



# Braskem

## Meeting with Investors – 2013 Results

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São Paulo, February 18, 2014



# Disclaimer on forward-looking statements

This presentation contains forward-looking statements. These forward-looking statements are not solely historical data, but rather reflect the targets and expectations of Braskem's management. The terms "anticipate," "believe," "expect," "foresee," "intend," "plan," "estimate," "project," "aim" and similar terms are used to indicate forward-looking statements. Although we believe these forward-looking statements are based on reasonable assumptions, they are subject to various risks and uncertainties and are prepared using the information currently available to Braskem.

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This presentation was up-to-date as of December 31, 2013, and Braskem does not assume any obligation to update it in light of new information or future developments.

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Braskem undertakes no liability for transactions or investment decisions made based on the information in this presentation.

# Agenda

2013 RESULTS

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VALUE CREATION DRIVERS

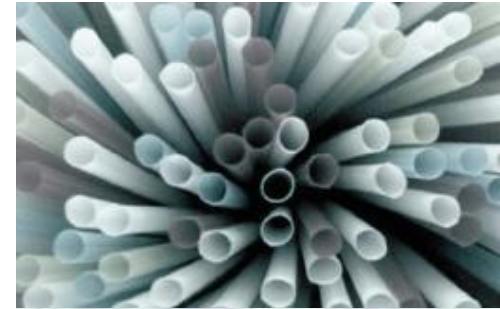
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GLOBAL SCENARIO & THE PETROCHEMICAL INDUSTRY

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PRIORITIES

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# Agenda

## 2013 RESULTS

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## VALUE CREATION DRIVERS

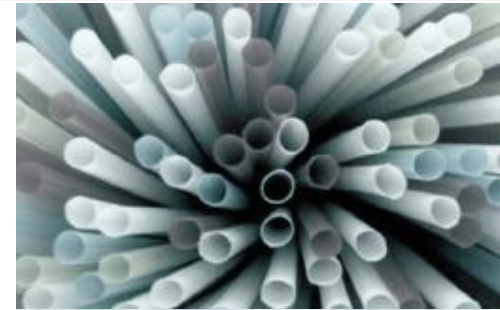
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## GLOBAL SCENARIO & THE PETROCHEMICAL INDUSTRY

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## PRIORITIES

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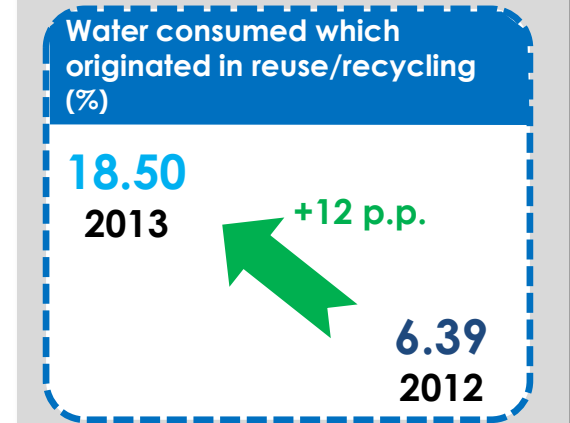
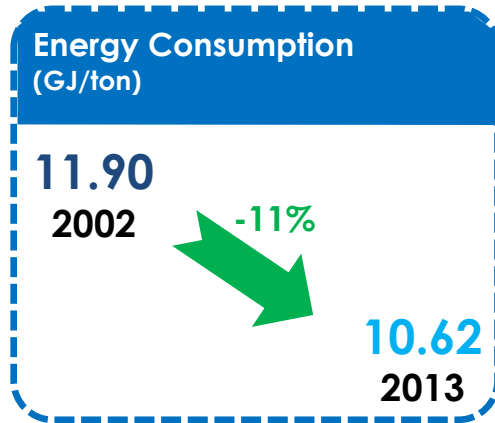
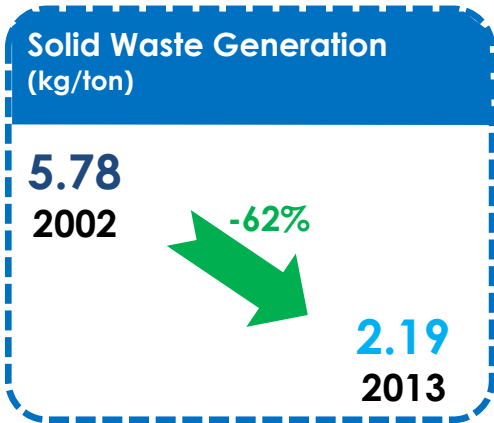
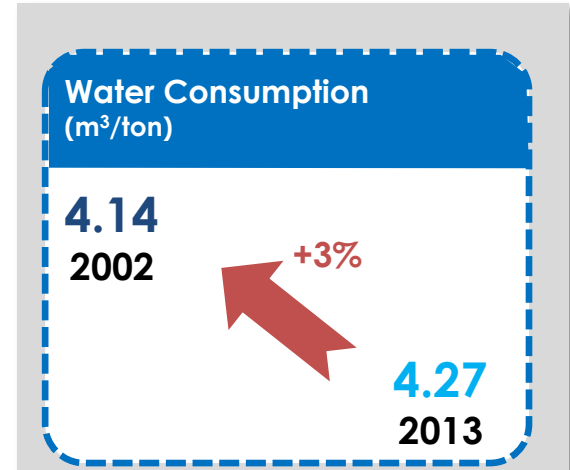
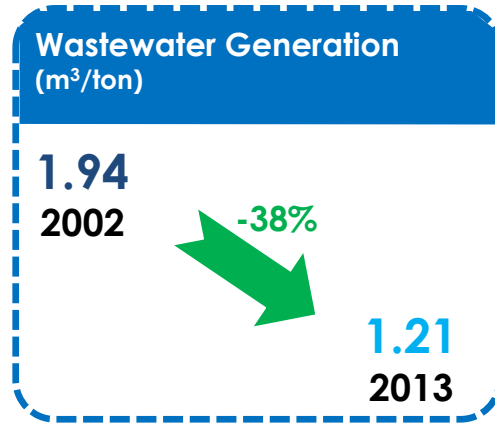
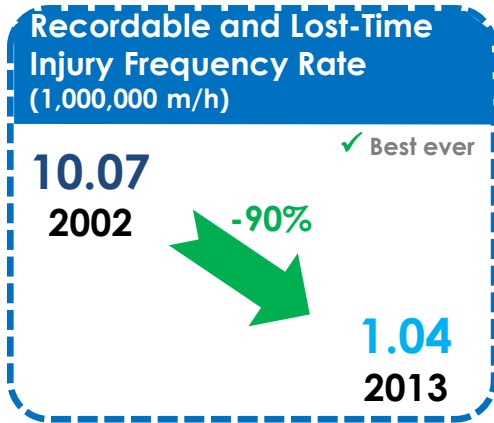


# 2013 Highlights

- ▶ **Cracker** average **utilization rate** of **90%**, with **ethylene** production setting a new **record**. Braskem also set a new **record** for **PE** production, of 2.6 million tons.
- ▶ The Brazilian resins (PE, PP and PVC) **market** grew **8%** from 2012 to 5.4 million tons. **Braskem's** sales came to **3.7 million tons**, with market share of 68%.
- ▶ In 2013, **EBITDA** was **R\$4.8 billion**, growing **22%** from 2012. In USD, EBITDA grew 11% to US\$2.2 billion.
- ▶ Braskem announced the **signing of a contract** with Solvay for the **acquisition** (still subject to approval by regulatory agencies) of a **controlling interest** in **Solvay Indupa**, which will enable the Company to:
  - **expand** by 42% its **PVC** production in **Brazil** and expand its capacity in the region to 1,250 kton, making it the **fourth largest PVC producer in the Americas**;
  - **expand** its caustic **soda** capacity by **over 60%** to 890 kton.
- ▶ **Construction** continued to **advance** on the petrochemical complex in Mexico, which should be **commissioned** in **2015**. The project, which is financed under a project finance structure, has already received the first and second installments of the financing in the aggregate amount of **US\$2,031 million**.
- ▶ As of **May 1<sup>st</sup>**, 2013, the Company decided to designate part of its dollar-denominated liabilities as **hedge** for its **future exports**.
- ▶ Braskem **recorded net income** of **R\$507 million**. Based on this result, Management is proposing the **distribution** of **R\$483 million** in **dividends**.
- ▶ The Company's **leverage**, as measured by the ratio of **Net Debt to EBITDA** in **U.S. dollar**, stood at **2.87x**, **down 12%** from 3.25x in 2012.

# Health, Safety and Environment (HSE)

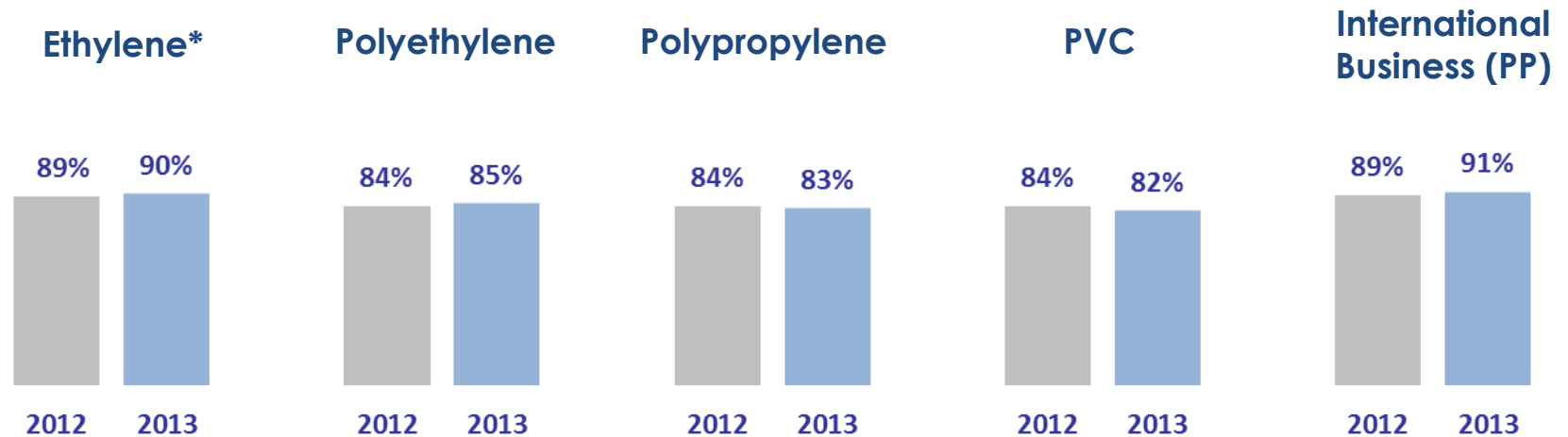
Braskem made progress on various actions that culminated in improvement on a series of eco-efficiency and safety indicators:



✓ Initiatives to reduce water consumption by reusing:

- Aquapolo Project (SP complex)
- Água Viva Project (Camaçari complex)

# Braskem's capacity utilization rates

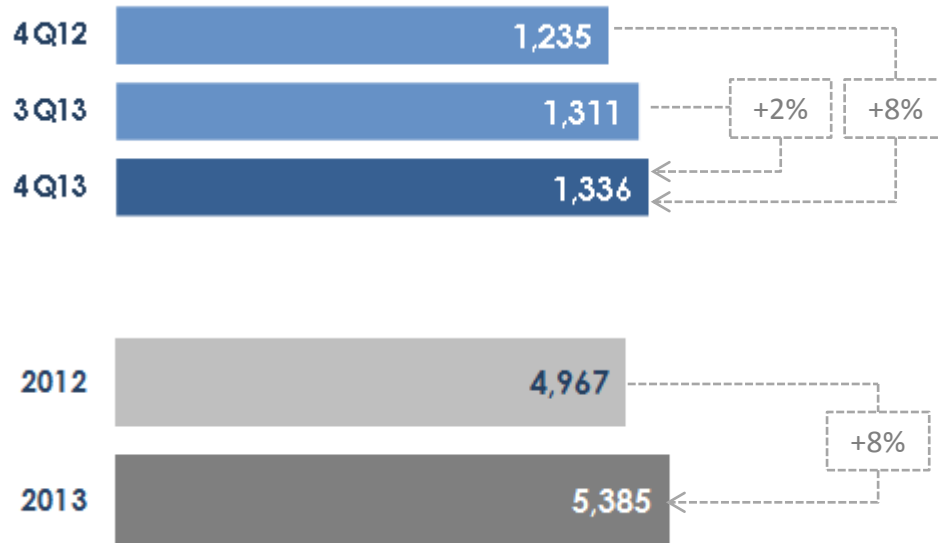


- ✓ **Ethylene:** record-high production of 3,373 kton;
- ✓ **Polyethylene:** 2,580 kton, another production record for Braskem;
- ✓ **International Business:** higher capacity utilization rate, reflecting the better scenario in the United States and Europe.

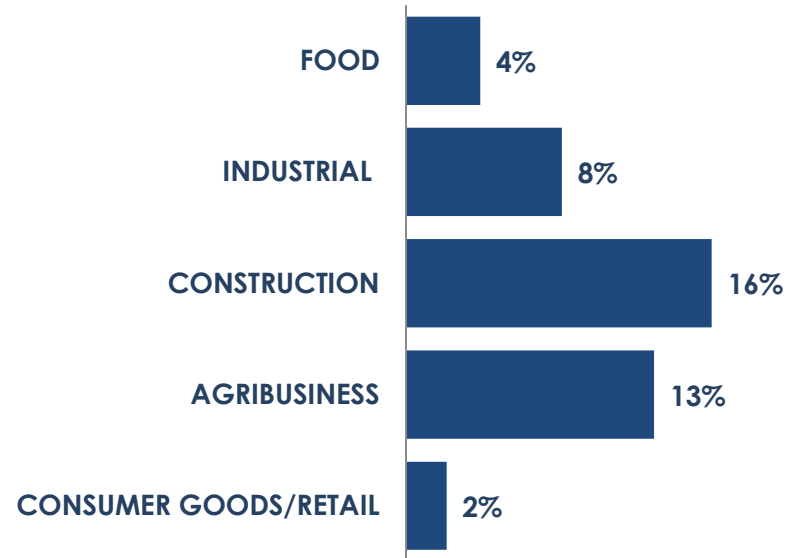
\* Excludes Green Ethylene

# Brazilian market and Braskem's sales

- Brazilian Thermoplastic Resins Market (kton)



- Braskem Sales Growth 2013 vs. 2012



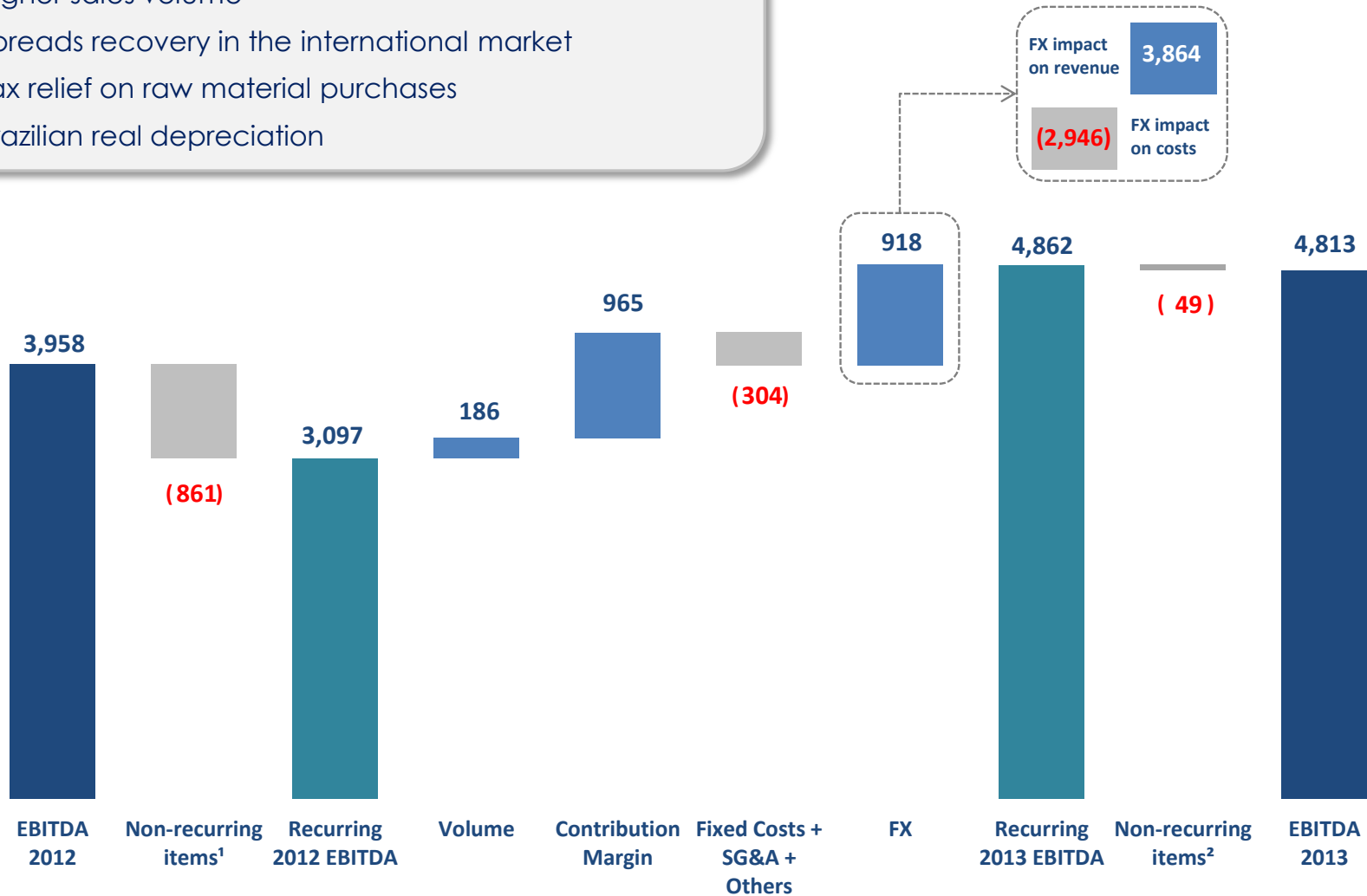
- Opportunistic entry of PE imports in October due to the expiration of the additional import tariff;
- Performance in the year was driven primarily by the construction and agriculture sectors.

# EBITDA 2013 vs. 2012

R\$ million

The factors driving EBITDA growth were:

- Higher sales volume
- Spreads recovery in the international market
- Tax relief on raw material purchases
- Brazilian real depreciation

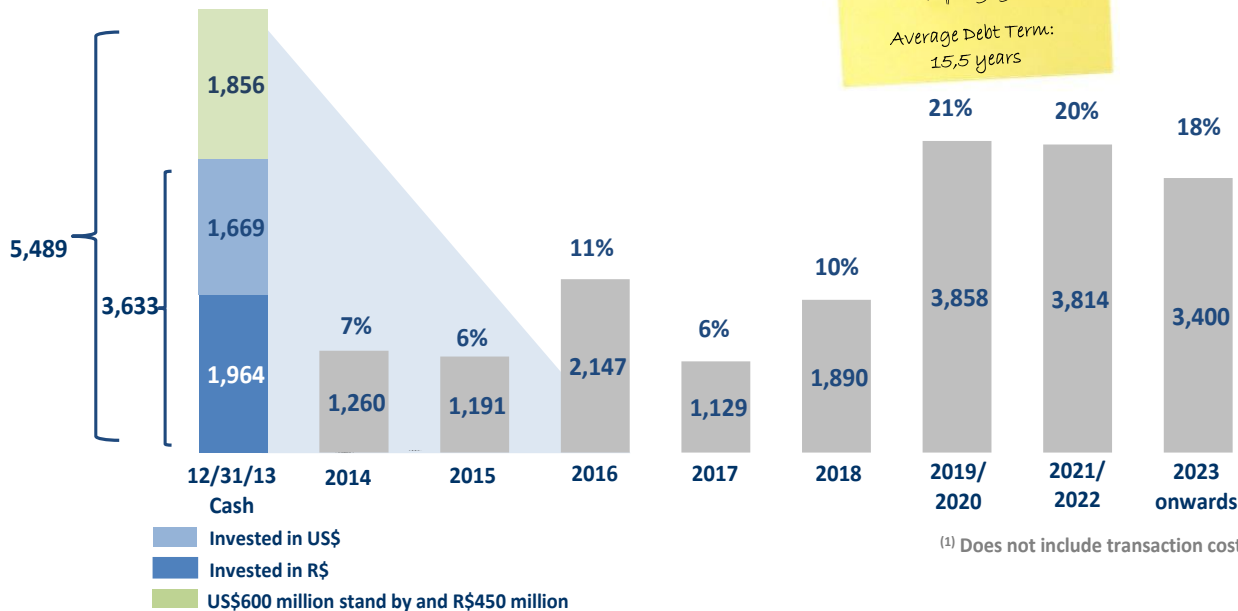


<sup>1</sup> Includes revenue from the compensation paid by Sunoco + Refis tax amnesty program + asset divestment

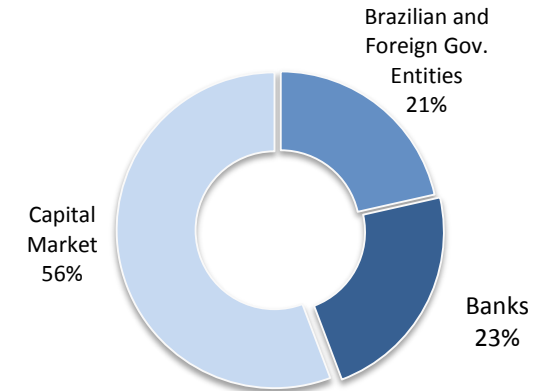
<sup>2</sup> Includes the expense related to a labor claim involving the payment of overtime at the industrial plants

# Longer debt profile with highly diversified financing sources. Liquidity levels stable

## Amortization Schedule <sup>(1)</sup> (R\$ million) 12/31/2013



## Diversified Funding Sources



## Net Debt / EBITDA (US\$)

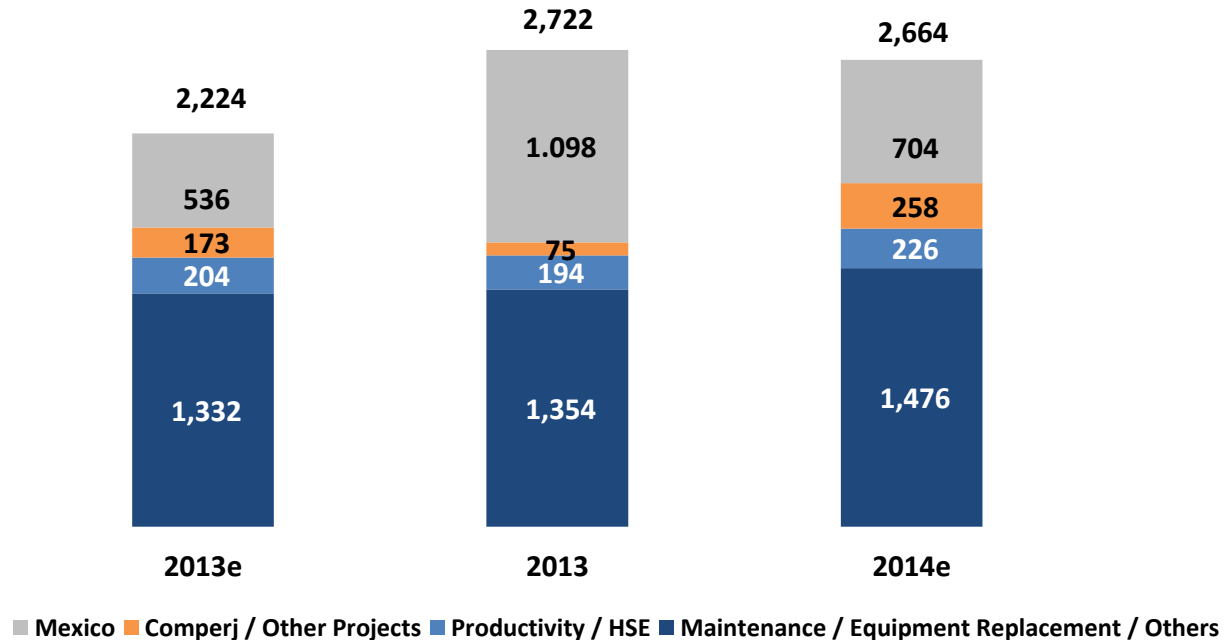
US\$ million	4Q13	4Q12
Net Debt	6,390	6,855
EBITDA (LTM)	2,217	2,003
<b>Net Debt/EBITDA<sup>1</sup></b>	<b>2.87x</b>	<b>3.25x</b>

## Braskem Rating – Global Scale

Agency	Rating	Outlook	Date
Fitch	BBB-	Negative	9/10/2013
S&P	BBB-	Stable	7/11/2013
Moody's	Baa3	Negative	4/24/2013

<sup>1</sup>Ex-Mexico project

R\$ million



- The Mexico project accounts for the main deviation in relation to the capex initially projected for 2013:
  - ✓ Anticipation of disbursements with the arrival and assembly of large equipment on the site;
  - ✓ Delay in the process to refund the value-added tax levied on equipment purchases; and
  - ✓ Effects of currency variation on the translation of amounts invested in U.S. dollar into Brazilian real.
- For 2014, investment is estimated at R\$2,664 million, broken down as follows:
  - ✓ 25% allocated to construction of the new petrochemical complex in Mexico;
  - ✓ 60% allocated to operations, including two scheduled maintenance shutdowns at the Rio Grande do Sul and São Paulo crackers; and
  - ✓ Other strategic projects – adding value to cracker streams and studies related to COMPERJ.

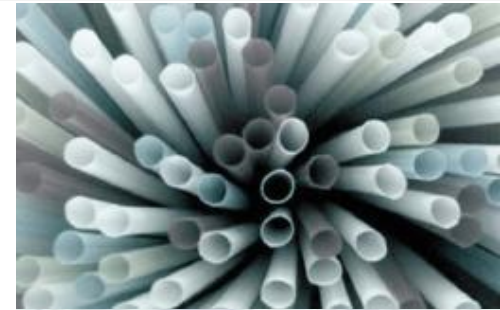
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VALUE CREATION DRIVERS

GLOBAL SCENARIO & THE PETROCHEMICAL INDUSTRY

PRIORITIES



# Growth drivers

## Potential for value creation in the Americas



### Key drivers

- Access to competitive feedstocks
- Serving the regional market
- Geographic diversification

### Project pipeline

- Mexico Project (2015)
- Assessment of opportunities in the USA

- Adding value to cracker streams
- Supporting the development of the plastics chain
- Expand based on future supply of gas-based feedstock

- ABS project, PE expansion (metallocene)
- New product launches
- Plastic Chain Competitiveness Incentive Plan (PIC)
- COMPERJ

# Innovating to better serve Clients

- ▶ Development of new production technologies, processes and products to meet **Clients' needs** and propose **new solutions** that enhance the performance of the final products delivered to society:
  - ✓ 2 Technology & Innovation centers (Brazil and USA)
  - ✓ 24 laboratories
  - ✓ 8 pilot plants
- ▶ New applications – launch of 13 new resins
- ▶ 19% of all thermoplastic resin revenue comes from products launched in the last 3 years



## PE for the agricultural sector

Braskem adapted the PE resin used in blow-molded packaging for agrochemicals to meet the market's rigorous demands for resistance and safety.



## PE for the shrink film segment:

The new resin serves the market for shrink films used in can and bottle packaging by creating a compact package free of punctures and surface marks.



## PP for the auto industry

As part of its continuous efforts to serve Clients and meet the industry's needs, Braskem expanded its PP resin portfolio to include applications for automotive compounds.



## PP for the outdoor furniture segment

The improved resin prevents process losses for Clients, since it better meets the mechanical performance requirements demanded by the application.

# Plastic Chain Competitiveness Incentive Plan (PIC)

- ▶ Strengthen Brazil's chemical industry by promoting the competitiveness of third-generation manufacturers
- ▶ Four pillars of action



## Exports of manufactured goods

**Double Brazilian exports of manufactured PE and PP goods within 2 years**

- ✓ **Product availability**
- ✓ **Promotion and training**



## Incentives for innovation

**Stimulate market growth by fostering innovation**

- ✓ **Support industry events**
- ✓ **Training program on innovation and promotion**
- ✓ **Joint investment to drive innovation**



## Industry competitiveness

**Boost industry competitiveness by training and supporting Clients**

- ✓ **Technical seminars and specialized support**
- ✓ **Management Development Program**
- ✓ **Vocational training**
- ✓ **Visio Program**



## Image of plastic

**Promote the advantages of plastic**

- ✓ **Communication**
- ✓ **Recycling**
- ✓ **National Solid Waste Program**
- ✓ **Support for associations**

# Growth projects in Brazil

## Adding value to existing cracker streams

### ▪ **Expansion of polyethylene**

- ✓ Expand and convert one of the production lines to metallocene-based LLDPE (newer technology)
- ✓ Capacity: 120 kton
- ✓ Investment: ~R\$50 million

### ▪ **JV with Styrolution**

- ✓ Signing of an MOU with Styrolution in October 2013 to assess the possibility of forming a joint venture in Brazil
- ✓ Production of styrenics specialties and the copolymers acrylonitrile butadiene styrene (ABS) and styrene acrylonitrile (SAN) to substitute the imports of these products into the local market, while adding value to the benzene, butadiene and propylene chains

### ▪ **Acrylics complex**

- ✓ Supply of propylene to the Basf acrylics complex currently under construction at the Camaçari petrochemical complex

## Diversify and improve the competitiveness of feedstocks

### ▪ **COMPERJ - Rio de Janeiro Petrochemical Complex**

- ✓ Objective: meet the growing demand in Brazil's domestic market and diversify Braskem's feedstock profile

# Greenfield project in Mexico

## Competitive feedstock to support the region's growth

### JV (Braskem 75% and Idesa 25%)

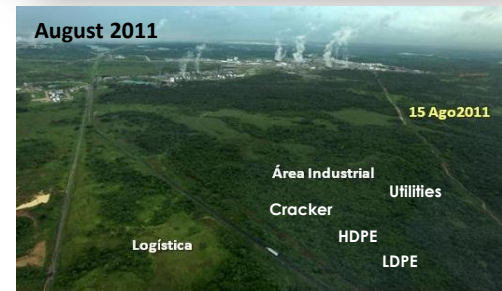
- ▶ Largest integrated petrochemical complex in Mexico;
- ▶ Global-scale project: 1 million tons of PE (HDPE and LDPE);
- ▶ Feedstock: long-term gas supply contract with PEMEX;
- ▶ Meet the needs of Mexico's growing market, which currently requires imports (deficit of 1.2 million tons);
- ▶ **Startup: 2015.**

### Accomplishments in 2013

- ▶ Project finance disbursements of US\$2 billion;
- ▶ Hiring of team to run the future industrial operations;
- ▶ Physical completion of 58%.

### Priorities in 2014

- ▶ Continue to advance construction with arrival of the final pieces of equipment;
- ▶ Continue progress on pre-marketing activities and structuring the sales and logistics team;
- ▶ Train and develop the industrial team.



# Acquisition of Solvay Indupa

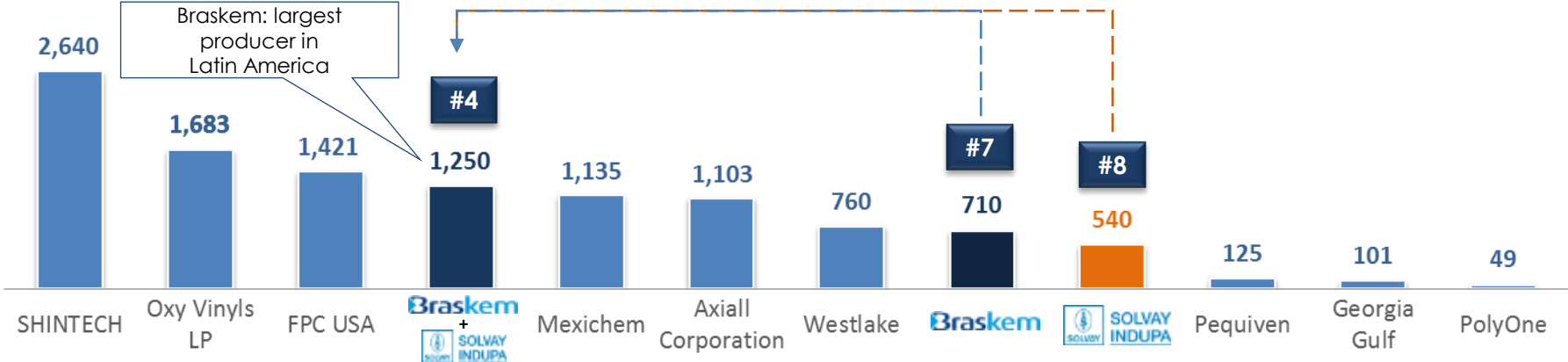
- In December, Braskem signed an agreement with Solvay Argentina for the acquisition of an interest in Solvay Indupa corresponding to 70.59% of the total and voting capital, for US\$0.085/share.
- The transaction's conclusion is subject to approval by Brazil's and Argentina's antitrust authorities.

## Capacity expansion

- Increase PVC production capacity by 42% in Brazil to 1,010 kton/y and in the region to 1,250 kton/y.
- In the case of caustic soda, Braskem's annual production capacity will increase to 890 kton, for growth of over 60%.

## Ranking of PVC Capacity in the Americas

(2013, kton)



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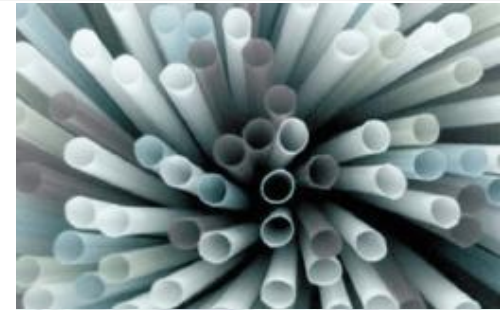
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GLOBAL SCENARIO & THE PETROCHEMICAL INDUSTRY

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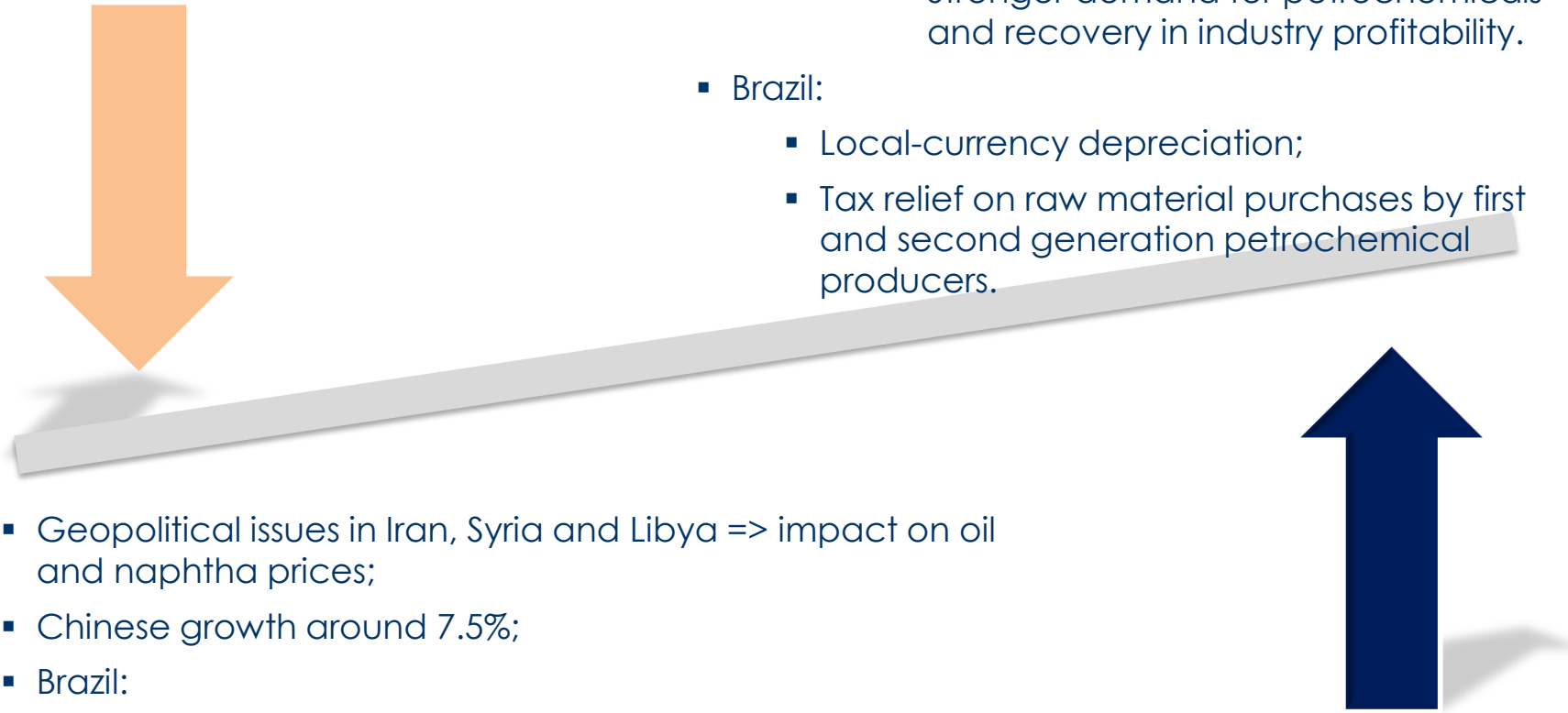
PRIORITIES

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# Global Scenario

- 2014e world GDP growth forecast at 3.7% (vs. 3% in 2013);
- Recovery in the U.S. economy and gradual improvement in developed countries;
  - ✓ Stronger demand for petrochemicals and recovery in industry profitability.
- Brazil:
  - Local-currency depreciation;
  - Tax relief on raw material purchases by first and second generation petrochemical producers.

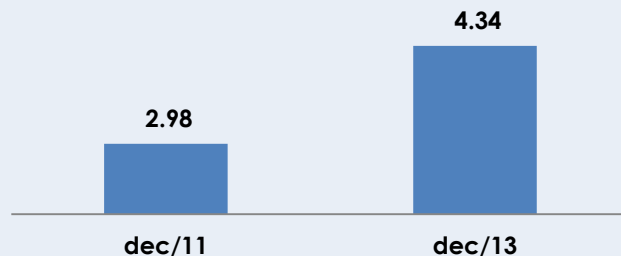
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- Geopolitical issues in Iran, Syria and Libya => impact on oil and naphtha prices;
  - Chinese growth around 7.5%;
  - Brazil:
    - Lower availability of credit;
    - End of Reintegra program (export incentives).

# The Petrochemical Industry

## Short Term Outlook

- The harsh winter in the Northern Hemisphere pressured feedstock prices, which in turn influenced petrochemical prices

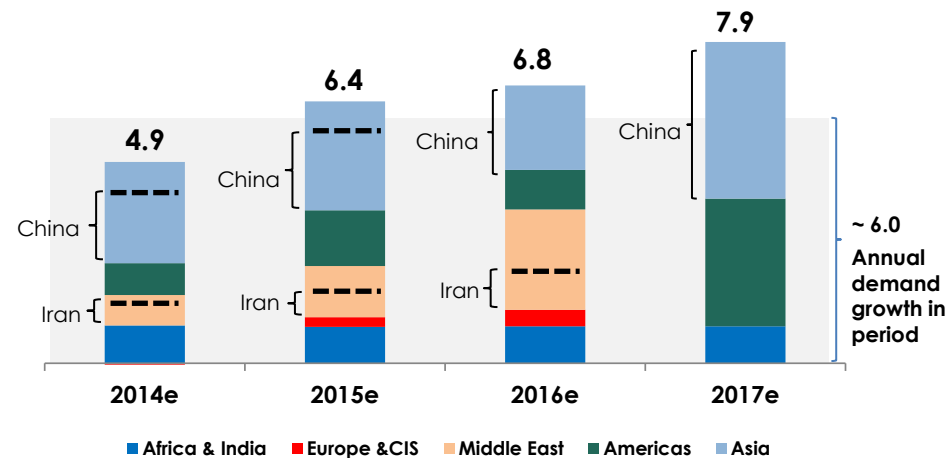
**U.S. Natural Gas Price (Henry Hub)**  
(US\$/MMBTU)



- Scheduled maintenance shutdowns in the United States should help keep the market balanced
- After a seasonal destocking period, European demand is showing signs of recovery
- Demand in Asia expected to recover after the Chinese New Year

## Medium / Long Term

**Additional ethylene capacity (million tons)**



- Uncertainty regarding the startup of projects announced in China:
  - High costs/investments to access feedstocks available
  - Infrastructure issues (logistics, supply of water for extraction, etc.)
- Iran: gas supply associated with oil production
- USA: new capacities to come online only in 2017-18

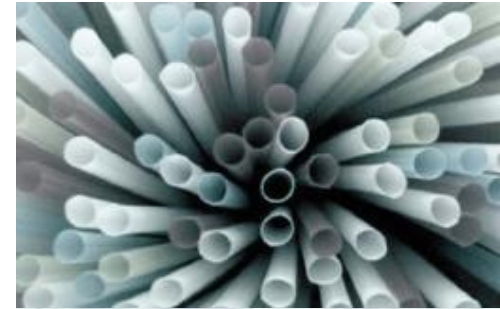
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# Priorities

- Renewal of the naphtha supply contract.
- Increasing the competitiveness of Braskem's feedstock by reducing costs and diversifying sources.
- Advancing construction on the greenfield project in Mexico and expanding its pre-marketing activities.
- Defining the feedstock and tax incentives required to make Comperj viable.
- Analyzing opportunities in the U.S. petrochemical market based on the competitive advantages of shale gas - Ascent.
- Making progress on formulating an industrial policy for the petrochemical chain that continues to make the industry more competitive.
- Focusing on continuing to strengthen our relationships with Clients and expanding our market share in Brazil.
- Conclusion of the acquisition of Solvay Indupa's control.
- Maintaining liquidity levels, cost discipline and financial health in a challenging macroeconomic scenario.



# Braskem

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