

Operator:

Good afternoon, ladies and gentlemen. At this time, we would like to welcome everyone to Braskem's 4Q20 earnings conference call. Today with us, we have Roberto Simões, CEO of Braskem; Pedro Freitas, Vice-President of Finance, Procurement and Corporate Affairs; Edison Terra, Vice-President of South America Olefins and Polyolefins, and Rosana Avolio, Investor Relations Director.

We would like to inform you that this event is being recorded, and all participants will be on listen-only mode during the Company's presentation. After Braskem's remarks are completed, there will be a questions 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 <http://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 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 will turn the conference over to Rosana Avolio, Investor Relations Director. Ms. Avolio, you may begin your conference.

Rosana Avolio:

Good morning all. We would like to thank you for joining Braskem's earnings conference call. Today, we will present 4Q20 and 2020 results.

Please, let's move to the slide number 3 in which we will talk about Braskem main achievements in 2020. First, regarding financial results, the Company presented net cash generation of R\$1.3 billion. Additionally, Braskem maintained a robust cash position in the amount of US\$2.9 billion with sufficient liquidity to cover liabilities due in the next 84 months.

In relation to leverage, the Company continued committed to reduce its corporate leverage in order to be reassigned as investment grade company. For that, the Company implemented the initiative in the deleveraging plan, contributing to a 0.63x reduction in corporate leverage.

Furthermore, supported by the Company's cash generation and commitment to financial health, corporate leverage measured by the ratio of net debt to recurring operating result was 2.94x in USD, which represents a sharp reduction compared to 2019 leverage.

Regarding the geological phenomenon in Alagoas, one of the Company's priority in 2020, Braskem executed agreements for the compensation of residents, social and environmental remediation and reparation for workers and after the approval of those agreements by the court, the public interest civil actions filed against Braskem were terminated.

Another highlight about the geological phenomenon in Alagoas was the conclusion of the expert and independent technical studies contracted by the Company from international recognized entities for the evaluation of potential impacts in the surface of the region. In the operational front, the Company announced a resumption of chlor-alkali plant in Alagoas, which allows the Company to resume production of PVC and caustic soda with an integrated business model.

Moving to ESG positioning, and in line with the Company's focus on sustainable development since its creation in 2002, Braskem decides to expand its effort to achieve the goals associated with combating climate change and eliminating plastic waste.

In terms of combating climate change, the Company's goal is to reach carbon neutrality by 2050, while also reducing its greenhouse gases emissions by 15% by 2030. Regarding eliminating plastic waste, Braskem will work to expand its I'm green portfolio to include by 2025, 300 kt of thermoplastic resins and chemical products with recycling content and by 2030, 1 million tons of these products.

Moving to the next slide. On slide number 4, we will present the main measures taken by the Company in response to covid. Due to the spread of covid, a series of measures were adopted to minimize the pandemic's impacts on the Company's value chain, in production sales, as well as on the safety and health of the team members.

With the objective of support and cooperate with the value chain, Braskem made donations in the amount of around R\$10.6 million, including hospital materials, protective items, tests, hygiene kits and more. Additionally, in order to support its customers, Braskem granted a credit line of R\$1 billion to support mainly small and mid-sized companies in the chain.

In the operations and sales front, the Company reduced its utilization rates and sales in Brazil and in the US in the 2Q20, and then after demand recovered as from 3Q20, the Company presented record high sales in Brazil in line with the strategy to prioritize the Brazilian market.

Regarding safety, which is a non-negotiable value for the Company, Braskem adopted the following measures. Smaller teams for production and locking in the US, remote work for team members who work in their offices and medical support for team members with suspected or confirmed covid cases.

Moving to slide number 5, we will comment on consolidated 4Q20 and 2020 highlights. In the 4Q20, the Company's recurring operating result was US\$833 million, 22% higher than 3Q20 and explained mainly by the better spreads for resins and main chemicals in Brazil, PP in the United States and PE in Mexico.

In 2020, recurring operating result was US\$2,082 million, 38% higher than 2019 and explained mainly by the better spreads for resins in Brazil, PP in Europe and PE Mexico and also higher rising sales volumes in Brazil.

Moving to the next slide. On slide number 6, we will present the main highlights of Brazil's operations. In 2020, the utilization rate was 4 percentile points lower than 2019, mainly to the temporary drop in demand and to the destocking trend in the petrochemical complex production change in 2020 caused by the pandemic. This effect was partially offset by the normalization of individual operations as from 3Q20.

In the Brazilian market, resin sales increased in relation to 2019 due to the stronger resin demand in Brazil, to the Company's strategy to focus on serving the Brazilian market and also to the inventory rebuilding trend in the chain due to the acceleration in economic activity. Given that, Brazil's recurring operating result was US\$1,641 million, 73% higher than 2019, representing 72% of the Company's consolidated recurring operating results.

In the next slide, we will provide an update on geological event in Alagoas. In this slide, we will talk about the latest update regarding the National Mining Agency official letter. In February, the Company informed the market that the National Mining Agency in Brazil has accepted a reconsideration request made by the Company requesting that the agency will consider its order directing the implementation of additional measures for the mine closure plan proposed by the Company.

As disclosed in November, such additional measures would have on a cost amount of around R\$3 million if implemented. Additionally, the agency decision maintains in place the implementation of the measures complicated in the mine closure plan originally proposed by the Company. Lastly, considering that the mine closure plan is a dynamic process with complex execution, the agency will continue to oversight the results of the measures that have been taken by the Company and further evaluations, requirements and provisions may be necessary in the future.

Moving to the next slide. In this slide, we will talk about the financial impact of the geologic event in Alagoas. In the chart on the left of the slide, we present the disbursement schedule. Braskem estimates that expenses related to the case of Alagoas will be incurred over the next five years in the total amount of R\$9.2 billion, of which R\$4.4 billion we expect to be disbursed this year.

And then in the right chart of the slide, we present how the Company intends to fund the disbursement amount for 2021. The Company has already set aside R\$1.3 billion in a specific bank account to support the residents program of the Company. That is also a R\$1 billion that the Company expects this year to monetize related to tax credit of PIS/COFINS in Brazil, and also, we have US\$300 million related to general liability insurance that the Company is currently in talks with insurance companies.

Moving to the next slide. In this slide, we will talk about the return of the chlor-alkali production in Alagoas and the benefit of operating the vinyl business in our new integrated business model. In February, the Company announced the restarting of chlor-alkali production at its units in Alagoas, which had been shut down since May 2019.

To restart the plant, Braskem concluded the project to produce brine as feedstock made from imported salt, which allowed the Company to resume production of PVC and caustic soda with an integrated model. In terms of spreads, for 2021, the integrated business model improved the spread by around US\$200 per ton, impacting in a positive way the profitability of the vinyl segment.

Moving to the next slide. In the United States, the average capacity utilization rate of our PP plants increased in relation to 2019 explained by the normalization of operations as from 3Q20, which offset the temporary slowdown in the 2Q20.

In Europe, the capacity utilization rate also increased explained by the operational adjustments in 2019. PP sales increased 2% from 2019 due to the higher supply of finished products in the United States and also in Europe. Considering that, recurring operating results in the United States and Europe was US\$352 million, 7% lower than 2019 and representing 15% of the Company's consolidated recurring operating results.

In the next slide, we will talk about the main highlight of Mexico's operation. In Mexico, the average capacity utilization rate of our PE plants decreased 2 percentile points in relation to 2019 explained by the shutdown of the complex in December due to an interruption of natural gas transportation by the Mexican government agency that is responsible for the natural gas pipeline and transportation system in the region. In 2020, Braskem Idesa imported an average of 6,400 barrels per day of ethane from the United States to complement the supply of ethane from Pemex, which corresponded to 10% of the capacity utilization rate of PE, which ended the year at 74%.

In December 2020, Braskem Idesa completed an expansion of the Fast Track operation, which currently has an expected capacity of 20,000 barrels per day of ethane or about 30% of the total ethane requirement of the petrochemical complex. Polyethylene sales in Mexico increased by 4% when compared to 2019 due to the higher supply of finished products available for sale. Mexico's recurring operating result was US\$283 million, 22% lower than 2019 and representing 12% of the Company's consolidated segment results.

In the next slide, we will provide an update on Braskem Idesa operation. In this slide, we will talk about the last update regarding Braskem Idesa operation. In March, the Company informed the market that Braskem Idesa has signed with PEMEX and Cenagas the following documents to enable Braskem Idesa continued operation: a memorandum of an understanding with PEMEX setting out respective understandings for the discussion of potential amendments to the ethane supply agreement and for the development of an ethane import terminal subject to negotiation, entering into definitive documentation, approvals of Braskem Idesa shareholders and creditors and with reservations of rights; and an agreement for natural gas transportation service with Cenagas with a term of 15 years, such term conditioned upon the execution of the definitive documentation that I mentioned before.

With the execution of those documents by Braskem Idesa, Braskem Idesa immediately start to receive the service of natural gas transportation, which had been terminated in December 2020. Additionally, the ethane supply contract between Braskem Idesa and PEMEX remains in full force. At the time, Braskem Idesa cannot predict the outcome of the discussions with PEMEX, its shareholders and creditors.

Moving to the next slide, where we will talk about free cash flow generation. In 2020, we had a positive free cash flow generation of R\$1,276 million mainly explained by the strong operating results of the Company, the monetization of PIS/COFINS credit of R\$1,786 million and the reduction in estimated investments by 23%. Those impacts were partially offset by the impact of working capital on cash flow in the 1H20, which explained by the cash consumption due to the shift in the feedstock profile with lower volumes of naphtha being imported.

Moving to the next slide, we will talk about debt profile. In the end of December, the average debt term was around 19 years with around 50% of the total debt due after 2030. Also considering its cash position, the Company has sufficient liquidity to cover debt maturities in the next 84 months.

Let's move to the next slide, which we will talk about corporate leverage and deleveraging plan. Corporate leverage measured by the ratio of net debt to recurring operating result in USD stood at 2.94x in the end of 2020. This ratio represents a significant reduction in the Company's corporate leverage, which has ended 2019 at 4.71x.

During 2020, Braskem implemented measures to reduce corporate leverage in order to be reassigned as an investment grade company. Since the end of the 2Q of 2020, the Company has reduced significantly its corporate leverage going from 7.11x to the end of the year at 2.94x. In 2020, the Company made progress on the initiatives of its deleverage plan and ended the year with the following achievements. Issue of hybrid bond in July 2020 in the amount of US\$600 million treated as 50% equity by Standard & Poor's and Fitch Ratings, reduction of investments from US\$721 million to around US\$555 million in 2020, below the target of US\$600 million, reduction of around 9% in fixed costs from 2019, near the target of ending 2020 with a reduction of 10% and then monetization of around R\$1.8 billion in PIS/COFINS credits in the year.

Moving to the next slide, we started talking about our ESG highlight. In alignment with its strategy to expand the use of clean energy and its industrial operations, Braskem has signed an agreement to purchase renewable energy from Casa dos Ventos, one of Brazil's pioneer and largest investors in the development of projects in this industry.

The agreement contributes to the feasibility of the construction of a new wind farm by Casa dos Ventos in Rio Grande do Norte state, which will ensure the supply of energy to Braskem for the next 20 years. In addition to energy purchase, Braskem will have the option to acquire an equity interest in the wind farms, which would enable a self-production model by the Company. Regarding our carbon neutrality goal, this new agreement with Casa dos Ventos will have the Company to reduce CO2 emissions.

Let's move to the next slide, where we will talk about the expansion of our biopolymers business. In February, the Company informed the market that it's launching the project at the Triunfo Petrochemical Complex in Rio Grande do Sul state to expand its current production capacity of green ethylene using feedstock made from sugarcane to produce green polyethylene, which have a negative carbon footprint. With an estimated investment of US\$61 million, the expectation is to add 60 kt per year of green ethylene production by the end of 2022. Regarding our carbon neutrality goal, this project could help Braskem offset its CO2 emissions.

Let's move to the next slide. Braskem and Danish-based company announced in late 2020 the first production of MEG on a demonstration scale. This unit started up in 2019 to demonstrate the breakthrough technology that transforms sugar into renewable MEG. MEG is a raw material for making PET, which has several applications and is an essential input in sectors such as packaging, especially beverage bottles. Regarding our carbon neutrality goal, similar to the green ethylene, this project helps Braskem to offset its CO2 emissions.

In the next slide, we will present an important partnership between Braskem and the University of Illinois, Chicago. Braskem joined forces with the University of Illinois, Chicago to research a route for developing ethylene using a technology that captures and uses CO2. The project is in the initial development stage and Braskem will contribute with its know-how in marketing feedstock and producing polymers to scale the technology.

This disruptive technology of the University in partnership with Braskem has global potential for industrial applications by connecting the production of polymers to capture

and convert of CO₂. Regarding our carbon neutrality goal, this project is related to capture and use of CO₂.

In the next slide, we will talk about petrochemical scenario in 2021. According to the most recent projections by external consulting firms, the expectation is for healthy polyethylene and PVC spreads in 2021. In the case of PE, in 2021, it is expected the spreads of PE to be better since 2017, reaching upcycle levels, mainly to the strong demand globally. In the case of PVC, after the return of our chlor-alkali plant, the spread better reflects the profitability of vinyls, which is higher than the nonintegrated model spread as mentioned before in this presentation.

Let's move to the next slide, which will talk about the scenario for PP. Similar to PE and PVC, external consulting firms are also projecting healthy PP spreads in 2021. In the case of PP, the main highlight is regarding spreads in the United States, where projections point for a sharp increase in PP propylene spreads compared to recent years due to the strong demand and lack of new capacity in 2021. In addition, PP spreads for company business in Europe and Brazil also have a positive trend in 2021.

Moving to the next slide. In this slide, we will present the short-term outlook focusing on the dynamics in the 1Q of 2021 compared to 4Q20. In the case of Brazil, ethylene production should be similar, despite a feedstock at the Rio Grande do Sul complex and a scheduled shutdown of the Sao Paulo complex in the quarter. Regarding sales, total resin sales should be in line with 4Q20 and the Company expects to continue this strategy to prioritize sales to Brazilian market.

Additionally, it is expected healthy spreads for all resins due to the resilient global demand. In the United States, because of the impact from severe winter weather in February on the US Gulf Coast, utilization rates and sales volumes could be lower than 4Q20. However, it is expected healthy PP propylene in the US that will offset this impact on production and sales.

Finally, for Braskem Idesa, polyethylene production should be similar compared to last quarter, with the partial restarting of operations in January using an experimental model and with the return of the natural gas transportation service in March. However, sales could be lower due to the lower availability of products in inventory.

Regarding spreads, in line with what we presented for the other regions, the spreads for polyethylene base on ethane in the US should be healthier due to the continued strong demand and also the impact from the winter storms on the PE supply.

Let's move to the next slide, where we will present the outlook for 2021. In Brazil, after a strong economic downturn in 2020, the Brazilian economy is expected to return to growth in 2021, impacting in a positive way the demand for thermoplastic resins and as a consequence, the Company sales volume in Brazil. In relation to petrochemical spreads, according to the projection of external consultants, the expectations for healthy spreads for all resins in Brazil. Demand for petrochemical products has been shown to be quite resilient, impacting in a positive way, the spreads in the region.

In the United States business, the Company will operate the new PP plant throughout the year in 2021 and the Company should increase the volumes of sales in the United States business. In addition, PP propylene spreads in the US are expected to remain healthy in 2021, as new addition on PP capacity in the region and plan only for 2022 and on. And the demand for petrochemical products has proved to be quite resilient.

Regarding the Company's business in Europe, sales volume should remain in line with 2020 in a scenario of maintaining the same production capacity in the region, but with healthy PP propylene European spreads. In the Mexico business, in early 2021, Braskem Idesa partially returned the polythene production base on our experimental business model, following safety protocols.

Additionally, at the beginning of March, the natural gas transportation service that had been interrupted in December 2020 was reestablished. In relation to spreads, according to the projection of external consultants, the expectations for healthy spreads PE-ethane in 2021. Considering that scenario in the region and the production for CAPEX, interest and income tax, the Company is confident with 2021 cash generation.

Moving to the next slide. To conclude the presentation, we will talk about the main objectives of the Company for 2021. For this year, the Company developed six main objectives in its strategy.

Continue with advance related to the geological phenomenon in Alagoas; find constructive ways to solve the ethane shortage in Mexico; Ensure the Company's continued financial health, risk management and discipline in capital allocation; strengthen Braskem's image and recognition with team members, clients, suppliers, investors and society; increase effectiveness in innovation and speed up digital transformation; and lastly, advance in the implementation of our ESG commitment and goals. Lastly, but not least, safety in our operation is a perpetual and non-negotiable value in our strategy.

That concludes today's presentation. Thank you for your attention. Let's move to the question-and-answer session. Thank you.

Ricardo Rezende, JPMorgan:

Thanks for taking my question. Hi Roberto, Pedro, Rosana. A couple of questions on my side. The first one on your press release yesterday, you mentioned that you should see some sort of a deceleration on the spreads in the second half of this year. But then I guess that the major question that we have is when you look at the 1H of the year, how to think about the spreads? Because again, we and most investors were looking for a peak earnings in the 1Q, but it looks like that with the winter storm in the US and with the spreads, we might see the peak earnings in the 2Q. I am just curious to see how you think about the 1H of the year.

And then, my second question is about Mexico. How should we think about the utilization for 2021? Because the first thing that the government had pointing to a potential new agreement of 30,000 barrels per day of ethane supply from PEMEX, and then you just mentioned on your capacity to import about 20,000 barrels. So would that be the cap on the short term when you think about utilization in Mexico? Thank you.

Pedro Freitas:

Ricardo, thank you for the question. Good morning to everyone. Thank you for joining our call. I'm going to address the question around the deceleration first and then the question about Mexico.

So we do see that the deceleration in the second half. Actually what we see is a lot of uncertainty. We have a conservative planning process. We tend to be more conservative in the way we do our forecast. But even if you look at industry consultants, they are seeing a peaking spreads between March and April and then spreads coming down.

So we believe that we are going to see a very strong 1H of the year, that's the current outlook based on the spreads that we see that the spreads are forecasted by the industry and then a lot of uncertainty in the second half. So our view of a deceleration into the second half is following the industry trend, but also some conservativeness around the uncertainty by the end of the year.

On Mexico, what we have as a reference for utilization rate, we are getting now roughly 50% of the contract volume from PEMEX, the contract is 66,000 barrels per day. We're getting somewhere around 30,000 barrels. So a little bit less than 50% and then we, at cooperate, at around 80% until the process mentioned in April. So how do you get to the 80%, about 50% from PEMEX another 30% from the current Fast Track. And from April onwards, it is the expansion in Fast Track.

We believe that we could reach about 90% utilization rate, that Fast Track could reach somewhere around 28,000 barrels per day, 30% of our needs. And then we have a view for the future to develop the import terminal. And with that, then I think we could be more sustainably running above 90%, but that's going to take a couple of years to implement it.

Ricardo Rezende:

Okay, very clear. Thank you.

Bruno, Morgan Stanley:

Good morning. Thanks for taking my questions. The first one is about Mexico as well. I appreciate how difficult the situation is, but there seems to be a lot of asymmetry in information coming out of Mexico, with the government talking about the terms of the agreement, but this could be very biased, and we understand all of the confidentiality agreements in place. At the same time, it makes it very difficult for the market to understand and try to forecast the margins in the future. So the question is, will the Company, at some point, be able to talk about the details and the terms of the agreements, like the discount, the volumes and all of the KPIs?

The second question is about the US. So how long should it take to go back to full capacity now after the issues with the freezing in Texas? And would the Company capture those peak spreads perhaps with the inventory from other regions by any chance? And if I may, a third quick one. We saw a strong domestic mix in Brazil in the 4Q. Was these result of restocking of third generation players? Is this sustainable going forward as well? Thank you very much.

Pedro Freitas:

Thank you, Bruno. Good morning. So on Mexico, I think it's important to say that MoU that was signed has conditions around things and the parties to negotiate a series of topics over the next few months.

Those topics include volumes, prices, penalties, the historical liquidated damages followed by PEMEX, the terminal, the term itself of the contract. So all of this is subject to negotiation. So we will disclose that whenever we have a final agreement with them. So that's our view, we are not going to disclose any additional information, which is still subject to negotiation.

Regarding the US and your question about taking advantage of a peak spread, we have, in the US, roughly 35% to 40% of our production capacity outside of the Gulf Coast. Those facilities in the Northeast of the country have been operating, they were not subject to the cold freezing there in Texas. So the volumes coming out of those facilities, we have kept reducing them, and we are benefiting from that.

We have three sites in the United States, one in La Porte, one in Oyster Creek and one in Seadrift. The two larger ones in Oyster Creek and La Porte have resumed operations already and the only one that's still scheduled to come back over the next few days is Seadrift.

So at this point, we keep running our operations. We have been able to come back with operations in the large markets of our production. I would say, maybe 10% to 15% is what's still offline at this point. But that should come back, unless we find some issue, but it should come back in the coming days.

I think another point that is important to emphasize is that the effect that we had on spread is the more valuable or has a better impact than the loss in volumes. So we believe that, looking at the short-term of the 1Q. January, February, March, the overall impact is positive for the Company, given the situation and also our ability to come back with volumes the way that we have been able to do.

Final point on that is important, also to mention that that situation is specific to the US, we do not see the same kind of effect in Europe or in Brazil. So if you are looking at the positive effect, it's fully localized in the US.

And then for your final question around the Brazilian market and the inventories in the value chain, I'm going to invite Edison Filho, who is our Vice President in charge of South America. He is here with us. And I'll ask Edison to answer that.

Edison Terra Filho:

Thank you, Pedro. Thank you, and good morning, everyone, and thank you for the question. What I would say, we saw an increase in the overall resin market in the 4Q that is around 11% compared to the previous quarter and at the same time, you know this by our operating rate that we had an operating rate in the 4Q that was 2 points below the 3Q, mainly because of unexpected industrial issues around the credit rating in Sao Paulo in ADC.

We do not see most of our customers building inventories. In fact demand is quite high during the complete 2H of the year, so they were not able to believe even though they wanted. Then what we noted, there was an increase on imports, mainly in November and December. So maybe on this flow of imported product to Brazil, there has been a recovery on the new debt target levels, but I do not see that as part of the initiative from our customers.

Bruno:

Great. Thanks for the answers.

Ziad Saada, Scotiabank:

Thank you for taking my question and congratulations on a strong quarter. Just a few questions here for you. First, some headlines are pointing to an increasingly difficult

macro situation in Brazil with the covid situation, some FX volatility and some uncertainty in just the economic outlook. Can you talk a bit about the potential risks to your operations if these materialize, if the country were to go into shut down or quarantine? And maybe what kind of measures you have in place to kind of address those concerns?

And then, separately, can we talk a little bit about your capital allocation leverage now has improved materially over the last few quarters. Free cash flow generation is positive and it looks to be positive if those spreads maintain over the course of the next half at least. So just maybe some guidance on where your capital allocation priorities lie today? Thank you.

Edison Terra Filho:

Thank you for the question. Basically, what we are seeing in the market, we are working with an increase in the market, a little bit higher than the Brazilian GDP for this year, mainly to the situation on new habit and what we are seeing from our customers.

So our resins should be between 5% to 6% growth during the year. I would say that there may be an effect of a potential increase on the effect of the pandemic. However, we have seen that our people, our customers are much more prepared to face those situations. You have to consider that our business and most of our customers' business are considered as essential on essential operations to fulfill and to fight the pandemic. So we do not see a major decrease as an effect of a potential increase and the measures to protect from the pandemic.

Pedro Freitas:

Just to add to that, one question that you may have is also around the uncertainty around FX. So I think one point that we have is we are a naturally hedged business. So we do have an exposure to cost in reais, and we have a currency hedging program to address that and the risk I've to explain is actually an overall evaluation of the real. If the real is more devalued because of volatility, that's actually good for the results of the Company. So just to emphasize the point.

Edison Terra Filho:

Just to complement, Brazil is our target market from our assets in Brazil. We also have a regular business in South America, which is very relevant, and we also then complement the offer of our products, our regular exports to other regions as well.

Pedro Freitas:

So and then to address this point or the question around capital allocation and free cash flow. So last year, as you saw in the presentation, we had a total CAPEX of around R\$2.7 billion, R\$2.8 billion, including strategic investments. Our operational CAPEX of R\$1.7 billion was worth around US\$250 million, so that's much less than normal for the Company. The normal CAPEX for the Company is between US\$500 million, US\$600 million.

So we do have for this year a catch-up in operational CAPEX, the operational CAPEX for this year should be around US\$700 million, as we showed in the presentation. US\$667 million from Braskem itself, and then another US\$34 million in Braskem Idesa plus another US\$100 million in strategic CAPEX. So the overall CAPEX for the Company this year we are forecasting it close to US\$800 million, and a part of that around more than

US\$100 million of that is catch-up from maintenance and sustaining CAPEX that we did not do in 2020.

So if you take a look at the last slide in the presentation or the annexure slide number 23, you can see there all of this information. If the scenario that you pointed out is true, we may end up with significant cash flow generation from operations in the year. And what we are planning to do and what we are doing is actually, we are paying some debt, prepaying debt.

We have not started to do that. We ended the year with a very high cash balance and we have now paid the perpetual bond. We are aiming at recovering our investment grade by the end of the year, if not sooner. That's the challenge that we have to convince the rating agencies that by the end of the 1Q of the year, we would be ready for that, given the trend that we see in reducing leverage materially.

And also, a strong cash position, the long-term maturity in our debt. So I think we have a lot of requirements there to be able to fight for that investment grade back through the course of the year.

Ziad Saada:

Great. Thank you very much.

Luiz Carvalho, UBS:

Thanks for taking the questions. And first of all, congratulations on the derisking the Alagoas and Mexico. It would say this might be pretty much advancement to the main issues. If I may ask the first question coming back to the capital allocation strategy. Looking to the spread scenario and the FX rate and wages pointed out 2021, we are seeing going to be close to US\$3 billion, a CAPEX of, as you said, Pedro, US\$800 million and I add the interest of around US\$500 million. So that probably can lead you through a cash generation, or free cash flow, sorry, of around US\$1.7 billion, US\$2 billion by this year-end. So just would like to understand if these numbers make sense? And second, if this cash generation will be primarily used to debt prepayment in order to reduce the leverage. So is that your main priority right now?

And the second question, you made significant advancements in terms of PE, Alagoas accident and also on Mexico, you have an MoU with PEMEX. Did you guys receive any request from the controlling shareholders Odebrecht and Petrobras, any information about the Company for potential divestments from the controlling shareholders? These are the questions. Thank you.

Pedro Freitas:

Hi, Luis. Thank you. Thank you for the question. On your first question on cash flow and capital allocation. The EBITDA number is yours. We still see a lot of uncertainty in the 2H of the year. So I would say that this number is possible, but different numbers are also possible. So we have to see how the year goes, especially in the 1H. I think by June, July, we will have more clarity around that number.

I do see where you are getting that. If you look at the spreads that industry consultants are using or forecasting, you would get to somewhere around that number.

But then I refer back to the first question that I answered today and you see, part of the question around the uncertainty in the back end of the year. US\$800 million in CAPEX, it is what we disclosed. The US\$500 million in interest is roughly what we have. Income tax, if we have the results that we are forecasting, we should be paying more income tax, as in the slide 23 of the presentation, more in the range of US\$200 million to US\$300 million at least is kind of our forecast.

It's also important to mention that, as part of the Alagoas settlement, we are putting R\$1 billion, so just US\$200 million or US\$170 million, US\$180 million in the Alagoas account through the year, so that's another use. And depending on the insurance discussions,

If we do not get the insurance payout by the end of the year, there may be another US\$200 million to go to Alagoas as well. So, we do have those other cash uses going forward.

And then with the balance of that, Luiz, we do not have any major CAPEX or projects on the work. I think that the more relevant one that we have is the expansion on green polyethylene that we announced a few weeks ago.

That's a very significant move by the Company toward our goals to reduce our carbon footprints, and also serve our clients with this polymer shift. We had record sales last year and we see strong demand for green polymers in the market continuing going forward.

But the US\$60 million investment is not even this year. Part of it is in this year another part is next year. So in the end we do not have any major CAPEX in the works. We do not have a major M&A also on the work. We do keep looking how are the opportunities, but we do not have anything going on.

So really what we are seeing is prepaying debt is the main move that we have. Again as I said, we do have a clear target and ambition to get back our investment grade this year. So paying back debt, paying down debt I think it's one way of us to emphasizing that and trying to achieve that goal.

And then on the second question about controlling shareholders, what we have is what we disclosed to the market somewhere in the middle of last year. We have a request from Novonor to support them with the sale of their controlling stake in the Company. As far as we know, the official process has not started yet.

We have been collaborating with them and sharing information that would allow them to open a process, a sale process of their stake in the Company. But as far as we know that sale process has not been initiated yet. I would expect it to start sometime soon, but we are not a part of that process. We are not in the driving seat in this situation.

And regarding Petrobras, we know from just news, news articles, that they are willing to sell their stake, but we do not have any direction from them on how they want to do it or plan, so all of that I think it's still being defined by Petrobras themselves.

Luiz Carvalho:

Okay, if I may just do a follow-up on the first question related to the insurance payment. What's the real discussion that you are having with these guys? And what is the likelihood that you can have any reimbursement from insurance company?

Pedro Freitas:

Regarding the insurance companies, it's a US\$300 million policy. So the discussions with them are under way. There is a lot of back and forth discussions and also submission of information. Of course, nobody is going to make a US\$300 million check without having technical analysis, detailed in-depth evaluations, so we have been providing the insurance companies and their expert support with these technical documents.

So they are going to a great depth. It's a very complex geological situation. So that technical assessment by the insurance company needs to be completed, and then after that is when we would expect to see any payment for the Company. Our advisors tell us that we do have a strong claim on that. So we are now just going through the process, which I think is natural in a case of this magnitude.

Luiz Carvalho:

Okay. Thank you very much.

Barbara Halberstadt, JPMorgan:

Good morning, everyone. I just actually wanted to make a follow-up question on the rating agencies and the GIG call for this year. In your discussions with them, what they are expecting to see from the Company before they make a decision on an upgrade? The downgrade was based not only on the higher leverage that the Company was experiencing at the time but also weaker market fundamentals in the sector. I just wanted to understand in the conversations with them what they are expecting to see? And is there any target leverage that is specified, if you could provide a little bit more color on that it would be great? Thank you.

Rosana Avolio:

Hi, Barbara. Thanks for your question. So about the reasons why we both are rated right here. First, it was a movement that the agency did. We are a petrochemical company. So it was that Braskem is specific, it was more in the context of the pandemic impacting volume and demand. And then since then as we disclosed the leverage plan and that helped the Company to deleverage as well.

And as we improved the results in the second half, we are showing the agency that it's a very fast movement of de-leveraging of the Company. So in general and in our talks with the agencies, the kind of goal that we have is to be around 2.5x net debt to EBITDA with our Braskem Idesa.

We do think we are confident for this year, as we mentioned in the presentation, as Pedro mentioned as well, we are confident with spreads and then with the cash generation of the Company. Again, being conservative in the 2H of the year, but we are working hard, we are talking with agencies. We are delivering not only the initiatives that I mentioned before, and we do think that we can first carryout those depository outflows and maybe by the end of the year an upgrade, moving to IG.

Barbara Halberstadt:

Okay, great. And then with the timing for this discussion as I'm understating is ongoing and your target is end of the year? That I understood very well.

Rosana Avolio:

Yes. This is kind of internal target. You know the agenda. It depends on agencies committee, their analysis. What we are showing them is the leverage of the Company every month and we share the monthly results with the agencies. But in the end, it depends on their analysis discussion in the committee.

Our work we are doing, we are delivering. As I mentioned, remember in the end of 2Q19, we presented leverage of 7.1x. And then in the end of last year our leverage went down to below 3x. So it's a very fast process that we showed the agency. So we are confident with that agenda for this year.

Barbara Halberstadt:

Okay. Thank you so much, Rosana.

Lilyanna Yang, HSBC:

Hi. Thank you for the opportunity. I actually have three questions here. The first one is on Mexico, right. Well, if you can give us overall numbers about the cost of imports of ethane, Braskem is getting ethane from PEMEX, what do you see the cost differential there? And also on that line. Do you need a waiver from Braskem via the bondholders for the potential amendment in the ethane contract with PEMEX?

The other question is, I know you indicated you are more cautious on the 2H21 spreads, but can you give an indication of where you see the experts in terms of spreads for 2022, overall big ballpark numbers? Is it going to be showing like a reduction of 20% over '21 or something of that sort? Any color there would be welcome.

And the third question is, I wonder if you could compare the economics of your green polyethylene project with the conventional PE project? If you expect to get an economic profit with these green PE plant and what kind of return differentials between the green and non-green PE projects? Just big picture numbers here would be great. Thank you.

Pedro Freitas:

Hi. Lilyanna, thank you for the questions. On the cost to import ethane, it's between US\$180 to US\$200 per ton currently, and it should go down with higher import volume. So as I mentioned earlier, starting from April we expect to expand the Fast Track Solutions to 28,000 barrels per day. And with that, that would be around 40% of the lead of Braskem Idesa and with that, the number of US\$180 to US\$200 per ton should be reduced, because it has economies of scale as you increase the volume.

On the bondholders, any approvals discussion, they are still in the early stages. So we will evaluate that through the period, but right now we do not have that perspective yet. Then following up on the next question on the expectations for 2022. In broad line what the industry experts are saying is a return to the spreads of 2020. That's on average the expectation that we have for 2022.

And finally on the green polyethylene. What we have, first for Braskem to approve any investment we do a return calculation. So there is a positive return on this investment. So you asked in terms of economic profit. It has a positive economic profit. So we do have

that and kind of the groundwork has been done on the project to be a profitable project for the Company.

Regarding margins and comparison to regular polyethylene, I will speak about two things there. One is more conceptual. The nature of the spread is different, right, so you have in regular polyethylene or faster polyethylene you have two spreads that you can consider in our case. One is spread to be ethane price and the other is the spread to naphtha.

And the spread in the green PE is mostly the spread of the green PE price to ethanol and we have several types of contracts of green PE. Some of them are even linked to the ethanol reference. So in the end you have kind of a fixed margin on that production.

So it's a different type. Green PE tends to be a bit less volatile because of that hedge that we have in the commercial contracts. And so it's a different kind of perspective. So it's hard to do this comparison because we are comparing the spread of ethane to the PE and also naphtha to PE spreads, so very different things, but those are more cyclical in nature. The green PE spread tends to be less cyclical going forward.

And the other aspect is, of course, this is still a specialty in the polymer world. So it tends to have a higher margin overall. But again, depending on moments in the cycle, for example, the spread that you see here today on PE to ethane is above US\$1500 per ton, and that is a very attractive spread today. So overall those are the perspectives that I could share with you on green PE.

Lilyanna Yang:

Okay. That's helpful. Thank you very much and congrats on the strong results mainly in Brazil.

Matias Vammalle, Bluebay:

Thank you very much. I had two questions. The first one is, as you are suggesting the focus now in the second half or for the remainder of the year is going to be capital allocation and deleveraging, trying to get back to investment-grade ratings. So can you just tell us what's a minimum cash level that you are comfortable holding? We recently saw you doing a liability management exercise or tendering for perpetual bonds. So again, can you just tell us what's the kind of cash balance target toward the end of the year? That's one question.

And the second question, I think it was asked, but I apologize for the repetition. What's your expectation on the timing for the roughly US\$300 million of the insurance on Alagoas? Do you think that that could happen this year? Thank you.

Pedro Freitas:

Hi, Matias. Nice talking to you. On capital allocation and cash balance by the end of the year. We have a financial policy that is by nature conservative. It was designed after the financial crisis of 2008, 2009, and so it's good part of the Company to carry a substantial amount of cash above our operational needs.

And usually that number of minimum cash that we need to carry by the financial policy is around US\$1.5 billion. It fluctuates. It tends to fluctuate between US\$1 billion and US\$1.5 billion, but I have in mind as US\$1.5 billion. So that's kind of the cash balance that I think that sustainably Braskem should carry going forward, plus the revolving credit facility.

That's a large cushion there. The financial policy does not require us to have the revolving credit facility, but it's another layer of cash availability in case of need.

So I have this US\$1.5 billion in mind and we will see through the course of the year. We closed the year at US\$3 billion. We've paid down the perpetual bond, as I said, so that's US\$500 million. So the remaining is at around US\$2.5 billion. So you can see that we still have excess cash in our hand.

The objective is to pay down debt going forward, but we will always consider the uncertainties through the course of the year. So depending on how Mexico Alagoas going forward. The lingering and residual uncertainties around Alagoas how those are resolved through the course of the year.

Insurance, the question that you asked as well, all of those are events that through in the course of the year we will have more clarity around and also around the cycle. I think the cycle is the most important one of them by far. So as we have more clarity through the course of the year, then we will see how deep we can go in this liability management. But we have this US\$1.5 billion cash by the end of the year. Maybe a little bit more depending on lingering uncertainties of course at that point.

On the insurance and the timing, it's a process that is not in our hands. So it's a process that is depending on the technical analysis by the consultants that the insurance companies have hired. I think that process is still going to take many months.

To me it's a bit uncertain by now. I was more bullish in the beginning of the year, but by now I think there is uncertainty whether we will be able to receive all of that amount by the end of the year or we will only receive a part of it, or even if it's going to be a discussion that goes into 2022. So I'm afraid we still have a lot of uncertainty around that timing at this point.

Matias Vammalle:

Understood. Thank you.

Operator:

I will turn over to the Company for closing remarks.

Roberto Simões:

Hi, everyone. It matters to be here together with you. I would like to thank you all again to join us for this call, and I want to end with a couple of remarks. Firstly, although the year of 2020 was impacted by uncertainties and volatility, such as the covid pandemic and the weaker global demand for fuels, which affected our fuel and ethanol price. We maintained the ability to absorb the rate very efficiently even in the rough moment, keep our customers and keep discipline in our capital allocation, given that we closed the year with a positive cash flow in the region and the leverage of 2.94x, an important reduction from last quarter's leverage.

This reduction reinforces our commitment to our financial liquidity and to be reassigned as an investment-grade company by the credit rating agency. Second, the trend for 2021 has been positive so far, not only because of the strong petrochemical scenario this also spread for all of the products, but also because we already announced the two important value creators that builds up the Company.

The resumption of our chloralkali operations in Alagoas, which allows Braskem to produce PVC and caustic soda on an integrated basis. And secondly a new investment to expand our production capacity of green ethylene in Triunfo reinforcing our position as a global leader in biopolymers production.

For 2021, our main objectives are, continue with the advances related to the geological phenomenon in Alagoas, by the constructive ways to solve the ethane shortage in Mexico, ensure the Company's continued financial health, risk management and discipline in capital allocation. We strengthened Braskem's image and recognition with the team members, clients, suppliers, investors and society. Increased effectiveness in innovation and speed up digital transformation, and finally advancing the implementation of ESG commitment.

Thank you very much for your participation, and looking forward to talk to you when we release the 1Q21 results.

Operator:

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