

Q1 2015 Earnings Call

Company Participants

- Carlos Fadigas, Chief Executive Officer
- Mario Augusto da Silva, Chief Financial Officer
- Roberta Varella, Investor Relations

Other Participants

- Bruno Montanari, Analyst
- Frank McGann, Analyst
- Unidentified Participant

Presentation

Operator

Good morning, ladies and gentlemen. At this time, we would like to welcome everyone to Braskem's First Quarter 2015 Earnings Conference Call. Today with us we have Carlos Fadigas, CEO; Mario Augusto da Silva, CFO; and Roberta Varella, Investor Relations Director.

We would like to inform you that this event is being recorded and all participants will be in listen-only mode during the company's presentation. After Braskem's remarks are completed, there will be a question-and-answer session. At that time further instructions will be given.

(Operator Instructions) We have a simultaneous webcast that may be accessed through Braskem's IR website www.braskem.com.br/ir. The slide presentation may be downloaded from this website. Please feel free to flip through the slides during the conference call. There will be a replay facility for this call on the website. We remind you that questions which will be answered during the Q&A session may be posted in advance on the website.

Before proceeding, let me mention that forward-looking statements are being made under the Safe Harbor of the Securities Litigation Reform Act of 1996. Forward-looking statements are based on the beliefs and assumptions of Braskem management and on information currently available to the company. They involve risks, uncertainties and assumptions because they relate to future events, and therefore depend on circumstances that may or may not occur in the future.

Investors should understand that general economic conditions, industry conditions and other operating factors could also affect the future results of Braskem and could cause

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results to differ materially from those expressed in such forward-looking statements.

Now, I'll turn the conference over to Roberta Varella, IR Director. Ms. Varella, you may begin your conference.

Roberta Varella {BIO 19105478 <GO>}

Good morning, ladies and gentlemen. Thank you for participating in another Braskem's earnings conference call. Today we'll be commenting on our results for the first quarter of 2015. We'd like to remind you that pursuant to Federal Law 11,638 as of 2007, the results presented in today's presentation reflect the adoption of International Financial Reporting Standards or IFRS. The financial information in today's presentation was reviewed by the Independent External Auditor.

Let's go to next slide please where we will begin our comments. On slide 3, we present the highlights of the first quarter of 2015. The average cracker capacity utilization rate was 89%, increasing 3 percentage points from fourth quarter. The amalgamation [ph] of operations at the Sao Paulo cracker after the scheduled maintenance shutdown completed in October and the better performance of the Triunfo site offset the lower feedstock supply to the Rio de Janeiro complex.

Brazilian demand for thermoplastic resins was 1.4 million tons, growing 6% year-over-year and 9% on the previous quarter. This performance is mainly explained by inventory rebuilding of the plastic process. Braskem's sales followed the trend and reached 954,000 tons, increasing 6% and 12%.

Braskem recorded consolidated EBITDA of R\$1.5 billion, up 10% on the previous quarter. The reduction of the petrochemical spreads in the international market was offset by the higher resin sales volume, the Brazilian real depreciation, and the refund recognition of R\$220 million, which will be explained in more detail on slide 5.

In comparison with the recurring EBITDA of first quarter of 2014, EBITDA in Brazilian real grew by 9%. In this scenario, Braskem reported net income of R\$204 million in the quarter. Braskem's leverage, as measured by the ratio of net debt to EBITDA in U.S. dollar, stood at 2.55 times, down 1% from the previous quarter.

Construction of the Mexico complex continued to advance and reached 92% completion in the quarter. The engineering and procurement activities were finalized, and the pre-commissioning activities of the complex have been initiated. At the end of April, the subsidiary Braskem-Idesa withdrew the fifth installment of the project finance of \$291 million and reduced the total disbursement reaching \$3.2 billion.

Let's go to the next slide please. On slide 4, we will discuss the performance of the Brazilian market of thermoplastic resins and on Braskem sales in the first quarter. Brazilian market of thermoplastic resins reached 1.4 million tons, increasing 6% and 9% from first quarter and fourth quarter of 2014, respectively. This growth is explained mainly by the

inventory rebuilding of the plastic processors, which had postponed in part of the (inaudible) changes in the last quarter due to the expectation of lower resin price.

Also contributing to this performance was the demand of sectors related to consumer goods and agribusiness. Following this market trend, Braskem sales increased by 6% year-over-year and by 12% on the prior quarter, reaching 954,000 tons. Braskem's market share stood at 67%, expanding 2 percentage points on the previous quarter.

Let's go to slide 5 please. Slide 5 presents that effects that influenced EBITDA in the first quarter of this year compared to the same quarter of 2014. Consolidated EBITDA was R\$1.5 billion, 10% higher than the recurring EBITDA of the first quarter of 2014. This increase was a result of the higher sales volume and the refund recognition of R\$220 million related to the amendment of the naphtha supply agreement expired in February. In late August, Braskem and Petrobras signed a new amendment to the naphtha supply contract of 2009, extending from September 1st to February 28th of 2015. The original conditions were temporarily maintained until the designation of a new long-term contract agreement. And this new price would be applied retroactively through September 1st of 2014.

On the other hand, it was also established that if a new long-term contract was not signed, the pricing formula to be applied for the entire duration of the amendment would be the average of the price proposed by the parties in the negotiation. Therefore, we calculated price using naphtha base levels; it resulted in (inaudible) Braskem in the gross amount of R\$243 million. Excluding PIS and COFINS tax rate, the amount of R\$220 was recognized in the line Cost of goods sold on the first quarter income statement.

Another highlight was the average U.S. dollar appreciation, which had a positive impact of R\$134 million with a positive revenue impact of R\$1.7 billion and a negative cost impact of R\$1.3 billion.

Let's go now to slide 6. This slide presents the evolution in EBITDA compared to the last quarter of 2014. Braskem's EBITDA in the first quarter grew by 10% on the previous quarter. The reduction of the petrochemical spreads in international market was offset by the higher sales volume and by the refund recognitions of R\$220 million, related to the amendment of the naphtha supply agreement as explained on the previous slide. Also contributing to this growth was the average appreciation of the U.S. dollar, which possibly affected, resulting R\$278 million with a positive revenue impact of R\$1.1 billion and a negative cost impact of R\$800 million.

Let's go now to slide 7. This slide presents data on Braskem's debt. Since the investment made in the Mexico project by the subsidiary Braskem-Idesa, its financing in their project finance model with debt rebate using the project's own cash generation, the analysis present here does not consider this amount. In this context, on March 31 of 2015, Braskem's gross debt stood at \$7.2 million, decreasing 6% from the balance on December 31. In Brazilian real, gross debt increased by 14%, resulting impact from 21% U.S. dollar appreciation in the end of the period. 73% of gross debt was denominated in U.S. dollar.

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The balance of cash and investments was \$1.5 billion, increasing by \$100 million from the balance in the previous quarter. As a result, Braskem's net debt decreased by 9% to \$5.7 million. In Brazilian real, net debt increased by 10%. Net debt denominated in U.S. dollar was 80%. Due to its liquidity strengthened [ph], Braskem also maintains two stand-by credit facilities in the amount of \$750 million and R\$500 million, which do not include any restrictive covenants on withdrawals during times of adverse market.

The decrease in net debt led to a reduction in financial leverage measured by the ratio of net debt to EBITDA from 2.58 times to 2.55 times in U.S. dollar. In Brazilian real, this leverage ratio stood at 3.30 times, 13% higher, explained by the Brazilian real depreciation in the period. On March 31, the average debt term stood at 16.4 years, increasing from 15.7 years on December 31. Considering only the portion of debt denominated in U.S. dollars, the average debt term was around 21 years.

Only 6% of Braskem's total debt matures in 2015 and its high liquidity ensures that its cash and cash equivalents cover the payment of obligations maturing over the next 37 months. Considering the stand-by credit facilities, this coverage is 51 months.

Let's go to the next slide please. Slide 8 shows the estimated CapEx for 2015 and the amount of investment in first quarter. Braskem, in line with its strategy [ph] of portfolio and fixed-cost management plans to invest approximately R\$2 billion in 2015. Excluding the Mexico project from the analysis, total CapEx projected for the year is R\$1.3 million, 31% lower than in 2014. Of this amount, around 85% will be allocated to operational investments, for example, maintenance and operational efficiency among others. The remainder will be allocated to other projects.

In the same basis, CapEx in the first quarter was R\$246 million. With regards to the Mexico Project, in March the company announced that the total investment was updated to \$5.2 billion, which represents an additional contribution of \$600 million in relation to the initial estimate. This contribution will be fully covered by the controlling shareholders and the amount corresponding to Braskem's portion is approximately \$450 million.

Scheduled to start its operation by the end of 2015, Braskem invested \$105 million in the project in the quarter. For the year, the expected investment is around \$300 million. The remaining balance of \$150 million shall be disbursed in 2016.

Let's go to slide 9 please. On this slide, we will discuss about the global petrochemical scenario. The average price of naphtha, the main feedstock used by the sector continued to follow the oil market dynamics and declined by 23% from the previous quarter. With this, the petrochemical prices also decreased. In this scenario, the spreads of thermoplastic resins and main basic petrochemicals fell by 19% and 33%, respectively. The short-term scenario, however, is of a slight recovery in spreads, reflecting a relatively balanced market in terms of supply and demand of petrochemicals. The points of attention remain related to geopolitical issues in the Middle East and North Africa, and its impact on the dynamics of the oil market.

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In medium and long-term, the outlook for the global petrochemical industry remains positive. As you can see on this chart, the forecast update in 2015 implies to postponement and/or delays in the project that are expected to come online in the future from 2015 to 2018 when compared to the 2014 forecast. In this context, the expectation is that the increase in the supply of petrochemical products remains similar to demand growth, and therefore, the market will remain relatively balance until mid-2017. Additional to this scenario, decrease in oil prices has also motivated the cancellation and/or postponement of the announcement of new petrochemical projects, expected to come online starting in 2020.

Let's go to the last slide please. On this slide, we present Braskem's management concentration for 2015 in which we can highlight the renewal at competitive basis of the naphtha supply agreement with Petrobras; the completion of the construction of the integrated project in Mexico and the start-up of operations at the end of 2015; the renewal of the energy contract with Chesf, seeking a solution that ensures the competitiveness of its cost and ensures a (inaudible) energy-intense operations in the Northeast region of Brazil; and the support of an industrial policy to help Brazil manufacturing industry to recover its competitiveness in the context of the fiscal austerity measures announced by the Federal government.

In line with this these commitments (inaudible) Braskem's priority for 2015 also increased, the current reduction of its investment level and the progress in the implementation of a program to reduce its fixed costs. The program includes a review of processes to identify synergies across business, with the consequent capture of operating efficiency gains and cost reductions. That concludes today's presentation. Let's go now to the question-and-answer session.

Questions And Answers

Operator

Thank you. The floor is now open for questions. (Operator Instructions) (inaudible) from Credit Suisse would like to make a question.

Q - Unidentified Participant

Hi, everyone, good morning. I was wondering if your could comment a little bit on the 220 million adjustment from the naphtha contract. It seems a little bit counterintuitive because our expectation is that the average of the prices proposed by you and PPR [ph], that is very least mean and maintenance of the current quarter cannot bolster [ph] benefit for Braskem. So if you could, whatever color you could give us on that point please. Thank you.

A - Carlos Fadigas

Thank you, Andre. When we signed this six month extension back in August last year, we said that -- or merely the focus of the invoice, that's about (inaudible) and invoice on a daily base and we have to pay something, to keep the original price formula that was designed back in 2009. The first comment about that is that this formula is not all the time

below neither all the time above ARA reference price. It fluctuates sometimes below that, sometimes above it.

But anyways, that was -- we will have I call it a temporary price. Naturally and technically to everyone, we would change the price once we reach the long-term contract. And basically that means price was a temporary one. But we also agreed with Petrobras and it was a request from Petrobras that in the event we even signed a long-term contract. We would price -- inventory price of the naphtha (inaudible) in the six month at the average of the -- it's another price. And we saw the price, we found it was very simple average of what each company wanted.

So, I understand it may sound counterintuitive to some people depending on their understanding of what was our request and what was Petrobras' intention, but bear in mind also that the original formula doesn't represent a discount on ARA price all the time. It can go above ARA.

So, when you compare this formula with the agreement we made was the simple average of intentions, price intentions, we at the end of the quarter, at the end of the semester, this six month period we had paid R\$220 million more than it was with simple average. So, that's what happened.

Having said that, that was the agreement for that six month extension that was different from the previous one and it doesn't represent anything going forward. For this six month extension that started on February '15, the one we are going through right now, our intention is to really replace that with a long term contract. We are working very hard to get there and I do hope we will do an agreement and we will finally have a long term contract. And again, the price will be important right now until we replace it by the price of a long-term contract. So, that's what happened when we explained (inaudible) expired in February this year and that's the intention going forward.

Q - Unidentified Participant

Okay. Can I make a follow-up, do you think if price of oil and naphtha prices had not fallen as quick as they have, do you think the outcome for the price that's renewed would have been different. For example, if prices had been less volatile, you would not necessarily would have wanted the 220 million, the adjustment would be different. Is it maybe just a case of the volatility of international price or is it really the average of the prices would have favored you regardless?

A - Carlos Fadigas

So, Andre, please understand that we'll have to find a balance here between providing some clarity to you and to the market and at the same time avoid going into too much detail in order to put that, both Petrobras and Braskem. And more than that, we are facing very tough competition here on polyethylene. As you know, we've been fighting to get back some of the market share we lost several years in producers of Braskem in the market and we are very even understanding what's our growth strategy. So, we have to

find a balance between protecting Braskem commercially and avoiding going into too much detail and providing you some clarity.

My answer to you is, if there is a bit of average in this adjustment, volatility of oil had a part on that. The average of the intentions also played a role in determining this reimbursement, so a little bit of everything. But I do hope we get is to a more stable ground once we get long-term contract and once we can communicate it to you, to the market, (inaudible) in a relatively reasonable way to forecast Braskem's performance going forward.

Q - Unidentified Participant

That's perfect. I thank you very much.

A - Carlos Fadigas

Thank you too.

Operator

(Operator Instructions) Frank McGann from Merrill Lynch would like to make a question.

Q - Frank McGann {BIO 1499014 <GO>}

Good morning. In terms of the CapEx numbers, the numbers ex-Mexico, I think you mentioned were coming down from R\$1.7 billion to R\$1.3 billion. What is the main driver of that, is it less maintenance CapEx, what are the key causes there?

A - Carlos Fadigas

Hi Frank, this is Carlos Fadigas. The CapEx excluding the Mexican project, they are coming down from R\$1.9 billion to R\$1.3 billion and the main explanation for this reduction is the fact that we had two internal stoppages last year. We stopped the cracker in Rio Grande do Sul for maintenance and we did the same with the one we have in Sao Paulo, and we -- just a question of scheduling, we have no planned maintenance stoppage for crackers in Brazil this year. That explains I'd say 85% of the difference between the CapEx for '14 to '15, excluding Mexico.

Q - Frank McGann {BIO 1499014 <GO>}

Okay, so there is no change in how you're managing the business, your expectations for the average CapEx going forward, it's just the timing of those specific planned maintenance projects?

A - Carlos Fadigas

It is mainly the timing of these maintenance stoppages, but having said that we always look for ways to reduce CapEx. We have 36 industrial plants and we make a big difference on cash flow from operations. We've been working on that for quite some time. We may have some room [ph] going forward, we naturally look at each facility to understand its

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future life, for how long we're going to keep running some of these plants, so we will reduce maintenance in the plant naturally if they have a shorter life going forward, but we haven't found any relevant step change in the CapEx for maintenance. We are going to keep working on that, but the change for '14 to '15 is not a consequence of that.

Q - Frank McGann {BIO 1499014 <GO>}

If I could follow up also maybe just in terms of the contract with Chesf, I think you made some comments on the Portuguese call, maybe you could go through what your expectations are now for that contract and some of the specific provisions I think that involve regarding some spending on forms of energy.

A - Carlos Fadigas

There is a group of industrial consumers in the north part of Brazil that has this -- have had this contract with Chesf for several years, which is expiring at the end of next month, at the end of June it's expiring. We were purchasing electricity at R\$110 per megawatt and we are looking for ways to extend this contract. One of the proposals put forward by the Ministry of Mining and Energy in Brazil was that we -- one alternative is that this industry keeps buying the electricity from Chesf at this R\$110 and we used this flow of payments to create an investment fund that we will in the future invest to generate more electricity in Northeast of Brazil.

One key point is that if Chesf does not keep supplying these industries, they will have to revert this energy to the distribution company, electric distribution companies at a much lower price, something around R\$43 per megawatt. So, to give you a price, that will be R\$70 lower than the current R\$110 we are paying right now. So, by keeping this contract, Chesf will be able to channel these additional R\$70 to the creation of the investment fund that over time we will be able to support investments in renewable energy, electricity generation in the Northeast, that's I'd say the main plan, that's the master plan.

Naturally as there was in the details, we are right now working very hard with the teams from the Ministry of Mining and Energy to get through all the details for how long we are going to extend its contract, what exactly would be the amount of money channeled through the investment fund, how this fund will be managed, how much of the electricity that is supplied to these companies will be kept to these companies, there is a demand to reduce the overall volume by some 25%. So, there is a (inaudible) which is not exactly 100% of its volume of the electricity it's being supplied. So, we are working in all these things and we do hope to get to a final understanding with them prior to the end of June. That's critical for all these companies and actually the governors of the Northeastern states, of Northeastern Brazil are taking this proposal because what they have in one hand is the risk of, in case we do not renew this contract, if the industries [ph] do not renew this contract, what the team has come with (inaudible) may be shutdown; on the other side, it will be a double game, not only the industries will be kept running, but they will see more investments in the Northeast of Brazil.

And I would say I'm not optimistic, at least confident that we are going to get to something of around between now and the end of the next month. It's a short period, but we are working day in, day out in finding the solution.

Q - Frank McGann {BIO 1499014 <GO>}

So, if this proposal goes into effect essentially a year, your cost probably do not change materially, but Chesf essentially has an additional responsibility to put some funds into some alternative electricity projects?

A - Carlos Fadigas

Yes, that's exactly the concept behind it, you are right.

Q - Frank McGann {BIO 1499014 <GO>}

Alright. Okay. If I could maybe just follow up with one more just quickly, in terms of how you're seeing the market in terms of demand today looking forward six months and how you're thinking about the market say six months ago. I think those are better than you might have thought from here or worse or how do you see things?

A - Carlos Fadigas

Of course that's really a tough question to answer, but I'll give you my best shot. Looking forward what we believe we are going to have is here for the (inaudible). Brazil is toward getting a GDP reduction, that's the consensus in the market, it is naturally measured by the Central Bank through the public report from the Central Bank every Monday and brings the average consensus of GDP, so right now the forecast is going to lose [ph] about 1.4% to 1.5% of GDP in the year.

We have no reason to think that the performance of the premium, the overall demand for resin in Brazil will be much different from that. We had a very (inaudible) first quarter because of the price (inaudible). People had postponed consumption from the fourth quarter into the first quarter and at the end of the first quarter because of the appreciation of dollar against the real, and we have prices in real that we adjust monthly, I think we decided to anticipate purchase, therefore some demand from the second quarter ended up inside the first quarter as people anticipated -- purchased and they bought a little bit more.

But if we look at the next nine months of the year, overall that figure [ph] exceeded. The big difference --when you look into different segments in the Brazilian economy, there is a very big difference between consumer and durable goods. Durable goods has been taken much a dramatic correction. The automotive industry is running roughly 20% below what it was last year and the consumer goods are holding up quite significantly, but that's the forecast we have right now.

In terms of how we saw things in the past and how we see things now, I think that the overall business environment coming from prior to the end of the year, it was worsened as you (inaudible) to the end of the year and started a very clear microeconomic policy that was due to increasing interest rates, and so the overall environment got worse and I think that it's improving now. People are understanding exactly what is the situation they're going to be facing in '15, people start thinking about what's going to be next year '16, so the economy will go up a little bit, grow about 1% next year. So, that's the overall feel, but

for this year we are going to get our figures, eventually lose 1% of the overall size of the market and hopefully get to a flat number, that's what we see right now.

Q - Frank McGann {BIO 1499014 <GO>}

Okay, great, thank you very much.

A - Carlos Fadigas

Thank you too.

Operator

(inaudible) from Swiss Bank would like to make a question.

Q - Unidentified Participant

Thanks for taking my question. Fadigas, this is actually another question based on the Brazilian call. When we look at Petrobras today and you're talking about a major divestment program, is there any asset or a particular asset that Petrobras would be interested on evaluating an acquisition here, perhaps more objectively the PTA plant out of (inaudible) would be of Braskem interest today?

A - Carlos Fadigas

No, Pedro, it would not, not at this point. They are very focused on the products we already produce and we confess, if you remember, we ourselves divest the few assets that were not connected to our core business and that's the focus. And actually we haven't heard much about Petrobras' interest in (inaudible) selling the PT [ph] asset, Petrochemical swap. We haven't heard about it and it is not our focus at this point.

Q - Unidentified Participant

Thank you.

A - Carlos Fadigas

Thank you too.

Operator

(inaudible) from Credit Suisse would like to make a question.

Q - Unidentified Participant

Hi Fadigas, just a follow-up because yesterday in your press conference, we started to see some headlines from your comments or comments from the journalists about an eventual sale of the Petrobras stake in Braskem or of the other's stake in Braskem. So, given it was headlines from the press conference, I was wondering if you had any comments that or if you could clarify what was said yesterday.

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A - Carlos Fadigas

Okay. Andre, look we only know about an eventual interest or an eventual intention of Petrobras to sell the stake they have with Braskem and we know that truly for us. And that's all we know. It's the shareholders' decision and as management we avoid commenting on shareholders' decision whether they want to hold the shares they have with Braskem or whether they want to sell it. So, that's one of the comments I made yesterday.

I was also asked about naphtha contract. If we sell, that a new naphtha contract will be needed if you wanted to sell the stake and my reaction at the press conference was based on your comments and my comment was that I failed to (inaudible) but prior to making even an investment in Braskem's shares, (inaudible) like to have clarity on the loan agreement supply of naphtha to Braskem. That's all I mentioned yesterday and really that's all the information we have.

Q - Unidentified Participant

Understood. Thank you.

A - Carlos Fadigas

Thank you too.

Operator

(inaudible) would like to make a question.

Q - Unidentified Participant

Hello, thanks for taking the question. I was wondering if you could comment a little bit about the rational, shareholders equity, specifically when we look at the balance sheet included in the press release, the other comparisons in income that includes the evaluation of liabilities in hedge accounting. Maybe can you just explain a little bit just on this, tell me a little bit more about the number and if we should continue to see a decrease in the amount of the shareholders' equity there, if you look -- talk about years ago, it has been going down.

A - Mario Augusto da Silva {BIO 18087499 <GO>}

Thank you for the question. This is Mario speaking. What you saw in the shareholders equity is the -- remember that in July 2013 we have adopted the hedge accounting. So, as a consequence of that, all the exchange variation that in the past would go through the income statement, now it goes directly to the shareholder equity and then in the future, when the exports happen these exchange variations, together with the exports will go through the income statement. So, reduction in the shareholder equity is a consequence of the exchange variation that we saw in Brazil in this first quarter.

Q - Unidentified Participant

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Okay. But just to understand the mechanics, when the (inaudible) exports occur, that you are going to see a reduction in this loss for the other comparison income or it is just going to hit you in the topline through revenues or through other line?

A - Mario Augusto da Silva {BIO 18087499 <GO>}

In the future when the exports happen, there is no change on the shareholder equity but this will go through the income statement.

Q - Unidentified Participant

Okay, so it's actually when it goes through the income statement and if you have more profits or stuff like that, it will go through results, and eventually to shareholders equity?

A - Mario Augusto da Silva {BIO 18087499 <GO>}

Perfect, it's why -- the hedge account in our case best represents the results of the company because you match the exports, the revenue from exports at a certain exchange rate. So, if we've exchanged for a rate and associated with the (inaudible) throughout the years, beginning in 2016 you are going to start seeing a portion of that exchange rate going through the income statement of the company.

Q - Unidentified Participant

Okay. Another -- the final question, but this does not use the whole effect of the FX variation on that, it's just the one that's related with the exports, right?

A - Mario Augusto da Silva {BIO 18087499 <GO>}

In the shareholders' equity, you'll see the whole effect of the exchange variation at this point and beginning 2016 and through 2024 you're going to see a portion of that exchange variation going year-by-year and going through the income statement.

Q - Unidentified Participant

Okay.

A - Mario Augusto da Silva {BIO 18087499 <GO>}

Okay?

Q - Unidentified Participant

Perfect, thank you.

A - Mario Augusto da Silva {BIO 18087499 <GO>}

You're welcome.

Operator

Mr. Bruno Montanari from Morgan Stanley would like to make a question.

Q - Bruno Montanari {BIO 15389931 <GO>}

Hi, thanks for taking my question and good afternoon. Most of my questions have been answered, but I just have a quick one. You're doing a very good job on the cash conversion cycle, so wondering if you can provide us with any comments on how working capital should evolve in the next few quarters, just so we can kind of calibrate our assumptions here. Thanks a lot.

A - Mario Augusto da Silva {BIO 18087499 <GO>}

Hi Bruno, thank you for your question. This is Marty speaking. We've seen in the first quarter a very strong cash flow. This is a consequence a little bit of the reduction in the price of the products we have commented early in the call. The resins price had decreased by 20%. So, as a consequence the demand that we have seen in the past years in terms of working capital now is coming back as a positive cash flow. So, the cash flow was good in the first quarter, was positive and very positive in the first quarter and I think in general I would expect for the year a positive cash flow for the company.

Q - Bruno Montanari {BIO 15389931 <GO>}

Got it, perfect. Thanks a lot.

Operator

(inaudible) would like to make a question.

Q - Unidentified Participant

Hello, thank you Varella for the call. Just quick questions regarding the outlook for this current fiscal year 2015. I wonder if you can give us more color on the volumes that you expect -- the growth in volumes that you expect for the current year, first. And secondly, in terms of margin, EBITDA margin, given this strategy that you are pursuing of reducing costs, what is the EBITDA margin that you are forecasting for the current year?

A - Carlos Fadigas

(inaudible) this is Carlos Fadigas speaking. Regarding the forecast for the rest of the year, let me go through a few of the drivers that drive our profitability. I will not forecast percentage number for EBITDA, but I'll give you the main points that affect its profitability. First of all, in terms of volume on sales, the main important sales are related with the resins in Brazil, that's our main market. And actually we export what we are not able to sell in the domestic market and our forecast for sales in Brazil will be somehow in line with the GDP growth and its forecast for Brazil, that at this point is slightly negative, it's minus 1.4% of contraction in the economy. So, the overall volumes of sales in Brazil, (inaudible) in line with the Brazilian market, we are always going to be working to increase market share but if they go in line, the Brazilian market should be slightly smaller than it was last year.

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Regarding margins, when we look at margins going forward, we don't expect money to (inaudible) from what they were in the first quarter of the year and in the first quarter it was a little bit smaller than the fourth quarter of 2014, but our margins should stay flat specifically internationally overall margins, but if we talk about Braskem margin, it could improve a little bit because in the first quarter we still had somewhat expensive inventory of both from material and finished goods that were produced with -- for more expensive naphtha throughout last year.

So, that brought down our margin, but also we expect our profitability of exchange rate because -- and actually become more competitive as the Brazilian real loses that [ph] and helps us reduce our real denominated costs and that should help the company going forward. We have an average exchange rate of 2.36 for the last year. So, it was a number of 2.35 this year and next year we are going to have a much weaker real this year, even when you compare the first of the year, that the exchange rate was 2.86 on average. So, we believe we are going to have a weaker real in the exchange rate going forward and that will help us as well.

So, when add all these things, there is other saving, the result of that would be positive for Braskem, it's more positive for Braskem as we have low volumes, slightly better margins and a better exchange rate. So, that's that kind of condition [ph] regarding our margins going forward for the next nine months.

Q - Unidentified Participant

Okay. Thank you very much.

A - Carlos Fadigas

Thank you too.

Operator

(Operator Instructions) As there are no questions, I'll turn over to the company for closing remarks.

A - Carlos Fadigas

Thank you very much for participating on the call. Thank you for your interest. A big final comment from my side, that we are going to keep working to and at the same time that we work on Braskem growth with the Mexican project, with potential project in United States, with a UTEC project that we have already announced to produce high molecular weight polyethylene in the US. We are going to keep working on Braskem growth and at the same time we are going keep working to (inaudible) projects and present our current operations in Brazil to (inaudible) associated with the industry in Brazil.

So, it's (inaudible) agenda, we are working at the same time on the assets we have and keep generating as much cash as we can and we are going to keep working on Braskem growth trying to build a (inaudible) asset base going forward. So thank you again. I wish you all have a very good week. Bye-bye.

Operator

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

FINAL

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