

Q2 2021 Earnings Call

Company Participants

- Pedro van Langendonck Teixeira de Freitas, Finance, Procurement and Institutional Relations
- Roberto Lopes Pontes Simoes, Chief Executive Officer
- Rosana Avolio, Investor Relation Manager

Other Participants

- Guilherme Levy, Analyst
- Luiz Carvalho, Analyst
- Pedro Soares, Analyst
- Ricardo Rezende, Analyst
- Unidentified Participant

Presentation

Operator

Good afternoon, ladies and gentlemen, and thank you for holding. Welcome to the Braskem's Conference Call to discuss the Results of the Second Quarter. Today, we have with us Mr. Roberto Simoes, the company's CEO; Pedro Freitas, the CFO; and Rosana Avolio, Investor Relations Director.

We would like to inform you that this event is being recorded and during the presentation, all participants will be in the listen-only mode. Ensuing this, we will begin the question-and-answer session when further instructions will be given. (Operator Instructions) Both the audio and slide show for the presentation are being broadcast simultaneously via webcast and can be accessed through website www.braskem-ri.com.br.

Please bear in mind that forward-looking statements that may be made during this conference call regarding the company's business prospects, operating and financial projections are based on beliefs and assumptions of the company management as well as on information currently available to the company. These forward-looking statements are not guarantees of performance. They involve risks, uncertainties and assumptions as they refer to future events and depend on circumstances that may or may not occur. General economic conditions, industry conditions and other operating factors may affect the company's future results and the lead to results that differ materially from those expressed in the forward-looking statements.

I would now like to turn the conference over to Rosana Avolio, Investor Relations Director. You may proceed, ma'am.

Rosana Avolio {BIO 20386863 <GO>}

Good afternoon, ladies and gentlemen, and thank you for participating in Braskem's earnings conference call. Today, we will present the results of the second quarter 2021. Let's go on to the Slide number 3, where we will speak about Petrochemical area in the quarter. In the second quarter of 2021, Petrochemical spreads continued to improve. This phenomenon is mainly explained by a healthy global demand in the period and supply constraints in the United States, following the Uri winter storm in the country's North Coast.

In the second quarter of 2021, the company had recurring result of BRL1.8 billion, 198% higher than in the first quarter 2021, represents (inaudible) for common shares and Class A shares for the entire year until the end of the quarter 2021, Braskem had a net profit of BRL9.9 billion.

I would like to highlight that in December 2020 the company had accrued losses at BRL (inaudible). At the end of July 2021, the company reversed a bit towards trading profit at BRL5.4 billion.

We go on to the next slide. Slide number 6 shows you the highlights of the Brazilian operation. In the second quarter, the utilization rate of crackers in Brazil was 76%, down 6% to a point vis-a-vis the first quarter of the year. This lower utilization rate is explained by scheduled general maintenance at the ABC Petrochemical Complex, Sao Paulo and the Brazilian (Technical Difficulty) decreased in relation to the first quarter of the year due to the normalization of demand and the (Technical Difficulty) healthy level. On the other hand, Express improved during the quarter.

The recurring operating results of Brazil was up around BRL1.1 billion, results 20% above the first quarter of the year. We go on to the next slide to speak about the latest development for the tax regime for the chemical industries. The special tax regime known as REIQ (Technical Difficulty) improve the competitiveness of Brazil's Chemical industry by reducing the fees, co-fees, tax rate, leverage on first (Technical Difficulty) petrochemical feed stock. In March of this year, the Brazil government proposed to churn in REIQ through a provisional measure. After certain modifications, (Technical Difficulty) in June it was passed by the federal government and this was sanctioned by the federal government and (inaudible) into Federal Law 14183 [ph]. It's a law provides special reduction of the vacant for years and to have a special regime in solid terminated in January of 2025.

We will speak about the geological events in our Alagoas, the charge on the left but provision balance related to the geological event in our Alagoas at the end of the second quarter. The balance registered was BRL7.7 billion and during the quarter Braskem reversed provisions in the amount of BRL72 million. The graph on the right presents the disbursement schedule of the total balance of provision of BRL7.7 billion, 58% was recorded under current liabilities and 32% under noncurrent liabilities. The company

FINAL

cannot predict with certainty the future developments in respect that this matter or it's related expenses and the past (inaudible) may be present both part of the estimated oil prediction. So speaking about the geological events, Alagoas we expect by the new allocation coal plants Braskem continues to offer financial compensation to the families living in the risk area, and the number of families were located was 13,807, which means 96% of in the risk areas, so are then relocated, re-enforcing that company's non-negotiable commitment to allow families to live in safe areas, that number of financial compensation increased by 50%, but then acceptance of the proposals that they will be availing of high levels. Regarding the payments made under this program about BRL1.2 billion have been disbursed until the end at the second quarter. Now these amounts were since the beginning a program

Please move on to slide number 10, where we present the main highlights of the United States and European operation. Since (Technical Difficulty) capacity utilization rate rose by 20 percentage points. In Europe, the utilization rate increased vis-a-vis the previous quarter due to the rebuilding of inventories and leaving the demand in the region in the United States as their sales volume in the quarter grew by 14% compared to the prior quarter, setting a new quarterly record. It reinforces our leadership in the US poly propylene market. The segments recurring (inaudible) in the second quarter was \$492 million, 56% higher vis-a-vis the previous quarter. In the next slide, we will speak about the highlights of the Mexican operation. In Mexico, the capacity utilization rate stood at 58% in line with the prior quarter, reflecting the higher supply of ethene by PEMEX in June which was partially offset by the unscheduled shut down due to isolated instability and power supply to Braskem Idesa. The sales volume for the quarter was 155,000 tons, growth of 50% when compared to the first quarter. The segment's recurring operating results in the second quarter was \$200 million, a growth of 113% when compared to the prior quarter.

We go on to the next slide, to speak about the company's cash generation. In the quarter, the Braskem recorded positive operating cash generation of around BRL1.5 billion. The main positive impacts were the strong recurring operating result and the monetization of fiscal (inaudible) tax credits in the quarter. These positive impacts were partially offset by the negative variation and working capital and higher income tax paid. We go on to Slide 13 to speak about the company's progress in reducing the gross debt level. Given its robust cash position and strong cash generation, the company concluded several liability management operations in the second quarter, totaling \$643 million further reduction. In the first half of the year, Braskem reduced its gross debt by approximately 16%, which represents an amount of \$1.3 billion. Additionally Braskem also concluded in July of this year additional operations to reduce its gross debt of around \$355 million additional. As a result, the total reduction during the year has obtained \$1.7 billion, the end of June Braskem continue to maintain a very long debt maturity profile and strong liquidity position, with a maturity concentrated in the long-term.

The average debt term was around \$14 million. Now, in the current liquidity position it is sufficient to cover the payment of our (inaudible) maturing over the next, 78 months. It is important to highlight that in May of 2021, the risk rating entity Fitch Rating upgraded Braskem's rating to BB+, which reflects the company's permanent commitment to maintaining a liquidity position, and cost discipline and reducing its leverage ratio.

FINAL

Now let's go to Slide 15 in which we will talk about corporate market. With the objective of being reassigned as an investment grade company, Braskem continue to report corporate leverage reflecting its solid credit matrix, with leverage ratio is down 30 [ph] and in the quarter a 1.1 times businesses around of six times in the last 12 months. We would like to highlight that the lowest leverage ratio presented by the (inaudible) and relevant achievement for the company's credit matrix, the take rate or it maintains the role of cash position and rebound debt maturity profile and is committed to an efficient and capital allocation and cost discipline to be reassigned an investment grade company.

Let's go to the next slide now. It is important to highlight on this slide that the main factor is (inaudible) the rating agencies, the company has celebrating important progress regarding corporate leverage that continue to reduce its leverage ratio, which in the second quarter we could lower level ever seen in terms of making the strong liquidity position, Braskem ended the quarter with available cash position of \$2.3 billion. This is above the minimum established financial policies. There has been also continues to deliver consistent cash generation free cash for throughput in Q1 (Technical Difficulty) The company remains committed to capital allocation (Technical Difficulty) investment grade credit company. Now, we will talk about the transfers that program (Technical Difficulty) currently in addition to the recurring annual gains that are hundred expenses in Q4. But in this in the Michigan page one, two and three back to generate recurring annual saving of about \$147 million (Technical Difficulty) stage I, II, and III back to January, recurring annual savings of \$292 million (Technical Difficulty) \$440 million in 2022 [ph]. I'd like to highlight that the company's previously estimated cost, recurring annual gains of around 100 properties in the end. New initiatives (Technical Difficulty).

Now on slide 18 we really want to talk about Braskem highway, (Technical Difficulty) By contrast, you think now to the social mentioned that was nice second tender their bonds right in relation to recognize vacant land vector the efforts of companies that from a culture of gender equality of in of the recognition in the result of the year. But we any again in support of (Technical Difficulty) reach and 2020 March the 30% are. In the economic dimension importance of that, its compliance (Technical Difficulty). In the second quarter (Technical Difficulty) international standard (Technical Difficulty) management for the reinforced (Technical Difficulty) similar innovation in product in addition now the -- at the end of July that they were up getting 25% in the past and that we presented to \$2.4 million -- and other the carbon and (Technical Difficulty) disclosed by the consulting firms seeing that these spreads are expected to remain at a sound level over the whole year of 2021 and 2022. The highlight is the spread of polyethylene which are expected to remain at levels above the up cycle of the petrochemical industry.

On slide 3 [ph], we will talk about some scenario (Technical Difficulty) in order to the expectation for (Technical Difficulty) we see that -- on the previous slide external consulting fees are projecting sound PP spreads for 2021 and 2022, especially in the US for which forecasts are calling for spreads to widen the third quarter of this year. On the next slide, we will see the short-term perspective. However, there it is expected higher asset in production and normalization of operations in that cracker (inaudible) in terms of sales volume and increase in total sales volume is expected with it with the maintenance on the prioritization strategy, for serving the Brazilian and South American market (Technical Difficulty) spreads remain at levels above the industry up cycle in contrast to

FINAL

spreads for PP and PVC, which are expected to narrow in the period in the Europe the outlook for PP production and sale is to remain stable in relation to the second point the PP processing spreads in the country should remain at sound level mainly due to continued -- demand in PP and the region.

In Mexico the capacity utilization PA production should rise an expectation of higher ethane imports from the US, the sales volume should increase due to higher available inventory product spread in Mexico should remain at sound levels, in line with the previous quarter.

Now our next slide. In this slide, we can know that Braskem remains as an interesting investment opportunity in the novel petrochemical sector no has achieved important advances, in the period multiple remains discounted compared to its peers. We would like to highlight that team is a global companies with characteristics, similar to a pure contiguous with a well diversified feedstock profile. Leadership position in its market amongst other.

Now on slide 26 to conclude today's presentation. On this slide, we would like to recap the company priority for 2021 branch. The two main priority are concluding that processes related to the deal, large event in Alagoas and we solution for insure reliable ethane supply to (inaudible) and we continue to make important advances to our resolving, both of these issues that can also and we committed to financial to the efficient allocation of capital with the objective to be reassigned as an investment grade company another priorities, strengthening Braskem public image and reputation and through innovation and digital transformation.

The company's priorities are improving the effectiveness of this information action and accelerated digital transformation and that these continues to make progress in implementing the ESG commitment with the goal of becoming an industry reference in here, just last thing we want to reinforce that safety are and will always be a key focus on authorization that the perpetual non-negotiable value of our strategy.

That concludes today's presentation of Braskem results for the second quarter. Thank you everyone for your attention. Let's go to the Q&A session.

Questions And Answers

Operator

(Operator Instructions) The first question from Ricardo Rezende from JP Morgan.

Q - Ricardo Rezende {BIO 16469276 <GO>}

Hey, good afternoon, Rosana, Roberto and Pedro. The first question refers to your capital allocation. As you showed in the presentation and referring to your cash, it seems to have a very good outlook. You have a cumulative profit which is quite high. Therefore the natural question that emergent, is what should we expect in terms of dividends for the

second semester, which is the discussion regarding this the second question, you referred to the United States. And situation the that is happening there, there was an isolated event. If you have any plan and how are you going to work with the other market in reference to the United States and what are you going to do in terms of arbitrage?

A - Pedro van Langendonck Teixeira de Freitas {BIO 19740578 <GO>}

Good afternoon, Ricardo. Thank you very much for your questions, actually when it comes to capital allocation as you mentioned, of course, it is necessary to think about higher dividends and continue on with our leverage policy. Now, we have made a decision that states that the payment will be below 2.5%. This will enable us to think about dividends so it will be above the minimum rate and at present, we are 1.1 which (inaudible) it is very low, it is perhaps the lowest in our historical trend. Therefore it is natural to pay out dividend, something that we have been doing. And I believe that it would be reasonable, if the scenario continues on as it is, to once again we revise this issue. We have as yet not made a decision. Once again, this is something that we are discussing. And once we come to an opinion, we will disseminate it.

Regarding the price of PP, this mismatch comes about for a certain reason. The market there is somewhat weak because of some issues related to the pandemic and to other issues in Asia, for example, we have a greater availability of PP and what we are lacking are containers to ex (inaudible) system, the area and in the United States, we have the situation where the market is quite balanced and the prices of course were reflective situation. We base ourselves on market prices, of course, the market is in a situation where the prices have increased and we're as far as taking the most the advances that had been higher margins in the United States. The market has become regionalized in terms of prices. Brazil, once again is still where it was, but the United States and others have taken off, they have become attached than the market prices. So we see a scenario that while at last will be quite positive.

And I do believe that it will in June until at least the end of the year, if there is a recovery in this, perhaps the price will increase. It depends a great deal around the supply and demand dynamic and it all will depend a great deal on the logistics outflow that will happen in North America. Now you have come up with a provocation of we shall look for markets more connected to the United States.

Now what we have ourselves are sales from Brazil to Mexico, the exports from Brazil to other regions and this has been included in our sales and operation methods we include all of the possible regions and we are revising to see where our exports will go. We -- the great priority of course is the domestic market. But regardless of those in Mexico, which is a reference with the United States, we have now PP contract in Mexico. We have assessed all the possible opportunities. Once again, it's a supply and demand dynamics that has become regionalized and of course we have to focus on the supply part and we do believe that this will continue to exist for some time and when it returns, literally do not know what will happen.

Q - Ricardo Rezende {BIO 16469276 <GO>}

Thank you very much, Pedro. Thank you for the response.

Operator

The next question, from Guilherme Levy from Morgan Stanley.

Q - Guilherme Levy {BIO 20821639 <GO>}

Hey, good afternoon and congratulations for your quarterly results. I have two questions, the first referring to cash generation. At the beginning of the year, we had a significant working capital and good cash generation. I would like to better understand what is happening with your consumption of working capital during the year? Do you still have very high spreads and I think that they have reached a peak during this semester. My second question, I would like to better understand what is it that motivated that very timely shut down in Mexico? And what is happening with that instability in terms of electrical energy and when we will have a resumption of two production there?

A - Roberto Lopes Pontes Simoes {BIO 6707850 <GO>}

Thank you. Guilherme for your questions. When it comes to cash generation, as you mentioned, we have had important investments in working capital during this quarter. And of course, this is a fact and Rosana alluded to this in the presentation. As we have published several, we have feedstock management policy and the feedstock that we import, we are able to obtain in the market with terms of up to 160 days. Historically, therefore, we are making the most of this length in terms of payment that our suppliers have offered us. What happened is that, we are in this situation of a very strong cash generation, perhaps a cash surplus. We have paid down several debts to create our exposure but evidently, if you pay cash, you will obtain a discount. Therefore, we took the decision to look for side payments. There was no need to lengthen the payments and we decided not to lengthen payment to suppliers, we had reduced the payment term and this had a one-off impact on our working capital.

The second point that was relevant and perhaps the most relevant of three points is the second and it refers to the price of resins and feedstock of raw material when we carry out our procurement, when we make up our feedstocks in biosynthesis is what demand greater working capital. In the third place, we had a refurbishment of stocks. As you will recall last year, we had a great deal of sales and the sales have been strong this year as well as last year. I will refer to Brazil, we sold more than 1,600 tons per quarter and in the second quarter we saw 1.5 million tons. When we look at this curve, we decreased our sales somewhat and we were able to restore some of our inventories that were somewhat below their normal levels and this is another figure that is included in this calculation. And of course, there could be the possibility about (inaudible) all of this working capital for our operating cash to avoid any sort of indebtedness and of course, this is very important and would be a good sign of Braskem's sound financial position.

These were in the national -- network cable national electric network in Mexico, and (Technical Difficulty) on our automation emergency system, it is (Technical Difficulty). And we have stop, this was an emergency shutdown because of the lack of power and this triggered the shutdown of the complex, emergency shutdown though is that I think impacted because we have to carry out some type of maintenance. And this will generate production loss during the month. I can't remember if it was May or June and this was

15,000 tons of production that were lost. Since June we have been branding stably with no production restrictions because of the reason, we still have a feedstock with structure the place in Maine. Yes, I'll just repeat this information. Therefore it was an isolated event, the impact was about 15,000 tons in production, but this has already been recovered.

Q - Guilherme Levy {BIO 20821639 <GO>}

Thank you very much.

Operator

Our next question from Pedro Soares, BTG Pactual.

Q - Pedro Soares {BIO 20879952 <GO>}

Good afternoon. Follow-up on dividends and capital allocations. I would like to see a number of points. Pedro you mentioned that you would pay something above the minimum, it will be leveraged before two times, 2.5 times, but there are first should come back to normal and this is something that you mentioned and that the leverage would increase, (inaudible) loan level, but I would like to understand that in addition to your leverage target, is there an optimum level of gross debt in the medium and long run. So what are your prioritizing between paying out dividends and paying out -- is there some type of breakeven point here?

A - Roberto Lopes Pontes Simoes {BIO 6707850 <GO>}

While this is a good question, Pedro, because we can discuss our financial strategy and we see our corporate leverage. If you have seen our history, so our net debt is between \$5 billion and \$6 billion, We have the growing, the Delta project is the excellent results with 89% of occupation rate. So our margins are very high in the US and very attractive. Now, we could even explore the higher net relatively that exchange between \$5 billion and \$6 billion and if you do this level and now policy of cash management, that is highly conservative, I would say that a gross debt up to \$7.5 billion give or take, would be something reasonable and that we can coexist is no problem. You will see that there were moments where we exceed the \$8 billion but if you see our history at \$7 billion, \$7.5 billion, it's okay and we can coexist with this level.

Now, we ended the quarter with a gross debt of \$6.8 billion. So it is below the level that I consider reasonable. We paid down \$350 million in debt. And in July, after we pay this debt we have a cash position that is slightly above the optimum point for that thing. So when you see \$200 million to \$800 million of surplus cash and the increase of our leverage about \$1 billion I think this is an excellent structure of capital and this optimizes our equity.

So to dividends on one side, we want to payout our shareholders because for three years they received dividend and it's high time they receive their dividends and the optimum capital structure. So we are not under-leveraged so you can see is that there is space here. There's a lot we can do there, lots in the new way.

Operator

Next question from Luis Cavalho, UBS.

Q - Luiz Carvalho {BIO 18040760 <GO>}

Roberto, Pedro, Rosana, thank you and congratulations for your results. Two questions. Number one after seeing your presentation, Slide 25 drew my attention. And you show that there are gains from being a very important asset in terms of investment and you show there in the remains discounted compared to its peers. So is there is something the management could do to unlock the value perception and is there something in the sales process to unit trains that attracting the be sold as a whole or separately. What could you tell us in terms of values intersection.

My second question is Willem would you discuss this in other opportunities, but we're now is there is a private investment investor there is something that could be done. Joining us today. Are there any potential opportunities or synergies to carry out joint businesses that could give you some type of additional return.

A - Roberto Lopes Pontes Simoes {BIO 6707850 <GO>}

Good afternoon. It's good to talk to you, and thank you for your question. Regarding the peers discount, well, you can just see the figures and the figures show that there is a discount. This is the fact that the discount was lower for that 10 years ago, but we had a discounter while it was 10%. And Braskem is a company that was a 100% Brazilian and 100% based in NAFTA. We diversified and we went after other forces with international exposure, with exposure to other types of feedstock. So our growth in the past years in my view should have diminished this discount and the discount today is 40%. So we believe that this discount is not reasonable. I believe that the market caught up during the fourth quarter and the beginning of the year, there was the higher discounted of 5 times the data.

Now we are at 3. What happened was the peers multiple dropped but we continue believing that discount is not justified. Now, our logic -- we follow a solid logic and we are strongly inserted in the petrochemical industry. We do not have never -- time because this is a highly fit business that has a firm dimension so when we see our (inaudible) and we compare it to our history, this does not makes sense. And perhaps you know better than I do, there is an upward section of the investors that was 150% during the first quarter, that is still going to go up. So perhaps this is what is happening. We are trying to see why have distorted value perception of the bond to show the market that we are a modern company, we have the best petrochemical (Technical Difficulty) in terms of safety, we are the best in world, with a great potential of growth in recycling. We are thinking about the future, we are seeing things about recycling that is an important fact, (Technical Difficulty) challenging and something that provides growth and we are positioning ourselves properly. And also renewables, we have a unique platform. Nobody has what we have and the potential of growth is overwhelming. So yes, the market -- what we have to show the market that we have all the relevance and for not having the discontent. We have the regarding (Technical Difficulty). I mean, great part of the team that is assuming well a many of them used to work here in the past, these are people that are very competent

and we are waiting for the right moment to talk to them. So we believe that it is still not the moment to embark in a deep compensation, but when we find the right moment we will sit and talk to them and try to find synergy. So we already have an idea. We have some ideas but of course, we want to look into their ideas and (Technical Difficulty) more the eastern area.

Q - Luiz Carvalho {BIO 18040760 <GO>}

Thank you. Thank you very much for your response.

Operator

The next question is from Barbara from JPMorgan.

Q - Unidentified Participant

Good afternoon. And thank you for taking my questions. I know that you have a goal for the final amount, so that you can reduce your leverage. Thank you.

A - Roberto Lopes Pontes Simoes {BIO 6707850 <GO>}

Hello, Barbara. How are you? To be very frank, we do not have a goal for gross debt. We do have an in-house goal for the net debt, but of course, this is not made public. It's simply a reference to help us in our financial management. We have communication with the market when it comes to dividends because this is very important and our leverage all in dollarized terms. The figures that we gave you are simply a benchmark for you to think about what would be a comfortable level for us, a comfortable limit for us.

Q - Unidentified Participant

Thank you. Thank you very much.

Operator

(Operator Instructions) We have a question that came in through the chat from Ben Ivanson from Nova Scotiabank who asked, strategically, we are interested in investing more in the region of diversification, or if there are some chemicals where we would like to have a greater exposure to, vis-a-vis what we have at presence?

A - Roberto Lopes Pontes Simoes {BIO 6707850 <GO>}

Ben, thank you for the question. I would say the following, the regional diversification has been an important part of Braskem's strategy. We have invested considerably outside of Brazil and some projects in Mexico, the new PP plants in the US. These are our largest investments abroad. We have also invested in Brazil in that period in PVC. In Bahia we are currently undergoing an expansion in the south of Brazil. We have balanced our investments both in Brazil and outside, but the magnitude, of course, of investments in Brazil was much than abroad, just because of our diversification logic.

FINAL

We are interested in continuing to follow up on the Asian market. We have a good platform in the Americas, a significant operation in Europe, a sales operation that is greater than the industrial one and concentrated mainly in Holland and Germany, but extending throughout Europe as a whole and what we have, that is proportionally smaller is Asia. We have an office in Singapore and another in India. So we have our eye on Asia, and we consider it a new potential source of investment. If we think of the renewable products, Asia is very important for that and because of this we are thinking of course of these avenues for growth. Our growth in renewables and PPS.

Asia is very important when it comes to this product and along with this, regional diversification based on products that we have, but where we can foresee a significant growth potential. Especially in Asia, when we speak about other products, we are always assessing new products that come about in acquisition, something novel. The new in-house processes of technology and innovation are mainly focused on renewables. Well, speaking of new products and this is the type of development that we are seeking, but we are open to partnerships in the regions where we already operate. South America, we're open to different products. So it will depend on different opportunities.

The strategy is not to diversify just to diversify. We want to value what we have made, but we will be looking at what is available. If you look at the more obvious projects, the pre-salt in Brazil, in the United States, this is of interest to us. We foresee great quality new products that will be very much linked to renewables.

Operator

Our next question comes from Barbara from JPMorgan.

Q - Unidentified Participant

If you allow me a follow-up, please. Your sale of assets in the controlling company, which is the vision that the Company has in terms of the sale of assets if there is any asset at present that would not be deemed strategic, that could be put up for sale? If you could give us more color on this please.

A - Roberto Lopes Pontes Simoes {BIO 6707850 <GO>}

Barbara. Thank you once again for another question. I'm going to put that question in the context of what we observed last year. In the second semester of last year we were at 71. And as you know, we were working with all the possible opportunities to reduce our leverage. We included the sale of assets in these possibilities. Now, the assets that we understood that in the scenario of deleveraging we could disinvest from, we saw that the equation value and the impact on the Company, and of course, we were not able to come to a conclusion. All of the Braskem assets internally are for sale. It all depends on the size of the check and the cash that they bring to the table.

And well, this is how I would state this, Braskem does have a comment with all of our shareholders and we're going to do what will be best for all of them. Now, if we receive an amount that we will think that is lower than the check that has been put on the table as a natural part of the business, of course, we will assess this. Now, on the other hand, if this

doesn't happen, there is no request from anybody to sell assets at present, we're supporting the process that we're thinking of stake in Braskem, and not selling off parts of Braskem. I think this is the way that we are thinking, and this is the guidance that we have followed simply to complement this progress. Discussion is being held with the shareholders at Braskem. We continue to seek for all possible business opportunities to create value to continue to manage our Company. This is the greatest value.

Q - Unidentified Participant

That is very clear. And I have a last question, a follow-up perhaps on the appropriate level of debt. Obviously, the present-day cycle will change going forward, which would be the appropriate debt level if you could remark on this?

A - Roberto Lopes Pontes Simoes {BIO 6707850 <GO>}

(Technical Difficulty) comfortable because if you see our metrics, the role we play from (Technical Difficulty) our metrics today are totally aligned and we're comfortable with them and we believe that the investment-grade (Technical Difficulty) our metrics and figures, we are at level much, much better level than any investment-grade company. So we believe that this should be recognized by the rating agency. We have been dialoguing with them. At the end of the line, they are the ones that decide. So within the figures, (Technical Difficulty) the fact, (Technical Difficulty) different scenarios then (Technical Difficulty). Our net debt and gross debt, we are within the metrics of our rating agency and that even though we're paying out dividends.

Operator

(Operator Instructions) We are bringing to an end our Q&A session. I would like to give the floor back to the Company for their final comments.

A - Roberto Lopes Pontes Simoes {BIO 6707850 <GO>}

Well, I'd like to thank to all the participants for taking part on our earnings results call. And the view, this was an additional good quarter in all regions. And secondly, we continue with trajectory to return to being investment-grade. I would like to reinforce here that we have had significant deliveries that were presented this afternoon with the reduction of our gross debt, representing \$1.7 billion until the end of June and recording the lowest-leveraging of the Braskem history of 1.1 times.

And in 12 years, the Company leverage was reduced six-fold. And in the future, we will maintain a very sound position with a fairly good -- (inaudible) for the debt. As you could hear during the question-and-answer session, additionally, this our commitment with ESG and you can see considerable strides in that area. We have changed the Board, we have a compliance committee and all of this has had a very positive impact. And we do have two independent members.

And finally, we truly have confidence that the cash generation in the following quarters will be very good. Everything points to this and our operational cash will continue at very comfortable levels. I would like to reiterate our continued commitment towards

productivity and competitiveness of all of our operations, the cash generation of our business, and of course, we want to continue to work with all of our shareholders.

Once again, we would like to express our thanks. And we hope to see you again during the release in the third quarter of this year.

Operator

Thank you very much. The Braskem conference call ends here. We would like to thank all of you for your participation. Have a good afternoon.

This transcript may not be 100 percent accurate and may contain misspellings and other inaccuracies. This transcript is provided "as is", without express or implied warranties of any kind. Bloomberg retains all rights to this transcript and provides it solely for your personal, non-commercial use. Bloomberg, its suppliers and third-party agents shall have no liability for errors in this transcript or for lost profits, losses, or direct, indirect, incidental, consequential, special or punitive damages in connection with the furnishing, performance or use of such transcript. Neither the information nor any opinion expressed in this transcript constitutes a solicitation of the purchase or sale of securities or commodities. Any opinion expressed in the transcript does not necessarily reflect the views of Bloomberg LP. © COPYRIGHT 2022, BLOOMBERG LP. All rights reserved. Any reproduction, redistribution or retransmission is expressly prohibited.

FINAL

Bloomberg Transcript