EQUITY

(A) CAPITAL STOCK

On December 31st, 2012 and 2011 the subscribed and paid-up capital stock amounted to R$320,000, divided into 31,485,170 book-entry shares with no par value, 14,518,150 of which were common shares, and 16,967,020 non-voting preferred shares.

As decided at the Annual and Special Shareholders Meeting held on April 28th, 2011, the capital stock was increased from R$220,000 to R$320,000, without any new shares issued, through the capitalization of R$100,000 of the capital, special goodwill and special revenue reserves.

(B) CHARACTERISTICS OF SHARES

The non-voting preferred shares have the following characteristics:

(i) Priority over common shares in the distribution of the mandatory minimum dividends;

(ii) Dividends per preferred share are never to be inferior to those attributed to each common share;

(iii) Share in capital increases arising out of the capitalization of reserves and profits;

(iv) Priority over common shares in capital reimbursement, without premium, in the event that the Company is liquidated;

(v) In the event of transfer of control, the right to be included in the public offering for the acquisition of shares, so as to ensure a unit price equivalent to 80 percent of the amount paid for each voting share in the control stock;

(vi) Minimum annual non-cumulative priority dividend of R$2.00 per thousand shares, to be adjusted in the event of split or reverse split.

(C) STATUTORY RESERVE

The statutory reserve is made annually as an appropriation of 5 percent of the net income for the fiscal year and cannot exceed 20 percent of the capital stock. The purpose of the statutory reserve is to ensure the integrity of capital stock, and it can only be used to offset losses and increase the capital. On December 31st, 2012 and 2011 the statutory reserve amounted to R$16,967.

(D) SPECIAL RESERVE

The special reserve is formed out of the net income balance remaining after the formation of the statutory reserve and the distribution of dividends and serves the following purposes: (a) exercise of preemptive subscription rights in capital increases of any investees; (b) any future additions of the relevant funds to the capital stock; and (c) payment of interim dividends distributable according to the decision of the Management Board, subject to approval by the Shareholders Meeting. On December 31st, 2012 the special reserve amounted to R$120,168 (R$120,445 on December 31st, 2011).

(E) TAX INCENTIVE RESERVE

The tax incentive reserve is formed out of funds from credits resulting from the income tax cut that are recorded in the results for the fiscal year, which are subsequently transferred to the tax incentive reserve and excluded from the dividend calculation because, according to the tax laws for the time being in force, they cannot be distributed to shareholders. On December 31st, 2012 this reserve amounted to R$11,488 (R$10,786 on December 31st, 2011).

(F) PROPOSED DIVIDENDS

The proposed dividends set out in the Company's financial statements, subject to approval by the shareholders at the Shareholders Meeting and calculated in accordance with Brazil's Joint-Stock Companies Act, especially the provisions of articles 196 and 197, is presented in Note 28.

20 REVENUES

The reconciliation of gross revenues to net revenues is as follows:

	December 31, 2012	December 31, 2011
GROSS SALES REVENUES	1,121,250	976,481
Domestic market	970,898	881,079
Foreign market	150,352	95,402
Taxes on sales and returns (IPI, ICMS, PIS, COFINS)	(221,441)	(199,788)
NET SALES REVENUES	899,809	776,693

21 EXPENSES BY NATURE

	December 31, 2012	December 31, 2011
Raw materials and consumables	702,983	605,498
Compensation, payroll charges and employee benefits	81,644	71,287
Freight expenses for sales	30,023	29,003
Depreciation	37,632	25,577
Maintenance expenses	13,257	10,528
Third-party services	9,537	9,529
Other expenses	20,374	17,621
TOTAL	895,450	769,043
Cost of sales	803,659	687,123
Selling expenses	42,031	37,762
General and administrative expenses	49,760	44,158
TOTAL	895,450	769,043

22 OTHER EXPENSES, NET

	December 31, 2012	December 31, 2011
Tax provisions, net	(781)	2,497
Labor provisions, net	(42)	(3,304)
Civil and environmental provisions, net	(445)	847
Provisions for losses on inventories	(437)	(4,340)
Profit sharing for employees and officers	(350)	(2,880)
Projects and research	(65)	(1,014)
Variation in the pension plan of *Fundação Itaúsa Industrial*	1,655	1,902
Reversal of provision for losses on PP&E	-	620
Approval of tax credits	-	1,041
Other expenses	(1,914)	(1,797)
OTHER EXPENSES, NET	(2,379)	(6,428)

23 FINANCIAL INCOME AND EXPENSES

The financial result comprises the following financial income and expense items:

	December 31, 2012	December 31, 2011
FINANCIAL INCOME		
Return on financial investments	3,666	6,097
Foreign exchange gains	15,076	17,450
Interest and discounts earned	1,852	2,442
Reversal of adjustment to present value	316	1,455
Other	859	768
TOTAL FINANCIAL INCOME	21,769	28,212
FINANCIAL EXPENSES		
Charges on borrowings	(5,220)	(1,894)
Foreign exchange losses	(13,939)	(16,176)
Adjustment to present value	(2,721)	
Other	(1,599)	(1,639)
TOTAL FINANCIAL EXPENSES	(23,479)	(19,709)
TOTAL FINANCIAL INCOME (EXPENSES), NET	(1,710)	8,503

24 FOREIGN EXCHANGE GAINS (LOSSES), NET

The exchange differences (charged) credited to the statement of income are as follows:

	December 31, 2012	December 31, 2011
Foreign exchange fluctuation gain	15,076	17,450
Foreign exchange fluctuation loss	(13,939)	(16,176)
	1,137	1,274

The amounts above are recorded in the “Financial income (expense)” account in the statement of income for the fiscal year.

25 INCOME TAX AND SOCIAL SECURITY FUNDING TAX ON NET INCOME

Reconciliation of income tax (IRPJ) and social security funding tax (CSLL) expense.

IRPJ AND CSLL EXPENSE BREAKDOWN	December 31, 2012	December 31, 2011
Profit before income and social security funding taxes	375	9,720
(-) Offset against income and social security funding tax losses	(112)	(2,916)
Income tax and social security funding tax rate of 34%	(89)	(2,313)
Permanent additions (exclusions)	(449)	(924)
Temporary additions (exclusions)	2,294	6,285
Return on equity capital	-	1,285
Tax incentives	702	567
Deferred taxes on income and social security funding tax losses	(2,374)	207
TOTAL	84	5,107
Current income tax and social security funding tax	-	-
Deferred income tax and social security funding tax	84	5,107

26 SEGMENT INFORMATION

In adopting the principles set forth by the pronouncement concerning Segment Information, Management defined the Company's reportable operating segments based on its review of the reports used in strategic decision-making, and is responsible for allocating funds, assessing performance by operating segment and making strategic decisions. Accordingly, the operating segments were divided into two large product groups, namely, Organic Chemicals and Inorganic Chemicals, which have different characteristics in relation to their respective markets.

Organic Chemicals: These include Oxo Alcohols, Phthalic and Maleic Anhydrides, Plasticizers, Unsaturated Polyester Resins, Formaldehyde, Urea-Formaldehyde Concentrate, and Fumaric Acid.

Inorganic Chemicals: Comprising Sulfuric Acid and some other resale activities.

				On December 31st, 2012
	Organic chemicals	Inorganic chemicals	Corporation	Total Company
Net revenue	827,723	72,086		899,809
(-) Cost of sales	(740,532)	(63,127)		(803,659)
GROSS MARGIN	87,191	8,959		96,150
Selling expenses	(35,467)	(6,564)		(42,031)
Administrative expenses/other			(52,034)	(52,034)
Financial income (expense)			(1,710)	(1,710)
Taxes on profit			84	84
NET INCOME				459
PROPERTY, PLANT AND EQUIPMENT, NET	191,948	13,325	40,084	245,357

				On December 31st, 2011
	Organic chemicals	Inorganic chemicals	Corporation	Total Company
Net revenue	690,949	85,744		776,693
(-) Cost of sales	(634,270)	(52,853)		(687,123)
GROSS MARGIN	56,679	32,891		89,570
Selling expenses	(32,298)	(5,464)		(37,762)
Administrative expenses/other			(50,591)	(50,591)
Financial income (expense)			8,503	8,503
Taxes on profit			5,107	5,107
NET INCOME				14,827
PROPERTY, PLANT AND EQUIPMENT, NET	186,604	15,694	43,502	245,800

The Company elected not to present profit, assets and liabilities separately for each of the operating segments in which it is engaged because they share the same indirect cost, administrative expense and selling expense structure.

27 EARNINGS PER SHARE – BASIC AND DILUTED

	December 31, 2012	December 31, 2011
Net income attributable to shareholders	459	14,827
Weighted average number of outstanding shares (in thousands)	31,485	31,485
EARNINGS PER SHARE (R$), BASIC AND DILUTED	0.01	0.47

For the fiscal years presented herein, the Company did not have any such convertible instruments or other liabilities as could potentially dilute the number of outstanding shares.

28 DIVIDENDS AND RETURN ON EQUITY CAPITAL

The shareholders are entitled to a compulsory dividend in an amount equivalent to 25 percent of net income determined for the same fiscal year, as adjusted by any decrease or increase in the amounts specified article 202, section I, items (a) and (b), of Law No. 6,404/76, subject to sections II and III of said article.

Dividends were calculated as follows:

	December 31, 2012	December 31, 2011
Net income for the fiscal year	459	14,827
(-) Reduced IRPJ tax incentive recognized in income (losses)	(702)	125
(-) Statutory reserve (5%)		(748)
(=) Calculation basis	(243)	14,204
MINIMUM COMPULSORY DIVIDEND (25%)		3,551
Return on equity capital recorded for the fiscal year [1]		3,778
(-) Withholding Income Tax (IRRF)		(567)
Dividends to be declared		340
(=) NET RETURN		3,551

1. As permitted by the applicable laws and set forth in the Company's By-Laws, the amount corresponding to return on equity capital, net of income tax, is being attributed to the minimum compulsory dividend. As set forth in the Company's By-Laws, preferred shareholders are entitled to a minimum annual non-cumulative priority dividend of R$2.00 per thousand shares, which is recognized in these financial statements in current liabilities, in the amount of R$34.

29 BALANCES AND TRANSACTIONS WITH RELATED PARTIES

(A) SALES AND PURCHASES OF PRODUCTS AND SERVICES, DIVIDENDS AND FINANCIAL INVESTMENTS

The transactions with companies owned by the parent company Itaúsa refer to purchases and sales of products and services and property leases, and are carried out at prices, for periods and on terms commonly in use in the market.

			December/2012			December/2011		
COMPANY	Re.	Nature of Transaction	Assets	Liabilities	Results	Assets	Liabilities	Results
Itaú Seguros	a	Service provided	-	-	(984)	-	-	(956)
Itaú Banco	b	Financial investment	13,444	-	1,100	12,890	-	1,976
Itaú Corretora de Valores	c	Service provided	-	-	(67)	-	-	(74)
Itaúsa Empreendimentos	d	Service provided and dividends/ROEC		-	(181)	-	8	(281)
Itautec	e	Purchase of Hardware/Software	-	-	(384)	-	-	(657)
Duratex	f	Products sold	794	-	8,588	565	-	7,788
Itaúsa	g	Dividends/ROEC	-	-	(117)	-	1,877	(61)

The financial investments in Banco Itaú S.A. are made under normal money market conditions and within the limits set by the Company's Management. Returns on financial investments are recognized in the statement of income.

(a) Itaú Seguros – contracting of insurance policies.
(b) Itaú Banco – cash and cash equivalents.
(c) Itaú Corretora de Valores – provision of share custody services.
(d) Itaúsa Empreendimentos – provision of economic and financial analysis services; payment of dividends.
(e) Itautec – purchase of hardware, software and services.
(f) Duratex – property lease and purchase of finished products.
(g) Itaúsa – payment of dividends and property lease.

The sureties securing the Company's borrowings were granted by the shareholder Itaúsa S.A., amounting to R$67,111 on December 31st, 2012 (R$46,120 on December 31st, 2011), as mentioned in Note 15.

(B) MANAGEMENT COMPENSATION

Key management personnel includes management board members elected at the Annual Shareholders Meeting and directors appointed under the Company's By-Laws. The compensation paid to management personnel includes fixed fees, profit sharing and benefits. The amounts incurred are fully recorded in the statement of income for the fiscal year, as shown in detail below:

	December 31, 2012	December 31, 2011
BOARD OF DIRECTORS	3,793	3,303
- Fees	2,642	1,781
- Profit sharing	-	593
- Payroll charges (INSS and FGTS)	829	538
- Short-term benefits	131	112
- Post-employment benefits	191	279
MANAGEMENT BOARD	2,360	1,671
- Fees	1,908	1,320
- Payroll charges (INSS)	316	264
- Post-employment benefits	136	87

30 EMPLOYEE BENEFITS

(A) STOCK OPTION PLAN

In order to integrate officers, directors and employees into the Company's mid-term and long-term development process, the Special Shareholders Meeting held on July 31st, 2003 approved the creation of a stock option plan entitling them to a part of the appreciation of shares in the Company's capital stock resulting from their work and dedication. By the closing of these financial statements, said plan had not had any effects to be recognized herein.

(B) DEFINED-CONTRIBUTION PLAN – PRIVATE PENSION PLAN

Elekeiroz S.A. offers all of its employees a private pension plan of the defined contribution type (PAI-CD Plan). The plan is managed by Fundação Itaúsa Industrial, a non-profit closed private pension entity sponsored by the Company, among other entities. Due to the nature of the plan, there is no actuarial risk, and the investment risk is borne by its participants. The regulations for the time being in force provide for contributions from employees ranging from 1 to 10 percent of their salaries, while the sponsor contributes 100 percent of the amount contributed by employees. Up until December 31st, 2012, the contributions amounted to R$1,504 (R$2,657 on December 31st, 2011).

The PAI-CD Plan comprises a pension fund consisting of contributions from sponsors which remained in the plan because the relevant participants have opted for redemption or early retirement. According to the regulations for the plan, such funds have been utilized to offset contributions from sponsors. As a result, the Company recorded in its balance sheets an asset related to such credits (prepaid expenses – pension fund) taking into consideration the reduction of future payments that will occur due to the offsets against this fund. Said asset was measured by calculating the present value of future contributions to be made by the Company, considering the employees subscribing to the plan on the closing date of these financial statements, and amounted to R$9,755 (R$8,100 for 2011).

31 INSURANCE COVERAGE

The Company has a risk management program to mitigate risks and searches the market for insurance coverage compatible with its size and operations. Insurance coverage has been contracted for amounts considered sufficient by Management to cover any losses, considering the nature of the Company's business, the risks involved in its operations and the advice of its insurance consultants. On December 31st, 2012 the insurance coverage and miscellaneous risks for inventory and property, plant and equipment items amounted to R$604,382 (R$261,870 on December 31st, 2011).

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