

Operator:

Good afternoon, ladies and gentlemen. At this time, we would like to welcome everyone to Braskem's 3Q20 earnings conference call. Today with us, we have Roberto Simões, CEO of Braskem, Pedro Freitas, Vice-President of Finance, Procurement and Corporate Affairs; and Rosana Avolio, Investor Relations Director.

We would like to inform you that this event is being recorded and all participants will be in listen-only mode during the Company's presentation. After Braskem remarks are completed, there will be a question and answer session. At that time, further instructions will be given. Should any participant need assistance during this call, please press *0 to reach the operator.

We have simultaneous webcast that may be accessed through Braskem's IR website at www.braskem-ri.com.br, and the MZIQ platform, where the slide presentation is available for download. 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, may be posted in advance on the website.

Before proceeding, let me mention that forward-looking statements are being made under the Safe Harbor of Securities Litigations Reform Act of COVID-1996. Forward-looking statements are based on the beliefs and assumptions of the Braskem management and on information currently available to the Company. They involve risks, uncertainties and assumptions because they relate to the future events and therefore, depend on the 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 would like to turn the conference over to Ms. Rosana Avolio, Head of Investor Relations. Please, Ms. Avolio, you may begin your conference.

Rosana Avolio:

Good afternoon, all. We would like to thank you for joining Braskem earnings conference call. Today, we will present 3Q20 results. So, please, let us move to slide number three, in which we will talk about Braskem's sustainability goals disclosed this week.

Based on our sustainable development strategy and in line with the sustainable development goals of the United Nations for 2030 and the Paris Agreement on climate change, we recently informed the market our new goals related to mitigate climate change and eliminate plastic waste.

Our goal for mitigating climate change is achieved carbon neutrality by 2050; and provide a 50% reduction in greenhouse gas emissions by 2030. Regarding eliminating plastic waste, our goals are expanding the I'm green portfolio aiming to include 300,000 tons of thermoplastics resins and chemicals with recycled content by 2025 and by 2030, 1 million tons of such products; and also by 2030, work to prevent 1.5 million tons of plastic waste from being sent for incineration to landfills or deposit in environment.

Moving to slide number four, we will present our strategy to achieve carbon neutrality and also to eliminate plastic waste. Strategic carbon neutrality, the Company's strategy will

concentrate its actions on three fronts; first, reduction of emissions focusing on energy, efficiency, and increasing the use of renewable energy in current operations, establishing partnerships focused on innovation and technology.

Two, offsetting emissions with potential investments in the production of chemicals and polymers from renewable sources; and capturing carbon emissions through research and development for the use of carbon emissions as raw material.

Additionally, in the forefront of circular economy, Braskem will continue to pursue its mechanical and chemical recycling projects. With that, the Company reaffirms its commitment to sustainable development and its continuous purpose of improving people's life by creating sustainable solutions for chemicals and plastics.

Let us move to the slide number 5, in which we will talk about the Company's consolidated highlights for the 3Q of 2020. In this quarter, the Company recurring EBITDA was US\$699 million, 126% higher than the 2Q20, mainly explained by the better spreads in the international market of polyethylene in Brazil, polypropylene in the United States and polyethylene and Mexico.

Also, explained by an increasing sales volume in Brazil and in the United States due to the recovering demand for resins in the Brazilian market and polypropylene in North America. Compared to the same period of the previous year, the Company recurring EBITDA in U.S. dollars was 69% higher.

Moving to the next slide, we will present the 3Q20 highlights in Brazil. In Brazil, the average capacity utilization rate of our crackers increased 17 p.p. in relation to the 2Q and 2 p.p. compared to the 3Q 2019, reflecting the normalization of operations in the quarter.

Resin sales in the Brazilian market increased 24% in related to the 2Q 2020 and 3% compared to the 3Q19, due to the strong recovery in demand for resins in the Brazilian market. It is important to highlight that in this quarter, and in line with our strategy of prioritizing sales to the Brazilian market, the Company exceeded 1,050,000 tons of resins sold in the domestic market, a historical quarterly record of resin sales in Brazil.

Given that, Brazil's EBITDA was US\$529 million, 148% higher than 2Q 2020, representing 70% of the Company's consolidated segment EBITDA. The increase in EBITDA is mainly explained by the higher sales volumes of resins and chemicals in the Brazilian market and by better spreads in the polyethylene business.

In the next slide, we will provide an update regarding the geological event in Alagoas. In January, we signed an agreement with the Alagoas State Public Defenders Office, the Federal Prosecution Office, the Alagoas State Prosecution Office and the Federal Public Defenders Office.

In this regard, and to the best of our knowledge, Braskem estimated around R\$3.5 billion in provisions. Of this amount, around R\$1.7 billion was related to support the relocation indemnification of resins of the areas at risk located in the affected region.

Important to mention that this amount was transferred to a specific bank account managed by Braskem. Therefore, it has not been considered in our cash position. Additionally, R\$1 billion was related to actions to monitor and close the south mining wells and R\$700 million for other measures not covered by the agreement with the authorities.

In July, Braskem executed an amendment to that agreement with the authorities and informed the market the second relevant provision in the amount of around R\$1.6 billion.

More recently, in September, we have informed the market an important development, the assessment of the potential impacts of the geological event in Alagoas, with the conclusion, on September 14, of the studies of exploring the independent technical engaged by the Company from international recognized entities.

In order to implement the potential new measures related to the large geological event in Alagoas, the Company, in light of the information available to-date, estimate the additional amount of around R\$3.6billion.

Finally, just to reinforce, Braskem cannot predict with certainty future developments in respect of this matter or its related expenses. And the cost to be incurred by the Company may be different than estimate.

Moving to the next slide. Regarding the financial compensation and relocation program, by September 2020, around 6,700 properties were reallocated, more than 7,500 families were included on the compensation flows, around 26,000 residents were reallocated, and more than 2,000 families from Humanitarian Aid were shifted to the program.

Additionally, the residents center is set up to service residents of the Financial Compensation and Support for Relocation Program. There is also a program focused on picking up and providing health care and welfare improvement for animals.

Around R\$180 million was disbursed from the bank account of R\$1.7 billion mentioned before related to the expenses of the Financial and Compensation Support for Relocation Program.

Let us move to the next slide where we will present the 3Q20 highlights in U.S. and Europe. In the United States and Europe, the average capacity utilization rate of PP plants increase in relation to the 2Q20 and also in relation to the 3Q19 explained by the higher demand in the United States and improve production capacity as the operational issues and supplies in U.S. and Europe in the previous quarters.

PP sales volumes were 10% higher compared to the 2Q20 and 8% higher in relation to the 3Q19, mainly due to the demand recovery in the United States and supply restrictions in the region caused by the Laura Hurricane.

EBITDA in the United States and Europe was US\$133 million, 223% higher than the 2Q20 and representing 18% of the Company's consolidated segment EBITDA. The performance in the quarter is mainly explained by the higher sales volumes in the United States due to the increase in the country's industrial activity.

In the next slide, we will talk about our new PP plant in U.S. The construction of Braskem new PP plant in the United States was concluded and it has started commercial production in the 3Q of 2020. The new plant is located at the La Porte side in the state of Texas and has production capacity of 150,000 tons per year. In October, the production of our new PP plant in the United States was 36,000 tons, close to the monthly production capacity of the plant of around 38,000 tons.

Moving to the next slide, we will talk about Mexico results. In Mexico, the average capacity utilization rate of our polyethylene size increased 4 p.p. related to the 2Q20 due to the higher ethane supply by PEMEX, combined with ethane imported from United States.

Compared to the 3Q19, the utilization rate increased 12 p.p., reflecting the start-up of the ethane imports project in February this year.

In the quarter, Braskem Idesa imported 42 million tons or 8,000 barrels per day on average of ethane from the United States to complement the supply of ethane by PEMEX, which corresponded to 13% of the capacity utilization rate of the Mexico Petrochemical Complex. Polyethylene sales in Mexico decreased by 2% when compared to 2Q20 due to inventory recomposition when compared to the same period of last year, it increased by 12% given the high availability of products. Mexico's EBITDA was US\$97 million in line with 2Q20, representing 13% of the Company's consolidated segment EBITDA.

In the next slide, we will talk about petrochemical scenario. According to the most recent projections by external consulting firms, the expectations for healthier resin spreads in all regions. Regarding the resins referred in Brazil, polyethylene spreads increased by 102%, polypropylene spreads increased by 26% and PVC spreads increased by 41% over the figures projected in the beginning of the year.

The spread improved mainly due to the strong drop in the naphtha prices and the demand recovered as the COVID impact and also by impacts of Hurricane Laura in case mainly of the polyethylene business. In the case of the main petrochemicals spreads, external consulting firms expect lower spreads over the figures projected in the beginning of the year. Due to the COVID, the demand for basic chemicals was strongly impacted, which resulted in challenging spreads this year.

For the businesses outside Brazil, polypropylene in the United States increased by 9% and in Europe by 20%, related to the projections of the beginning of the year. And regarding the spread reference of Mexico, it has presented 13% increase compared to the figures projected in the beginning of the year.

Moving to the next slide, during the 3Q20, we had a positive free cash flow generation of R\$747 million, mainly explained by the increase in recurring EBITDA and also by the monetization of fiscal fees credit for around R\$332 million in this quarter. This effect was partially offset mainly by a bigger interest payment in the quarter due to the payment of the first installment of semiannual interest, a bond issued in November last year.

Year-to-date, free cash flow generation was R\$-757 million, mainly explained by the cash consumption due to the change in the feedstock purchase strategy in Brazil due to COVID.

Moving to the next slide, in the end of September, the average debt term was around 19 years with around 50% of the total debt due after 2030. Also, the Company has sufficient liquidity to cover debt maturities in the next 53 months. For that, we reiterate our commitment to maintain our strong liquidity position and cost discipline while continuing to implement the measures set for in our deleverage plan.

Let us move to the next slide, which will talk about the deleverage plan. Braskem remains focused on implementing the deleverage plan initiatives to reduce its copper leverage, and as a consequence to be reassigned as an investment-grade company.

Beside the conclusion of the hybrid bond issues in July 2020, there are order initiatives underway for which Braskem already present results, such as: Reduced investments from US\$721 million to around US\$600 million in 2020 with the expectation of ending the year inline with the target; reduction of around 9% of fixed costs in the year today compared to the same period last year.

The goal is to close 2020 with a reduction of around 10%; another initiative is related to working capital optimization under discussion with relevant suppliers of the Company; and lastly, monetization of around R\$1 billion in PIS/COFINS credits in the year-to-date.

Moving to the next slide, we will start talking about our ESG achievements during the quarter. The Alliance to End Plastic Waste is a non-profit organization to help to solve a serious and complex issue, million of plastic waste tons entering the ocean every year.

As a member of the Alliance to End Plastic Waste, we have participated in the progress report. Our report that celebrates the advance aimed at eliminating plastic waste in the environment. In this report, our CEO wrote a letter with Braskem2019 main achievements.

Our contributions were focused on three main fronts: business strategy focused on the sustainability development; promotion of the circular economy, stimulating new approaches from production to disposal; and strengthening of portfolio, technologies and business models based on biopolymers and plastic reuse.

Aligned with the organization initiatives, we recognize the complexity of this problem and understand that the solution depends on joint efforts from different vectors of society.

In the next slide, we will present an important partnership formed this quarter. We signed an agreement with Tecipar to remove plastic waste from landfills. This agreement will prevent more than 2,000 tons of plastic waste from being disposed annually in the landfill of Santana do Parnaíba, São Paulo. The volume is equivalent to 36 million plastic packets made of polyethylene and polypropylene.

This partnership reinforced Braskem commitment to the circular economy and is in line with the Company's business strategy, engaged in contributing to the development of the recycling chain. In the next slide, we will talk about chemical recycling.

We also had advanced in the chemical recycle initiatives by signing a new cooperation agreement with Brazilian partners to invest on the development of Catalysis. The agreement was obtained after Braskem participation on a selection process opened by Semi through a pub's notice. In the chemical recycling, the discarded plastic waste is processed and transformed into raw material that will be used to create new plastic resins.

Moving to the next slide. At Braskem, opportunities are for everyone. This means that we pursue to our actions to become a more inclusive and welcome company, guaranteeing equal opportunities for all team members through a diversity and inclusion program. In 2014 and 2015, we implemented some actions focused on women team members in industrial areas, such as diagnosis of working structure for woman in the industrial area.

In 2016, we launched the Diversity & Inclusion Program with five working fronts: gender equality; social and economy; race and ethnicity; people with disabilities; and sexuality and gender identity.

Between 2017 and 2019, we trained our teams, both individual and leadership, on diversity and inclusion. And in addition, the diversity and inclusion program became global, with initiatives in the U.S. and also in Mexico.

This year, we continue to work to create an even more inclusive work environment by creating an internship program with a greater focus on university. Lastly, in our 2020

internship program, some selection criteria remain more flexible, such as the English language, which is no longer mandatory in 40% of the vacancies.

Moving to the next slide, to conclude the presentation, we will talk about the priorities for the 4Q20. In relation to productivity and competitiveness, the priorities to start of our chlor-alkali operations in Alagoas, and also to conclude, negotiations to renew the supply of naphtha for the industrial units in São Paulo and ethane and propane for the industrial units in Rio de Janeiro. As for the diversification of feed stock and suppliers pillar, we will continue the ramp-up of the complementary solution for importing ethane at Braskem Idesa and continue evaluating the definitive first structure solution for expanding access to ethane in Mexico.

With regard to geographical diversification, our priority is to continue the ramp-up of our new PP plant in the United States and maximize synergies among the regions where Braskem has industrial operations. About people, innovation, governance and reputation, we will work to increase the volume of global production and commercialization of recycling resins and continue with the advance of the financial compensation and support for location program in Alagoas. In capital allocation and financial discipline, the priority is to continue with the implementation of the deleverage plan initiatives and maintain capital allocation discipline.

That concludes today's presentation. Thank you for your attention, and let us move to Q&A session. Thank you.

Bruno Montanari, Morgan Stanley:

Good afternoon, and thanks for taking my question. I have two questions. First one, I understand it is difficult to estimate the full amount of the Alagoas provision. But how should we think about the timeline to say, now this is over, and there will be no more provisions, and this is how much we are going to spend? And what is also the latest about your insurance coverage for the incident? And the second question is about Mexico. If there are any updates on the discussions with PEMEX about the take-or-pay fines, the potential revision of the ethane purchase contract? And also, when we could see the conclusion for the definitive import solution in Mexico as well? Thank you very much.

Pedro Freitas:

Bruno, it is a pleasure to be with all of you this afternoon to discuss our results for the 3Q. On Alagoas, what we have, and we try to be pretty clear around what we have provisioned, and we are still not able to foresee whether there is any additional amount or not is this.

And always with the caveat and with the view that it is a geological event. So there are aspects of it, which may be unforeseeable. So we are working with the known facts and known expert studies, and that is what we are basing our decisions on. So what I am going to talk about a little bit is also subject to this situation.

You can think about Alagoas, broadly, a side of it, which is relocation of people, and another side of it, which is what we call the social environmental aspects of it, which includes the closing of the mine and other aspects, which I'm going to talk about.

So on the relocation of people, we have put together the maps that are published by the Civil Defense, the maps that our own experts have developed and which we received in September and which led to the additional provision that we booked in the 3Q. And then

when we look at all the maps, all the risk maps that we have, looking even forward up to three, five years ahead in a prospective way, those maps consider that none of the other actions that we are undertaking in terms of prior stabilization that all of them failed.

So the best knowledge that we have today, include a certain area in Alagoas. The provision that we have booked includes that area, that known area and even what is foreseeable for the map, these expert studies.

So on this side, we think that the provision covers everything that we know, again, subject to the fact that these are estimate assumptions that can be updated in the future. But everything that we know is there in regard to the area of relocation of people, even considering certain areas that may not be needed to be relocated, if the solid stabilization and the closing of the mine stop the subsidence and the situation there.

So that is the first aspect of it. The second aspect of it covers the closing of the mine and the social environmental actions, okay? So on that second side, what we have is we have booked a little bit more than R\$1billion for the closing of the mine. And that is based again on expert inputs and also submitted to the Brazilian mining agency. So the plan to close the mine is a plan that is shared with authorities in Brazil. And the amount that we have estimated for that today is a little bit more than R\$1billion.

The second side of that is what we call the social environmental aspects of the case. So what do you do with all the land that that is there? Do you have to make any kind of compensation to the city? Are there any environmental impacts that should be accounted for? Are there any social impacts that are not covered yet by the location of people and any indications there?

So on that second side, have booked is in total about R\$2billion, maybe a little bit more than that. Including the R\$1.2 billion for the closing of the mine and other social environmental aspects that we have already considered which include, for example, as we have discussed in other calls, tearing down the buildings, demolishing the buildings that are there.

And some other aspects in terms of safety, security, keeping the land, avoiding invasion into the land, people going back to live there. So that sort of thing is already covered. We are still in discussions with the authorities and with the prosecutors.

Regarding the two main legal actions against the Company, originally, it was a state prosecutor case around relocating people. And the second one is the federal prosecutors around social environmental aspects.

So the first one, we have included all the known areas. So we believe that what is covered already by the provision is what will be needed. But again, there is still a discussion with authorities to close down that case.

On the second piece, there are certain aspects of it, which we believe, that could move quicker, because they touch on for example, the closing of the mine and things that we already have a lot of information on.

We are trying to move fast on that. But again, it is a discussion with the authorities. So the timing is not controlled by us. And there is another aspect of which, which is more related to the environmental impact.

There is an environmental study going on, in the region to see if the mining operation has created any environmental impacts in terms of impact on biodiversity, impact on water quality, et cetera. So that study is still going on. We think it is going to take a few months, for that study to be concluded.

So I would say that, that piece of the environmental action, the environmental claim is probably going to be resolved only next year, so my best estimate today is, maybe a year from now or so. But those studies take time. And then the conclusion of that is going to take time.

So it is a long answer, but I am trying to be very transparent in terms of the amount and the timeline. We think a piece of it could be resolved this year. A piece of it, we think probably will take us into the next year, especially because of these studies that are still going on.

On insurance coverage, we are discussing with the insurers, we have civil liability coverage of US\$200 million, as we have discussed. And we have submitted and are still submitting documents to the insurers to substantiate the claim. We have not received any values yet, but this is something that is going on as well.

Finally on Mexico and updates on PEMEX and the ethane contract discussion, we are in touch with PEMEX, we have this discussion going on with them about any potential changes in the contract, but we do not have anything yet that is defined on that. Basically, it is still going on. We are still looking for a constructive solution. And I am afraid I do not have any concrete steps that have occurred in the past 2 months about that.

Finally, on the last point about the fast track and the definitive solution, I am happy to say that in the 3Q, the fast track contributed 12 p.p. to the operations of Mexico. So we ran close to 84% utilization rate. 12 p.p. of that were because of the fast track solution.

There are two next steps there. One, is upgrading the fast track. We are working on a pier in the harbor. And with that, we will be able to discharge more ethane. So the utilization, the fast track utilization could go up to 20% or maybe even more than that of the site needs.

So that would put us on a running rate of Braskem SA north of 90%, which is what we would expect from the beginning. And then the definitive solution, which is a pipeline, we are still engineering work around that. So we do not have a decision on that, but the project is advancing.

There are a couple of different solutions, different routes for the pipelines and different harbors that are being contemplated, and it is something that is still under evaluation in terms of which one is the best approach for this project.

Bruno Montanari:

Thank you, Pedro.

Ben Isaacson, Scotiabank:

Thank you very much. It is good to be on this call. And thank you for the very comprehensive overview. I have three questions. The first one is, given the provisions that you took in September, do you still expect your leverage to be at/or below 3.5x by the end of 2021?

Number two, on PEMEX. If you do not reach a constructive conclusion, what is the legal threshold? Or how close are they to falling below the 70% threshold? And what happens once they fall below that point?

And then my final question is, I have noticed over the last few years, you have been decreasing your naphtha exposure from Petrobras, but it is actually increased this year. What are the reasons, why it is increased? And is that temporary and how should we think about that going forward? Thank you very much.

Pedro Freitas:

Hi Ben, and thank you for the questions. On the leverage, I think everybody saw that our leverage, which was north of 7 turns and net debt-to-EBITDA in the 2Q fell below 5 in the 3Q. So it was a pretty steep de leveraging. And basically because of the recovery in results in the EBITDA, our net debt has been pretty much stable for the past many years with a band, but pretty much stable.

Looking at the year end, we have been talking to you and telling that we thought it could go down to somewhere around 4.5. Because of this extraordinary performance in the 3Q. We now believe that it could be below 4.5 by the end of this year. And we still have the goal of getting to 3.5 by the end of next year. Of course, any settlement in Alagoas could change that perspective. But right now, this is what we have as a goal.

We have not closed yet our budget for next year because of the high volatility in the markets, we decided to close the budget actually in the beginning of January so that we know how the year end was for 2020.

And also, we have a closer look and a closer feeling of how the market will perform in the turn of the year, beginning of the year. So that then we can have our budget approved by the Board. So that is going to happen at the beginning of next year.

Next year, we are going to have some benefits or some tailwinds helping us to improve our results. I would like to mention, the new plant that started up in the U.S., the Delta project. It is already running at close to capacity utilization. So the ramp-up was pretty steep, pretty good, and we expect it to contribute a sizable chunk of EBITDA starting next year. It is already contributing, but looking at our full-year results, Delta for sure will be a good contributor to results.

We are also going to have the chlor-alkali plant back in operation in Alagoas. And with that, we do expect to have, a recovery also in EBITDA, which our estimate is that we lost about US\$60 million to US\$80 million in EBITDA because of that plant being stopped. So that going back, I think that is also good.

The ramp-up in the fast track that I already mentioned. We also have a perspective of better markets next year, some market growth, which could also impact both our volumes and spreads.

So overall, we do expect a better year next year. At least looking at the drivers that we have today, we do expect that. But as I said, we have not closed our budget yet. The goal is still to get to 3.5.

On PEMEX, it has been supplying us at 70% or a little bit more than 70% every quarter. So that legal threshold you mentioned has not been reached. There is, as far as I recall, no legal obligation for us to do anything.

But there are certain rights that we get if certain conditions are not met, one of them being the supply threshold. So we keep looking for a constructive solution with PEMEX, as I said. But of course, we are also looking at all other alternatives that are available to Braskem Idesa, including legal alternatives if need be. So, we are looking at plan A, plan B, plan C in this situation.

And in terms of naphtha, what happened, as you saw for the past couple of years, our strategy has been to import more naphtha than consumed from the local supplier from Petrobras. There are a few changes that occurred in the beginning of this year that led us to increase our purchases from Petrobras. But I would say that was kind of an exception to what we expect to be the norm going forward.

So looking at Petrobras, the supply in the beginning of this year, I would highlight two main points. One was, with oil prices falling, given the structure of the contract, it makes more sense for us to get supply from Petrobras. And I think more importantly, the market was long gasoline in the beginning of the year, especially with COVID, a lot of refineries, stocking, et cetera.

And then Petrobras came to us with a good proposal that would be beneficial to Braskem in terms of consuming more naphtha from them and reducing imports so that Petrobras then could run their refineries at a higher rate, that would be mutually beneficial. We got a discount there around April of US\$15 to US\$35 per ton, which is very, very substantial. So that was a good deal or a good approach for us there.

Going forward, we expect to have more imported naphtha, looking at the contract that were closed for the south and for Bahia, the volumes there are smaller than the historical or the volume that we have in the current contract, we expect the volumes for the São Paulo cracker to remain the same as we have today. So we expect to have more imported naphtha going forward.

Ben Isaacson:

If I could just ask a very quick follow-up. When you think about the PEMEX, there is two issues. One is you are forced to run at a lower operating rate. The other is, that you are making less margin per ton. Can you provide some color of the magnitude of the impact on a margin per ton basis? How much are you losing by importing ethane from the U.S. Gulf versus from PEMEX?

Pedro Freitas:

Yes. So, the import cost is around US\$200 per ton, full cost, fully landed. So that is about the margin that we are losing.

Ben Isaacson

That is great. Thank you very much.

Pedro Freitas:

Just an additional comment Ben that I think is relevant. With the additional solutions, step 2 and step 3 that I mentioned, the step 2, or fast track, and then the pipeline, those costs should be lower going forward, because, we would be able to bring larger ships, so reducing shipping costs in the first step. In the second step, it is a pipeline, so it is much lower cost in running trucks, which is what we are doing today.

Ricardo Rezende, JPMorgan:

Thanks for taking my question. So the first one, just on free cash flow. I remember that earlier this year, we talked about the free cash flow for the year, and we even discussed if it was going to be possible to have breakeven for the year. How do you see cash flow on the 4Q? And also how do you see the first quarter given that there's seasonality, but at the same time, we are seeing this improvement on the demand side? And then the second question is on your ESG initiatives. Congrats on that announcement. My question is, is there any relevant CAPEX involved on the implementation of these ESG initiatives? Thank you.

Pedro Freitas:

Ricardo, thank you for the questions. On free cash flow for the 4Q, we are seeing still in October. We have seen good market performance. Results were better than we were anticipating for October.

And looking at the end of the year, we see some of our clients still in a high demand mode. We see also some sectors that have given people kind of their holidays; in Brazil, it is usual to have the year-end collective holidays. Some factories shut down and people over Christmas and New Years, they go home. And a lot of plants are closed even for maybe 15 days sometime.

So even Braskem does that with the administrative people and even some of the industrial people. So we think that some of those companies, because of COVID, they have already given their employees, the holidays. So we think that December this year will be atypical in the sense that we could have a positive surprise in volumes in December higher than what would be usual.

Looking at cash flow again for the 4Q and then for the year-end, positive cash flow in the 4Q for the year-end. And looking at the full year, we think that cash flow could be neutral, potentially still positive by the end of the year. We have a much lower amount of interest to pay in the 4Q compared to the 3Q.

And in the 3Q, the interest payments for the bond were really material. In the 4Q, it should be a much lower amount. And also, a more stable operating cash flow. We also have resumed imports of naphtha. And as you know, for important naphtha, we are able to negotiate many times extended payment terms. So that would also help with working capital. So in all, I would say that a good perspective in terms of maybe even achieving positive cash flow by the end of the year.

In terms of ESG, so I will split that into two pieces. There is a piece of that, which is what we are already doing and many initiatives that we are already promoting in terms of circular economy, innovation around recycling chemical recycling, mechanical recycling, as Rosana mentioned in the call, and also reducing our carbon footprint.

We are doing a lot on the energy front, working with sustainable renewable sources of energy, wind, solar. And right now, and for the next five years, the CAPEX numbers for all of that, they are not expected to be very material, because in some cases, like energy, it is a third-party investment. We are actually enabling investment by third parties in solar farms or wind farms. And in the other businesses, for example, in recycling, it is an investment in technology development, but that should yield results in the future. It should come back to us.

So looking at all of that, we do not anticipate, again, a very material investment beyond what we are already doing. What we are doing is tweaking the investment portfolio towards the sustainability investments which are synergistic in many ways with what we already do.

And on the other hand, if you look at the long-term goals, the 2050 zero carbon ambition, for that we do not know yet all of the solutions that we will need to implement to get there. So I would say that for the 2025, 2030 targets, we have a more known roadmap, and there are many partners working with us on that. But the long term solutions, we do not know yet, and that is the fact.

I would like to close this with just highlighting again that sustainability is a strategic pillar of our business. We are not talking about sustainability starting now. Now was the announcement about our ambitions around carbon neutrality and a reinforcement of the commitment that we already had around circular economy

But I would like to remind everyone that in the charter of the creation of Braskem back in 2002, one of the first items there, it is in our website, everybody can look at it. I believe, Item number four, and there was a commitment to sustainable development practices. So it is a long-term, long-standing commitment of the Company and are just moving on that going forward.

Ricardo Rezende

Okay. Very clear. Thank you so much. Good luck

Rodrigo Almeida, Santander:

Hi, Pedro, thank you for the call. I have two questions here from my side. The first one is related to the PP plant in the U.S., given the solid start and the good demand over there. Do you foresee any faster ramp-up for the plant, or is it more of an operating side? Any color that you could give us on the more, say, medium-term ramp-up of the plant would be nice to understand.

And the second question is related to the working capital initiative that you mentioned. I understand that increasing the naphtha imports will help working capital dynamics, but what else could you do on the working capital front to benefit from that a little bit more. Thank you very much.

Pedro Freitas:

Hi, Rodrigo. On the PP plant, it reached a 95%utilization rate already. So, I would say it has ramped up with a simpler, more unsophisticated portfolio of products. So now the effort is to specify in the plant additional grades that have not been produced yet, and we are moving forward with that.

One thing that is helping is that the recovery of the market in the U.S. has led some clients to fuel some restriction in supply from some of our competitors, also given the hurricanes that occurred in the Gulf Coast. So some clients have been reaching out to us, looking to specify and amalgamate the product from the new plant faster than we expected. So that could also help us on the market side. But again, it is already running pretty well.

In terms of working capital just a few comments. If we break down our working capital, you can look at accounts receivable with the recovery in the market and also the moving exchange rates. The accounts receivable in reais are higher now.

And that actually reflects a good moment in the business. And we have a very thorough credit management of our client exposures. It is expected that there would be an increase in accounts receivable because of the recovery in the market and also exchange rates.

Inventories have also gone up a little bit because of exchange rate. But we are working on several digital tools to manage inventories better. So there are several initiatives in our digital center that are geared towards reducing working capital. And especially inventories, we are looking at the way that we are doing our forecasting process.

We are implementing warehouse management systems, a new warehouse management system that probably will reduce the amount of parts that we have inventories in our MRO inventories. Also work in terms of feedstock, we are working on that. So we are working a lot on inventories. And on the supplier side, I already mentioned the increase in imported naphtha, which also helps with working capital.

And finally, we have a lot of taxes to recover. Tax credits to recover in our balance sheet. The largest amount of that is related to specific tax recovery in Brazil, it was a claim that we won in the court. We call it the PIS/COFINS tax. We have still in our balance sheet somewhere around US\$300 million of PIS/COFINS to monetize.

But we have already calculated in this claim, there are certain specific claims that have not yet been awarded by the courts, but those could amount to an additional R\$2 billion. That could add to more future non-operating cash flow that we could see in the future. It is exactly the same type of claim that we have already won. It is just a matter of the courts getting to that case and awarding the same decision that was already awarded in multiple other players in Brazil.

Rodrigo Almeida:

Perfect. Thank you very much for the complete answer.

Luiz Carvalho, UBS:

Thanks for taking the questions. I have basically two quick questions here. I know that you do not give guidance for the following year. But of your best knowledge, looking to the spreads and utilization capacity, what do you think that the next couple of quarters would look like in terms of when you compare the results that you just presented in the 3Q, and of course, comparing to the seasonality of the past quarter?

And the second question, it is mostly a follow-on, any update on the controlling shareholder potential divestments, anything that you have been consulted with that you can share with us? Thank you.

Pedro Freitas:

Thank you, Luiz. Looking at the basics of the business, I would say that utilization should be higher than this year, because of COVID and the hit that we had in the 2Q. And we do expect, higher demand next year compared to this year just by market growth everywhere. So, in terms of volumes, we think it could be a better year next year.

The second main aspect of our business are the spreads. And there, I think the signals are still a little bit mixed. On the one hand, we have demand growth. So, that helps with higher spreads. But on the other hand, we had several players and suppliers that, this year, they have stopped. Some have not come back yet. And there are new plants that were delayed from this year to next year.

So, the balance of supply/demand for next year is still a little bit unclear. So, given the situation, I do not think spreads next year will be much higher than this year. They could be lower, especially in polyethylene. Polyethylene this year, we had spreads that were much higher than we expected. So I think there may be some reversal in the PP spreads for next year.

But when we look at PP and PVC, they are doing pretty well. And I think there its more solid. There is not a lot of new PVC capacity coming online. We are seeing delays of the new your line is now open capacities coming out every quarter.

To give you an idea of what I said, the spread in PP was close to double of what we were expecting. So it is really uncertain. But I would not expect materially higher spreads. They could be, I think, the same or maybe even a little bit lower. A lot will also depend on, of course, on the oil price and how that occurs, any changes in the oil price fall through to the final products.

And the last aspect of this, still on a running rate, is FX. There was a strong devaluation of the BRL this year, which is very good for us. And then I think it is anyone's call, what is going to happen with FX. All the analysts that we follow and everything that we look at, leads us to expect an FX that is at around R\$5, or north of R\$5, which is pretty good for us.

So again, I would say we have good, good perspectives in volume and FX and mixed perspectives around spreads. They could be same, a little bit better or a little bit worse than we had this year.

And finally, we have all the aspect that I already mentioned. The new plant in the U.S., the coming back of the chlor-alkali plant in Alagoas, the increase in the fast track solution in Mexico. So there are certain aspects of our business that, comparing on a year-to-year basis, there will be some positive discontinuity in terms of those plants.

In terms Odebrecht, the controlling shareholder, they advised that they would start a sale process. We have established with them a protocol for exchange of information, and we have started to provide them with pieces of information around Braskem so that they can prepare the sale process. But we are not a part of that process. So we are not expecting to have to engage with multiple counterparties.

We are trying to keep that disruption away from the Company. Odebrecht, as the controlling shareholder, they have a right to the information, and then they will talk to the potential counterparties and decide what to do with their stake.

So the only new thing that I have to say is, this process of exchange of information has started, but I am not aware of any next step in this process, or any external steps that may have happened at this point.

Luiz Carvalho

Okay. It is very clear. Thank you very much.

Fernanda Cunha, Citibank:

Good afternoon everyone. I have a couple of questions on the Mexico project. Can you explain how we can think of margins going forward with your fast track import strategy. It seems to me that this quarter versus 2Q, your margins actually went down when spreads were significantly higher, and I am talking against 2Q20. So I am trying to do this reconciliation, and how we can think about these margins going forward?

And then the second question I have is on the imminent of a second wave of COVID. What lessons have you learned from the first wave? And you think that margins could be better protected from this learning that you had?

Rosana Avolio:

Fernanda, thanks for the question. About the margins in Mexico, we have been running with fast track since 1Q since February. And in terms of margin, there is a decrease actually because we do have additional costs running informed, as Pedro mentioned, but we do sell more.

And we are talking about a gas cracker being supplied with ethane from PEMEX plus the fast track solution, it is still a great project, it is to generate good margins, to generate cash flow. So even considering that, considering the fast track solution that we are ramping up, it is still a very positive project with great margins even in the down cycle.

Fernanda Cunha:

I agree with you. But I just wanted to understand why these margins dropped like from 54% EBITDA margins in the 2Q to somewhere like 45%. I know there is an impact from the receivables from PEMEX, but at the same time, ethane did not come down so strongly. From my math, it should have come down like 9%, it came like 27% down. And so I am just trying to understand what the normalized EBITDA margin would be.

Rosana Avolio:

T the margin dropped because we are ramping our fast track, that I just mentioned. But we are talking about 48% EBITDA margin. We do not see that in any other company or project in the globe.

If we compare, for example, to Brazil, where we have a much more diversified feedstock profile, a lot of products EBITDA margin is 24% this quarter. So even with a drop in Mexico, EBITDA margin that you mentioned, and it is true, because we are ramping up fast track, we are still getting 48% EBITDA margin, which is great, actually.

Pedro Freitas:

Rosana, just let me add another point here that think is relevant. If you look at our net revenue or the revenue, it went up by about 10% 3Q versus 2Q. And what happened is that a part of that is that, if you have a margin per ton of US\$800 per ton, and the price that you are selling at is US\$1,000, that margin is 50%. But if you have the same US\$500 per ton of margin, and you are selling at US\$1,500 per ton, the margin goes down to 33%. It is still the same US\$500 per ton.

So there is also a dynamic there of increasing PE prices, but the spread has not increased by so much. So the evolution of the denominator of the math to get to the EBITDA margin leads you to that. So a part of the explanation also comes from that. This is the fast track that Rosana mentioned.

Fernanda Cunha:

Sure. So I can say because the discussion offline. I understand that gross margins did not change, but when you look at EBITDA margins, it did change a lot quarter-over-quarter. So I was just trying to understand what the difference here is. But we can discuss this afterwards.

Pedro Freitas:

Okay. On COVID, just briefly, we have learned a lot in the first wave. We see the second wave in certain regions, and we do not see a second wave, at least so far, in other regions like in Brazil. So I do not know how the second wave, or a potential second wave could hit our markets.

But we have learned to turn around our operations pretty quickly. So changing production schedules to adjust to changes in demand, also logistics. So I think we learned a lot around how to adjust and adapt our operations quickly. And if anything happens in terms of a second wave, I think that would be helpful to us going forward.

But again, how we will react once things start to hit the market, we have seen that the way that it happens is different in each region. It is different in each market. So it is really having the agility of answering quickly is more important than, having a very well-established plan. Because it is really an uncertain, unknown situation that may occur.

Fernanda Cunha:

Okay. Great. Thank you.

Operator:

Now I will turn over to the Company, for closing remarks.

Pedro Freitas:

We have Roberto Simões here with us. So I will ask Roberto to close.

Roberto Simões:

Thank you all, again for joining us for this call. As we discussed in the presentation, we had a quarter of very good results. As you saw, the money in all regions is increasing, and we keep seeing very healthy spread in the international markets, every month.

Given that, we present a positive cash flow generation, and it is followed by a leverage of 4.98x, an important reduction from previous quarter leverage of 7.11x. This reduction reinforces our commitment to be reassigned as an investment-grade company.

It is also important to highlight that, from a liquidity point of view, we are in a good situation with a longer debt profile, without any relevant maturities in the short and medium-term and a very robust cash position.

And finally, I want to reaffirm our commitment to sustainable development in the announcement that we give regarding our new goals related to mitigate climate change and eliminate plastic waste.

We will continue with our strategy around efficiency, and competitiveness, diversification of feedstocks and the geographic diversification that has been leading to significant results for us.

With that, thank you very much for your participation, and looking forward to talking to you in three months' time, when we release the 2020 annual results.

Operator:

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

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