

**Operator:**

Good afternoon, and thank you for standing by. Welcome to conference call for Braskem's 2Q earnings results call for 2022. Here with us today, we have Mr. Pedro Freitas, Braskem's CFO; and Rosana Avolio, IRO and also Strategic Planning and Market Intelligence Director.

We would like to inform that this event is being recorded and that all participants are connected in listen-only mode during the Company's remarks. After that, we will have a Q&A session when further instructions will be provided. Should you need any assistance during the call, please request the help of an operator by pressing \*0.

This event is also being simultaneously streamlined over the Internet and can be followed at [www.braskem.com/ir](http://www.braskem.com/ir), where the respective slide deck can be also downloaded. You are free to select the slides you wish to view. An audio facility for this event will be made available right after its closing. Once again, participants of this webcast can send their questions to Braskem, which will be addressed after the closing of the conference by the IR team.

Before moving on, we would like to state that forward-looking statements made during this call about the Company's business outlook, financial and operating targets are based on beliefs and assumptions on the part of the Company's management and also on information currently available. Forward-looking statements are no guarantee of performance as they involve risks, uncertainties and assumptions as they refer to future events and therefore, depend on circumstances that may or may not materialize. Investors and analysts should have in mind that general economic conditions, industry conditions and other operating factors might affect future results of Braskem and does lead to results that will differ considerably from those expressed in these forward-looking statements.

I would like now to turn the floor over to Ms. Rosana Avolio, IRO and also Director of Strategic Planning and Corporate Market Intelligence. She will lead the presentation. Please, Ms. Avolio, you may carry on.

**Rosana Avolio:**

Good afternoon, ladies and gentlemen, and thank you for joining us for Braskem's earnings conference call. Today, we will be sharing the results of the 2Q22.

Let us get started on slide 3, where I will start my presentation, commenting on the Company's main highlights in the quarter.

Braskem continued to deliver solid results in the 2Q22. Starting with the financial highlights, the Company reported recurring EBITDA of US\$802 million. Additionally, cash generation was R\$2.4 billion, representing a conversion of EBITDA into cash of around 60%. With regards to return to shareholders, the cash flow stood at 31%.

Turning to credit metrics, the corporate leverage ratio remained low, and we maintained a debt maturity profile concentrated in the long term, as well as investment-grade ratings by S&P and Fitch ratings.

Another important highlight was the signing of an agreement with Advorio B.V. for the ethane import terminal in Mexico. This terminal will have the capacity to import 80,000 barrels per day of



ethane, which will allow Braskem Idesa to import all its feedstock needs while enabling the potential expansion of PE production capacity in Mexico to around 20%.

On our ESG agenda, the highlights included two important transactions that will help us reach our production target of 300,000 tons of recycled product sale. Recently, we concluded the acquisition of an equity interest in Wise, which has annually mechanical recycling capacity of around 25,000 tons per year with the opportunity to double this capacity to around 50,000 tons per year by 2026. Additionally, before announcing the Wise transaction, we already had announced via notice to the market the formation of a joint venture with Terra Circular, which has annually mechanical recycling capacity of 23,000 tons per year.

On the social front, our global injury frequency rate with and without lost time stood at 1.0x, which represent a decline of 17% on the same quarter last year. Lastly, we also approved the updating of our global risk management policy and our global personal data privacy and protection policy with a view to enhancing and modernizing our practices.

Let us move on to the next slide, please. We included this slide to reinforce to our investor community that over recent years, Braskem has reduced its exposure to Brazil by advancing in its diversification, not only geographically but also in better balancing its feedstock profile between oil and natural gas feedstocks.

As you can see on the chart on the left, today, around 40% of our resin capacity is located outside of Brazil, and we have various projects that could further expand this international share, such as the terminal in Mexico and the memorandum of understanding signed with SCG chemicals in Thailand. Moreover, as you can see on the chart in the middle, in this year-to-date, around 42% of our net revenue was contributed by operations outside of Brazil and by export operations.

The chart on the right shows that Braskem has already significantly reduced its exposure to naphtha, reaching a better balance in its feedstock profile.

Now on the next slide, we are going to show you our consolidated EBITDA. In the 2Q22, our recurring EBITDA was US\$802 million, down 13% against the 1Q, which is mainly explained by lower international spreads for PVC in Brazil and for PP in Europe, though still above the 10-year historical average, and the lower sales volume of main chemicals in Brazil, PP in Europe and PE in Mexico.

In relation to the 2Q21, recurring EBITDA in USD was down 55% due to the normalization of international spreads for resins in Brazil, PP in the U.S.A. and Europe and PE in Mexico, in addition to the lower sales volume of main chemicals in Brazil and of PP in Europe.

Let us go to the next slide, which covers our highlights by segment. Here, we show you the main highlights of the Brazil operations. In the 2Q22, the petrochemical complexes in Brazil operated at a capacity utilization rate of 74%, which is mainly due to the scheduled maintenance shutdown at the petrochemical complex in the state of Rio Grande do Sul. The Brazilian market, resin sales in the 2Q were in line with the 1Q, supported by the stable local demand.

Meanwhile, exports increased by 7% due to the higher PE export volumes given the lower availability of PE in the United States for exports and the better conditions for export logistics. In this context, recurring EBITDA from Brazil in the 2Q22 was US\$454 million.



On the next slide, we are going to talk about the geological event in Alagoas. The chart on the left shows the total provisioning for the geological event in Alagoas, of R\$12.9 billion, of which R\$5.4 billion already have been disbursed and R\$0.2 billion corresponds to the present value adjustment.

The chart in the middle of the slide shows the provision balance, which ended the 2Q22 at around R\$7.7 billion. The chart on the right shows the disbursement schedule with 61% of the total amount provisioned booked under short term and 39% under long term. It's important to remember that Braskem cannot eliminate the possibility of future developments related to the topic or related expenses and that the costs to be incurred could differ from their estimates or amounts provisioned.

Moving on, but still on the geological event, the next slide shows the progress made on action fronts. First, Braskem continued to make progress on relocating and financially compensating families in high-risk districts of Maceio. The number of proposals for financial compensation submitted reached 16,468, with the proposal acceptance rate remaining high at 99.6%.

On the closing and monitoring wells, by the end of June 2022, of the 35 wells, 9 are in the backfilling group and are advancing with the closure of 3 wells with progress of 59.2% of Cavities 7 and 19 and 86.2% of Cavity 17.

Lastly, on social and urban development and environmental measures, the activities on this front focus on urban mobility, social compensation and actions in relocated areas. On this action front, there were the following advances: the social study protocol with the MPF to subsidize the discussions about the social action plan; delivery to the MPF of the diagnosis and environmental plan for assessment of potential environmental impacts and damages; demolitions in progress at specific points in vacant areas; and advance of urban mobility projects and expectation of work to start this quarter.

Let us go to the next slide, please. This slide presents the highlights of our operations in the United States and Europe. In the 2Q22, the PP plants in the United States operated at a capacity utilization rate of 81%, down 7 p.p. from the 1Q22. This happened due to the scheduled maintenance shutdowns and short unscheduled shutdowns carried out in the period.

In Europe, the capacity utilization rate decreased by 9 p.p. against the previous quarter, reflecting the lower feedstock availability due to operational problems at a local supplier and to the weaker demand in the period. In terms of sales performance, the U.S. registered sales volume in the quarter of 468,000 tons, up 15% against the previous quarter. In Europe, we sold 118,000 tons of PP in the 2Q22. The segment's recurring EBITDA in the 2Q22 was US\$237 million.

Moving on, the next slide shows the highlights of our operations in Mexico. In Mexico, capacity utilization rate in the 2Q22 was 67%, impacted by the reduction in ethane supplied by PEMEX and an unscheduled shutdown caused by instability in the power grid. Sales volume declined by 13% compared to the 1Q22 due to the lower availability of product for sale, which was partially offset by the drawdown of inventories during the quarter. The segment's recurring EBITDA in the 2Q22 was US\$96 million.

Moving on, the next slide shows our ethane terminal in Mexico. One of the major highlights in the quarter was in the Mexico operations, which signed an agreement with Advorio for the construction of an ethane terminal in Mexico. Advorio has long expertise in the construction and



operation of terminals around the world, and Braskem Idesa and Advorio will each have 50% in the capital of Terminal Quimica Puerto Mexico.

The terminal's feedstock supply capacity will be around 80,000 barrels of ethane per day, which represents around 120% of current feedstock needs. The CAPEX of the project is estimated at around US\$400 million, and the expectation is that the terminal will start by the 2H24.

Lastly, I remember that under the amendment signed in 2022, Braskem Idesa has first refusal rights for the purpose of all ethane that PEMEX has available and does not consume in its own production process until 2045.

Let us now go to the next slide, which shows our cash generation. Cash generation in the quarter was R\$2.4 billion, representing a conversion of EBITDA into cash of around 60%. The main impacts were the recurring EBITDA in the quarter, the positive variation in working capital and the monetization of PIS/COFINS tax credit in the amount of approximately R\$232 million.

Let us go to the next slide, please. This slide shows the advances in our Transform for Value program, a program that was launched in 2020 to optimize and simplify processes and consolidate Braskem's improvement initiatives. The program has already delivered good results with the expectation of important gains and positive returns for Braskem.

At the end of the 2Q22, the program was on pace to capture US\$280 million a year, considering only initiatives in Stage 4 with the measurement of gains potentially increasing in accordance with the progress on actions in Stage 5, following stabilization and/or internal audit. The pace of capture in this program represents mostly a direct impact on the Company's EBITDA, which can occur in 4 ways: higher net revenue, lower variable costs, lower fixed costs or lower SG&A expenses. About 1/3 of the capture rate value of US\$280 million a year is associated with digital transformation initiatives, which make relevant use of digital technologies in their scopes, such as automation and instrumentation, new software and systems, advanced analytics, machine learning, cloud services, among others.

Braskem ended the 2Q22, maintaining a very long debt maturity profile and a strong liquidity position with the bulk of its debt coming due in 2030 and beyond. The average debt term was around 14 years, and the current liquidity position covers all liabilities coming due in the next 6 to 6 months. without considering the international rotating credit facility of US\$1 billion available until 2026.

Let us move on to the next slide, where we are going to cover the Company's credit metrics. In line with the dynamics observed in prior quarters, Braskem continue to present solid credit metrics with leverage levels remaining low in the 2Q at 1.22x. We remain committed to maintaining a robust cash position, a very long debt maturity profile, efficient capital allocation and an investment-grade credit rating.

Going on to the next slide, let us take a look at the Braskem's ESG highlights. On this slide, I want to highlight that we are advancing in one of our main growth avenues: recycling. The chart on the left shows the growth in our sales volume of recycled chemicals and resins since 2018, when we first formalized our commitment to foster the circular economy. As you can see, each year, we grow our sales. In the 1H22 alone, we already sold practically the same volume as in the whole of last year.



The chart on the right shows the production capacity of already public projects, considering all projects already announced with Valoren, Terra Circular and Wise Plastics, we reached a production capacity of recycled products of about 93,000 tons per year. We also have various projects in the financial feasibility study phase that could be announced later on.

Let us go to the next slide, please. Since 2015, Braskem has supported the Brazilian Paralympic Committee. And since the start of this August, we renewed our sponsorship of the Brazilian National Parathletics team for another four years, until June 2026. Braskem decided to renew this sponsorship given its interest in contributing to developing more new sports technologies, equipment and materials of world-class level for our Brazilian Paralympic athletes.

Moreover, Braskem believes in the transformational power of chemistry and plastics in people's lives, plastics used in orthopedic prosthetics offer greater comfort, better performance and improved accessibility for the athletes.

On the next slide, you can see some important highlights of our chemical business, which is made possible by naphtha cracking and makes a significant contribution to the Company's results. The chart on the left shows that Braskem has a well-diversified feedstock profile for ethylene production in comparison with competitors of other regions. In the chart in the middle, you can see that Braskem has a broad portfolio due to the coal products generated by each feedstock in its matrix.

Lastly, the chart on the right shows that because of the characteristics of our business, Braskem is able to capture opportunities, such as the widening in spreads for the main chemicals observed in the 2Q22 and which should remain at high levels in the coming quarter, according to external consulting firms. Note that historically, sales of chemical products represented around 25% of the total net revenue.

Let us move on to the next slide, please. On this slide, we will comment on the petrochemical scenario for PE and PP. Based on the latest forecast by external consulting firms, PP propylene spreads in the U.S. should remain above the recent historical average in the 2H22. In the case of PE spreads, naphtha and gas-based, the expectation for the 2H of this year is for lower spreads in relation to the 1H of the year, mainly because of the new capacities coming online in the period.

Moving on, the next slide presents our short-term outlook. For Brazil, the expectation is for higher ethylene production due to the restarting of operations at the petrochemical complex in Rio Grande do Sul after the general maintenance shutdown. In terms of sales, the outlook is for maintenance in the resin sales volume.

As for spreads, consensus expectations are for a decline in spreads for chemicals and PVC, but remaining at levels above recent historical average. In the United States, sales volume should be in line with the previous quarter due to the expectation of PP production remaining stable at the same levels of the previous quarter. Meanwhile, U.S. PP propylene spread should remain at levels in line with the last quarters and above the recent historical average.

Lastly, for Mexico, the expectation is for higher production volume due to the expectation of increase in total feedstock supply. As such, in Mexico, the expectation is for higher PE sales volume due to higher product availability.

Let us move on to the next slide, please. This slide shows how Braskem remains an interesting investment opportunity in the global petrochemical industry. First, looking at recent stock quotes



on B3 compared to market consensus, we also see the potential for price appreciation in Braskem shares based on its EV over EBITDA multiple, Braskem remains discounted in relation not only to its U.S. peers but also to its peers in Latin America.

We want to reinforce that Braskem is a global company, serving clients on all continents. It is a leader in its market and makes concrete contributions to sustainable development, and is the world leader in biopolymers. Braskem has a robust financial strategy with consistent operating cash generation, a healthy financial position and disciplined capital allocation.

Lastly, Braskem incorporates risk management in its corporate strategy by diversifying its feedstock and geographical profiles, which increases profitability and mitigates risks. Braskem is also a highly dollarized with its revenues in a large part of its costs denominated in or packed at the dollar.

Let us turn to the next slide, which recaps our main targets for 2022. On this slide, I will go over our main targets for 2022, broken down by each one of our strategic pillars. Starting with productivity and competitiveness, we will focus on capturing value through the initiatives of the Transform for Value program to reach recurring annual gains of US\$302 million in 2022.

In sustainability, our focus will be on intensifying actions in recycling, expanding renewables and reducing our carbon footprint. In the pillar of diversification, we have 2 important projects from the standpoint not only of diversification, but also growth. They are starting construction of the ethane import terminal in Mexico and defining the partner, which already occurred and advancing in the feasibility studies for investing jointly with SCG chemicals in the new green ethylene plant in Thailand.

In people, governance and reputation, we will remain focused on advancing on all action fronts related to the geological event in Alagoas. Lastly, in the pillar of capital allocation, we are focused on returning value to shareholders and maintaining our investment-grade credit rating.

That concludes today's presentation of Braskem results for the 2Q22. Thank you, everyone, for your attention. Now let us start the question-and-answer session.

**Guilherme Levy, Morgan Stanley:**

Good afternoon. Thank you for taking my questions. My first question is about the recent change in import taxes for some chemical products. I would like to have some more color on how you see the impact of those changes in tax, and how you assess the risk of a potential tax drop for other products. And how much do you lose in terms of competitiveness? How much do you have to push prices down, even though logistics has become more complex across the board? So how much of that is coming from imports with those changes in taxation?

And a second question, we already have the results for half the year. The free cash flow up to now seems to be very healthy. So beyond thinking about what the Company sees in the short term in terms of spreads, what do you see in a longer term on that front, so that we can start thinking about ability to pay out dividend still this year? Thank you.

**Pedro Freitas:**



Guilherme, thank you for your questions, and good afternoon, everyone. It is a pleasure to be with you during our 2Q earnings call. As for the import taxation you mentioned, of course, there is an impact given that our commercial policy is linked to international market prices. So we need to take into account logistics costs and also import rates, which are now being levered.

And I want to emphasize that the market is fully supplied. We consider that governmental measure a mistake. We have already got in contact with the Ministry of Energy to try and revisit that measure. We are trying, through our association, to revisit that measure because it makes no sense whatsoever given what is really happening in the market. So we do hope that, that measure is reviewed by the government at some point.

In any event, it will last four years. It is not a long-term measure. And as Abiquim, our association, is now in negotiations with the government, we cannot commit to anything in terms of other products. But we do believe that the Ministry of Finance will pay attention to what is happening in the market. The market is fully supplied as is.

As for logistics, your second question, we still see a global logistic disruption across the globe. That problem has not been solved. It was somewhat mitigated, but the problem remains and lots of difficulties around the world in terms of containers going back and forth. So again, it is difficult to predict the level of impact, but we continue to monitor and we still identify a situation in which spreads will be slightly higher and with high logistic costs.

At the same time, when you ask about our competitiveness in terms of imports, that competitiveness comes mainly because of a change in cost of feedstock and the dynamic sales, the evolution of oil prices, also the dynamic around bringing material into the country. We do not see any change in that rationale yet. We continue to be a company which has operation at the 2Q cost when you compare to an international industry benchmark, Idesa in Mexico, they are in the first quartile. So in terms of competitiveness, we see no change or no major change going forward.

Of course, there is a question around the so-called Brazil cost, higher here than a broad on that, of course, generates a kind of attention. But we continue to insist on our strategy, on our commercial policy as is always counting on a better perception, a more positive perception on the part of the Ministry of Energy. This measure was a mistake. I repeat the market does not need that now.

As for cash flow, we continue to generate cash at a very relevant pace. Capital allocation, we continue to follow the same rules that we have been applying for several years now, trying to balance investments. We still have a very low level of leverage. Our debt profile is quite long. So when we talk about using our cash to refinance debt, if that is within what makes sense, reducing costs, extending terms. In other words, following the same strategy we have been following for some years now, we see no major issues.

So cash generation at the end will be geared towards the investment or towards paying out dividends. So we always seek to strike a balance. In Brazil, we have a rule which we have to pay 25% of net income as dividend. And we also have our own dividend policy, which will guide us in any decisions we have to make in terms of dividend payout going forward.

So we do expect to pay out dividends, our consolidated income for the first 2 quarters. justify that, above R\$2 billion so far to date, but the timing and the rationale for that dividend payout will be



guided by our dividend payout policy. And it should not be different from what we have been doing for the past few years.

**Guilherme Levy:**

Okay. Thank you.

**Leonardo Marcondes, Bank of America:**

Good afternoon. My first is about the Company's investment plan for 2022. Your CAPEX plan for now seems to be lower in annualized basis. And with this reduction in import tax rates for the coming months, you said you would possibly revisit investment plans in Brazil. So how do you see that, the capital allocation and investment plan for Brazil in 2022? That is my first question.

And question number two is a follow-up to the next last question about tariff reduction. From what I understood based on what you answered, that measure was taken unilaterally. Was there any other conversation between government and industry before the decision was made? And also, I would like to know how do you see the risk in that reduction in tax rate becoming permanent? So those are the two questions I had.

**Pedro Freitas:**

Leonardo, so as for CAPEX, it is normal to have a smaller cap in the 1H compared to the 2H of the year given our investment dynamic that happens every year. What we are doing now, driven by that reduction in rates, is to review investment plans, especially for Brazil. Given that most of the CAPEX has not been realized yet, it will be concentrated more in the 2H, we still have room to reduce that rate. And that review is ongoing.

Now, as we speak, we do not have a final number to announce as to that review of the investment plan, but it is something which is being done. We are thinking about hundreds of projects and we analyze one by one to see what continues to create value and what ceases to create value in the current scenario.

As for the process of tariff reduction, there was no consultation to the industry. It was, as you said, unilaterally taken by the Ministry of Economy. But we are sure that this has been the wrong decision to take. In other words, we were not heard as industry players, but now, through the association, we believe that that measure may be revisited by the government going forward.

We also believe that Abiquim, the industry association, as we were able to show through Abiquim, show the rationale that the so-called Brazil Cost does have a significant impact on Brazilian industry, and also the fact that the market remains supplied, this was the main argument to reduce the tax rate. So that is clearly a mistake.

So we do believe that this measure will be reviewed. And if we believe so, it will not become permanent. That is the logical consequence. So That is how we see it now. But at the end of the day, it is a decision which is up to the Ministry of Finance.

So that conversation is key for us to make sure our arguments continue to be taken into account. It is a long process, it is not a short-term conversation, but that is the path we are now going down.

**Leonardo Marcondes:**



Okay. Thank you.

**Luiz Carvalho, UBS:**

Thank you for taking my questions. I have two questions, actually. First, about the spreads. There is a slide where you show a diversification of feedstock, and then you provided more detail on a different slide, when you show the dynamic of current spreads. We saw oil prices going down below US\$100, the price of gas will remain an issue for some time as we see it due to restrictions coming from Russia. In our mind, instead of some exposition to naphtha, you could benefit from the situation favoring the spread. So I would like to understand how you see that scenario, that dynamic and how could the Company position itself to benefit from that process?

And the second question, Pedro, and I understand your limitation but I need to ask this question, we have seen in the news, a potential sale of the stake of Odebrecht in the Company, material facts being announced. But of course, you have ongoing negotiations, I would imagine, with the controlling stakeholder, probably conducting studies. I would like to understand where does that discussion stand. There is this specific slide where part of that discount on share prices would be linked to that subject. Thank you.

**Pedro Freitas:**

Luiz, as for the spread question, I think that the fact that our naphtha base is so relevant, of course, helps us. What we have always advocated for the past ten years or so is that we need to diversify in terms of feedstock. That brings about more stability to the Company's cash flow.

We are now at a moment where gas is more competitive. We have a series of assets where we will be making more money, we have better results, and the naphtha-based units will suffer a little more, but still perform well, and vice versa.

Right now, where oil prices are going down and gas is more expensive, we have the benefit towards naphtha. And again, diversification adds resilience to our model.

I also have to emphasize something, which is in one of the slides that Rosana showed, which is the sale of basic chemical products. Today, the sale of chemical products, basic products at Braskem, accounts for 25% of our revenues, which is a considerable number.

We do not talk a lot about that, perhaps we should emphasize that, but that chemical products are coming from naphtha. And that is also part of the benefit coming from diversification. And we are not trying to define which one is going to be more profitable, gas or oil. We do not do that. We have chosen to have a diversified base for strategic reasons, and that strategy has proven to be successful, because it brings, as I said, stability to the Company's cash flow.

Before I move to the other question, Rosana, anything else you would like to add on spreads and raw materials?

**Rosana Avolio:**



No, I think, the point you mentioned about diversification is key. And going forward, as you said, it is hard to predict, but in the short term, we saw a change in the cost of ethane in July. The ethane base went to mid-curve and other feedstocks are also coming in. And knowing that, in theory, ethane is more competitive, we will always search for greater diversification. We want a diversified portfolio to capture all the opportunities and make the most of them.

**Pedro Freitas:**

Thank you, Rosana. As for the sale, first, I apologize for the number of repeated material facts announced. It has to do with the disclosure regulations, so we need to make those announcements. But I apologize for the excessive number of material facts. That is something we cannot avoid.

As for the sales process, this is what we have been announcing to the market, Braskem is supportive of that model. We do not lead any negotiation. When somebody asks information, we provide them. That is what we do. And that is the very nature of that type of process. Sometimes, we have more requirements or requests to provide information, other times fewer.

What we see from the market capital side, it would be an equity operation. That is not happening now. And then we would be more involved as we were in January, that would entail a more intense work on our side internally to prepare the offer, preparing the documents and prep the offer per se.

As for the sale process, as you know, Luiz, we have low visibility. And as I said, sometimes they add for more information sometimes not so much.

**Rosana Avolio:**

It's worth mentioning, Luiz, that from the practical perspective, this is not a discussion that we have on a daily basis, although this is in the media, we continue focused on our strategy. We continue making investments in the several announcements that you are probably aware of. So although this is being commented in the media, this is not something that will interfere in our long-term strategy.

**Luiz Carvalho:**

Okay. Thank you.

**Barbara Halberstadt, JPMorgan:**

Thank you for taking my question. My first question is about the ethane supply in Mexico. You talked about the issue with PEMEX. Can you give us more details about things that are going in the 3Q? What are the expectations with regards to the returns of the volumes that were not delivered in the 2Q? That is my first question.

Now my second question about liability management. The Company did some repurchases in the 2Q. Your leverage remains low. But with normalized spread, should we expect increases by the end of the year? What about the gross debt? Are you expecting more significant reductions in the total amount to alleviate the pressure when the spreads normalize regarding the last 12 months of EBITDA?

**Danilo Garcez:**

Good afternoon, everyone. PEMEX, the Company, when you look at 4Q21, 1Q22, they provided volumes above the contract volume of 30,000 barrels. But when we look at 2Q, mainly because of operating problems at processing center for gas, the Company faced difficulties to reach the contracted volume, especially during April and May, those two months. There was some recovery in June, and in July, we see a fuller recovery.

We expect PEMEX to be able to bring those volumes up to contracted levels. But we will have some volatility, just as we had in the past two quarters. We were above the contracted volume, now we are having volumes which are falling below, but on average, close to 30,000.

I would like to take the opportunity to highlight the good performance of the fast track. We have advanced with 22,000 barrels. The fast track facility is now in an important ramp-up. We closed June at above 24,000 barrels in June alone. So when we look at the next quarter, it is under very positive lands when we talk about ethane exports in Mexico, complementing the total volume for Braskem Idesa.

That is basically what I have, but I remain available for any questions you may have, Barbara.

**Pedro Freitas:**

Thank you, Danilo. As for the liability management and the repurchase of debt, we worked last year to reduce gross debt. At the end of 2020, we were sitting at US\$8 billion in gross debt, down to US\$6.5 billion today, which we believe to be a slightly low level to be frank, compared to the Company's history.

We are looking more at the net debt. And today's net debt at US\$4.6 billion is slightly below we would be vis-a-vis the Company's optimal capital structure. If we add US\$4.5 billion cash level, which is quite conservative, a minimal cash of about US\$1.6 billion, US\$1.8 billion, we would reach a level of gross debt; our cash is actually higher than our gross margin today, US\$6.5 billion debt, which is quite comfortable. And we actually have room to increase, should it be the case, even considering a drop in spreads and other cycle updates.

What we have been doing liability management is to find opportunities. You probably saw our yield curve for April and May, and we saw an opportunity to repurchase some bonds when the Brazilian market is quite healthy, it had good operations early in the year, a debenture based operation a month ago. So when we find opportunities, we do liability management trying to bring costs down.

As we extended the term a little bit, not relevantly, but still, we are looking for those opportunities in the market. That is what drives us when talking about liability management. And we continue to do so for as long as this window remains open, as it were.

Structurally, if you look at the slide of our debt profile, our situation is quite comfortable, less than US\$200 million this year, the same for next year, 2024. That is something we have been doing for some time in terms of liability management, US\$400 million for 2024, 2025, 2026, 2027, also at comfortable levels. So six years down the road, we are quite comfortable. So we continue, as I said, to look for opportunities, without major expectations in changing our debt profile in the short term.



**Barbara Halberstadt:**

Thank you very much.

**Gabriel Barra, Citibank:**

I have two questions. A quick follow-up on the spreads question. In Alagoas, there was an increase of R\$1.2 billion in this quarter, and Rosana talked extensively about that. But I would like to have more detail on that increase. Was it monitoring, closing? So that we can follow that up on a closer fashion on our end here.

Secondly, as for Mexico, when we look at it, with the construction of the terminal, the need for PEMEX supply might go down to zero. Remember that, as for the terminal, we would say that with that increase, we could perhaps keep our monetary price at a lower level. So how do you see that looking forward, the base grades for ethane supply for Braskem Idesa after the terminal becomes operational? And also in terms of costs?

And a third question, in terms of spreads, my question is, when you look at the Northern Hemisphere, when you look at the U.S. or Europe or Asia, we already see some recession being factored in those spreads as they are updated. So if you could perhaps give us some more detail on how much you see spreads going forward, if some of that recession is going to be priced into those spread levels going forward.

**Pedro Freitas:**

Thank you, Gabriel, for your questions. As for Alagoas, we have a series of things happening right now. The main points have to do with adjustments across different perspectives.

We try to update everything as we learn, and we learn as we go. So as relocation and compensation plan advances, and we are now implementing mobility initiatives, then we see that costs which were estimated now need to be updated. And that, of course, is incorporated in our future calculations.

And also, there are some discussions going on with public agents and other discussions with other organizations. And we understand that some updates are needed. So it is a combination of factors there. There is no single factor that prevails, that we could pinpoint and attribute 60% of the value. No. This is a combination of factors that add up to the final number. And we recognize a future liability and we update the provision as we move along as we learn more about the process. So it is not concentrated.

As for Mexico, I will give it back to Danilo once again to talk about PEMEX and the terminal.

**Danilo Garcez:**

Gabriel, the terminal is designed for 80,000 daily barrels of capacity. That is the necessary volume to run Braskem Idesa at 100% capacity, and also account for future expansion plans. Our Mexico complex has a capacity, which is easier for us to expand if we need to in the future, and that might increase about 15% of total capacity for the whole complex. So the design of the terminal allows for that.



Of course, PEMEX ethane is the most competitive one. Just as a reminder, the conditions of contracts that we have back in September are the following: we have a minimum committed volume of 30,000 barrels, which goes until the delivery of the terminal, which is expected to happen in the 2H24. From then on, we have the right of first refusal, which will last through 2045, for all the surplus ethane produced by PEMEX, which is not consumed by PEMEX.

So our business model will be always based on optimizing ethane, which will be very available to us by PEMEX. We do not have an import cost, of course, which would be the equivalent of a terminal. And the surplus will be coming through terminal, allowing Braskem to operate at full capacity, and also explore future expansions.

When we look at costs for imported ethane, it is worth noting that much of the investment and much of the CAPEX generates a fixed cost, so the higher the volume, the more diluted that cost will be. So we have a cost range for imports at around US\$150 to US\$200 per ton. So the higher the capacity, the lower the range, and the other way around. So that is the reference.

Once again, a lower usage of the terminal, and I will be using ethane from PEMEX, which is more competitive. And most importantly, reliability is also there and will be allowed by the new terminal.

**Pedro Freitas:**

Thank you, Danilo. I would also complement talking about the future plan. But once the terminal is up and running, we could even move forward with expansion plans of Braskem Idesa, because it was designed with expansion in mind. The cost is very competitive, and it is in our radar for 2025 to explore expansion possibilities.

As for the spread, I will ask Rosana to comment on them, the spreads in the U.S.

**Rosana Avolio:**

Gabriel, about the spreads in the U.S., a few comments here. Although we are talking about recession, we still expect some global growth going forward. We are not expecting global retraction. So propylene globally will grow around 1.2%, 1.3%, which is in line with the global GDP growth. So we are talking about a potential global growth in the demand for polypropylene.

Now if we go and focus on the U.S. dynamics, the U.S. still lags polypropylene. And in the last 10 years, we saw 1 million tons being closed. Braskem started doing that first with a plant in 2020. So that plant is operating for almost two years now, and we are the largest producer. So we can buy feedstock in a competitive way. We are the greatest propane consumer, and we can also capture commercial opportunities.

Looking at the supply and demand dynamics, although we see a smaller growth in the U.S., although it's still growth in the supply side, we have two important competitors. One is a Canadian company that has an integrated complex of PDH and a PP plant. The PP plant is already in operations, but not the other one. And so they are running at around 20% of their capacity. But then by the end of the year, there's also a U.S. company that is going to add capacity.

Having said that, starting in '23 and '24, external consulting firms believe that the U.S. market, considering this is smaller growth will become an exporting market, and that will lead to a drop in spreads. But when I look at those spreads, and I compare them to the historical average, even if



the U.S. becomes an exporter, the U.S. spreads are expected to be kept way above the historical average for the U.S. market.

**Gabriel Barra:**

Thank you, Rosana.

**Barbara Halberstadt, JPMorgan:**

Thank you for taking my question again. I would like to know about the demand in the main markets. You just talked about the demand in the U.S. market, but do you expect to see stable volumes in the short term in the other regions as well, considering the table you shared in your presentation? Can you share your view on the local demand, Brazil and also Europe? Can you shed some light on that? Thank you very much.

**Pedro Freitas:**

Barbara, when we look at the situation of supply chains across the world, we see a low level of inventory across all chains that might generate a positive pressure on demand going forward.

But right now, everyone is operating at lower inventory levels, also because of the uncertainty around oil prices and thus, uncertainty around prices of other products. Nobody wants to bet on a high spot price now, because this will affect the price of resins and other products, which should also go down now.

As the presentation shows, we see stable demand in Brazil, the U.S. and Europe. In Mexico, we expect to have a more positive expectation in terms of sales, but the market demand is also expected to be more stable.

When we look at a more global scenario, uncertainty is coming from China, lockdowns in China, it is an issue; global demand, especially for PVC, PE and PP demand for that is suppressed because China is a major consumer of those products. Perhaps PVC number one, PE and PP being the most resilient of the three.

So, in this context of a Chinese lockdowns, China is not consuming what they usually consume. If things change, a recovery in China may not necessarily improve demand in other places. But the competition for that demand, of course, tends to become more balanced, and this will lead to a change in spreads as China starts to recover. There are several consultancies saying that this (65:20 TECHNICAL DIFFICULTY) October and November is a big question mark for now.

**Barbara Halberstadt:**

Okay; Thank you very much.

**Participant (via webcast):**



Can you explain the rationale for your recycling acquisitions? The volumes are relatively low compared to the Company's production volumes. Are you buying technology and expertise to be able to gain scale? And what is our road map for that?

**Pedro Freitas:**

Thank you for your question. The recycling business is relatively new to the Company. Maybe 10, 15 years. So we have been doing recycling initiatives, especially in Brazil, based on social responsibility more than anything else.

Four years ago, we decided to create a business around recycling, a recycling business that was founded four years ago, so to speak. It has been growing. We have established public targets of reaching 300,000 tons of sale of recycled products by 2025 and 1 million tons until 2030. And acquisitions follow along the lines of that target of developing that new business line.

There are major recycling operations out in the market. What we have today in the market are smaller-sized companies that have a limited production funding. But if you want to meet those targets, growing organically will not be enough.

So we need to meet those targets. As I said, we need to put together a portfolio of acquisitions which will allow us to meet those targets, combined with organic growth.

But you are correct. We need to buy expertise as well. I will give you two recent examples: the acquisition in the Netherlands that brings about a new type of knowledge to Braskem, and a new way to operate within a model, which can be repeated in other places.

So the idea is to take that technology developed by our Dutch partner, try to grow, expand that volume in the Netherlands first, and then replicate that technology in other countries where we operate, and even other countries we could reach, following our strategy of growth in plastics.

In Brazil, the acquisition of Wise, it is a company already operating in recycling much longer than we have. It is a well-known company, which holds market knowledge, expertise, how to operate. They have been around for 15 years. Their position is better than ours. So we are combining Braskem's capacity to scale up and accelerate growth, along with the expertise brought to the table by them based on their experience in Brazil.

So those are business models which will be developed differently in different regions, and then they are combined with organic investment efforts, which was the case early in the year when we had this partnership with Valoren. I am talking about the implementation of a recycling plant here in the state of Sao Paulo.

So as I said, it is a combination of several steps for us to speed up our targets as we also acquire higher capacity along with the competition and the expertise.

As for the road map, it is different for each opportunity. We have broken our target down. We have specific targets for each region, and within each region, we have a portion of the volume which will be organic and a portion which will come through partnerships; a part which is chemical recycling, or advanced recycling, and other part under mechanical recycling.

So we have broken that down in terms of global targets to give different guidance to different regions. And then, within the different regions, that strategy has been developing. And Wise will



have their own strategy, ER Plastics will have their own growth strategy. So each one more fitting to the region into their business model.

So we are actually multiplying efforts for us to reach our long-term targets. And that, of course, is fit to Braskem's culture, which is based on delegating responsibility to our partners once targets are met, and we believe in delegating. So we have different hubs seeking those targets, and we integrate them, and that is how it works and works really well within our culture.

**Operator:**

This ends the Q&A session. I would like to turn the conference back over to the Company's management for their final remarks.

**Pedro Freitas:**

I would like to thank you all for participating in our earnings call, and I would like to close with some remarks that we made during the call, but I would like to revisit because they are key for the moment.

We had yet another quarter of good results that has been made possible because of our diversification program around geography and around feedstock. We have been doing that for ten years, and we will continue to do so.

Also, our focus on growing the recycling business as it was just answered to one of our colleagues. Considering all the projects that have been announced, we already have reached a capacity to produce 90,000 tons a year of recycled products. So as is, we have already reached 30% of our target. We are not selling that yet, but we have reached 30% of our expected capacity. And we are confident that we will reach our objectives in the coming years.

And lastly, I would like to remind you that we continue to have a very robust credit profile. We remain focused on efficient capital allocation, balancing new strategic investments with the Company's growth and return to investors, of course.

I would like to, once again, thank you all for your trust. I would like to thank our associates for their work, hard work, the results and also a big thank you to our shareholders for your support, and all of you present today for being here on this earnings call, and we will see you again in November when we will meet to discuss 3Q results. Have a nice day, everyone.

**Operator:**

Braskem's video conference is now over. Thank you all for participating, and have a nice day, everyone. Thank you for using Chorus Call.

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