

Braskem S.A. (/gws/en/esp/issr/80092141)



Fitch: Braskem's Leniency Agreement Neutral to Credit Quality

Fitch Ratings-Chicago-15 December 2016: Fitch Ratings views the recently announced leniency agreement between Braskem S.A.'s (Braskem) and the Brazilian authorities as neutral to credit quality. The signing of the agreement will be an important step in eliminating uncertainties related to previously announced corruption investigations. The company indicated it expects to complete the global settlement with international authorities shortly. The leniency (settlement) agreement includes USD957 million (BRL3.1 billion) of penalties and fines, which is line with Fitch's expectations and incorporated into the current ratings.

On Dec. 14, 2016, Braskem announced it entered into a leniency agreement with the Federal Prosecutors Office (MPF) as part of a global settlement that includes all relevant authorities involved in the Lava Jato's investigations. The leniency agreement is subject to approval by the 5th Chamber of Coordination and Revision of the MPF, and by the 13th Federal Justice Criminal Court of Curitiba, Parana.

Per the agreement, Braskem will pay approximately BRL1.6 billion (USD493 million) up front, after the ratification of the agreements by the respective competent courts, which Fitch expects to occur during 1Q17. The remaining BRL1.5 billion (USD460) will be paid in six annual instalments of BRL250 million (USD77 million), from January 2018 onwards, adjusted by the IPCA variation.

Fitch considers the total amount of the fine to be manageable for Braskem. The company's robust cash position of BRL8.2 billion as of Sep. 30 2016 and its currently strong credit ratios will not be materially impacted. On a pro-forma basis, Braskem net leverage ratio would increase to 1.8x from 1.5x as of Sept. 30, 2016. Braskem's current strong credit metrics largely reflects the favorable petrochemicals spreads and the benefits of the depreciation of the BRL when compared to previous years. Fitch expects Braskem to remain disciplined with its commitment to maintain net leverage ratio below 2.5x over the long term.

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