

**Operator:**

Good morning, and thank you for waiting. Welcome to Braskem's 1Q22 earnings conference. With us today, we have Mr. Roberto Simões, CEO; Pedro Freitas, CFO; and Rosana Avolio, IRO of Braskem.

We would like to inform you that this event is being recorded and that all participants will be connected in listen-only mode during Braskem's presentation. Following that, we will open the floor for questions, when other instructions will be provided. If you need assistance during this conference, please press \*0 to reach the operator.

This event is also being streamed online via webcast and will be available at [www.braskem.com/i](http://www.braskem.com/i), where the respective presentation can also be downloaded. The slide deck will be controlled by you. The audio of this event will be available right after its conclusion. Remember that webcast participants will be able to send its questions to Braskem via the website, and those will be answered after the conclusion of this conference by the IR department.

Before we proceed, we would like to clarify that any statement made during this conference about Braskem's business prospects, projections, operating and financial targets are based on beliefs and assumptions of the Company's management as well as information currently available to the Company. Forward-looking statements are no guarantee of performance, and they involve risks, uncertainties and premises seeing as they refer to future events and, therefore, rely on circumstances that may or may not materialize. Investors and analysts must understand that general economic conditions, the state of the industry and other operating factors may affect Braskem's future earnings and lead to results which are materially different than those expressed in said forward-looking statements.

Now I would like to turn the conference over to Mr. Rosana Avolio, Investor Relations Director, who will begin the presentation. Please, Ms. Avolio, you may proceed.

**Rosana Avolio:**

Good afternoon, ladies and gentlemen, and thank you for participating in Braskem's conference call to present our results for the 1Q22.

Let us start the presentation on slide three, with the distribution of dividends. On the slide, you can see that Braskem remains committed to returning value to shareholders through the distribution of dividends, with a payment in May of R\$1.35 billion in dividends based on net income for 2021. Therefore, combined with R\$6 billion anticipated in December 2021, the total dividend distribution was R\$7.35 billion, representing 77.5% of adjusted net income for 2021.

Remember that Braskem has a transparent dividend policy with guidelines for determining the distribution of dividends in compliance with/or exceeding the applicable laws or regulations.

Let us go now to the next slide, which shows our net income. In the 1Q, Braskem posted net income of around R\$3.9 billion, representing R\$4.88 per common and Class A preferred share, and net margin of 15%.

As I mentioned on the first slide of the presentation, Braskem has a transparent dividend policy, and the proposal for distributing complementary dividends based on fiscal year 2022 will take into consideration the leverage ratio, which cannot surpass 2.5x in USD



and without Braskem Idesa in the current year or in the subsequent two years, considering the best assumptions at the time of decision.

Now let us go to the next slide. In the 1Q22, recurring EBITDA was US\$920 million, down 19% from the 4Q with the decline explained mainly by the expected normalization of international spreads for the main chemicals and resins in Brazil for PP in the U.S. and Europe and PE in Mexico. The lower sales volume of main chemicals and resins in Brazil and the Brazilian real appreciation against the USD of 6.3%. In Brazilian real, recurring EBITDA was R\$4.8 billion, down 23% and 30% lower from the 4Q and 1Q of last year, respectively, due to the currency appreciation in period.

Let us go to the next slide, which covers our highlights by segment. Slide six shows the highlights of the Brazilian operations. In the 1Q, the petrochemical complexes in Brazil operated at a capacity utilization rate of 86%, in line with the 4Q.

In the Brazilian market, resin sales rose 2% on the prior quarter. This is due to the strong demand for PE and PP due to a restocking trend in the chain. Meanwhile, exports fell 16%, explained by the priority on serving the local market and by the logistics constraints on export shipments. In this context, recurring EBITDA from Brazil in the 1Q was US\$477 million.

Let us go to the next slide, on the geological event in Alagoas. The chart on the left shows the balance of the provisioning related to the geological event in Alagoas at the end of the 1Q of around R\$7.2 billion. The chart on the right shows the disbursement schedule with 56% of the total amount provisioned registered in the short term and 44% in the long term. It is important to remember that Braskem cannot eliminate the possibility of future developments related to the topic or related to expenses and the costs to be incurred could differ from their estimates or amounts provisioned.

Moving on, but still on the geological event, the next slide shows the progress made on the work fronts. First, regarding relocation and compensation, Braskem continue to make progress on its relocation and financial compensation of families in high-risk districts of Maceió. The number of proposals for financial compensation submitted reached 14,495 with acceptance of index for proposal submitted at 99.6% on the front of closing and monitoring wells.

Until the end of April 2022, of the 35 wells, nine belonged to the sand backfilling group and the closing of three of them is in progress, with the progress of 51.3% of cavities 7 and 19 and 35.2% in of cavity 17.

And last, on social and urban development measures, the activities on this work front focus on urban mobility, social compensation and actions in relocated areas. In urban mobility, we are working on defining and detailing 11 mobility actions, which were approved by the municipality of Maceió. In social compensation, we held meetings with the municipal government of Maceió to discuss priority topics. And on actions in relocated areas, we are making progress on activities related to demolition of the Mutange Slope.

Let us turn to the next slide, please. This slide presents the highlights of our operations in the United States and Europe. In the 1Q, the PP plants United States operated at a utilization rate of 88%, increasing 15 p.p. from the 4Q, driven by the normalization of operations after the scheduled maintenance shutdown.

In Europe, the utilization rate increased 5 p.p. due to the normalization of the production after the restarting of operations of a local supplier following a scheduled maintenance shutdown in the previous quarter.



In terms of sales performance, the U.S. registered sales volume in the quarter was 480,000 tonnes, up 9% on the prior quarter. In Europe, we sold 139,000 tonnes of PP in the 1Q. The segment recurring EBITDA in the 1Q was US\$295 million.

Moving on, the next slide shows the highlights in Mexico. In Mexico, the utilization rate in the 1Q was 80%, in line with the 4Q. In relation to sales, there was an increase of 15% on the 4Q, driven by the production remaining stable at healthy levels and the consumption of inventory. The segment's recurring EBITDA in the 1Q was US\$136 million.

Moving on, the next slide shows our consolidated cash generation. In the 1Q, Braskem generated recurring cash of around R\$467 million, with the main impact coming from the recurring EBITDA in the quarter and the continued monetization of PIS/COFINS tax credits. Including the payments related to the geological event in Alagoas, the Company presented a cash consumption of R\$176 million.

Let us move on to the next slide, please. Braskem and the 1Q, maintaining a very long debt maturity profile and strong liquidity position with most of its debt maturing in 2030 onwards. The average debt term was around 14 years, and the current liquidity position covers all liabilities coming due in the next six to nine months. This, without considering the international rotating credit facility in the amount of US\$1 billion, maturing in 2026.

Let us go to the next slide, where we will talk about the Company's credit metrics. In line with the dynamics observed in prior quarters, Braskem continued to present solid credit metrics with corporate leverage remaining low in the 1Q, with the ratio in U.S. USD ending the period at 1.0x. We are committed to maintaining a very efficient capital allocation.

On the next slide, we will discuss our ESG agenda. Recently, we have updated our investment policy with one of the main changes, the adoption of project classification based on ESG criteria. As a result, our assessment and selection of investments involving ESG criteria will be conducted globally and seek to support the long-term goals in sustainable development and the respective commitments undertaken by the Company.

Additionally, when applicable, the evaluation will consider the potential impact benefit our costs associated with relative CO2 emissions with any additional income or expense obtained from carbon pricing will be updated periodically by the sustainable development team.

On the following slide, aligned with the commitment to combat climate change, Braskem signed another wind power purchase agreement with EDF Renewables Brazil, a leader in renewable energy. The agreement enables the construction of a new wind power complex in the southeastern Bahia state and guarantees the supply of energy to Braskem for a period of 20 years as of 2024.

This is the fifth long-term contract for renewable wind or solar energy that Braskem has signed in the last four years, which together surpassed 150 average megawatts and positioned Braskem close to reaching 2.2 million tonnes of CO2 emissions avoided over the duration of those contracts.

Moving on to the next slide. In March 2022, Braskem signed the cooperation agreement together with Sojitz Corporation to form a joint venture for producing bio-MEG subject to development of the technology. The JVs business plan provides for in the first phase of



investment, the implementation of three industrial plants. MEG is a raw material for making PET, and is essential in the sector such as textiles and packaging.

The partnership between Braskem and Sojitz is aligned with the goals of net 0 carbon emissions, geographic and industrial diversification, reinforcing global leadership in biopolymers and in development of sustainable solutions in the circular economy.

Let us go to the next slide, please. In this slide, we will talk about the petrochemical scenario. The beginning of 2022 was marked by geopolitical tensions, which brought a lot of volatility to the petrochemical scenario. As you can see, the external consultants have changed the expectations of the PE naphtha-based spreads for 2022 on a recurring form since the beginning of the war between Russia and Ukraine at the end of February. Despite the volatility, I would like to highlight that the expectation of external consultants for the PE naphtha spreads for 2022 is already at a level above the pre-war Russia and Ukraine.

In addition, it is important to mention that due to the feedstock and geographic deposition strategy that Braskem has implemented in the last decade, the Company has become a more resilient company to these market variations. Today, we have a global operation in addition to a feedstock profile balance between sources of oil and natural gas.

Going to the next slide. Let us talk about the expectations for the spreads that most impact Braskem's profitability. As I mentioned on the previous slide, for the remaining quarters of this year, pre-naphtha spreads are expected to remain at healthy levels and above the recent historical average during the other quarters of 2022.

External consultants also forecast gas-based PP spreads to suffer, only slightly impact from the current political context and such forecasts continue pointing to spreads at levels above the recent historical average, remaining above US\$1,100 per ton in all quarters of this year.

Regarding PP spreads in the United States, as we can see in the graph on the right of the slide. According to the external consultants, this spread should remain not just above the recent historical average, but also relatively close to that observed in 2021 despite less than last year.

Moving on, the next slide presents our short-term outlook. For Brazil, the expectation is for ethylene production to decline due to the scheduled maintenance shutdown at the petrochemical complex in Rio Grande do Sul in the 2Q22. However, resin sales volume is expected to grow mainly due to better demand in Brazil. For spreads, external consultants are calling for better PE spreads and lower PP and PVC spreads. However, PE and PVC spreads should remain at levels above the recent historical average.

In the United States, sales volume should be in line with the previous quarter despite the expectation of lower production, and U.S. PP propylene spreads should remain at levels in line with the last quarter and above the recent historical average.

For Mexico, the expectation is for higher production volume, supported by higher imports from the U.S., but sales volume should remain stable. PE ethane spreads should widen from the 1Q22, then remaining above the recent historical average.

Let us go to the next slide, please. This slide shows how Braskem remains an interesting investment opportunity in the global petrochemical industry. First, looking at recent stock growth on the P3 compared to the market consensus. We also see the potential for price appreciation in Braskem's share.



Based on this EBITDA multiple, Braskem remains discounted in relation not only to its peers in the United States, but also its peers in Latin America.

We would like to reinforce that Braskem is a global company, serving clients all continents, is a leader in its market, makes concrete contributions to sustainable development and is the world leader in biopolymers. Braskem has a robust financial strategy with consistent operating cash generation, a healthy financial position and disciplined capital allocation. And risk management is part of Braskem's strategy by diversifying its feedstocks and geographic profiles, which increases profitability and mitigate risks. Braskem also is highly dollarized, with its revenues and a large part of it is cost denominated or pegged to the USD.

On slide 21, I will go over our main goals for 2022. On this slide, I would like to remind you of the main goals for 2022 divided in accordance with each of our strategic pillars. Starting with productivity and competitiveness, we will focus on capturing value through the initiatives of the transform for value program to reach recurring annual gains of US\$302 million in a year.

In sustainability, our focus will be on intensifying actions in recycling, expanding renewables and reducing our carbon footprint. In the pillar of diversification, we have two important projects from the standpoint not only of diversification but also growth. Starting construction of the ethane import terminal in Mexico and defining the partner and advancing in the feasibility studies for investing jointly with SCG Chemicals in a new green ethylene plant in Thailand.

In people, governance and reputation, we will remain focused on advancing on all work fronts related to geological event in Alagoas. We also will advance in studies for our potential migration to Novo Mercado listing segment of the B3. Lastly, in the pillar of capital allocation, we will be focused on returning value to shareholders by distributing dividends and maintaining our investment-grade credit rating.

I would like to close today's presentation with an invitation to all investors to visit our new Investor Relations website, which was created to share, clearly, reliably and conveniently important information such as financial indicators, ESG actions and presentations as well as other highlights of Braskem's performance.

I also invite everyone to listen to the first episode of our recently created podcast, Braskem Invest, where we will talk about our actions in strategic pillars and present analysis and perspectives about the Company and financial market.

We conclude today's presentation of Braskem's results for the 1Q22. Thanks, everyone, for your attention. Now let us move on to the Q&A session.

**Guilherme Levy, Morgan Stanley:**

Thank you for taking my questions. My first question is about the potential migration to Novo Mercado. I wanted to understand at what stage the process is and what is the timeline the Company is working with at this point? And also, how has this timeline changed versus your expectations at the beginning of the year?

My second question has to do with your raw materials. The relative spread between your naphtha and your ethane basis, would that be very different today than it was a few months ago? I understand that it is. So I wanted to understand what your incentive is at this point, or if there is any study that you are working with to increase the flexibility of your spreads in Brazil. I wanted to understand whether that is a possibility, if you are looking into that, and what would be the potential cost of that investment?

**Pedro Freitas:**

Guilherme, good morning. With regard to moving to Novo Mercado, first of all, Braskem has introduced to its shareholders the feasibility studies and a new set of bylaws that would be adjusted to Novo Mercado.

We understand that they are talking amongst themselves about our proposal, and also about a potential new shareholders' agreement, because what we have currently is not appropriate or in accordance with Novo Mercado's rules. These are meetings that we do not take part in, but we believe that is something they are currently discussing.

We cannot say much about our timeline. The plan that they have communicated and which we replicated to the market late last year was to sell our PN shares and then migrate to Novo Mercado to sell those shares. So within that plan, considering the state of the market, the offering of those PN shares has not been concluded. So we do not have an offering underway at this point.

So my understanding of this situation is sort of blurry. We did not have a very clear timeline. And the only thing I can say is that studies have moved forward, and we already have a draft of what those bylaws would look like, but we still need the final say from our shareholders.

With regard to our raw materials, one of the steppingstones of our strategy for over a decade is diversifying our set of raw materials. In the current scenario where naphtha prices are higher, and we come to be more competitive, our operations in Bahia now operate with ethane to capture that competitiveness within the realm we operate.

Also within that strategy of diversification, it is also important to remember Mexico, where the share of ethane is also increasing. We had 80% in the 1Q, the strategy of fast-tracking that has picked up, and we expect to increase by the end of June, the availability and the export capacity for ethane as well.

Because of that, our prospect for the 2H22 is to have Mexico running on ethane at about 100% of its operations. So at the end of the day, our flexibility and diversification strategy ultimately puts us on a very interesting level where, regardless of where oil prices go, we ultimately have a portfolio that is adjustable to different market situations with interesting profitability for our operations.

On the topic of spreads, I will turn over to Rosana who will be giving you more details.

**Rosana Avolio:**

Yes. Thank you, Pedro. Thank you, Guilherme, for the question, to address the diversification. This strategic pillar is even broader it is not only feedstock, but it also involves geography and suppliers. So when we look at our feedstock profile, we can see naphtha gas and there is a propane portion, which is quite important.

When we look at the in the American market, the producer who is having a higher profitability of PP is in the United States. So when we look at the diversification, we are looking not only at feedstock but also something broader, thinking about expanding the plant of green polyethylene. So it is always important to look at in a broader way. It is also important to look feedstock, combined with the prices of our products.

As we mentioned in the presentation, the expectation of the Company aligned with expectation of external consulting firms of the sector is that we should see spreads above



the recent historical averages. So we saw an increase of feedstock prices. But in the last four weeks, we saw that the price is covered at the international level. So in fact, we are very confident towards the result of the dynamics of the spread, but we are always confident for 2022 in terms of results for the Company.

**Guilherme Levy:**

That was perfect. Thank you.

**Pedro Soares, BTG Pactual:**

Thank you. Good morning. I have only one very quick question about your working capital. We saw your consumption really go up very sharply during this quarter. Especially looking at the chart that you brought that shows the development of naphtha prices over the 2Q, we have seen prices behaving a little bit better and ultimately stabilizing. So I would like you to talk a little bit about whether it makes sense for us to imagine a decreased consumption starting on 3Q in a healthier level. And if you could add any color as to what you expect in that sense for the rest of the year as well. Thank you.

**Pedro Freitas:**

Pedro, our working capital performance can be explained by at least three different trends. The first of them would be our sales volume trend, which went up in 1Q. So you see a higher profitability level with a higher price level, which suggests a hike in consumption. The second trend is in our inventories, which went up, especially in preparation for the maintenance shutdown in Triunfo, which is already underway. We always raise our inventory levels before those shutdowns to maintain our operational levels despite the decrease in production.

And the third would be the feedstock price trend in the international market, which ultimately led to a higher working capital level with the increase in our investments in that sense.

With what is going on currently, we have two effects in opposite directions. First of all, compared with March, prices are a bit lower now. In March, oil prices came to US\$130 a barrel and it is now at US\$100 a barrel. So at least right now, if prices remain at its current levels, our perspective is for both our accounts receivable and our inventories are expected to be adjusted.

Foreign exchange is currently a bit higher. It is above R\$5, USD to BRL at this point. So it is difficult for us to have a very precise forecast as to whether our working capital levels will be reversed.

With the current levels, we do not believe there is any need for us to inject more capital over the course of the year in any substantial way. But that reversal could come with the decrease in our inventories, because after the maintenance shutdown, inventories go back to the regular levels.

But considering the international reference, prices in BRL and foreign exchange rates, which are more difficult to predict. If they remain at their current level, I believe that we should probably stay with the same level of working capital.

I do not know if Rosana has anything to add.

**Rosana Avolio:**



I think this is it, Pedro.

**Pedro Soares:**

That was very clear.

**Vicente Falanga, Bradesco BBI:**

Thank you. Good morning, everyone. I also have two questions. You announced this change in the mechanical recycling. How much of that do you believe would allow you to reach what I believe is 1 billion tonnes by 2030? And how much of that target would depend on chemical recycling? Do you have anything to share on that front?

And my second question was, I believe that at one point, you were considering maybe make your dividend sharing policy clearer as a connection to your cash flow. If you have anything to add in that sense, that would be great.

**Pedro Freitas:**

Vicente, great to hear from you. In recycling, we have three targets. We have the target of reducing recyclable product sales by 320 tonnes by 2025, and then by 2030 by 1 million tonnes, and we have the target of by 2030, not considering necessarily Braskem's recycling, or recycling of Braskem's plastic products, reducing all that plastic from the environment by 1.5 million. Currently, without the anti-AV, our recycling capacity is about 23 million tonnes, and AV brings another 23 million. So it would be sort of halfway toward the 2025 target.

When we look at this company we are joining, they bring a technology that we believe to be scalable and which can be used in different countries, or different areas of the planet. And it is a proprietary technology, which we believe, may speed up how fast our capacity to grow in this market.

So if that growth comes to pass, over the next few years, we expect to have new recycling plants adopting or deploying this technology, which has something very interesting about it. In that, it does not produce a resin, but actually a ready-to-use product in both civil construction and also in pellets for transportation.

So these are products that can be used globally. They are not that specific. So we believe we can adopt this technology in several different places and use that as a platform to grow. Among others, obviously, this is not the only growth platform we have, but it will become another platform for Braskem to grow in recycling. So it is a completely different business model with a specific scalable technology. So all of these elements, which are very interesting, will come into play.

You also asked about chemical recycling. In that sense, Braskem is still looking at different technologies. We have a few projects underway, but nothing at this point that is mature enough to disclose. Some of them are at a technological development stage, and others, we are still looking for a business plan that is feasible and that works. So we are running a number of tests, but at this point, nothing that is at a stage that is advanced enough for us to announce.

**Vicente Falanga:**





Perfect, Pedro. Thank you. My other question is about your dividends. Is there anything you could comment on?

**Rosana Avolio:**

in relation to our dividend policy, we have one established that defines a minimum amount according to the applicable legislation, 25% of the net income. And we also established the cap. Our Company is cyclic. It is very important to keep a level of investment that creates a lot of value to our Company. So we established a cap that considers the impact in the corporate leverage of the Company, and also considering a minimal distribution in the medium term.

What we have been discussing, according to your question, considering that we are a dollarized company, and we understand it is difficult to model the net income of the Company to come to a consensus in terms of market. Maybe we should have a metric close to cash generation, or linked to cash generation, but we are still studying it. The discussions are incipient. And we are going to have dividend policy that will establish a cap, considering that we are cyclic.

And reinforcing, we also try to have an efficient capital allocation. We want to have a well-equated debt level, make investments in the avenues for growth that we have already announced based on the competitive advantage that we have in the sector, especially renewables and recycling, and return value to the shareholders. Last year was a good example. We are going to balance the three fronts, and yes, we are going to return more value to the shareholders.

**Vicente Falanga:**

Thank you, Pedro and Rosana.

**Luiz Carvalho, UBS:**

Good morning. I have three questions. If you could maybe go back to the partnership in production that you mentioned answering the first question, I just wanted to understand the price trend of your shares, what does it represent in terms of that partnership? We believe that the tag along will no longer exist, if that were the case. If you could add more color in that sense?

And the second, we have been discussing a lot since the beginning of the year about the spread issue. As you mentioned, feedstock prices have gone up significantly because of the rise in oil prices. And as obviously, there might be adjustments in ticket prices for transportation. And looking at China, I would also like to understand, how you are seeing the challenges in passing along those increased prices to your end consumers?

And the third question, if you could comment on the potential regulatory changes, both in Brazil and Mexico. We see a lot of talk going on this week. We heard that petrochemical products could enter a list of products with lower tax rates. We also heard that the import issue could be affected in several ways. I wanted to hear from you what you are sensing in that on that front.

**Pedro Freitas:**

Luiz, thank you for your question. With Novo Mercado, I think that question you asked us should be asked to our shareholders. We do not really know how their decision-making process works. And whether share prices affect that decision in terms of moving to Novo Mercado. What we saw was something with regard to our supply, but I think that



with regard to Novo Mercado, which is something you should be asking them, because we do not have that information.

As to how oil prices have performed in the passing along of costs, we continue to base our policies on the international price trend. So basic chemical products and the resins we sell are still following the international price trends. And considering the trend of the industry seeing as we deal with commodities, and prices ultimately follow the marginal producer prices. And today, with the margins that we have, the benchmark would be Asian producers.

So if feedstock prices increase, that will affect marginally the producer prices, so that will transfer to our prices as a consequence. And looking at the historical trend for several years, that transfer could take place very quickly, in a span of two or three weeks, or it could take a few months to come about, but we always see that, looking at historical records, that it ultimately occurs. We do not have any example looking at the records from the past that the prices were not passed along to the final prices.

So we expect those prices to be transferred. We have seen some of that transfer take place already across most of our products. Maybe one or another product, we still expect some adjustment to occur, but mostly, we believe that the way the industry is structured tells us that those prices will be passed along.

With regard to REIQ, the import rates that you mentioned are still being discussed. I think it is important to remember that last year, Brazilian Congress had already made a decision about REIQ. So what we have heard from people in contact with senators and Congress people is that a change in the very short term would not make sense, but ultimately, that is a decision that Congress will make in a general assembly. And that is something we expect to hear maybe over the course of the next few weeks.

There has been adjustment to some products in recent days, but those adjustments did not affect Braskem's products, those new import tariffs. There were adjustments in the prices of staple products and a few capital goods and IT goods had some changes in those tariffs, but none for the products we work with, at least as far as we could map out. Of course, regulatory changes take place all the time in every country around the globe. But in this case, those changes did not affect our business in any major way.

As to Mexico, this is a deficit market. So any change in tariffs or import rates will affect us in some way. So if there are any change in Mexico's regulations, they might even be positive for us, but what we saw in that case were changes in gas prices, which did not really affect us in any direct way.

**Luiz Carvalho:**

That was very clear. Thank you, Pedro.

**Gabriel Barra, Citibank:**

Good morning. Thank you for taking my question. I just wanted to touch on the investment issue. I think it changed a lot in terms of your strategy to add value, considering the value structures. With that in mind, I wanted to understand a little bit the return side if you could talk a little bit about recycling any Mexico terminal. Can you give us some idea as to how much do you expect in terms of returns on those investments?

And going back to Mexico, I think it has been a while since you have looked for a partner to invest in your import terminal. And my question is let us say, that partner does not exist. What would your decision look like? And what would be your investment within JV?



Would that be made by Braskem itself? How would that work if there were no strategic partner for you there? That is sort of the answer we are looking for.

**Pedro Freitas:**

Gabriel, we have a very robust analysis process in terms of when and where to make our investments using a range of different tools and scenario analysis. It ultimately what we have, at least historically, is that most of Braskem's investment, especially the larger investments, record a return rate of over 20%. The larger ones, sometimes with rates that are even higher than that.

So our decision-making process ultimately leads to that level of return in, and that is about the level we see with these projects for green ethane and growth in renewables and also domestic investment.

It is still a little bit lower than that in recycling. I think not only us but all players in the business are still looking for business models that will generate higher returns. We expect the investment in this partnership we have in the Netherlands will bring interesting returns on our capital investment. But at first, even to develop the business, not all renewables and recycling projects reach that level I mentioned.

So this is a feature we enjoyed, a characteristic of ours, investments that are not necessarily paying out in the beginning, but that ultimately generate high returns. So the regular process for the Company ultimately lead to very interesting return rates. Bear in mind that our investments are always made in USD. So we are talking about at least 20% denominated in USD.

About our partner in Mexico, we are at a very advanced stage in our decision-making. And even our Board of Directors was informed yesterday of who our partner will be. So our selection process is essentially concluded. It still needs the Mexican side of Braskem to approve that, but I think I can say that the partnership is essentially determined and should be announced to the market over the coming weeks, once we have the ultimate approval stamp in Mexico.

**Eduardo, Bradesco Securities (via webcast):**

Could you provide some additional color on the net debt in the new cyclic phases and in the long term? And what are the options available to keep the leverage within your targets? Are there any important changes in the global scenario?

**Pedro Freitas:**

Thank you, Eduardo. I just wanted to remind everyone that keeping its investment grade is a priority to Braskem. We are even working to seek receiving investment grade with Moody's as well, that is a major focus for us. With that in mind, we want to maintain our leverage levels within what is determined in our guidance.

So an average leverage of 2.5x. And we understand that we may even have the declining cycles leverage ratio that is a little bit higher. As long as we have a clear de-leveraging plan, we have found our seat situation before. And we entered an agreement with those credit rating agencies not to be downgraded. But yes, that is a main focus for us.

Our leverage is under control at this point. Our leverage is 1x our net or net debt-to-EBITDA ratio. It is likely to go up a little bit because of our EBITDA and how it is performed compared to last year. We had extraordinary results, and we do not expect to maintain the same level as we had last year. But within our view and our prospects and



even if you look at market consensus in terms of what would be Braskem's potential result this year.

Despite that decrease, we will still remain comfortably below that 2.5x that we have as a capital. So that is an adjustment that we expect to have, and we are prepared for it. And there is no concern about that in any shape or form when we think about that cycle adjustment.

So, even if the scenario deteriorates more than we expect, I would like to remind you that Braskem has in place a policy to have very little exposure in the near term. So our debt maturing in the next two or three years is of about US\$700 million to US\$800 million. So we have really de-leveraged the Company, reducing its net debt since 2020.

And most of that is long-term debt. We have an average maturity of 20 years for our gross debt. So we do not see any major risk in terms of deterioration in the international market.

And what we have done in the past in some situations when we were facing crisis were plans to preserve our cash flow and preserve our liquidity. So examples of initiatives we had in that sense, in the past, for example, were to revise or review our investment portfolio, but that is something we do not want to do because you ultimately cancel investments that would add value to the Company. An alternative to that, we have some operations in the markets such as selling receivables. So these are things we have done in the past.

So we would have to change our working capital management in a way. We could potentially sell some asset or take some more extreme measure. So there is a number of initiatives we could take in such a scenario, even if we look at an unexpected deterioration. I believe the Company is in a very comfortable place to face any type of situation of that nature.

**Thomas (via webcast)**

I have some questions in relation to Mexico's operation. The first is, given your corporate strategy of diversifying feedstock, reducing the naphtha share, are you considering an expansion in the Mexico plant, especially considering the context that the terminal will be finished in 2024, since this is going to have additional capacity for importation of ethane?

And could you provide a guidance in relation to the dividends to be received by Braskem Idesa? And when will those dividends be received?

**Pedro Freitas:**

Good morning, Thomas, and thank you for your questions. Yes, I think the possibility of expanding in Mexico is something that really plays into our strategy to diversify our feedstock and grow internationally. The Mexican plant is one which is already ready for expansion. It was built with expansion in mind. So once the terminal is open, we have that feedstock availability.

So we will try to enable that expansion. At this point, we do not have an approval to invest in expansion there, but it would make perfect sense to do so. After the terminal's performance is proved, we would probably seek to expand there in a very competitive way, seeing as the asset is already prepared for such expansion.



About paying dividends in Mexico. Braskem Idesa within its capital structure and the financial commitments it has and especially considering the bonds that were issued by Braskem Idesa, there is already a room of about US\$40 million to pay dividends, Braskem plus Idesa, to pay US\$40 million a year in dividends to its shareholders. That is already allowed within its bonus paying structure.

Last year, those US\$40 million were paid at the end of the year, in December. So when we look at this year, we do expect Braskem Idesa to pay those dividends. And it is difficult for us to set a specific month, that will depend on Braskem Idesa's cash situation. I think that, after we announced the partner with the terminal and conclude the engineering plan, and also to outline the financing terms for the terminal, we can probably expect those dividends to be announced.

But I think the focus primarily is to bring that value to Braskem Idesa. And once the financing terms have been outlined, we can expect the dividend payments to be announced.

**Operator:**

At this time, we are concluding our Q&A session. I would like to turn the conference over to Roberto for his final remarks.

**Roberto Simões:**

Good morning, everyone. I would like to thank everyone for joining our earnings conference and also share some remarks with you. This was another quarter with healthy results. And I would also like to stress that our feedstock diversification strategy was only possible because of the Company's strategy that was implemented over 20 years ago. And the results that show us very clearly, we could mitigate the challenges we may have in South America, Brazil, Mexico or Germany can be offset by other areas.

And also, we see the diversification in feedstock, our reduced reliance on naphtha, being able to make good use of the spreads with ethane, and also our operations in the United States. We can have distinguished operations in those two markets.

And it is also important to stress that we are still very much committed to a healthy capital allocation, keeping a cash flow that is very healthy. We have talked about that before, always prioritizing our higher returns to our shareholders.

In May of 2022, we paid dividends of by R\$1.35 billion, added to those R\$100 million that were paid early in December 2021 add up to R\$7.35 billion, which is 77.5% of the Company's adjusted net profit in the year 2021.

And I think that considering everything that was shared with you this year, we remain very much confident about this year's results, expecting spreads that are even higher than the recent historical average despite the scenario of political tensions with a scenario that is very much in line with what external consultants in the industry expecting. So once again, thank you for joining us, and we should be together again in August when we will announce our 2Q earnings results.

Thank you very much, and see you then.

**Operator:**



Braskem's earnings conference has now concluded. Thank you, everyone, for joining us, and have a great day.

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