Q1 2013 Earnings Call

Company Participants

- Carlos Fadigas, CEO
- Guilherme Melega, IRO and Corporate Controlling Officer
- Marcela Drehmer, CFO

Other Participants

- Frank McGann, Analyst
- Unidentified Participant

Presentation

Operator

Good morning, ladies and gentlemen. At this time, we'd like to welcome everyone to Braskem's First Quarter 2013 Earnings Conference Call. Today with us we have Carlos Fadigas, CEO; Marcela Drehmer, CFO, and Guilherme Melega, IRO and Corporate Controlling.

We would like to inform you that this event is being recorded and all participants will be in a listen-only mode during the conference presentation. After Braskem's remarks are completed, there will be a question-and-answer session. At that time further instructions will be given. (Operator Instructions).

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

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

Investors should understand that general economic conditions, industry conditions and other operating factors could also affect the future results of Braskem and could cause results to differ materially from those expressed in such forward looking statements. Now, I will turn the conference over to Guilherme Melega, IRO and Corporate Controlling Officer. Mr. Melega, you may now begin your conference sir.

Guilherme Melega {BIO 18255356 <GO>}

Good morning, ladies and gentlemen. Thank you for participating in another Braskem earnings conference call. Today, we will be commenting on our results for the first quarter of 2013.

First, we would like to remind you that, pursuant to Federal Law 11,638 from 2007, the results presented in today's presentation reflect the adoption of International Financial Reporting Standards, IFRS. Note also that the company currently has assets in the process of divestments, and therefore, the results are recognized as profit or loss from the continued operations. The information in today's presentation was reviewed by the independent external auditor.

Let's go to the next slide, where we will begin our comments. In slide three, we present the highlights of the first quarter of 2013. The capacity utilization rate of crackers stood at 90%, including 8 percentage points from the average in the last quarter of 2012, which was impacted by the operating problems due to productivity in the electricity supply.

Brazil's thermoplastic resins market grew by 5.6% to 1.3 million tons in the quarter, with actually following local demand trend with sales volume of 921,000 tons, leading its market shares to expand to 71% in the quarter.

EBITDA was R$937 million or $470 million and exceeding kind of stronger sales in the Brazilian market and the recovering strengths (inaudible) with the deep price of petrochemicals, which followed international market. Compared to the fourth quarter, excluding the non-recurring effect in both periods, EBITDA in dollar in the first quarter of 2013 grew by 10% as part of the strategy to diversify its feedstock matrix, Braskem continued to make progress on its greenfield project in Mexico to ensure the units start up in the first half of the 2015.

Construction reached 26% completion and is advancing from (inaudible). Also, the company expanded its pre-marketing activity with local clients. We should also mention the Congress made as many the condition was presented for the first installment of the project finance, which should occur in the second quarter, for which government responded to different uncertainties in the global scenario, in which turned the competitiveness of the Brazilian chemical companies and manufacturers -- the competitiveness of -- resilience in the competitiveness of manufactures and encouraging new investments we made with a further reduction in the May is approved reduction in the PIS and COFINS tax rate for (inaudible) inputs by seven generation producers, which are consumed by approximately 50 companies. The tax rate moved to a unit 1% from 2013 to 2015 and as well as 2016, will gradually rise into 2018.

Let's move to the slide four. Slide four shows the percentage of Brazil's thermoplastic resin market and Braskem sales. Demand for thermoplastic resins reached 1.3 million tons in the first quarter of 2013, 5% higher during the same quarter last year, explained by the strong performance of the food and construction industries.

Compared to the fourth quarter 2012, the demand grew 5.6% reflecting the stocking trend in the chain. Braskem's sales grew about around 9% from the year ago period in line with its strategic growth in the Brazilian market and are also benefiting from the new PVC plant in the State of Alagoas. This performance will add to the company's market share to expand to 71%, at the end of this first quarter for a unit 3% point from Q1 2012.

Compared to the first quarter of last year sales grew by 6.2% but we are not in (inaudible). Next slide presents the factors that influenced the EBITDA in the first quarter of 2013 compared to last quarter -- last year. Braskem's consolidated EBITDA was R$937 million, growing 6% when compared to the recurrent EBITDA of Q4 2012 which was partly impacted by investment of non-core assets amounting R$560 million.

The recovery is mainly explained by the highest price for thermoplastic business in key basic petrochemicals and international market, which expanded by 24 and 6% respectively and by the improvement in the sales mix especially in domestic market. The average appreciation in the reais generated a positive impact of R$64 million formed by a positive revenue impact of R$223 million and a negative cost impact on R$287 million.

Let's go to the next slide, please. On March 31st 2013 the company had consolidated net debt of $9 billion including 5% [ph] from December 31st, 2012. We will expand by the additional funding of $305 million through the bridge loan for integrated project in Mexico, which will be repaid up on the first disbursement of the project finance scheduled for June 2013.

In Brazilian real, consolidated gross debt grew by 3% in the period. At the end of the period, 70% of gross debt was denominated in U.S. dollar. The balance of cash investments which in the prior quarter benefited from the sale of railcars by Braskem America, decreased $95 million to $1.615 billion. As a result, Braskem's consolidated net debt in U.S. dollar and Brazilian real increased by 8% and 6% respectively to $7.4 billion and R14.9 million. The percentage of net debt denominated in U.S. dollar was 75%. Excluding from the debt balance, the bridge loan of the Mexico Project, which totaled $619 million in the first quarter of full year, net was $6.9 million.

EBITDA growth in the last 12 months partially offset the including net debt, as result, leverage measured by the net debt/EBITDA ratio in U.S. dollars increasing from 3.42 times in December to 3.62 times in March. Excluding the Mexico project from the analysis, financial leverage measured by the net debt/EBITDA ratio stood at 3.34 times inline with the previous quarter. On March 31, 2013, the average debt term was around 14 years. And considering only the portion denominated in U.S. dollar, the average debt term was around 19 years. The average cost company debt on March 31, 2013 was 5.98% in U.S. dollar and 8% in Brazilian real, compared to 6.24% and 7.58% respectively, in the prior quarter.

If we exclude the Mexico project from the company's debt amortization schedule, which will be repaid upon the first replacement of the project finance, as already mentioned, only 5% of that total debt matures in 2013. Honestly the asking -- high liquidity ensures that its cash and cash equivalents to cover the payment of obligations maturing over the next 25 months. Considering also the stand-by credit facilities, this coverage equals to 34 months.

Let's go to the next slide, please. Slide number seven shows CapEx in the first quarter of 2013. Maintaining its commitment to making investments with returns above the cost of capital, Braskem made operational investments of R$297 million. Around R$260 million or 90% of the amount was allocated to maintaining and improving its assets, investments in the first quarter for the Mexico project were made through a bridge loan. The company expects investments via equity through June in the second quarter of 2013, once it resume the first disbursement of the credit payments [ph].

Regarding the disbursements to be made in 2013, investments is estimated at R$2.2 billion which around 70% allocated to maintenance and improving the productivity and reliability of the assets, including the additional expenses arising from the scheduled maintenance shutdown of one of the lines at the cracker of the Camacari unit scheduled for the fourth quarter and expected to last 30 days and 25% donated to new petrochemical complex in Mexico.

The remainder is related to other operating investments in our other projects in progress, such as the studies we allotted the Comperj project, the construction of a pipeline for the future supply of propylene to the acrylics complex in Bahia as well as other projects.

Let's go to slide, page eight. Slide eight shows the progress of the integrated projects of the production of polyethylene in Mexico. The project which should being operating at the end of the first half of 2015 will be the first (inaudible) to come around the region. Construction is advancing on schedule and is 26% completed, with more than 6000 workers involved in the project. In addition to the advance in terms of fixed cap, the project will also benefit from Mexico's polyethylene market which currently is (inaudible) for around 70% of its demand. Braskem also continue to expand its premarketing activities.

As far as the financing structure, the team has been making progress in making the conditions for the first disbursement of the project finance (inaudible) final in December which is expected to be at June this year. However, the main priorities are starting of electro-mechanical assembly with the arrival of the pieces of equipment and materials at the site, expanding the pre-marketing activities, and hiring and training people to operate the future industrial operation.

Let's go to slide nine please. Slide nine covers the global petrochemical industry. The scenario is still market by caution. The continued uncertainty regarding the European financial crisis and its impact on the world economy and growth in emerging countries continues to focus attention.

As for the petrochemical market, 2013 is expected to be an improvement in spreads, although modest evaluation to 2012. In the medium and long-term, spreads are expected to gradually recover through flat, stronger global demand driven by growth in emerging counties. We also highlighted the uncertainty regarding the (inaudible) of new projects in Asia, in the Middle East that could return a global supply and demand balance and lead to stronger recovery and the profitability of the global petrochemical industry compared to projects based on shale gas announced in US should begin to come on line (inaudible) in 2017.

However, this new capacity is not expected to change pricing dynamics of the petrochemical market, which will continue to move Naptha as its main feedstock. In Brazil, the continued growth in household income and the recent mergers adapted by federal government to boost demand and improve the competitiveness of Brazilian manufacturers could also have a positive impact on both petrochemical and plastics chain.

Let's go to the last slide. The slide represents the main areas in which management is currently focusing on. In line with its strategy to strengthen its business and boost its competitiveness, Braskem remains committed to supply in the local market and continues to invest in innovation, developing new applications and supporting the industry's growth, with the subsequent expansion of its domestic market share.

However, the global scenario remains challenging, which reinforce the need for an industrial policy, which is more comprehensive and continues to boost the competitiveness of the world's petrochemical and plastics chain and to encourage new investments in the sector.

In this context, Braskem has invested in projects to diversify its fixed cost metrics and improve its competitiveness in the global cost curve by building the integrated petrochemical complex in Mexico for the traditional polyethylene and advancing the engineering studies (inaudible) new petrochemical complex in Rio de Janeiro. The company, also remains focused on continued pursuit of operating efficiency by increasing its capacity utilization rate in adding value to its business streams, such as the new PVC plant and the toluene expansion, both of which were delivered in 2012. And all these will be done in the operating side of maintaining the company's financial stability in a scenario marked by global financial crisis.

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

Questions And Answers

Operator

Thank you. The floor is now open for questions. (Operator Instructions) Mr. Frank McGann from Bank of America would like to make a question.

Q - Frank McGann {BIO 1499014 <GO>}

Hi, good afternoon. Just quickly looking at supply and demand as you look into the second quarter and the third quarter, just wondering what your expectations are in terms of pricing and margins in Brazil? And then as part of that also, the competitive market for imports of course has been a key issue that's been partly addressed by government's responses in terms of taxes. I was just wondering how you see that competitive environment affecting sales and margins now and if there are assuming no additional moves by the government how do you -- are you seeing any signs that the competition is perhaps a little bit less now than it was previously?

A - Carlos Fadigas

Frank, it's Carlos Fadigas speaking. It's gotten worse for our supply and demand balance as you mentioned. What we've seen in the first quarter of the year was improvement in international margins, international spreads, our spread here is nearly follows the international crisis and therefore, we had also better spreads in the first quarter, just like any other petrochemical company.

We do expect to have in the year, in '13, an average better than what we had last year. 2012 was a tough year in terms of spreads, the lack of demand, especially the weakening situation in Europe hurt the spread for most of the petrochemical companies. Putting aside those in the U.S., they're using very cheap butane, but putting aside them, if you think about Europe, if you think about Asia, the spreads went down because of international prices of raw material in particular. So during the first quarter of this year, we expect to have a better evenly compared to 2012 and that should be added to a better demand in the year. So volumes is the local trend, the local dynamic spread installed in connection of trends. So better spread on top of our growth in domestic market and at this point, we are forecasting at 4% over 2012, although we had 5% growth in the first quarter. But I mean, it's still a bit conservative in things of volumes going forward in a new growth to have something. I did it better than that, but right now, it's very tough for us to forecast anything beyond that point.

The combination of these two things should give us a better operation of EBITDA in 2013. It's hard to us exactly how much and because of all the things we've seen over the last two years, very volatile and drastic forecast market, we can't grow much further, elaborate much further how better will the spread be, I think that something while into a little bit more conservative in spreading seeing the first quarter is a eligible number at these point. If it is not enough to meet the number, there is no number at this point.

The end of market share review, quickly -- just to recap quickly, what we had reviewed with a very good distortion of work in states, different states where we have strengthened have the capacity to return straight access to the imported and they have 12% of tariff and in some cases, they will give you back the imported group 10 percentage points out of 12 they had -- the revise to charge. So it will be 10% direct on import that provide us very deep competitive advantage of imported goods, we bought that last year, and it's kind of review that resolution that should prevent it's state. That became possible, let's say, at the turn of the -- 12 to 14.

Some finance adjustments are been made to the practical manners of how we apply actually these decision of the Brazilian senate. But we have already seen less (inaudible) in the import of imported resin and also classified transformed groups because of that. To recap, the import gas for polyethylene was very notable to 13, 14 to 20 and that has been down to allow the Brazilian industry to regain market share. When you combine all these things, it came from something around 64 at the end of '11, which is the lowest point, to 70 in the first quarter. With here at 71 right now, we'd expect -- we want to keep growing. We have a new PVC plant and that is how capacity is growing. So, in terms of the dynamics, going forward in the year, as you said, taking into consideration that we don't think that the government will redo all those things, but even if it don't, and I understand, that's your question, even if they don't, we do believe in the capacity of Braskem allowing to keep the current market share of 71%, but I do believe we would be able to pick up a few additional percentage of the market share -- of the Brazilian market.

Q - Frank McGann {BIO 1499014 <GO>}

Okay, thanks. And just in terms of the trends that you're seeing the second quarter, any indications you might have for how you think the third quarter will look? Are those supportive of the kind of margin trends that you're expecting for the full year?

A - Carlos Fadigas

Yes, Frank. Starting with volume, we believe we're going to have volumes in the second quarter of the year, they would be roughly domestic market in line with the first quarter. If we look at seasonality year-over-year, the second quarter is actually stronger, but we had a very strong first quarter. So, we are being conservative here and assuming we're going to have similar volumes in the second quarter.

In terms of spreads, what we have seen is that we're going to have margins that won't be as good as the ones or the same size of the ones we had in the first quarter. So, it should come down a little bit, not much.

So, I think that a similar EBITDA as we try to keep Braskem reducing slowly, it should provide us with something in the with the EBITDA we had in the first quarter of the year. We have to bear in mind that for the second quarter, we're going to start having the benefit of the reduction in taxes and the raw material, that's the outflow of cash from roughly $300 million, R$600 million for the remaining of the year.

This decision became to producing facts on May 2. So, some part of that will improve the result for the second quarter, but basically if we were talk only about the provisional results coming from volumes and spreads, I'd say it's something in line, it's something that we would be aiming for, although the margins would be a little bit tighter than what we saw in the first quarter of the year. Does it answer your question?

Q - Frank McGann {BIO 1499014 <GO>}

Okay, yeah; with the tax benefits -- essentially a little bit better, is that what you're saying?

A - Carlos Fadigas

Yeah, exactly.

Q - Frank McGann {BIO 1499014 <GO>}

Okay, thanks.

Operator

(inaudible) please, if you would like to make a question.

Q - Unidentified Participant

Hi. Good afternoon, everyone. I have two follow-ups from the Portuguese call. One is on the fixed costs in G&A, you've had quite a nice benefit in Q1 versus Q4, almost as good as the price increase effect. So I'd like to understand just a little bit better what are you doing, if we can expect further benefits in the quarters to come and so on.

And the second question would be in the release you mentioned that you expect the government to announce new measures to incentivize the industry. Are we talking about just the inclusion of PP in the list (inaudible) increased the renewal of the PE or are you looking for something else as well. That would be a (inaudible). Thank you.

A - Carlos Fadigas

Okay. Andre [ph] I'll start with your second question that actually links with the question made by Frank about what has happened to import and I mentioned we do expect the government to lot of things.

So I'll start with the second one and then back on to Marcela to answer your question about fixed costs. There are two set of things that we believe that can and will be done by the government at a certain point. The first set of things is the items that are still in the agenda of the competitiveness team that is working team that was fit together to incentivize the development of the Brazilian industry. Just, a brief recap, back in 2010 the Brazilian government announced a package to boost the economic growth of the company, it created 19 competitiveness focus groups on different industries.

One of these groups are working to provide (inaudible) items for the government on petrochemicals, chemicals and petrochemicals. The reduction in taxes on raw materials was one of our recommendations from this group and that the government accepted and implemented. We still have three other items in that agenda that we do not (inaudible). One of them, I mentioned, additional incentives for innovation. Second one, mentioned, incentives for the Green chemical production in the group and that could potentially be in Greenfield. And the third one mentioned, a reduction with the client in the price of gas as raw material for the chemical industry.

So this competitiveness group that have stood with the government in terms of development, have seen the government act in one of the (inaudible) and we actually are still in constant dialogues with the government on these other topics. We are not -- has matured in the first one, as the reduction in taxes matures, that we need to keep working and then a very important thing that when you think about innovation and when you think about bringing prices of gas into balance something closer to what we see in other places of the world.

The second set of things have to do with what Brazil has been doing in terms of international trade, import and export. And these are eminent that duely imposes taxes on (inaudible) to 20% in last October. There is an additional need to calculating that should be analyzing the development. We believe they're going to be analyzing that at a certain point at the end of the third quarter, and those should eventuate similar to what have been done with the (inaudible) import tax for propylene.

This is a one year increase and that be expanded to one additional year. So, all talks at this point is to have the P/E increased and eventually reviewed for one more year, to October '14 and I believe that including 50 in the lead, we'll be getting the futured as well just to add a bit of (inaudible) this year.

This is not a list of petrochemical segment, this is a list of 100 different products of both different segments, including other chemicals that Braskem does not produced, including products from our customers including textile industry, fuels, several different products is in our short-term measure, as I mentioned, one year -- for one year and the list of 100 products. The initial 100 was approved the last year and it is going to be a second and final list of 100 products should be analyzed and approved this year.

We're able to include PE to be added in the first list and we are hoping to eventually include PP in the second list, but again it is a short-term measure. The solution of the long-term has to do with reducing cost of the operation, to be in competiveness as we all know from traditional metrics and numbers.

A - Marcela Drehmer {BIO 16721570 <GO>}

Okay. (inaudible) with your answer. While we talk about the selling expenses, in this case, just to remind you, in the last quarter of 2012, the number was impacted by the margin cost and also freight cost, and what should be related to the previous quarters. So, the (inaudible) in first quarter was higher than it was supposed to be. This is the big difference regarding selling.

In G&A, what we have this quarter is that we had less outsourced cost and also less institutional [ph] payments that we reduced the cost for the quarter. In terms of expectation and more normalized numbers, I think the number this quarter is too low and the previous quarter is too high. So a number between the two of them could be a good number for the full year, okay, for each quarter, a normalized number for the quarter. Okay?

Q - Unidentified Participant

Perfect. Thank you, very much.

A - Marcela Drehmer {BIO 16721570 <GO>}

You're welcome.

Operator

(Operator Instructions) I will turn over to Mr. Carlos Fadigas for closing remarks.

A - Carlos Fadigas

I believe there is one more question on the line that I would be very willing to take, if you could pass it to them.

Operator

(Foreign Language)

Q - Frank McGann {BIO 1499014 <GO>}

Okay, thank you very much. Yeah, just to follow up on the comment from the Portuguese call, in terms of, I believe, you made the comment that you were willing to -- have been looking at Solvay [ph] assets. I'm just wondering how competitive you see those assets and certainly relative --

A - Carlos Fadigas

I'm not -- I believe eventually Frank got disconnected, but I will have an answer to his question about competiveness of the assets in the region. The Solvay PVC plant being sold by Solvay in both (inaudible) ready to join us on the call, and we can surely answer to the question. Meanwhile, you can always access to the conference call replay [ph] and answer to the question.

Solvay has two PVC plants, one in Sao Paulo, Brazil; one in Argentina. The combined distribution 500,000 tons of PVC and actually at this point they do not have the competitiveness of the North American PVC players that have both competitive in (inaudible) very, very important for the production of PVC and competitive ethylene but these let's say, less competitive asset have the fact that they are somehow less competitive in the US as it reflected in the US plants. So I -- based on what have been discussed and reported by the (inaudible) we believe that if we are less competitive and that's the case that will have effect on the price -- of the transaction. So whoever buys that, depending of who does that, we will have it priced at a position that will reflect that. We -- (inaudible) position we have been able to increase competitiveness, we have to really acquire over time, that has been the case for those PE entities as it kept its synergies and improved the positions.

So we are, as I said, keeping close track of what is happening at these assets in the heart of our market. It's been supplied by ethane actually by one of those assets and we still have to participate and to understand who is on these assets at the end of the line. I'm not sure I've answered completely the question that Frank had (inaudible) but that's our prespective on these assets.

Q - Frank McGann {BIO 1499014 <GO>}

Okay. Can you hear me?

A - Carlos Fadigas

Yes, I can hear you.

Q - Frank McGann {BIO 1499014 <GO>}

Okay, okay. Yeah, and I was just -- just in terms of the technology or any environmental issues, are there anything that you're aware of that would make it somewhat difficult to acquisition or is everything pretty much as you would expect it again?

A - Carlos Fadigas

Frank did you think that we have, I would say, good experience with these type of assets, the team from Braskem have been involved in the production of PVC for more than 30 years now and we do have people with more than 30 years of experience. Our involvement dates back to 1979. Based on everything we know, these assets don't have any relevant challenge in terms of competitiveness, technology or environmental liabilities. What typically happens in these types of transactions and again (inaudible) is that the buyer who has the opportunity to eventually carve off liabilities or discuss how these would be mitigated over time.

But based on what we know and each supply depend, as I mentioned to you, supplied in Sao Paulo, they are (inaudible) with good technology and good competitiveness especially in the region, I mean, good competitiveness compared to the plants that we have and the plants that Mexican -- in Colombia in Mexico.

Q - Frank McGann {BIO 1499014 <GO>}

Okay, great. Thank you very much.

A - Carlos Fadigas

You're welcome.

Operator

(inaudible) would like to make a question.

Q - Unidentified Participant

Yes, good morning. Pertaining to the question on the possible interest in acquiring Slovay asset. Braskem has been making a lot of progress and working very hard to retain its investment grade ratings -- the agency despite difficult industry conditions. Would -- you will only pursue this acquisition if you were sure it wouldn't risk down rate?

A - Carlos Fadigas

It's a very good question and it gives me actually the opportunity to reinforce our commitment with our investment grade and deleveraging in Braskem. We ended the first quarter somewhere around 3.5 net debt-to-EBITDA ratio.

We want to bring that down in very close to 2.5 [ph] as fast as we can and we're really making good progress in that. We've included our EBITDA, operational EBITDA generation, we had quantities better than that (inaudible) first quarter 2012. We were able to get tax advantage to help us only in 2013 because we already produced -- bear in mind that we became effective only -- should generate some 300 million of R$600 million reais of incentives for us that goes straight to the EBITDA of the company, that should help us deleverage us well. And in sell through assets, that accounted profit of $320 million, R$650 million in the last year.

So both from operation, tax incentives and sale of assets, we've been able to make good progress in deleveraging Braskem and the goal is to keep doing investment grade.

I believe that an eventual acquisition of PVC asset of -- a PVC asset would not reduce investment grade and we will be very reluctant to do that if we knew that that would change our rating, should give some more comfort.

I'd like to remind you that the rating agencies are (inaudible), so they have full disclosure of our results, debt, financials, things we can work in order to government, sale of assets, think actually we can discuss publically, the evolution of the sales market or price of assets we bought or sold, they have full access to all that and (inaudible) they know our results for April, just to give an example.

So they already know how we're performing in the second quarter of the year and we plan to open this -- to keep this dialog very open in order to try to understand (inaudible) their perspective on the potential acquisition of an asset and whether that will jeopardize or not our investment grade and we would be very lucky to do an acquisition, to make an acquisition, if we feel that would somewhat affect our rates and we do have this commitment with leverage, the nature -- yes, two investments -- three rating agencies, (inaudible) anything, but in general that reduction will go.

Q - Frank McGann {BIO 1499014 <GO>}

Thank you.

Operator

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

A - Carlos Fadigas

Thank you all for participating on the call. I think that it seems clear to everybody all the efforts that Braskem has been making to improve its results and we are happy to see that it's actually helping us improve the EBITDA as we've shown better EBITDA compared to last year. As we work internally on the addition of fixed cost, on running our crackers at better run rate, at improving our market share, we also are looking to working hard to create a better economic environment for Braskem, especially in Brazil where the industry is facing a challenging period and we have been in dialog with the government to create a better environment not only for the current situation, but also in the long term.

So we're seeing -- we've started seeing the results of that in our income statement and I do hope we're going to have a better year in 2013 than we had in 2012 because of all these efforts.

We don't have the, what we call, the dispute between the states to provide incentives for the imported product. We have a better import tariff, we have more competitive raw materials with less taxes in charge on top of that and we believe that would help us improve results as we keep also focused on growing brand. The product in Mexico is on schedule, is on budget. We believe it should be shipped on schedule, on budget last year, and that's helping the management to keep working and growing Braskem into a better, more competitive petrochemical company. Thank you again and I wish you all have a god week.

Operator

Thank you. This concludes today's Braskem's earnings conference call. You may disconnect your lines at this time.