

BRASKEM SA
Form 20-F
May 05, 2016

As filed with the Securities and Exchange Commission on May 5, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F

**.. REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR
12(g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

**x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2015

OR

**.. TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

**.. SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission file number: 001-14862

BRASKEM S.A.

(Exact Name of Registrant as Specified in its Charter)

N/A **The Federative Republic of Brazil**
(Translation of Registrant's Name into English) **(Jurisdiction of Incorporation or Organization)**
Rua Lemos Monteiro, 120 – 24° andar
Butantã—São Paulo—SP, CEP 05501-050, Brazil

(Address of Principal Executive Offices)

Pedro van Langendonck Teixeira de Freitas

Braskem S.A.

Rua Lemos Monteiro, 120 – 24° andar

Butantã—São Paulo—SP, CEP 05501-050, Brazil

Telephone: + (55 11) 3576-9000

Fax: + (55 11) 3576-9532

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on which Registered
Preferred Shares, Class A, without par value per share, each represented by American Depositary Receipts	New York Stock Exchange

Securities registered or to be registered pursuant to Section 12(g) of the Act: None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

TITLE OF EACH CLASS:

6.450% Notes due 2024, issued by Braskem Finance Limited

The total number of issued shares of each class of stock of Braskem S.A. as of December 31, 2015 was:

451,688,652 Common Shares, without par value

345,002,978 Preferred Shares, Class A, without par value

593,618 Preferred Shares, Class B, without par value

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of “accelerated filer and large accelerated filer” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP	International Financial Reporting	Other <input type="checkbox"/>
Standards as issued by the International Accounting Standards Board <input checked="" type="checkbox"/>		

If “Other” has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

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PRESENTATION OF FINANCIAL AND OTHER INFORMATION

All references herein to the “*real*,” “*reais*” or “R\$” are to the Brazilian *real*, the official currency of Brazil. All references to “U.S. dollars,” “dollars” or “US\$” are to U.S. dollars, the official currency of the United States.

All references herein (1) to “we,” “us” or “our company” are references to Braskem S.A., its consolidated subsidiaries and jointly controlled entities, and (2) to “Braskem” are references solely to Braskem S.A. All references herein to “Braskem Europe” mean Braskem Europe GmbH and its consolidated subsidiaries, including Braskem America, Inc., or Braskem America.

On May 4, 2016, the exchange rate for *reais* into U.S. dollars was R\$3.555 to US\$1.00, based on the selling rate as reported by the Central Bank of Brazil (*Banco Central do Brasil*), or the Central Bank. The selling rate was R\$3.9048 to US\$1.00 on December 31, 2015, R\$2.6562 to US\$1.00 on December 31, 2014 and R\$2.3426 to US\$1.00 on December 31, 2013, in each case, as reported by the Central Bank. The *real*/U.S. dollar exchange rate fluctuates widely, and the selling rate on May 4, 2016 may not be indicative of future exchange rates. See “Item 3. Key Information—Exchange Rates” for information regarding exchange rates for the *real* since January 1, 2011.

Solely for the convenience of the reader, we have translated some amounts included in “Item 3. Key Information—Selected Financial and Other Information” and elsewhere in this annual report from *reais* into U.S. dollars using the selling rate as reported by the Central Bank as of December 31, 2015 of R\$3.9048 to US\$1.00. These translations should not be considered representations that any such amounts have been, could have been or could be converted into U.S. dollars at that or at any other exchange rate. Such translations should not be construed as representations that the *real* amounts represent or have been or could be converted into U.S. dollars as of that or any other date.

Financial Statements

We maintain our books and records in *reais*. Our consolidated financial statements as of December 31, 2015 and 2014 and for the three years ended December 31, 2015 have been audited, as stated in the report appearing herein, and are included in this annual report.

We have prepared our consolidated financial statements included in this annual report in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board, or IFRS.

Market Share and Other Information

We make statements in this annual report about our market share in the petrochemical industry in Brazil and our production capacity relative to that of other petrochemical producers in Brazil, Latin America, the United States and the world. We have made these statements on the basis of information obtained from third-party sources that we believe are reliable. We have calculated our Brazilian market share with respect to specific products by dividing our domestic net sales volumes of these products by the total Brazilian domestic consumption of these products as estimated by the Brazilian Chemical Industry Association (*Associação Brasileira da Indústria Química*), or ABIQUIM. We derive information regarding the production capacity of other companies in the Brazilian petrochemical industry and the estimated total Brazilian domestic consumption of petrochemical products principally from reports published by ABIQUIM. We derive information regarding the production capacity of other companies in

the global petrochemical industry, the United States petrochemical industry and the Latin American petrochemical industry, international market prices for petrochemicals products and per capita consumption in certain geographic regions, principally from reports published by IHS, Inc., or IHS. We derive information regarding the size of the chemical distribution industry and our market share in this industry principally from reports published by the Brazilian Chemical and Petrochemical Distributors Association (*Associação Brasileira dos Distribuidores de Produtos Químicos e Petroquímicos*). We derive information relating to Brazilian imports and exports from the System for Analyzing International Trade (*Sistema de Análise das Informações de Comércio Exterior*), or ALICE-Web, produced by the Brazilian Secretary of International Trade (*Secretaria de Comércio Exterior*) and the Brazilian Secretary of Development, Industry and Trade (*Ministério do Desenvolvimento, Indústria e Comércio Exterior*).

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We have no reason to believe that any of this information is inaccurate in any material respect. However, we have not independently verified the production capacity, market share, market size or similar data provided by third parties or derived from industry or general publications.

We provide information regarding domestic apparent consumption of some of our products, based on information available from the Brazilian government, Institute of Applied Economic Research (*Instituto de Pesquisa Econômica Aplicada*), or IPEA, and ABIQUIM. Domestic apparent consumption is equal to domestic production plus imports minus exports. Domestic apparent consumption for any period may differ from actual consumption because this measure does not give effect to variations of inventory levels in the petrochemical supply chain.

Production Capacity and Sales Volume

As used in this annual report:

- “production capacity” means the annual nominal capacity for a particular facility, calculated based upon operations for 24 hours each day of a year and deducting scheduled downtime for regular maintenance; and
- “ton” means a metric ton, which is equal to 1,000 kilograms or 2,204.62 pounds.

Rounding

We have made rounding adjustments to some of the amounts included in this annual report. As a result, numerical figures shown as totals in some tables may not be arithmetic aggregations of the amounts that precede them.

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CAUTIONARY STATEMENT WITH RESPECT TO FORWARD-LOOKING STATEMENTS

This annual report contains forward-looking statements. Some of the matters discussed concerning our business operations and financial performance include forward-looking statements within the meaning of the U.S. Securities Act of 1933, as amended, or the Securities Act, or the U.S. Securities Exchange Act of 1934, as amended, or the Exchange Act.

Statements that are predictive in nature, that depend upon or refer to future events or conditions or that include words such as “expects,” “anticipates,” “intends,” “plans,” “believes,” “estimates” and similar expressions are forward-looking statements. Although we believe that these forward-looking statements are based upon reasonable assumptions, these statements are subject to several risks and uncertainties and are made in light of information currently available to us.

Our forward-looking statements may be influenced by numerous factors, including the following:

- general economic, political and business conditions in the markets in which we operate, including demand and prices for petrochemical products;
- interest rate fluctuations, inflation and exchange rate movements of the *real* in relation to the U.S. dollar;
- the cyclical nature of the global petrochemical industry;
- competition in global petrochemical industry;
- prices of naphtha, ethane, propane, propylene and other raw materials;
- international prices of petrochemical products;
- actions taken by our major shareholders;
- our ability to implement our financing strategy and to obtain financing on satisfactory terms;
- our progress in integrating the operations of companies or assets that we may acquire in the future, so as to achieve the anticipated benefits of these acquisitions;
- changes in laws and regulations, including, among others, laws and regulations affecting tax and environmental matters and import tariffs in other markets in which we operate or to which we export our products;
- future changes in Brazilian policy and related actions undertaken by the Brazilian government;
- a deterioration in the world economy that could negatively impact demand for petrochemicals;
- decisions rendered in major pending or future tax, labor and other legal proceedings; and
- other factors identified or discussed under “Item 3. Key Information—Risk Factors.”

Our forward-looking statements are not guarantees of future performance, and our actual results or other developments may differ materially from the expectations expressed in the forward-looking statements. As for forward-looking statements that relate to future financial results and other projections, actual results will be different due to the inherent uncertainty of estimates, forecasts and projections. Because of these uncertainties, potential investors should not rely on these forward-looking statements.

Forward-looking statements speak only as of the date they are made, and we do not undertake any obligation to update them in light of new information or future developments or to release publicly any revisions to these statements in order to reflect later events or circumstances or to reflect the occurrence of unanticipated events.

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Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION**Selected Financial and Other Information**

The following selected information should be read in conjunction with “Presentation of Financial and Other Information,” “Item 5. Operating and Financial Review and Prospects” and our audited consolidated financial statements and the related notes thereto, which are included in this annual report.

The selected financial data as of December 31, 2015 and 2014 and for the three years ended December 31, 2015 have been derived from our audited consolidated financial statements, prepared in accordance with IFRS, and included in this annual report. The selected financial data as of December 31, 2013, 2012 and 2011 and for the years ended December 31, 2012 and 2011 have been derived from our audited consolidated financial statements, prepared in accordance with IFRS, which are not included in this annual report.

We have included information with respect to the dividends and/or interest attributable to shareholders’ equity paid to holders of our common shares and preferred shares since January 1, 2011 in *reais* and in U.S. dollars translated from *reais* at the commercial market selling rate in effect as of the payment date under the caption “Item 8. Financial Information—Dividends and Dividend Policy—Payment of Dividends.” We prepare individual financial statements in accordance with Brazilian GAAP for certain purposes, including for the calculation of dividends.

	For the Year Ended December 31,					
2015(1)	2015	2014	2013	2012	2011	
(in millions of US\$, except per share data and as indicated)	(in millions of reais, except per share data and as indicated)					

Statement of Operations Data:

Net sales revenue	US\$12,108.9	R\$47,283.0	R\$46,031.4	R\$40,969.5	R\$36,160.3	R\$33,086.5
Cost of products sold	(9,450.4)	(36,902.1)	(40,057.3)	(35,820.8)	(32,709.1)	(29,265.0)
Gross profit	2,658.5	10,380.9	5,974.0	5,148.7	3,451.2	3,821.5
Income (expenses):						

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Selling and Distribution	(287.3)	(1,122.0)	(1,155.8)	(1,000.7)	(990.4)	(820.0)
General and administrative	(339.4)	(1,325.3)	(1,210.1)	(1,077.9)	(1,071.0)	(1,008.1)
Research and development	(45.2)	(176.4)	(138.4)	(115.8)	(106.2)	(99.1)
Results from equity investments	0.6	2.2	3.9	(3.2)	(25.8)	(1.0)
Results from business combinations	—	—	—	—	—	30.0
Other operating income (expenses), net	(181.1)	(707.2)	95.6	(211.1)	333.5	2.9
Operating profit	1,806.0	7,052.2	3,569.2	2,740.0	1,591.3	1,926.2
Financial results:						
Financial expenses	(1,073.9)	(4,193.5)	(2,745.9)	(2,549.1)	(3,926.2)	(3,560.5)
Financial income	435.6	1,701.0	355.2	773.0	532.0	759.0
Profit (loss) before income tax and social contribution	1,167.7	4,559.7	1,178.6	963.9	(1,802.9)	(875.3)
Income tax and social contribution	(425.3)	(1,660.9)	(452.3)	(456.9)	783.1	359.5
Profit (loss) from continuing operations	742.4	2,898.8	726.3	507.0	(1,019.8)	(515.8)
Results from discontinued operations	—	—	—	—	281.5	27.6
Profit (loss)	US\$742.4	R\$2,898.8	R\$726.3	R\$507.0	R\$(738.3)	R\$(488.2)
Net income attributable to shareholders of the company	US\$804.2	R\$3,140.3	R\$864.1	R\$509.7	R\$(731.1)	R\$(496.5)
Net income attributable to non-controlling interest	(61.8)	(241.5)	(137.8)	(2.7)	(7.2)	8.3
Earnings (loss) per share:						
Basic:						
Common shares		3.9474	1.0857	0.6403	(1.2718)	(0.6566)
Preferred class "A" shares		3.9474	1.0857	0.6403	(1.2718)	(0.6566)
Preferred class "B" shares		0.6065	0.6062	0.6062	—	—
ADS		7.8948	2.1714	1.2806	(2.5436)	(1.3132)
Diluted:						
Common shares		3.9474	1.0857	0.6403	(1.2718)	(0.6566)
Preferred class "A" shares		3.9474	1.0857	0.6403	(1.2718)	(0.6566)
Preferred class "B" shares		0.6065	0.6062	0.6062	—	—
ADS(2)		7.8948	2.1714	1.2806	(2.5436)	(1.3132)

(1) Translated for convenience only using the selling rate as reported by the Central Bank as of December 31, 2015 for *reais* into U.S. dollars of R\$3.9048=US\$1.00.

(2) American depositary shares (ADS) are U.S. dollar-denominated equity shares of a foreign-based company on an American stock exchange. In our case, each ADS represents two class A preferred shares.

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	2015(1) (in millions of US\$, except as indicated)	At and For the Year Ended December 31,				
		2015	2014	2013	2012	2011
		(in millions of <i>reais</i> , except as indicated)				
Balance Sheet Data:						
Cash and cash equivalents	1,905.3	7,439.7	R\$3,993.4	R\$4,335.9	R\$3,287.6	R\$2,986.8
Short-term trade accounts receivable	700.4	2,735.1	2,692.6	2,810.5	2,326.5	1,843.8
Inventories	1,447.5	5,652.2	5,368.1	5,150.3	4,102.1	3,623.5
Non-current assets held for sale	—	—	—	37.7	277.8	—
Property, plant and equipment, net	8,697.5	33,961.9	29,001.5	25,413.5	21,176.8	20,622.7
Total assets	15,355.8	59,961.3	49,421.8	46,815.8	39,872.3	36,821.13
Short-term borrowings (including current portion of long-term borrowings)	504.1	1,968.5	1,418.5	1,248.8	1,836.0	1,391.8
Short-term debentures (including current portion of debentures)	—	—	—	—	—	—
Non-current liabilities held for sale	—	—	—	—	109.8	—
Long-term borrowings	6,497.2	25,370.3	18,918.0	17,353.7	15,675.6	13,753.0
Long-term debentures	—	—	—	—	—	19.1
Share capital	2,059.8	8,043.2	8,043.2	8,043.2	8,043.2	8,043.2
Shareholders' equity (including non-controlling interest)	342.6	1,337.7	5,894.4	7,681.3	8,652.0	9,979.9
Other Financial and Operating Information:						
Cash Flow Information:						
Net cash provided by (used in):						
Operating activities	2,080.9	8,125.4	R\$3,791.9	R\$2,457.8	R\$2,571.8	R\$2,777.5
Investing activities	(1,043.2)	(4,073.5)	(4,977.1)	(4,954.2)	(2,834.3)	(2,866.5)
Financing activities	(25.0)	(97.5)	894.4	3,614.2	633.9	494.7
Other Information:						
Capital expenditures:						
Property, plant and equipment	1,039.0	4,057.1	5,301.8	5,656.4	2,792.9	2,252.5
Investments in other companies	—	—	—	—	—	619.2

Domestic Sales Volume Data* (in thousands of tons) (2):

Ethylene	3,279.3	3,203.9	3,360.0	3,329.3	3,097.4
Propylene	1,188.9	1,068.5	1,187.7	1,170.4	1,123.1
Polyethylene	1,705.9	1,706.1	1,765.7	1,668.2	1,524.9
Polypropylene	1,126.9	1,204.0	1,268.9	1,233.3	1,149.8
Polyvinyl chloride (PVC)	606.3	659.6	636.5	560.9	484.0

(1) Translated for convenience only using the selling rate as reported by the Central Bank as of December 31, 2015 for *reais* into U.S. dollars of R\$3.9048=US\$1.00.

(2) Including intra-company sales within our company. Intra-company sales of ethylene totaled approximately 2,793,531 tons in 2015, 2,704,300 tons in 2014, 2,828,200 tons in 2013, 2,805,500 in 2012 and 2,606,100 in 2011. Intra-company sales of propylene totaled approximately 942,710 tons in 2015, 859,500 tons in 2014, 977,900 tons in 2013, 950,000 tons in 2012 and 905,400 tons in 2011.

(*) Unaudited

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Exchange Rates

The Brazilian foreign exchange system allows the purchase and sale of foreign currency and the international transfer of *reais* by any person or legal entity, regardless of the amount, subject to certain regulatory procedures.

Since 1999, the Central Bank has allowed the U.S. dollar-*real* exchange rate to float freely, and, since then, the U.S. dollar-*real* exchange rate has fluctuated considerably.

In the past, the Central Bank has intervened occasionally to control unstable movements in foreign exchange rates. We cannot predict whether the Central Bank or the Brazilian government will continue to permit the *real* to float freely or will intervene in the exchange rate market through the return of a currency band system or otherwise. The *real* may depreciate or appreciate against the U.S. dollar substantially. Furthermore, Brazilian law provides that, whenever there is a serious imbalance in Brazil's balance of payments or there are serious reasons to foresee a serious imbalance, temporary restrictions may be imposed on remittances of foreign capital abroad. We cannot assure you that such measures will not be taken by the Brazilian government in the future. See “—Risk Factors—Risks Relating to Brazil—Brazilian government exchange control policies could increase the cost of servicing our foreign currency-denominated debt, adversely affect our ability to make payments under our foreign currency-denominated debt obligations and impair our liquidity” and “—Risk Factors—Risks Relating to Our Class A Preferred Shares and the ADSs— If holders of the ADSs exchange them for class A preferred shares, they may risk temporarily losing, or being limited in, the ability to remit foreign currency abroad and certain Brazilian tax advantages.”

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The following table shows the selling rate for U.S. dollars for the periods and dates indicated. The information in the “Average” column represents the average of the exchange rates on the last day of each month during the periods presented.

<u>Year</u>	<i>Reais per U.S. Dollars</i>			
	High	Low	Average	Period End
2011	R\$1.902	R\$1.535	R\$1.675	R\$1.876
2012	2.112	1.702	1.955	2.043
2013	2.446	1.953	2.161	2.343
2014	2.740	2.197	2.355	2.656
2015	4.195	2.575	3.339	3.905

<u>Month</u>	<i>Reais per U.S. Dollars</i>	
	High	Low
September 2015	R\$4.195	R\$3.673
October 2015	4.001	3.739
November 2015	3.851	3.701
December 2015	3.983	3.748
January 2016	4.039	4.011
February 2016	4.049	3.865
March 2016	3.991	3.559
April 2016	3.692	3.451
May 2016 (through May 4)	3.555	3.499

Source: Central Bank

Risk Factors

Risks Relating to Our Company and the Petrochemical Industry

The cyclical nature of the petrochemical industry may reduce our net sales revenue and gross margin.

The petrochemical industry, including the markets in which we compete, is cyclical and sensitive to changes in global supply and demand. This cyclical nature may reduce our net sales revenue and gross margin, including as follows:

- downturns in general business and economic activity may cause demand for our products to decline;
- when global demand falls, we may face competitive pressures to lower our prices; and

- if we decide to expand our plants or construct new plants, we may do so based on an estimate of future demand that never materializes or materializes at levels lower than we predicted.

Historically, the international petrochemical markets have experienced alternating periods of limited supply, which have caused prices and profit margins to increase, followed by expansion of production capacity, which has resulted in oversupply and reduced prices and profit margins. Prices in the Brazilian petrochemical industry follow the global petrochemical industry, and we establish the prices for the products we sell in Brazil with reference to international market prices. Therefore, our net sales revenue and gross margin are increasingly linked to global industry conditions that we cannot control.

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Our revenue from customers is significant, and the credit risks associated with certain of these customers could adversely affect our operating results.

We engage in a number of transactions where counterparty credit risk is a relevant factor, including transactions with customers and those businesses we work with to provide services, among others. These risks are dependent upon market conditions and also the real and perceived viability of the counterparty. The failure or perceived weakness of any of our counterparties has the potential to expose us to risk of loss in certain situations. Our revenue from our customers is significant, and the credit risks associated with certain of these customers could adversely affect our operating results. Certain contracts and arrangements that we enter into with counterparties may provide us with indemnification clauses to protect us from financial loss. To the extent the credit quality of these customers deteriorates or these customers seek bankruptcy protection, our ability to collect our receivables, and ultimately our operating results, may be adversely affected.

The Company's reported results may be adversely affected by increases in reserves for uncollectible accounts receivable.

The Company has a large balance of accounts receivable and has established a reserve for the portion of such accounts receivable that the company estimates will not be collected because of the company's customers' non-payment.

If the business viability of certain of the Company's customers deteriorates or the company's credit policies are ineffective in reducing the company's exposures to credit risk, additional increases in reserves for uncollectible accounts may be necessary, which could have a material adverse effect on our cash flows and results of operations. We record an allowance for doubtful accounts in an amount considered sufficient to cover estimated losses on the realization of our trade accounts receivable, taking into account our loss experience and the aging of our accounts receivable.

As of December 31, 2015, our total trade accounts receivable was R\$3,082.9 million and the provision for doubtful accounts was R\$328.0 million. Significant changes in our historical loss experience on accounts receivable which are not apparent through our aging analysis could require significant changes to our provisions for doubtful accounts.

Global macroeconomic factors have had, and may continue to have, adverse effects on the margins that we realize on our products.

Our results of operations may be materially affected by adverse conditions in the financial markets and depressed economic conditions generally. Economic downturns in geographic areas in which we sell our products may substantially reduce demand for our products and result in decreased sales volumes. Recessionary environments adversely affect our business because demand for our products is reduced.

Slowed growth in emerging economies resulted in decreased growth in the global economy, which increase is estimated at 3.1% in 2015, according to the International Monetary Fund. In 2015, Brazil's GDP contracted 3.8%, as compared to growth of 0.1% in 2014 and 3.0% in 2013. In 2015, apparent consumption for thermoplastic resins in Brazil declined by 7.6%.

In the U.S. and Europe, GDP grew by 2.4% and 1.5%, respectively in 2015 compared to growth of 2.4% and 0.9% in 2014. Mexico's GDP grew by 2.5% in 2015 compared to 2.3% in 2014.

Our ability to export to other countries is a function of the level of economic growth in these countries and other economic conditions, including prevailing inflation and interest rates. In addition, disruptions in the global balance between supply and demand may impair our ability to export our products in response to a decline in domestic demand for these products. Prolonged volatility in economic activity in our key export markets could continue to reduce demand for some of our products and lead to increased margin pressure by importers into Brazil, which would adversely affect our results of operations.

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We face competition from producers of polyethylene, polypropylene, PVC and other petrochemical products.

We face competition in Brazil from foreign producers of polyethylene, polypropylene, PVC and other petrochemical products. Our U.S. operations face competition in the United States from other U.S. producers of polypropylene. Our German operations face competition in Europe and the other export markets that it serves from European and other foreign producers of polypropylene. We expect that our Mexico operations will face competition from U.S. producers of polyethylene producers.

We generally set the prices for our second generation products sold in Brazil with reference to the prices charged for these products by foreign producers in international markets. We generally set the prices for our second generation products exported from Brazil based on international spot market prices. We set the prices for polypropylene sold in the United States and Europe based on regional market pricing. The price for polyethylene in Mexico will be based on prices for the polymer in the U.S Gulf Coast region.

As a result of the announced commissioning of new ethylene capacity, particularly in the United States, in the Middle East and in China, coupled with the increased competitiveness of gas-based ethylene producers in United States as a result of their relatively lower raw material costs, we anticipate that we may experience increasing competition from other producers of second generation products in the markets in which we sell these products. In addition, the appreciation of the *real* against the U.S. dollar may increase the competitiveness of prices of imported products in *reais*, which may increase the competition in Brazil from other producers of second generation products. Some of our foreign competitors are substantially larger and have greater financial, manufacturing, technological and/ or marketing resources than our company.

Higher raw materials costs would increase our cost of goods sold and services rendered and may reduce our gross margin and negatively affect our overall financial performance.

Naphtha, a crude oil derivative, is the principal raw material used by our Basic Petrochemicals Unit and, indirectly, in our other business units. Naphtha accounted, directly and indirectly, for approximately 44.5% of our consolidated cost of sales and services rendered in 2015.

We purchase a portion of the naphtha and natural gas used by our Basic Petrochemical Unit from *Petróleo Brasileiro S.A. - Petrobras*, or *Petrobras*, at prices based on the Amsterdam-Rotterdam-Antwerp and Mont Belvieu market prices of naphtha and natural gas liquids.

The price of naphtha that we purchase from international suppliers is also linked to the Amsterdam-Rotterdam-Antwerp reference. The Amsterdam-Rotterdam-Antwerp market price of naphtha fluctuates primarily based on changes in the U.S. dollar-based price of Brent crude oil on the Intercontinental Exchange based in London. Oil markets may face strong volatility due to: (1) the impact of new non-OPEC production, primarily from the United States; (2) OPEC's decisions with regards to their production quotas; and (3) political uncertainties in the Middle East and North Africa. In 2015, the price of the front-month contract on Brent crude oil decreased by 40.6% from a high of US\$64.32 per barrel in May 2015 to a low of US\$38.21 per barrel in December 2015. Volatility of the price of naphtha and the upward trend in the price of oil and naphtha have effects on the price competitiveness of our naphtha-based crackers.

The average Amsterdam-Rotterdam-Antwerp market price of naphtha in U.S. dollars declined by 44.7% to US\$462 per ton in 2015 from US\$836 per ton in 2014 and US\$903 per ton in 2013, with its highest price of reaching US\$551 per ton in May 2015 and its lowest price reaching US\$387 per ton in December 2015.

The Mont Belvieu prices of ethane have had similar volatility, with the average market price of ethane decreasing to US\$139 per ton in 2015 from US\$228 per ton in 2014 and US\$190 per ton in 2013, with its highest price reaching US\$165 per ton in January 2015 and its lowest price reaching US\$108 per ton in November 2015.

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The price of naphtha and natural gas liquids in U.S. dollars has been, and may continue to be, volatile. In addition, the fluctuations of the U.S. dollar in the future may effectively increase our naphtha or natural gas costs in *reais*. Any increase in naphtha or natural gas costs would reduce our gross margin and negatively affect our overall financial performance to the extent we are unable to pass on these increased costs to our customers and could result in reduced sales volumes of our products.

The production of natural gas liquids, particularly in North America, may reduce the global prices of polyethylene, which would reduce our gross margin and negatively affect our overall financial performance.

In recent years, the use of ethane as a feedstock for the production of ethylene has increased as a result of its increasing availability and the divergence between the cost of natural gas and oil (from which naphtha is derived and the pricing of condensate is based). Production of natural gas liquids have increased, particularly in North America, as the technology to extract gas from shale has improved. In order to improve their global competitiveness, most U.S. ethylene producers with the raw material flexibility to use ethane as a feedstock have converted to the use of light feedstocks.

As a result of the increase in the production of natural gas liquids in North America, (1) ethane has returned as a low-cost alternative to oil-based products and (2) additional gas production has resulted in an increasingly competitive ethane price. North American polyethylene producers have benefited from the low-cost position of natural gas prices, and the resulting increased competitiveness of North American polyethylene producers could decrease the global and domestic price of polyethylene, which would reduce our gross margin and negatively affect our overall financial performance.

We do not hedge against changes in the price of our principal raw materials, so we are exposed to fluctuations in the price of these primary raw materials.

Currently, we do not hedge our feedstock's price exposure. We believe the petrochemical industry has a natural hedge, mainly due to the observed historical correlation between its feedstock (most notably, naphtha) and its final products (Polyethylene, Polypropylene, PVC, etc.). Historically, fluctuations in naphtha's price were followed by variations in the same direction in petrochemical products of the first and second generation. This eventual hedge solely in naphtha's price would break this natural protection, probably making our results more volatile. However, considering Braskem's ongoing process of feedstock diversification, with ethane, propane and propylene representing a more significant portion of our variable costs, the natural hedge described above tends to be impaired. This occurs because ethane and propane have significantly lower correlation to the price of our final products, when compared to naphtha and propylene. If this scenario materializes, we may not immediately be able to pass on all of the corresponding increases in our feedstocks costs, which would likely reduce our gross margin and net income.

We depend on Petrobras to supply us with a substantial portion of our naphtha, ethane and propane requirements.

Petrobras is the only Brazilian supplier of naphtha and has historically supplied approximately 70% of the naphtha consumed by our Basic Petrochemicals Unit. Petrobras produces most of the naphtha it sells to us and imports naphtha to serve the gasoline pool and to sell to us. Petrobras currently is also the only Brazilian supplier of ethane and propane and has historically supplied the ethane and propane consumed at our petrochemical complex located in Duque de Caxias in the State of Rio de Janeiro, or the Rio de Janeiro Complex.

Our production volume and net sales revenue would likely decrease and our overall financial performance would likely be negatively affected in the event of the following:

- significant damage to Petrobras' refineries or to the port facilities through which Petrobras imports naphtha, or to any of the pipelines connecting our plants to Petrobras' facilities, whether as a consequence of an accident, natural disaster, fire or otherwise; or
- any termination by Petrobras of the naphtha, ethane or propane supply contracts with our company, which provide that Petrobras may terminate the contracts for certain reasons described in "Item 4. Information on the Company—Basic Petrochemicals Unit—Raw Materials of Our Basic Petrochemicals Unit."

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On December 23, 2015, we finalized and executed an agreement for the supply of naphtha with Petrobras at a price indexed to the Amsterdam-Rotterdam-Antwerp naphtha quotation. This agreement replaced the previous amendments and will be valid for a five-year period as of December 23, 2015 and establishes that both parties will have commercial renegotiation rights as of the third year should certain market conditions change.

In addition, although regulatory changes have ended Petrobras' monopoly in the Brazilian naphtha market and have allowed us to import naphtha, any restrictions imposed on the importation of naphtha into Brazil could increase our production costs.

We depend on propylene supplied by third parties in the US and in Europe

Our reliance on third-party suppliers poses significant risks to our operating results, business and prospects. We rely upon third-party suppliers for our plants, to supply us with propylene. We acquire propylene for our polypropylene plants in the United States under a variety of long-term supply agreements and through the spot market. As of December 31, 2015, we had long-term supply agreements with multiple suppliers. In Germany, we acquire propylene for our polypropylene plants under long-term supply agreements that provide for the supply of approximately 95% of the propylene requirements of these plants.

We are subject to substantial risks because of our reliance on these and other limited or sole source suppliers, including the following risks:

- if a supplier does not provide propylene that meet our or their specifications in sufficient quantities and with acceptable performance or quality on time or deliver when required, then sales, production, delivery, acceptance and revenue from our plants could be adversely affected;
- if our relationship with a key supplier, is adversely affected, for example, due to competitive pressures (or conflicting interests), our ability to obtain propylene on advantageous financial terms could be adversely affected;
- if an interruption of supply of propylene occurs because a supplier changes its technology roadmap, suffers damage to its manufacturing facilities, decides to no longer provide those products or services, increases the price of those products or services significantly or imposes reduced delivery allocations on its customers, it could take us a considerable period of time to identify and qualify alternative suppliers;
- some of our key suppliers are small companies with limited financial and other resources, and consequently may be more likely to experience financial and operational difficulties than larger, well-established companies, which increases the risk that they will be unable to deliver products as needed; and
- if a key supplier is acquired or has a significant business change, the production and sales of our systems and services may be delayed or adversely affected, or our development programs may be delayed or may be impossible to complete.

Delays in the availability of propylene or propylene of acceptable quality, or our inability to obtain such acceptable propylene in the quantities we need or at all, may adversely affect our revenue and operating results.

Our Polyolefins Unit and Vinyls Unit depend on our basic petrochemicals plants to supply them with their ethylene and propylene requirements.

Our Basic Petrochemicals Unit is the only supplier of ethylene to our Vinyls Unit, the only supplier of ethylene to the polyethylene plants of our Polyolefins Unit and the principal supplier of propylene to the polypropylene plants of our Polyolefins Unit. Because the cost of storing and transporting ethylene is substantial and there is inadequate infrastructure in Brazil to permit the importing of large quantities of ethylene and propylene, our polyolefins plants in Brazil and our Vinyls Unit are highly dependent on the supply of these products by our basic petrochemicals plants. Consequently, our production volumes of, and net sales revenue from, polyolefins and vinyls products would decrease, and our overall financial performance would be negatively affected, in the event of the following:

- any significant damage to the facilities of our Basic Petrochemicals Unit through which ethylene or propylene is produced, or to the pipeline or other facilities that connect our polyolefins plants or vinyls plants to our basic petrochemicals plants, whether as a consequence of an accident, natural disaster, fire or otherwise;

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- any significant reduction in the supply of naphtha to our Basic Petrochemicals Unit, as naphtha is the principal raw material used by our Basic Petrochemicals Unit in the production of ethylene and propylene; or
- any significant reduction in the supply of ethane or propane to our subsidiary Rio Polímeros S.A., or RioPol, as ethane and propane are the principal raw materials used by RioPol in the production of ethylene and propylene.

We depend on Petrobras for a significant portion of the propylene that we use in Brazil to produce polypropylene and we will depend on Pemex Gas for all of the ethane that we will use in Mexico to produce ethylene .

During 2015, approximately 36% of the propylene used by our Polyolefins Unit was supplied by Petrobras. During 2015, our Etileno Project was not yet operational; however, once operational, all of the ethane used by the project will be supplied by Pemex.

As a result of limited infrastructure in Brazil to allow the importation of propylene in large quantities and substantial costs associated with the storage and transportation of the product, we are highly dependent on the propylene supplied by Petrobras. Thus, production volumes and net sales revenue from polypropylene products would decrease and adversely affect our overall financial performance in the event of the following:

- significant damage to Petrobras' refineries or to any of the pipelines connecting our polypropylene plants to Petrobras' facilities, whether as a consequence of an accident, natural disaster, fire or otherwise; or
- termination by Petrobras of our supply contracts. Such contracts include early termination provisions including a change of control, an event of default on our other financing agreements, failure to cure any breach of the agreement or assignment without previous notice.

Braskem Idesa has entered into a long-term supply contract to purchase ethane from Pemex Transformación Industrial (successor of Pemex Gas y Petroquímica Básica), or Pemex TRI, a state-owned Mexican company, under competitive commercial conditions. Any termination by Pemex TRI of this supply contract could have a material adverse effect on our overall financial performance. The provisions for early termination by Pemex TRI include but are not limited to (i) material breach of our obligations or failure to cure any breach of the agreement or assignment and (ii) continuous occurrence of a force majeure event or emergency shutdown.

Any downgrade in the ratings of our company or our debt securities would likely result in increased interest and other financial expenses related to our borrowings and debt securities and could reduce our liquidity.

Standard & Poor's, Moody's and Fitch maintain ratings of our company and our debt securities. Currently, Standard & Poor's and Fitch maintain ratings of our company on global and national basis. Moody's only maintains ratings of our company on a global basis. Standard & Poor's maintains a rating for our company of "BBB- (negative)" on a global basis and a rating for our company of "brAAA (negative)" on a national basis; Fitch maintains a rating for our company of "BBB- (negative)" on a global basis and a rating for our company of "AA+ (negative)" on a national basis; and Moody's maintains a rating for our company of "Ba1 (negative)" on a global basis. Any decision by these agencies to downgrade the ratings of our company or of our debt securities in the future would likely result in increased interest and other financial expenses relating to our borrowings and debt securities and the inclusion of financial covenants in the instruments governing new indebtedness, and could significantly reduce our ability to obtain such financing on satisfactory terms or in amounts required by us and our liquidity and would require us to post cash collateral pursuant

to our obligations.”

Some of our shareholders may have the ability to determine the outcome of corporate actions or decisions, which could affect the holders of our class A preferred shares and the ADSs.

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Odebrecht S.A., or Odebrecht, directly or through its wholly-owned subsidiary Odebrecht Serviços e Participações S.A., or OSP, owns 38.3% of our outstanding share capital, including 50.1% of our voting share capital and Petrobras holds 36.1% of our outstanding share capital, including 47.0% of our voting share capital. Designees of Odebrecht constitute a majority of the members of our board of directors. Under a shareholders' agreement to which OSP and Petrobras are parties, which we refer to as the Petrobras Shareholders' Agreement, we may only undertake certain actions after Odebrecht and Petrobras have reached a consensus with respect to those actions. However, Odebrecht will have the sole power to approve the business plan of our company, through the board of directors, as described under "Item 7. Major Shareholders and Related Party Transactions—Major Shareholders—Shareholders' Agreements." As a result, Odebrecht has the ability to determine the outcome of most corporate actions or decisions requiring the approval of our shareholders or our board of directors — in certain instances, with the consent of Petrobras — which could affect the holders of our class A preferred shares and the American Depositary Shares, or ADSs.

We may face conflicts of interest in transactions with related parties.

We maintain trade accounts receivable and current and long-term payables with some of our affiliates and other related parties, including Petrobras, which is our domestic supplier of naphtha and other raw materials such as propylene, ethane, propane and light refinery hydrocarbons. These accounts receivable and accounts payable balances result mainly from purchases and sales of goods, which are at prices and on terms equivalent to the average terms and prices of transactions that we enter into with third parties. These and other transactions between us and our affiliates could result in conflicting interests between our company and these shareholders.

We may make significant acquisitions which, if not successfully integrated with our company, may adversely affect our operating results.

We may make significant acquisitions in the future. Acquisitions involve risks, including the following:

- failure of the acquired businesses to achieve expected results;
- possible inability to retain or hire key personnel of the acquired businesses;
- possible inability to achieve expected synergies and/or economies of scale; and
- unanticipated liabilities.

If we are unable to integrate or manage acquired businesses successfully, we may not realize anticipated cost savings, revenue growth and levels of integration, which may result in reduced profitability or operating losses.

We may face unforeseen challenges in the operation of Project Ethylene XXI which could result in this project failing to provide expected benefits to our company.

During the first half of 2016, we expect to conclude the construction phase of an olefins complex, or the Mexico Complex, located in the Mexican state of Veracruz. For more information about this project, which we refer to as Project Ethylene XXI, see "Item 5. Operating and Financial Review and Prospects—Capital Expenditures—Joint Venture Projects—Project Ethylene XXI."

Braskem Idesa S.A.P.I., or Braskem Idesa, our joint venture with Grupo Idesa, S.A. de C.V., or Idesa, one of Mexico's leading petrochemical groups, to develop Project Ethylene XXI, required significant capital expenditure. Our ability to achieve the strategic objectives of this project will depend largely on its successful operation. Factors that could affect the operation of this project include:

- the outcome of performance tests included in the EPC and technology licensing contracts;
- the conclusion of negotiations with export channels and providers of logistics services in order to launch sales;

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- macroeconomic conditions in Mexico and demand for polyethylene; and
- the occurrence of unforeseen technical and mechanical difficulties, including technical problems that may delay start-up, interrupt production or lead to unexpected downtime of the Project's plants).

We cannot assure you that this project will provide the expected benefits to our company and that the actual cost or time required to complete the implementation of this project will not substantially exceed our current estimates. Any significant interruption could hinder or prevent the implementation of our business plan as originally conceived, and result in revenues and net income below expected.

Future adjustments in tariffs on imports that compete with our products could cause us to lower our prices.

We currently benefit from tariffs imposed by the Brazilian government on imports that allow us to charge prices for our polyolefin and vinyl products in the domestic market that include a factor based on the tariffs levied on comparable imports of those products. However, the Brazilian government has in the past used import and export tariffs to effect economic policies, with the consequence that tariffs can vary. For example, in September 2012, the Brazilian government increased import duties on 100 products related to various industries, including an increase on the import tariff for polyethylene. In October 2012, it increased the import tariff for polyethylene from 14% to 20% and in October 2013, it reduced the import tariff for polyethylene to the previous level of 14%. Future adjustments of tariffs could lead to increased competition from imports and cause us to lower our domestic prices, which would likely result in lower net sales revenue and could negatively affect our overall financial performance. Additionally, the products we export to in the United States and Europe are subject to tariffs in the amount of 6.5% in each jurisdiction, subject to certain preferences. These tariffs generally favor our products produced locally and any future adjustments to these tariff structures could negatively impact our sales in these jurisdictions. Future trade agreements entered into by Brazil, the United States or the European Union could also lead to increased competition from imports and lower domestic prices.

Our business is subject to stringent environmental regulations, and the imposition of new regulations could require significant capital expenditures and increase our operating costs.

We, like other Brazilian petrochemical producers, are subject to stringent Brazilian federal, state and local environmental laws and regulations concerning human health, the handling and disposal of solid and hazardous wastes and discharges of pollutants into the air and water. Petrochemical producers are sometimes subject to unfavorable market perceptions as a result of the environmental impact of their business, which can have an adverse effect on their results of operations.

Our operations in the United States, Germany and Mexico are subject to extensive U.S., German and Mexican federal, state and local laws, regulations, rules and ordinances relating to pollution, protection of the environment and the generation, storage, handling, transportation, treatment, disposal and remediation of hazardous substances and waste materials. U.S. environmental laws and regulations may impose liability on us for the conduct of third parties, or for actions that complied with applicable requirements when taken, regardless of negligence or fault. Of particular significance to us are (1) regulatory programs to be established to implement air quality standards under the National Ambient Air Quality Standards for ozone and fine particles promulgated by the U.S. Environmental Protection Agency, or the EPA, and (2) various legislative and regulatory measures in the United States which are under review, discussion or implementation to address greenhouse gas emissions. In Mexico, we adhere to the comprehensive

responsibility program promoted by ANIQ, which is based on the Responsible Care standard used in the United States and Canada.

Costs and capital expenditures relating to environmental, health or safety matters are subject to evolving regulatory requirements and will depend on the timing of the promulgation and enforcement of specific standards which impose the requirements. Moreover, changes in environmental regulations could inhibit or interrupt our operations, or require modifications to our facilities. Accordingly, environmental, health or safety regulatory matters may result in significant unanticipated costs or liabilities.

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We manufacture products that are subject to the risk of fire, explosions and other hazards.

Our operations are subject to hazards, such as fires, explosions and other accidents, associated with the manufacture of petrochemicals and the storage and transportation of feedstock and petrochemical products. These hazards can cause personal injury and loss of life, severe damage to or destruction of property and equipment and environmental damage. A sufficiently large accident at one of our plants or storage facilities could force us to suspend our operations temporarily and result in significant remediation costs and lost net sales revenue.

Although we maintain insurance coverage for losses due to fire damage and for losses of income resulting from shutdowns due to fire, explosion or electrical damage, those insurance proceeds may not be available on a timely basis and may be insufficient to cover all losses, which could have a material adverse effect on our financial performance.

Unfavorable outcomes in pending or future litigation may reduce our liquidity and negatively affect our financial performance and financial condition.

We are, and in the future may be, involved in numerous tax, civil and labor disputes, among others, involving monetary claims. If unfavorable decisions are rendered in one or more of these lawsuits, we could be required to pay substantial amounts. For some of these lawsuits, we have not established any provision on our balance sheet or have established provisions only for part of the amounts in question, based on our judgments as to the likelihood of winning these lawsuits. For more information about our legal proceedings, see “Item 8. Financial Information—Legal Proceedings.”

Labor unrest may materially and adversely affect our operations.

Labor unrest in our plants and facilities may have a material adverse effect on our financial condition or results of operations. For example, in August 2010, the unionized employees at our Neal, West Virginia plant went on strike. During the strike, the plant operated under the supervision of management until May 2011, when Braskem America entered into a new collective bargaining agreement. Although we believe that we maintain good relations with our employees, future labor actions, including strikes, could have a material adverse effect on our financial performance.

Natural disasters, severe weather and climate conditions could have a material adverse effect on our overall business.

Some of our facilities are located in places that could be affected by natural disasters, such as floods, earthquakes, hurricanes, tornados and other natural disasters, which could disrupt our operations or the operations of our customers and could damage or destroy infrastructure necessary to transport our products as part of the supply chain. Such events could require maintenance shutdowns, delay shipments of existing inventory or result in costly repairs, replacements or other costs, all of which could have a material adverse effect on our financial performance.

While Braskem’s energy risk policy dictates that it purchases energy in advance at fixed prices through long-term contracts, the majority of Brazilian power generation capacity is provided by hydroelectric generation facilities. If the amount of water available to energy producers becomes scarce due to drought or diversion for other uses, the cost of energy may increase. Such conditions could have a material adverse effect on our sales and margins.

We could be materially adversely affected by violations of the Brazilian Anti-Corruption Law, U.S. Foreign Corrupt Practices Act and similar anti-corruption laws.

We, our subsidiaries and our joint venture partners are subject to a number of anti-corruption laws, including Law No. 12,846/2013, or the Brazilian Anti-Corruption Law, which became effective on January 28, 2014, the U.S. Foreign Corrupt Practices Act and various other anti-corruption and anti-bribery laws of other jurisdictions.

In the context of anti-corruption allegations against certain individuals and entities in Brazil, including Petrobras, we were mentioned in allegations that asserted that improper payments were made in exchange for favorable treatment in connection with certain raw material supply contracts we have with Petrobras. We immediately engaged Brazilian and U.S. legal counsel, which have recognized experience in similar cases, to conduct an independent internal investigation of the allegations, or the Investigation. These law firms are conducting the Investigation and will report their findings directly to an ad hoc committee of the Company's board of directors. Through these law firms, we voluntarily contacted relevant regulatory authorities, including the SEC, DoJ and CVM, to advise them about the Investigation. We have been fully cooperating with these authorities and maintain frequent contact with them through these law firms. Our cooperation with these authorities includes voluntarily producing documents to the DoJ and SEC, and responding to requests for documents, including requests made in an SEC subpoena we received on February 8, 2016.

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The outcome of the Investigation is not presently known and may remain so for a substantial period of time. We cannot currently predict how the Investigation, and any future decisions by authorities, may impact the Company and the resources needed to resolve this matter. It is possible that the scope of the Investigation may be expanded to include additional matters. We cannot predict the actions that the authorities may take, but the range of possibilities includes an enforcement action against the Company or one or more former or current officers, directors and employees. In addition, the SEC, DoJ and CVM, or other authority with jurisdiction over the Company may seek to impose substantial monetary sanctions if the Investigation, or a parallel investigation by these authorities, discovers evidence of misconduct. Our financial exposure also may include certain indemnification obligations, to the extent permitted by law, to current and former officers, directors and employees against losses incurred in connection with their actions on behalf of the Company, including reimbursement of legal fees. Moreover, adverse publicity associated with the Investigation and potential future regulatory actions could have a material adverse effect on our business, including a decrease in demand for our products. As a result, the Investigation and related SEC and DoJ investigations, as well as the securities class action lawsuit described in more detail under “Item 8—Legal Proceedings—Class Action Claim,” could have a material adverse effect on our business, reputation, financial condition, results of operations, liquidity and the trading price of our securities, including our class A preferred shares and the ADS.

If any of these allegations prove to be true, or if the investigation results in conclusions that show that we or any of our subsidiaries, or joint venture partners fails to comply with any of these laws, we could be subject to applicable civil or criminal penalties, which could adversely affect our overall performance.

Unfavorable outcomes in pending litigation may negatively affect our results of operations, cash flows and financial condition.

In 2015, a consolidated class action complaint was filed in the U.S. District Court for the Southern District of New York alleging that the Company made false statements and/or failed to disclose improper payments in filings made with the SEC. The plaintiffs are expected to file an amended complaint in May 2016. The outcome of the litigation is not possible to predict. It is possible that we will become party to additional lawsuits. In addition, we are generally obligated, to the extent permitted by law, to indemnify our directors and officers who are named defendants in these lawsuits. The action requires significant management time and attention. In addition, we may be required to pay judgments or settlements and incur expenses that could have a material and adverse effect on our financial condition or results of operations.

Risks Relating to Brazil

Brazilian political and economic conditions, and the Brazilian government’s economic and other policies, may negatively affect demand for our products as well as our net sales revenue and overall financial performance.

The Brazilian economy has been characterized by frequent and occasionally extensive intervention by the Brazilian government and unstable economic cycles. The Brazilian government has often changed monetary, taxation, credit, tariff and other policies to influence the course of Brazil’s economy. The Brazilian government’s actions to control inflation and implement other policies have at times involved wage and price controls, blocking access to bank accounts, imposing capital controls and limiting imports into Brazil.

Our results of operations and financial condition may be adversely affected by factors such as:

- fluctuations in exchange rates;
- exchange control policies;
- interest rates;
- inflation;
- tax policies;
- expansion or contraction of the Brazilian economy, as measured by rates of growth in GDP;
- liquidity of domestic capital and lending markets; and
- other political, diplomatic, social and economic developments in or affecting Brazil.

Brazilian markets have been experiencing heightened volatility due to the uncertainties derived from the ongoing Lava Jato investigation, which is being conducted by the Office of the Brazilian Federal Prosecutor, and its impact on the Brazilian economy and political environment. Members of the Brazilian federal government and of the legislative branch, as well as senior officers of the state-owned oil company Petróleo Brasileiro S.A. – Petrobras, or Petrobras, have faced allegations of political corruption. These government officials and senior officers allegedly accepted bribes by means of kickbacks on contracts granted by Petrobras to several infrastructure, oil and gas and construction companies, including our controlling shareholder Odebrecht S.A. We cannot currently predict how the Lava Jato investigation and any future decisions and actions by authorities in relation to our shareholders, may impact the Company. The profits of these kickbacks allegedly financed the political campaigns of political parties of the current federal government that were unaccounted for or not publicly disclosed, as well as served to personally enrich the recipients of the bribery scheme. As a result of the ongoing Lava Jato investigation, a number of senior politicians, including congressman and officers of the major state-owned companies in Brazil resigned or have been arrested. Senior elected officials and other public officials in Brazil are being investigated for allegations of unethical and illegal conduct identified during the Lava Jato investigation.

In addition, the Brazilian Congress opened impeachment proceedings against President Dilma Rousseff on December 2, 2015 for allegedly breaking budget laws as she increased economic stimulus during her re-election campaign last year. On April 17, 2016, the Brazilian Congress voted in favor of the admissibility of the impeachment proceedings and the Brazilian Senate is expected to vote on the impeachment on May 11, 2016. The impeachment proceedings have adversely affected and we expect that they will continue to adversely affect the Brazilian markets and trading prices of securities issued by Brazilian issuers. We cannot predict either the outcome of the impeachment proceedings or their effects on the Brazilian economy. Any developments in the impeachment proceedings could have a material adverse effect on us.

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The potential outcome of these investigations and proceedings is uncertain, but they have adversely affected and we expect that they will continue to adversely affect the Brazilian markets and trading prices of securities issued by Brazilian issuers. We cannot predict whether the allegations or proceedings will lead to further political and economic instability or whether new allegations against government officials or other companies in Brazil will arise in the future. In addition, we can neither predict the outcome of any such allegations and proceedings nor their effect on the Brazilian economy. The development of those unethical conduct cases could have a material adverse effect.

Future changes in industrial policy and related actions undertaken by the Brazilian government may negatively affect demand for our products as well as our net sales revenue and overall financial performance.

We currently benefit from certain industrial policies and related actions undertaken by the Brazilian government intended to strengthen the domestic economy and certain local industries. Some of these policies and actions have recently included reductions in payroll taxes for plastic manufacturers, a program to improve the competitiveness of Brazilian producers in the export markets by refunding the federal taxes levied on their export sale, intervention of the federal government to reduce incentives to imports at local ports, increases in import duties on certain products, including polyethylene, and the reduction in the rates of Social Integration Program (*Programa de Integração Social*), or PIS, a federal value-added tax, and Contribution for Social Security Financing (*Contribuição para Financiamento da Seguridade Social*), or COFINS, taxes on feedstock purchases by first- and second-generation petrochemical producers.

These taxes on feedstock purchase were set at a rate of 5.6% for naphtha and 9.25% for other feedstocks prior to June 2013, when they were lowered to 1% until 2015, increasing to 3% in 2016 and 5% in 2017 and, then return to the 5.6% rate in 2018 and on. We cannot predict or control which policies will be renewed or discontinued and whether future changes to Brazilian industrial policy will be proposed and enacted in the future. If industrial policies that benefit us expire, or policies detrimental to us are implemented, our business, results of operations and financial condition may be adversely affected.

Fluctuations in the real/U.S. dollar exchange rate could increase inflation in Brazil, raise the cost of servicing our foreign currency-denominated debt and negatively affect our overall financial performance.

The exchange rate between the *real* and the U.S. dollar and the relative rates of depreciation and appreciation of the *real* have affected our results of operations and may continue to do so.

The Brazilian currency has been devalued on several occasions during the last four decades. Throughout this period, the Brazilian government has implemented various economic plans and various exchange rate policies, including sudden devaluations, periodic mini-devaluations (during which the frequency of adjustments has ranged from daily to monthly), exchange controls, dual exchange rate markets and a floating exchange rate system. From time to time, there have been significant fluctuations in the exchange rate between the Brazilian currency and the U.S. dollar and other currencies. The *real* depreciated by 12.6% against the U.S. dollar during 2011, by 8.9% during 2012, by 14.6% during 2013, by 13.4% during 2014 and by 47.0% during 2015.

Depreciation of the *real* relative to the U.S. dollar also could result in inflationary pressures in Brazil by generally increasing the price of imported products and services. On the other hand, the appreciation of the *real* against the U.S. dollar may lead to a deterioration of the country's current account and the balance of payments and may dampen export-driven growth.

We had total foreign currency-denominated debt obligations, all of which were denominated in U.S. dollars, in an aggregate amount of R\$22,415.2 million (US\$5,740.4 million) as of December 31, 2015, representing 78.7% of our consolidated indebtedness, not including transaction costs or the aggregate amount of R\$12,312.5 million (US\$3,193.1 million) outstanding as of December 31, 2015 in connection with the project finance debt related to Project Ethylene XXI. As of December 31, 2015, we had US\$1,251.9 million in foreign currency-denominated cash and cash equivalents.

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A significant depreciation of the *real* in relation to the U.S. dollar or other currencies could increase our financial expenses as a result of foreign exchange losses that we must record and could reduce our ability to meet debt service requirements of our foreign currency-denominated obligations. To enable us to more efficiently manage the effects of exchange rate fluctuations on our results, in 2013 we decided to designate part of our U.S. dollar-denominated liabilities as a hedge for our future exports.

The prices of naphtha, our most important raw material, and of some of our other raw materials, are denominated in or linked to the U.S. dollar. Naphtha accounted, directly and indirectly, for 44.4% of our consolidated cost of sales and services rendered in 2015. When the *real* depreciates against the U.S. dollar, the cost in *reais* of our U.S. dollar-denominated and U.S. dollar-linked raw materials increases, and our operating income in *reais* may decrease to the extent that we are unable to pass on these cost increases to our customers.

The Brazilian government's actions to combat inflation may contribute significantly to economic uncertainty in Brazil and reduce demand for our products.

Historically, Brazil has experienced high rates of inflation. Inflation, as well as government efforts to combat inflation, had significant negative effects on the Brazilian economy, particularly prior to 1995. The inflation rate, as measured by the General Price Index—Internal Availability (*Índice Geral de Preços—Disponibilidade Interna*), or the IGP-DI, reached 2,708% in 1993. Although inflation rates have been substantially lower since 1994 than in previous periods, inflationary pressures persist. Inflation rates, as measured by the IGP-DI, were 5.0% in 2011, 8.1% in 2012, 5.5% in 2013, 3.8% in 2014 and 10.7% in 2015. The Brazilian government's measures to control inflation have often included maintaining a tight monetary policy with high interest rates, thereby restricting availability of credit and reducing economic growth. Inflation, actions to combat inflation and public speculation about possible additional actions also may contribute to economic uncertainty in Brazil and to heightened volatility in the Brazilian securities markets.

Brazil may experience high levels of inflation in future periods. Increasing prices for petroleum, the depreciation of the *real* and future governmental measures seeking to maintain the value of the *real* in relation to the U.S. dollar may trigger increases in inflation in Brazil. Periods of higher inflation may slow the rate of growth of the Brazilian economy, which would lead to reduced demand for our products in Brazil and decreased net sales revenue. Inflation is also likely to increase some of our costs and expenses, which we may not be able to pass on to our customers and, as a result, may reduce our profit margins and net income. In addition, high inflation generally leads to higher domestic interest rates, and, as a result, the costs of servicing our *real* denominated debt may increase, causing our net income to be reduced. Inflation and its effect on domestic interest rates can, in addition, lead to reduced liquidity in the domestic capital and lending markets, which could adversely affect our ability to refinance our indebtedness in those markets. Any decline in our net sales revenue or net income and any deterioration in our financial condition would also likely lead to a decline in the market price of our securities, including class A preferred shares and the ADS.

Fluctuations in interest rates could raise the cost of servicing our debt and negatively affect our overall financial performance.

Our financial expenses are affected by changes in the interest rates that apply to our floating rate debt. As of December 31, 2015, we had, among other debt obligations, R\$2,061.1 million of loans and financing and debentures that were subject to the Long-Term Interest Rate (*Taxa de Juros de Longo Prazo*), or TJLP, R\$1,750.3 million of loans and financing and debentures that were subject to the Interbank Deposit Certificate (*Certificado de Depósito*

Interbancário), or CDI rate, and R\$12,297.2 million of loans and financing that were subject to the London Interbank Offered Rate, or LIBOR.

The TJLP includes an inflation factor and is determined quarterly by the Central Bank. In particular, the TJLP and the CDI rate have fluctuated significantly in the past in response to the expansion or contraction of the Brazilian economy, inflation, Brazilian government policies and other factors. See “Item 11. Quantitative and Qualitative Disclosures about Market Risk.” A significant increase in any of these interest rates could adversely affect our financial expenses and negatively affect our overall financial performance.

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Brazilian government exchange control policies could increase the cost of servicing our foreign currency-denominated debt, adversely affect our ability to make payments under our foreign currency-denominated debt obligations and impair our liquidity.

The purchase and sale of foreign currency in Brazil is subject to governmental control. Many factors could cause the Brazilian government to institute more restrictive exchange control policies, including the extent of Brazil's foreign currency reserves, the availability of sufficient foreign exchange on the date a payment is due, the size of Brazil's debt service burden relative to the economy as a whole, Brazil's policy towards the International Monetary Fund and political constraints to which Brazil may be subject. A more restrictive policy could increase the cost of servicing, and thereby reduce our ability to pay, our foreign currency-denominated debt obligations and other liabilities.

Our foreign-currency debt denominated in U.S. dollars represented an aggregate of 77.8% of our indebtedness on a consolidated basis as of December 31, 2015, not including transaction costs or the aggregate amount of R\$12,250.7 million (US\$3,193.1 million) outstanding as of December 31, 2015 in connection with the project finance debt related to Project Ethylene XXI. If we fail to make payments under any of these obligations, we will be in default under those obligations, which could reduce our liquidity as well as the market price of our securities, including class A preferred shares and the ADS.

Changes in tax laws may result in increases in certain direct and indirect taxes, which could reduce our gross margin and negatively affect our overall financial performance.

The Brazilian government implements from time to time changes to tax regimes that may increase our and our customers' tax burdens. These changes include modifications in the rate of assessments and, on occasion, enactment of temporary taxes, the proceeds of which are earmarked for designated governmental purposes. We cannot predict the changes to Brazilian tax law that may be proposed and enacted in the future. However, future changes in Brazilian tax law may result in increases in our overall tax burden, which could reduce our gross margin and negatively affect our overall financial performance.

Risks Relating to Mexico

Economic conditions and government policies in Mexico and elsewhere may have a material impact on our operations.

A deterioration in Mexico's economic condition, social instability, political unrest or other adverse social developments in Mexico could adversely affect our business and financial condition. These events could also lead to increased volatility in the financial markets, thereby affecting our ability to maintain financial liquidity and service our debt. Additionally, the Mexican Government recently cut spending in response to a downward trend in international crude oil prices, and it may cut spending in the future. These cuts could adversely affect the Mexican economy and, consequently, our business, financial condition, operating results and prospects.

In the past, Mexico has experienced several periods of slow or negative economic growth, high inflation, high interest rates, currency devaluation and other economic problems. These problems may worsen or reemerge, as applicable, in the future and could adversely affect our business and ability to service our debt. A worsening of international financial or economic conditions, such as a slowdown in growth or recessionary conditions in Mexico's trading partners, including the United States, or the emergence of a new financial crisis, could have adverse effects on the

Mexican economy, our financial condition and our ability to service our debt.

Mexico has experienced a period of increasing criminal activity, which could affect our operations.

In recent years, Mexico has experienced a period of increasing criminal activity, primarily due to the activities of drug cartels and related criminal organizations. In addition, the development of the illicit market in fuels in Mexico has led to increases in theft and illegal trade in the fuels that Pemex, our principal supplier in Mexico, produces. In response, the Mexican Government has implemented various security measures and strengthened its military and police forces aimed at decreasing incidents of theft and other criminal activity directed at petrochemical facilities and petrochemical products. Despite these efforts, criminal activity continues to exist in Mexico, some of which may target our facilities and products or those of Pemex and other suppliers. These activities, their possible escalation and the violence associated with them may have a negative impact on our financial condition and results of operations.

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Holders of our class A preferred shares or the ADSs may not receive any dividends or interest on shareholders' equity.

According to our by-laws and Brazilian corporate law, we must generally pay our shareholders at least 25% of our annual net income as dividends or interest on shareholders' equity, as calculated and adjusted under Brazilian GAAP (which, for this purpose, is identical to IFRS). This adjusted net income may be capitalized, used to absorb losses or otherwise retained as allowed under Brazilian GAAP and may not be available to be paid as dividends or interest on shareholders' equity. The Brazilian Corporation Law allows a publicly traded company like ours to suspend the mandatory distribution of dividends in any particular year if our board of directors informs our shareholders that such distributions would be inadvisable in view of our financial condition or cash availability. Holders of our class A preferred shares or the ADSs may not receive any dividends or interest on shareholders' equity in any given year if our board of directors makes such a determination or if our operations fail to generate net income.

Our class A preferred shares and the ADSs have limited voting rights and are not entitled to vote to approve corporate transactions, including mergers or consolidations of our company with other companies, or the declaration of dividends.

Under the Brazilian Corporation Law and our by-laws, holders of our class A preferred shares and, consequently, the ADSs are not entitled to vote at meetings of our shareholders, except in very limited circumstances. These limited circumstances directly relate to key rights of the holders of class A preferred shares, such as modifying basic terms of our class A preferred shares or creating a new class of preferred shares with superior rights. Holders of preferred shares without voting rights are entitled to elect one member and his or her respective alternate to our board of directors and our fiscal council, depending on specific circumstances provided in the Brazilian Corporation Law. Holders of our class A preferred shares and the ADSs are not entitled to vote to approve corporate transactions, including mergers or consolidations of our company with other companies, or the declaration of dividends. However, if we do not pay dividends for three consecutive years, holders of our class A preferred shares and the ADS will be granted voting rights. See "Item 10. Additional Information—Description of Our Company's By-laws—Voting Rights."

Holders of the ADSs may find it difficult to exercise even their limited voting rights at our shareholders' meetings.

Under Brazilian law, only shareholders registered as such in our corporate books may attend our shareholders' meetings. All class A preferred shares underlying the ADSs are registered in the name of the depositary. ADS holders may exercise the limited voting rights with respect to our class A preferred shares represented by the ADSs only in accordance with the deposit agreement relating to the ADSs, which provides that voting rights are only available to ADS holders at our discretion. There are practical limitations upon the ability of ADS holders to exercise their voting rights due to the additional steps involved in communicating with ADS holders. For example, we are required to publish a notice of our shareholders' meetings in certain newspapers in Brazil. To the extent that holders of our class A preferred shares are entitled to vote at a shareholders' meeting, they will be able to exercise their voting rights by attending the meeting in person or voting by proxy. By contrast, holders of the ADSs will receive notice of a shareholders' meeting by mail from the depositary following our notice to the American Depositary Receipt, or ADR, depositary requesting the ADR depositary to do so. To exercise their voting rights, ADS holders must instruct the depositary on a timely basis. This noticed voting process will take longer for ADS holders than for holders of class A preferred shares. If it fails to receive timely voting instructions for all or part of the ADSs, the depositary will assume

that the holders of those ADSs are instructing it to give a discretionary proxy to a person designated by us to vote their ADSs, except in limited circumstances.

In the limited circumstances in which holders of the ADSs have voting rights, they may not receive the voting materials in time to instruct the depositary to vote the class A preferred shares underlying their ADSs. In addition, the depositary and its agents are not responsible for failing to carry out the voting instructions of the holders of the ADSs or for the manner of carrying out those voting instructions. Accordingly, holders of the ADSs may not be able to exercise their voting rights, and they will have no recourse if the class A preferred shares underlying their ADSs are not voted as requested.

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If holders of the ADSs exchange them for class A preferred shares, they may risk temporarily losing, or being limited in, the ability to remit foreign currency abroad and certain Brazilian tax advantages.

The Brazilian custodian for the preferred shares underlying the ADSs must obtain an electronic registration number with the Central Bank to allow the depository to remit U.S. dollars abroad. ADS holders benefit from the electronic certificate of foreign capital registration from the Central Bank obtained by the custodian for the depository, which permits it to convert dividends and other distributions with respect to the class A preferred shares into U.S. dollars and remit the proceeds of such conversion abroad. If holders of the ADSs decide to exchange them for the underlying preferred shares, they will only be entitled to rely on the custodian's certificate of registration with the Central Bank for five business days after the date of the exchange. Thereafter, they will be unable to remit U.S. dollars abroad unless they obtain a new electronic certificate of foreign capital registration in connection with the preferred shares, which may result in expenses and may cause delays in receiving distributions. See "Item 10. Additional Information—Exchange Controls."

Also, if holders of the ADSs that exchange the ADSs for our Class A preferred shares do not qualify under the foreign investment regulations, they will generally be subject to less favorable tax treatment of dividends and distribution on, and the proceeds from any sale of, our preferred shares. See "Item 10. Additional information—Exchange Controls" and "Item 10. Additional Information—Taxation—Brazilian Tax Considerations."

Restrictions on the movement of currency out of Brazil may impair the ability of holders of the 6.450% Notes due 2024, issued by Braskem Finance Limited, or the 2024 Notes, to receive interest and other payments on the notes.

The Brazilian government may impose temporary restrictions on the conversion of Brazilian currency into foreign currencies and on the remittance to foreign investors of proceeds of their investments in Brazil. Brazilian law permits the government to impose these restrictions whenever there is a serious imbalance in Brazil's balance of payments or there are reasons to foresee a serious imbalance. The Brazilian government imposed remittance restrictions for approximately six months in 1990. Similar restrictions, if imposed in the future, would impair or prevent the conversion of interest payments on the notes from reais into U.S. dollars and the remittance of U.S. dollars abroad to holders of the 2024 Notes. The Brazilian government may take similar measures in the future.

The foreign exchange policy of Brazil may affect the ability of Braskem to make money remittances outside Brazil in respect of the guarantees.

Under current Brazilian regulations, Brazilian companies are not required to obtain authorization from the Central Bank in order to make payments under guarantees in favor of foreign persons, such as the holders of the 2024 Notes. We cannot assure you that these regulations will continue to be in force at the time Braskem is required to perform its payment obligations under the guarantees. If these regulations or their interpretation are modified and an authorization from the Central Bank is required, Braskem would need to seek an authorization from the Central Bank to transfer the amounts under the guarantees out of Brazil or, alternatively, make such payments with funds held by Braskem outside Brazil. We cannot assure you that such an authorization will be obtained or that such funds will be available. If such authorization is not obtained, we may be unable to make payments to holders of the 2024 Notes in U.S. dollars. If we are unable to obtain the required approvals, if needed for the payment of amounts owed by Braskem through remittances from Brazil, we may have to seek other lawful mechanisms to effect payment of amounts due under the notes. However, we cannot assure you that other remittance mechanisms will be available in the future, and even if they are available in the future, we cannot assure you that payment on the 2024 Notes would be possible through such

mechanism.

Judgments of Brazilian courts enforcing Braskem's obligations under the guarantees would be payable only in reais.

If proceedings are brought in the courts of Brazil seeking to enforce Braskem's obligations under the guarantees, Braskem would not be required to discharge its obligations in a currency other than *reais*. Any judgment obtained against Braskem in Brazilian courts in respect of any payment obligations under the guarantees would be expressed in *reais*. We cannot assure you that this amount in *reais* will afford you full compensation of the amount sought in any such litigation.

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Holders of the ADSs may face difficulties in protecting their interests because we are subject to different corporate rules and regulations as a Brazilian company and our shareholders may have fewer and less well-defined rights.

Holders of the ADSs are not direct shareholders of our company and are unable to enforce the rights of shareholders under our by-laws and the Brazilian Corporation Law.

Our corporate affairs are governed by our by-laws and the Brazilian Corporation Law, which differ from the legal principles that would apply if we were incorporated in a jurisdiction in the United States, such as the State of Delaware or New York, or elsewhere outside Brazil. Even if a holder of ADSs surrenders its ADSs and becomes a direct shareholder, its rights as a holder of the class A preferred shares underlying the ADSs under the Brazilian Corporation Law to protect its interests relative to actions by our board of directors may be fewer and less well-defined than under the laws of those other jurisdictions.

Although insider trading and price manipulation are crimes under Brazilian law and are the subject of continuously evolving regulations promulgated by the CVM, the Brazilian securities markets are not as highly regulated and supervised as the U.S. securities markets or the markets in some other jurisdictions. In addition, rules and policies against self-dealing or for preserving shareholder interests may be less well-defined and enforced in Brazil than in the United States and certain other countries, which may put holders of our class A preferred shares and the ADSs at a potential disadvantage. Corporate disclosures also may be less complete or informative than for a public company in the United States or in certain other countries.

Holders of the ADSs may face difficulties in serving process on or enforcing judgments against us and other persons.

We are a corporation (*sociedade por ações*) organized under the laws of Brazil, and all of our directors and executive officers and our independent public accountants reside or are based in Brazil. Most of our assets and those of these other persons are located in Brazil. As a result, it may not be possible for holders of the ADSs to effect service of process upon us or these other persons within the United States or other jurisdictions outside Brazil or to enforce against us or these other persons judgments obtained in the United States or other jurisdictions outside Brazil. In addition, because a substantial portion of our assets and all of our directors and officers reside outside the United States, any judgment obtained in the United States against us or any of our directors or officers may not be collectible within the United States. Because judgments of U.S. courts for civil liabilities based upon the U.S. federal securities laws may only be enforced in Brazil if certain conditions are met, holders may face greater difficulties in protecting their interests in the case of actions by us or our directors or executive officers than would shareholders of a U.S. corporation.

We cannot assure you that a judgment of a U.S. court for liabilities under U.S. securities laws would be enforceable in Brazil or the Cayman Islands, or that an original action can be brought in Brazil or the Cayman Islands against Braskem or Braskem Finance Limited or their respective officers and directors for liabilities under U.S. securities laws, among others.

Braskem Finance Limited is an exempted company incorporated with limited liability under the laws of the Cayman Islands. Braskem is a corporation organized under the laws of Brazil. All of the directors of Braskem Finance Limited, all of the directors and officers of Braskem and some of the advisors named herein reside in Brazil or elsewhere outside the United States, and all or a significant portion of the assets of such persons may be located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States or

other jurisdictions outside Brazil upon such persons, or to enforce against such persons judgments predicated upon the civil liability provisions of the U.S. federal securities laws or the laws of such other jurisdictions. In addition, it may not be possible to bring an original action in Brazil against Braskem for liabilities under applicable securities laws. Furthermore, as most of our assets are located in Brazil, any action for enforceability of the guarantees would likely need to be validated by the courts of Brazil. We cannot assure you that such judicial validation would be obtained in a timely manner or at all.

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Actual or anticipated sales of a substantial number of class A preferred shares could decrease the market prices of our class A preferred shares and the ADSs.

Sales of a substantial number of our class A preferred shares could negatively affect the market prices of our class A preferred shares and the ADSs. If, in the future, substantial sales of shares are made through the securities markets by OSP, Petrobras or other existing or future holders of class A preferred shares, the market price of our class A preferred shares and, by extension, the ADSs may decrease significantly. As a result, holders of the ADSs may not be able to sell the ADSs at or above the price they paid for them.

Holders of the ADSs or class A preferred shares in the United States may not be entitled to the same preemptive rights as Brazilian shareholders have, pursuant to Brazilian legislation, in the subscription of shares resulting from capital increases made by us.

Under Brazilian law, if we issue new shares in exchange for cash or assets as part of a capital increase, subject to certain exceptions, we must grant our shareholders preemptive rights at the time of the subscription of shares, corresponding to their respective interest in our share capital, allowing them to maintain their existing shareholding percentage. We may not legally be permitted to allow holders of ADSs or class A preferred shares in the United States to exercise any preemptive rights in any future capital increase unless (1) we file a registration statement for an offering of shares resulting from the capital increase with the U.S. Securities and Exchange Commission, or the SEC, or (2) the offering of shares resulting from the capital increase qualifies for an exemption from the registration requirements of the Securities Act. At the time of any future capital increase, we will evaluate the costs and potential liabilities associated with filing a registration statement for an offering of shares with the SEC and any other factors that we consider important in determining whether to file such a registration statement. We cannot assure the holders of the ADSs or class A preferred shares in the United States that we will file a registration statement with the SEC to allow them to participate in any of our capital increases. As a result, the equity interest of such holders in our company may be diluted.

Brazilian tax laws may have an adverse impact on the taxes applicable to the disposition of our ADSs and preferred shares.

According to Law No. 10,833, enacted on December 29, 2003, if a nonresident of Brazil disposes of assets located in Brazil, the transaction will be subject to taxation in Brazil, even if such disposition occurs outside Brazil or if such disposition is made to another nonresident. Dispositions of our ADSs between nonresidents, however, are currently not subject to taxation in Brazil. Nevertheless, in the event that the concept of “disposition of assets” is interpreted to include the disposition between nonresidents of assets located outside Brazil, this tax law could result in the imposition of withholding taxes in the event of a disposition of our ADSs made between nonresidents of Brazil. Due to the fact that as of the date of this annual report Law No. 10,833/2003 has no judicial guidance as to its application, we are unable to predict whether an interpretation applying such tax laws to dispositions of our ADSs between nonresidents could ultimately prevail in Brazilian courts. See “Item 10. Additional Information—Taxation—Brazilian Tax Considerations.”

The relative volatility and liquidity of the Brazilian securities markets may adversely affect holders of our class A preferred shares and the ADSs.

The Brazilian securities markets are substantially smaller, less liquid and more volatile than major securities markets in the United States and other jurisdictions, and may be regulated differently from the manner in which U.S. investors are accustomed. Factors that may specifically affect the Brazilian equity markets may limit the ability of holders of the ADSs to sell class A preferred shares underlying ADSs at a price and at a time when they wish to do so and, as a result, could negatively impact the market price of the ADSs themselves.

Developments in the international capital markets may decrease the market price of our securities, including class A preferred shares, ADSs and 2024 Notes.

The market price of our securities, including class A preferred shares, ADSs and 2024 Notes may be adversely affected by declines in the international financial markets and world economic conditions. Brazilian securities markets are influenced, to varying degrees, by economic and market conditions in other countries, especially those in Latin America.

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Although economic conditions are different in each country, investors' reaction to developments in one country may affect the securities markets and the securities of issuers in other countries, including Brazil. The recent global economic and financial crisis has had a significant negative impact on the economies of countries around the world. Developed economies like the United States have sustained some of the most direct effects while some emerging economies like China have suffered substantial but comparatively milder effects. More recently, several European economies have revealed significant macroeconomic imbalances. We cannot assure you that the market for Brazilian securities will not continue to be affected negatively by events elsewhere. Any adverse economic developments in other emerging markets may adversely affect investor confidence in securities issued by Brazilian companies, causing their market price and liquidity to suffer. Any such developments could immediately affect our ability to raise capital when needed and the market price of our securities, including class A preferred shares, ADSs and 2024 Notes.

The imposition of IOF taxes may indirectly influence the price and volatility of our ADSs and preferred shares.

Brazilian law imposes the IOF/Exchange Tax, on the conversion of *reais* into foreign currency and on the conversion of foreign currency into *reais*. The objective of this tax is to slow the pace of speculative inflows of foreign capital into the Brazilian market and the appreciation of the *real* against the U.S. dollar. The imposition of this tax may discourage foreign investment in shares of Brazilian companies, including our company, due to higher transaction costs, and may negatively impact the price and volatility of our ADSs and preferred shares on the NYSE and the Brazilian Securities, Commodities and Futures Exchange (*BM&FBOVESPA – Bolsa de Valores, Mercadorias e Futuros*), or BM&FBOVESPA. See “Item 10. Additional information—Taxation—Brazilian Tax Considerations.”

Because Braskem Finance Limited has no operations of its own, holders of the 2024 Notes must depend on Braskem to provide Braskem Finance Limited with sufficient funds to make payments on the 2024 Notes when due.

Braskem Finance Limited, a wholly-owned subsidiary of Braskem incorporated in the Cayman Islands, has no operations other than the issuing and making payments on the 2024 Notes and other indebtedness ranking equally with the 2024 Notes, and using the proceeds therefrom as permitted by the documents governing these issuances, including lending the net proceeds of the 2024 Notes and other indebtedness incurred by Braskem Finance Limited to Braskem and subsidiaries of Braskem. Accordingly, the ability of Braskem Finance Limited to pay principal, interest and other amounts due on the 2024 Notes and other indebtedness will depend upon our financial condition and results of operations and our subsidiaries that are creditors of Braskem Finance Limited. In the event of an adverse change in our financial condition or results of operations and our subsidiaries that are creditors of Braskem Finance Limited, these entities may be unable to service their indebtedness to Braskem Finance Limited, which would result in the failure of Braskem Finance Limited to have sufficient funds to repay all amounts due on or with respect to the 2024 Notes.

Payments on Braskem's guarantees will be junior to Braskem's secured debt obligations and effectively junior to debt obligations of Braskem's subsidiaries and jointly controlled companies.

The 2024 Notes will be fully guaranteed by Braskem on an unsecured basis. The Braskem guarantees will constitute senior unsecured obligations of Braskem. The guarantees will rank equal in right of payment with all of Braskem's other existing and future senior unsecured indebtedness. Although the guarantees will provide the holders of the 2024 Notes with a direct, but unsecured claim on Braskem's assets and property, payment on the guarantees will be subordinated to secured debt of Braskem to the extent of the assets and property securing such debt. Payment on the guarantees will also be structurally subordinated to the payment of secured and unsecured debt and other creditors of

Braskem's subsidiaries and jointly controlled companies.

Upon any liquidation or reorganization of Braskem, any right of the holders of the 2024 Notes, through enforcement of the guarantees, to participate in the assets of Braskem, including the capital stock of its subsidiaries and jointly controlled entities, will be subject to the prior claims of Braskem's secured creditors, and to participate in the assets of Braskem's subsidiaries and jointly controlled entities will be subject to the prior claims of the creditors of its subsidiaries and jointly controlled entities. The indenture relating to the 2024 Notes includes a covenant limiting the ability of Braskem and its subsidiaries to create or suffer to exist liens, although this limitation is subject to significant exceptions.

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As of December 31, 2015, Braskem had (1) consolidated corporate debt, net of transaction costs, of R\$28,480.3 million (US\$7,293.7 million), and (2) consolidated project debt of R\$12,312.5 million (US\$3,193.1 million). Of the consolidated corporate debt, R\$5,475.1 million (US\$1,402.3 million) was unsecured debt of Braskem, R\$3,727.9 million (US\$954.7 million) was secured debt of Braskem, R\$5,478.1 million (US\$1,402.9 million) was debt of Braskem's subsidiaries and special purpose entities (other than Braskem Finance Limited and Braskem Idesa S.A.P.I.).

Braskem conducts a portion of its business operations through subsidiaries and jointly controlled companies, including Braskem Qpar, Braskem Petroquímica (formerly Quattor Petroquímica S.A.), Braskem America and QuantiQ. In servicing payments to be made on its guarantees of the 2024 Notes, Braskem will rely, in part, on cash flows from these subsidiaries and jointly controlled companies, mainly in the form of dividend payments and interest on shareholders' equity. The ability of these subsidiaries and jointly controlled entities to make dividend payments to Braskem will be affected by, among other factors, the obligations of these entities to their creditors, requirements of Brazilian corporate and other law, and restrictions contained in agreements entered into by or relating to these entities.

Braskem's obligations under the guarantees are subordinated to certain statutory preferences.

Under Brazilian law, Braskem's obligations under the guarantees are subordinated to certain statutory preferences. In the event of a liquidation, bankruptcy or judicial reorganization of Braskem, such statutory preferences, including post-petition claims, claims for salaries, wages, social security, taxes and court fees and expenses and claims secured by collateral, among others, will have preference over any other claims, including claims by any investor in respect of the guarantees. In such event, enforcement of the guarantees may be unsuccessful, and holders of the 2024 Notes may be unable to collect amounts that they are due under the 2024 Notes.

Brazilian bankruptcy laws may be less favorable to you than bankruptcy and insolvency laws in other jurisdictions.

If we are unable to pay our indebtedness, including our obligations under the guarantees, then we may become subject to bankruptcy proceedings in Brazil. The bankruptcy laws of Brazil currently in effect are significantly different from, and may be less favorable to creditors than, those of certain other jurisdictions. For example, holders of the 2024 Notes may have limited voting rights at creditors' meetings in the context of a court reorganization proceeding. In addition, any judgment obtained against us in Brazilian courts in respect of any payment obligations under the guarantees normally would be expressed in the *real* equivalent of the U.S. dollar amount of such sum at the exchange rate in effect (1) on the date of actual payment, (2) on the date on which such judgment is rendered, or (3) on the date on which collection or enforcement proceedings are started against us. Consequently, in the event of our bankruptcy, all of our debt obligations that are denominated in foreign currency, including the guarantees, will be converted into *reais* at the prevailing exchange rate on the date of declaration of our bankruptcy by the court. We cannot assure you that such rate of exchange will afford full compensation of the amount invested in the 2024 Notes plus accrued interest.

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According to IHS we are the largest producer of thermoplastic resins in the Americas, based on annual production capacity of our 29 plants in Brazil, five plants in the United States and two plants in Germany as of December 31, 2015. We are the only producer of ethylene, polyethylene and polypropylene in Brazil. We produce a diversified portfolio of petrochemical and thermoplastic products and have a strategic focus on thermoplastic resins, including polyethylene, polypropylene and PVC. We are also the seventh largest Brazilian company, based on net revenue in 2014, according to Valor Magazine. We recorded net sales revenue of R\$47,283.0 million and a net profit of R\$2,898.8 million during the year ended December 31, 2015.

As of December 31, 2015, our business operations were organized into five production business units, which corresponded to our principal production processes, products and services. Our business units were as follows:

- Basic Petrochemicals, which includes our production and sale of basic petrochemicals at the petrochemical complex located in Camaçari in the State of Bahia, or the Northeastern Complex, the petrochemical complex located in Triunfo in the State of Rio Grande do Sul, or the Southern Complex, the petrochemical complex located in Capuava in the State of São Paulo, or the São Paulo Complex and the Rio de Janeiro Complex and our supply of utilities produced at these complexes to second generation producers, including some producers owned or controlled by our company. This segment accounted for net sales revenue of R\$24,269.8 million, or 43.2% of the net sales revenue of all reportable segments, including net sales to our other business units, and had an operating margin of 13.9% in 2015;
- Polyolefins, which includes the production and sale of polyethylene, including the production of “green polyethylene” from renewable resources, and polypropylene produced by our company in Brazil. This segment accounted for net sales revenue of R\$19,986.2 million, or 35.6% of the net sales revenue of all reportable segments, including net sales to our other business units, and had an operating margin of 15.9% in 2015;
- Vinyls, which includes our production and sale of PVC and caustic soda. This segment accounted for net sales revenue of R\$2,780.1 million, or 5.0% of the net sales revenue of all reportable segments, including net sales to our other business units, and had a negative operating margin of 4.0% in 2015;
- USA and Europe, which includes our production, operations and sale of polypropylene in the United States and Germany. This segment accounted for net sales revenue of R\$8,239.9 million, or 14.7% of the net sales revenue of all reportable segments, including net sales to our other business units, and had an operating margin of 10.8% in 2015; and
- Chemical Distribution, which includes the operations of QuantiQ and IQAG and distributes petrochemical products manufactured by our company and other domestic and international companies. This segment accounted for net sales revenue of R\$874.6 million, or 1.6% of the net sales revenue of all reportable segments, including net sales to our other business units, and had an operating margin of 6.1% in 2015.

Strategy of Our Company

Our strategic objective is to satisfy our customers in the plastics value chain and the chemical industry in Brazil and the Americas, while maximizing return on the capital invested by shareholders.

The key elements of our strategy include:

- ***Differentiation of Our Business.*** We recognize the cyclical nature of the markets for our petrochemical products and believe that, by focusing on relationships with our customers, we can foster customer loyalty even during periods of lower demand. For instance, we offer our customers more flexible delivery options and credit terms than importers, which typically offer deliveries only through port facilities financed through letters of credit. Our growth strategy is centered on increasing the consumption of our products, enabling customers to substitute non-plastic materials with thermoplastic resins. We are seeking to establish close, long-term relationships with our customers and are committed to providing technological support and solutions to our customers through our research centers in Rio Grande do Sul (Brazil), and in Pittsburgh, Pennsylvania (United States), which develop processes, products and applications for the petrochemical sector and which, as of December 31, 2015, collectively had 234 employees.

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- **Acquisition of Feedstocks at Competitive Prices and Diversification of Feedstock.** In order to obtain feedstocks at competitive prices, we are constantly seeking to diversify our feedstock profile and to negotiate purchases of feedstocks at competitive prices.

As part of our efforts to acquire feedstock at competitive prices, in 2012 we acquired from Sunoco Chemicals, in the United States, a propylene splitter that was integrated into our unit in Marcus Hook, Pennsylvania. This acquisition provides a long-term solution to the unit's propylene supply. Additionally, we have entered into a partnership with Enterprise Products in the United States, which will supply approximately 65% of the propylene feedstock required by our three plants in the U.S. Gulf region. In addition to guaranteeing the supply of this feedstock for 15 years, the partnership establishes Enterprise's obligation to build a propane dehydrogenation plant (PDH) that will use shale gas and other non-traditional feedstock sources, giving Braskem access to competitive opportunities in gas-based feedstock in the region.

With respect to the diversification of our feedstock profile, we have advanced in the construction of the Ethylene XXI Project, a complex in Mexico that will include a cracker using ethane as feedstock and three integrated polyethylene plants with annual capacity of 1.05 million tons, with startup slated for the first half of 2016. Developed through a joint venture with the Mexican group Idesa, Braskem Idesa has entered into a long-term supply contract to purchase ethane from Pemex Gas y Petroquímica Básica, or Pemex Gas, a state-owned Mexican company, under competitive commercial conditions. In 2016, we expect to invest approximately R\$380 million to enable the use of up to 15% of ethane as raw material in the Northeastern Complex in Brazil. The project will modernize this industrial unit and improve the port infrastructure. We expect to complete this modernization in the second half of 2017. Furthermore, we entered into a long-term ethane supply agreement with a U.S. company with pricing based on the Mont Belvieu market prices. These are strategies that we use to diversify our feedstock and increasing our competitiveness in the petrochemical supply chain in Brazil.

Additionally, we are involved in studies for a new project for the integrated production of polyethylene in the state of West Virginia. This project, called the Appalachian Shale Cracker Enterprise, or Ascent, contemplates the involvement of third party investors. The role of each participant and the business model of the project has not yet been determined and will be subject to board approval if the initial findings of the study are positive. Given recent developments in the world energy markets, we are considering new oil price models into this project analysis.

- **Expansion in Selected International Markets.** As part of the continuous evaluation of our business and plans, we regularly consider a range of strategic options and transactions. From time to time, we consider a variety of potential strategic transactions to expand our presence in the global petrochemicals market. We plan to expand the production capacity of our business units during the next several years by constructing new facilities (greenfield projects) with access to competitive raw material sources independently or in conjunction with third parties and/or through the acquisition of petrochemical producers that currently compete with us or produce complementary products.

We believe that additional capacity purchased or developed by us together with joint venture partners will enable us to maintain and expand our leadership position in the Americas and support the growth of our main markets.

- **New Business Opportunities.** We seek to pursue new business opportunities by developing new and specialized products and technologies, including the following:

Ø We have expanded and converted one of our polyethylene production lines in Bahia to produce metallocene-based linear low density polyethylene. This resin has distinctive characteristics for the flexible packaging industry, including greater resistance to impact and punctures, higher polish and greater transparency. This production line commenced operations in the fourth quarter of 2014;

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Ø We are continuously evaluating opportunities to improve our existing products and to act as partner or supplier in connection with the manufacture of new value-added products; and

Ø We are seeking a strong position in the technological development of chemicals from renewable resources and/or using production processes that generate fewer emissions by investing in research, development and technological innovation.

Long-Term Naphtha Agreement

On December 23, 2015, we and Petrobras entered into a Petrochemical Naphtha Purchase Agreement. This long-term naphtha agreement was the result of our efforts with Petrobras to renegotiate agreements terminated in February 2014 for the supply of naphtha to our basic petrochemicals plants.

Under the terms of this new agreement:

- Petrobras has agreed to sell and deliver naphtha, for a period of five years, to our basic petrochemicals plants in the Northeastern, Southeastern and the Southern Complex exclusively for our use as a raw material;
- we are required to purchase a minimum monthly volume of naphtha;
- we provide Petrobras with a firm commitment order for naphtha each month, together with an estimate of the volume of naphtha that we will purchase over the following six months;
- we may request volumes of naphtha that exceed a monthly firm commitment order, which Petrobras may supply at its discretion;
- naphtha's price is based on 102.1% of ARA;
- the contract may be amended in the event that unforeseen extraordinary events occur that cause a disruption in the economic-financial equilibrium of the contract;
- the contract can be renegotiated from January 2018 onwards depending on the occurrence of certain specific markets events for each party;
- parties may terminate the contract, without prior notice, in the event of: (1) failure to cure any breach of the contract following a 30 day grace period; (2) a force majeure event that continues for more than 90 days; (3) transfer or offer as a guaranty all or part of its rights and obligations under the contract to a third party without prior consent; (4) change of ownership or corporate purposes that conflicts with the object of the contract; (5) dissolution; or (6) failure to perform the compliance obligations of the contract.
- Petrobras may terminate the contract, without prior notice, in the event of bankruptcy or liquidation of Braskem.

History and Development of Our Company

Our business began when the Odebrecht Group and Mariani Group acquired control of Copene, a raw materials petrochemical complex in Camaçari, in July 2001, and then subsequently integrated their assets in the petrochemical sector with Copene. From 2001 to 2004, we underwent a corporate reorganization and merged many recently acquired companies. In addition, we acquired Polialden in 2005 and Politeno in 2006.

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Through a partnership with Petrobras, we began consolidating the Southern Complex in Brazil in March 2007 with the acquired petrochemical assets from the Ipiranga group. In November 2007, we signed an agreement with Petrobras and Odebrecht, which required them to contribute their assets in the petrochemical sector to Braskem. In September 2008, Ipiranga Petroquímica, Petroquímica Paulínia and the spun-off portion of Ipiranga Química were merged into our company. In May 2009, our merger with Triunfo was approved.

In January 2010, we announced the acquisition of Quattor in order to strengthen the Brazilian petrochemical sector and establish ourselves among the five largest and most competitive petrochemical companies in the world. In February 2010, we announced the acquisition of the polypropylene assets of Sunoco Chemicals, the fourth largest producer of this resin in the United States. This acquisition represented an important step towards strengthening our internationalization strategy, which combines our growth in the U.S. market with alternative access to competitive raw materials and main consumer markets. As a result of this acquisition, we became a leader of thermoplastic resins in the Americas, consolidating our position as a major player in the international petrochemical market and the third largest global player in the polypropylene industry.

In July 2011, we announced the acquisition of Dow Chemical's polypropylene business, including four plants (two plants in the United States and two plants in Germany). The U.S. assets, located in Freeport and Seadrift, Texas, have a combined annual production capacity of 545,000 tons, which represented a 50% increase in annual capacity polypropylene production in the United States. The German assets, located in the cities of Wesseling and Schkopau, have a combined annual production capacity of 545,000 tons. This acquisition represented an important step in the consolidation of our international strategy, positioning us as the largest producer of polypropylene in the United States.

The following discussion highlights the important developments in our business since January 1, 2015.

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Our Corporate Structure

The following chart presents our ownership structure and the corporate structure of our principal subsidiaries as of the date of this annual report. The percentages in bold italics represent the direct and indirect percentage of the voting share capital owned by each entity, and the percentages not in bold italics represent the direct and indirect percentage of the total share capital owned by each entity.

Basic Petrochemicals Unit

As of December 31, 2015, according to IHS, our Basic Petrochemicals Unit's facilities had one of the largest annual production capacities of all first generation producers in Latin America. Including net sales to our other business units, our Basic Petrochemicals Unit generated net sales revenue of R\$24,269.8 million in 2015, or 42.7% of the net sales revenue of all reportable segments. Net sales revenue generated by internal sales to our other business units was R\$11,526.0 million during 2015, representing 47.5% of the net sales revenue of our Basic Petrochemicals Unit.

Our Basic Petrochemicals Unit is comprised of the basic petrochemicals operations conducted by our company in the Northeastern Complex, the Southern Complex, the São Paulo Complex and the Rio de Janeiro Complex.

Our Basic Petrochemicals Unit produces:

- olefins, such as ethylene, polymer and chemical grade propylene, butadiene, isoprene and butene-1;

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- BTX products;
- fuels, such as automotive gasoline and liquefied petroleum gas, or LPG;
- intermediates, such as cumene; and
- other basic petrochemicals, such as ethyl tertiary butyl ether, or ETBE, solvent C9 and pyrolysis C9.

The products of our Basic Petrochemicals Unit are used primarily in the manufacture of intermediate second generation petrochemical products, including those manufactured by our Polyolefins Unit and our Vinyls Unit. Our Basic Petrochemicals Unit also supplies other second generation producers in each of the petrochemical complexes in which we operate and other companies located outside of these complexes, and renders services to those producers. In 2015, 83.1% of our Basic Petrochemicals Unit's net sales revenue (including intra-company sales) was derived from the sale of basic petrochemicals, 6.3% from the sale of fuels, 4.5% from the sale of naphtha and condensate, 3.0% from the sale of intermediates and 3.1% from the sale of utilities and services. In 2015, 47.5% of our Basic Petrochemicals Unit's net sales revenue from sales of basic petrochemicals was derived from sales made to our Polyolefins and Vinyls Units.

Products of Our Basic Petrochemicals Unit

Our other business units and third-party petrochemical producers use ethylene and propylene produced by our Basic Petrochemicals Unit to produce second generation products such as polyethylene, polypropylene and PVC. We also sell butadiene, a variety of aromatics, including BTX products, and intermediates, such as cumene, to third-party petrochemical producers for use as raw materials in the production of a variety of second generation products, including synthetic rubber, elastomers, resins, nylon fibers, ethyl benzene (which is used to make styrene monomer/polystyrene), linear alkyl benzene, purified terephthalic acid, dimethyl terephthalate, bisphenol A, a feedstock for the production of polycarbonate resins, phthalic anhydride, plasticizers and paint.

The following table sets forth the sales volume of basic petrochemicals by our Basic Petrochemicals Unit (excluding our intra-company sales) for the periods indicated.

	Year Ended December 31,		
	2015	2014	2013
	(thousands of tons)		
Domestic sales:			
Ethylene	485.8	499.6	531.8
Propylene	246.1	208.9	209.9
Cumene	206.0	211.6	234.1
Butadiene	220.1	210.0	210.8
BTX products(1)	724.7	716.0	686.3
Others	443.5	394.9	395.0
Total domestic sales of basic petrochemicals	2,326.2	2,241.0	2,267.9
Total export sales of basic petrochemicals	1,237.0	1,324.9	1,274.6
Total sales of basic petrochemicals	3,563.2	3,565.9	3,542.5

(1) Includes benzene, toluene, ortho-xylene, para-xylene and mixed xylenes.

In addition, we had the following intra-company sales:

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	Year Ended December 31,		
	2015	2014	2013
	(thousands of tons)		
Ethylene	2,793.5	2,704.3	2,828.2
Propylene	942.7	859.5	977.9
Benzene	—	—	7.5

Production Facilities of Our Basic Petrochemicals Unit

We believe that the technological processes we use at our basic petrochemicals plants are among the most advanced in the world. Our Basic Petrochemicals Unit currently owns and operates:

- five major basic petrochemicals units in the Northeastern Complex (two olefins units, two aromatics units and one utilities unit);
- four major basic petrochemicals units in the Southern Complex (two olefins units, one aromatics unit, and one utilities unit);
- three basic petrochemicals units in the São Paulo Complex (one olefins unit, one aromatics unit and one utilities unit); and
- two basic petrochemicals units in the Rio de Janeiro Complex (one olefins unit and one utilities unit).

We define the term “unit” to mean several production lines that are linked together to produce olefins, aromatics or utilities.

The table below sets forth the primary products of our Basic Petrochemicals Unit, annual production capacity as of December 31, 2015 and annual production for the years presented.

Primary Products	Annual Production Capacity	Production For the Year Ended December 31,		
		2015	2014	2013
		(in tons)		
Olefins:				
Ethylene	3,952,000	3,357,078	3,237,886	3,372,825
Propylene	1,585,000	1,389,796	1,306,636	1,505,595
Butadiene	480,000	389,272	374,827	389,854
Aromatics:				
BTX products(1)	1,479,000	1,031,280	1,013,873	1,217,831

(1) Consists of benzene, toluene, para-xylene and ortho-xylene.

Raw Materials of Our Basic Petrochemicals Unit

Naphtha

Naphtha is the main raw material that we use to produce our basic petrochemical products and represents the principal production and operating cost of our Basic Petrochemicals Unit. We also use condensate as a raw material in our basic petrochemical units in the Southern Complex.

The price of naphtha and condensate that we purchase varies primarily based on changes in the U.S. dollar-based international price of crude oil. Naphtha and condensate accounted for 59.0% of the total cost of sales of our Basic Petrochemicals Unit during 2015, and naphtha accounted for 45.2% of our direct and indirect consolidated cost of sales and services rendered during 2015.

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The following table shows the average Amsterdam-Rotterdam-Antwerp market price of naphtha for the periods indicated.

	2016	2015	2014	2013
Average(1)	US\$332.82	US\$461.89	US\$836.23	US\$903.01
Month ended:				
January	317.83	396.91	918.58	932.95
February	293.00	502.13	913.65	991.86
March	351.07	504.86	911.40	910.29
April	372.00	525.61	925.63	815.70
May	—	550.86	937.84	833.20
June	—	538.07	952.45	843.60
July	—	472.37	935.59	876.79
August	—	403.38	865.81	913.88
September	—	411.66	841.36	929.81
October	—	430.26	711.52	901.87
November	—	419.18	628.94	929.33
December	—	387.41	491.98	956.78

(1) The information in the “Average” row represents the mean average monthly naphtha prices during each respective year.

Source: IHS

Supply Contracts and Pricing of the Basic Petrochemicals Unit

Naphtha

The following table shows the distribution of the naphtha purchases by our Basic Petrochemicals Unit for the periods indicated by geographic location of the suppliers.

	Year Ended December 31,		
	2015	2014	2013
Brazil	55.5%	69.8%	72.4%
Algeria	19.7%	10.2%	13.0%
United States of America	4.5%	—	—
Venezuela	9.9%	9.0%	9.0%
Others	10.4%	11.0%	5.7%
Total	100%	100%	100%

Supply Contracts with Petrobras

On December 23, 2015, we and Petrobras entered into a new five-year Naphtha Purchase Agreement. This contract replaced the naphtha supply contract between our company and Petrobras for the supply of naphtha to our basic

petrochemicals plants located in the Northeastern Complex and superseded the naphtha supply contract between our company and Petrobras for the supply of naphtha to our basic petrochemicals plants located in the Southern Complex. The new contract will expire in December 2020.

Under the terms of this new agreement:

- Petrobras has agreed to sell and deliver naphtha, for a period of five years, to our basic petrochemicals plants in the Northeastern, Southeastern and the Southern Complex exclusively for our use as a raw material;
- we are required to purchase a minimum monthly volume of naphtha;

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- we provide Petrobras with a firm commitment order for naphtha each month, together with an estimate of the volume of naphtha that we will purchase over the following six months;
- we may request volumes of naphtha that exceed a monthly firm commitment order, which Petrobras may supply at its discretion;
- the price we pay for naphtha is equal to 102.1% of ARA;
- the contract will be amended in the event that unforeseen extraordinary events occur that cause a disruption in the economic-financial equilibrium of the contract;
- beginning in January 2018, either party can renegotiate the contract upon the occurrence of certain market events;
- either party may terminate the contract, without prior notice, in the event of: (1) failure to cure any breach of the contract following a 30 day grace period; (2) a force majeure event that continues for more than 90 days; (3) transfer or offer as a guaranty all or part of either party's rights and obligations under the contract to a third party without the other party's consent; (4) an alteration of ownership or corporate purposes that conflicts with the object of the contract; (5) dissolution; or (6) failure to comply with the compliance obligations of the contract; and
- Petrobras may terminate the contract, without prior notice, in the event of our bankruptcy or liquidation.

Supply Arrangements with SONATRACH

La Société Nationale pour la Recherche, la Production, le Transport, la Transformation et la Commercialisation des Hydrocarbures, or SONATRACH (the Algerian national oil company), is one of our suppliers of imported naphtha and condensate. We have imported naphtha supplied by SONATRACH since 2002. On an annual basis, we negotiate the minimum and maximum volumes of naphtha and condensate that we will purchase from SONATRACH. In the event that we were unable to renew our supply arrangements with SONATRACH, we believe that we could purchase sufficient quantities of naphtha from other suppliers to meet the supply needs of our basic petrochemicals plants.

Other Supply Contracts

As part of our strategy to diversify our sources of supply of naphtha, we are acquiring naphtha under annual supply arrangements with Venezuelan and multinational suppliers.

Spot Market Purchases of Naphtha

In addition to our supplies of naphtha under the agreements described above, we purchase naphtha on the spot market from time to time from foreign suppliers located in Africa, Europe, North America and Latin America.

Ethane and Propane

Ethane and propane are the principal raw materials that we use to produce our basic petrochemical products in the Rio de Janeiro Complex and represent the principal production and operating cost of the basic petrochemical unit in the Rio de Janeiro Complex. The price of ethane and propane that we purchase varies primarily based on changes in the

U.S. dollar-based international price of these feedstocks.

In December 2000, RioPol and Petrobras entered into an ethane and propane supply agreement. The initial term of this contract expires in 2020 and this agreement is automatically renewable for one two-year period, unless either party notifies the other party in writing, at least one year prior to the expiration of the contract, that it does not intend to renew this agreement. Under the terms of this agreement:

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- Petrobras agrees to sell and deliver ethane and propane to our basic petrochemical plant in the Rio de Janeiro Complex exclusively for use as a raw material;
- we are required to purchase and Petrobras is required to deliver a minimum annual volume of ethane and/or propane;
- we agree to provide Petrobras with a firm commitment order for ethane and propane each month, together with an estimate of the volume of ethane and propane that we will purchase over the immediately succeeding four months;
- the price for ethane and propane is based on the US Marketscan Mont Belvieu price; and
- Petrobras may terminate the contract, without prior notice, in the event of: (1) our failure to cure any breach of the contract following a 60-day grace period; (2) a force majeure event that continues for more than 365 days; (3) we transfer or offer as a guaranty all or part of our rights and obligations under the contract to a third party without Petrobras' consent; and (4) the dissolution, bankruptcy or liquidation of RioPol.

Light Refinery Hydrocarbons

In January 2005, Braskem Qpar and Petrobras entered into an agreement for the purchase and sale of a stream of light refinery hydrocarbons, from which we separate ethylene and propylene. This agreement provides that we and Petrobras will negotiate the renewal of this agreement prior to its expiration in 2020 and that, in the event that Petrobras does not intend to renew this agreement, it must notify us at least two years prior to the expiration of this agreement and must perform under the terms and conditions of this agreement until 2028. Under the terms of this agreement:

- Petrobras agrees to sell and deliver light refinery hydrocarbons to our basic petrochemical plant in the São Paulo Complex exclusively for use as raw materials;
- we are required to purchase a minimum daily volume of light refinery hydrocarbons;
- the price for light refinery hydrocarbons is based on a variety of market indices;
- the contract will be amended in the event that unforeseen extraordinary events occur that cause a disruption in the economic-financial equilibrium of the contract; and
- Petrobras may terminate the contract, without prior notice, in the event of: (1) our failure to cure any breach of the contract following a 30-day grace period; (2) a *force majeure* event that prevents the execution of the contract; (3) we transfer or offers as a guarantee all or part of its rights, obligations and credits under the contract to a third party without Petrobras' consent, unless the third party is a member of our economic group; (4) the dissolution or bankruptcy of Braskem S.A; and (5) a change of entity type, merger, sale, spin-off or any other corporate reconstruction of Braskem S.A that conflicts with or impedes the execution of contract's object.

Utilities

We self-generated approximately 36% of the Bahia Complex's energy consumption. About 53% of the demand was supplied by Companhia Hidrelétrica do São Francisco, or CHESF, a Brazilian government-owned electric power generation company. The remaining energy was supplied under long-term contracts in the free power market (*Mercado Livre de Energia*) from several companies.

Approximately 78% of the Alagoas Complex's energy consumption was supplied by CHESF. About 15% of the demand was delivered by Eletrobras Alagoas, another Brazilian government-owned electric power generation company. The remainder energy was supplied under long-term contracts in the free power market from several companies

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We self-generated approximately 35% of the Southern Complex's energy consumption, and the remainder energy was acquired primarily under long-term contracts in the free power market from several companies.

We self-generated approximately 11% of the São Paulo Complex's energy consumption, and the remainder energy was acquired primarily under long-term contracts in the free power market from several companies.

We purchased substantially all of the energy consumption requirements of the Rio de Janeiro Complex's from Petrobras Energia until August 2015 when the contract expired. Since then, we acquired all energy consumption from other energy suppliers under several long-term contracts.

Sales and Marketing of Our Basic Petrochemicals Unit

We sell our basic petrochemical products principally in Brazil, mainly to second generation petrochemical producers, including our other business units, as well as to customers in the United States, Europe, South America and Asia.

As is common with other first generation petrochemical producers, our Basic Petrochemicals Unit has a high concentration of sales to a limited number of customers. Net sales to our Basic Petrochemicals Unit's 10 largest customers (excluding intra-company sales) accounted for 61% of our Basic Petrochemicals Unit's total net sales revenue (excluding intra-company sales) during the year ended December 31, 2015.

The following table sets forth our net sales revenue derived from domestic and export sales, excluding inter-company sales, by our Basic Petrochemicals Unit for the years indicated:

	For the Year Ended December 31,		
	2015	2014	2013
	(in millions of reais)		
Net sales revenue:			
Domestic sales	R\$7,523.5	R\$8,459.5	R\$7,786.3
Export sales	4,944.2	5,389.8	5,661.7
	R\$12,467.7	R\$13,849.3	R\$13,448.0

Domestic Sales of Basic Petrochemicals

As part of our commercial strategy, our Basic Petrochemicals Unit focuses on developing longer-term relationships with our customers and entering into long-term supply contracts that provide for minimum and maximum quantities to be purchased and monthly deliveries. We determine the domestic prices that we charge for ethylene by reference to Western European contract prices. We determine the domestic prices that we charge for propylene based on a formula under which 34% of the price is determined by reference to Northwest Europe prices and the remaining 66% is determined by reference to the North American contract prices. We determine the domestic price of butadiene by reference to the U.S. Gulf contract price, and our price for butadiene, unlike our prices for our other basic petrochemical products, include freight costs. We set the domestic prices of our BTX products, including benzene, para-xylene, ortho-xylene and toluene by reference to North American spot market prices. We set the domestic prices of solvents by reference to international market prices and we determine the domestic prices for our other olefins and aromatics products with reference to several market indicators.

Export Sales of Basic Petrochemicals

We export basic petrochemicals mainly to customers in the United States and in Europe. We set export prices for:

- benzene, toluene and para-xylene with reference to market prices prevailing in the U.S. Gulf market; and
- propylene, ETBE, ortho-xylene, butene-1 and isoprene with reference to market prices prevailing in the European market.

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We are focused on maintaining our leading position in the Brazilian market, while continuing to use our exports to protect our operations and adjust the imbalances between demand and production. Export net sales of our Basic Petrochemicals Unit represented 20.4% of our Basic Petrochemicals Unit's net sales revenue during 2015.

Additionally, we have applied our expertise in commodities trading to increase our resale operations of naphtha and oil derivatives in the international markets. In order to meet our crackers' naphtha requirements (in terms of timing, pricing and quality), we maintain an excess supply of naphtha and resell the surplus on the spot market. During 2015, we recorded average resale operations of R\$369.3 million per month.

Competition

Our basic petrochemical customers, which are mostly second generation petrochemical producers with plants located in the Brazilian petrochemical complexes, would have difficulty obtaining their feedstocks from other sources at lower prices due to the high cost of transportation of these products, as well as other logistical difficulties. In addition, because Brazil produces sufficient quantities of olefins to meet domestic demand, imports of these products are generally sporadic and usually related to scheduled plant maintenance shutdowns or to meet unsatisfied domestic demand.

During the past several years, as the relative cost of naphtha and gas as feedstocks for petrochemical crackers has diverged, many crackers using gas as a feedstock have become low-cost producers in the global markets and have seen their margins improve substantially as compared to naphtha crackers, such as our company. However, as gas crackers are able to produce fewer of the co-products and byproducts that naphtha crackers generate, such as propylene, butadiene and BTX products, and in smaller quantities, the prices of these products in the international markets have increased. As a result of the increased prices available for these co-products and byproducts, our net sales revenue from export sales of these products increased and we believe that this increase in net sales revenue from exports of these products will continue in future periods in which the relative competitiveness of cracker feedstocks is disrupted. Competition in the international markets for these products is primarily based on the price of delivered products and competition has increased since mid-2008 as the balance between supply and demand was disrupted due to the impact of the global economic downturn on consumers of these products. In the international markets for our basic petrochemical products, we compete with a large number of producers, some of which are substantially larger and have substantially greater financial, manufacturing, technological and marketing resources than our company.

Polyolefins Unit

As of December 31, 2015, our polyolefins production facilities had the largest annual production capacity of all second generation producers of polyolefins products in Latin America. Our Polyolefins Unit generated net sales revenue of R\$19,986.2 million during 2015, or 35.6% of the net sales revenue of all reportable segments.

Our Polyolefins is comprised of the operations conducted by our company at thirteen polyethylene plants and five polypropylene plants located in the Northeastern Complex, the Southern Complex, the São Paulo Complex and the Rio de Janeiro Complex.

Products of Our Polyolefins Unit

Our Polyolefins Unit produces:

- polyethylene, including LDPE, LLDPE, HDPE, ultra-high molecular weight polyethylene, or UHMWPE, EVA and “green polyethylene” from renewable resources; and
- polypropylene.

We manufacture a broad range of polyolefins for use in consumer and industrial applications, including:

- plastic films for food and industrial packaging;

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- bottles, shopping bags and other consumer goods containers;
- automotive parts; and
- household appliances.

The following table sets forth a breakdown of the sales volume of our Polyolefins Unit by product line and by market for the years indicated.

	Year Ended December 31,		
	2015	2014	2013
	(thousands of tons)		
Domestic sales*:			
Polyethylene (1)	1,684.4	1,743.0	1,765.7
Polypropylene	1,126.9	1,204.0	1,268.9
Other	21.4	20.3	19.6
Total domestic sales	2,832.8	2,967.4	3,054.2
Total export sales	1,307.1	1,112.5	1,150.3
Total Polyolefins Unit sales	4,139.9	4,079.9	4,204.5

(1) Includes EVA.

(*) Unaudited

We provide technical assistance to our customers to meet their specific needs by adapting and modifying our polyethylene and polypropylene products. In particular, we develop customized value-added polypropylene compounds for use by our customers in their specialized applications. We believe that the variety of technological processes at our polyolefins plants provides us with a competitive advantage in meeting our customers' needs.

Production Facilities of Our Polyolefins Unit

As of December 31, 2015, our Polyolefins Unit owned 19 production facilities. Our Polyolefins Unit operates seven plants located in the Southern Complex, five plants located in the Northeastern Complex, five plants located in the São Paulo Complex and two plants located in the Rio de Janeiro Complex.

The table below sets forth for each of our primary polyolefins products, our annual production capacity as of December 31, 2015 and annual production for the years presented.

Primary Products	Annual Production Capacity (in tons)	Production For the Year Ended December 31,		
		2015	2014	2013
		(in tons)		

Polyethylene:				
LDPE/EVA(1)	825,000	645,072	616,849	697,540
HDPE/LLDPE/UHMWPE(2)	2,230,000	2,003,747	1,890,974	1,960,394
Polypropylene(3)	1,850,000	1,510,363	1,592,491	1,627,142

(1) Represents capacity and production at five plants with swing line capable of producing two types of resins.

(2) Represents capacity and production at eight plants with swing line capable of production two types of resins. Capacity varies depending on actual production demands.

(3) Represents capacity and production at five plants.

In September 2010, we commenced production of ethylene at a new plant located in the Southern Complex that produces “green” ethylene using sugar cane ethanol received through the Santa Clara Terminal as its primary raw material. This plant has an annual production capacity of 200,000 tons of ethylene.

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During 2014, we converted and expanded, by 25,000 tons, one of our polyethylene lines in the state of Bahia to produce metallocene-based LLDPE. The project began its operations in January 2015.

Raw Materials of Our Polyolefins Unit

Ethylene and Propylene

The most significant direct costs associated with our production of polyethylene and polypropylene are the costs of purchasing ethylene and propylene, which together accounted for 86.3% of our Polyolefins Unit's total variable cost of production during 2015. During 2015, our Polyolefins Unit purchased all of its ethylene requirements and approximately 64% of its propylene requirements from our Basic Petrochemicals Unit.

Propylene Contracts with Petrobras and its Subsidiaries

Braskem holds multiple propylene contracts with Petrobras refineries, which in 2015 were responsible for the supply of 36% of our propylene demand to produce polypropylene. These supply contracts have initial terms expiring at various dates between May 2021 through April 2028, and are priced based on international references to assure competitiveness of feedstock.

Petrobras may terminate these contracts, without prior notice, in the event of: (1) our failure to cure any breach of the contract following a 30-day grace period; (2) a force majeure event occurs, although some of these contracts require that the force majeure event continues for more than 180 days; (3) we transfer or offer as a guaranty all or part of its rights and obligations under the contract to a third party without Petrobras' consent; (4) an alteration of Braskem management or corporate purposes that conflicts with the object of the contract; (5) the dissolution, bankruptcy or liquidation of Braskem; and (6) a change of entity type, merger, sale, spin-off or any other corporate reconstruction of Braskem that conflicts with or impedes the execution of contract's object.

Ethanol Supply Contracts

Braskem holds multiple ethanol contracts with major producers of ethanol to supply our new facility that produces ethylene using sugar cane ethanol. These supply contracts have initial terms expiring at various dates between May 2016 through April 2017. Under these contracts, we are or will be required to purchase an annual supply of ethanol sufficient to meet approximately 70% of the capacity of this ethylene plant. The price that we pay under these contracts is or will be determined by reference to the monthly price of combustible hydrated alcohol as published by the Center for Advanced Studies in Applied Economics of the Superior School of Agriculture (*Centro de Estudos Avançados em Economia Aplicada da Escola Superior de Agricultura – CEPEA/ESALQ*).

We also purchase ethanol on the spot market from time to time to supplement the supplies that we obtain under these contracts. The price that we pay for ethanol under most of these contracts is determined by reference to market indexes.

Other Materials and Utilities

In addition to direct sales of polyolefins to our customers, our Polyolefins Unit sells products in Brazil through exclusive independent distributors. Our Polyolefins Unit is served by five distributors, through which we distribute our products pursuant to formal agreements and spot market transactions.

Our Polyolefins Unit uses butene and hexane as raw materials in the production of HDPE and LLDPE. Butene is supplied by our Basic Petrochemicals Unit, and we import hexane from suppliers located in South Africa.

Our Unipol® plants in the Northeastern Complex and Rio de Janeiro Complex use catalysts supplied to us by Univation Technologies. Our HDPE plant in the São Paulo Complex uses catalysts supplied to us by W.R. Grace & Co. Our HDPE slurry plant in the Northeastern Complex produces its own catalysts, and we purchase the inputs that we need to produce our own catalysts from various suppliers at market prices. We purchase most of the catalysts that we use in our Polyolefins Unit's polypropylene plants from Basell Polyolefins Company N.V., or Basell, and we also import some catalysts from suppliers in the United States and Europe. We purchase the catalysts that our Polyolefins Unit uses in its swing line LLDPE/HDPE plants from Basell. We produce our own catalysts for our HDPE plants in the Southern Complex using Hoechst technology, and we purchase the inputs that we need to produce these catalysts from various suppliers at market prices.

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Our Basic Petrochemicals Unit supplies most of the steam and water requirements of our Polyolefins Unit's facilities. We purchase steam and water for our polyethylene plant in the Rio de Janeiro Complex from Lanxess. We purchase water for our polyethylene plants located in Santo André from Petrobras' Refinaria de Capuava, or RECAP, or Serviço Municipal de Saneamento Ambiental de Santo André. We purchase water for our basic petrochemical unit in Santo André from Aquapolo Ambiental S.A. We purchase electric power for each of our polyolefins plants, other than our plants in the Northeastern Complex, from third parties pursuant to long-term power purchase agreements. In the Northeastern Complex, our polyolefins plants purchase their electric power requirements from our Basic Petrochemicals Unit. Our polyolefins plants in the Northeastern Complex are able to purchase electric power from alternative sources if our Basic Petrochemicals Unit is unable to meet our total demand for electric power.

In general, we believe that there are sufficient alternative sources available at reasonable prices for each of these other inputs used in our polyolefins production process such that the loss of any single supplier would not have a material adverse effect on our operations.

Sales and Marketing of Our Polyolefins Unit

Our Polyolefins Unit sells polyethylene and polypropylene products to approximately 2,000 customers. We have a diversified product mix that allows us to serve a broad range of end users in several industries. The customers of our Polyolefins Unit generally are third generation petrochemical producers that manufacture a wide variety of plastic-based consumer and industrial goods.

Net sales revenue to the 10 largest customers of our Polyolefins Unit accounted for 16.8% of our Polyolefins Unit's total net sales revenue during 2015. No customer of our Polyolefins Unit accounted for more than 3.0% of our total net sales revenue in 2015, 2014 or 2013.

The following table sets forth our net sales revenue derived from domestic and export sales by our Polyolefins Unit for the years indicated:

	For the Year Ended December 31,		
	2015	2014	2013
	(in millions of reais)		
Net sales revenue:			
Domestic sales	R\$14,032.1	R\$14,098.6	R\$12,848.6
Export sales:			
South America (excluding Brazil)	2,806.5	2,421.1	2,093.2
Europe	1,675.4	872.1	905.2
North America	866.5	896.4	642.9
Asia	446.9	189.4	166.0
Other	158.6	24.6	288.8
Total export sales	5,953.9	4,403.6	4,096.1
	R\$19,986.2	R\$18,502.2	R\$16,944.7

Domestic Sales

We are focused on developing longer-term relationships with our customers. Given the cyclical nature of the markets for our polyolefins products, we believe that we can strengthen customer loyalty during periods of reduced demand for polyethylene or polypropylene by providing a reliable source of supply to these customers during periods of high demand. We work closely with our customers to determine their needs, to provide technical assistance and to coordinate the production and delivery of our products. Customers submit annual proposals giving their estimated monthly requirements for the upcoming year for each of our polyolefins products, including technical specifications, delivery terms and proposed payment conditions. We evaluate these proposals on a monthly basis to make any required adjustments and to monitor and attempt to ensure adequate supply for each customer.

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In addition to direct sales of polyolefins to our customers, our Polyolefins Unit sells products in Brazil through exclusive independent distributors. Our Polyolefins Unit is served by five distributors, through which we distribute our products pursuant to formal agreements and spot market transactions.

We have selected our distributors based on their ability to provide full service to their customers, including the ability to prepare our products on a customized basis. These distributors sell our polyethylene and polypropylene products to manufacturers with lower volume requirements and are able to aggregate multiple orders for production and delivery to customers that would otherwise be uneconomical for us to serve. Furthermore, by serving smaller customers through a network of distributors, our account managers focus their efforts on delivering high quality service to a smaller number of large, direct customers.

Export Sales

Our volume of polyolefins export sales has generally varied based upon the level of domestic demand for our products. Our Polyolefins Unit has a sales office in Argentina which we use to consolidate our marketing efforts in Argentina. Our Polyolefins Unit has a sales office in the Netherlands which we use to support our European customers, improve our knowledge of the European market, optimize our logistics process in this market and develop regional partners. We also maintain a sales office in Chile, Peru and Colombia.

We have established a strategic position in the polyolefins business in South America and Europe through regular direct sales, local distributors and agents who understand their respective markets. Our strategy to increase our presence in these foreign markets is intended, among other things, to reduce our exposure to the cyclicity of the international spot market for polyolefins through the development of long-term relationships with customers in neighboring countries. Our local presence in Europe allows us to further enhance our position in that market and sell our polyolefins segment products through our US and Europe segment.

The main focus of our Polyolefins Unit is to maintain our leading position in the Brazilian market while continuing to export in order to manage the relationship between our production capacity and domestic demand for our products. We believe that our continued presence in export markets is essential to help manage any overcapacity in the Brazilian market and to maintain our position as leader in the supply of polyolefins in South America.

Prices and Sales Terms

We determine the domestic prices for polyethylene by reference to North American contract prices and our domestic prices for polypropylene by reference to Northeast Asian spot market prices. Our customers in Brazil may pay in full on delivery or elect credit terms that require payment in full within seven to 56 days following delivery. We charge interest based on prevailing market rates to our Brazilian customers that elect to pay on credit.

Over the last few years, some Brazilian states have encouraged imports of polyethylene and polypropylene, as well as final products made from these polymers, by providing tax benefits on imported goods. However, on January 1, 2013, federal legislation took effect reducing the maximum *Imposto sobre Circulação de Mercadorias e Serviços*, or ICMS tax (a state value-added tax on sales and services) tax that states can charge from a rate of 12% to 4% on interstate sales of imported raw materials and other goods that are not wholly or partially manufactured in Brazil. As a result, Brazilian states are less able to attempt to attract imports at local ports by offering tax benefits in the form of reduced ICMS tax rates. For more information, see “Item 5. Operating and Financial Review and Prospects—Principal Factors

Affecting Our Results of Operations—Effects of Brazilian Industrial Policy—Import Tariffs at Local Ports.”

Our Polyolefins Unit generally conducts export sales to buyers in countries outside the Southern Cone through the international spot market. Our customer base in these markets consists primarily of trading houses and distributors, most of which have operations in Europe, the United States or in Asia, principally Hong Kong. Pricing is based on international spot market prices. We make all sales in these markets with letters of credit. Export prices for polyethylene and polypropylene sales in the Southern Cone countries by our Polyolefins Unit are primarily based on regional prices and sales are generally made either with letters of credit or through direct bank collections.

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We are the only producer of polyethylene and polypropylene in Brazil. We compete with polyolefins producers located in South America and with other importers of these products. In 2015, Brazilian polyethylene and polypropylene imports declined by 11% and represented 27% of Brazilian polyolefin consumption.

We compete for export sales of our polyolefins products in other countries in Latin America and in markets in the United States, Asia and Europe. Our export business is a commodities business and we compete with a variety of resin producers, some of which have greater financial, research and development, production and other resources than our company. Our competitive position in the export markets that we serve is primarily based on raw material costs, selling prices, product quality and customer service and support.

Vinyls Unit

We are the leading producer of PVC in Brazil, based on sales volumes in 2015. As of December 31, 2015, our PVC production facilities had the third largest annual production capacity in Latin America. Our Vinyls Unit generated net sales revenue of R\$2,780.1 million in 2015, or 5.0% of our net sales revenue of all reportable segments.

Our Vinyls Unit is the only vertically integrated producer of PVC in Brazil. Our PVC production is integrated through our production of chlorine, ethylene and other raw materials. Our Vinyls Unit also manufactures caustic soda, which is used by producers of aluminum paper and chlorine.

In 2015, we had an approximate 51% share of the Brazilian PVC market, based on sales volumes of our Vinyls Unit.

Products of Our Vinyls Unit

The following table sets forth a breakdown of the sales volume of our Vinyls Unit by product line for the years indicated.

	For the Year Ended December 31,		
	2015	2014	2013
	(thousands of tons)		
PVC	529.5	659.5	636.4
Caustic soda	435.7	478.1	475.0
Other(1)	114.5	126.7	127.6
Total domestic sales	1,079.7	1,252.2	1,239.0
Total export sales	65.4	12.1	0.1
Total Vinyls Unit sales	1,145.1	1,264.4	1,239.1

(1) Includes chlorine, hydrogen, caustic soda flake and sodium hypochlorite.

(*) Unaudited

Production Facilities of Our Vinyls Unit

We own five vinyls production facilities. Two of our facilities are located in the Northeastern Complex, and three others are located in the State of Alagoas.

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The table below sets forth for each of our primary vinyls products, our annual production capacity as of December 31, 2015 and annual production for the years presented.

Primary Products	Annual Production Capacity	Production For the Year Ended December 31,		
		2015	2014	2013
		(in tons)		
PVC(1)	710,000	542,297	633,942	582,579
Caustic Soda(2)	539,000	436,185	448,062	437,334

(1) Represents capacity at three plants and production at four plants.

(2) Represents capacity and production at two plants.

Raw Materials of Our Vinyls Unit

Ethylene

The most significant direct cost associated with the production of PVC is the cost of ethylene, which accounted for 54.0% of our Vinyls Unit's total cost of sales in 2015. Our Basic Petrochemical Unit supplies all of the ethylene required by our Vinyls Unit.

Electric Power

Electric power is a significant cost component in our production of chlorine and caustic soda. Electric power accounted for 18.7% of our Vinyls Unit's total cost of sales in 2015. Our Vinyls Unit obtains its electric power requirements from various generators under long-term power purchase agreements. Our caustic soda plants at Camaçari and Alagoas and our PVC plant at Camaçari purchase their electric power requirements from CHESF under a long-term contract that expires in 2037. Companhia Energética de Alagoas S.A., or CEAL, distributes electric power to our PVC plant in Alagoas. The power purchase agreement with CEAL is renewable contracts with automatic rolling one-year extensions. These agreements provide us with the option to purchase our total electric power requirements based on an annual estimate. The price terms of this contract are based upon tariffs regulated by the Brazilian National Electrical Energy Agency (*Agência Nacional de Energia Elétrica*).

Salt

We used approximately 848,885 tons of salt during 2015. Salt accounted for 0.5% of our Vinyls Unit's total cost of sales in 2015. We have exclusive salt exploration rights at a salt mine located near our Alagoas plant. We estimate that the salt reserves of this mine are sufficient to allow us to produce chlorine at expected rates of production for approximately 35 to 45 years. We enjoy significant cost advantages when compared to certain of our competitors due to the low extraction costs of rock salt (particularly compared to sea salt), and low transportation costs due to the proximity of the salt mine to our production facility.

Sales and Marketing of Our Vinyls Unit

Net sales revenue to our 10 largest Vinyls Unit customers accounted for 42.1% of our Vinyls Unit's total net sales revenue during 2015. One customer accounted for 9.7% of our Vinyl Unit's total sales revenue in 2015, 9.4% in 2014 and 13.3% in 2013.

There is a structural link between the PVC and caustic soda markets that exists because caustic soda is a byproduct of the production of chlorine required to produce PVC. When demand for PVC is high, then greater amounts of caustic soda are produced, leading to an increase in supply and generally lower prices for caustic soda. Conversely, when demand for PVC is low, prices for caustic soda tend to rise.

We make most of our sales of PVC and caustic soda directly to Brazilian customers without the use of third party distributors. However, our Vinyls Unit maintains contractual relationships with three distribution centers located in Paulínia and Barueri, both in the State of São Paulo, and Joinville in the State of Santa Catarina that provide logistical support. In addition, we operate three warehouse facilities for PVC and six terminal tank facilities for caustic soda strategically located along the Brazilian coast to enable us to deliver our products to our customers on a "just-in-time" basis. Our Vinyls Unit develops its business through close collaboration with its customers, working together to improve existing products as well as to develop new applications for PVC. Our marketing and technical assistance groups also advise customers and potential customers that are considering the installation of manufacturing equipment for PVC end products.

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We determine the domestic prices for our PVC resins with reference principally to the prices paid by third generation producers in Brazil for imports of PVC, which generally reflect the Northeast Asian spot market price, plus additional service charges and transportation costs. Delivery time, quality and technical service also affect the levels of sales of PVC resins. We establish our domestic price for caustic soda based on North American spot market prices, taking into account any import duties and freight costs. Approximately 59% of our caustic soda sales in 2015 were effected pursuant to agreements that are generally for one- to three-year terms and may include minimum and maximum prices.

Prices that we charge for our PVC and caustic soda products in the Brazilian market are traditionally higher than the prices that we could obtain if we exported these products. The difference in prices between the Brazilian and export markets results generally from:

- transportation costs;
- tariffs, duties and other trade barriers;
- a pricing premium reflecting the tighter demand/supply relationship in Brazil; and
- our reliability of supply, coupled with the technical support that we provide.

Our customers in Brazil may pay in full on delivery or elect credit terms that require payment in full within seven to 90 days following delivery. We charge interest based on prevailing market rates to our customers in Brazil that elect longer payment options. In the event we export PVC and caustic soda products, terms for exports generally require payment between 90 and 120 days following delivery. We require irrevocable letters of credit for export sales made on the spot market.

*Competition**PVC*

We and Solvay are the only two producers of PVC in Brazil. Solvay's total Brazilian installed annual production capacity is 300,000 tons, compared to our annual production capacity of 710,000 tons. Solvay's production facilities are located in São Paulo and, therefore, are closer than our facilities to the primary PVC market in Brazil. However, we believe that our vertically integrated production capabilities, our modern PVC suspension plants, our strong relationship with our customers and our technical assistance programs enable us to compete effectively with Solvay.

We also compete with importers of PVC. Solvay, which has a plant in Argentina in addition to its plants in Brazil, is also our principal competitor in the Brazilian PVC market. Imports accounted for approximately 22.5% of Brazilian PVC consumption in 2015. Domestically produced PVC is currently competitively priced with imported PVC after taking into account transportation costs and import duties.

In addition, we compete with other producers of thermoplastics that manufacture the same PVC products or substitutes for products in our PVC product line. Thermoplastic resins, principally polyethylene and polypropylene,

are used in certain applications as substitutes for PVC. Wood, glass and metals also are used in some cases as substitutes for PVC.

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The four largest Brazilian producers of caustic soda accounted for 84% of Brazilian production in 2015. Our company and another international petrochemical company operate in this market throughout Brazil, while the other domestic producers of caustic soda generally operate on a local or regional basis. Imports accounted for 38.8% of Brazil's total caustic soda consumption in 2015.

Our principal competitors in the caustic soda market elsewhere in South America are other international petrochemical companies operating in Brazil and producers located on the U.S. Gulf Coast.

USA and Europe Unit

Our USA and Europe Unit includes:

- the operations of Braskem America, which consist of five polypropylene plants in the United States; and
- the operations of two polypropylene plants in Germany.

As of December 31, 2015, our USA and Europe Unit's facilities had the largest annual polypropylene production capacity in the United States. Our USA and Europe Unit generated net sales revenue of R\$8,239.9 million during 2015, or 14.7% of the net sales revenue of all reportable segments.

In June 2014, we announced the construction of an UHMWPE production facility in our La Porte, Texas site, which is expected to become operational in 2017. We believe that the production of specialized UHMWPE at this new plant complements our existing portfolio of products and will enable us to access new markets and to develop close relationships with new and existing clients.

Products of Our USA and Europe Unit

Our USA and Europe Unit produces polypropylene. The sales volume of polypropylene by this unit was approximately 1,973,274 tons in 2015, 1,862,600 tons in 2014 and 1,790,700 tons in 2013. For a description of the uses of our polypropylene products, see "—Polyolefins Unit."

Production Facilities of our USA and Europe Unit

The table below sets forth the annual production capacity as of December 31, 2015 of the USA and Europe Unit's polypropylene plants in the United States and Germany and the annual production for the years presented.

<u>Plant</u>	Annual Production Capacity	Production For the Year Ended December 31,		
		2015	2014	2013
		(in tons)		
United States	1,465,000	1,434,671	1,317,800	1,306,863
Germany	545,000	532,357	537,876	479,075

Raw Materials of Our USA and Europe Unit

Propylene

The most significant direct cost associated with the production of polypropylene by our USA and Europe Unit is the cost of purchasing propylene.

We acquire propylene for our polypropylene plants in the United States under a variety of long-term supply agreements and through the spot market. As of December 31, 2015, we had long-term supply agreements with multiple suppliers. The pricing formulas for propylene under these supply agreements are generally based on market prices. A portion of the propylene supplied to our gulf coast plants is provided by a limited partnership that we formed with a leading basic petrochemicals producer, under which we acquire propylene produced by an ethylene facility of that producer in La Porte, Texas. Under the terms of the partnership agreement, the partnership has agreed to provide us with sufficient propylene to produce up to 25% of our U.S. gulf coast plants' current annual production capacity into early 2018, at prices calculated a cost-based formula that includes a fixed discount that declines until 2018.

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As a result of rising natural gas production and related production of natural gas liquids, several companies have announced plans to build propane dehydrogenation (PDH) plants, which would produce on-purpose propylene. Braskem has secured a long-term, approximately 15 years, propylene agreement with one of those companies, Enterprise Products, which is currently building a PDH plant in Texas with an annual capacity of 750,000 tons. We expect this agreement with an established producer to provide us with a competitive, long-term supply of propylene, using shale gas and other nontraditional sources as its feedstock. This plant is expected to commence operations in the first quarter of 2017. Under this arrangement, the pricing of these contracts will be based on market prices for propane and other market costs.

In June 2012, we acquired the propylene splitter assets at Sunoco's Marcus Hook refinery, which we are currently using to convert refinery grade propylene to polymer grade propylene for use at our Marcus Hook polypropylene plant.

We acquire propylene for our polypropylene plants in Germany under long-term supply agreements that provide for the supply of 95% of the propylene requirements of these plants. One of these supply agreements will expire in March 2021, and is automatically renewable for consecutive one-year terms, unless cancelled by one of the parties, and the other supply agreement expires in December 2021. The pricing formula for propylene under these supply agreements is based on market prices.

Sales and Marketing of Our USA and Europe Unit

Our USA and Europe Unit sells polypropylene products to approximately 350 customers. We have a diversified product mix that allows us to serve a broad range of end users in several industries. The customers of our USA and Europe Unit generally are third generation petrochemical producers that manufacture a wide variety of plastic-based consumer and industrial goods.

Net sales revenue to the 10 largest customers of our USA and Europe Unit accounted for 23.6% of our USA and Europe Unit's total net sales revenue in 2015, 50.4% in 2014 and 49.1% in 2013 respectively.

The following table sets forth our net sales revenue derived from sales of our USA and Europe Unit for the years indicated:

	For the Year Ended December 31,		
	2015	2014	2013
	(in millions of reais)		
Net sales revenue:			
Europe	R\$2,339.9	R\$2,167.3	R\$1,690.1
North America	5,900.1	5,767.0	5,058.4
	R\$8,240.0	R\$7,934.3	R\$6,748.5

Approximately 50% of the sales of polypropylene by the USA and Europe Unit are made under long-term supply agreements with our customers. These supply contracts generally have an initial two-year term and are automatically renewable for one-year periods unless one party notifies the other of its intention not to renew. These contracts also provide for minimum and maximum quantities to be purchased and monthly deliveries.

We market the remainder of the polypropylene production of the USA and Europe Unit through (1) our direct sales force that seeks to establish supply relationships with customers, (2) a select number of distributors authorized to represent the Braskem brand in the U.S. and European markets, (3) resellers that trade these products under private labels in the North American and European markets, and (4) traders that resell these products in the export markets.

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The USA and Europe Unit is largely a commodities business and competes with local, regional, national and international companies, some of which have greater financial, research and development, production and other resources than our company. Although competitive factors may vary among product lines, our competitive position is primarily based on raw material and production costs, selling prices, product quality, product technology, manufacturing technology, access to new markets, proximity to the market and customer service and support.

Our primary competitors for sales in the polypropylene industry in North America are other large international petrochemical companies. In general, demand is a function of economic growth in North America and elsewhere in the world.

Our primary competitors for sales in the polypropylene industry in Europe are other large international petrochemical companies. In general, demand is a function of economic growth in Europe and elsewhere in the world.

Chemical Distribution Unit

Our Chemical Distribution Unit generated net sales revenue of R\$874.6 million during 2015, or 1.5% of the net sales revenue of all reportable segments. Our Chemical Distribution Unit distributes products manufactured by our Basic Petrochemicals Unit, as well as products from more than 100 domestic and international companies. Our Chemical Distribution Unit distributes products in a broad range of market segments, including agrochemicals, rubber and general purpose chemicals; food and feed; flavor and fragrance; cosmetics and pharmaceuticals; household and other industrial segments; engineering plastics; and paints, resins, adhesives and civil construction.

Products Distributed by Our Chemical Distribution Unit

Our Chemical Distribution Unit distributes a large and diverse portfolio of products consisting of more than 1,000 products. We classify the products distributed by our Chemical Distribution Unit as:

- solvents, including aliphatic solvents, aromatic solvents, synthetic solvents and ecologically-friendly solvents (having lower toxicity and greater biodegradability than standard solvents);
- hydrocarbon solvents and isoparafins; and
- general purpose chemicals, including process oils, chemical intermediates, blends, specialty chemicals and pharmaceuticals.

The following table sets forth a breakdown of the sales volume of our Chemical Distribution Unit by product for the periods presented.

	For the Year Ended December 31,		
	2015	2014	2013
	(thousands of tons)		
Solvents	125.8	122.4	149.5
General purpose chemicals	94.8	99.3	122.7

Total net sales	220.6	221.7	271.3
(*) Unaudited			

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Distribution Agreements

We have commercial relationships with more than 100 domestic and international companies, under which our Chemical Distribution Unit distributes specified products, including:

- Conoco-Phillips for the distribution of hydrocarbon solvents;
- Sasol Solvents for the distribution of synthetic solvents;
- Wacker Chemie GmbH for the distribution of silicone-derived products;
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