



Operator:

Good afternoon ladies and gentlemen. At this time, we would like to welcome everyone to Braskem's First Quarter 2016 earnings conference call. Today with us we have: Fernando Musa, CEO, Pedro Freitas, CFO, and Pedro Teixeira IR, Controller and Project Finance 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 section. 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: <http://www.braskem-ri.com.br/>. The slide presentation may be downloaded from this website; please feel free to flip through the slides during the conference call. There will be a replay facility for this call on the website. We remind you that 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 the securities litigation reform act of 1996. Forward-looking statements are based on the beliefs and assumptions of Braskem management, and on information currently available to the Company. They involve risks, uncertainties and assumptions because they relate to future events and therefore depend on circumstances that may or may not occur in the future.

Investors should understand that general economic conditions, industry conditions and other operating factors could also affect the future results of Braskem and could cause results to differ materially from those expressed in such forward-looking statements.

Now, I'll turn the conference over to Pedro Teixeira, IR, Controller and Project Finance Director. Mr. Teixeira, you may begin your conference.

Pedro Teixeira:

Good afternoon ladies and gentlemen, thank you for participating in another Braskem earnings conference call. Today we'll be commenting on our results for the first quarter of 2016.

We'd like to remind you that, pursuant to the Brazilian Federal Law, the results presented in today's presentation reflect the adoption of International Financial Reporting Standards. The financial information in today's presentation was reviewed by the independent external auditor. Now let's go to the next slide, where we will begin our comments.

On slide 3, we present the highlights of the first quarter of 2016. In Brazil, resin's consumption came to 1.2 million tons, increasing by 8% from the last quarter of 2015. Braskem's sales followed this trend and amounted 780 thousand tons, increasing by 4% when compared to the 4Q15.



Braskem's crackers operated at an average capacity utilization rate of 89%, in line with the same period last year and 6 p.p. higher than the fourth quarter 2015. To offset the effects from Brazilian recession, Braskem exported 415 thousand tons in this quarter, 62% higher than the 1Q of last year. The EBITDA from the operations in Brazil amounted around R\$2.2 billion, representing 72% of the Company's consolidated EBITDA.

In US and Europe, our PP plants operated at an average utilization rate of 100%, reflecting the excellent operating efficiency and strong demand for PP in the US Market. Volume of sales amounted to 499 thousand tons, 9% higher than the first quarter of last year. EBITDA in the international business was R\$855 million, equivalent to US\$219 million, representing 28% of consolidated EBITDA of Braskem.

Braskem's consolidated EBITDA in the first quarter was approximately R\$3.1 billion, 106% higher than the year-ago period. This growth was mainly driven by the higher sales volume; better spreads for basic petrochemicals and PP in the US market; higher volume of resin exported; good operational performance of the US and Europe operations; and average Brazilian real depreciation of 36% between the periods. In US Dollar, total EBITDA amounted US\$780 million, increasing by 54% over the same period last year. The consolidated net income in the quarter came to R\$747 million.

Braskem's leverage, as measured by the ratio of net debt to EBITDA in US Dollar, stood at 1.72 times, which is the lowest level of the last 10 years and 33% lower as compared to the 1Q15.

On slide 4, I'll comment on the performance of Brazilian resin market and on Braskem's sales in the first quarter. Total demand in Brazil was 1.2 million tons of resins, 18% down from the first quarter of last year. This is mainly explained by the deterioration in the Brazilian economy and by the atypical restocking effect that happened to plastic converters in the 1Q15.

Braskem's sales followed the market trend and amounted to 782 thousand tons, 18% lower from the first quarter of last year. Compared to the fourth quarter, resin consumption in Brazil and Braskem's sales volume grew by 8% and 4%, respectively.

On slide 5, we'll comment on the dynamics of the international market. With the contraction in the Brazilian resin market, Braskem continued to seek out opportunities in the international market to keep its crackers running at high utilization rates.

As a result of this effort, the Company exported 415 thousand tons of resins, 62% more than in the first quarter of last year. Braskem's exports of basic petrochemicals came to 282 thousand tons, down 14% from the first quarter of last year, which is basically explained by the shifting of gasoline sales to the domestic market and by the priority given to exports of PP against the exports of propylene.

Braskem's operations in the US and Europe maintained the same strong results they delivered over the course of 2015. PP spreads in the us expanded by 116% from the first quarter of last year, due to the lower propylene price as a result from the oversupply and



also the strong demand for PP in the US market. In this scenario, operations in the US and Europe in the first quarter amounted to 500 thousand tons, growing by 9% year over year.

Slide 6 details the factors that influenced EBITDA in the first quarter of 2016 as compared to the same quarter of 2015. Braskem's consolidated EBITDA was R\$3.1 billion, growing by 106% on the first quarter of last year. This was explained by the higher volume of resin exported and sales by the operations in the US and Europe; better spreads in the international market for basic petrochemicals and for polypropylene vs. propylene; and the 36% local currency depreciation between the periods. In US Dollar, EBITDA came to US\$780 million, 54% higher than the first quarter of last year.

Slide 7 shows Braskem's debt. Since the Mexico project was financed under a project finance in which the project's debt is repaid exclusively with its own cash generation, the project finance debt it is not included in this analysis.

In this context, by the end of March, Braskem's gross debt stood at US\$7.4 billion, 2% higher from December 2015. In reais, gross debt decreased by 7%, reflecting the impact from the 9% appreciation of the Brazilian currency between the two periods. A total of 78% of gross debt was denominated in US Dollar. The balance of cash and equivalents stood at US\$2.1 billion, or R\$7.4 billion.

As a result, Braskem's net debt ended the quarter at US\$5.3 billion, down 1% from the end of the fourth quarter 2015. In Brazilian reais, net debt fell by 10%. By March 2016, 83% of net debt was denominated in US Dollar.

In line with its strategy to maintain high liquidity, Braskem also maintains two stand-by credit facilities in the amounts of US\$750 million and R\$500 million, which do not include restrictive covenants on withdrawals during times of adverse markets scenarios and were not used yet.

The balance of the Company's cash and equivalents is compatible with its indebtedness maturing over the next 37 months. Considering the stand-by credit facilities, the coverage is extended to 42 months.

The reduction in net debt combined with the 11% growth in EBITDA in the last 12 months had a positive impact on the leverage ratio, which decreased from 1.91 times to 1.72 times measured in US Dollar, 10% lower than in the fourth quarter 2015. Note that this is lowest leverage ratio since 2007.

In Brazilian reais, the leverage ratio stood at 1.72 times, 23% down from the fourth quarter 2015. On March 31st, the average debt term was approximately 15 years. During the period, Braskem's credit rating remained above Brazil's sovereign rating at the 3 main risk rating agencies, and with investment grade ratings at Standard & Poor's and Fitch.

Slide 8 shows capex in the first quarter and the forecast for 2016. Braskem invested an amount of R\$746 million in the first quarter, with the majority allocated to operating investments and to the Mexican project. The latter mainly related to working capital and contractual obligations related to the project finance.



In 2016, Braskem should invest approximately R\$3.7 billion, with 50% of this amount pegged to the dollar related to operating investments in the United States and Europe and Braskem's disbursement for the Mexican project.

Of the total investment forecasted for 2016, 49%, or R\$1.8 billion, will be allocated to maintenance, productivity, Health, Environmental and Safety and operational efficiency, including the disbursements for the scheduled maintenance shutdown of one of the lines at the cracker in Bahia, in the fourth quarter of this year; 36%, of US\$329 million, will be allocated to the Mexican project; and 15%, or R\$537 million, will be allocated to other strategic projects, including the feedstock flexibility project at the cracker in Bahia; the UTEC production site in the United States; the capture of productivity gains at the PP plants in the United States and Germany; and studies for a new PP plant in the United states.

Slide 9 shows some of the details of the operation in Mexico. As part of the gradual ramp-up of the petrochemical complex in Mexico that began in December with the startup of the utilities area, in March, Braskem Idesa successfully completed the startup of the cracker and the specification of ethylene.

On April 6, the petrochemical complex reached another important milestone with the production of its first lot of PE after the startup of the first high-density polyethylene plant. And on April 28, the second high-density polyethylene plant in the complex started its operations as well.

The pre-marketing activities were finalized in the first quarter, with a total of around 200 thousand tons sold to over 350 clients and the development of sales channels in the country.

Braskem Idesa's production is already being sold in the Mexican market, and the first exports were registered in April. It is important to mention that Braskem's international sales network in Latin America, the US and Europe will support the export operations from Mexico.

Let's move on to slide 10, where we'll comment on the scenario in the world economy and the petrochemical industry. World economic growth should remain moderate in 2016, at around 3.2%. Emerging economies still represent the largest portion of global growth, and are expected to grow by 4.1% this year, with China's growth slowing. Meanwhile, for developed countries, the expectation is for growth of 1.9% in 2016.

In Brazil, the expectation for 2016 is for the economy to perform as bad as in 2015, with another year of negative GDP growth, of 3.8%. Brazil's recession continues to impact the job market and income levels.

In the petrochemical industry, the expectation is for spreads is to remain at healthy levels in 2016. Some volatility is possible, especially in the Asian market, with new PP capacities coming online in China, which is counterbalanced by a more positive scenario in the US PP market, where PP spreads remain high given the oversupply of propylene and no new



capacities of PP until 2019.

Moving to the last slide, in 2016, Braskem's management will focus in Brazil on the operational efficiency of plants for serving the domestic market; exporting any volumes not sold in the domestic market; conducting maintenance shutdowns on one of the lines at the Bahia cracker in the fourth quarter; the feedstock flexibility project in Bahia; and evaluating new opportunities for diversifying its feedstock profile.

In the US and Europe, the focus will be on taking advantage of the positive spreads in the United States driven by stronger PP demand and the oversupply of propylene and seeking new opportunities for growth in PP based on competitive propylene feedstock in the United States.

In Mexico, the focus will on ensuring the startup of the third low-density polyethylene plant; the operational stability of the complex; sales in the Mexican market and strengthening relationship with local clients; and conducting exports in synergy with the various other Braskem operations in the United States, Europe and South America.

And in terms of liquidity and financial health, the focus will be on cash generation and the ongoing implementation of the program to cut fixed costs, with potential annual and recurring savings of R\$400 million.

That concludes today's presentation. Let's go now to the Q&A session.

Adam Rodriguez, GBM:

Hello everyone. And thank you for taking my call. Until now you have been able to unload your products and keep them in in the international market. If the situation in Brazil continues, do you believe you will be able to continue to show your products abroad or could you see Braskem receiving saturation on those markets?

And secondly, this quarter, you have had record breaking margins. I would like to know your outlook on profitability, mainly, do you see these margins as sustainable? And also a follow up on what the outlook is on polypropylene margins in the US. Thank you.

Fernando Musa:

Good afternoon, Adam. Starting with your question about exports outside of Brazil given the weakness in the domestic market, we have increased significantly the volumes outside Brazil to other regions. We have been very successful in doing that, not only from a logistics point of view, but also from a value creation point of view.

In particular, whenever we are sending products to our operations in the US and in Europe, where we have a very strong local presence with production plants, large teams interacting with clients on a day-to-day basis.

So our ability to move products, especially in those two regions, is very differentiated. We could take even more volume with those two regions, and from there serve a very



diversified base of clients that we already serve today.

On top of that, other regions have large markets, therefore large needs for imports. So, we do not see any personal limits to our ability to put products in the international market.

Even with the start of the Mexican project, which is happening as we speak, we do expect to start exporting some products outside of Mexico and these products also will be absorbed by our operations both in South America as well as in the northern part of the hemisphere with US and Europe taking some of these products.

As far as the margins, we see that spreads in the international market have strengthened in the 1Q. We do expect this to be basically in line with last year for 2016. Some volatility during the year, some products will be a little more affected to the negative side, others to the positive side.

The important message is that globally the spread should have similar profile as far as average price comparison to the previous year. The one challenge should be the appreciation of the real, which, because of the large cost base in Brazil and the weakness in real is helpful for our margins, any trends from the real will impact margins.

But even with our increased presence in the international market, we believe that this effect is somewhat minimized by the trend of the operations in the US, in Europe, by the start of Mexico, that will start contributing to margins and cash flow with the ramp-up that is going on right now.

Adam Rodriguez:

OK. And can you comment on the outlook for polypropylene margins in the US?

Fernando Musa:

Polypropylene margins in the US have been very healthy up until now. Expectations of the market, if you look at value drivers for demand, inside of Brazil as well as from major consultants is that the margins should stay very healthy.

We do see very strong demand, very competitive polypropylene. Margins have increased, they should stay healthy as we go forward. This will be leading to an increase of around US\$700-780 per ton over the next couple of years.

Adam Rodriguez:

OK. Thank you very much for your time and congratulations on an excellent quarter. Thank you.

Ingrid Furtado, Globo:

Hello, Fernando. First of all, congratulations on your new position. I have two questions for you. The first one is regarding the feedstock for Braskem Idesa. Are you at Braskem



getting other ethylene? And if the answer is no, do you have a plan B to get more of ethylene?

Fernando Musa:

Ingrid, thank you for your congratulations. As far as the fixed stock for Braskem Idesa that complex will start up in ramp-up mode. So the infrastructure that we invested on the Pemex side provided us with the ethane.

Right now its process is in ramp-up, so today we are not receiving 100% of the contracts, but as our plant evolves, as the infrastructure on the Pemex side evolves, we believe the number will be reached in the near future. Based on this, we do not have a plan B right now.

Ingrid Furtado:

Thank you very much. And my other question is the following: about the PVC export to the export to the US, I read the report you sent earlier and I saw that the main countries that Braskem exported this year were Japan, Singapore and the US. Can you be more specific about these exports, please, about PVC exported to the United States?

Fernando Musa:

OK. I understand the question is about PVC, right?

Ingrid Furtado:

Correct.

Fernando Musa:

So, the construction market in Brazil has been falling and we historically have not been exporting PVC at all, but since last year, because of the market conditions in Brazil, we have had to export PVC. And we have developed some clients, some distribution avenues into the US. So it is part of the need to export from Brazil due to the fall in the market here. It is not a structural move.

Ingrid Furtado:

OK. Do you have any specific about value that was exported specifically to the United States?

Fernando Musa:

In the 1Q, it was about 9,000 tons of exports to the US, and 34,000 tons that were exported overall.

Ingrid Furtado:



My last question is about Braskem Idesa. I also read that this 1Q Braskem already exported PE from Mexico, which countries were those?

Fernando Musa:

We started up the operations of the first plant late last month. We have started to access all the different channels. We sold products that are from Mexico to Mexican clients in the different logistics modalities, but we also started to tap the processes for exports. We have done our initial export sales to Central America.

Ingrid Furtado:

And can you disclose the volume?

Fernando Musa:

It was very small volumes from the start the Company. We are not disclosing that right now.

Ingrid Furtado:

Alright. Thank you very much, Musa.

Hassan Ahmad, Alembic Global:

Good afternoon. There seems to be some debate nowadays, obviously with naphtha and ethylene margins as strong as they are, as to whom right now is globally setting the price. And the question really is that there are some people in that believe is the MTO producers that are setting the prices for ethylene versus others that believe that things are actually very tight, and economic are sort of flowing up above the level dictated by prices rather than sort of the marginal rising of the price. I would love to hear your views on this.

Fernando Musa:

Hello, Hassan. Thank you for your question. A very challenging one, but I will take it. I agree with you. Naphtha crackers with the lowered oil prices have enjoyed, especially in the last 18 months, very, very healthy margins. Having said that, we do have around the world, some smaller crackers that have uncompetitive logistics for their feedstock that contribute to a somewhat curve on the margins very close to where demand is.

On the other hand, when we look at MTO, or even CTO, especially in the Chinese market, my observation has been that all the simulations we see done internally or consultants' show is that their cost position is very stable no matter what the cost of oil is or the cost of natural gas is.

However, depending on the level of oil, they either can be very competitive or they can be clearly the marginal producer, as you were saying. I do not have a deeper view of the



latest cash curve globally here, but I would not be surprised if your point that MTO is now the price setter.

We do see in some of the markets some tightness. The global economy is still growing, the margins for ethylene to polypropylene are pretty healthy in multiple regions; even in Europe the players are enjoying interesting margins, which used to be a very challenging region.

So, I think this growth of lower oil price leads the industry to a situation which is a little bit more driven by the demand side and a little bit less purely about the cost cash side.

It is hard to see globally a relevant tightness in ethylene. There is always some length, but when you factor in the pocket of access to feedstock or competitiveness about specific derivatives attached to one or another cracker, we do see some tightness as of today.

With the new wave of investments in the US, this might change with a very competitive cost base from the US new plants, on top of our plant in Mexico, which is already starting.

Hassan Ahmad:

Very helpful. Now, as a follow up, you guys have obviously recently, ethylene import contract with Enterprise, and if memory serves me correctly, it is a 10-year duration contract.

Now obviously the debate over here within the US is that with oil prices having come down as much as they have, and with the rig count coming down as they have, what was perceived to be an oversupplying ethylene in the US may actually dwindle into an undersupply as all these sort of new crackers come to the US and more and more export happens as well.

So my question is – obviously you cannot give me very specific details with regards to the contract – but are these contracts, or is the contract structure relatively fixed price contract? If a situation does arrive five years out, where all of a sudden we see a huge run up in ethylene prices there, will you still have locked into a price?

Fernando Musa:

That is a very interesting point. My point of view on that is that it is not about the contract, it is about an investment that creates a flexibility as one of our crackers to make arbitrages in the future given the specific pricing at specific times.

So we are investing in creating the capability at the crackers to crack ethylene. This is today a naphtha only cracker. So we are destining part of the crackers to be able to crack ethane, adapting the logistics so that we can take the ethane that will be shipped by boat to Bahia and therefore transport it from the terminal into the cracker.

And we have the ability under the contract that is market price index, we have flexibility to resell the ethane, so if naphtha is the most competitive, we will track naphtha, if ethane is



competitive, we will bring as much ethane as possible. If ethane is not competitive because it is expensive, it means somebody wants to buy it, so we have a lot of flexibility.

The concept of the project was more around creating flexibility so that we can play an arbitrage game than locking in a long-term contract for the ethane molecule.

Hassan Ahmad:

That will make it. Thank you so much.

Felipe Santos, JPMorgan:

Thank you. Just another question following-up the call in Portuguese. First one, can you give us an update on the state of the allegations and the class action happening in the US? Also, can you give us some color regarding the feedstock agreement with Pemex? I know the contract is not open, but any direction you could give us would be really helpful. Thank you.

Fernando Musa:

Around the class action, this is the process that started some time ago based on some allegations by the plaintiffs around the values of the share price. We have been in a dialogue through the court with the plaintiffs. We had a motion to dismiss presented some time ago that was retrieved because of the amendment of the plaintiffs' requirements.

The plaintiffs are supposed to put a new rectified claim in the upcoming days. We still believe that this class action has no merit, and we will provide another action to dismiss. This process will continue its due process in the legal system in the US. These are frequent events in the legal system in the US, and we will defend our interests as best as we can.

Feedstock contract for Braskem where it is concerned, this is a long-term ethane contract. Its price is indexed to the Mont Belvieu price with a discount. It is a 20-year contract, it has a series of provisions that have been included to protect our investments, it is a very significant investment and therefore it has strong penalties and strong guarantees around take-or-pay penalties in case of no delivery, which provides the right incentive to align the incentives so that our return is guaranteed from the supplier point of view.

It is a very structured contract because it was a relevant and crucial part of the project's finance agreement that had the scrutiny of 17 banks understanding the contract so that they were comfortable to take this project risk. The contract includes a very minimum list of force majeure event from a chemist point of view; therefore we believe it is a very strong contract that provides the base for very good competitiveness for the local market, for the North American market, and therefore globally.

Felipe Santos:

OK. Thank you so much.



Operator:

I will turn over to Company for closing remarks.

Fernando Musa:

I would like to thank all of you for listening to our conference call. This is Pedro Freitas and myself, the first time we have to interact with most of you. So, this is the first of a series of hopefully a very productive dialogue.

I want to end the call and the Q&A session with a message around our overall strategies. The transition that we are undergoing now in leadership is the consequence of a series of achievements that mark what one may call the end of a cycle where Fadigas delivered significant achievements with record results, reduced leverage of the Company, significant improvement in productivity, relevant expansion of the presence in the international market. Finally, the start-up of Mexico which is a key milestone that led to the signing of the transition.

The future of the Company is one of continuity in the quest for delivering our strategy. Our strategy has different pillars, part of it is making sure that all our operations are very productive and competitive globally.

It is a continuous search for growth opportunities outside of Brazil to continue our path towards a more global company. All of that while making sure we are managing our financial health, making sure that our balance sheet is strong so that we can act with the right acquisition opportunity or an investment opportunity is presented to the company.

So, I would like to thank you all, and we are very excited by the challenges that the shareholders have asked me to lead. Braskem has a very good management team, very good teams in all the current regions we operate and I am very sure that with the dedication and motivation of this great team, we will continue to work with a new cycle of growth in profitability, in productivity, in competitiveness and the expansion of our global footprint. Thank you all.

Operator:

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

"This document is a transcript produced by MZ. MZ uses its best efforts to guarantee the quality (current, accurate and complete) of the transcript. However, it is not responsible for possible flaws, as outputs depend on the quality of the audio and on the clarity of speech of participants. Therefore, MZ is not responsible or liable, contingent or otherwise, for any injury or damages, arising in connection with the use, access, security, maintenance, distribution or transmission of this transcript. This document is a simple transcript and does not reflect any investment opinion of MZ. The entire content of this document is sole and total responsibility of the company hosting this event, which was transcribed by MZ. Please, refer to the company's investor relations (and/or institutional) website for further specific and important terms and conditions related to the usage of this transcript."

