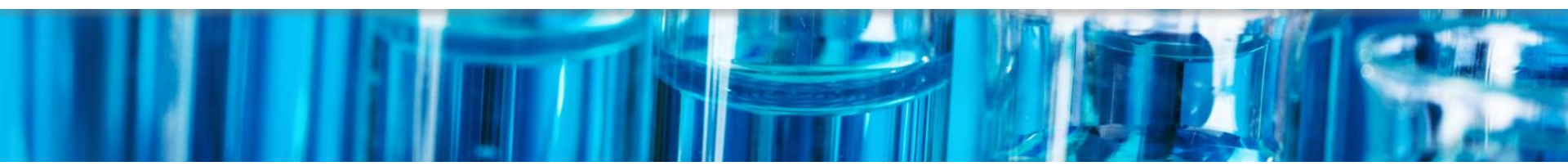




# Braskem

## 3Q14 Earnings Conference Call

São Paulo, November 06, 2014



# 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.

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This presentation was up-to-date as of September 30, 2014, and Braskem does not assume any obligation to update it in light of new information or future developments.

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Braskem assumes no liability for transactions or investment decisions taken based on the information in this presentation.

# 3Q14 Highlights

## Operational and financial

- ▶ In 3Q14, the average cracker capacity utilization **rate** was **90%**, influenced by the resumption of operations at the Triunfo site after its scheduled maintenance shutdown and the higher capacity utilization rate at the Rio de Janeiro complex, that offset the scheduled maintenance shutdown at the São Paulo cracker.
- ▶ **Brazilian thermoplastic resins market** (PE, PP and PVC) came to 1.4 million tons, up 5% from 2Q14. **Braskem's** sales followed this trend and grew 7%, totaling **939 kton**.
- ▶ Sales of **PP** in the **USA** and **Europe business unit** reached **470 thousand tons** in the 3Q14, down 2% from 2Q14. Compared to 3Q13, PP sales volume grew 9%.
- ▶ Braskem recorded **EBITDA** of **R\$1.5 billion** in 3Q14, benefitting from (i) higher spreads in the international market and (ii) the growth in total sales volume. In **U.S. dollars**, **EBITDA** in the quarter amounted to **US\$660 million**.
- ▶ Braskem recorded **net income** of **R\$230 million** in 3Q14.
- ▶ The Company's **leverage**, as measured by the ratio of net debt to EBITDA in U.S. dollar, stood at **2.71x**, in line with the last quarter.
- ▶ In October, **Fitch** revised its rating outlook for Braskem to "**stable**" from negative.

# 3Q14 Highlights

## Projects and Recognition

### Mexico Project – Ethylene XXI

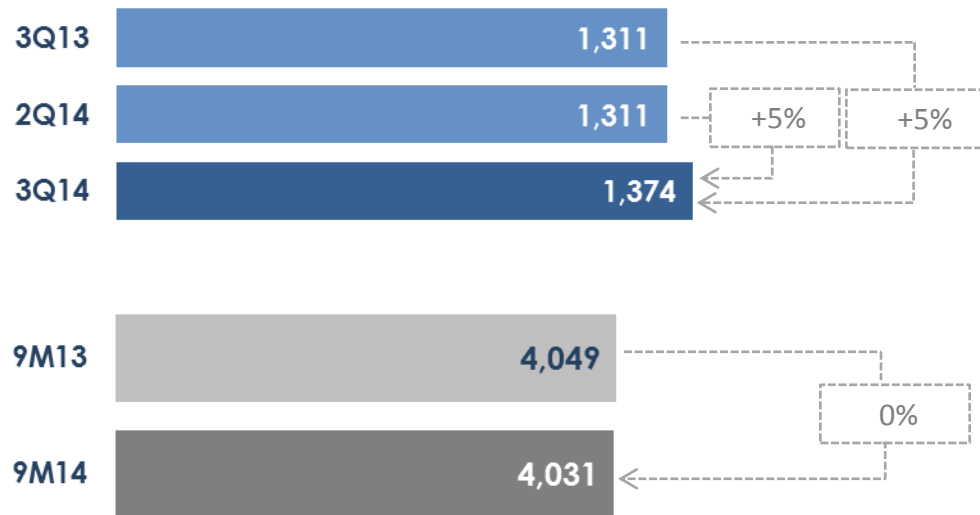
- ▶ The project's **construction** reached **82%** completion. The process of hiring and training team members to run the future industrial operation has already begun.
- ▶ Progress continued to be made on **pre-marketing** activities, with the number of active clients reaching **276**.
- ▶ On August, the subsidiary Braskem-Idesa withdrew the **fourth installment** of the project finance in the amount of **US\$383 million** or R\$872 million.

### Other projects and Recognition

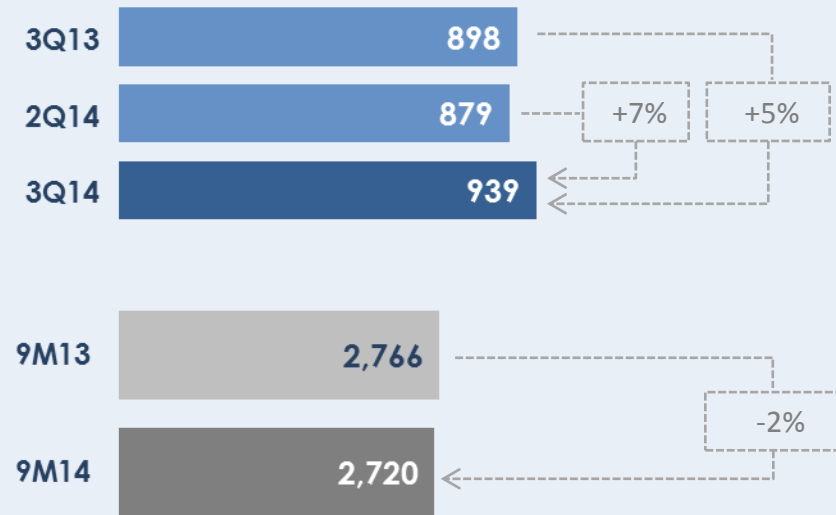
- ▶ **The Plastics Chain Competitiveness Incentive Program** (PIC) advanced in new fronts. One of the **structuring actions** of the quarter was the creation of the program “**Exporter Qualification Project**”, which has the goal to increase the sales of Brazilian plastic manufacturers in the international market.
- ▶ Braskem was, for the third straight year, selected as a **component** of the **Dow Jones Sustainability Index Emerging Markets of the New York Stock Exchange** (NYSE).
- ▶ The Company, for the sixth time, was the winner of the **Transparency Trophy** of the National Association of Finance, Administration and Accounting Executives (Anefac). And, for the first time, it won the trophy for **Best Annual Financial Statements 2013** in the category of companies with revenue over R\$5 billion.

# Brazilian market for resins and Braskem's sales

## ▶ Brazilian market for thermoplastic resins (kton)



## ▶ Braskem's Sales Domestic Market (kton)

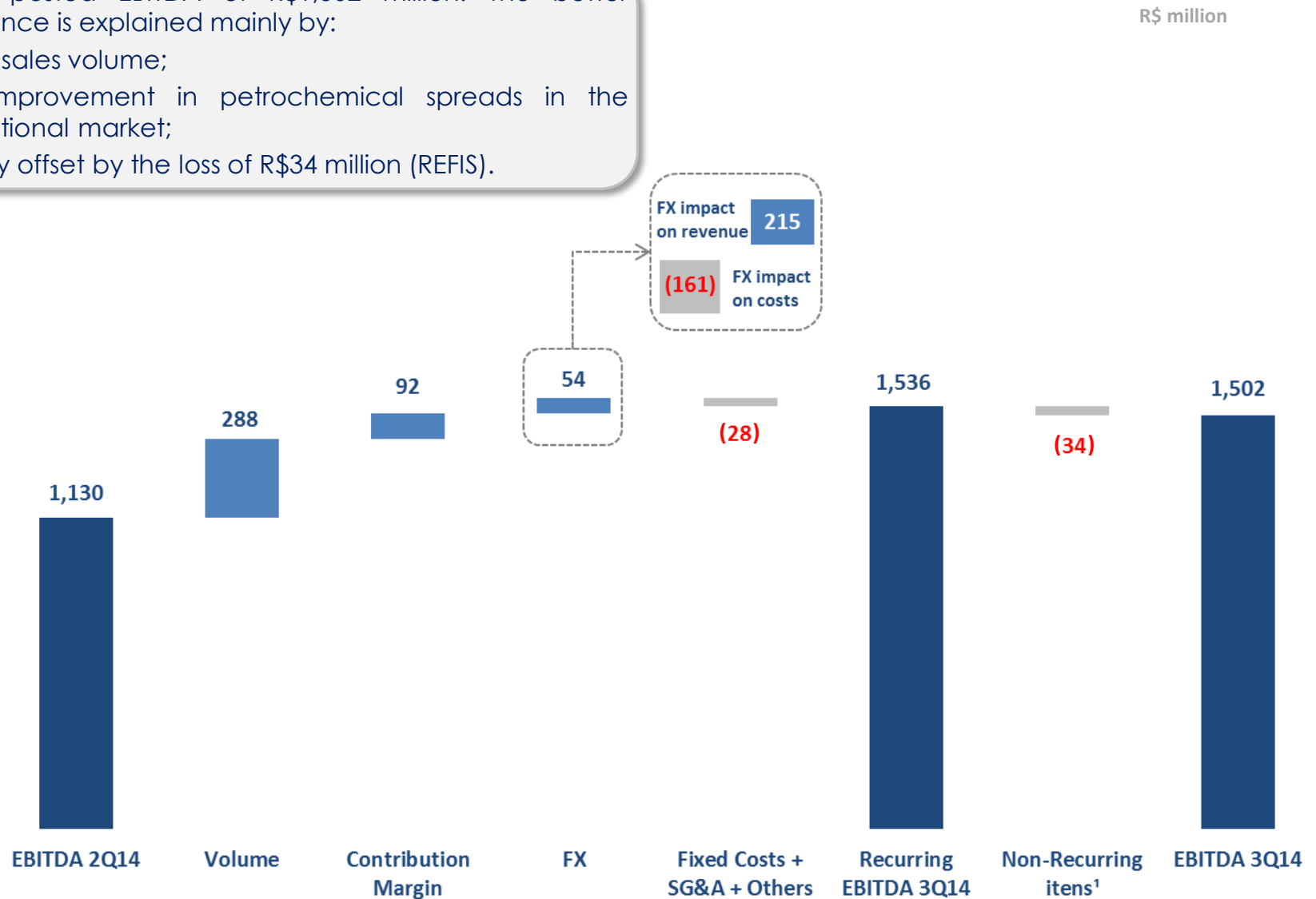


- 3Q14 demand was influenced by the better performance of certain sectors associated with consumer goods and by the seasonality of the period.
- Braskem's sales followed the market trend and increased 7% compared to the 2Q14.
- Demand for resins in the 9M14 was practically stable when comparing to the same period last year.

# EBITDA 3Q14 vs. 2Q14

Braskem posted EBITDA of R\$1,502 million. The better performance is explained mainly by:

- Higher sales volume;
- And improvement in petrochemical spreads in the international market;
- Partially offset by the loss of R\$34 million (REFIS).

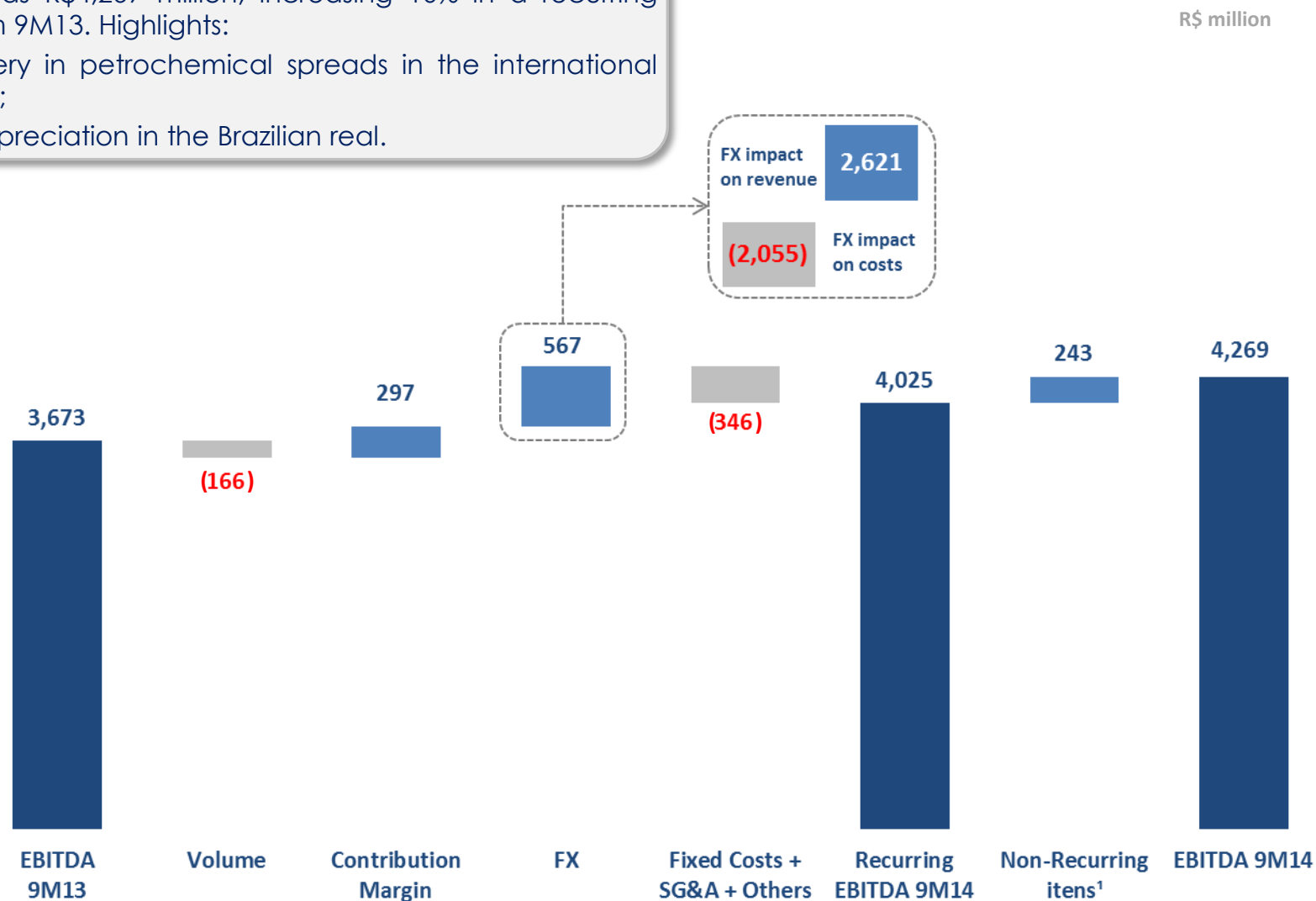


<sup>1</sup> Expense related to the reopening of the Tax Debit Renegotiation Program (Refis).

# EBITDA 9M14 vs. 9M13

EBITDA was R\$4,269 million, increasing 10% in a recurring basis from 9M13. Highlights:

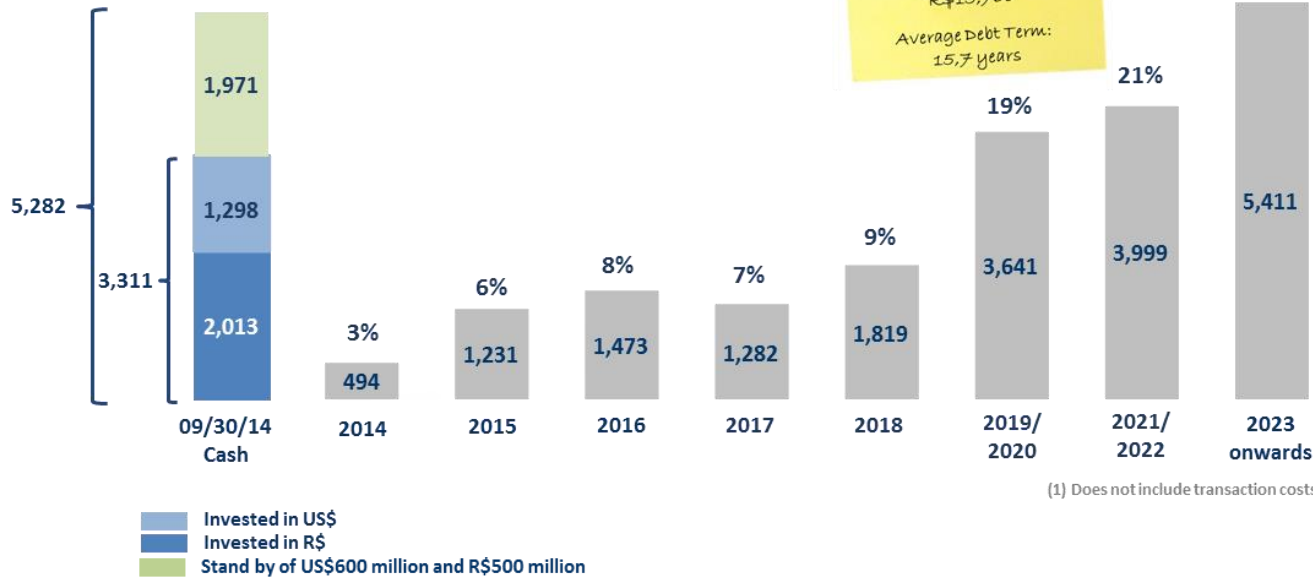
- Recovery in petrochemical spreads in the international market;
- The depreciation in the Brazilian real.



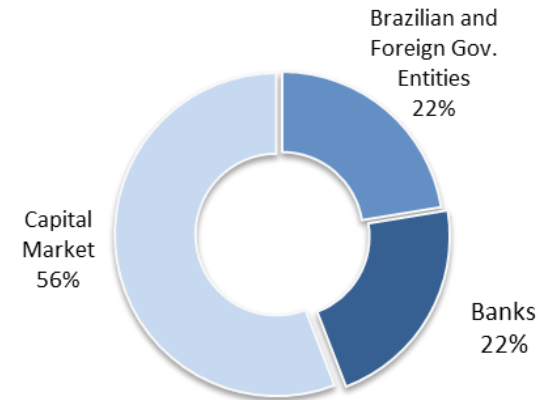
<sup>1</sup> Gain of R\$277 million recognized from the WTU sale and R\$34 million expense related to the reopening of the Refis

# Longer debt profile with diversified financing sources. Liquidity levels remain stable

## Amortization Schedule (1) (R\$ million)



## Diversified Funding Sources



- ✓ Gross debt pegged to dollar: 68%
- ✓ Net debt pegged to dollar: 74%

## Net Debt / EBITDA (US\$)

US\$ million	3Q14	2Q14
Net Debt <sup>(a)</sup>	6,430	6,660
EBITDA (LTM)	2,375	2,441
<b>Net Debt/EBITDA</b>	<b>2.71x</b>	<b>2.73x</b>

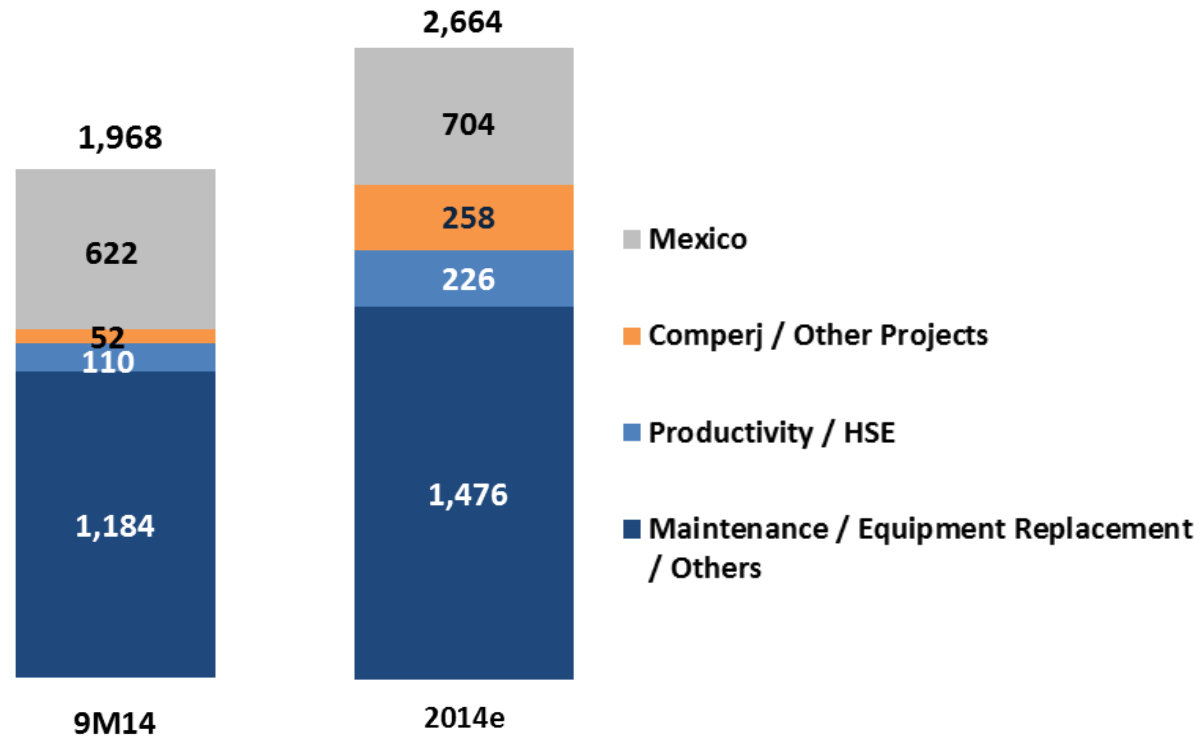
## Braskem Rating – Global Scale

Agency	Rating	Outlook	Date
Fitch	BBB-	Stable	10/03/2014
S&P	BBB-	Stable	08/08/2014
Moody's	Baa3	Negative	08/18/2014

<sup>(a)</sup> It does not include the financial structure of the Mexico project



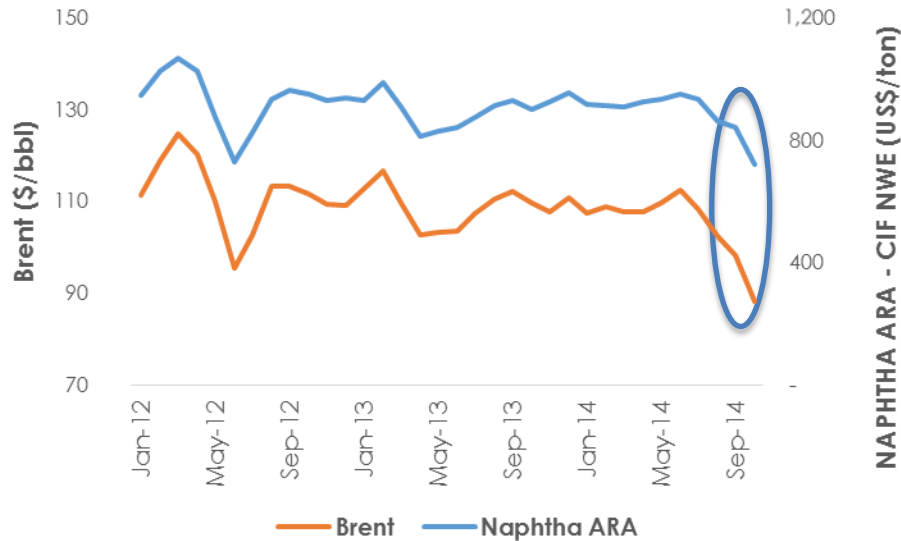
R\$ million



- Braskem made operational investments of **R\$1,968 million** in the 9M14:
  - **R\$1,184 million** was allocated to maintenance, reflecting part of the disbursement for scheduled maintenance shutdowns
  - **R\$622 million** was allocated to the construction of the new petrochemical complex in Mexico.

# Petrochemical Scenario

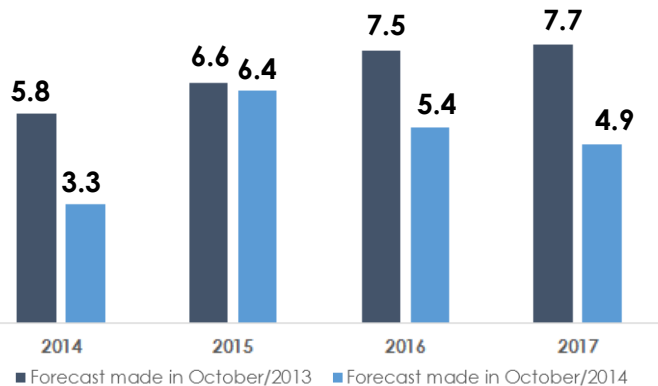
## Short-term



- Falling oil prices mainly due to the rise in production in the U.S..
- Naphtha prices followed the oil prices trend, and also reflected scheduled maintenance shutdowns.
- Factors to be monitored:
  - Ukraine crisis and worsening of the geopolitical issues in the Arab Gulf.

## Mid/long-term

Additional ethylene capacity (MM ton)



	Forecast in	
2014-2017	2013	2014
Demand growth*	+5,9	+6,2
Supply growth	(7,6)	

- Projects postponed or cancelled comparing to the same period last year.
- China:
  - High costs/investment to access available feedstock.
  - Infrastructure issues.
- Iran: gas supply associated with oil production.
- U.S.: New capacities to come online as of 2017/2018.

\* Average annual growth between 2014-2017

Source: IHS, Analysts' reports

# Perspectives and priorities

## Scenario

- Expected growth of the global economy in 2014 was revised downward to 3.3%<sup>(i)</sup>.
- Slower growth of the Brazilian economy. In 2014 the GDP is expected to grow 0.3%<sup>(i)</sup>.

## Braskem's Priorities

- Renewal of the naphtha supply contract with Petrobras and the energy supply contract with CHESF.
- Pursuit of an industrial policy that recover the competitiveness of Brazilian industry, especially the chemical and petrochemical sector.
- Making progress on formulating an industrial policy for the petrochemical chain that continues to make the industry more competitive.
- Increasing the competitiveness of Braskem's feedstock by reducing costs and diversifying sources.
  - Mexico project: advancing in the construction and continue to expand its pre-marketing activities.
  - Ascent project: to define the corporate structure and feedstock supply.
- Conclusion of the acquisition of Solvay Indupa.
- Maintaining liquidity levels, cost discipline and financial health.



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