

**Operator:**

Good afternoon, ladies and gentlemen. At this time, we would like to welcome everyone to Braskem's 1Q21 earnings conference call. Today with us, we have Roberto Simões, CEO of Braskem; Pedro Freitas, Vice-President of Finance, Procurement and Corporate Affairs; and Rosana Avolio, Investor Relations Director.

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

We have simultaneous webcast that may be accessed through Braskem's IR website at www.braskem-ri.com.br and 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 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 operation 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 earnings conference call. Today, we will present 1Q21 results.

Please, let us move to slide number three, in which we will talk about the petrochemical context in 2021. In the 1Q21, petrochemical supply was impacted by the severe winter storm in the U.S. Gulf Coast, which led to the unplanned production closures affecting resin suppliers. Additionally, demand continues strong for all resins.

Because of this context, international market refers were impacted and PE and PP spreads reached the highest level since 2017, positively impacting the profitability of petrochemical companies in general.

In the case of PE naphtha base, for instance, express in the 1Q21 were 103% higher than last year average. In the case of PE gas base, which is a spread that impacts Braskem business in Mexico and in the petrochemical cracker in Rio de Janeiro, depreciation was also significant and spreads increased 93% compared to the average in 2020. Regarding the PP-propylene spread in the United States, spreads grew 49% compared to 2020 average.

Moving to slide number four, we will comment about Braskem consolidated 1Q21 highlights. In the 1Q21, the Company's recurring operating result was US\$1.266 billion,



52% higher than 4Q20, explained mainly by the better spread for PE, PP and main chemicals in Brazil, for PP in the U.S. and Europe and for PE in Mexico, and also explained by the higher PP sales volumes in Europe. Compared to 1Q20, recurring operating results in USD advanced 341%, due to the better spreads for resins and in main chemicals in Brazil, for PP in the United States and Europe and for PE in Mexico, and also due to the higher sales volume of PP in the United States and Europe and of main chemicals in Brazil.

Moving to the next slide. On slide number five, we will present the main highlights of Brazil's operations. In the 1Q21, the utilization rate of our petrochemical crackers was 3 p.p. lower than 4Q20, mainly due to the impact of the feedstock in Rio Grande do Sul.

In the Brazilian market, resin sales decreased in relation to the 4Q20 due to the weaker but still healthy demand in Brazilian market and also due to the lower product supply in the period.

The reduction in exports is explained by the focus of the Company on serving the Brazilian market. Given that, Brazil's recurring operating results was US\$943 million, 39% higher than 4Q20, representing 70% of the Company's consolidated segments recurring operating results. This increase in EBITDA is mainly explained by better PP, PE and main chemicals spreads in the international market.

Moving to the next slide, we will talk about the feedstock profile in Brazil. In line with the Company's strategy to diversify its suppliers, the Brazil segment continued to purchase naphtha via supply agreement with international suppliers.

In the 1Q21, net imports accounted for around 7% of the total naphtha consumption in the quarter. It's worth mentioning that Braskem obtains longest payment term on naphtha to purchase with foreign suppliers, impacting positively its cash generation.

In the next slide, we will provide an update on the geological event in Alagoas. In this slide, we will talk about the provisions and regarding the geological even in Alagoas. In the chart on the left of the slide, we present the balance of provision.

In the 1Q21, the balance of provisions related to the geological event in Alagoas was around R\$8.5 billion. And during the quarter, Braskem reversed provisions in the amount of R\$139 million.

In the right chart of the slide, we present the disbursement schedule. Of the R\$8.5 billion, around 50% was recorded under current liabilities, and 50% under noncurrent liabilities. Important to mention that the Company cannot predict with certainty, future developments in respect of this matter or its related expenses, and the cost to be incurred by the Company may be different than the currently estimated or provisioned.

Moving to the next slide, we will talk about the financial compensation and support for allocation program. In the 1Q21, Braskem continued to make progress on its relocation and financial compensation of families in the districts affected in Maceió. The numbers of families reallocated increased 25%, reaching around 11,500 family. Additionally, the number of financial compensation proposals submitted by the Company increased 58%.

Regarding payments made in the scope of the financial compensation and support location program, around R\$700 million had already been disbursed as of 1Q21.

Moving to the next slide, in the United States, the average utilization rate of our PP plants decreased in relation to 4Q20, explained by the impacts from Winter Storm Uri the U.S.



Gulf Coast. In Europe, the utilization rate increased in relation to 4Q20, explained by the schedule maintenance shut down in the last quarter of the prior year.

In the United States, considering the sales of the new PP plant Delta, only in the 1Q21, sales increased in relation to 4Q20 and also in relation to 1Q20, mainly to the increase in production capacity after the commercial start-up of the new PP plant in the region in September 2020. In Europe, sales increased in relation to 4Q20 and also in relation to the 1Q20 due to the higher supply of the product in the period.

In the next slide, we will talk about an important highlight in the United States. During the 1Q21, Braskem made the first international shipment from new Global Export Hub facility. The new hub offers packaging, warehousing and export shipment services to support Braskem's six PP plants in the United States.

Additionally, the facility has the capacity to support export shipments of up to 204 kt annually to Braskem's clients worldwide. The new logistics and distribution facility in the port region of South Carolina significantly increased Braskem export capacity in the United States.

Due to the current moment in the PP market in North America, Braskem is prioritizing sales in the U.S. market. However, over time, the new hub will enable Braskem to leverage the production of its assets on the U.S. Gulf Coast, Pennsylvania and West Virginia to better serve the needs of its international clients.

In the next slide, we will talk about the main highlights of the Mexican operations. In Mexico, the average capacity utilization rate of our PE plants increased in relation to the 4Q due to the production based on experimental business model implemented in January and February following the unilateral interruption of natural gas transport service by Cenagás in early December 2020.

In early March, after executing a natural gas transportation service agreement with Cenagás, transportation services were established. Free sales in Mexico decreased by 27% when compared to 4Q20 due to the lower availability of products in inventory. Mexico's recurring operating results was US\$94 million, 49% lower than 4Q20, representing 7% of the Company's consolidated segments EBITDA.

In the next slide, we will talk about Fast Track solution in Mexico. In this slide, we will talk about the expansion of ethane imports from U.S. to Braskem Idesa. In December 2020, Braskem Idesa conclude the expansion of its Fast Track operation, which currently has expected ethene import capacity of 20,000 barrels per day.

In the 1Q21, to complement the supply of the ethane by PEMEX, Braskem Idesa imported a daily average of 13,100 barrels of ethane from the United States, which represented around 66% of Fast Track's current capacity. Additionally, the volume of import ethane accounted for around 30% of Braskem total ethane supply in the quarter.

Moving to the next slide. In the 1Q21, we had a positive free cash flow generation of R\$1.766 billion, mainly explained by the recurring operating results in the quarter, the monetization of fiscal fees credit in the approximate amount of R\$761 million, and also explained by the lower volume of operating and strategic investments.

These positive impacts are mainly opposed by the negative working capital change due to the impact from higher prices for resins and main chemicals in the international markets affecting accounts receivable, and also from higher naphtha prices on the finished product costs in inventory.



Moving to the next slide, in the end of March, the average debt term was around 14 years, with most debt maturing the long term. Also, considering its cash balance, the Company has sufficient liquidity to cover that maturity in the next 79 months.

During the quarter. Because of the Company's strong cash position and to reduce its gross debt, Braskem announced the total redemption of the 7,375 perpetual bonds at face value in the amount of US\$500 million.

Let us move to the next slide, which we will talk about corporate leverage. In line with its continuous commitment to financial healthy and with the objective to be reassigned as an investment grade company, Braskem continue to reduce its corporate leverage. The leverage ratio, measured as the ratio of net debt to recurring operating results in USD in the 1Q21 at 1.8x, down 39% from 4Q20, which was 2.94x. Additionally, the Company net debt decreased approximately US\$1 billion compared to 1Q20.

Moving to the next slide, we will start talking about our ESG highlights. The EDF Renewables started its wind complex, which is going to supply renewable energy to Braskem. The power supply is secured by a 20-year purchase agreement signed in 2018. This partnership is estimated to result in the avoidance of 280,000 tonnes of CO2 and is one of the four power purchase agreement signed by the Company as of 2021.

The wind complex is located in Bahia, and its construction complies with the key guiding principles of sustainable development. This project is part of our carbon neutrality strategy, and it is one of the agreements which put Braskem near to the mark of 1.5 million tonnes of CO2 emissions avoided through long-term renewable power purchase agreement.

Let us move to the next slide. Other important initiative related to climate change is the first collaboration between Trafigura and Braskem on the first naphtha shipment in the world to offset carbon emission. Trafigura supplies important naphtha to Braskem's petrochemical complex located in Brazil.

In collaboration with the Company, the first shipment was made with offsets and reductions of the carbon emissions associated with the feedstock, which includes extraction, refining and transportation process. The calculation was made by Trafigura, and the results were obtained from offset projects based on the major located in Indonesia, and reductions based on energy gains by cargo vessels.

All offset data is assured by verified carbon standard. This project is one step forward on the work to offset scope 3 CO2 emission, in which the Company's contribution strategy is under development.

Moving to the next slide, other important achievement is related to our commitment to eliminate the plastic waste through recycling initiatives. Braskem is the first Brazilian company to receive the ISCC Plus, an international certification for the production of resins and chemicals from circular feedstocks, such as the pyrolysis oil.

The pyrolysis oil is the product of chemical recycling that breaks down the post-consumption thermoplastic resins molecules using heat. The certification is based in the mass concept, which ensures that the input amount of raw material is transformed into an equivalent amount of final products in the certified plants.



The certified plants are the ABC Petrochemical Complex at São Paulo State, and Triunfo Petrochemical Complex at Rio Grande do Sul state. This control enables the sustainability of circular products to be duly credit and recognized.

Moving to the next slide. The covid pandemic has affected people's lives, especially with regard to the basic necessity. In this sense, the Company allocated R\$50 million in 2021 to combat hunger, and it has started to distribute 48,000 food staple boxes, 25,000 hygiene kits, and 3 tonnes of vegetables to the surrounding communities in several states of Brazil.

Also, through its Employee Volunteer Program, Braskem will donate three food staple for each box donated by its employees. These actions are related to our social responsibility values, which aim to stimulate and support the local development of the surrounding communities of our operation.

This important moment calls for solidarity, joining forces and helping people in need across Brazil to minimize pandemic's impact.

Let us move to the next slide. Braskem was certified by the Brazilian federal revenue service as an authorized economic operator in the compliance category. This is an international recognition for the adoption of practices and management process that minimize risks events existing in import operations, and for the voluntarily comply with the compliancy, reliability and security criteria applicable to the global logistics chain, as well as tax and customers' obligations.

This recognition is strengths the relation with international partners and offer benefits such as reducing import time and costs. With this credential, Braskem expanded international footprint and reinforced image as an increasingly competitive, responsible and compliant company.

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 healthier PE and PVC spreads in 2021.

In the case of PE, in the 2Q21, it is expected more profitable PE naphtha and PE ethane spread since the seen in the last quarters. In the case of PVC, after the return of our chlor-alkali plant, this spread part better reflect the profitability of vinyls, which is also more profitable than previous quarters.

Let us move to the next slide, which will talk about the scenario for PP. Similar to PE and PVC, external consulting firms are projecting healthy PP spreads in 2021 in the United States and also in Europe. In the case of PP, the main highlight is in regarding spreads in the United States, where projections point for a 25% increase in PP propylene U.S. spreads compared to recent years.

Moving to the next slide, we will present the short-term outlook, focusing on the dynamics in the 2Q21 compared to the 1Q21. In the case of Brazil, ethylene production should be in line with higher production in Rio Grande do Sul after the pit stop in 1Q, and also with the scheduled shutdown at the São Paulo complex in April and May. Regarding sales, total resin sales should be in line, and the Company expects to continue its strategy to prioritize sales to Brazilian and South American markets. Additionally, it is expected healthy spreads for PE and PVC.

In the United States, higher PP production and sales is expected, with expectations to normalize production at all plants, following the impact from weather events in the 1Q21.



Additionally, it is expected a healthier PP propylene spread in the U.S. due to the continued strong demand and gradual recovery in PP supply.

Finally, for Braskem Idesa, PE production and sales should be higher due to the return of gas transportation service and expectation higher ethane supply through Fast Track solution generating a higher product availability. Regarding spreads, in line with what we presented for the other regions, PE ethane spreads in the U.S. should be healthier.

Moving to the next slide, to conclude the presentation, we will recap the main objectives of the Company for 2021. For this year, the Company developed six main objectives in its strategy: continue with the advances related to the geological event in Alagoas; find a constructive way to solve the ethane shortage in Mexico; ensure the Company's continued financial healthy, risk management and discipline in capital allocation; strengthening Braskem image and recognition with team members, clients, suppliers, investors and society; increase effectiveness innovation and speed up digital transformation; and finally, advancing the implementation of our ESG commitments. Lastly, but not least, safety in our operations is a perpetual and nonnegotiable value in our strategy.

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

Ben Isaacson, Scotiabank:

Thank you very much and good afternoon everyone. Congratulations on the great quarter, and thank you for the comprehensive review. My first question is on spreads. How do you see spreads playing out over the next few quarters? And do you see any lingering impact from the Texas freeze in 2Q as it relates to Braskem?

Pedro Freitas:

Good afternoon, everyone, and thank you for attending our call. We do see some lingering impacts from the freeze in 2Q, Ben. If you look at spreads in the U.S. for polypropylene, for example, they are still high, compared to the historical number. If you look at the presentation on slide 22, you can see exactly that, still an increase of about US\$230, US\$240 per ton in the polypropylene in the U.S. So we do see an improvement in terms of spreads in the U.S. in the 2Q.

If you look more towards the end of the year, I pick an example here of the PE to naphtha spread, it falls from US\$11,000 per ton to US\$7,000 per ton, about a 30% drop in the PE/naphtha spread.

So we do see this drop, but, to give you an example, US\$720 per ton in the PE/naphtha spread is similar to the 2017 spread, which was historical for the Company in results. So we see spreads coming down in the 2H21, but coming down to a level that is still very good.

And more specifically in the U.S., we still see a very strong 2Q in terms of spreads, the 2H21 probably a little bit lower, but still with very good levels.

Ben Isaacson:

Just one more question on the spreads before I get to the leverage. So how would you rank PE, PP and PVC in terms of how tight those markets are, whether you look at



inventories, I guess, in terms of how long it will take for inventory levels to get back to normal?

Pedro Freitas:

All of them are pretty tight, Ben. If I were to guess, I would guess that it's different per region. So in Brazil, we already see some inventories getting back to normal, or closer to normal, maybe not yet as normal. It usually takes about two to three months for inventories to normalize, but the lingering impact of the freeze in Texas means that it's taking longer for those inventories to be normalized. So we are still at lower inventory levels in the value chain compared to the five year average. Still very low inventory levels.

If I were to guess, I would say that probably PVC is a bit priced globally, especially because we have not seen a lot of new investments in PVC globally. And then PE, PP seems to be like they are in a similar position. But we think that PE, structurally, have more over capacity. So to the end of the year, we think that PE should become softer compared to PP. But again, as I said, still on very good levels.

Ben Isaacson:

Great. And then just my last question. Your leverage has improved a lot. I do not have the number in front of me, but I believe it's sub two, if I am not mistaken. And what does that mean in terms of timing to and get to investment grade? And then what do you do once you are there? Do you want to keep your balance sheet at that level or are you trying to build up some firepower to do some acquisitions? What are you thinking about your balance sheet as you move toward investment grade?

Pedro Freitas:

Ben, we like to have our leverage below 2.5x. So that's part in our dividend policy. We would like to go back to paying dividends to our shareholders. So we are looking at that possibility in the future as leverage comes down. But always following our dividend policy. We have to look at current leverage plus the forecasted leverage for the next two years, and that number needs to be below 2.5x for us to be able to pay excess dividends. In Brazil, we have the minimum dividend, which is mandatory, but to pay any excess dividend, that is what we would like to do, retain the capability of paying dividends.

So this year, we do not have that capability. We had a loss last year, so we cannot pay dividends. What we are really looking at today is: first, 2H20 was pretty bad. Middle of covid, curtailing production. So we anticipate that the 2Q21 is going to be better than the 2Q20. So we see leverage coming further down in the 2Q.

So we keep getting this type of question, what are we going to do with all this money? And how does that play out into investment grade. We have been talking to the rating agencies and showing them that our situation is much better than it was one year ago when we lost the investment grade.

So just to explore this a little bit further on the rating agency side, last year, they told us, "look, there are three factors that were more relevant in the decision". One was the moment in the cycle with potential overcapacity, 2019 had very low results, and leverage was pretty high as well. Second point was Alagoas and the uncertainties around that. And third point was covid and uncertainties around covid.

So right now, what we have is a much better financial situation, much lower leverage below two, as you mentioned, at 1.8x forecast for even lower leverage in the coming



quarters. We see Alagoas in a different light today, much lower uncertainty with the settlement that we had in December. And covid, in the end, you saw the results of the past three quarters since the second half of last year, will be doing pretty well despite of covid. So in all the arguments that the rating agencies brought us in last July, they are no longer on the table.

And actually like we have on the table with a much more favorable situation. So our goal now is to recover the investment grade. We have been talking to them. And let us see how they decide. It's their decision, but we have been emphasizing those points with now.

And then, what to do with the cash? What we are doing is we are retiring gross debt. So we are paying back debt. We did that with the perpetual bond, US\$500 million on March. As the expected cash flow materializes over the coming months and quarters, we expect to keep retiring gross debt. As we cannot pay dividends, we do not have substantial growth projects or new investments in the Company. So in the end, that's what we are looking at for this year. For next year, if we have a net profit on a basis, then we also anticipate paying some dividends, of course, within the metrics that I mentioned in our dividend policy.

Ben Isaacson:

That's very helpful. Thank you so much. I appreciate your time.

Christian Audi, Santander:

Thank you. First of all, congratulations on these results, record and really amazing across the board, so congratulations to the whole team. I wanted to focus on three questions. The operation was going so well, but I wanted to touch on the topics that will be on operational to get your latest views. More specifically, number one, you have done a lot on the Alagoas front and you have been very transparent with the market. But if you could comment on these recent developments, in terms of is there really anything new there or not that would be helpful?

Second, again, you have been working very hard as well on Mexico. Could you give us an update on how the negotiations are going and if, from a timing point of view, you believe that by the 4Q, these could be resolved, or do we just not have visibility to be able to talk about timing for these negotiations to be concluded?

And then the third and final one is, if you have had any discussions, Roberto and Pedro, with Petrobras from the point of view of their potential sale of their stake on Braskem, because it is something that can create noise and generate potential overhangs, which obviously is not helpful to your stock. Thank you.

Pedro Freitas:

Hi, Christian, thank you for your questions. On Alagoas, Rosana showed the substantial improvement we did in relocating people and submitting proposals to them and also in getting acceptance on the proposals at 99.6% in the 1Q of proposals accepted, and also in actually making the disbursements. So we had a very substantial improvements or advances in Alagoas in that regard.

And also, we are learning. You saw that we had a reversion, it's a large number of R\$139 million reversion in the provision comes out of learning and out of improving the operation so that we reduce the cost of overhang in managing the situation there.



So those were substantially advanced. We did not have yesterday at these of news that came out in Brazil around some loans by a community in our goals. And what they said was that they were more isolated because the neighborhood is being relocated and a portion of that is not in the relocation program.

So they are saying, "we had clients in our businesses that were across the street. They are no longer there", that sort of thing. Kind of more on the social impacts of relocating people and looking at the people that are remaining in their original homes.

The concept of the settlement that we had back in December was we will relocate people that are at risk. You can see Alagoas as a huge risk mitigation effort. It's really getting people out of a potentially risky situation. And that area, that was the reason for this piece of news, is not in a risky situation.

When we look at the criticality and even local authorities, and they have done this publicly, they agree that it's not a critical area for risk, it's more of a social impact.

And then, I would like to remind everybody that the other settlement that we had was on the social and urbanistic environmental aspects of the case, and there is about R\$1.6 billion already in the provision to be invested according to projects to mitigate the social impact of the situation in Alagoas.

So if the city wants to allocate a portion of that R\$1.6 billion to that part of the community, we would be fine with that. It's important that the city needs to still adhere to the settlement so that we can start implementing the actions.

So that's something that we are still working on the city. But once that is done, we will be able to allocate part of those resources to that community. So that's our view on how this should be seen and address in the future. So that's the Alagoas aspect. On Mexico, I will be very brief. Negotiations are still ongoing. I think everybody knows the underlying issue is the life of ethane in the country. We have been putting a lot of effort in increasing the supply of imported ethane.

So our capacity to import right now is at about 20,000 barrels per day of ethane, and we are expanding that capacity to 26,000 barrels per day in the coming month or so. And then PEMEX has been supplying another 30,000, 35,000 barrels per day. So if you look at those numbers, the potential maximum capacity right now, or in the near future, would be at about 55,000 to 60,000 barrels per day, so that's about 80%, 85% of capacity utilization.

Going back to the negotiation, again, it's ongoing. Terms still need to be aligned and get to a final agreement. The timing is really, as you said, end of the year. And we have no control on timing. The negotiation can be shorter, it can be longer. But right now, the outlook is for the end of the year to perform by it.

And finally, on Petrobras, there was some rumor in the market last Friday. And what we got from all of that with Petrobras made a public statement last Friday saying that: First, one thing that has been telling everybody, their equity in Braskem is not a core asset for them. So it's part of their divestment plan.

But they also said last Friday that they do not have any definition or decision about the sale model. So we do not have any other information about this. And it's their decision. But we do not have any news that they are really moving on selling their stake. So we



know it is part of their divestment program, but we do not have any information about any short-term decisions by them.

Christian Audi:

Very clear, Pedro. And just a follow-up on Alagoas. The recent news implies in any way that you would need to do anything beyond all the work that you have already done in provisioning for these events, or that would be a development that is part of the money you have put a side at your provision to be over the situation?

Pedro Freitas:

The short answer, Christian, is that we believe the provision is adequate and correct, given the settlement and all the knowledge that we have at this moment. Of course, it is a situation that may evolve. So we may see changes. There is no way for us to control that. But right now, and even in light of the piece of news yesterday, we believe that the provision is adequate, and we do not intend to change that.

Christian Audi:

Alright. Thank you very much Pedro.

Guilherme Levy, Morgan Stanley: 44:36

Hi, good afternoon, and thanks for taking my questions. My first question is actually a follow-up from the last one on Alagoas. I just wanted to put the question in another way. How easy it is for the civil defense or the municipality, or any other public entity to go and reopen the agreements that were already signed? I just wanted to understand to what level the agreements already signed are written on stone, or can they still be modified?

And the next one, last quarter we saw a material impact of working capital and cash generation. I just wanted to get your view on what should we expect into the next quarters and for the full year? Thank you.

Pedro Freitas:

Hi, Guilherme. On your different way of framing the question around Alagoas, we settled the two settlements back in December. First, the map that was a part of that settlement was the December map, and there is no provision for that to be changed automatically. So that's the basis for the risky area.

And those two civil actions were extinguished in December. So of course, a new action could be proposed against the Company. But right now, the civil actions were extinguished. They do not exist anymore. And the basis for the settlement and our obligation relates to the map that was published back in December.

And even a new map would not change that basis. The second point I would bring is the concept and reinforce the concept that I just mentioned around what is behind those two segments. One is behind risk. So if the risk to people that in the settlement has left to relocate. So we would need to ascertain that there was risk in a different area for us to even potentially start a discussion around including that area in the relocation program. So that's the first point.

And as I said, we do not have an indication. And we have substantially upgraded the geological monitoring of the area. We do not have an indication of risk there. And we



even have local authorities, again, saying that it's not a matter of criticality or risk in that region. It's a social impact.

So that's the first concept. Location is linked to risk in our mind, and the settlement was done in a specific map back in December around that on the relocation.

On the other part of the settlement, the concept is social remediation, which links to what we are seeing potentially in that zone because we only heard of all of this through the news, we do not have any official position by anybody. So that's how we are addressing it.

So if it's a social impact, we have funds that are targeted for projects yet to be defined around social remediation. So that's where this is coming, at least, in our perspective. That's where it's coming from, and it would be taken care of in that way.

So again, to be more direct in your answer, how we need is to reopen? There is no reopening. They were extinguished. Of course, a new one could be proposed, and that it would be a new discussion. But our concept is relocation is linked to risk, and we do not have an indication of so.

On the second point around working capital, we had an increase in prices in the 1Q. So that leads to higher inventory costs, of course, higher payables, which helps in working capital, but also higher accounts receivable. So the net effect in working capital with higher prices is a consumption of cash.

In the next quarters, we should see still some increase in inventories. We have been running as well as, as I said, the whole supply chain has been running at lower than average inventory. But also, we anticipate a drop in some product prices, or a decrease. Not a drop, 'drop' may be too strong, but a decrease in product prices.

So the net impact of that, it could be a positive effect or neutral. I do not see a bigger cash consumption going forward because of that. We also have a lot of taxes to monetize yet. So we have R\$1.4 billion of the PIS/COFINS fees tax to monetize that are already booked in our balance sheet, and about R\$800 million in cases that we are not final in the court yet. So those are also positive effect that could come through the year.

Guilherme Levy:

Perfect. Thank you.

Anne Milne, Bank of America:

Thank you. Congratulations, fantastic quarter. Happy to see that. Last year was tough at times. Some of my questions have been answered, but just two questions. One, just to understand the main drivers of your purchase of naphtha, whether it's imported or from the local market, Petrobras. It sounds like prices are roughly equal, but you get better financing terms internationally, so that obviously will help your working capital and cash flow and so forth. Or maybe there are pricing differentials that you discussed?

And then the second is just on the comments that you made regarding some of the aspects the rating agencies are looking for. One was the place in the cycle and talking about potential new capacity and overcapacity in the industry coming online. Maybe you could talk about where we are now with China supply or from other locations, although I think China was then the big worry for a number of the agencies, and what do you see there right now? Thank you.

**Pedro Freitas:**

Hi, Anne, nice talking to you. About this time, we would be in Miami, in the Bank of America conference. So the imported naphtha, it does help our working capital. We can expand naphtha payments with international suppliers up to a year. So that's part of our cash management policy, and we have been increasing the imports of naphtha.

Last year, we had about 55% coming from Petrobras and 45% imported. The 1Q21, it was already 70% imported and 30% Brazilian naphtha. And we think that the balance will remain that way for the remainder of the year. So 70% imported now, the 30% Petrobras naphtha. With the new feedstock contracts that we signed last year with Petrobras.

The volume of the contract to Petrobras was reduced, and we have been keeping that ratio in the 1Q, and I think going forward, that's going to be the norm. So we keep benefiting from that in working capital.

Of course, in the 1Q, we had kind of increasing prices and lower investments, but over time, that's going to normalize, and we should see some benefit in cash flow and working capital coming from this strategy.

In terms of China supply, our assumption is that it's going to come to the market. The question is when. We see that some of it will come this year and some of it will come next year. I believe IHS is probably a little bit more bullish than us. They are anticipating less capacity coming on this year and a bit more next year. So if you look at the balance of new capacity, we tend to be more conservative.

We are preparing for a bit longer market still this year, they are saying it's more for next year. But we do see the capacity in China coming online, about 4.5 million tonnes of polyethylene. That's our assumption.

A couple of other aspects for us, just to point that out, last year, we were short about 15% of the new capacity that was supposed to come online. 15% did not come online last year in polyethylene. So we are seeing some of that coming along this year.

The other aspect that is interesting, the forecast that IHS has for global demand, again, polyethylene is about 5%, about 6% for polypropylene. The historical average for polyethylene globally has been at around 3%. So 5% is a 2 p.p.% higher. The same price in PP, historical average at around 4%, this year 6%. So even with more new capacity coming online, we also are going to see a bit more demand.

So the downturn in the cycle, the industry view and our view are that it's not going to be substantial. And that's why we have been saying that our view is that the 2Q is still going to be very strong. We are still having very high spreads, some disruption in supply chain, and then we see 2H21 softer, but still at good levels in terms of gross margins.

We tend to be more conservative than the average of the industry. So it is our internal view, we could have a surprise to the upside.

Anne Milne:

Thanks. And just a quick follow-up on the supply agreement that you have with Petrobras and the difference between imported and Brazil, are prices roughly equal between the two?

**Pedro Freitas:**

A couple of relevant points there. If you look at just the raw price of naphtha, what we buy outside Brazil is cheaper. If we include logistics, the landed cost in Brazil depends on where we are buying. In some places, imported naphtha is higher, and in some places imported naphtha could be cheaper. So it depends on the supplier, the shift, etc.. So then it's more evenly matched in Brazil.

But the benefit that we have with imported naphtha is that we can choose the quality of naphtha. So if we need a naphtha that is more aromatic that will produce more benzene, toluene, etc., we buy that. If we need naphtha that is more paraffinic, that goes more toward the olefins, ethylene, propylene, then, we buy that. So on the international market, you have more flexibility around the quality of the product, and that helps us have a higher value, composition of products in our sales. So it does not change the cost itself, but it could generate a portfolio of sales that is higher value added for us when we import.

Anne Milne:

Okay. Thanks, and good luck for the rest of the year.

Matheus Renfeldt, UBS:

Thank you for taking my questions. My first question is, there have been some news of specific players interested in some assets of Braskem, not in the Company as a whole. But we were thinking here, what are the potential losses from bringing Braskem assets as separate units instead of nationwide companies? Are there any significant losses in synergy, either operationally or in terms of taxes that will make less sense in a way? That's my first question.

For my second question, just a follow-up on Mexico. Are there any advancements in thinking of a long-term solution for the ethane supply? That's it, thank you.

Pedro Freitas:

Thank you for your questions. So on the first one, the sale process is not a process that we are driving or participating in other than by buying information. Having said that, we saw that I think everybody has said of this idea of breaking Braskem up. So we have been putting some thought around that to see if there are any opportunities or ideas that could increase the value for all of our current shareholders.

Some of the thoughts around your question: in terms of synergy, I think that the Brazilian operation, the integrated operation that we have today is highly synergistic. So breaking up Brazil, I think, would bring very significant synergies to the business. So that's the first consideration that I would make.

It's an integrated production planning, integrated inventory planning, integrated commercial planning, integrated as feedstock procurement planning. So everything is integrated. It's a single overhead, so there are lots of economies that pay as well. So I would say that Brazil is highly synergistic within Brazil.

The synergy across regions, and I tend to think of our regions as South America as one region, U.S., Mexico and Europe. So that's how we tend to think of our regions. There is more substantial synergy commercially between Brazil and Europe because after South



America, the largest export hub for us is Europe. So there is commercial synergy in there. And also, our feedstock trading is there in the Netherlands.

So if you are thinking about the PP plants in Europe, much fewer synergies. But if you are thinking about Europe as a whole, then you have commercial synergies, especially because of the Dutch operation.

And then the other area where I see some synergy across the different businesses is in the industrial area. We do internal benchmarking. Every single improvement that one team in one plant identifies is then spread out to the other plants. So we have a lot of cross utilization in the industrial areas, which is another way of gathering synergies. I do not think that's very substantial, but anyway, it's another area of synergy.

And then the third one, you asked about taxes. There could be tax implications of a breakup like that. But it will depend a lot on the format. And we do not have a very depth analysis of this. It's more kind of a feeling and no numbers than the cost of acquisition of the assets in the U.S. and Europe, for example.

So there could be a substantial tax burden or not, depending a lot on the structure of how such a deal could be done. But having said that, we are not, at this moment, doing that. We are not working on that. There is no ask for us to do that. The shareholders have not decided to do that as far as we know.

So far, it's more curiosity. We hear the news. We look at it. We discuss a little bit to see what potential it indicates to be, but at the end of the day, I think that anything that maximizes the value for the shareholders is what we should be looking at. So this is where we are coming from.

Is there anything in these rumors that could be true, some value unlocking for shareholders? Okay, let us entertain that. If not, okay, we are not going there. But as far as we understand, the sale of Braskem is an integrated sale of the whole Company. That's how we understand it at this point.

Luiz Carvalho:

Thank you. And on the update on Mexico, do you have any updates on the...

Pedro Freitas:

I am sorry. Yes. So we are working on a terminal, on the project of a terminal to import ethane into Mexico. So that's part of the that we are having and that also is part of the discussions with. So it's still project in development. We do not have any final decision or even the format of that is still being discussed for the conceptual approach to the terminal. It's still something that we are narrowing down to one solution, but we do not have that yet defined.

The other aspect of supply of ethane to Mexico is the Fast Track. As I mentioned a bit earlier, we are increasing the Fast Track by about 30% to improve and bring more imports into Mexico in the short term. It's the second expansion already.

And just to bring out another aspect for these items, given the expanded spread in the 1Q21, which we all know they were very high, EBITDA margin in the 4Q was at around 40% with the operation running at about 60%. So again, very positive results from Mexico in the 1Q. That shows the very good access that we have there. Once it gets 100% supply, we would, of course, see even better.

**Luiz Carvalho:**

Thank you, and congratulations on the results.

Regis Cardoso, Credit Suisse:

Hi guys, good afternoon. Thanks for taking my questions. I have a few follow-ups. It's been a while since I participated in the conference call. So if you could maybe expand a little bit some of the topics you have already discussed in this call, in particular, in relation to the cash flow dynamics, it appears that you had a lower free cash flow than would otherwise expect from the very strong operating results. I know you already commented about inventories. If you could also comment on the tax credits you have already received, on which there is still to monetize going ahead? It seems it's a very high pace.

And then it appears that the liabilities in Alagoas might as well be part of that working capital dynamics. So just a follow-up on the cash flow dynamics to understand whether the operating results are translating into cash flow dynamics? The other follow-up is regarding Alagoas and what I will call sort of a new normal after the moment of crisis, where you had the actual risk to people. But I understand there is a social impact to having such a big area in the city empty. And I imagine there will be plans around revitalizing that area and other social implications. So I wanted to get your sense, and I believe there's no certain answer at this point, but I wanted to get your views on what happened after this? And what will be Braskem's role in revitalizing that area?

And then, the last one of the follow-ups is regarding the sale. If you could maybe just comment if the management team is involved in any way in that process for a strategic partner, data rooms, etc.

And then finally, maybe the only new topic is around ESG and the role of plastics. In particular, if you see any angle for Braskem in the many discussions we see taking place right now around green refineries, hydrogen plants and so on. So those follow-ups and then just that new one. Thanks.

Pedro Freitas:

Regis, thank you for all the questions. On cash flow, besides working capital that we already covered, as you mentioned, in January, we also had substantial interest payments, which are half yearly, for the bond. And with the FX depreciation, when you look at the numbers in BRL, those numbers are higher. In USD, they are not, but in BRL, they are.

The other aspect of cash flow, we spent about R\$500 million, a little bit more than that in Alagoas, which also take away some of the free cash flow of the Company. And finally, even though we have a separate bank account for that, so some of that is coming from dividend account. but we are putting the full amount in our free cash flow calculation here.

And the other aspect is around the tax credit that you asked. We have monetized R\$650 million in the 1Q. We still have about R\$1.4 billion to monetize, and plus R\$800 million yet to be provisioned because they are not yet final decisions by the courts.

So we still have some run rate in terms of monetizing credit. As I said, working capital is expected to be lower in the coming quarters, if prices do not give us any surprise and the interest payments are half yearly. So that should give you a view on the rest of the year.



Then, because of the increased results, our tax payments have been a bit above what we would expect with lower results. With higher results, we are paying a little bit more income tax. But that, again, is not defined.

As you saw in the chart there, it's about R\$300 in the quarter. Switching over to Alagoas and the question around the space there, it's still categorized as a risky area. So nobody should be there. We do have people in the area to work on the backfilling of the wells filling some of the wells with sand. So we do have operators in the area. We do monitor the risk.

And as I said, we have substantially increased the monitoring and the instrument, the sensors the area to make sure that nobody is in an unsafe situation. But we do not have any plans today around working with that in the future. So far, it is still a risky area, and nobody should be doing anything in there until there is stability of the mines. And that's going to take a few years.

On the sale, we have put together a data room for Novonor, for them to work on the sale. Of course, taking care of confidentiality, antitrust or any competitive issues. But that has been the extent of our involvement so far. We do believe that in the future, we will be a bit more involved, especially as it goes into a stage where management presentations are required, or even when a contract is being discussed. So we do believe that in the future, we should be more involved. But right now, the extent has been to kind of prepare including the data to put in the data room.

And finally, around ESG, thank you very much for this question. I think this is an area where Braskem is really improving on already very good basis that we have. We have been working on ESG development for more than a decade now, and we do have some numbers to show around our historical reduction in emissions around some of the work we have been doing on recycling and other aspects of the business that are very favorable.

Just to give an example of the recognition we get from there, Braskem is a AAA company in the Carbon Disclosure Project for water efficiency, for energy efficiency and also for the work with our suppliers. So it is an area where we have been investing for a few years now.

And looking at the future and as you asked about the role of plastics. Plastics are a very good solution for mankind. And so we see that there is an issue with plastics around the post-consumption disposal of plastics and how we work on that.

We see that as a business opportunity, and we have set up now for two, three years, recycling business teams to develop opportunities around recycling. It is a different business model compared to what we have at Braskem so far. If you look at the world, it is a few very high scale, very large factories that are producing a lot of volume. So it's very few, very large scale investments.

And with recycling, it's going to be many low scale projects, and developing that is a challenge. Last year, we sold 10,000 tonnes of recycled polymer. Our public goal for 2025 is to sell 300,000 tonnes, so it's multiplying by 30 the quantity, the amount of recycled plastic we sold last year. It is a substantial challenge, and we are organizing ourselves to address that. And we see that as a business opportunity.

The other area that we are also evolving a lot is around renewable chemicals. We have announced in January the expansion of our green polyethylene business. We are going



to increase the size of that plant by 30%. It's a US\$16 million investment that will come online in the 2H22. So it's going to increase our footprint in the renewals business substantially. Again, it is a very exciting development. And we do see a lot of market potential for this.

So we are looking even for ways to accelerate the expansion of that business looking at how we can fund that in different ways so that it does not hurt or does not change our credit metrics. But at the same time, we are able to access new sources of funds to be able to accelerate the capture of that value.

So that's another area that we have been looking at very closely. We also have R&D developments around renewables, one that is public is green energy. We are not in the energy business today, but with this development, green energy could be a breakthrough that, depending on how the technology grows, it is still in demonstration scale in terms of the technology, but if it progresses well and then goes into industrial scale, it could be a very sizable market for us to get to in the future. Again, also investing in developing our footprint in renewable chemicals, which is another way of mitigating the carbon footprint of the Company.

Operator

Now I will turn it over for the Company's closing remarks.

Pedro Freitas:

So I would like to thank everyone for joining us in this call, and I just wanted to end with a couple of remarks. First, as you all noticed, it was a very strong 1Q, driven not only by the international scenario, but also by the ability of Braskem's team members and the teams around the world to really operate very efficiently and to capture all the opportunities that the market put out there for us.

In this scenario, we closed the quarter with a very positive cash flow generation and the leverage of 1.8x, which is a very important reduction from what we had in the last quarter. In three months, we reduced our leverage by more than one turn of EBITDA.

Also important to comment that we reduced our gross debt by about US\$700 million in this three month period, which shows our commitment to keep reducing our gross bench going forward. We are very committed to our financial liquidity and also to get that investment grade from the rating agency.

The second point I would like to emphasize that we are very confident that in the 2Q, we will also have a very good industry dynamics and that our operations will run well. We expect to continue to have a good financial performance, given the scenario and also the way that we have been running the business. We will keep deleveraging Braskem, which is one of the main priorities for us this year. So I would like to thank all of you for your participation and look to talking with you both when we release our 2Q results.

And also just to remind everyone, we are holding an ESG Day in May 17, so 11 days from now, we are having an ESG Day where we are going to disclose some of our achievements, and also some new commitments around sustainable development for the Company.

So thank you all very much.



Operator

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

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