

NEW PP PLANT IN THE UNITED STATES

# 2Q20 EARNINGS CONFERENCE CALL

AUGUST, 06, 2020

Braskem 

PUBLIC

## DISCLAIMER ON FORWARD-LOOKING STATEMENTS

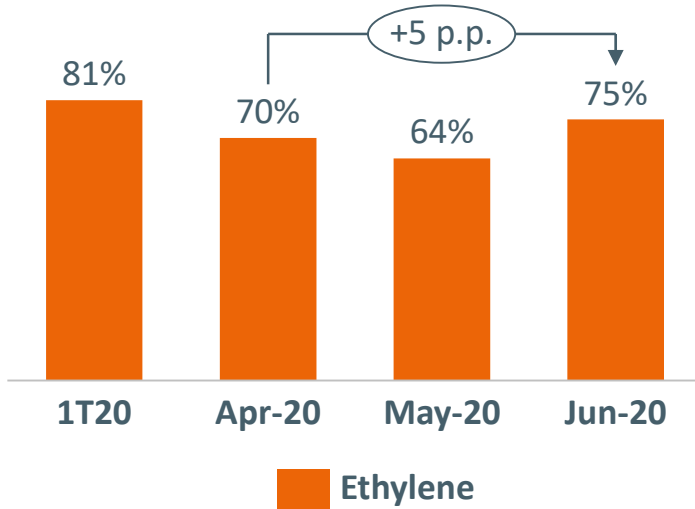
This presentation includes forward-looking statements. These forward-looking statements are not solely historical data, but rather reflect the targets and expectations of Braskem's management. The terms "anticipate," "believe," "expect," "foresee," "intend," "plan," "estimate," "project," "aim" and similar terms are used to indicate forward-looking statements. Although we believe these forward-looking statements are based on reasonable assumptions, they are subject to various risks and uncertainties and are prepared using the information currently available to Braskem.

This presentation is up-to-date as of June 30, 2020, and Braskem does not assume any obligation to update it in light of new information or future developments.

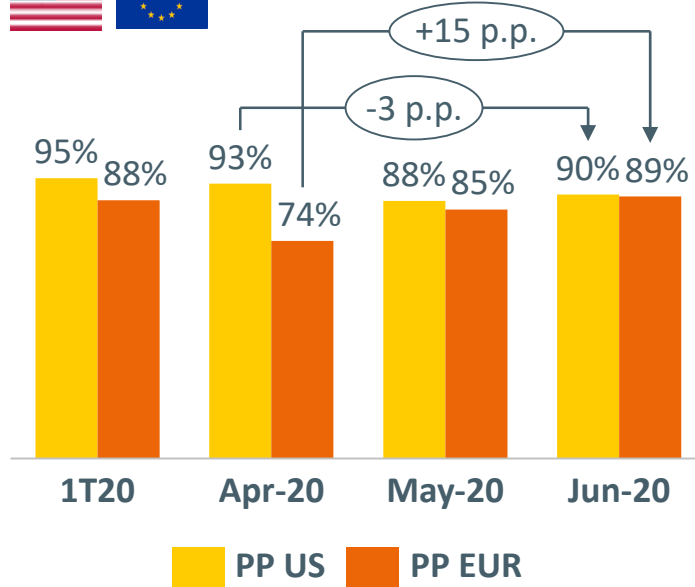
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# Impact of COVID on the Company's operations in 2Q20

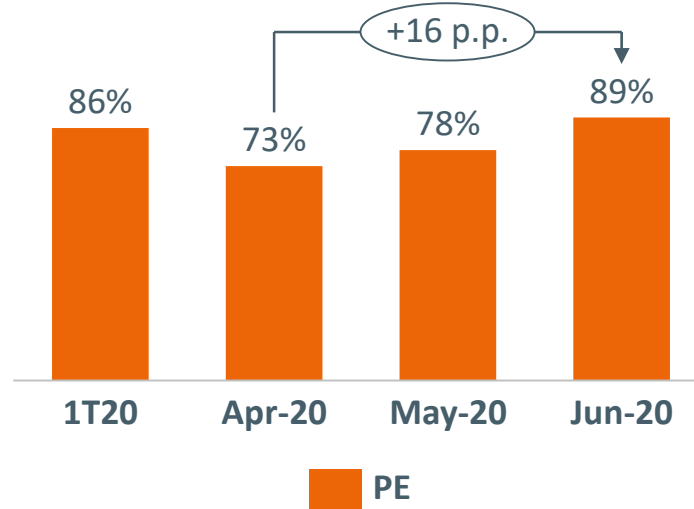
Utilization Rate (%) | Brazil



Utilization Rate (%) | US & EU



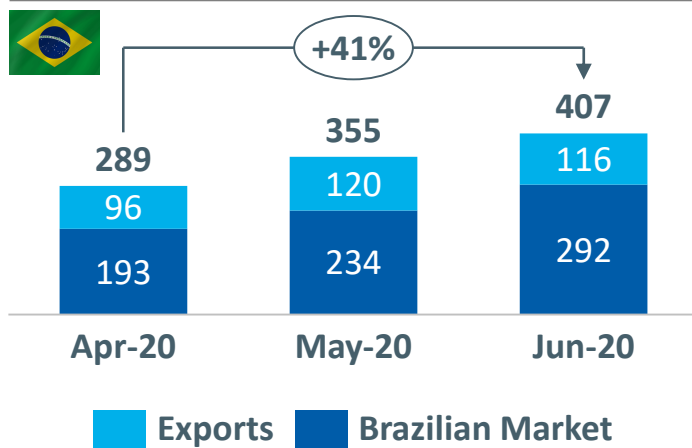
Utilization Rate (%) | Mexico



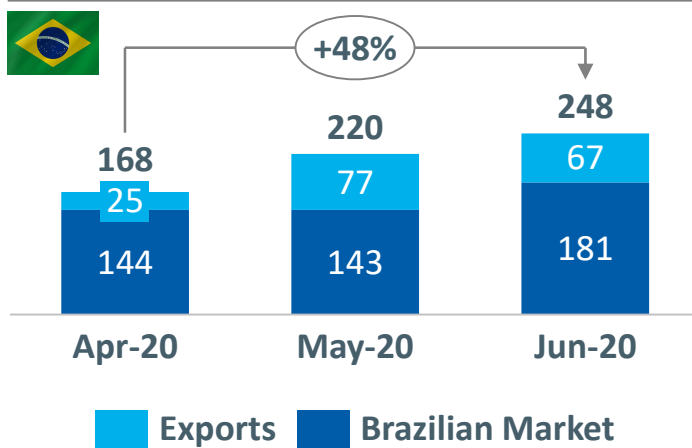
- Capacity utilization rates in Brazil and the United States were temporarily reduced due to lower demand and inventory effects in the petrochemical and plastics production chain, specially in May.
- In June, utilization rates increased considering the market demand and the potential opportunities for exports.
- In Mexico, utilization rates were positively influenced by the Fast track project for ethane imports.

# Impact of COVID on the Company's sales in 2Q20

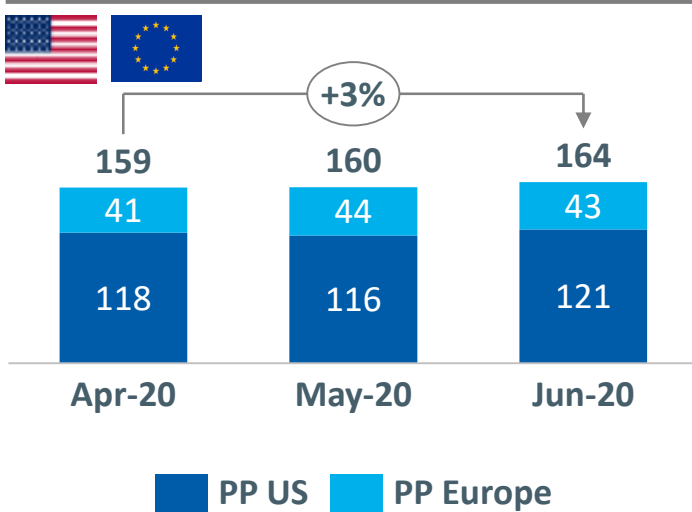
Resins Sales (kton)<sup>1</sup> | Brazil



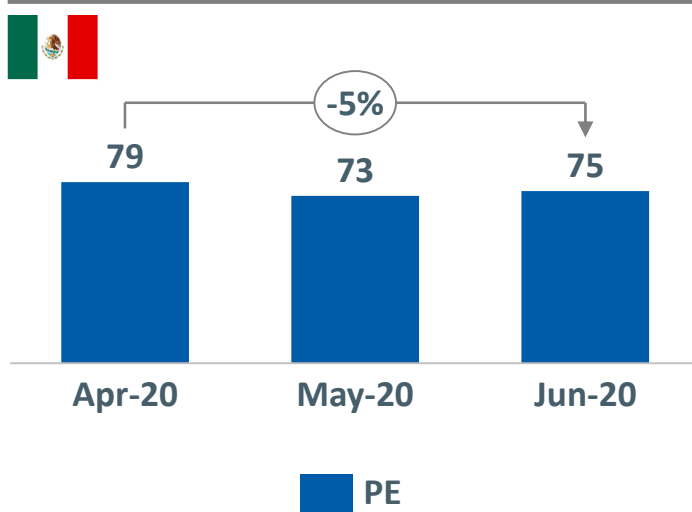
Chemicals Sales (kton)<sup>2</sup> | Brazil



Sales (kton) | US & EUROPE



Sales (kton) | Mexico



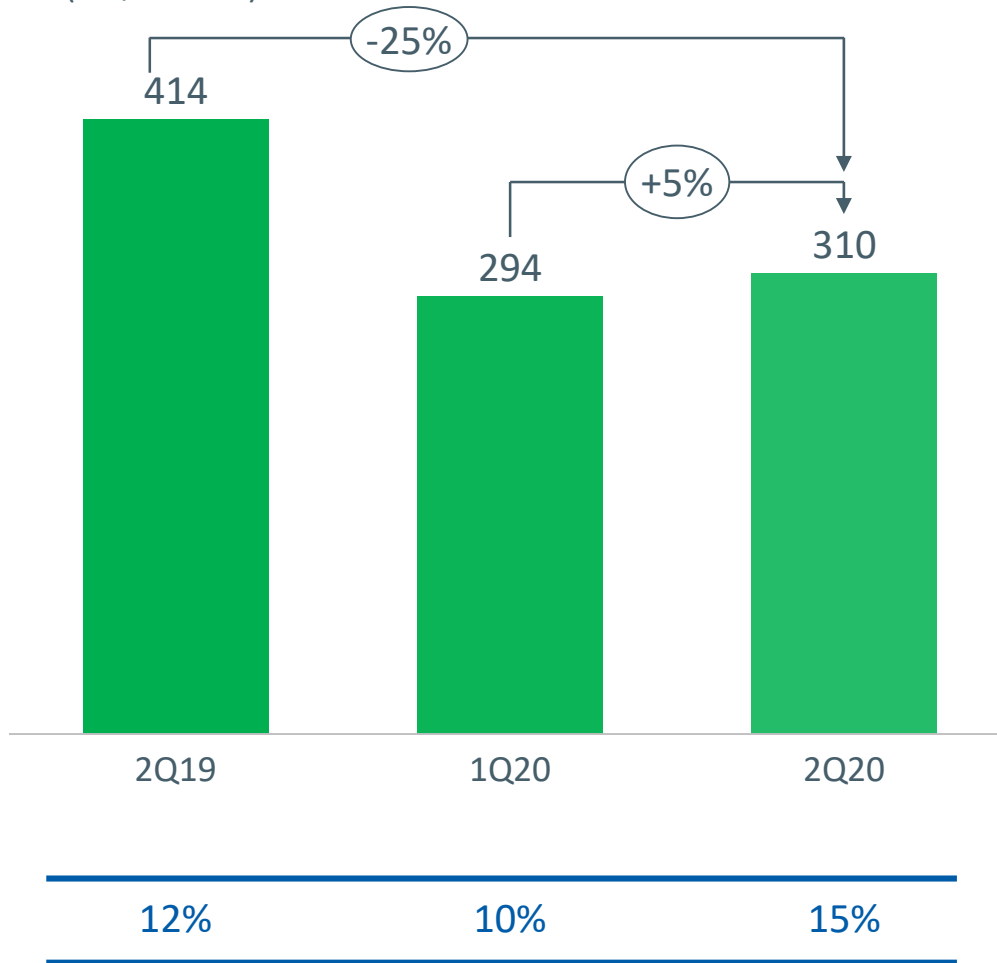
## Demand Recovery

- In **Brazil**, the global economic slowdown caused by the COVID affected resin and chemical sales, mainly in April, **which returned to near normal levels in June.**
- In **US & Europe**, after some economies started their reopening process, sales increased.

Note (1): PE+PP+PVC. Note (2): Ethylene, Propylene, Cumene, Butadiene, Gasoline, Benzene, Toluene e Paraxylene.



## EBITDA (US\$ million)



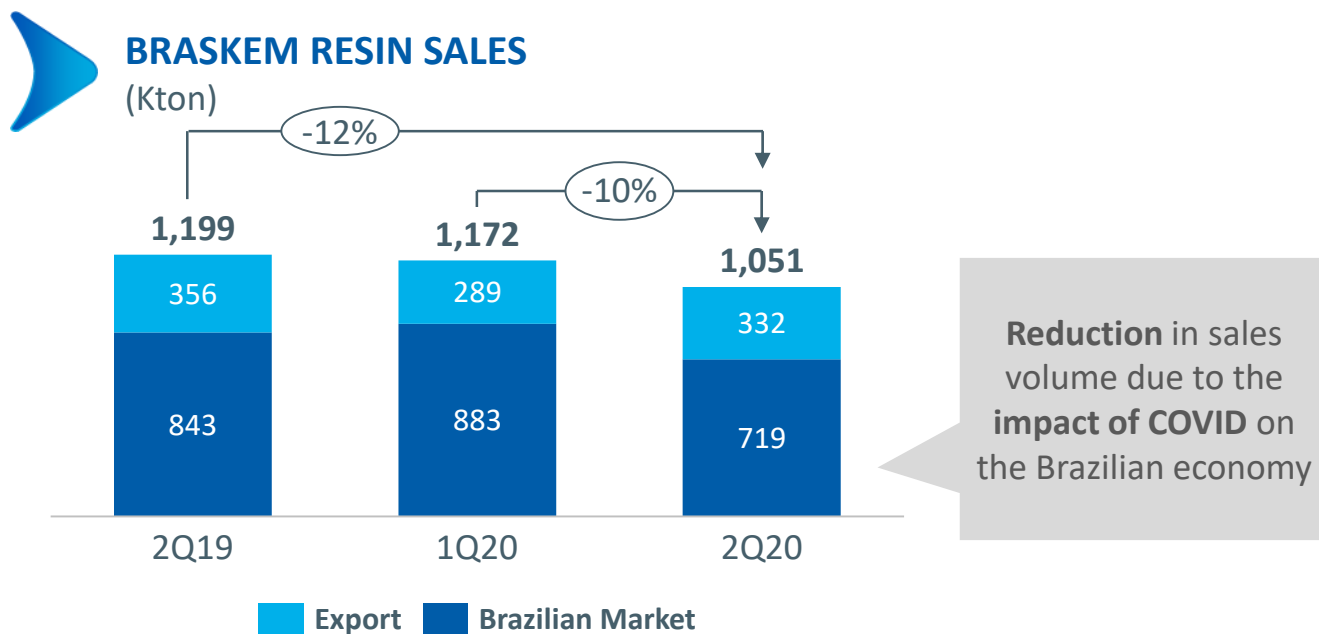
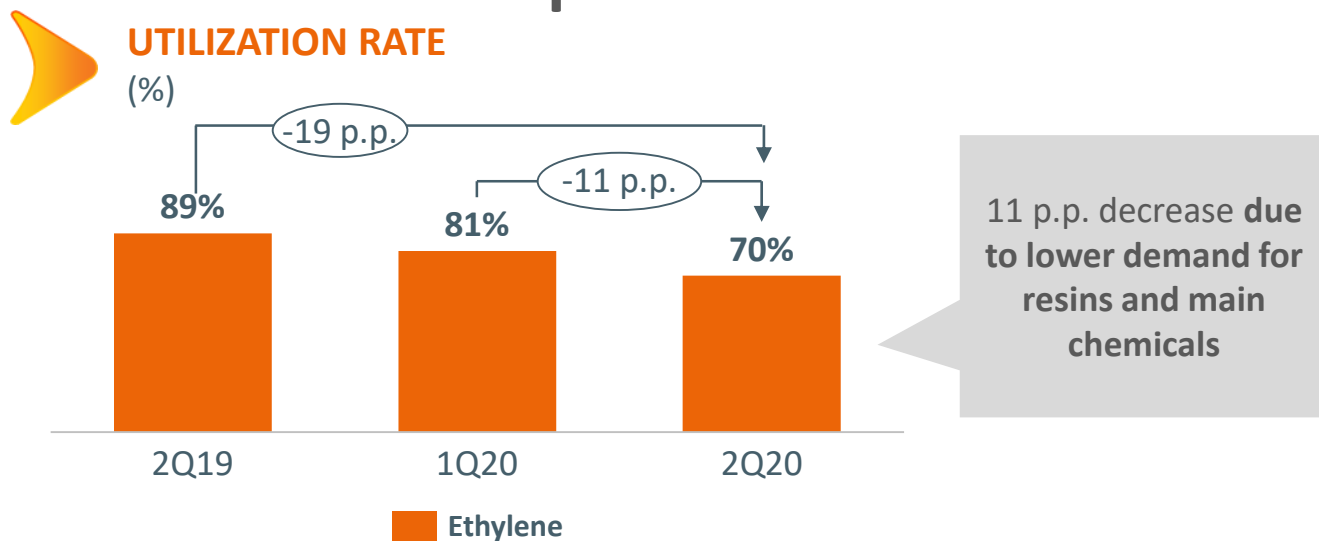
## Highlights

- Compared to 1Q20, recurring EBITDA was 5% higher due to:
  - I. lower costs of feedstock in Brazil, because of lower inventories cost;
  - II. lower selling, general and administrative expenses in Brazil and Mexico
- Compared to 2Q19, recurring EBITDA was 25% lower, reflecting the narrower PE and PP spreads in the international market and lower volumes due to COVID

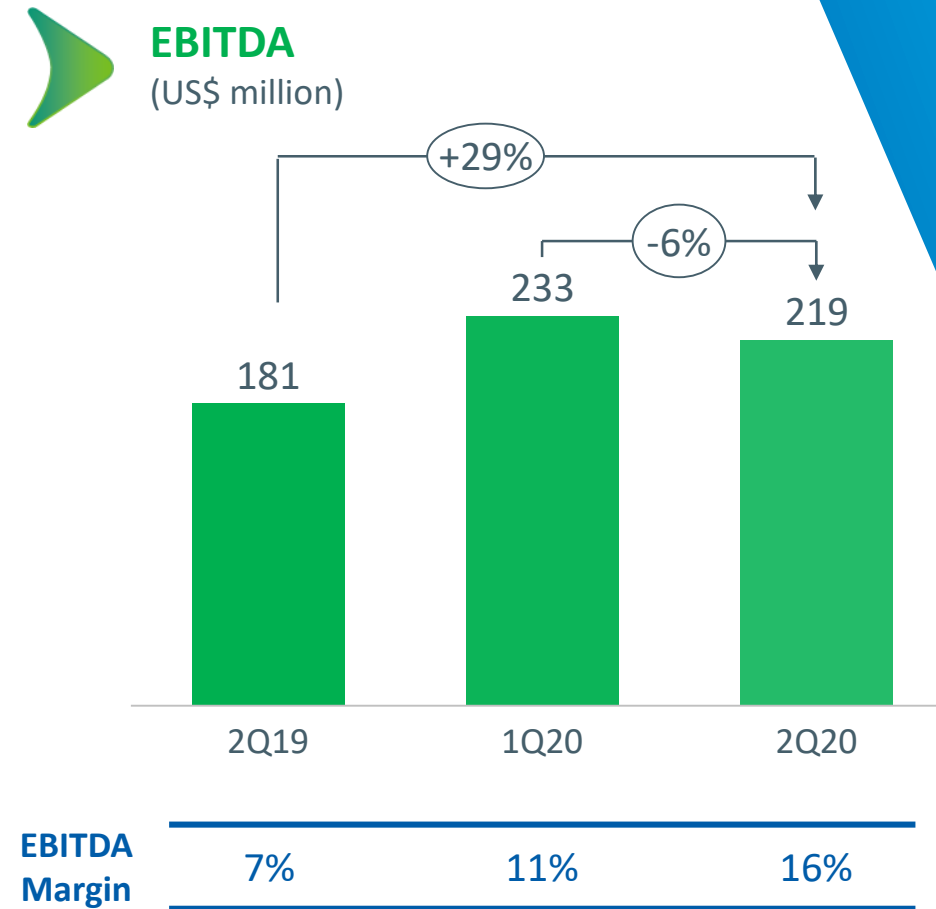
# 2Q20 Highlights | Brazil



## Operational



## Financial



**Brazil accounted for 61% of the Company's consolidated segments**

# Update regarding the geological event in Alagoas

Agreement with the Alagoas State Public Defender's Office, the Federal Prosecution Office, the Alagoas State Prosecution Office and the Federal Public Defender's Office

## January, 2020



Support the relocation and indemnification of residents of the areas at risk located in the affected districts.



Assistance under the Financial Compensation and Support for Relocation Program.



4,500 properties and 17,000 residents (including protected area).

## July, 2020



Inclusion of around 2,000 additional properties with recommendation to be vacated in the districts of Mutange, Bom Parto, Pinheiro and Bebedouro.

## Review of Financial Compensation and Support for Relocation Program

- + 4,700 families reallocated\*
- +2,600 families in the compensation flow
- +2,000 families from Humanitarian Aid migrated to the Program
- + 900 compensation proposals made
- + R\$ 100M temporary financial aid and compensation agreements

July, 2020

\*(protected area, zones A, B, C, D, JT and critical areas 01; considering changes that were made and scheduled, vacant properties and social rent)

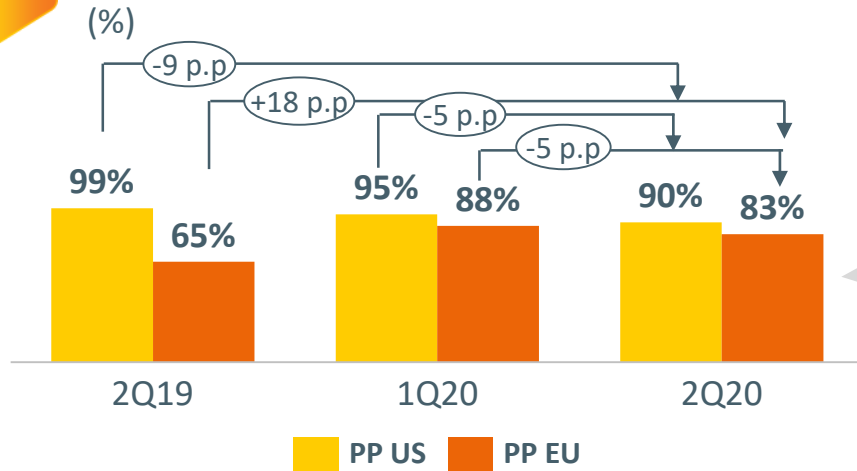
# 2Q20 Highlights | US and Europe



## Operational



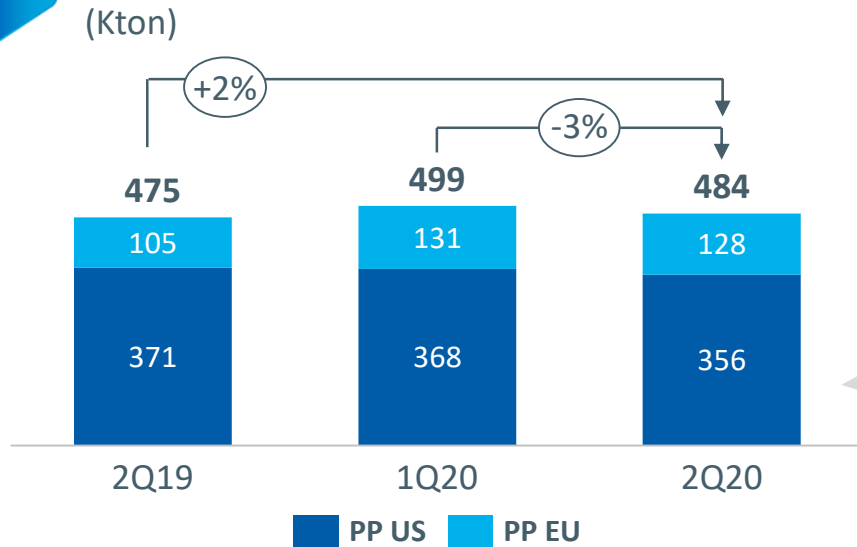
### UTILIZATION RATE (%)



5 p.p. decrease due to lower demand from the automotive sector in both regions



### BRASKEM PP SALES (Kton)

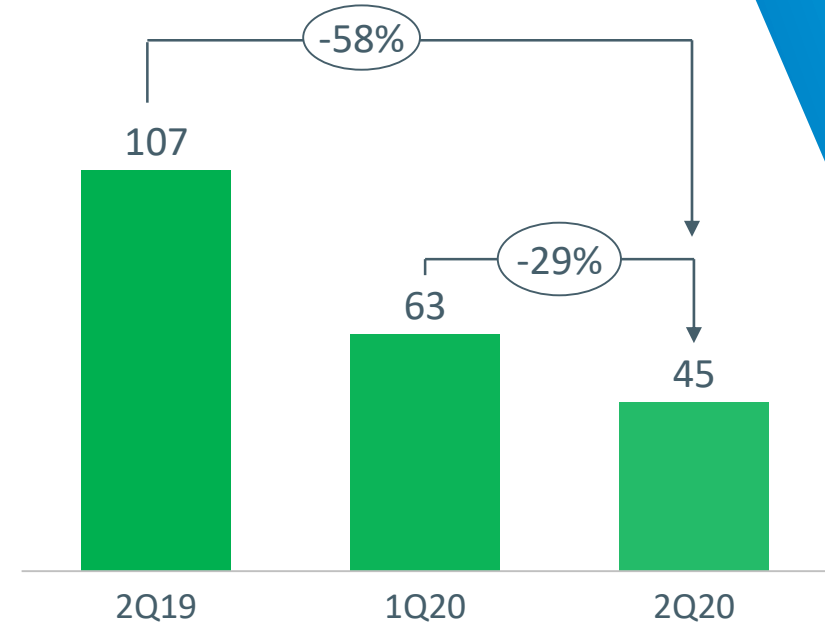


Lower sales volume given COVID scenario

## Financial



### EBITDA (US\$ million)



### EBITDA Margin

Period	2Q19	1Q20	2Q20
EBITDA Margin	16%	9%	8%

US and Europe accounted for 12% of the Company's consolidated segments



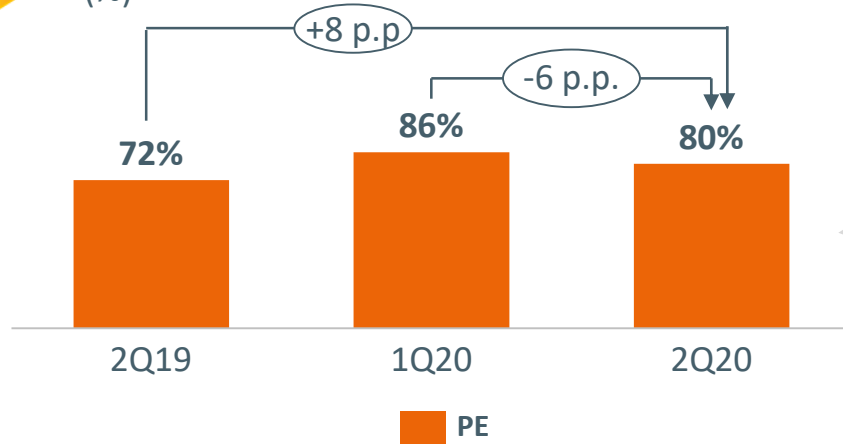


## Operational



### UTILIZATION RATE

(%)

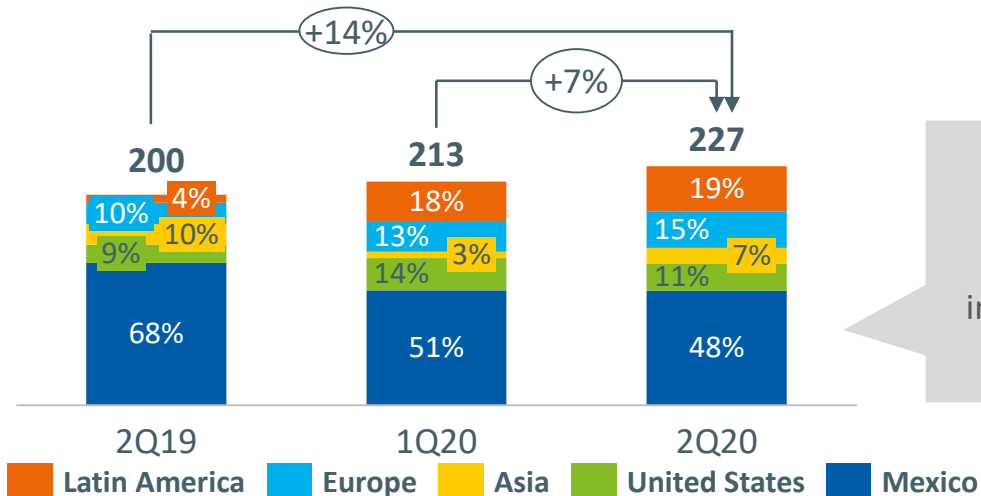


13% of the quarter's utilization rate came from ethane imports from the US, reaching 75% of the project's expected capacity



### BRASKEM PE SALES

by destination market (Kton)



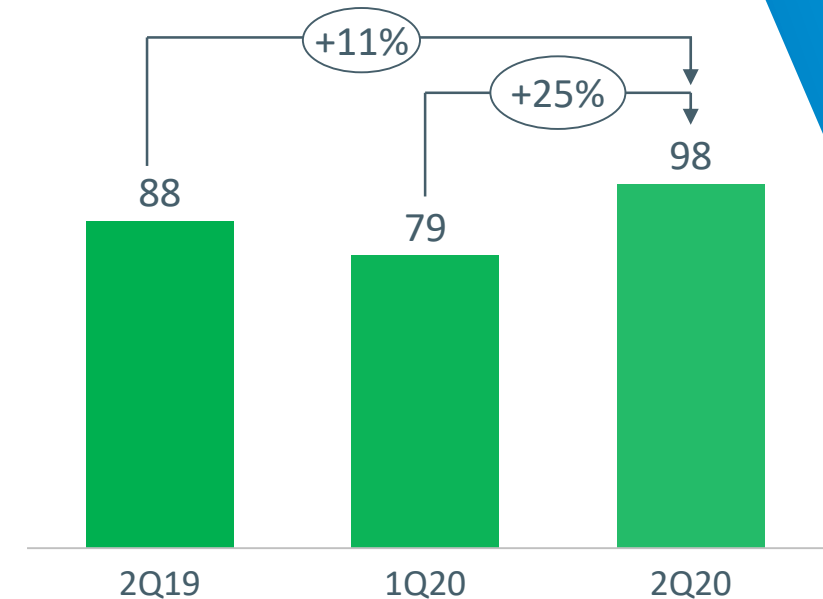
Higher product availability in inventories for sale

## Financial



### EBITDA

(US\$ million)



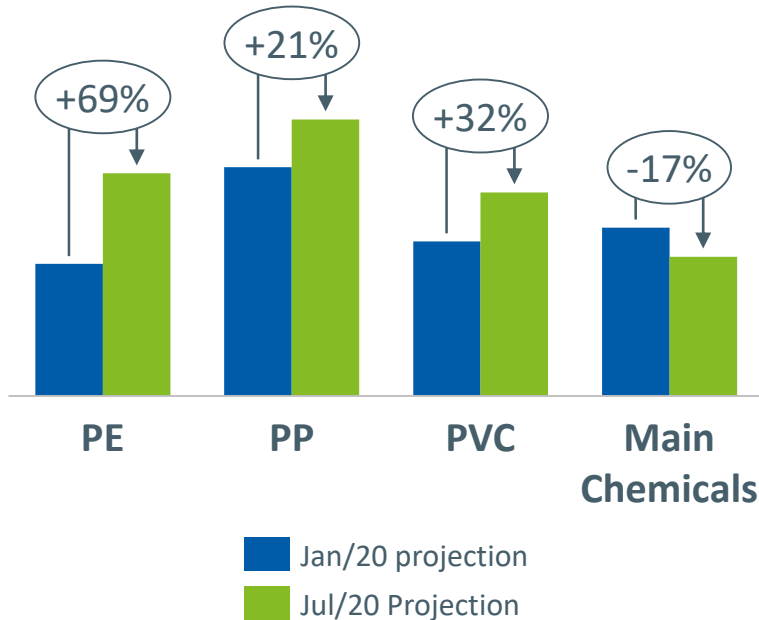
Mexico accounted for 27% of the Company's consolidated segments

# Petrochemical Scenario 2020

External consulting firms forecast: Jan/20 report vs. Jul/20 report

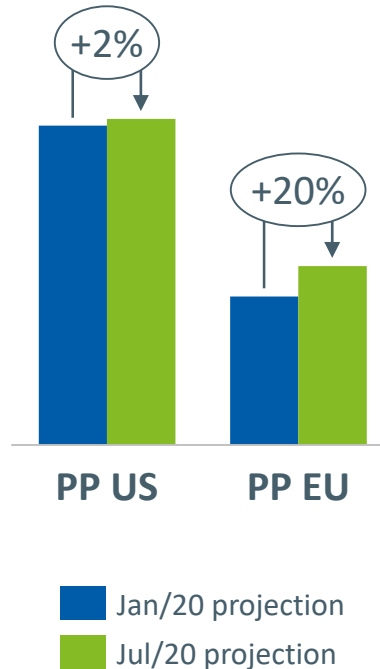
## Resins and Chemicals Spreads Brazil

PE, PP, PVC and Main Chemicals



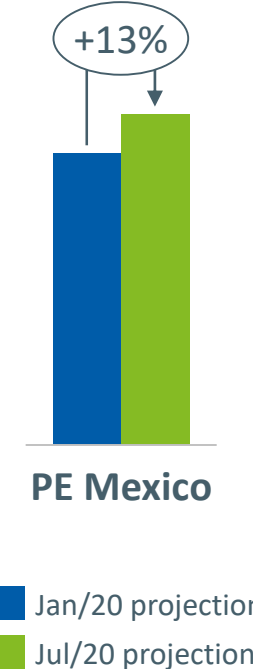
## US & Europe Spreads

PP US e PP EU



## Mexico Spreads

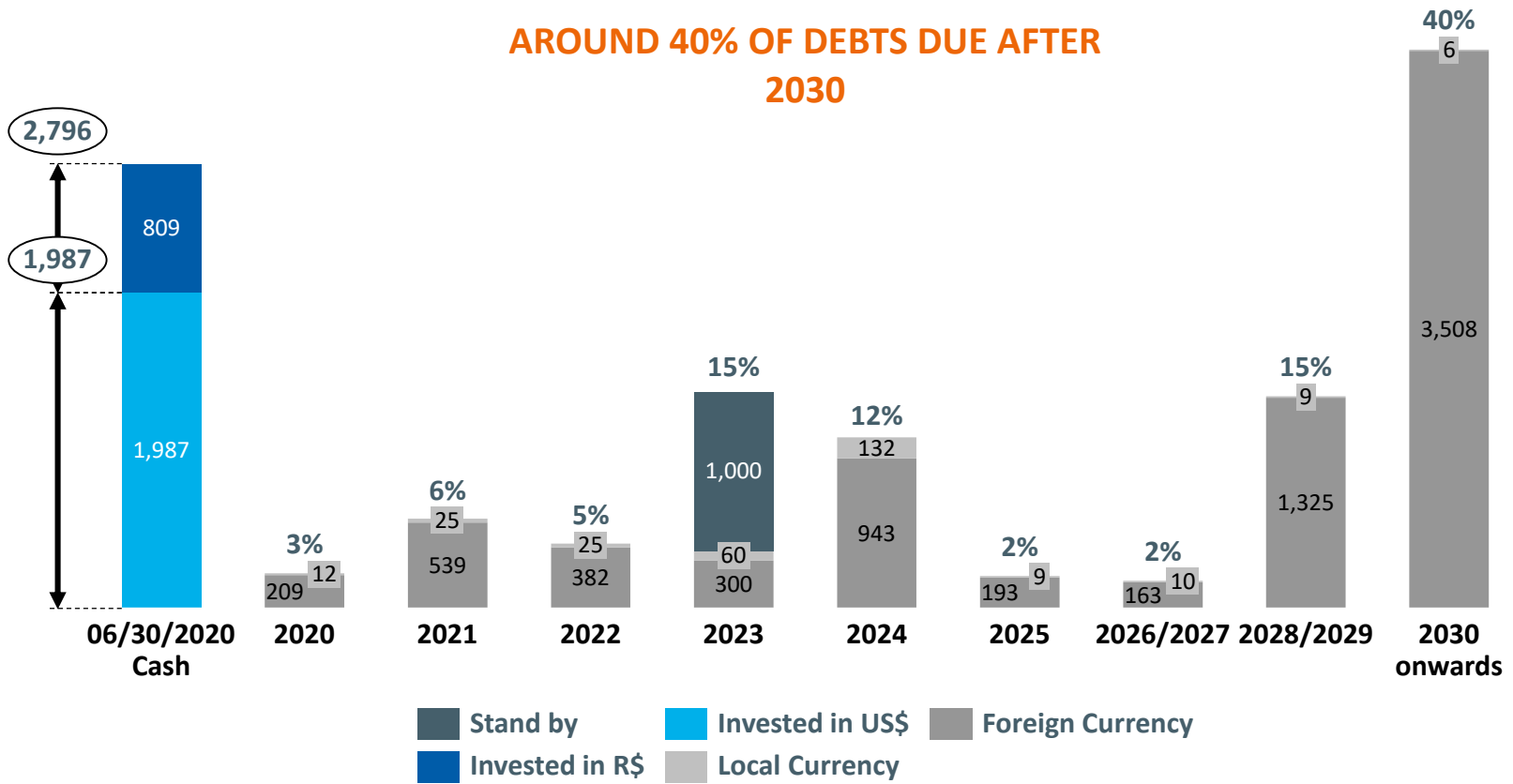
PE México



According to the most recent projections by external consulting firms, the expectation is for healthier resin spreads in all regions

# Debt Profile

Debt Profile (US\$ million) 06/30/2020 <sup>(1)</sup> <sup>(2)</sup>



## Debt KPIs

- Sufficient liquidity to cover the payment of debts coming due in the next **43 months**
- The average debt term around **14 years**
- The weighted average cost of debt of exchange variation + **4.50%**

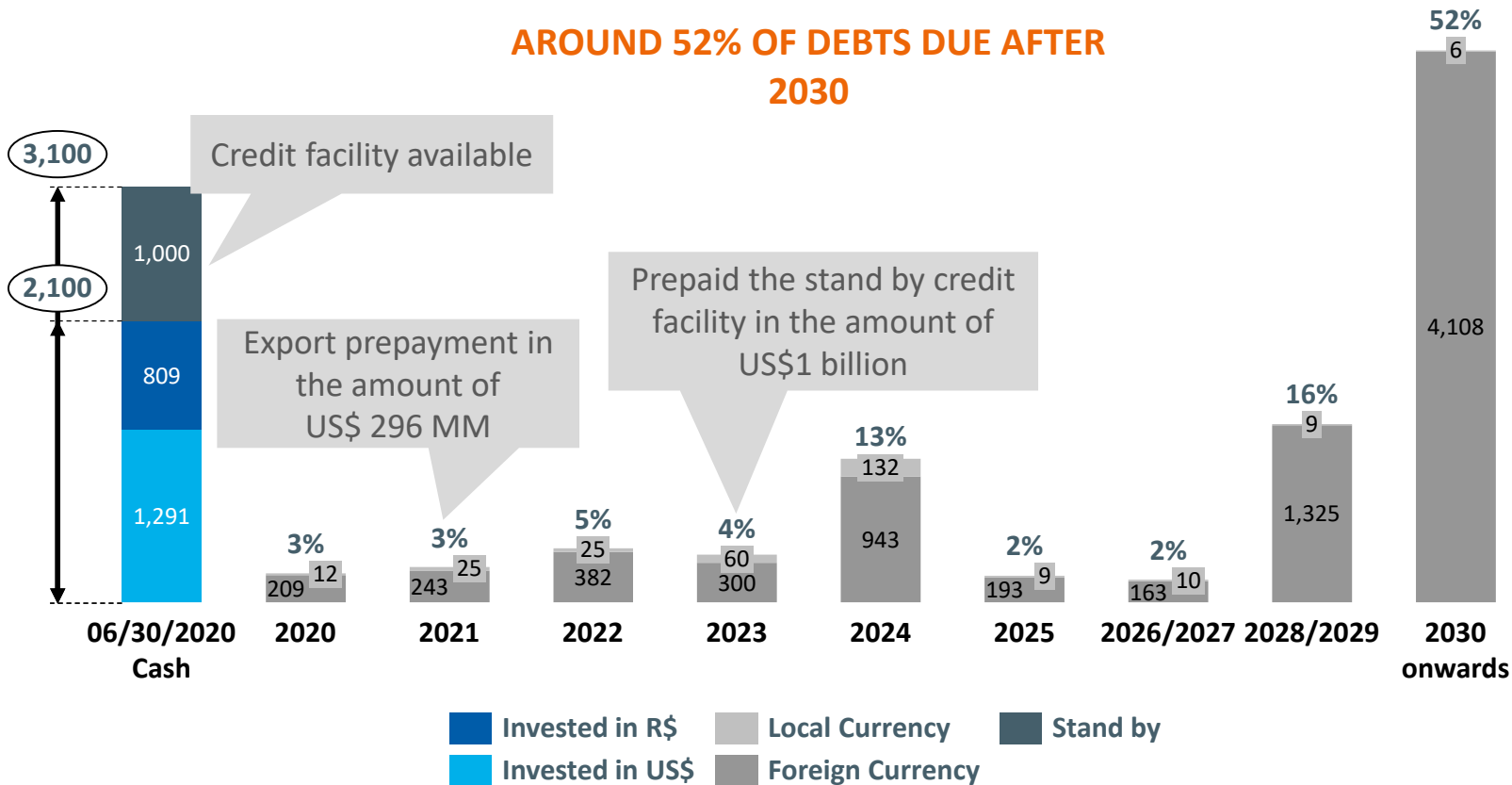
## Corporate Credit Rating - Global Scale

Agency	Rating	Outlook	Date
Fitch	BB+	Stable	07/03/2020
S&P	BB+	Stable	07/08/2020
Moody's	Ba1	Negative	07/13/2020

(1) Does not consider discounts from transaction costs and Leniency Agreement.  
 (2) Considers the amortization of R\$26 million in 2021 related to the NCE Swap, according to note 20 (20.3.1) of the 2019 Financial Statements.

# Debt Profile Proforma

Debt Profile (US\$ million) Proforma <sup>(1)</sup> <sup>(2)</sup>



(1) Does not consider discounts from transaction costs and Leniency Agreement.

(2) Considers the amortization of R\$26 million in 2021 related to the NCE Swap, according to note 20 (20.3.1) of the 2019 Financial Statements.

## Debt KPIs

- Sufficient liquidity to cover the payment of debts coming due in the next **55 months**
- The average debt term around **17 years**
- The weighted average cost of debt of exchange variation + **4.76%**

## Corporate Credit Rating - Global Scale

Agency	Rating	Outlook	Date
Fitch	BB+	Stable	07/03/2020
S&P	BB+	Stable	07/08/2020
Moody's	Ba1	Negative	07/13/2020

# Deleveraging plan

## Initiatives

## Timeline

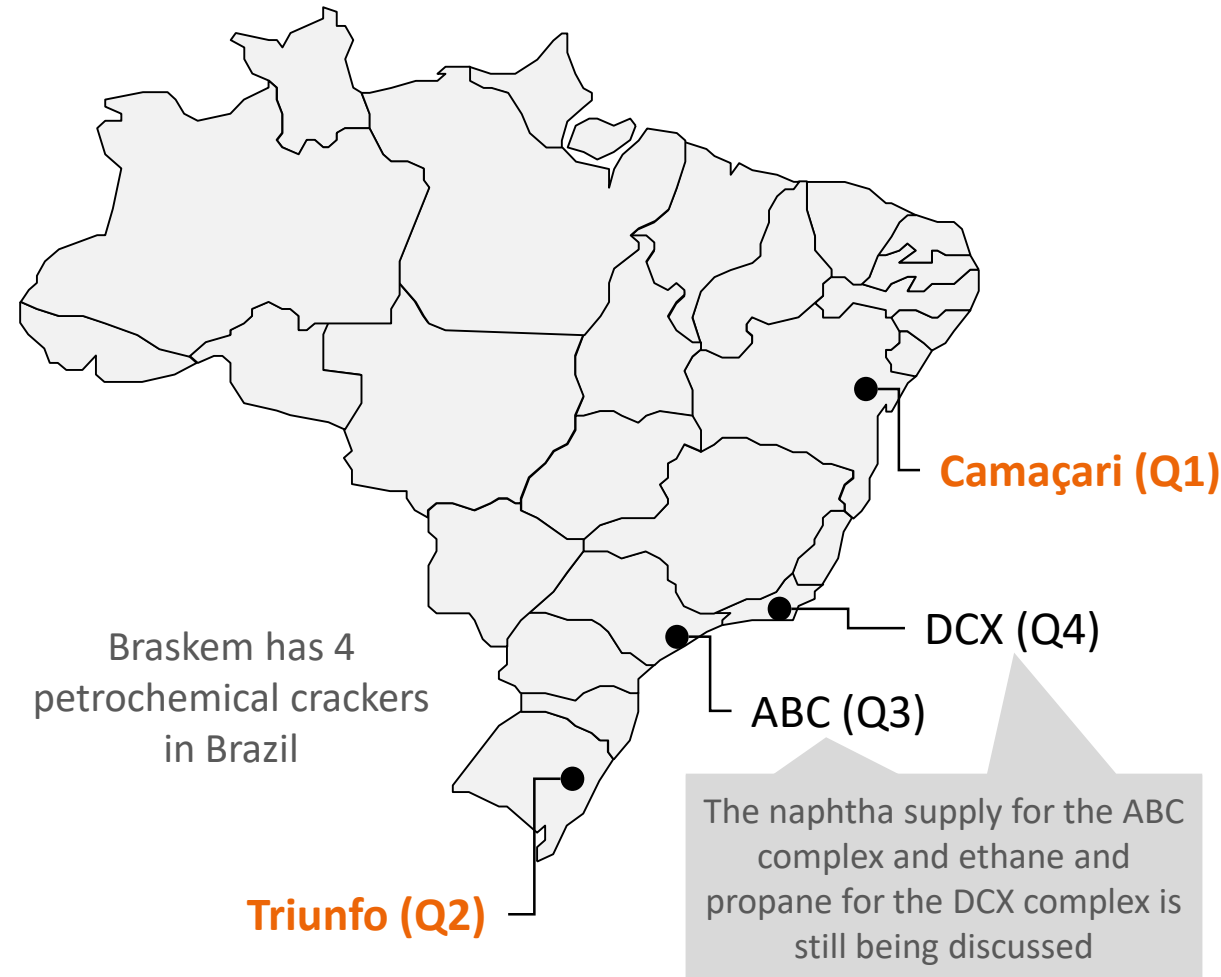
<b>1</b> Hybrid Bond Issuance	Issuance in the total volume of US\$ 600 million, <b>with 50% equity treatment</b> by Standard & Poor's and Fitch Ratings	Jul/20 ✓
<b>2</b> CAPEX Reduction	<b>Reduction of planned investments</b> for 2020 from US\$ 721 million to approximately US\$ 600 million	(ongoing)
<b>3</b> Fixed Costs Reduction	<b>Reduction of fixed costs</b> by approximately 10%, compared to 2019	(ongoing)
<b>4</b> Working Capital Optimizations	<b>Working capital optimizations</b> under discussion with relevant suppliers	(ongoing)
<b>5</b> Taxes Monetization	<b>Monetization of PIS/COFINS credits</b> of approximately US\$ 300 million in 2 years	(ongoing)

Braskem is working on implementing measures to reduce its corporate leverage **to be reassigned as an investment grade company**

# Renewal of contracts with Petrobras

## Naphtha Contracts

- ✓ Renewal of **petrochemical naphtha** supply contracts to Braskem's industrial units in **Bahia** and **Rio Grande do Sul**
- ✓ The contracts have a **term of 5 years** after the expiration date of the current contract (Dec/2020)
- ✓ Minimum annual volume of **650 kton** and, at the option of Petrobras, an additional volume of up to 2.8 million tons per year
- ✓ Price: **100% of the international reference ARA**
- ✓ The new contracts are aligned with the Company's **strategic pillar of Productivity and Competitiveness**



In addition, to guarantee access to the naphtha logistics system in Rio Grande do Sul, **Braskem also renewed the storage contract with Petrobras** and the transport and storage contract with Transpetro



## Solar Energy Contract

- ✓ New long-term contract for the **purchase of renewable energy with Canadian Solar**, one of the largest players in the solar energy industry
- ✓ The agreement will enable the construction of a plant in northern Minas Gerais state **and assures supply for 20 years**
- ✓ With the agreement, **Braskem estimates the avoidance of 500 thousand tons of CO<sub>2</sub>** emissions over two decades
- ✓ Construction work is scheduled to begin in **2021** and the start of contract execution scheduled for **2023**

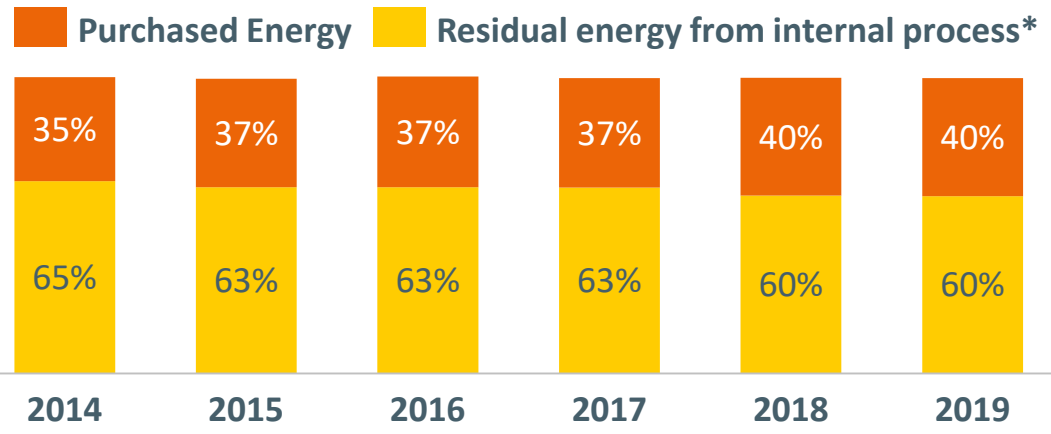
The new contract with Canadian meets the **company's sustainable energy strategy**, which constantly seeks opportunities to add value by improving energy efficiency and **using renewable sources**

# ESG: Energy

## Strategy

- ✓ **Strategic Pillars:** competitiveness, flexibility, reliability and sustainability.
- ✓ **Ambition:** be a reference in the global chemical industry in sustainable energy, with a focus on energy efficiency and renewable energy

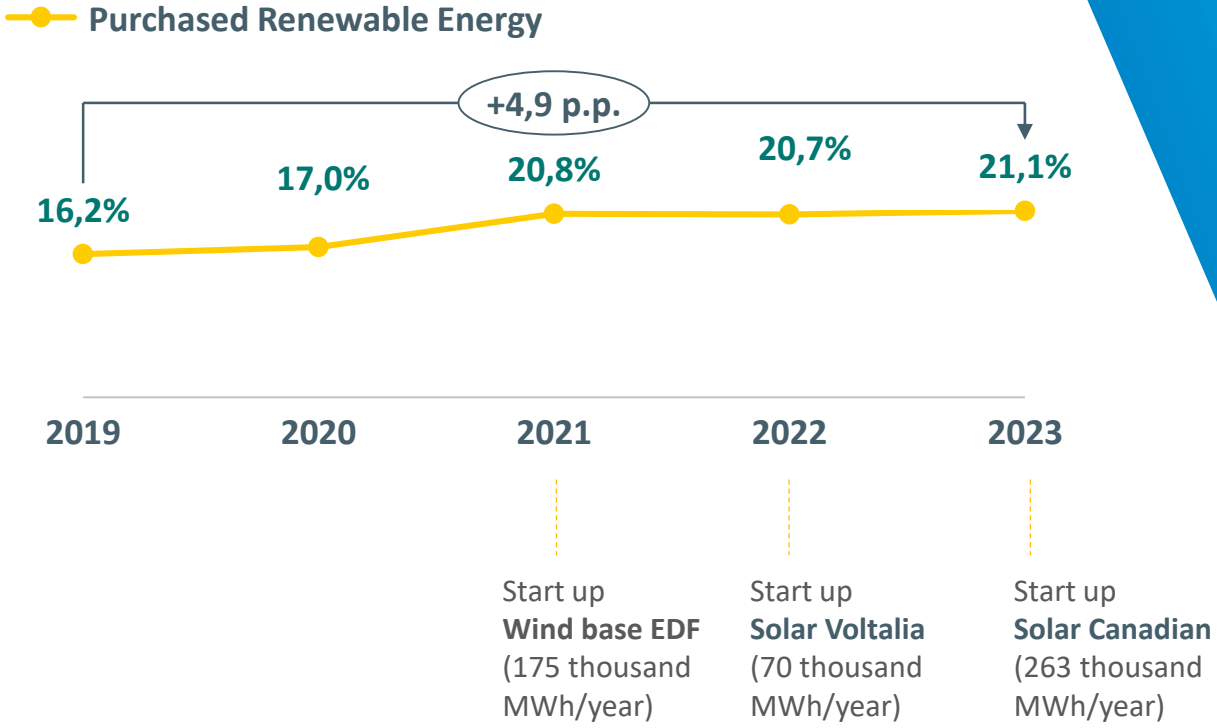
## Energy Supply (% of total energy consumption)



- ✓ Braskem optimizes its production process by transforming the residual fuels from the petrochemical process into electrical and steam energy.

\* Residual fuels from raw material processing.

## Renewable Energy (% of purchased energy)



The three sustainable energy contracts that were signed by the Company, place us close to reaching our milestone of **1 million tCO2 of avoided emissions**.



# ESG: Recognition in Biopolymers

**I'm green™**  
**BIO-BASED**



## Braskem's bioplastic recognized at UN event

- ✓ Braskem's production of **I'm green™ bio-based** polyethylene, was recognized as one of the **most transformational cases in sustainable development in Brazil**, by ECLAC from the United Nations (UN) and Global Compact Network Brazil
- ✓ The production of plastic from renewable sources, made from sugarcane, **completes one decade this year**
- ✓ Braskem is a **global leader in the biopolymers market**, with an annual production capacity of 200,000 tons of Green PE
- ✓ The **utilization rate** of the green ethylene cracker was **90%** (+7 p.p.), with a **6% increase in sales volume** compared to 1Q20

Currently, Braskem's **I'm green™ bio-based polyethylene** can be found in more than **150 brands worldwide**, including packaging and products for a wide array of segments

# Priorities for 3Q20




## PRODUCTIVITY AND COMPETITIVENESS

- Ensure reliability of the industrial plants in all regions
- Advance in the negotiations to renew the naphtha supply for the São Paulo complex and ethane and propane for the Rio de Janeiro complex



## FEEDSTOCK AND SUPPLIER DIVERSIFICATION

- Continue to ramp up the import solution for complementary ethane at Braskem Idesa



## GEOGRAPHICAL DIVERSIFICATION

- Complete the commissioning of Delta project (new plant in the USA), guaranteeing the beginning of PP commercialization



## PEOPLE, INNOVATION GOVERNANCE, AND REPUTATION

- Advance in the definition of sustainability macro-objectives and targets for 2030, aligned with the Company's sustainability strategy
- Increase global production and sales volume of recycled resins



## CAPITAL ALLOCATION / FINANCIAL DISCIPLINE

- Continue with the implementation of the Deleveraging Plan initiatives
- Maintain discipline in capital allocation



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AUGUST 06, 2020

