

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

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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 depository to vote the class A preferred shares underlying their ADSs. In addition, the depository 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
<i>Domestic Sales</i>			

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;
- RT Vanderbilt for the distribution of specialty chemicals for the rubber, cosmetics and lubricants industries;
- Sasol Wax for the distribution of waxes;
- DCC for the distribution of pigments; and
- Emerald Kalama for the distribution of chemical intermediates and specialty chemicals.

In addition, our Chemical Distribution Unit has exclusive distribution rights for specified products in Brazil as a result of various distribution agreements with international companies, including:

- Ergon for the distribution of naphthenic oils;
- SK for the distribution of paraffinics GIII; and
- Methanex, for the distribution of methanol.

Generally, our Chemical Distribution Unit initiates distribution activities for a producer with a letter of intent with a one-year term. Following this period, the commercial relationship or the distribution agreement is extended for an indefinite period of time. The distribution agreements with our Chemical Distribution Unit may be terminated by either party with 30 to 180 days prior notice.

Our distribution agreements are generally local stock agreements, indent sales agreements or agreements that combine the features of both. With respect to our local stock agreements, we purchase chemicals for resale to its customers. These agreements do not contain minimum volume or maximum margin requirements. Under local stock agreements, the sales price is negotiated between us and the producer. Our distribution agreement with Petrobras can provides us a price deduction on purchases based on the volume of products acquired. Under our indent sales agreements, we act as a sales agent and receive a percentage of the total sales revenue (FOB price) generated for producer.

Sales and Marketing by Our Chemical Distribution Unit

Our Chemical Distribution Unit distributes products to chemical retailers, third generation petrochemical producers and other manufacturers. We determine the prices for the distributed products according to several market references, including prices paid by third generation producers regarding imports and prevailing market prices in Brazil.

We serve approximately 5,000 active clients in more than 50 market segments through eight business units supported by ten sales offices throughout Brazil. We operate four distribution centers that include warehouses and tank farms. The distribution centers are located in Guarulhos and Mauá in the State of São Paulo, Canoas in the State of Rio Grande do Sul and Duque de Caxias in the State of Rio de Janeiro.

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Our Chemical Distribution Unit distributes products in a broad range of market segments. No customer represented more than 10% of the net sales revenue of our Chemical Distribution Unit during 2015, 2014 or 2013.

Competition

According to The Brazilian Association Chemicals and Petrochemicals Distributors (Associquim), the chemical distribution industry in Brazil had revenue of US\$ 6.8 billion in 2014 (most recent data available). The chemical distribution industry in Brazil is highly fragmented. There are a small number of large distributors, such as Bandeirantes Brazmo, Brenntag, IMCD, MCassab, Pochteca and Univar, and a large number of small distributors. Associquim estimates that only 16% of the companies of the chemical distribution sector have annual sales of more than US\$150 million, while 58% have annual sales of less than US\$50 million.

Technology, Research and Development***Technology Licenses***

Our Basic Petrochemicals Unit uses engineering process technology under non-exclusive arrangements from a variety of sources for specific production processes. We have entered into several non-exclusive agreements with a number of leading petrochemical companies to use certain technology and catalysts for our Polyolefins Unit. Some of the license agreements used by our Polyolefins Unit allow us to use the licensed technology in both existing and future plants. We have entered into several non-exclusive agreements with a number of leading petrochemical companies to use technology for our Vinyls Unit. We have entered into several non-exclusive agreements with a number of leading petrochemical companies to use certain technology and catalysts for the polypropylene production of our USA and Europe Unit. Some of the license agreements used by our USA and Europe Unit allow us to use the licensed technology in both existing and future plants. If any of the arrangements or licenses under which we use third-party technology were terminated or no longer available to us, we believe that we would be able to replace this technology with comparable or better technology from other sources.

We do not pay any continuing royalties under any of the arrangements or licenses used by our Basic Petrochemicals Unit or our Vinyls Unit. Most of the license agreements used by our Polyolefins Unit or our USA and Europe Unit do not require us to pay any continuing royalties. Under the license agreements that require continuing royalty payments, we pay royalties on a quarterly basis based on the volume of the products produced using the licensed technology.

Our smallest chlor-alkali plant in the Northeastern Complex uses mercury cell technology to produce chlorine and caustic soda, which technology can no longer be used in new petrochemical production facilities under Brazilian legislation due in part to environmental concerns regarding mercury emissions resulting from this manufacturing process. The Brazilian government may require us to shift to newer diaphragm technology, which we use in our Alagoas chlor-alkali plant, or membrane technology. We are currently studying new options and technologies but we have not shifted to these newer technologies yet, in part because the return from the capital expenditures associated with this shift would not be as high as those from other potential investments that we may undertake.

Research and Development

Our ability to compete in the Brazilian and foreign markets that we serve depends on our ability to integrate new production processes developed by our company and third parties in order to lower our costs and offer new

thermoplastic products. In addition, our relationships with our customers are enhanced by our ability to develop new products and customize existing products to meet their needs.

In, November 2015, we and Genomatica announced that we have been successfully producing butadiene at our lab since June 2015, using our direct process. We are jointly developing a commercial process for the on-purpose production of a more sustainable butadiene, made from renewable feedstocks, as announced in December 2013. Butadiene is an ingredient used in the production of rubber for tires, as well as for electrical appliances, footwear, plastics, asphalt, building materials and latex. The demand for butadiene is over 20 billion pounds per year worldwide, and growing. By producing a more sustainable butadiene, the everyday products made with it can become more sustainable as well and will have a smaller environmental footprint. Program results include:

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- ***Direct and continuous production.*** Genomatica has successfully developed a microorganism that consumes sugar and converts it to butadiene in our lab. At our lab, butadiene is produced, collected and continuously measured over the course of multiple days during each fermentation.
- ***Development of multiple direct pathways and novel enzymes:*** To develop an optimal process, Genomatica used its computational tools to develop 60 potential biological pathways to theoretically convert a microorganism into butadiene. The top five hypotheses were selected for experimentation, conducted by our and Genomatica's teams in San Diego, Campinas and São Paulo in conjunction our full-time visiting scientists at Genomatica's Innovation Center. These teams explored a large array of enzyme candidates, applying environmental sampling and metagenomics, for each step in determining the potential pathways. Genomatica then multiplied enzyme activity 60-fold on non-native substrates using its high-throughput screening and enzyme engineering capabilities.
- ***Expansion of intellectual property:*** Our and Genomatica's program teams have significantly added to our and Genomatica's extensive intellectual property related to this field. Such intellectual property includes design of optimal microorganisms and processes, which supports subsequent development stages. Such intellectual property represents an important competitive advantage.

We maintain a research and development program that is primarily implemented at two research centers that we operate: the Braskem Center for Technology and Innovation located in the Southern Complex and the Braskem America Technology Center located in Pittsburgh, Pennsylvania. Through these research centers, we coordinate and maintain our research and development program, which includes the operation of (1) pilot plants, (2) catalysis, polymerization and polymer sciences laboratories, and (3) process engineering and automation centers. Our investments in research and development, which are classified as expenses, totaled R\$176.4 million in 2015, R\$138.4 million in 2014 and R\$115.8 million in 2013.

Maintenance

Most of our maintenance is performed by third-party service providers. For example, we have contracts with CNO, Asea Brown Boveri Ltd., Cegelec Ltda., Rip Serviços Industriais S.A., CI Engenharia Ltda. and other service providers to perform maintenance for our basic petrochemical plants in the Northeastern Complex and in the Southern Complex. We also perform some of our ordinary course maintenance with our small team of maintenance technicians, which also coordinate the planning and execution of maintenance services performed by third parties.

Basic Petrochemicals Plants

Regular basic petrochemicals plant maintenance requires complete plant shutdowns from time to time, and these shutdowns usually take approximately 30 to 40 days to complete. We occasionally undertake brief shutdowns of the basic petrochemical operations at our basic petrochemical plants that do not materially affect our production output, primarily for maintenance purposes, catalyst regeneration and equipment cleaning. In addition, because we have two independent Olefins units and two independent Aromatics units at the Northeastern Complex and two independent Olefins units at the Southern Complex, we may continue production of basic petrochemicals at these complexes without interruption, even while we perform certain maintenance services.

The next scheduled general maintenance shutdown of:

- the Northeastern Complex's Olefins 2 and Aromatics 2 units are scheduled to occur in the fourth quarter of 2016;

- the Rio de Janeiro Complex's Olefins unit is scheduled to occur in 2017;
- the Southern Complex's Olefins 2 and Aromatics 2 units are scheduled to occur in 2018;

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- the Northeastern Complex's Aromatics 1 and Olefins 1 units in 2019;
- the Southern Complex's Olefins 1 and Aromatics 1 units are scheduled to occur in 2020; and
- the São Paulo Complex's Olefins and Aromatics units are scheduled to occur in 2020.

Plants of Our Polyolefins, Vinyls and USA and Europe Units

We have a regular maintenance program for each of our polyolefins plants. Production at each of our polyolefins plants generally is shut down for seven to 20 days every two to three years to allow for regular inspection and maintenance. In addition, we undertake other brief shutdowns for maintenance purposes that do not materially affect our production of polyolefins. We coordinate the maintenance cycles of our polyolefins plants with those of our basic petrochemicals plants. While our basic petrochemicals facilities must be shut down for up to 30 days for maintenance, our polyolefins facilities may be shut down for shorter periods because these facilities are less complex to operate and maintain than our basic petrochemicals plants. Similarly, our USA and Europe plants attempt to coordinate their maintenance cycles with the routines of their largest suppliers.

We have a regular maintenance program for each of our vinyls plants. Our Camaçari and Alagoas PVC plants are generally shut down for 15 to 20 days every two years to allow for regular inspection and maintenance. Our caustic soda and chlorine plant in Alagoas shuts down once a year for three days of maintenance in different parts of the plant. Our caustic soda and chlorine plant in Camaçari does not require prolonged maintenance shutdowns and is shut down for two or three days each year.

Environmental Regulation

In each of the countries in which we operate, our operations are subject to federal, state and local laws and regulations governing the discharge of effluents and emissions into the environment and the handling and disposal of industrial waste and otherwise relating to the protection of the environment.

Our consolidated annual expenditures on environmental control were R\$221.9 million in 2015, R\$190.0 million in 2014, R\$292.6 million in 2013, R\$256.3 million in 2012 and R\$198.9 million in 2011. Our consolidated environmental expenses relate to our continuous control and monitoring policies, and we do not expect to have any material future environmental liabilities. However, our environmental compliance costs are likely to increase as a result of the projected increase in our production capacity and projected increases in unit costs for treatment and disposal of industrial waste, as well as the cost of compliance with future environmental regulations.

We had established a provision for recovery of potential environmental liabilities in the amount of R\$127.2 million as of December 31, 2015.

Compliance with Environmental Laws in Brazil

The Brazilian government enacted an Environmental Crimes Law in 1998 that imposes criminal penalties on corporations and individuals causing environmental damage. Corporations found to be polluting can be fined up to R\$50.0 million, have their operations suspended, be prohibited from government contracting, be required to repair damage that they cause and lose certain tax benefits and incentives. Executive officers, directors and other individuals may be imprisoned for up to five years for environmental violations.

Our operations are in compliance in all material respects with applicable Brazilian environmental laws and regulations currently in effect. Some environmental studies that we have commissioned have indicated instances of environmental contamination at certain of our plants. In addition, we and certain executive officers of our company and of our subsidiaries have received notices from time to time of minor environmental violations and are or have been subject to investigations or legal proceedings with respect to certain alleged environmental violations. These environmental issues, and any future environmental issues that may arise, could subject us to fines or other civil or criminal penalties imposed by Brazilian authorities. We are addressing all environmental issues of which we are aware, and we believe that none of these issues will have a material adverse effect on our business, financial condition or results of operations.

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Under Brazilian federal and state environmental laws and regulations, we are required to obtain operating permits for our manufacturing facilities. If any of our environmental licenses and permits lapse or are not renewed or if we fail to obtain any required environmental licenses and permits, we may be subject to fines ranging from R\$500 to R\$50.0 million, and the Brazilian government may partially or totally suspend our activities and impose civil and criminal sanctions on our company or both.

Each State in which we operate has its own environmental standards and state authorities in each state have issued operating permits that must be renewed periodically. Additionally, all projects for the installation and operation of industrial facilities in the Northeastern Complex, Southern Complex, São Paulo Complex and Rio de Janeiro Complex are subject to approval by various environmental protection agencies, which must approve installed projects prior to their commencement of operations and must renew such approval periodically thereafter. State authorities have issued operating permits for all of our plants, as follows: the Northeastern Complex (State of Bahia); Southern Complex (State of Rio Grande do Sul), São Paulo Complex and Cubatão, Santo André, Mauá and Paulínia plants (State of São Paulo), Rio de Janeiro Complex (State of Rio de Janeiro) and our Alagoas plants (State of Alagoas). We are in possession of all necessary permits and do not expect to have difficulty in renewing any of them.

Industrial Waste

Companhia Riograndense de Saneamento, or Corsan, a state-owned sanitation company, operates an integrated system for liquid effluents treatment, or Sitel, in the Southern Complex. Sitel treats wastewater generated by our company and the other petrochemical producers at the Southern Complex at a liquid effluents treatment station located in the Southern Complex. This treatment station also includes a system for the collection of contaminated wastewater and disposal after treatment. We treat wastewater generated by our company at the Rio de Janeiro Complex at a liquid effluents treatment station located in the Rio de Janeiro Complex. This treatment station also includes a system for the collection and disposal of contaminated wastewater. Hazardous solid waste is co-processed in cement kilns or incinerated and other kinds of solid waste are disposed of in landfills at facilities approved by our company.

We treat wastewater generated by our company at the São Paulo Complex at a liquid effluents treatment station located in the São Paulo Complex. This treatment station also includes a system for the collection and disposal of contaminated wastewater, while hazardous waste generated at the São Paulo Complex is incinerated in cement kilns and other kinds of solid waste is disposed of in landfills.

In our Bahia facilities, all wastewater is transported to Cetrel, a wastewater treatment facility. Solid waste is incinerated in cement kilns or incinerators and the remaining waste is disposed of in landfills.

Additionally, we have a series of recycling programs that includes recycling of solid waste and wastewater. We recycle or reuse 26.8% of the solid waste generated by our facilities and 28.2% of the water used in our production processes.

Compliance with Environmental Laws in the United States

Our operations in the United States are subject to U.S. federal, state and local laws and regulations governing the discharge of effluents and emissions into the environment; the generation, storage, handling, management, transportation and disposal of hazardous waste, industrial waste and other types of waste; the use, storage, and handling of various types of products and materials; and the protection of human health, safety and the environment.

In many instances, specific permits must be obtained for particular types of operations, emissions or discharges. For example, our facilities in Texas, Pennsylvania and West Virginia are required to maintain various permits relating to air quality and treatment of industrial wastewater, and to comply with regulatory requirements relating to waste management. We are in possession of necessary permits to operate our facilities (or they are in the process of being renewed in the ordinary course). We believe that our operations in the United States are in compliance in all material respects with applicable U.S. federal, state and local environmental laws and regulations currently in effect.

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As with the U.S. petrochemical industry generally, compliance with existing and anticipated laws and regulations increases the overall cost of operating our U.S. plants, including operating costs and capital costs to construct, maintain and upgrade equipment and facilities. These laws and regulations have required, and are expected to continue to require us to make, expenditures of both a capital and an expense nature.

The Clean Air Act, which was last amended in 1990, requires the United States Environmental Protection Agency, or the EPA, to set National Ambient Air Quality Standards, or the NAAQS, for pollutants considered harmful to public health and the environment. The Clean Air Act requires periodic review of the science upon which the standards are based and the standards themselves. NAAQS for ozone and fine particulate matter (referred to as PM_{2.5}), promulgated by the EPA have resulted in identification of nonattainment areas throughout the country, including certain areas within Texas, Pennsylvania and West Virginia, where Braskem America operates facilities. As a result of these nonattainment designations by the EPA, state or local air pollution control agencies are required to apply permitting and/or control requirements intended to reduce emissions of ozone precursors (nitrogen oxides and volatile organic compounds), and fine particles (including PM_{2.5}, particles less than 2.5 micrometers in diameter, precursors), in order to demonstrate attainment with the applicable NAAQS. Such requirements may include imposition of offset requirements, and could result in enhanced emission control standards. In addition, in 2015 the EPA reevaluated the sufficiency of the current PM_{2.5} NAAQS. This reevaluation could result in more stringent ambient standards, which could in turn translate into additional state-specific requirements to further reduce allowable emission rates for PM_{2.5} or its precursor pollutants and issued a proposed rule. However, no final determination has been made. Any state-specific requirements would become applicable, if at all, following a multi-year process. Furthermore, in October 2015, the EPA lowered the primary NAAQS for ozone from 0.075 ppm to 0.070 ppm.

In addition to permitting and/or control requirements that may result from the implementation of the NAAQS at the state or local level, the EPA may promulgate new or revised federal New Source Performance Standards or National Emission Standards for Hazardous Air Pollutants that would apply directly to certain facility operations and may require the installation or upgrade of control equipment in order to satisfy applicable emission limits and/or operating standards under these regulatory programs. The EPA's currently-proposed regulations in this area would not specifically apply to Braskem America's operations.

Additionally, there are various legislative and regulatory measures to address greenhouse gas emissions which are in various stages of review, discussion or implementation by Congress and the EPA. In August, 2015, the EPA promulgated new regulations aimed at lowering greenhouse gas emissions from existing, new and reconstructed electric generating units. While it is currently not possible to predict the final impact, if any, that these regulations may have on Braskem America or the U.S. petrochemical industry in general, they could result in increased utility costs to operate our facilities in the United States. In addition, future regulations limiting greenhouse gas emissions of carbon content of products, which target specific industries such as petrochemical manufacturing could adversely affect our ability to conduct Braskem America's business and also may reduce demand for its products. The EPA's currently-proposed regulations in this area would not specifically apply to Braskem America's operations.

Environmental Regulation in Germany and the European Union

Our operations of Germany are subject to German federal, state and local laws and regulations governing the discharge of effluents and emissions into the environment and the handling and disposal of industrial waste and otherwise relating to the protection of the environment and waste management. Our operations in Germany are in compliance in all material respects with applicable German federal, state and local environmental laws and regulations

currently in effect.

As with the petrochemical industry in the European Union generally, compliance with existing and anticipated German laws and regulations increases the overall cost of operating our European business, including operating costs and capital costs to construct, maintain and upgrade equipment and facilities. These laws and regulations have required, and are expected to continue to require us to make expenditures of both a capital and an expense nature.

At our Schkopau and Wesseling, Germany facilities, we are required to maintain air, radiation, waste water and waste management permits from the German government and local agreements relating to the treatment of industrial wastewaters. We are in possession of all necessary permits.

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Furthermore, our Wesseling, Germany facility is subject to existing European greenhouse gas regulations and a cap and trade program relating to emissions. We have purchased sufficient carbon dioxide emissions permits for its operations until 2018, provided it operates under normal business conditions. We will purchase any additional permits that may be required on the emission trade market. We are not aware of any new environmental regulations that would affect our European operations. Accordingly, we cannot estimate the potential financial impact of any future European Union or German environmental regulations.

Environmental Regulation in Mexico

Our operations are subject to the Mexican General Law for Ecological Equilibrium and Protection of the Environment (*Ley General del Equilibrio Ecológico y la Protección al Ambiente*), or LGEEPA, and its regulations; the Mexican General Law for the Prevention and Comprehensive Management of Waste (*Ley General para la Prevención y Gestión Integral de los Residuos*), or Waste Law, and its regulations, the National Waters Law (*Ley de Aguas Nacionales*), or Water Law, and its regulations; the Mexican General Law of National Assets (*Ley General de Bienes Nacionales*) and its regulations; the Regulations for Ground Transport of Hazardous Materials and Waste (*Reglamento para el Transporte Terrestre de Materiales y Residuos Peligrosos*); and the Regulations for the Protection of the Environment against Contamination due to Noise Pollution (*Reglamento para la Protección del Ambiente contra la Contaminación Originada por la Emisión de Ruido*).

The LGEEPA sets forth legislation applicable to activities with environmental impact, as well as the release of contaminants into the environment.

Regulations Related to the Evaluation of Environmental Impact (*Reglamento en Materia de Evaluación de Impacto Ambiental*) of the LGEEPA regulates the procedure for evaluation of environmental impact through which SEMARNAT authorizes, limits or forbids environmental impact together with risky activities that each project creates. Any variation or modification to the original project shall be carried out in accordance with applicable legislation, which in some cases requires the previous authorization of SEMARNAT or the corresponding environmental authority.

The Waste Law regulates the generation, management, treatment, transportation, storage and disposal of hazardous waste, as well as contamination of the soil, subsoil and underground water caused by the release and/or spillage of such waste resulting from a company's activities and operations. Additionally, the Waste Law sets forth the specific steps to be followed for the prevention and management of hazardous waste. Companies that produce hazardous waste must register with SEMARNAT and establish a plan for the handling of hazardous waste and must maintain records of the production and transportation of hazardous waste. Additionally, companies must deliver an annual report to SEMARNAT.

The Water Law establishes the regulatory framework applied to the use, application and exploitation of Mexican bodies of water and the discharge of waste water to Mexican bodies of water. Some of our projects require concessions provided by the National Water Commission (*Comisión Nacional del Agua*), or CNA, whether for the use, application and exploitation of Mexican waters or the discharge of waste water to certain bodies of water under national jurisdiction. The concession titles issued by the CNA are subject to certain terms and conditions, as well as payment of rights. The payment of rights must be made at the time and in the form established by the Federal Duties Law (*Ley Federal de Derechos*); and failure to pay may result in the imposition of penalties and inflationary adjustments for such payments.

The majority of environmental concessions, authorizations, licenses and permits issued in connection to our projects have a specific effective period, which may be extended subject to certain authorizations by the environmental authorities. In their consideration, the authorities take into consideration the level of compliance with the terms and conditions of the concessions, as well as the authorizations, licenses and/or permits in question.

The federal governmental authority responsible to oversee compliance of the applicable legal provisions is SEMARNAT, through the Mexico's Federal Attorney Office for Environmental Protection (*Procuraduría Federal de Protección al Ambiente*), or PROFEPA, and the CNA. State and municipal authorities are responsible to apply Environmental Legislation within their respective jurisdictions and oversee compliance of the applicable legal provisions.

TABLE OF CONTENTS**Property, Plant and Equipment**

Our properties consist primarily of petrochemical production facilities in:

- Camaçari in the State of Bahia;
- Triunfo in the State of Rio Grande do Sul;
- Duque de Caxias in the State of Rio de Janeiro;
- São Paulo, Paulínia, Cubatão, Santo André and Mauá in the State of São Paulo;
- Maceió and Marechal Deodoro in the State of Alagoas;
- the United States in La Porte, Freeport and Seadrift, Texas, Marcus Hook, Pennsylvania, Neal, West Virginia; Germany in Schkopau and Wesseling; and
- Coatzacoalcos in Mexico.

Our principal executive offices are located in São Paulo in the State of São Paulo, and we have an administrative support office in the City of Salvador in the State of Bahia. We also have equity interests in investments located in other parts of the country. We own all our production facilities, but we generally rent our administrative offices.

The following table sets forth our properties as of December 31, 2015 by location of facilities, products produced and size of plant.

<u>Type of Product or Service</u>	Location of Facilities	Size of Plant (in hectares)(1)
Basic petrochemicals	Triunfo	152.8
Basic petrochemicals	Santo André	74.1
Basic petrochemicals	Camaçari	65.5
Basic petrochemicals	Duque de Caxias	53.0
Basic petrochemicals	Mexico	23.6
Polypropylene	Paulínia	39.7
Polyethylene	Triunfo	30.5
Polyethylene	Camaçari	24.5
Polyethylene	Cubatão	17.6
Polyethylene	Santo André	15.8
Polyethylene	Duque de Caxias	15.0
Polyethylene	Mexico	14.9
Polypropylene	LaPorte, Texas	87.0
Polypropylene	Neal, West Virginia	27.1
Polypropylene	Mauá	15.8
Polypropylene	Duque de Caxias	15.0
Polypropylene	Camaçari	13.2
Polypropylene	Triunfo	10.0
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Polypropylene	Marcus Hook, Pennsylvania	6.9
Polypropylene	Freeport, Texas	8.9
Polypropylene	Seadrift, Texas	2.5
Polypropylene	Schkopau, Germany	3.7
Polypropylene	Wesseling, Germany	26.0
Caustic soda/chlorine	Maceió	15.0
PVC/caustic soda/chlorine	Camaçari	12.6
PVC	Marechal Deodoro	186.7
Distribution Center	Vila Prudente/Capuava	3.2

(1) One hectare equals 10,000 square meters.

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We believe that all of our production facilities are in good operating condition. As of December 31, 2015, the consolidated net book value of our property, plant and equipment was R\$33,962.0 million.

The following properties are mortgaged or pledged to secure certain of our financial transactions: (1) our basic petrochemicals plant and our polyethylene plant located in the Southern Complex; (2) our chlor-alkali plant and PVC plant located in the Northeastern Complex; (3) our basic petrochemicals plant and our polyethylene plant located in São Paulo Complex; (4) our chlor-alkali plant and PVC plant located in the State of Alagoas; (5) our basic petrochemicals plant, our polyethylene plant and our polypropylene plant located in the Rio de Janeiro Complex; and (6) our basic petrochemical plant and our polyethylene plants located in Mexico.

Insurance

In addition to the policies described below for our Brazilian and international operations, we maintain other insurance policies for specific risks, including directors and officers liability coverage, workers' compensation, employers practice liability and automotive insurance.

We do not anticipate having any difficulties in renewing any of our insurance policies and believe that our insurance coverage is reasonable in amount and consistent with industry standards applicable to chemical companies operating globally.

Operations in Brazil, the United States and Germany

We carry insurance for all our plants against material damage and consequent business interruption through comprehensive "all risk" insurance policies.

The all risks insurance program for our plants provides for a total replacement value of US\$19.5 billion for property damage. This insurance program is underwritten through separate policies in Brazil and the United States by large insurance companies. This all risk insurance program/policies are in force until April 2017.

The material damage insurance for our plants provides insurance coverage for losses due to accidents resulting from fire, explosion and machinery breakdown, among others. This coverage has a maximum indemnification limit of US\$2 billion per event (combined material damage and business interruption coverage) for the Brazilian plants and US\$250 million (combined material damage and business interruption coverage, excluding flood and earthquake damages, which have a maximum indemnification limit of US\$200 million per event) for our plants in the United States and Germany. Our policies have deductibles from US\$250,000 to US\$20 million, depending on the plant and/or coverage.

The business interruption coverage under our policies provides coverage for losses resulting from interruptions due to any material damage covered by the policy. The losses are covered with maximum indemnity periods ranging from 12 to 24 months and deductibles ranging from 45 to 90 days, depending on the plant.

As a part of our insurance program, we also have a third-party liability policy for our operations, which covers losses for damages caused to third parties from our operations, including sudden environmental pollution.

Operations in Mexico

We have an insurance program for our Project Ethylene XXI project in Mexico that provides coverage for the project during the construction and testing stages until the commencement of operations, which is expected to occur in the first half of 2016. This insurance program is comparable to policies issued by large insurance companies in Mexico and includes: (1) all risk policies for construction and delays in commencement of operations up to an aggregate amount of US\$5.2 billion, (2) terrorism coverage up to a limit of US\$ 900 million, (3) marine cargo

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coverage up to a limit per shipment of US\$50 million and (4) delays in commencement of operations up to a combined limit of US\$1.4 billion. The project also has comprehensive third-party liability insurance coverage for the construction and testing period.

ITEM 4A. UNRESOLVED STAFF COMMENTS

Not Applicable.

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The following discussion of our financial condition and results of operations should be read in conjunction with our audited consolidated financial statements as of December 31, 2015 and 2014 and for the three years ended December 31, 2015, included in this annual report, as well as with the information presented under “Presentation of Financial and Other Information” and “Item 3. Key Information—Selected Financial and Other Information.”

The following discussion contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those discussed in the forward-looking statements as a result of various factors, including those set forth in “Cautionary Statement with Respect to Forward-Looking Statements” and “Item 3. Key Information—Risk Factors.”

Overview

Our results of operations for the years ended December 31, 2015, 2014 and 2013 have been influenced, and our results of operations will continue to be influenced, by a variety of factors, including:

- Brazil’s GDP, which contracted 3.8%, as compared to growth of 0.1% in 2014 and 3.0% in 2013, which affects the demand for our products and, consequently, our domestic sales volume;
- the U.S. GDP, which expanded 2.4%, as compared to growth of 2.4% in 2014 and 1.9% in 2013, which affects the demand for our products and, consequently, our domestic sales volume;
- Europe’s GDP, which expanded 1.5%, as compared to growth of 0.9% in 2014 and a contraction of 0.5% in 2013, which affects the demand for our products and, consequently, our domestic sales volume;
- the expansion of global production capacity for the products that we sell and the growth rate of the global economy;
- the international market price of naphtha, our principal raw material, expressed in U.S. dollars, which has a significant effect on the cost of producing our products and which has been volatile during the three years ended December 31, 2015, fluctuating in a range between US\$387 and US\$551 per ton during 2015, US\$492 and US\$952 per ton during 2014 and US\$816 and US\$992 per ton during 2013;
- the average domestic prices of our principal products expressed in U.S. dollars, which fluctuate to a significant extent based on fluctuations of international prices for these products and which also have a high correlation to our raw material costs;
- our crackers’ capacity utilization rates, which increased in 2015 as result of the improvements in processes and the investments made over recent years, as well the company’s capacity to export any surplus not absorbed by Brazil’s domestic market;
- government industrial policy;
- sales outside Brazil, which increased to R\$22.9 billion in 2015 from R\$20.1 billion in 2014;

- changes in the *real*/U.S. dollar exchange rate, including the depreciation of the *real* against the U.S. dollar by 47.0% in 2015, 13.4% in 2014 and 14.6% in 2013;
- the level of our outstanding indebtedness, fluctuations in benchmark interest rates in Brazil, which affect our interest expenses on our *real*-denominated floating rate debt and financial income on our cash and cash equivalents, and fluctuations in the LIBOR rate, which affect our interest expenses on our U.S. dollar-denominated floating rate debt;

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- the inflation rate in Brazil, which was 10.7% in 2015, 3.8% in 2014 and 5.5% in 2013, in each case, as measured by the IGP-DI, and the effects of inflation on our operating expenses denominated in *reais* and our *real*-denominated debt that is indexed to take into account the effects of inflation or bears interest at rates that are partially adjusted for inflation; and
- the tax policies and tax obligations.

Our financial condition and liquidity is influenced by various factors, including:

- our ability to generate cash flows from our operations and our liquidity;
- prevailing Brazilian and international interest rates and movements in exchange rates, which affect our debt service requirements;
- our ability to continue to be able to borrow funds from Brazilian and international financial institutions and to sell our debt securities in the Brazilian and international securities markets, which is influenced by a number of factors discussed below;
- our capital expenditure requirements, which consist primarily of maintenance of our operating facilities, expansion of our production capacity and research and development activities; and
- the requirement under Brazilian Corporate law and our by-laws that we pay dividends on an annual basis in an amount equal to at least 25% of our adjusted net income, unless our board of directors deems it inconsistent with our financial position and the decision of our board of directors is ratified by our shareholders.

Financial Presentation and Accounting Policies

Presentation of Financial Statements

We have prepared our audited consolidated financial statements as of December 31, 2015 and 2014 and for each of the years ended December 31, 2015, 2014 and 2013 in accordance with IFRS.

Our consolidated financial statements have been prepared in accordance with IFRS 10 (Consolidated Financial Statements).

Operating Segments and Presentation of Segment Financial Data

We believe that our organizational structure as of December 31, 2015 reflected our business activities and corresponded to our principal products and production processes. As of December 31, 2015, we had five production business units and reported our results by five corresponding segments to reflect this organizational structure:

- *Basic Petrochemicals*—This segment includes (1) our production and sale of basic petrochemicals at the Northeastern Complex and the Southern Complex, (2) our production and sale of basic petrochemicals at the São

Paulo Complex and the Rio de Janeiro Complex, and (3) our supply of utilities produced at these complexes to second generation producers, including some producers owned or controlled by our company.

- *Polyolefins*—This segment includes the production and sale of polyethylene, including the production of “green polyethylene” from renewable resources, and polypropylene by our company, excluding the operations of Braskem Europe.
- *USA and Europe*—This segment includes the operations of our five polypropylene plants in the United States and the operations of our two polypropylene plants in Germany.
- *Vinyls*—This segment includes our production and sale of PVC and caustic soda.

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- *Chemical distribution*—This segment includes operations of QuantiQ and IQAG, which consists of distribution of petroleum-based solvents, intermediate chemicals, special chemicals and pharmacons.

We have included a reconciliation of the results of operations of our segments, as they existed as of December 31, 2015, to our consolidated results of operations under “—Results of Operations” below.

Critical Accounting Policies

The presentation of our financial condition and results of operations in conformity with IFRS requires us to make certain judgments and estimates regarding the effects of matters that are inherently uncertain and that impact the carrying value of our assets and liabilities. Actual results could differ from these estimates. In order to provide an understanding about how we form our judgments and estimates about certain future events, including the variables and assumptions underlying the estimates, and the sensitivity of those judgments to different variables and conditions, we have included comments related to the following critical accounting policies under IFRS:

- *Impairment of property, plant and equipment and non-financial assets.* Our goodwill based on expected future profitability as of December 31, 2015 were R\$2,058.9 million. The recoverable value of property, plant and equipment and other noncurrent assets including intangible assets (other than goodwill based on expected future profitability) are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable value of goodwill based on expected future profitability is reviewed for impairment on an annual basis. An impairment loss is recognized for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of (1) an asset’s fair value less costs to sell; and (2) its value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows that can be cash-generating units or operating segments. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

We did not record any impairment charges in the years ended December 31, 2015, 2014 and 2013. As of December 31, 2015, we do not believe that any of our cash generating units were at risk of impairment.

Our impairment tests of goodwill consider the lowest level of cash-generating operations at (1) the Southern Complex in the Basic Petrochemicals Unit, (2) the Polyolefins Unit and (3) the Vinyls Unit.

The discount rate applied is based on the weighted average cost of capital for our company at the relevant dates of valuation. Our projections include assumptions regarding (1) volumes that consider our current and projected production; (2) prices based on a sales prices cycle of approximately five years for our products; (3) costs of goods sold based on international reference prices; and (4) capital expenditures projected for future years. The current price cycle reached a low point in 2012 due to global economic volatility. Changes to our projected margins resulting from changes in the petrochemical cycle, global economic conditions or strategic decisions to suspend or terminate production of certain products and to close the related plants could significantly impact our impairment charges. The impairment test performed as of October 31, 2012 supports a 5% negative fluctuation in contribution margin without changing the impairment result.

- *Valuation of derivative instruments.* We use swaps, non-deliverable forwards and other derivative instruments to manage risks from changes in foreign exchange, interest rates and commodities prices. We record these instruments at

their estimated fair market value based on market quotations for similar instruments, and based on standard mark-to-market practices, which take into account reliable market curves for interest rates, foreign exchange rates and commodities prices.

- *Deferred Income Tax and Social Contribution.* We recognize deferred income tax and social contribution assets and liabilities based on the differences between the financial statement carrying amounts and the tax basis of assets and liabilities using prevailing tax rates. We regularly review any deferred income tax and social contribution assets for recoverability and reduce their carrying value based on our historical taxable income, projected future taxable income and the expected timing of any reversals of existing temporary differences. If one of our subsidiaries operates at a loss or is unable to generate sufficient future taxable income, or if there is a material change in the actual effective tax rates or the time period within which the underlying temporary differences become taxable or deductible, we evaluate the need to reduce partially or completely the carrying value of our deferred income tax and social contribution assets.

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- *Provisions and Contingencies.* We are currently involved in numerous judicial and administrative proceedings, as described under “Item 8. Financial Information—Legal Proceedings,” and in notes 20 and 23 to our audited consolidated financial statements. We record accrued liabilities for provisions that we deem probable of creating an adverse effect on our results of operations or financial condition. For the main contingencies that we deem possible of creating an adverse effect on our results of operations or financial condition, we disclose relevant information regarding the proceedings in accordance with IAS 37. Additionally, the contingencies assumed in a business combination for which an unfavorable outcome is considered possible are recognized at their fair value on the acquisition date. We believe that these judicial and administrative proceedings are properly recognized or disclosed in our financial statements.
- *Pension plans.* For defined benefit plans that we sponsor, we calculate our funding obligations based on calculations performed by independent actuaries using assumptions provided by the plan’s management, such as interest rates investment returns, and levels of inflation, and provided by the actuaries, such as mortality rates and future employment levels. Collectively, these assumptions directly impact our liability for accrued pension costs and the amounts we record as pension costs, although individual assumptions are not expected to be material.
- *Useful life of long-lived assets.* We recognize the depreciation of long-lived assets based on their estimated useful life, which in turn is based on industry practices and previous experience. However, the actual useful life can vary based on the current state of technologies at each unit. The useful life of the long-lived asset also affects the impairment testing. We do not believe that there are any indications of material change in the estimates and assumptions used in the calculation or the impairment losses of long-lived assets. However, if the actual results are not consistent with the estimates and assumptions used in the future cash flows estimating the fair value of the assets, we could be exposed to potentially significant losses.
- *Valuation of assets and liabilities in business combinations.* We have entered into certain business combinations that we have accounted for in accordance with IFRS. In this regard, we hire and supervise the specialized service providers to evaluate the fair value of the assets acquired and liabilities assumed. We allocate the cost of the entity acquired to the assets acquired and liabilities assumed, on a fair value basis, estimated at the date of acquisition. Any difference between the cost of the acquisition and the fair value of the assets acquired and liabilities assumed is recorded as goodwill or a gain on bargain purchase. We exercise significant judgment in the process of identifying the tangible and intangible assets and liabilities, valuing such assets and liabilities in determining the remaining useful life. Assumptions used to value those assets and liabilities include estimates of discounted cash flows or discount rates and may result in a difference between the estimated and actual values. If the actual results are not consistent with the estimates and assumptions used, we could be exposed to potentially significant losses.

Principal Factors Affecting Our Results of Operations***Growth of Brazil’s GDP and Domestic Demand for Our Products***

Our sales in Brazil represented 51.9% of our net sales revenue in the year ended December 31, 2015. As a Brazilian company with a substantial majority of our operations in Brazil, we are significantly affected by economic conditions in Brazil. Our results of operations and financial condition have been, and will continue to be, affected by the growth rate of Brazilian GDP because our products are used in the manufacture of a wide range of consumer and industrial products.

Because of our significant market share in many of the Brazilian markets in which our petrochemical products are sold, fluctuations in Brazilian demand for polyethylene, polypropylene and PVC affect our production levels and net sales revenue. Brazilian GDP grew at an estimated compound average annual rate of 0.3% from 2011 through 2015. From 2011 through 2015, the apparent consumption volumes in Brazil of polyethylene (including EVA), polypropylene and PVC increased (decreased) at compound average annual rates of 2.7%, (0.2)% and (2.8)%, respectively.

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The following table sets forth the growth rates of Brazilian GDP and domestic apparent consumption for polyethylene, polypropylene and PVC for the periods presented.

	Year Ended December 31,				
	2015	2014	2013	2012	2011
Brazilian GDP	(3.8)%	0.1%	3.0%	1.9%	3.9%
Brazilian consumption of polyethylene	(2.0)	—	10.2	2.9	(3.4)
Brazilian consumption of polypropylene	(7.4)	(5.7)	8.7	4.5	(4.0)
Brazilian consumption of PVC	(19.6)	(3.2)	16.0	(1.1)	5.7

Source: Brazilian government, IPEA and ABIQUIM

Brazilian GDP growth has fluctuated significantly, and we anticipate that it will likely continue to do so. Our management believes that economic growth in Brazil should positively affect our future net sales revenue and results of operations. However, continued low growth or a recession in Brazil would likely reduce our future net sales revenue and have a negative effect on our results of operations.

In 2013, Brazilian GDP growth fell short of market expectations and increased by only 3.0% in 2013. However, the stronger performance of certain sectors, such as food, infrastructure, automotive and agribusiness, and the trend toward restocking supply chains positively influenced apparent consumption of thermoplastic resins, which increased by 10.2% for polyethylene, 8.7% for polypropylene and 2.4% for PVC.

In 2014, the Brazilian economy continued to face challenges, registering low GDP growth. The decrease in consumer confidence, demonstrated by the deceleration of consumption, and weaker external demand affected most economic sectors, including the industrial and services sectors, which registered decreased growth as compared to 2013. As a result, Brazilian consumption volumes of thermoplastic resins declined by 5.7% for polypropylene and 3.2% for PVC. Brazilian consumption volumes of polyethylene remained stable.

In 2015, Brazil was affected by the continued political crisis, lower-than-expected GDP growth in China (6.9%, the lowest in 25 years), declines in international commodity prices and weakening currencies in emerging economies, led by the Brazilian *real*. Key sectors in the Brazilian economy, such as services, construction and infrastructure, experienced a slowdown which affected the labor market by reducing income levels and consequently household spending and investment. According to the IBGE, Brazil's GDP contracted 3.8% in 2015. As a result, Brazilian consumption volumes of thermoplastic resins declined by 2.0% for polypropylene, 7.4% for polyethylene and 19.6% for PVC.

We generally obtain higher prices in Brazil for our products than the prevailing international prices. The difference in prices between the Brazilian and export markets results from:

- costs of transporting products to and within Brazil;
- warehousing, and other logistics costs; and

- tariffs and duties.

In addition, we are generally able to charge higher prices for our products than the *real* price of imports because we are able to provide better product customization services to our customers than sellers of imported products.

During periods in which the domestic demand for our products is reduced, we actively pursue export opportunities for our products in order to maintain capacity utilization rates. During periods of increased domestic demand for our products, our export sales volumes may decline as we increase domestic sales of our products.

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We believe that domestic demand for thermoplastic resins may continue to be affected by global macroeconomic factors. Exports of basic petrochemicals and thermoplastic resins, which represent a large percentage of our sales, are also affected by global macroeconomic factors.

Effect of Sales Outside Brazil on Our Financial Performance

We have significant production capacity located outside of Brazil from our plants located in the United States and Germany, through our subsidiaries Braskem America and Braskem Europe.

During the past several years, as the relative cost of naphtha and gas as feedstocks for petrochemical crackers has diverged, the profit margins of many naphtha crackers, including ours, have decreased as crackers using gas as feedstock have become the low-cost producer in the global markets. However, since gas crackers are unable to produce the co-products and byproducts that naphtha crackers generate, such as propylene, butadiene and BTX products, the prices of these products in the international markets have increased. As a result of the increased prices available for most of these co-products and byproducts, our net sales revenue from export sales of these products increased.

During the year ended December 31, 2015, 48.1% of our net sales revenue was derived from sales of our products outside Brazil as compared with 43.3% during 2014 and 42.5% during 2013. Net sales revenues derived from sales outside Brazil increased by 13.9% during 2015, 14.5% during 2014 and 13.7% during 2013.

During the year ended December 31, 2015, sales to customers in countries in the Americas (other than Brazil) accounted for 61.3% of our sales outside Brazil. During the year ended December 31, 2015, sales to customers in Europe accounted for 26.0% of our sales outside Brazil, and sales to customers in East Asia accounted for 12.8% of our sales outside Brazil.

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 rates and interest rates. We believe that continued slow or negative growth in the global economy, coupled with the increase in global capacity in the petrochemical industry, may lead to reduced profitability of the global petrochemical industry, and consequently reduced margin for our products. In addition, reduced global demand for our products may impair our ability to export our products in response to a decline in domestic demand for these products.

Cyclicalities Affecting the Petrochemical Industry

Global consumption of petrochemical products has increased significantly over the past 30 years. Due to this growth in consumption, producers have experienced periods of insufficient capacity for these products. Periods of insufficient capacity, including some due to raw material shortages, have usually resulted in increased capacity utilization rates and international market prices for our products, leading to increased domestic prices and operating margins. These periods have often been followed by periods of capacity additions, which have resulted in declining capacity utilization rates and international selling prices, leading to declining domestic prices and operating margins.

We expect that these cyclical trends in international selling prices and operating margins relating to global capacity shortfalls and additions will likely persist in the future, principally due to the continuing impact of four general factors:

- cyclical trends in general business and economic activity produce swings in demand for petrochemicals;
- during periods of reduced demand, the high fixed cost structure of the capital intensive petrochemicals industry generally leads producers to compete aggressively on price in order to maximize capacity utilization;
- significant capacity additions, whether through plant expansion or construction, can take three to four years to implement and are therefore necessarily based upon estimates of future demand; and

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- as competition in petrochemical products is generally focused on price, being a low-cost producer is critical to improved profitability. This favors producers with larger plants that maximize economies of scale, but construction of plants with high capacity may result in significant increases in capacity that can outstrip demand growth.

A variety of petrochemical companies have announced plans to build significant additional ethylene production capacity, primarily in Asia, the Middle East and North America. According to IHS, 32.0 million tons of annual global ethylene capacity is scheduled to be commissioned between 2016 and 2020, including approximately 9.0 million tons of annual capacity in China, 4.3 million tons of annual capacity in the Middle East and 10.0 million tons of annual capacity in North America. According to IHS, the majority of the new capacity in China (5.9 million tons of annual capacity) will be based on coal as their principal feedstock. The majority of the new capacity in the Middle East (4.2 million tons of annual capacity) will be based on ethane as their feedstock, either as the only raw material, or with another feedstock for flexible crackers. However, expansions of ethylene capacity are frequently subject to delays, and we cannot predict when the planned additional capacity will be commissioned, if at all.

International pricing pressures increased in 2011 and 2012 as the price differential between naphtha and gas increased and producers using ethane as raw materials were able to maintain competitive margins at sales prices lower than those required by some naphtha based producers. In 2013, the global economy showed signs of recovery, as reflected by the improved performance of the U.S. economy and indications that the euro zone had begun to emerge from crisis. This scenario helped support a recovery in the profitability of the global petrochemical industry, and the spreads for thermoplastic resins and main basic petrochemicals improved during the year. In 2014, world GDP growth fell short of initial forecasts for the year, reflecting the slower growth in emerging economies and in the Eurozone. However, the recovery in the U.S. economy and the good performance of other developed markets, such as the United Kingdom, had a positive impact on the world economy in 2014. In 2015 crude oil prices fell sharply, which reduced the competitive advantage of gas-based producers compared to naphtha-based producers.

The combination of the decline in oil prices, and consequently the decline in naphtha prices, the main feedstock used by the global petrochemical industry, which registered an average price in 2015 of US\$462/ton, down 45% from 2014, as well as the cancelation and postponements of previously announced petrochemical projects, supported healthy thermoplastics resins spreads.

We believe that the pricing scenario for the short-term is marked by caution. As expected, petrochemical prices have followed the downward trend in naphtha prices, which in turn followed the downward trend in crude oil markets. However, it is expected that the improvement in the world economy will continue to positively influence the demand and profitability of the sector in the short term.

Based on historical growth of demand for polyethylene, polypropylene and PVC, we believe that the additional capacity introduced in the market in 2013, 2014 and 2015 will be absorbed by the market in the medium-term. However, the production generated by this increase in capacity may lead to continued pressure on prices in the international markets and an increase in competition from imports in the Brazilian markets, which could adversely affect our net sales revenues, gross margins and overall results of operations.

Effects of Fluctuations in Naphtha Prices and Natural Gas

Fluctuations in the international market price of naphtha have significant effects on our costs of goods sold and the prices that we are able to charge our customers for our first and second generation products. Political instability in the

Middle East or similar events that may occur in the future may lead to unpredictable effects on the global economy or the economies of the affected regions, have had and may continue to have negative effects on oil production and price volatility, consequently driving naphtha and petrochemical prices higher worldwide.

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The price of natural gas in the Mont Belvieu region in Texas is used as a reference for our costs of natural gas. Any future developments that affect the U.S. supply/demand balance for natural gas may adversely affect the Mont Belvieu price of natural gas (including ethane, propane and butane) and increase our production costs or decrease the price of petrochemical products. External factors and natural disasters such as hurricanes, harsh winters or industry developments, such as shale gas exploration, may disrupt the supply of natural gas, thereby increasing the cost, which may materially adversely affect our cost of sales and results of operations.

Effects on Cost of Sales

Naphtha is the principal raw material used by our Basic Petrochemicals Unit and, indirectly, in several of our other business units. Naphtha and condensate accounted for approximately 59.0% of the total cost of sales of our Basic Petrochemicals Unit during 2015. Naphtha accounted for approximately 44.5% of our direct and indirect consolidated cost of sales and services rendered during 2015.

The cost of naphtha varies in accordance with international market prices, which fluctuate depending upon the supply and demand for oil and other refined petroleum products. We purchase naphtha under a long-term supply contract with Petrobras, and we import naphtha from other suppliers through our terminal at Aratú in the State of Bahia and Petrobras' terminal at Osório in the State of Rio Grande do Sul. The prices that we pay for naphtha under these arrangements, other than our supply contract with Petrobras, are based on the Amsterdam-Rotterdam-Antwerp market price for naphtha. As a result, fluctuations in the Amsterdam-Rotterdam-Antwerp market price for naphtha have had a direct impact on the cost of our first generation products.

Our contracts with Petrobras provides for naphtha prices based on a variety of factors, including the market prices of naphtha and other basic petrochemical derivatives, the volatility of the prices of these products in the international markets, the *real*/U.S. dollar exchange rate, and the level of paraffinicity of the naphtha that is delivered. We believe that these contracts have reduced the exposure of the cost of our first generation products to fluctuations in the Amsterdam-Rotterdam-Antwerp market price for naphtha.

The international price of naphtha has fluctuated significantly in the past, and we expect that it will continue to do so in the future. Significant increases in the price of naphtha and, consequently, the cost of producing our products, generally reduce our gross margins and our results of operations to the extent that we are unable to pass all of these increased costs on to our customers, and may result in reduced sales volumes of our products. Conversely, significant decreases in the price of naphtha and, consequently, the cost of producing our products, generally increase our gross margins and our results of operations and may result in increased sales volumes if this lower cost leads us to lower our prices. In periods of high volatility in the U.S. dollar price of naphtha, there is usually a lag between the time that the U.S. dollar price increases or decreases and the time that we are able to pass on increased, or required to pass on reduced, costs to our customers in Brazil. These pricing discrepancies decrease when the U.S. dollar price of naphtha is less volatile.

We do not currently hedge our exposure to changes in the prices of naphtha because a portion of our sales are exports payable in foreign currencies and linked to the international market prices of naphtha and also because the prices of our polyethylene, polypropylene and PVC products sold in Brazil generally reflect changes in the international market prices of these products.

Effects on Prices of Our Products

The prices that we charge for many of our basic petrochemical products are determined by reference to the European contract prices for these products. Because European producers of basic petrochemical products primarily use naphtha as a raw material, changes in the European contract prices are strongly influenced by fluctuations in international market prices for naphtha. To the extent that our prices are based on the European contract prices for our products, the prices that we charge for these products are significantly influenced by international market prices for naphtha.

We negotiate the *real* prices for certain of our products, principally polyethylene, polypropylene and PVC, on a monthly basis with our domestic customers. We attempt to revise our prices to reflect (1) changes in the international market prices of these products, which tend to fluctuate in tandem with naphtha prices, and (2) the appreciation or depreciation of the *real* against the U.S. dollar. However, during periods of high volatility in international market prices or exchange rates, we are sometimes unable to fully reflect these changes in our prices in a prompt manner.

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The international market prices of our petrochemical products have fluctuated significantly, and we believe that they will continue to do so. Volatility of the price of naphtha and the upward trend in the price of petroleum and naphtha have effects on the price competitiveness of our naphtha-based crackers and our resins. Because pricing trends for naphtha and ethane have diverged in recent years to a greater extent than has been the case historically, producers of ethylene and resin products derived from ethane generally have experienced lower unit raw material costs than naphtha-based producers of these products. As a consequence, significant increases in the pricing differential between naphtha and gas increases the competitiveness of products derived from ethane and may result in pricing pressure in the international markets.

Significant increases in the international market prices of our petrochemical products and, consequently, the prices that we are able to charge, generally increase our net sales revenue and our results of operations to the extent that we are able to maintain our operating margins and increased prices do not reduce sales volumes of our products. Conversely, significant decreases in the international prices of our petrochemical products, and, consequently, the prices that we charge, generally reduce our net sales revenue and our results of operations if we are unable to increase our operating margins or these reduced prices do not result in increased sales volumes of our products.

Capacity Utilization

Our operations are capital intensive. Accordingly, to obtain lower unit production costs and maintain adequate operating margins, we seek to maintain a high capacity utilization rate at all of our production facilities.

The table below sets forth capacity utilization rates with respect to the production facilities for some of our principal products for the periods presented.

	Year Ended December 31,		
	2015	2014	2013
Ethylene	89%	86%	90%
Polyethylene	87%	80%	85%
Polypropylene	76%	81%	83%
PVC	76%	89%	83%
Polypropylene USA and Europe	98%	92%	91%

In 2013, our utilization rate was affected by (1) a power outage that occurred on August 28, 2013, which affected the entire Brazilian Northeast and caused unscheduled shutdowns at our plants in the region; (2) planned maintenance shutdowns of the Northeastern Complex's Olefins 1 unit for 40 days in September, October and November of 2013, and (3) a lack of ethane and propane supply at the Rio de Janeiro Complex.

In 2014, the average capacity utilization of Braskem's crackers was affected by (1) the scheduled maintenance shutdown of one of our cracker production lines in the Southern Complex; (2) the scheduled maintenance shutdown at our cracker production line in the São Paulo Complex; (3) a lack of propylene supply at the Rio de Janeiro Complex, and (4) a lack of ethane and propane supply at the Rio de Janeiro Complex.

In 2015, the average capacity utilization of Braskem's crackers was affected by (1) improved performance of the complexes in the Northeastern Complex and the Southern Complex; (2) incident at the complex in São Paulo; and (3) a lack of propylene supply at the Rio de Janeiro Complex and (4) a lack of ethane and propane supply at the Rio de Janeiro Complex.

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The Brazilian government has a significant influence in some sectors of the domestic economy, including the petrochemical sector in which we operate. The Brazilian government has adopted, or is considering adopting, measures to boost the competitiveness of domestic companies, as described below.

Reintegra

In December 2011, the Brazilian government implemented the “Reintegra” program, which is designed to improve the competitiveness of Brazilian plastics producers in the export markets by refunding the federal taxes levied on their export sales. As a result of this incentive, exports of third generation products by Brazilian companies have increased therefore increasing Brazilian demand for our products. The original program ended in the end of December 2013. It was reinstated in August 2014 with a refund tax rate of 0.1% and in October 2014, the Brazilian government restored the rate to 3.0% until the end of 2015. However, in March 2015, the Brazilian federal government again decreased the rate to 1.0% for 2015 and 2016. In October 2015, according to the Decree 8,543, the Brazilian federal government decreased the refund rate to decrease to 0.1% as of December 1, 2015. The currently rate of 0.1% will remain valid until December 31, 2016. In January 2017, the Reintegra rate is expected to increase to 2% in 2017 and 3% in 2018.

Import Tariffs at Local Ports

Historically, tariffs on imports have been established by the federal government. However, in recent years, some Brazilian states established tax benefits to attract imports at local ports in order to raise revenue and develop local port infrastructure, primarily in the form of reductions of ICMS taxes that would otherwise be due to these states. Industry and union leaders alleged that such legislation creates a subsidy for imported products, thereby harming local industry.

On January 1, 2013, legislation took effect reducing the maximum ICMS tax that the state 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. In addition to certain other limited exceptions, this tax reduction does not apply to imported goods that do not have Brazilian-made substitutes. As a result, current tax benefits offered by some Brazilian states for the import of goods in the form of reduced ICMS tax rates have become less attractive.

Pricing and Tariffs

We set prices for ethylene, the principal first generation petrochemical product that we sell to third-party second generation producers, by reference to international market prices. See “—Basic Petrochemicals Unit—Sales and Marketing of Our Basic Petrochemicals Unit.” Prices paid by second generation producers for imported first generation petrochemical products partly reflect transportation and tariff costs. We establish the prices of ethylene by-products, such as butadiene, by reference to several market factors, including the prices paid by second generation producers for imported products. Prices paid for such imports also reflect transportation and tariff costs.

Second generation producers, including our company, generally set prices for their petrochemical products by reference to several market factors, including the prices paid by third generation producers for imported products. Prices paid for such imports also reflect transportation and tariff costs.

The Brazilian government has used import tariffs to implement economic policies. As a result, import tariffs imposed on petrochemical products have varied in the past and may vary in the future. Tariffs on imports of first generation petrochemical products are between 0% and 4%, and tariffs on polyethylene, polypropylene and PVC resins are 14.0%.

Imports and exports within the free trade area in South America (*Mercado Comum do Sul*), or Mercosul, which is composed of Argentina, Brazil, Paraguay and Uruguay, have not been subject to tariffs since December 2001. Imports of suspension PVC from Colombia are not subject to tariffs and imports of suspension PVC from Venezuela are subject to reduced tariffs of 2.1% under the *Acordo de Alcance Parcial de Complementação Econômica n° 59*, under which imports from these countries are lower than generally applicable tariffs.

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Imports of suspension PVC from the U.S. and Mexico have been subject to anti-dumping duties of 16.0% and 18.0%, respectively, that were imposed by the Brazilian Foreign Trade Chamber (*Câmara de Comércio Exterior*), or CAMEX, of the Ministry of Development, Industry and Trade. In 2005, the anti-dumping regime was changed so that duties were assessed on a sliding scale (from 0% to 16.0% and 0% to 18.0% for the U.S. and Mexico, respectively), in which the rate of the duties are determined based on a variety of factors, including the price of the products and the likelihood that imports of these products will adversely affect local industry. In September 2011, however, CAMEX changed the application of the anti-dumping practices for imports from the U.S. to an *ad valorem* rate of 16%, maintaining the sliding scale for Mexico, which is scheduled to expire in December 2015. The renewal of this anti-dumping regime is under analysis, during which time the same rates will be maintained.

Since 2008, imports of suspension PVC from China have been subject to duties ranging between 10.5% and 21.6%, and imports of suspension PVC from South Korea have been subject to duties ranging between 0% and 18.9%, depending on the producer, as a result of the imposition of anti-dumping duties by CAMEX. In August 2014, CAMEX changed the anti-dumping rates for imports from China to 21.6% and maintained the range of duties on imports from South Korea to between 0% and 18.9%.

Additionally, in December 2010, CAMEX imposed an additional anti-dumping duty of 10.6% on polypropylene imports from the United States for a period of five years. The renewal of this anti-dumping regime is under analysis, during which time the same rates will be maintained.

Beginning in August 2014, the Brazilian government imposed additional anti-dumping duties on polypropylene imports from South Africa, India and South Korea of 16.0%, 6.4 to 9.9% and 2.4 to 6.3%, respectively. These duties are scheduled to expire in 2019.

In 2015, approximately 26% of Brazilian polyethylene, polypropylene and PVC resins were imported products, which reflected a 12% annual decrease in the volume of resins imported, reflecting the volatility in the U.S. dollar-denominated prices of thermoplastic resins, which triggered an increase in the purchase of thermoplastic resins in Brazil. For more information, see “Effects of Brazilian Industrial Policy—Import Tariffs at Local Ports.”

Increased Import Duties on Polyethylene

As part of its initiative to strengthen domestic manufacturers, on October 1, 2012, the Brazilian government adopted a resolution that increased import duties on 100 products related to various industries, including an increase on the import tariff for polyethylene from 14% to 20%. In October 2013, the Brazilian government reduced the import tariff for polyethylene to the previous level of 14%.

Legislative Change Affecting Accumulated ICMS

In May 2013, the State of São Paulo approved new legislation reducing ICMS on certain acquisitions of naphtha, ethylene and propylene within the state. This reduction is conditioned upon certain requirements, including (1) the parties to the transactions must use a specified governmental data processing system to issue and account for tax documents, and they must regularly comply with related obligations and (2) the buyer must be accredited by the applicable governmental authority. In accordance with the requirements prescribed by law, in 2014 we used the reduced ICMS on the purchase of naphtha, ethylene and propylene, resulting in an ICMS credit balance in the State of São Paulo of zero

Effect of Sales Outside Brazil on Our Financial Performance

We have significant production capacity located outside of Brazil from our plants located in the United States and Germany, through our subsidiaries Braskem America and Braskem Europe.

During the past several years, as the relative cost of naphtha and gas as feedstocks for petrochemical crackers has diverged, many naphtha crackers, such as our company, have seen their margins come under increasing pressure as crackers using gas as a feedstock have become low-cost producers in the global markets. However, as gas crackers are unable to produce the co-products and byproducts that naphtha crackers generate, such as propylene, butadiene and BTX products, the prices of these products in the international markets have increased. As a result of the increased prices available for most of these co-products and byproducts, our net sales revenue from export sales of these products substantially 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.

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During the year ended December 31, 2015, 48.1% of our net sales revenue was derived from sales of our products outside Brazil as compared with 43.3% during 2014 and 42.5% during 2013. Net sales revenues derived from sales outside Brazil increased by 13.9% during 2015, 14.5% during 2014 and 13.7% during 2013.

During the year ended December 31, 2015, sales to customers in countries in the Americas (other than Brazil) accounted for 61% of our sales outside Brazil. During the year ended December 31, 2015, sales to customers in Europe accounted for 26.0% of our sales outside Brazil, and sales to customers in East Asia accounted for 12.8% of our sales outside Brazil.

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 rates and interest rates. We believe that continued slow or negative growth in the global economy, coupled with the increase in global capacity in the petrochemical industry, may lead to reduced profitability of the global petrochemical industry, and consequently reduced margin for our products. In addition, reduced global demand for our products may impair our ability to export our products in response to a decline in domestic demand for these products.

Effects of Fluctuations in Exchange Rates between the Real and the U.S. Dollar

Our results of operations and financial condition have been, and will continue to be, affected by the rate of depreciation or appreciation of the *real* against the U.S. dollar because:

- a substantial portion of our net sales revenue is denominated in or linked to U.S. dollars;
- our costs for some of our raw materials, principally naphtha and certain catalysts required in our production processes, are incurred in U.S. dollars or are U.S. dollar-linked;
- we have operating expenses, and make other expenditures, that are denominated in or linked to U.S. dollars; and
- we have significant amounts of U.S. dollar-denominated liabilities that require us to make principal and interest payments in U.S. dollars.

Virtually all of our sales are of petrochemical products for which there are international market prices expressed in U.S. dollars. We generally attempt to set prices that take into account (1) the international market prices for our petrochemical products, and (2) in Brazil, variations in the *real*/U.S. dollar exchange rate. As a result, although a significant portion of our net sales revenue is denominated in *reais*, substantially all of our products are sold at prices that are based on international market prices that are quoted in U.S. dollars.

Fluctuations in the *real* affect the cost of naphtha and other U.S. dollar-linked or imported raw materials. The price of naphtha, our principal raw material, is linked to the U.S. dollar. The pricing formula included in the contract with Petrobras under which we purchase naphtha for our basic petrochemical plants in the Northeastern Complex and in the Southern Complex includes a factor that adjusts the price to reflect the *real*/U.S. dollar exchange rate.

The depreciation of the *real* against the U.S. dollar generally increases the production cost for our products and we generally attempt to increase the Brazilian prices for our products in *reais* (to the extent possible in light of then-prevailing market conditions in Brazil), which may result in reduced sales volumes of our products. To the extent

that our price increases are not sufficient to cover the increased costs for raw materials, our operating margin decreases. Conversely, the appreciation of the *real* against the U.S. dollar generally decreases the production cost for our products and we generally decrease the Brazilian prices for our products in *reais*, which may result in increased sales volumes of our products. In periods of high volatility in the *real*/U.S. dollar exchange rate, there is usually a lag between the time that the U.S. dollar appreciates or depreciates and the time that we are able to pass on increased, or are required to pass on reduced, costs in *reais* to our customers in Brazil. These pricing discrepancies decrease when the *real*/U.S. dollar exchange rate is less volatile.

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Our consolidated U.S. dollar-denominated indebtedness represented 77.8% of our outstanding indebtedness as of December 31, 2015. As a result, when the *real* depreciates against the U.S. dollar:

- the interest costs on our U.S. dollar-denominated indebtedness increase in *reais*, which adversely affects our results of operations in *reais*;
- the amount of our U.S. dollar-denominated indebtedness increases in *reais*, and our total liabilities and debt service obligations in *reais* increase; and
- our financial expenses tend to increase as a result of foreign exchange losses that we must record, mitigated by our decision to designate, on May 1, 2013, part of our U.S. dollar-denominated liabilities as a hedge for our future exports.

Appreciation of the *real* against the U.S. dollar has the converse effects.

Export sales and sales by our USA and Europe Unit, which enable us to generate receivables payable in foreign currencies, tend to provide a hedge against a portion of our U.S. dollar-denominated debt service obligations, but they do not fully match them. To further mitigate our exposure to exchange rate risk, we try, where possible, to enter into trade finance loans for our working capital needs, which funding is generally available at a lower cost because it is linked to U.S. dollar exports.

Effect of Level of Indebtedness and Interest Rates

As of December 31, 2015, our total outstanding consolidated indebtedness, net of transaction costs, was R\$27,338.8 million. The level of our indebtedness results in significant financial expenses that are reflected in our statement of operations. Financial expenses consist of interest expense, exchange variations of U.S. dollar- and other foreign currency-denominated debt, foreign exchange losses or gains, and other items as set forth in note 29 to our audited consolidated financial statements. In the year ended December 31, 2015, we recorded total financial expenses in the financial expenses line item of R\$2,492.5 million, of which R\$1,293.7 million consisted of interest expense, R\$234.6 million consisted of expenses related to monetary variation on financing and a positive R\$70.3 million consisted of foreign exchange variation. The interest rates that we pay depend on a variety of factors, including prevailing Brazilian and international interest rates and risk assessments of our company, our industry and the Brazilian economy made by potential lenders to our company, potential purchasers of our debt securities and the rating agencies that assess our company and its debt securities.

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.

Effects of Brazilian Inflation

Brazilian inflation affects our financial performance by increasing some of our operating expenses denominated in *reais* (and not linked to the U.S. dollar). A significant portion of our costs of sales and services rendered, however, are denominated in or linked to the U.S. dollar and are not substantially affected by the Brazilian inflation rate. Some of our *real*-denominated debt is indexed to take into account the effects of inflation. Under this debt, the principal amount generally is adjusted with reference to the General Price Index—Market (*Índice Geral de Preços—Mercado*), an inflation index, so that inflation results in increases in our financial expenses and debt service obligations. In addition, a significant portion of our *real*-denominated debt bears interest at the TJLP or the CDI rate, which are partially adjusted for inflation.

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Effect of Taxes on Our Income

We are subject to a variety of generally applicable Brazilian federal and state taxes on our operations and results. We are generally subject to Brazilian federal income tax (combined with Social Contribution on Net Income (*Contribuição Social Sobre o Lucro Líquido*), or CSLL) at an effective rate of 34%, which is the standard corporate tax rate in Brazil. We have available certain federal tax exemptions based upon federal law that offers tax incentives to companies that locate their manufacturing operations in the Brazilian states of Bahia and Alagoas. These exemptions have been granted for varying lengths of time to each of our manufacturing plants located in these states.

We are entitled to pay 25% of the statutory income tax rate on the profits arising from the sale of:

- polyethylene manufactured at one of our polyethylene plants in the Northeastern Complex until December 31, 2016; and
- PVC manufactured at our plant in the Alagoas until December 31, 2019.
- Polyethylene manufactured at one of our polyethylene plants in the Northeastern Complex and caustic soda, chlorine and ethylene dichloride produced at our plants in the Northeastern Complex and Alagoas until 2024.

Each of our exemptions entitles us to pay only 44.9% of the statutory income tax rate (of 34%) on the profits arising from products manufactured at these plants.

Due to operating losses sustained by us in the past, we had R\$2.144.8 million of deferred income tax and social contribution assets arising from tax loss carryforwards available as of December 31, 2015. Income tax loss carryforwards available for offset in Brazil do not expire. However, the annual offset is limited to 30% of our adjusted net profits. This limit also affects the CSLL.

Our export sales are currently exempt from (1) PIS (2) COFINS, a federal value-added tax, (3) the Tax on Industrial Products (*Imposto sobre Produtos Industrializados*), or IPI, a federal value-added tax on industrial products, and (4) ICMS.

Recent Developments

The following is a summary of major transactions entered into, and other developments affecting, our company since December 31, 2015.

Management Changes

In April and May 2016, we announced a new Chief Financial and Investor Relations Officer and Chief Executive Officer.

Approval of Annual Dividend Payment

At our annual shareholders' meeting on April 6, 2016, our shareholders approved the payment of dividends in the amount of R\$1.0 billion, which was paid on April 15, 2016.

Mexico Complex

On April 6, 2016, Braskem Idesa successfully produced its first batch of polyethylene in the Mexico Complex. This is part of a gradual start-up process which began in December 2015.

Feedstock Investment

On March 18, 2016, our board of directors approved a project that includes investments of R\$380 million to permit flexibility in the use of up to 15% of ethane as feedstock for our Bahia cracker. The investments also include the modernization of the industrial unit and the renovation of port infrastructure and it is expected to start operations in the second half of 2017. In addition, we entered into a long-term contract with an affiliate of Enterprise Products Partners L.P. for the supply of ethane imported from the United States at a price based on the international Mont Belvieu reference price.

This project is part of Braskem's strategy of diversifying its feedstock matrix, with a focus on increasing its competitiveness and that of the Brazilian petrochemical chain.

Termination of BNDESPAR Shareholders' Agreement

In February 2016, we received a letter from BNDESPAR informing us of its sale of preferred shares of our capital stock on the BM&FBOVESPA. As a result of these sales, BNDESPAR held preferred shares and total share capital of 6.61% and 2.86%, respectively. The shareholders' agreement to which BNDESPAR was a party automatically terminated as a result of BNDESPAR holding less than 5.0% of our total share capital.

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The following discussion of our results of operations is based on our consolidated financial statements prepared in accordance with IFRS.

The discussion of the results of our business segments is based upon financial information reported for each of the segments of our business, as presented in the following tables, which set forth the results of each of our segments and the reconciliation of these results of our segments to our consolidated results of operations. This segment information was prepared on the same basis as the information that our senior management uses to allocate resources among segments and evaluate their performance. We evaluate and manage the performance of our segments based on information generated from our statutory accounting records maintained in accordance with IFRS, and reflected in our consolidated financial statements.

	Year Ended December 31, 2015						
	Net sales revenue	Cost of products sold	Gross profit	Selling, general, administrative, distribution and research and development expenses	Results from equity investments	Other operating income (expense), net(1)	Operating profit (loss)
	(in millions of reais)						
Basic Petrochemicals	24,269.8	(20,053.1)	4,216.7	(658.9)	—	(178.1)	3,379.6
Polyolefins	19,986.2	(15,461.2)	4,525.0	(1,224.6)	—	(130.7)	3,169.7
Vinyls	2,780.1	(2,415.9)	364.2	(224.9)	—	(27.0)	112.4
USA and Europe	8,239.9	(6,892.1)	1,347.8	(445.9)	—	(13.4)	888.5
Chemical Distribution	874.6	(692.7)	182.0	(123.4)	—	(5.0)	53.6
Total segments	56,150.6	(45,515.0)	10,635.7	(2,677.7)	—	(353.5)	7,603.8
Other segment(2)	631.5	(637.0)	(5.5)	(94.7)	—	(70.1)	(170.3)
Corporate unit(3)	—	—	—	(5.5)	2.2	(282.8)	(286.1)
Reclassifications and eliminations(4)	(9,499.1)	9,249.9	(249.2)	154.1	—	—	(95.1)
Consolidated	47,283.0	(36,902.1)	10,380.9	(2,623.8)	2.2	(707.2)	7,052.2

	Year Ended December 31, 2014						
	Net sales revenue	Cost of products sold	Gross profit	Selling, general, administrative, distribution and research and development expenses	Results from equity investments	Other operating income (expense), net(1)	Operating profit (loss)
	(in millions of reais)						

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Basic Petrochemicals	25,576.3	(23,252.8)	2,323.5	(692.7)	—	190.3	1,821.1
Polyolefins	18,502.2	(15,599.6)	2,902.6	(965.7)	—	(53.2)	1,883.7
Vinyls	2,709.5	(2,551.5)	158.0	(205.3)	—	57.3	10.0
USA and Europe	7,934.3	(7,477.5)	456.8	(294.9)	—	(82.5)	79.3
Chemical Distribution	842.7	(700.9)	141.8	(105.2)	—	(28.8)	7.8
Total segments	55,565.0	(49,582.3)	5,982.7	(2,263.9)	—	83.0	3,801.8
Other segment(2)	402.7	(284.3)	118.4	(170.0)	—	(4.1)	(55.7)
Corporate unit(3)	—	—	—	(70.5)	3.9	16.7	(49.9)
Reclassifications and eliminations(4)	(9,936.3)	9,809.3	127.0	—	—	—	(127.0)
Consolidated	46,031.4	(40,057.3)	5,974.1	(2,504.4)	3.9	95.6	3,569.2

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	Year Ended December 31, 2013						
	Net sales revenue	Cost of products sold	Gross profit	Selling, general, administrative, distribution and research and development expenses	Results from equity investments	Other operating income (expense), net(1)	Operating profit (loss)
	(in millions of <i>reais</i>)						
Basic Petrochemicals	25,037.8	(22,561.2)	2,476.6	(534.9)	—	(67.8)	1,873.9
Polyolefins	16,944.7	(14,694.3)	2,250.4	(852.6)	—	(30.7)	1,367.1
Vinyls	2,581.1	(2,384.5)	196.6	(174.1)	—	(11.2)	11.3
USA and Europe	6,748.5	(6,419.6)	328.9	(282.8)	—	(37.6)	8.5
Chemical Distribution	891.7	(761.1)	130.6	(96.7)	—	(6.5)	27.4
Total segments	52,203.8	(46,820.7)	5,383.1	(1,941.1)	—	(153.8)	3,288.1
Other segment(2)	130.3	(133.6)	(3.3)	(68.6)	—	0.1	(71.8)
Corporate unit(3)	—	—	—	(184.7)	(3.2)	(57.4)	(245.3)
Reclassifications and eliminations(4)	(11,364.6)	11,133.5	(231.1)	—	—	—	(231.1)
Consolidated	40,969.5	(35,820.8)	5,148.7	(2,194.4)	(3.2)	(211.1)	2,739.9

(1) Includes research and development.

(2) Includes revenues and expenses of Braskem Idesa S.A.P.I. and revenues and expenses related to sales of cyclohexane and cyclohexanone.

(3) Represents expenses of Braskem that are not allocated to any particular segment.

(4) Eliminations consist primarily of intersegment sales, which are made in similar terms as arm's length transactions.

In the following discussion, references to increases or declines in any period are made by comparison with the corresponding prior period, except as the context otherwise indicates.

Year Ended December 31, 2015 Compared with Year Ended December 31, 2014

The following table sets forth consolidated financial information for the years ended December 31, 2015 and 2014.

Year Ended December 31,		
2015	2014	% Change
(in millions of <i>reais</i>)		

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Net sales revenue	47,283.0	R\$46,031.4	2.7%
Cost of products sold	(36,902.1)	(40,057.3)	(7.9)%
Gross profit	10,380.9	5,974.0	73.8%
Income (expenses):	-		
Selling and distribution	(1,122.0)	(1,155.8)	(2.9)%
General and administrative	(1,325.3)	(1,210.1)	9.5%
Research and development	(176.4)	(138.4)	27.5%
Results from equity investments	2.2	3.9	(43.6)%
Other operating income (expenses), net	(707.2)	95.6	n.m.
Operating profit	7,052.2	3,569.2	97.6%
Financial results:			
Financial expenses	(4,193.5)	(2,745.9)	52.7%
Financial income	1,701.0	355.2	378.9%
Profit (loss) before income tax and social contribution	4,559.7	1,178.6	286.9%
Income tax and social contribution	(1,660.9)	(452.3)	267.2%
Profit (loss)	2,898.8	R\$726.3	299.1%

n.m.: Not meaningful

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Net sales revenue increased by 2.7% during 2015, primarily as a result of (1) an 8.0% increase in net sales revenue of our Polyolefins segment, and (2) a 3.9% increase in net sales revenue of our USA and Europe segment, the effects of which were partially offset by a 5.1% decline in net sales revenue of our Basic Petrochemicals segment.

Reclassifications and eliminations of net sales revenues of our segments in consolidation, primarily reflecting intercompany sales of basic petrochemicals by our Basic Petrochemicals segment to our other segments, declined by 4.4% during 2015.

Net Sales Revenue of Basic Petrochemicals Segment

Net sales revenue of the Basic Petrochemicals segment declined by 5.1% during 2015, primarily as a result of a 12.9% decline in net sales revenue generated by sales of basic petrochemicals (excluding condensate, fuels, intermediates and utilities) to third parties to R\$8,647.9 million during 2015 from R\$9,932.9 million during 2014.

Net sales revenue generated by sales of:

- basic chemicals (including fuels and intermediaries) declined by 10.4% to R\$2,247.3 million during 2015 from R\$2,508.2 million during 2014, primarily as a result of a 18.9% decline in net sales revenues from intermediates.
- naphtha, condensate and crude oil increased by 43.3% to R\$4,432.1 million during 2015 from R\$3,092.3 million during 2014, primarily as a result of a 62.6% increase in volume of these sales.; and
- utilities increased by 21.2% to R\$757.5 million during 2015 from R\$625.3 million during 2014.

The most significant factors contributing to the decline of net sales revenue generated by sales of basic petrochemicals to third parties were (1) a R\$687.6 million, or 20.0%, decline in net sales revenue generated by sales of BTX products, (2) a R\$341.8 million, or 23.5%, decline in net sales revenue generated by sales of propylene, and (3) a R\$196.2 million, or 16.4%, decline in net sales revenue generated by sales of butadiene. The effects of these declines was partially offset by a R\$66.1 million, or 3.6%, increase in net sales revenue generated by sales of ethylene.

Sales volume of ethylene to third parties increased by 7.3% to approximately 548,600 tons during 2015 from approximately 511,400 tons during 2014, primarily as a result of a 430.9% increase in export sales reflecting our solid operating performance and favorable pricing in the international market. Domestic sales volume of ethylene to third parties declined by 2.8%, principally due to reduced demand in the domestic market. Export sales volume of ethylene more than quadrupled as a result of favorable pricing in the international market primarily reflecting the favorable foreign exchange effect of a strong U.S. dollar. The average prices that we realized for sales of ethylene declined primarily as a result of the 17.1% decline in the average Western Europe contract price of ethylene in euros, as reported by IHS, the effects of which were partially offset by the 18.3% average depreciation of the *real* against the euro.

Sales volume of propylene to third parties declined by 6.5% to approximately 416,500 tons in 2015 from approximately 445,400 tons during 2014. Domestic sales volume of propylene to third parties increased by 17.8%, primarily as a result of BASF's inauguration of its world-scale production complex for acrylic acid, butyl acrylate and superabsorbent polymers in Camaçari, Bahia. Export sales volume of propylene declined by 28.0%, mainly reflecting

the products' lower supply and the prioritizing domestic demand. The average prices that we realized for sales of propylene declined primarily as a result of a 45.1% decline in the average North American contract price of propylene in U.S. dollars, as reported by IHS, the effects of which were partially offset by the effects of the 41.6% average depreciation of the *real* against the U.S. dollar.

Sales volume of butadiene to third parties increased by 1.8% to approximately 385,500 tons during 2015 from approximately 378,900 tons during 2014. Domestic sales volume of butadiene to third parties increased by 4.8%, principally due to reduction of import reflecting low supply in the international market, given the scheduled and unscheduled shutdowns at certain crackers, particularly in Europe. Export sales volume of butadiene declined by 2.1%, principally due to butadiene's lower supply and the prioritizing of domestic demand. The average prices that we realized for sales of butadiene increased primarily as a result of a 43% decline in the average North American contract price of butadiene in U.S. dollars, as reported by IHS, the effects of which were partially offset by the effects of the average depreciation of the *real* against the U.S. dollar.

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The principal factors leading to the decrease in net sales revenue generated by sales of BTX products to third parties were (1) a 27.6% decline in net sales revenue generated by sales of benzene, (2) a 39.3% decline in net sales revenue generated by sales of mixed xylenes, and (3) a 28.6% decline in net sales revenue generated by sales of toluene. The effects of these increases were partially offset by an 81.6% increase in net sales revenue generated by sales of para-xylene.

Sales volume of benzene to third parties declined slightly to approximately 666,700 tons during 2015 from approximately 667,200 tons during 2014. The average prices that we realized for sales of benzene declined primarily as a result of a 48.6% decline in the average North American contract market price of benzene in U.S. dollars, as reported by IHS, the effects of which were partially offset by the effects of the average depreciation of the *real* against the U.S. dollar. Sales volume of mixed xylenes to third parties declined by 45.0% to approximately 71,700 tons during 2015 from approximately 130,300 tons during 2014, primarily as a result of reduction in domestic demand. The average prices that we realized for sales of mixed xylenes increased primarily as a result of the effects of the average depreciation of the *real* against the U.S. dollar, the effects of which were partially offset by a 30% decline in the average North American contract market price of mixed xylenes in U.S. dollars, as reported by IHS. Sales volume of toluene to third parties declined by 20.8% to approximately 141,500 tons during 2015 from approximately 178,700 tons during 2014, primarily as a result of the lower production. The average prices that we realized for sales of toluene declined primarily as a result of a 32.8% decline in the average North American contract market price of toluene in U.S. dollars, as reported by IHS, the effects of which were partially offset by the effects of the average depreciation of the *real* against the U.S. dollar. Sales volume of para-xylene to third parties increased by 81.4% to approximately 179,500 tons during 2015 from approximately 99,000 tons during 2014, primarily as a result of the stronger demand in Brazil and in export markets fueled by the product's low supply in the international market, given the scheduled and unscheduled shutdowns of certain crackers, particularly in Europe and Asia. The average prices that we realized for sales of para-xylene remained stable during 2015.

Net Sales Revenue of Polyolefins Segment

Net sales revenue of the Polyolefins segment increased by 8.0% during 2015, primarily as a result of an 11.5% increase in net sales revenue generated by sales of polyethylene.

Sales volume of polyethylene increased by 5.3% to approximately 2,436,500 tons during 2015 from approximately 2,313,300 tons during 2014. During 2015, domestic sales volume of polyethylene declined by 4.3%, principally as a result of the weak performance of the Brazilian economy. Export sales volume of polyethylene increased by 29.0%, primarily as a result of (1) our capacity to export volumes not absorbed by the domestic market and (2) favorable foreign exchange. The average prices that we realized for sales of polyethylene increased primarily as a result of the effects of (1) the average depreciation of the *real* against the U.S. dollar and (2) a 32%, 29% and 31% increase in average HDPE, LLDPE and LDPE contract prices in the North American market, respectively, according to IHS.

Sales volume of polypropylene declined by 4.8% to approximately 1,515,700 tons during 2015 from approximately 1,591,900 tons during 2014. During 2015, domestic sales volume of polypropylene declined by 6.4%, reflecting the weak performance of the Brazilian economy mainly in the industrial and automotive sector. Export sales volume of polypropylene were stable. The average prices that we realized for sales of polypropylene increased primarily as a result of the effects of the average depreciation of the *real* against the U.S. dollar, the effects of which were partially offset by a 27.3% decline in the average spot prices of the Northeast Asian market, according to IHS.

Net Sales Revenue of Vinyls Segment

Net sales revenue of the Vinyls segment increased by 2.6% during 2015, primarily as a result of a 17.0% increase in net sales revenue from the sale of caustic soda, the effects of which were partially offset by a 1.3% decline in net sales revenue from the sale of PVC.

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Sales volume of PVC declined by 8.1% to approximately 606,300 tons during 2015 from 659,500 tons during 2014. During 2015, domestic sales volume of PVC declined by 18.0%, reflecting the weak performance of the infrastructure and construction sectors of the main consumers of resin. The reduction in domestic demand and devaluation of the *real* against the U.S. dollar led us to export part of our PVC production, with export sales volume reaching approximately 65,000 tons in 2015 compared to no export sales volume in 2014. The average prices that we realized for sales of PVC increased primarily as a result of the average depreciation of the *real* against the U.S. dollar and the 19% decrease in the average Northeast Asian spot market prices of PVC in U.S. dollars, as reported by IHS.

Sales volume of caustic soda declined by 7.2% to approximately 443,800 tons during 2015 from approximately 472,200 tons during 2014, primarily as a result of the reduction in domestic demand, particularly in the aluminum industry. The average prices that we realized for sales of caustic soda increased primarily as a result of the 24.6% increase in the average North American spot market prices of caustic soda in U.S. dollars, as reported by IHS, and the effects of the average depreciation of the *real* against the U.S. dollar.

Net Sales Revenue of USA and Europe Segment

Net sales revenue of the USA and Europe segment, which includes our polypropylene assets in the United States and Europe, increased by 3.9% during 2015, primarily as a result of the 5.9% increase in sales volume of polypropylene of the USA and Europe segment to approximately 1,973,300 tons during 2015 from approximately 1,862,600 tons during 2014, primarily due to the recovery in the U.S. economy and the increased competitiveness of polypropylene over substitute materials. The effects on net sales revenue of the increase in sales volume was partially offset by the decline in average polypropylene sales prices of the USA and Europe segment as a result of a 27.3% decline in the spot prices of the Northeast Asian market of polypropylene, according to IHS, the effects of which were partially offset by the effects of the depreciation of the *real* against the currencies in which the USA and Europe segment made sales (principally, the U.S. dollar and the euro) on our net sales revenue reported in *reais*.

Net Sales Revenue of Chemical Distribution Segment

Net sales revenue of the Chemical Distribution segment increased by 3.8% during 2015, primarily as a result of the depreciation the *real* against the U.S. dollar, the effects of which were partially offset by a decrease in the average price of our principal products.

Cost of Products Sold and Gross Profit

Cost of products sold declined by 7.9% during 2015, primarily as a result of (1) a 13.8% decline in cost of products sold in our Basic Petrochemicals segment, and (2) a 7.8% decline in cost of products sold in our USA and Europe segment. Reclassifications and eliminations of cost of sales and services rendered of our segments in consolidation, primarily reflecting the costs of basic petrochemicals purchases by our Polyolefins and Vinyls segments from our Basic Petrochemicals segment, declined by 5.7% during 2015.

Consolidated gross profit increased by 73.8% during 2015. Gross margin (gross profit as a percentage of net sales revenue) increased to 22.0% during 2015 from 13.0% during 2014.

Cost of Products Sold of Basic Petrochemicals Segment

Cost of products sold of the Basic Petrochemicals segment declined by 13.8% during 2015, as a result of a reduction of the cost of naphtha, the main feedstock, which registered an average price of US\$462 per ton in 2015, a decline of 45% from 2014. This decline is partially explained by a 47% reduction in the price of crude oil during 2014.

Gross profit of the Basic Petrochemicals segment increased by 81.5% to R\$4,216.7 million during 2015 from R\$2,323.5 million during 2014, and gross margin increased to 17.4% during 2015 from 9.1% during 2014.

TABLE OF CONTENTS*Cost of Products Sold of Polyolefins Segment*

Cost of products sold of the Polyolefins segment declined by 0.9% during 2015, primarily as a result of (1) the effects on our average cost of ethylene of the 17.1% decline in the average Western Europe contract price of ethylene in euros, as reported by IHS, and (2) the effects on our average cost of propylene of the 45.1% decline in the average North American contract price of propylene in U.S. dollars and a 23.6% decline in the average Western Europe contract price of propylene in euros, as reported by IHS. The effects of these factors were partially offset by (1) the effects of the average depreciation of the *real* against the U.S. dollar and the euro on the cost of raw materials of our Polyolefins Unit that are determined by reference to U.S. dollar- and euro-denominated prices, and a 1.6% increase in sales volume of the Polyolefins segment.

Gross profit of the Polyolefins segment increased by 55.9% to R\$4,525.0 million during 2015 from R\$2,902.6 million during 2014, and gross margin increased to 22.6% during 2015 from 15.7% during 2014.

Cost of Products Sold of Vinyls Segment

Cost of products sold of the Vinyls segment declined by 5.3% during 2015, primarily as a result of a 7.8% decline in the total sales volume of our Vinyls Unit. The effects of this decline in sales volume were partially offset by the effects on our Vinyls Unit's average cost of ethylene of the 17.1% of decline in the average Western Europe contract price of ethylene in euros, as reported by IHS, partially offset by the effects of the average depreciation of the *real* against the euro on the cost of raw materials of our Vinyls Unit that are determined by reference to euro-denominated prices.

Gross profit of the Vinyls segment increased by 130.5% to R\$364.2 million during 2015 from R\$158.0 million during 2014, while gross margin increased to 13.1% during 2015 from 5.8% during 2014.

Cost of Products Sold of USA and Europe Segment

Cost of products sold of the USA and Europe segment declined by 7.8% during 2015, primarily as a result of (1) the effects on this segment's average cost of propylene of a 45.1% decline in the average North American contract price of propylene in U.S. dollars, as reported by IHS, the effects of which were partially offset by the currency translation effects of a 42% average depreciation of the *real* against the U.S. dollar, and (2) the effects on this segment's average cost of propylene of a 23.6% decline in the average Western Europe contract price of propylene in euros, as reported by IHS, the effects of which were partially offset by the currency translation effects of a 18.3% average depreciation of the *real* against the euro. The effects of these reductions in the unit cost of raw materials were partially offset by the 5.9% increase in polypropylene sales volume recorded by this segment.

Gross profit of the USA and Europe segment increased by 195.1% to R\$1,347.8 million during 2015 from R\$456.8 million during 2014, and gross margin increased to 16.4% during 2015 from 5.8% during 2014.

Cost of Products Sold of Chemical Distribution Segment

Cost of sales of the Chemical Distribution segment declined by 1.2% during 2015 primarily as a result of the lower sales volume and lower price of raw materials.

Gross profit of the Chemical Distribution segment increased by 28.3% to R\$182.0 million during 2015 from R\$141.8 million during 2014, while gross margin increased to 20.8% during 2015 from 16.8% during 2014.

Selling and Distribution Expenses

Selling and distribution expenses declined by 2.9% during 2015, primarily as a result of lower costs in logistics and storage of finished products in the domestic market, primarily a result of lower domestic sales volume. Selling and distribution expenses as a percentage of net sales revenue declined to 2.4% during 2015 from 2.5% during 2014.

TABLE OF CONTENTS*General and Administrative Expenses*

General and administrative expenses increased by 9.5% during 2015, primarily as a result of expenses related to innovation and technology and higher expenses with payroll and third-party services. General and administrative expenses as a percentage of net sales revenue remained increased to 2.8% during 2015 from 2.6% during 2014.

Research and Development Expenses

Research and development expenses increased by 27.5% during 2015, primarily as a result of higher expenses with contracts in US dollar. Research and development expenses as a percentage of net sales revenue increased to 0.4% during 2015 from 0.3% during 2014.

Results from Equity Investments

Results from equity investments declined by 43.6% to a R\$2.2 million gain in 2015 from a R\$3.9 million gain in 2014, primarily as a result of losses on exchange variation on financial results in our jointly controlled investments and associated companies.

Other Operating Income (Expenses), Net

Other operating expense, net was R\$707.2 million during 2015, consisting of: (i) depreciation expenses and maintenance costs of R\$152.5 million related to idle industrial plants, including the São Paulo site during the period the unit was shut down; (ii) provision of R\$241.1 million related to investment losses and expenses with projects; (iii) allowances for labor and tax claims of R\$105.6 million; (iv) expenses of R\$65.8 million related to environmental provisions; and (v) an allowance of R\$54.2 million related to our health plans.

Other operating income, net was R\$95.6 million during 2014, primarily consisting of (1) revenues from the divestment of the water treatment unit in the Southern Complex of R\$277.3 million, (2) revenues from the recognition of credits of subsidiaries to settle installment payment under Federal Law 11,941/09 of R\$98.3 million, and (3) revenues from discount from the prepayment of the tax installment under Federal Law 11,941/09 of R\$79.6 million. This revenue was partially offset by (1) expenses related to additional provisions for the Petros Copesul pension plan of R\$65.0 million, (2) depreciation expenses of R\$119.8 million for idle plants, (3) expenses related to inventory adjustments and losses of raw materials of R\$50.0 million, (4) expenses related to contingencies included in the installment payment plan under Federal Law 11,941/09 of R\$71.8 million, and (5) expenses related to provisions for environmental damages of R\$30.7 million.

Operating Profit (Loss)

As a result of the foregoing:

- operating profit on a consolidated basis increased by 97.6% during 2015, and as a percentage of net sales revenue, operating profit increased to 14.9% during 2015 from 7.8% during 2014;
- operating profit of the Basic Petrochemical segment increased by 85.6% to R\$3,379.6 million during 2015 from R\$1,821.1 million during 2014, and the operating margin of the Basic Petrochemical segment increased to 13.9%

during 2015 from 7.1% during 2014;

- operating profit of the Polyolefins segment increased by 68.3% to R\$3,169.7 million during 2015 from R\$1,883.7 million during 2014, and the operating margin of the Polyolefins segment increased to 15.9% during 2015 from 10.2% during 2014;
- operating profit of the USA and Europe segment increased to R\$888.5 million during 2015 from R\$79.3 million during 2014, and the operating margin of the USA and Europe segment increased to 10.8% during 2015 from 1.0% during 2014;

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- operating profit of the Vinyls segment increased to R\$112.4 million during 2015 from R\$10.0 million during 2014, while the operating margin of the Vinyls segment increased to 4.0% during 2015 from 0.4% during 2014; and
- operating profit of the Chemical Distribution segment increased to R\$53.6 million during 2015 from R\$7.8 million during 2014, and the operating margin of the Chemical Distribution segment increased to 6.1% during 2015 from 0.9% during 2014.

Financial Results

Financial results increased by 4.3% during 2015 as a result of a 52.7% increase in financial expenses, the effects of which were partially offset by a 378.9% increase in financial income.

Financial Income

Financial income increased by 378.9% to R\$1,701.0 million during 2015 from R\$355.2 million during 2014, primarily as a result of our recording a R\$1,105.4 million gain on exchange variation on monetary assets during 2015 compared to a R\$46.2 million loss during 2014 as a result of a 42% appreciation in the average U.S. dollar exchange rate against the *real* during 2015 compared to a 9% appreciation in the average U.S. dollar exchange rate against the *real* during 2014.

Financial Expenses

Financial expenses increased by 52.7% to R\$4,193.5 million during 2015 from R\$2,745.9 million during 2014, primarily as a result of (1) our recording a R\$1,035.0 million loss on foreign exchange variation on liabilities during 2015 compared to a R\$38.9 million loss during 2014 as a result of a 47.0% appreciation in the U.S. dollar exchange rate against the *real* at the end of 2015 compared to a 13% appreciation in the end of period U.S. dollar exchange rate against the *real* during 2014, and (2) a 32.6% increase in interest expense to R\$1,688.3 million during 2015 from R\$1,272.8 million during 2014, mainly due to the impact from exchange variation on the outstanding balance of U.S. dollar-denominated debt.

Income Tax and Social Contribution

The composite corporate statutory income tax and social contribution rate was 34% during 2015 and 2014. Income tax and social contribution expense increased by 267.2% to R\$1,660.9 million during 2015 from R\$452.3 million during 2014.

The effective tax rate applicable to our profit before income tax and social contribution was 36.4% during 2015, primarily as a result of permanent adjustments caused by differences of income tax rates of investments in countries that have a lower tax rate than Brazil, which increased the effective tax rate by approximately 2.4%.

The effective tax rate applicable to our profit before income tax and social contribution was 38.4% during 2014, primarily as a result of (1) permanent adjustments caused by differences of income tax rates of investments in countries that have a lower tax rate than Brazil, which increased the effective tax rate by approximately 9.0% and (2) permanent adjustments caused by a discount on our tax installment payment, established by Law 13,043/2014, which reduced the applicable effective tax rate by 4.0%.

Profit (Loss)

Our profit increased by 299.1% to R\$2,898.8 million, or 6.1% of net sales revenue, during 2015 from R\$726.3 million, or 1.6% of net sales revenue, during 2014.

Liquidity and Capital Resources

Our principal cash requirements for 2015 consisted of the following:

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- servicing our indebtedness;
- working capital requirements;
- capital expenditures related to investments in operations, construction of new plant facilities, and maintenance and expansion of plant facilities; and
- dividends on our shares, including in the form of interest attributable to shareholders' equity.

Our principal sources of liquidity have traditionally consisted of the following:

- cash flows from operating activities;
- short-term and long-term borrowings; and
- sales of debt securities in domestic and international capital markets.

During 2015, cash flow generated by operations was used primarily for investing activities, for working capital requirements and to service our outstanding debt obligations. As of December 31, 2015, our consolidated cash and cash equivalents amounted to R\$7,439.7 million. As of December 31, 2015, we had net working capital (defined as (1) current assets plus non-current assets held for sale, minus (2) current liabilities plus non-current liabilities held for sale) of R\$816.3 million.

Projected Sources and Uses of Cash

We anticipate that we will be required to spend approximately R\$27.3 billion to meet our short-term contractual obligations and commitments and budgeted capital expenditures during 2016 (excluding equity contributions to our joint ventures in Mexico and Venezuela). We expect that we will meet these cash requirements for (1) our operations through sales of our products, and (2) our debt service through operating cash flow and new financing activities, including new debt financings and the refinancing of our existing short-term indebtedness as it becomes due.

We have commitments from several financial institutions to provide us with financing in the future, including commitments from the Brazilian National Bank for Economic and Social Development (*Banco Nacional do Desenvolvimento*), or BNDES, to lend us funds under our revolving stand-by credit facilities (*Contrato de Abertura de Limite de Crédito*), or CALC facilities, described under “—Indebtedness and Financing Strategy—Credit Facilities with BNDES.” As of December 31, 2015, the full aggregate principal amount had been disbursed under these facilities.

These commitments are subject to conditions precedent which we believe that we will be able to satisfy in connection with any amounts drawn under these facilities. We pay commitment fees to these financial institutions in connection with their commitments, other than our BNDES revolving stand-by credit facilities.

In addition, we entered into a project finance facility to fund the development of Project Ethylene XXI. For more information regarding this facility, see “—Capital Expenditures—Joint Venture Projects—Project Ethylene XXI.”

Cash Flows

Cash Flows Provided by Operating Activities

Net cash provided by operating activities was R\$8,125.4 million during 2015, R\$3,791.9 million during 2014 and R\$2,457.8 million during 2013.

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Net cash provided by operating activities increased by R\$4,333.5 million during 2015 compared to 2014, primarily as a result of (1) our profit before income tax and social contribution of R\$4,559.7 million during 2015 compared to R\$1,178.6 million during 2014, and (2) an increase in non-cash interest and monetary and exchange variations, net to R\$3,249.6 million during 2015 compared to R\$1,560.7 million during 2014, primarily as a result of (1) the average depreciation of the *real* against the U.S. dollar and (2) our designation on May 1, 2013 of part of the liabilities our U.S. dollar-denominated debt instruments as a hedge for our future exports. The effects of these factors were partially offset by the R\$2,205.7 million decline in accounts payable to suppliers during 2014 compared to a R\$419.5 million decline during 2014, which resulted from the average depreciation of the *real* against the U.S. dollar, which impacted our contract to purchase certain raw materials.

Cash Flows Used in Investing Activities

Investing activities used net cash of R\$4,073.5 million during 2015, R\$4,977.1 million during 2014 and R\$4,954.2 million during 2013.

During 2015, investing activities for which we used cash on a consolidated basis primarily consisted of (1) investments of R\$2,835 million in new capacity projects, including investments of R\$2,772 million for the construction of our facilities in Mexico, of which R\$1,104 million corresponds to our equity investments, (2) investments of R\$516 million to perform maintenance on our plants during scheduled shutdowns, (3) investments of R\$229 million in modernization, in information technology and increased reliability of our systems, (4) investments of R\$281 million in equipment replacement, and (5) investments of R\$213 million in productivity, safety improvements and others.

Cash Flows Used in Financing Activities

Financing activities used net cash of R\$97.5 million during 2015 compared to net cash provided of R\$894.4 million during 2014 and R\$3,614.2 million during 2013.

During 2015:

- we entered into a revolving credit facility agreement with several international financial institutions under which we borrowed an aggregate principal amount of US\$250.0 million in June and July 2015;
- we received disbursements under a financing agreement with BNDES, in the amounts of R\$72.6 million, R\$48.0 million and R\$292.4 million in the second, third and fourth quarter of 2015, respectively;
- we entered into an advance on export contracts (*adiantamentos sobre contatos de exportação*), or ACC, with a local financial institution under which we borrowed an aggregate principal amount of US\$50.0 million in October 2015; and
- Braskem Idesa borrowed US\$290.5 million and US\$23.6 million from international financial institutions in connection with the financing agreements relating to Project Ethylene XXI in April 2015 and September 2015, respectively.

During 2015, we used cash:

- to repurchase US\$54.1 million, representing all principal amounts and interest outstanding under our 9.38% Notes due 2015

- to prepay R\$100.0 million, representing all principal amounts and interest outstanding under a credit facility agreement entered into in April 2015 with a local financial institution;
- to pay R\$1,009.4 million, representing aggregate principal amounts and interest outstanding under a financing agreement with BNDES; and
- to make other scheduled payments and prepayments under various of our outstanding debt instruments.

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In addition, we used cash to pay dividends in the aggregate amount of R\$482.1 million.

During 2014:

- Braskem Finance Limited issued US\$750.0 million aggregate principal amount of 6.450% Notes due 2024 in February 2014 and May 2014;
- Braskem Idesa borrowed US\$465.0 million from international financial institutions in connection with the financing agreements relating to Project Ethylene XXI in April 2014;
- we entered into a credit facility agreement with an international financial institution under which we borrowed an aggregate principal amount of US\$75.0 million in January 2014;
- we entered into a credit facility agreement with an international financial institution under which we borrowed an aggregate principal amount of US\$62.5 million in August 2014;
- we entered into a credit facility agreement with a local financial institution under which we borrowed an aggregate principal amount of R\$100.0 million in September 2014; and
- we entered into a credit facility agreement with a local financial institution under which we borrowed an aggregate principal amount of R\$100.0 million in November 2014.

During 2014, we used cash:

- to prepay US\$50.3 million, representing all principal amounts and interest outstanding under a loan agreement that Braskem Netherlands entered into with an international financial institution in December 2011;
- to prepay US\$50.3 million, representing all principal amounts and interest outstanding under a loan agreement that Braskem Netherlands entered into with an international financial institution in September 2011;
- to prepay US\$50.1 million, representing all principal amounts and interest outstanding under a loan agreement that Braskem Netherlands entered into with an international financial institution in December 2011;
- to prepay R\$299.8 million, representing all principal amounts and interest outstanding under a loan agreement that Braskem S.A. entered into with an international financial institution in October 2013;
- to prepay US\$50.0 million, representing all principal amounts and interest outstanding under three foreign exchange contracts (*adiantamento sobre contrato de câmbio*) that we entered into with a Brazilian financial institution in December 2013;
- to prepay US\$50.7 million, representing all principal amounts and interest outstanding under an export prepayment agreement that we entered into with a Brazilian financial institution in December 2010;
- to repurchase US\$58.1 million aggregate principal amount of our 8.00% notes due 2017, US\$266.1 million aggregate principal amount of our 7.25% notes due 2018 and US\$349.8 million aggregate principal amount of our

7.00% notes due 2020 pursuant to tender offers we completed in February 2014 and May 2014; and

- to make other scheduled payments and prepayments under various of our outstanding debt instruments.

In addition, we used cash to pay dividends in the aggregate amount of R\$482.1 million.

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During 2013:

- we borrowed US\$200.0 million aggregate principal amount in January 2013 under an export prepayment facility that we entered into with certain international financial institutions in December 2012;
- we entered into three credit export notes facilities with Brazilian financial institutions in the aggregate amount of R\$300.0 million in February 2013;
- we entered into a credit facility agreement with an international financial institution for an aggregate principal amount of US\$90.0 million in March 2013;
- we entered into a credit facility agreement with an international financial institution for an aggregate principal amount of US\$210.0 million in June 2013;
- Braskem Idesa borrowed US\$1,483.9 million aggregate principal amount in July 2013 under the financing agreements that Braskem Idesa entered into in December 2012 to finance the Ethylene XXI project;
- we entered into several credit export notes facilities with an international financial institution in the aggregate amount of R\$163.5 million in August 2013;
- we entered into a loan agreement with a Brazilian financial institution under which we borrowed an aggregate principal amount of US\$70.0 million in September 2013;
- we received disbursements under a financing agreement with BNDES, in the amounts of R\$178.0 million, R\$144.1 million and R\$188.7 million in October, November and December 2013, respectively;
- Braskem Idesa borrowed US\$546.9 million aggregate principal amount in November 2013 under the financing agreements that Braskem Idesa entered into in December 2012 to finance the Project Ethylene XXI project;
- we borrowed R\$150.0 million under a credit export note facility that we entered into in December 2013 with a Brazilian financial institution; and
- we entered into a ACC (advance payment on exchange contract) with an international financial institution for an aggregate principal amount of US\$50.0 million in December 2013.

During 2013, we used cash:

- to prepay R\$512.7 million, representing all principal amounts and interest outstanding under four export credit note facilities;
- to prepay R\$452.3 million, representing all principal amounts and interest outstanding under two export prepayment facilities;
- to prepay R\$123.6 million, representing all principal amounts and interest outstanding under a financing agreement with BNDES; and

- to make other scheduled payments and prepayments under several of our outstanding debt instruments.

Unless our board of directors deems it inconsistent with our financial position and the decision of our board of directors is ratified by our shareholders, payment of dividends is mandatory under Brazilian Corporation Law and our by-laws and also is required under agreements with two of our shareholders and, consequently, may give rise to significant cash requirements in future periods.

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On August 13, 2012, our board of directors authorized a share repurchase program under which we were authorized to repurchase up to 13,376,161 class A preferred shares at market prices over the BM&FBOVESPA at any time and from time to time prior to August 28, 2013. Shares that were repurchased will be held in treasury and may be resold or cancelled. As of December 31, 2012, we had repurchased 262,300 class A preferred shares for an aggregate of R\$3.5 million.

We did not repurchase any shares in 2013 or 2014.

On February 11, 2015, our board of directors authorized a share repurchase program under which we are authorized to repurchase up to 3,500,000 class A preferred shares at market prices over the BM&FBOVESPA. The program started in February 19, 2015, and was effective until February 18, 2016. We repurchased 80,000 class A preferred shares for an aggregate of R\$0.9 million in 2015.

Contractual Commitments

The following table summarizes significant contractual obligations and commitments as of December 31, 2015 that have an impact on our liquidity:

	Payments Due by Period				Total
	Less than one Year	One to Three Years	Three to Five Years	More than Five Years	
	<i>(in millions of reais)</i>				
Loans and financings (1)	2,073.0	5,205.8	8,169.8	28,311.3	43,759.9
Project Ethylene XXI – Project finance debt (2)	335.3	1,720.6	2,291.0	11,963.8	16,310.7
Derivatives (3)	57.8	(6.5)	1,191.2	—	1,242.5
Defined benefit actuarial obligation (4)	—	—	—	154.7	154.7
Other payables (5)	112.5	160.8	—	—	273.3
Project Ethylene XXI – EPC (6)	319.4	—	—	—	319.4
Purchase obligations for raw materials (7)	20,778	65,437	72,507	4,395	163,117
Purchase obligations for electric power and gas (7)	1,247	1,918	789	105	4,059
Total contractual obligations	24,923	74,435.7	84,948.0	44,929.8	229,236.5

(1) Consists of estimated future payments of amortization amounts plus interest on our loans and financings, calculated based on interest rates and foreign exchange rates applicable as of December 31, 2015 and assuming (i) that all amortization payments and payments at maturity on our loans and financings will be made on their scheduled payment dates, and (ii) that our perpetual bonds are redeemed after 100 years.

(2) Consists of limited recourse project finance debt, which is repaid solely from the cash generated by the project itself and shareholders provide limited guarantees. For further information, see note 15 of our consolidated financial

statements elsewhere in this annual report.

(3) Consists substantially of foreign exchange swaps that we entered into to offset the variation in the rates of export credit notes contracts. For further information, see note 16.2 of our consolidated financial statements elsewhere in this annual report.

(4) Consists of the actuarial liabilities related to defined benefit plans Novamont, Braskem Europe and health care plan in Brazil. For further information, see note 21.2 to our consolidated financial statements elsewhere in this annual report.

(5) Consists of amounts payable to BNDES Participações S.A. as part of the business combination with Braskem Qpar. For further information, see note 22 of our consolidated financial statements elsewhere in this annual report.

(6) Consists of contractual commitments for the engineering, procurement and construction of Project Ethylene XXI and technology license fee regarding this project, calculated based on estimated future contractual payments and interest and based on the foreign exchange rate in effect as of December 31, 2015.

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(7) Consists of purchase commitments for raw materials and electric power and gas pursuant to binding agreements of the company that specify all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction. Based upon the applicable purchase prices as of December 31, 2015.

We are also subject to potential liabilities with respect to tax, labor, distributors and other claims, for which the chances of loss are considered probable, and for which we maintain provisions of R\$554.5 million as of December 31, 2015. These proceedings relate primarily to federal income taxes and VAT. See note 20 to our audited consolidated financial statements.

Indebtedness and Financing Strategy

As of December 31, 2015, our total outstanding consolidated indebtedness, net of transaction costs, was R\$27,338.8 million, consisting of R\$1,968.5 million of short-term indebtedness, including current portion of long term indebtedness (7.2% of our total indebtedness), and R\$25.370,3 million of long-term indebtedness (92.8% of our total indebtedness), in addition to an aggregate amount of R\$12,277.4 million (US\$3,144.2 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 no outstanding indebtedness to related parties on a consolidated basis. On a consolidated basis, our real-denominated indebtedness as of December 31, 2015, net transaction costs, was R\$6,056.7 million (22.2% of our total indebtedness), and our foreign currency-denominated indebtedness was R\$21,282.1 million (77.8% of our total indebtedness).

Our financing strategy has been to maintain an adequate liquidity and a debt maturity profile that is compatible with our anticipated cash flow generation and anticipated capital expenditures. This is the same strategy for the next several years and in addition, we do not expect our capital expenditures to adversely affect the quality of our debt leverage ratios or our disciplined approach to capital allocation.

Short-Term Indebtedness

Our consolidated short-term debt, including current portion of long-term debt, was R\$1,968.5 million as of December 31, 2015.

We maintain short-term finance lines denominated in reais with a number of financial institutions in Brazil. Although we have no committed lines of credit with these financial institutions, we believe that we will continue to be able to obtain sufficient credit to finance our working capital needs based on our relationships with these financial institutions and current market conditions. As of December 31, 2015, the consolidated outstanding balance under our short-term finance lines in reais was R\$1,213.8 million.

We also obtain advances on certain export contracts from a variety of Brazilian financial institutions. These advances generally have a maturity of less than one year and relatively low interest rates. These advances on export contracts are generally secured by receivables to be generated from future export sales under those contracts. As of December

31, 2015, we did not have any consolidated outstanding advances on export contracts. See note 14 to our consolidated financial statements included in this annual report.

Long-Term Indebtedness

Our principal sources of long-term debt are:

- fixed-rate notes issued in the international market;
- export credit notes;
- credit facilities with BNDES;

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- bank credit facilities;
- project financing;
- BNB/FINAME/FINEP/FUNDES; and
- export prepayment facilities.

Some of these instruments also contain other covenants that could restrict, among other things, the ability of our company and most of our subsidiaries to incur liens or merge or consolidate with any other person or sell or otherwise dispose of all or substantially all of our assets. In addition, the instruments governing a substantial portion of our indebtedness contain cross-default or cross-acceleration clauses, such that the occurrence of an event of default under one of these instruments could trigger an event of default under other indebtedness or enable the creditors under other indebtedness to accelerate that indebtedness.

As of December 31, 2015, R\$3,318.8 million of our real-denominated debt and R\$409.1 million of our foreign currency-denominated debt was secured. In order to secure this debt, we have pledged certain of our property and equipment and certain of our accounts receivable. The security arrangements for our secured debt vary depending on the transaction.

As of December 31, 2015, all of our project finance debt related to Project Ethylene XXI was secured. In order to secure this debt, we have pledged our shares in Braskem Idesa, some of our rights to repayment under subordinated loans that Braskem S.A. has made to Braskem Idesa and all of the assets of Braskem Idesa.

Fixed-Rate Notes

We have issued fixed-rate debt securities in the international market. All of these securities pay interest semi-annually in arrears, except for our perpetual bonds on which interest is payable quarterly in arrears. The table below sets forth our outstanding fixed-rate debt securities, the outstanding principal amount of these securities and their maturity dates.

Security	Outstanding Principal Amount as of December 31, 2015 (in millions of U.S. dollars)	Final Maturity
8.00% Notes due 2017	55.873	January 2017
7.250% Notes due 2018(1)	137.427	June 2018
7.00% Notes due 2020(1)	397.677	May 2020
5.75% Notes due 2021(1)	997.500	April 2021
5.375% Notes due 2022(1)	500.000	May 2022
6.45% Notes due 2024(1)	750.000	February 2024
7.125% Notes due 2041(2)	750.000	July 2041
7.375% Perpetual Bonds(1)	700.000	—

- (1) Represents notes issued by Braskem Finance Limited and guaranteed by Braskem.
- (2) Represents notes issued by Braskem America Finance and guaranteed by Braskem.

Export Credit Note Facilities

We have entered into several credit export note facilities. The table below sets forth our significant outstanding credit export note facilities, the amount outstanding under these facilities, the interest rate applicable to these facilities, the amortization schedule of these facilities and their maturity dates.

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Issue Date	Outstanding Principal and Interest as of December 31, 2015 (in millions of reais)	Interest Rate	Amortization Schedule	Final Maturity
November 2014	151.1	8.00%	Bullet Maturity	November 2017
September 2014	104.6	108.0% of CDI	Annual (1)	August 2020
February 2013	202.3	8.00%	Bullet Maturity	February 2016
February 2013	151.6	8.00%	Bullet Maturity	September 2017
September 2012	219.9	105.0% of CDI	Annual (2)	October 2021
August 2011	405.5	112.5% of CDI	Bullet Maturity	August 2019
April 2011	464.0	112.5% of CDI	Bullet Maturity	April 2019
February 2011	146.6	105.0% of CDI	Annual (2)	October 2021
June 2010	146.6	105.0% of CDI	Annual (2)	October 2021
January 2008(3)	603.5	7.3%	Bullet Maturity	February 2020
May 2007(3)	294.8	7.85%	Bullet Maturity	May 2019
April 2007(3)	198.8	7.87%	Bullet Maturity	March 2018
November 2006(3)	308.1	8.1%	Bullet Maturity	May 2018

(1) Principal of this facility is due in annual payment on October of each year commencing in October 2018.

(2) Facilities amended in October 2013 to extend maturity from February 2014 to October 2021.

(3) Facility denominated in U.S. dollars.

Credit Facilities with BNDES

Term Loan Facilities

We have entered into a variety of credit facilities with BNDES. The proceeds of these credit facilities have been used to finance a variety of capital expenditures, including:

- the construction of our “green” polyethylene facilities;
- the construction of our new butadiene plant;
- the construction of our new PVC facilities;
- quality, productivity, environmental, health and safety projects and maintenance shutdowns at our plants.

The table below sets forth selected information with respect to our BNDES term loan credit facilities as of December 31, 2015.

<u>Facility</u>	Interest Rate	Final Maturity
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	Outstanding Principal and Interest (in millions of <i>reais</i>)	Amortization Schedule	
June 2009 credit facility(1)			
<i>Cesta de Moedas</i> loans	29.4	<i>Cesta de Moedas</i> plus 2.58%	Monthly
TJLP loans	119.2	TJLP plus 0% to 4.78%	Monthly
December 2010 credit facility(2)			
<i>Cesta de Moedas</i> loans	128.8	<i>Cesta de Moedas</i> plus 2.58%	Monthly
TJLP loans	233.2	TJLP plus 0% to 3.58%	Monthly
Fixed-rate loans	26.75	5.0%	Monthly
November 2011 credit facility(3)			
<i>Cesta de Moedas</i> loans	48.4	<i>Cesta de Moedas</i> plus 2.45%	Monthly
TJLP loans	96.4	TJLP plus 0% to 3.45%	Monthly
August 2014 credit facility(4)			
TJLP loans	215.4	TJLP plus 2.78%	Monthly(5)
Fixed-rate loans	6.76	6.0%	Monthly(5)
SELIC loans	160.6	SELIC plus 2.78%	Monthly(5)
			March 2021

(1) Relates to our “green” polyethylene plant that began operations in September 2010.

(2) Relates to our PVC plant in Alagoas that began operations in August 2012.

(3) Relates to our butadiene plant in the Southern Complex that began operations in September 2012.

(4) Relates to our operational investments and maintenance shutdowns.

(5) Principal payments on this tranche will commence in April 2016.

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Each of these credit facilities is secured by mortgages on (1) three of our plants located in the Southern Complex and (2) one of our plant located in Maceió, in the State of Alagoas (including the land on which this plant is located, as well as certain of the equipment, machinery and improvements in this plant) and (3) two of our plants located in the State of São Paulo.

Revolving Stand-by Credit Facilities

In addition, we have entered into three revolving stand-by credit facilities with BNDES. Loans under these facilities are required to be used to fund specified capital expenditure projects, including:

- expansion and modernization of fixed assets;
- acquisition of new machinery and equipment produced in Brazil;
- programs related to technical training and management, and information technology;
- social investment programs;
- environmental investments; and
- investments in research, development and innovation.

The interest rates for loans drawn under these facilities are set at the time the loans are made and are based on the TJLP rate or the average annual currency basket rate published by BNDES, or the *Cesta de Moedas* rate or the accumulated annual average of SELIC.

Loans made under these facilities may have maturities up to ten years. The outstanding principal and interest of each of these loans is payable in monthly installments following the expiration of the grace period for these loans, which is generally one year or 18 months, depending upon the terms of the relevant facility.

The table below sets forth selected information with respect to our BNDES revolving credit facilities as of December 31, 2015.

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<u>Facility</u>	Committed Principal Amount (in millions of reais)	Outstanding Principal and Interest (in millions of reais)	Weighted Average Interest Rate	Expiration of Commitment
December 2009(1) <i>Cesta de Moedas</i> loans	R\$500.0	47.4	<i>Cesta de Moedas</i> plus 2.58%	January 2017
TJLP loans		85.0	TJLP plus 2.58% to 3.58%	January 2017
Fixed rate		92.0	0.0% to 4.5%	January 2021
November 2011 <i>Cesta de Moedas</i> loans	R\$2,460.0	149.5	<i>Cesta de Moedas</i> plus 2.42% to 52.45%	October 2018
TJLP loans		1,154.6	TJLP plus 0.00% to 3.58%	December 2021
Fixed rate		230.2	3.5% to 6.0%	December 2021
SELIC		284.3	SELIC plus 2.58% to 2.78%	December 2021
January 2015 credit facility TJLP loans	R\$1,994.0	140.0	TJLP plus 0% to 2.62%	January 2022
SELIC loans		131.5	SELIC plus 2.32%	January 2022

(1) The period for new disbursements under this CALC facility has expired.

(2) Each of these credit facilities is secured by mortgages on (1) two of our plants located in Southern Complex, one of our plant located in the cities of Santo André and Mauá in the state of São Paulo, (3) one of our polypropylene plants in the city of Paulínia in the state of São Paulo and our chlor-alkali plant in the city of Maceió, in the state of Alagoas (including the land on which this plant is located, as well as certain of the equipment, machinery and improvements in these plants).

Revolving Credit Facility Agreements

In September 2014, we entered into a revolving credit facility agreement with a Brazilian financial institution for a principal amount of R\$500.0 million, which matures in September 2019.

In December 2014, we and several of our subsidiaries entered into a revolving credit facility agreement with several international financial institutions for a principal amount of US\$750.0 million, which matures in December 2019.

Bank Credit Facilities

In September 2013, we entered into a loan agreement with a Brazilian financial institution under which we borrowed an aggregate principal amount of US\$70.0 million. The loan proceeds will be used for working capital purposes. This loan bears interest at a rate of LIBOR plus 1.50% payable quarterly in arrears. Principal on this loan is payable upon maturity in September 2018.

In January 2014, our subsidiary Braskem Netherlands, as borrower, and we, as guarantor, entered into a credit facility agreement with an international financial institution for a principal amount of US\$75.0 million. The facility bears interest at a floating rate of LIBOR plus 1.75% per annum, payable semi-annually, and matures in 2019. We used the proceeds of this loan for our general operating activities.

In August 2014, our subsidiary Braskem Netherlands, as borrower, and we, as guarantor, entered into a loan and guaranty agreement with an international financial institution, as lender, for a principal amount of US\$62.5 million. The facility bears interest at a floating rate of LIBOR plus 1.55% to 1.85% per annum, payable upon maturity in 2019. We used the proceeds of this loan for the manufacture and sale of petrochemical products and for general corporate purposes.

In October 2014, we received disbursements in an aggregate principal amount of R\$196.3 million under a credit facility we entered into in August 2014 with a Brazilian financial institution. In August 2014, we entered into a credit facility for a principal amount of R\$200.0 million. This credit facility bears interest at a rate of 8.24% per annum payable monthly until August 2015 and quarterly thereafter through maturity in August 2024. The outstanding principal amount is payable in 108 successive monthly installments beginning in September 2015.

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We have entered into a several export prepayment agreements. One of our export prepayment agreements is secured by certain of our export receivables. The table below sets forth our significant outstanding export prepayment agreements, the outstanding principal amount of these facilities, the interest rate applicable to these facilities, the amortization schedule of these facilities and their maturity dates.

Issue Date	Outstanding Principal Amount as of December 31, 2015 (in millions of U.S. dollars)	Interest Rate	Amortization Schedule	Final Maturity
January 2013	140.2	LIBOR + 1.10%	Semi-annual (1)	November 2022

(1) Amortization on this facility commenced in May 2013.

On December 3, 2012, the Brazilian federal government introduced changes to the regulations applicable to new export prepayment financings. These regulations allowed export prepayment financings for finance operations maturing in up to five years, which had previously been limited to a 360 day maximum.

Although export prepayment facilities have historically accounted for an important part of our financing strategy, as of December 31, 2015, they accounted for only 2.0% of our outstanding indebtedness.

Financing Agreements

In December 2012, Braskem Idesa entered into a common terms agreement with certain financial institutions to finance the development, design, construction and initial operation of the Mexico Complex. The Mexico Complex will include an ethane cracker with annual capacity of 1.05 million tons to produce ethylene, two high density polyethylene plants and a low density polyethylene plant. In connection with the common terms agreement, Braskem Idesa entered into eight separate financing agreements with Brazilian and international financial institutions and development banks in an aggregate principal amount of up to US\$3.2 billion. All amounts disbursed under these credit facilities are secured by our shares in Braskem Idesa. In addition, as a conditions precedent to the initial disbursement and each subsequent disbursement, Braskem Idesa is required to have a maximum debt to base equity ratio of 70 to 30 after giving effect to such disbursement, as calculated pursuant to the common terms agreement. In September 2015, Braskem Idesa received the final disbursement pursuant to the common terms agreement, reaching an aggregate principal amount of US\$3.2 billion. The financing consists of fixed and floating tranches. The interest rates on the fixed tranche are within a range of 4.33% to 6.17%. The interest rates on the floating tranche are within a range of LIBOR plus 2.73% to LIBOR plus 4.65%. To reduce the interest rate risk, the second tranche is hedged through several swap agreements. Interest on both tranches is payable quarterly in arrears and principal is amortized quarterly. The final maturity date of these loans is February 15, 2029 with amortizations beginning in May 2016

Capital Expenditures

In 2015, our total investments on property, plant and equipment and intangible assets totaled R\$4,077 million, consisting primarily of (1) a capital expenditure of R\$1,272 million (excluding capitalized interest) on our various projects and in maintaining and improving our assets; and (2) a R\$2,772 million disbursement for our Project Ethylene XXI. Our total investments on property, plant and equipment and intangible assets in 2014 and 2013 totaled R\$5,370.4 and R\$5,682.2 million, respectively.

Capital Expenditure Budget

We currently are budgeting total capital expenditures of approximately R\$3,660 million for 2016, 50% of which will be invested in U.S. dollars in operational investments in the USA and Europe segment (US\$117 million) and Project Ethylene XXI (US\$329 million). With respect to Project Ethylene XXI, our expected disbursements are mainly associated with working capital and contractual obligations under the project finance structure to accrue a reserve account (minimum cash) to meet the project's debt service needs.

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Excluding the investment in Project Ethylene XXI, total projected investment for 2016 is R\$2,333 million. Of this amount, we expect to allocate approximately 75% to maintenance, productivity, HES and operational efficiency, including disbursements with the scheduled maintenance shutdown of one of the lines at the cracker in Camaçari, Bahia, in the last quarter of 2016.

The remainder will be allocated to other strategic projects, including: (1) investments to produce UTEC in the USA, with production scheduled to start in the second half of 2016; (2) investments to increase industrial productivity of the polypropylene plants in the United States and Germany, aiming to meet the growing global demand for this resin in its regional markets at a competitive cost; and (3) studies related to potential strategic and expansion projects.

Acquisitions***Acquisition of Interest in Odebrecht Comercializadora de Energia S.A.***

In July 2012, we acquired 2,000 shares, or 20%, of the capital of Odebrecht Comercializadora de Energia. Odebrecht Comercializadora de Energia is also owned by Odebrecht Energia S.A., Odebrecht Agroindustrial S.A., Odebrecht Ambiental S.A. (currently Foz do Brasil S.A.) and Odebrecht Transport S.A, each holding an equal interest of 20%. In July 2013, the shareholders of Odebrecht Comercializadora de Energia entered into a shareholders' agreement governing the rights and obligations of all parties.

Greenfield Plants***Alagoas PVC Plant***

In May 2010, we commenced construction of a new PVC plant in Alagoas. This plant, which commenced production in August 2012, has an annual production capacity of 200,000 tons. The total cost of this project was approximately R\$1,000 million.

Butadiene Plant

In March 2011, we commenced construction of a new butadiene plant in the Southern Complex. This plant, which commenced production in September 2012, has an annual production capacity of 103,000 tons. The total cost of this project was approximately R\$300 million.

Joint Venture Projects***Project Ethylene XXI***

Braskem and Idesa formed Braskem Idesa in April 2010 to develop, construct and operate the Mexico Complex, to be located in the Mexican state of Veracruz. In August 2015, Braskem transferred its interest in Braskem Idesa to Braskem Netherlands, B.V., or Braskem Netherlands, its wholly-owned subsidiary; consequently, Braskem is an indirect shareholder of Braskem Idesa. The Mexico Complex will include an ethylene cracker that produces 1.0 million tons of ethylene per year from ethane based on Innovene S technology licensed from Technip Italy S.p.A, or Technip, and will include two high density polyethylene plants based on technology licensed from Ineos Commercial Services UK Limited (as successor to Ineos Europe Limited) and a low density polyethylene plant based on Lupotech

T technology licensed from Basell Polyolefin GmbH. The three polyethylene plants are expected to have a combined annual production capacity of 1.0 million tons of HDPE and LDPE.

Braskem Idesa (as successor to us and Idesa) is party to an ethane supply agreement with Pemex Gas dated February 19, 2010, pursuant to which Pemex Gas will provide 66,000 barrels per day of ethane to the Mexico Complex for a period of 20 years at prices based on the Mont Belvieu purity ethane price. Since July 2015, Braskem Idesa has been required to purchase, and Pemex Gas has been required to deliver, the minimum daily volume of ethane provided under the supply agreement.

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In February 2010, we and Idesa entered into the Braskem Idesa shareholders' agreement to govern our relationship with respect to Braskem Idesa, which was amended in November 2012, December 2012 and April 2015. The Braskem Idesa shareholders' agreement, as amended, sets forth the understanding of the parties regarding the implementation of this project and the relationship of Braskem and Idesa as shareholders of Braskem Idesa. Under the Braskem Idesa shareholders' agreement, as amended:

- the parties agree to use their best efforts to use Braskem Idesa as their commercialization vehicle for polyethylene in Mexico;
- the parties agree that the polyethylene production of Braskem Idesa shall be used primarily to supply the Mexican market;
- we have the right to appoint four members and Idesa has the right to appoint two members of Braskem Idesa's board of directors; decisions considered at Braskem Idesa's ordinary shareholders' meetings or by Braskem Idesa's board of directors require the approval by a simple majority;
- upon the failure of Braskem and Idesa to agree to vote in favor of certain matters requiring a supermajority vote in an extraordinary shareholders' meeting, (1) we will have the right to seek approval of such matters by a simple majority vote of Braskem Idesa's shareholders, (2) in the event that such matters are approved by a simple majority vote of Braskem Idesa's shareholders, we will have the option to purchase all of the shares then held by Idesa, and (3) in the event that we do not exercise this right, Idesa will have the option to sell all of its shares of Braskem Idesa to us; and
- any disputes between Braskem and Idesa arising out of or in connection with the Braskem Idesa shareholders' agreement will be resolved through arbitration.

The Braskem Idesa shareholders' agreement also contains rights of first refusal, tag along rights and drag along rights in connection with the disposition of Braskem Idesa shares.

The original estimated total cost of the Mexico Complex of approximately US\$4.5 billion, including financial costs during construction and initial working capital requirements, was revised in 2015 to US\$5.2 billion primarily as a result of (1) a change in the scope of the power generating unit in order to ensure the self-sufficiency of the complex and improve the reliability of energy supply, with the possibility of selling any surplus energy to the grid; and (2) additional costs arising from infrastructure and local services.

We and Idesa will contributed an aggregate of approximately 38% of the total costs as equity in proportion to our ownership interests in Braskem Idesa, and the remainder was borrowed by Braskem Idesa under project finance arrangements, secured by the assets of this project, with multilateral credit agencies, export credit agencies, development banks and private banks. See "Item 4. Information on the Company—Capital Expenditures—Joint Venture Projects—Project Ethylene XXI."

Construction of the Mexico Complex began in 2012 and it commenced operations with the production of the first batch of polyethylene in April 2016.

Financing Agreements Relating to Project Ethylene XXI

In December 2012, Braskem Idesa entered into a common terms agreement with certain financial institutions to finance the development, design, construction and initial operation of the Mexico Complex. This will include an ethane cracker with annual capacity of 1.05 million tons to produce ethylene, two high density polyethylene plants and a low density polyethylene plant. In connection with the common terms agreement, Braskem Idesa entered into eight separate financing agreements with Brazilian and international financial institutions and development banks in an aggregate principal amount of up to US\$3.2 billion.

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All amounts under these credit facilities are secured by Braskem's shares in Braskem Idesa. The conditions precedent to the initial disbursement and each subsequent disbursement under the common terms agreement include a debt to base equity ratio after disbursement, as calculated under the common terms agreement, no greater than 70:30.

In September 2015, Braskem Idesa received its final disbursements, reaching the total US\$3.2 billion aggregate principal amount. The financing consists of fixed and floating tranches. The interest rates on the fixed tranche are within a range of 4.33% to 6.17%. The interest rates on the floating tranche are within a range of LIBOR plus 2.73% to LIBOR plus 4.65%. To reduce the interest rate risk, the second tranche is hedged through several swap agreements. Interest on both tranches is payable quarterly in arrears and principal is amortized quarterly. The final maturity date of these loans is February 15, 2029 with amortizations beginning in May 2016.

Equity Support Agreement Relating to Project Ethylene XXI

In December 2012, we, Braskem Idesa, Etileno XXI, S.A. de C.V., and Idesa entered into an equity support agreement pursuant to which Braskem Idesa's shareholders agreed to make and guarantee payment of certain equity contributions to Braskem Idesa. This contract was amended and restated in April 2015 and subsequently amended in August 2015 to incorporate Braskem Netherlands as a direct shareholder of Braskem Idesa. Pursuant to the amended and restated equity support agreement, the parties assume a base equity commitment of US\$2.0 billion in proportion to their percentage ownership, direct or indirect, in Braskem Idesa (Braskem 75% and Idesa 25%). Base equity contributions must be made ten days prior to loan disbursements made under the project financing agreements (discussed above) or otherwise as needed after full disbursement of the loans, in amounts calculated pursuant to the amended and restated equity support agreement. In the event that project costs exceed the cost of US\$5.2 billion, the shareholders have also assumed the obligation of making certain primary and secondary contingent equity contributions to cover any additional amounts necessary to complete the project. The primary contingent equity commitment is US\$208 million and such commitment will be available until the Mexico Complex achieves ready for start-up. The secondary contingent equity commitment is also US\$208 million, and such commitment will be available from the date that the Mexico Complex achieves ready for start-up (or such earlier date that the primary contingent equity commitment has been reduced to zero and an event of default under the project finance arrangements has occurred) and will be available until the occurrence of the contingent equity release date in accordance with the amended and restated equity support agreement. Currently, we have not provided credit support for any of our obligations to fund base equity or primary or secondary contingent equity, but in the event that we cease to have an investment grade rating prior to the release of our base and contingent equity obligations, we will be required to provide cash collateral or letters of credit in an amount equal to any such equity contributions that we may be required to make under the agreement.

Engineering, Procurement and Construction Contract Relating to Project Ethylene XXI

In September 2012, Braskem Idesa, as owner, and Ethylene XXI Contractors, S.A.P.I. de C.V. and Etileno XXI Services B.V., as contractors, entered into an alliance engineering, procurement and construction contract, or the EPC contract. This contract was amended and restated in December 2012. Each contractor consists of a joint venture among Odebrecht Industrial Engineering B.V., ICA Fluor Petroquímica, S.A. de C.V. and Technip Italy S.p.A. Payments under the EPC contract are made on a "cost-plus" basis, in which Braskem Idesa reimburses costs of the contractors and pays a profit margin. Payments of costs are made prior to the beginning of each month based on an estimate of costs expected to be incurred during that month and are reconciled with costs actually incurred in the following month, and payments of the profit margin are made based on the achievement of milestones defined under the contract. Any cost overrun will be borne equally between Braskem Idesa and the contractors and any cost savings

will be shared equally by Braskem Idesa and the contractors, in each case up to a maximum amount as calculated pursuant to the EPC contract. The contract provides for a guaranteed completion date of December 31, 2015, extended from June 30, 2015, for the Mexico Complex and contains certain other performance guarantees and provisions for damages in case completion does not occur on or prior to the scheduled completion date.

Amendments to Braskem Idesa Shareholders' Agreement Relating to Project Ethylene XXI

In February 2010, Braskem and Idesa entered into a shareholders' agreement, which we refer to as the Braskem Idesa shareholders' agreement, to govern our relationship with respect to Braskem Idesa. In November 2012, Braskem and Idesa entered into the first amendment to the Braskem Idesa shareholders' agreement, under which our ownership interest in Braskem Idesa was increased to 75% minus one share of the equity interest in Braskem Idesa and Idesa's ownership interest in Braskem Idesa was reduced to 25% plus one share of the equity interest. In December 2012, we and Idesa entered into the second amendment to the Braskem Idesa shareholders' agreement to include the commitment of both Sponsors to fund certain primary and secondary contingent equity to the Project. In April 2015, we and Idesa entered into the third amendment to the Braskem Idesa shareholders' agreement to include additional base equity contribution and reaffirm the new the commitments of contingency equity, under which we agreed to fund up to 100% of the primary contingent equity commitment under the equity support agreement up to start-up date. The primary contingent equity commitment is approximately US\$208 million.

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Other Investments

In October 2013, we announced that we would invest approximately R\$50 million in one of our polyethylene production lines in the Northeastern Complex to (1) expand the annual production capacity of this line by 30,000 tons and (2) convert 100,000 tons of the annual production capacity of this line to the production of metallocene-based LLDPE. We expect to sell this resin, which takes advantage of the development of more modern technology, primarily to manufacturers of plastic films. This production line commenced operations in the fourth quarter of 2014.

Additionally, we have projects in less advanced stages in Peru, Bolivia and Venezuela.

On March 18, 2016, our board of directors approved a project to invest R\$380 million to create flexibility at our Bahia cracker for the use of up to 15% ethane as feedstock. The project will also entail the modernization of the industrial unit and renovation of the port infrastructure, which is expected to commence operations in the second half of 2017. In connection with this project, we entered into a long-term contract with an affiliate of Enterprise Products Partners L.P. for the supply of ethane imported from the United States at a price based on the international Mont Belvieu reference price. This project is part of our strategy to diversify our feedstock matrix, with a focus on increasing our competitiveness and that of the Brazilian petrochemical chain.

Off-Balance Sheet Arrangements

We do not currently have any transactions involving off-balance sheet arrangements.

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Our board of directors (*conselho de administração*) and our board of executive officers (*diretoria*) are responsible for operating our business.

Board of Directors of Braskem

Our by-laws provide for a board of directors of eleven members and eleven alternate members. During periods of absence or temporary unavailability of a regular member of our board of directors, the corresponding alternate member substitutes for the absent or unavailable regular member. Our board of directors is a decision-making body responsible for, among other things, determining policies and guidelines for our business and our wholly-owned subsidiaries and controlled companies. Our board of directors also supervises our board of executive officers and monitors its implementation of the policies and guidelines that are established from time to time by the board of directors. Under the Brazilian Corporation Law, our board of directors is also responsible for hiring independent accountants.

The members of our board of directors are elected at general meetings of shareholders for two-year terms and are eligible for reelection. The terms of all current members expire at our annual shareholders' meeting scheduled for April 6, 2016. Members of our board of directors are subject to removal at any time with or without cause at a general meeting of shareholders. Our by-laws do not contain any citizenship or residency requirements for members of our board of directors and the members of our board of directors need not be shareholders of our company. Our board of directors is presided over by the president of the board of directors, and, in his absence, the vice president of the board of directors. The president and the vice president of our board of directors are elected at a general meeting of shareholders from among the members of our board of directors, serve for two-year terms and are eligible for reelection.

Our board of directors ordinarily meets four times a year and extraordinarily when a meeting is called by the president, the vice president or any two other members of our board of directors. Decisions of our board of directors require a quorum of a majority of the directors and are taken by majority vote, other than certain actions which require the consensus of the nominees of Odebrecht and Petrobras under the Petrobras Shareholders' Agreement. See "Item 7. Major Shareholders and Related Party Transactions—Major Shareholders—Shareholders' Agreements—Petrobras Shareholders' Agreement."

The following table sets forth certain information with respect to the current members of our board of directors and their alternates:

<u>Name</u>	<u>Member Since</u>	<u>Position Held</u>	<u>Age</u>
Newton Sergio de Souza	August 15, 2001	President of the Board	62
Alfredo Lisboa Ribeiro Tellechea	April 15, 2009	Board Member	59
Alvaro Fernandes da Cunha Filho	November 6, 1997	Board Member	67
Antonio Aparecida de Oliveira	April 30, 2010	Board Member	55
Antonio Britto	July 20, 2006	Board Member	63
Daniel Bezerra Villar	August 27, 2013	Board Member	43

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Edson Chil Nobre	April 07, 2016	Board Member	67
Ernani Filgueiras de Carvalho	April 07, 2016	Board Member	66
João Carlos Trigo de Loureiro	April 07, 2016	Board Member	63
Luiz de Mendonça	April 27, 2012	Board Member	52
Marcela Aparecida Drehmer Andrade	August 27, 2013	Board Member	47
Arão Dias Tisser	July 25, 2008	Alternate	40
Carla Gouveia Barretto	April 15, 2009	Alternate	48
José de Freitas Mascarenhas	August 15, 2001	Alternate	74
Luciano Dequech	April 9, 2015	Alternate	40
Marcus Vinicius Magalhães	April 9, 2015	Alternate	53
Mauricio Roberto de Carvalho Ferro	August 13, 2012	Alternate	50
Mauro Motta Figueira	April 27, 2012	Alternate	46
Monica Bahia Odebrecht	January 31, 2011	Alternate	46
Paulo César Fernandes da Silva	April 06, 2016	Alternate	57
Sérgio Bottino	April 06, 2016	Alternate	59
Ticiana Vaz Sampaio Marianetti	April 06, 2016	Alternate	45

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The following is a summary of the business experience, areas of expertise and principal outside business interests of our current directors and their alternates.

Directors

Newton Sergio de Souza. Mr. Newton de Souza was elected to our board of directors as a nominee of Odebrecht. He has served as the chief executive officer of Odebrecht S.A. since December 2015. During 2015, he became a member of the board of directors of Odebrecht S.A. He joined the Odebrecht Group as general counsel of Odebrecht S.A. in 1988, and became an executive officer as of May 1997, reporting directly to the chief executive officer of Odebrecht S.A. He served as member of the board of directors of the Leading Companies in all business areas of the Odebrecht Group (currently, 15 different lines of business). Mr. Souza also served as a president of the board of directors of Companhia de Concessões Rodoviárias, or CCR. In his career, he was also a visiting lawyer at the law firm Dechert, Price & Rhoads (Philadelphia), a senior lawyer at the law firm Pinheiro Neto Advogados from 1976 through 1982 and a senior counsel of the Latin America and Caribbean Division of the World Bank (Washington, D.C.) from 1982 through 1987. Mr. Souza holds a law degree from Pontifícia Universidade Católica do Rio de Janeiro, or PUC/RJ, and an LL.M. from the University of Pennsylvania. He also attended the High Performance Boards Program of IMD, in Lausanne, Switzerland.

Alfredo Lisboa Ribeiro Tellechea. Mr. Tellechea was elected to our board of directors as a nominee of Odebrecht. He served as one of the vice president executive officers of Braskem from 2007 to 2009 and headed Braskem's Polyolefins Units from 2008 to 2009. Mr. Tellechea has previously held a variety of positions in the Ipiranga Group including serving as the chief superintendent of Distribuidora de Produtos de Petróleo Ipiranga from 2002 to 2006, chief superintendent of Ipiranga Petroquímica from 2006 to 2007, and chief executive officer of Copesul from 2007 until 2008. Mr. Tellechea holds a bachelor's degree in civil engineering from Pontifícia Universidade Católica do Rio Grande do Sul and a post-graduate degree in marketing from the Escola Superior de Propaganda e Marketing.

Alvaro Fernandes da Cunha Filho. Mr. Cunha Filho was elected to our board of directors as a nominee of Odebrecht. He is currently the president of Valora Participações Ltda., as well as the owner of the Valora Group. Previously from 1973 to 1986 he developed several duties in the Government of Bahia, such as Transportation Coordinator in the Transportation and Communication desk, Superintendent of the Bahia development bank (Banco de Desenvolvimento do Estado da Bahia), President of Embasa and Secretary of the Commerce and Tourism Industry. From 1987 to 2002 was head of the petrochemical sector in the Odebrecht Group. Mr. Cunha Filho holds a bachelor's degree in civil engineering and a master's degree in economics from the Federal University of Bahia - UFBA.

Antonio Aparecida de Oliveira. Mr. Oliveira was elected to our board of directors as a nominee of Petrobras. He is currently the manager of petrochemicals at Petrobras. He has worked at Petrobras since 1987 in several technical, executive and management positions. He has also served as a member of the board of directors of Ipiranga Petroquímica from 2007 to June 2008, a member of the board of directors of Braskem Qpar from June 2008 to June 2010 and corporate and planning superintendent of FINEP. Mr. Oliveira holds a degree in engineering from the Universidade Federal de Minas Gerais, or UFMG, and a Master in business administration from UFRJ. He also attended various programs specializing in business administration and the petroleum industry, including executive education programs at the Wharton School of the University of Pennsylvania and Harvard Business School.

Daniel Bezerra Villar. Mr. Villar was elected to our board of directors as an alternate member as a nominee of Odebrecht S.A. Mr. Villar is a member of the Odebrecht Group since 1994 and since December 2013 has been

responsible for Odebrecht's human resources. He has worked at Construtora Norberto Odebrecht S.A., or CNO, the engineering branch within the Odebrecht Group, where he headed the company's Southern Cone infrastructure market (Argentina, Uruguay, Paraguay and Bolivia) between 2006 and 2007, as well as the Libyan infrastructure market between 2008 and 2010. He is currently heading Odebrecht Realizações Imobiliárias' Rio de Janeiro real estate market, which he joined in 2011. His international background also includes seven years of work experience in Peru and three years in Ecuador. Mr. Villar holds a degree in civil engineering from Pontificia Universidade Católica do Rio de Janeiro in Brazil, or PUC/RJ.

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Antonio Britto Filho. Mr. Filho was elected to our board of directors as a nominee of Odebrecht S.A. in 2016. Mr. Britto has been CEO of INTERFARMA, Association of Pharmaceutical Research, for seven years. Previously, from 2002 to 2009, he was president of the Calçados Azaleia, member of the Board of Directors of Braskem and vice president of Claro. His career in the private sector succeeded his political career where he successively occupied the jobs of Press Secretary of the Presidency of the Republic (1985), Constituent Federal Representative and Federal Representative (1987-1994), Minister of Social Welfare (1992-1994) and Governor of the State of Rio Grande do Sul (1995-1999). He holds a degree in journalism by Universidade Federal do Rio Grande do Sul.

Edson Chil Nobre. Mr. Nobre was elected to our board of directors as a nominee of Petrobras. Mr. Nobre worked at Petrobras for 35 years. He acquired vast management experience at Petrobras and Petrobras Distribuidora. From 2010 to 2014 he served as Executive Manager of Energy Business at Petrobras Distribuidora, retired in 2014. Mr. Nobre graduated in Chemical Engineering from the Federal University of Paraná, in Law from Faculdades Integradas Bennett-Rio de Janeiro and in Work Safety Engineering from the State University of Maringá. He holds an Executive MBA from COPPEAD-UFRJ in Rio de Janeiro.

Ernani Filgueiras de Carvalho. Mr. Carvalho was elected Vice Chairman of the Board of Directors as a nominee of Petrobras in April 2016. Mr. Carvalho has a degree in chemical engineering from the Federal University of Rio de Janeiro (UFRJ). He earned a graduate degree in Oil Processing Engineering from Petróleo Brasileiro S/A (Petrobras), an MBA from Fundação Dom Cabral (Minas Gerais) and a graduate degree in Regulation of the Oil and Gas Industry from the State University of Campinas (Unicamp), among others. With 40 years of market experience, Mr. Carvalho worked at Petrobras for 25 years, where he held various technical and management functions. At the Gabriel Passos Refinery (REGAP) in Betim, Minas Gerais, where he worked for 10 years, he was responsible for the startup of two industrial unit complexes. At the Company's headquarters in Rio de Janeiro, where he worked for 15 years, he coordinated the technology transfer program in the process of hydrotreating of fuels, jointly with the French Oil Institute (IFP - Paris), as well as projects stemming from this program. At the headquarters, also he prepared and coordinated a multi-year investment plan for the company's refinery area. He also served for four years as Superintendent of Refining and Processing of Natural Gas at the National Petroleum Agency (ANP). Between November 2004 and March 2016, he worked as Executive Manager of Supply, Petrochemicals and Biofuels of the Brazilian Institute of Oil and Gas (IBP).

João Carlos Trigo de Loureiro. Mr. Loureiro was elected to the Board of Directors by nomination of Petrobras, Mr. Loureiro has 40 years of professional experience, including more than six years in France, with vast management experience. Since 2015, he has been manager of Shareholdings in Petrochemical and Biofuel Companies at Petrobras. Mr. Loureiro graduated in Economics from Universidade Cândido Mendes and holds an Executive MBA in Oil and Gas from Coppe – UFRJ.

Luiz de Mendonça. Mr. Mendonça was elected to our board of directors as a nominee of Odebrecht. He is currently the chief executive officer of Odebrecht Agroindustrial (former ETH Bioenergia). Mr. Mendonça joined the Odebrecht Group in 2002 when he started working at Braskem, where he held several positions, such as executive vice president of the polyolefins unit, executive vice president of the basic petrochemicals unit and executive vice president of the polymers unit. He also acted as chief executive officer of Braskem Qpar S.A. In 2011, Mr. Mendonça was appointed chief executive officer of Braskem America and executive vice president of the international unit of Braskem. Before joining Braskem, Mr. Mendonça spent a significant part of his career at Rhodia, in the textile and chemical sectors, where he held several business/operational positions throughout Latin America, France and the United States. Luiz has a bachelor's degree in production engineering from University of São Paulo and a MBA from Insead-France.

Marcela Aparecida Drehmer Andrade. Ms. Drehmer was elected to our board of directors as a nominee of Odebrecht. She has served as one of our vice president executive officers, our chief financial officer and our director of investor relations from 2010 until June 2013. She has served as financial officer for Odebrecht since July 2013 and served as a member of the board of directors of Braskem Qpar, Quattor Química S.A. and Rio Polímeros S.A. in 2010, Borealis Brasil S.A. from 2005 to 2006, and Braskem Idesa SAPI from 2010 to 2013. Ms. Drehmer served as our financial officer from 2005 to 2010. She worked for our company in structured operations and financial operations from 2002 to 2005, and worked for OPP Petroquímica S.A. in the financial department where she was responsible for the structured operations and planning departments from 1994 to 1999, served directly under the vice president of investments of Odebrecht from 2001 to 2002. In 2000, Ms. Drehmer participated in Credit Suisse First Boston's Corporate Finance Internship Program, in New York. Ms. Drehmer holds a bachelor's degree in business administration from UNIFACS and an MBA in finance from IBMEC.

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Arão Dias Tisser. Mr. Tisser was elected as an alternate member of to our board of directors as a nominee of Petrobras. He previously served as a member of our board of directors from May 2008 to July 2008, and was first elected as an alternate member of our board of directors in March 2008. He has been the management coordinator of holdings in petrochemical centers for Petrobras since 2004, and worked in the commercial sector of naphtha and industrial raw materials for Petrobras from February 2001 to October 2004. Mr. Tisser holds a bachelor's degree in Civil Engineering from UFRJ, a master's degree in engineering from the Instituto Alberto Luiz Coimbra de Pós-Graduação e Pesquisa de Engenharia, or COPPE, of UFRJ and an LLM in corporate law from the IBMEC - Rio de Janeiro.

Carla Gouveia Barretto. Ms. Barretto joined Odebrecht in 1994 and is currently head of the Planning department of Odebrecht S.A., a company belonging to the same group as the issuer. She obtained a degree in Business Administration with honors from Universidade Salvador (UniFacs) in 1989 and an MBA from Fundação Dom Cabral in Belo Horizonte in 2006. With 20 years of experience in the fields of Controllershship, Planning and Human Resources and, more recently, in Business, Ms. Barretto started her career in the external audit team of PriceWaterhouseCoopers in Salvador in 1990. In the Odebrecht Group, she worked at Odebrecht S.A. as head of Planning and Human Resources, at Construtora Norberto Odebrecht as Controller and at Braskem as Controllershship Manager of the Polyolefins Unit, all companies belonging to the same group. In recent years, she served as Business Officer, responsible for investments in private properties at Odebrecht Properties, another company in the same group as the issuer.

José de Freitas Mascarenhas. Mr. Mascarenhas was elected as an alternate member of our board of directors as a nominee of Odebrecht. He has been an executive officer of Odebrecht since September 2001 and serves in various capacities with other companies in the Odebrecht Group. He served as vice president of Confederação Nacional das Indústrias, from October 1985 to October 2014, and as president of Federação das Indústrias do Estado da Bahia, from 1992 to 2002 and April 2010 to March 2014. He also has served as vice president of the Brazilian Association of Chemical Industry and Derivative Products from May 1993 to April 2008. He is also a member of the Board of the Brazilian Competitiveness Council (*Movimento Brasil Competitivo*) and, in 2014, was elected as a member of the board of the Associação Comercial da Bahia. Since 2015, he has served as chairman of the Federation of Industries of Economy of the State of Rio de Janeiro – FIRJAN. Mr. Mascarenhas holds a bachelor's degree in civil engineering from UFBA.

Luciano Dequech. Mr. Dequech was elected as an alternate member of our board of directors as a nominee of Odebrecht. Mr. Dequech has been the legal director of Odebrecht Agroindustrial S.A. since 2007. He previously held the position of legal director of Totvs S.A. from 2006 to 2007; legal manager of Braskem from 2003 to 2006; and attorney and intern for the law firm of Pinheiro Neto Advogados from 2003 to 2009. Mr. Dequech has a degree in Law from the University of São Paulo and obtained a Master's degree in Civil Law from the same institution, in addition to obtaining an LL.M degree in Corporate Law from Insper, in São Paulo, and completing a specialization course in Consumption Relations Law at the Pontifical Catholic University of São Paulo.

Marcus Vinicius de Oliveira Magalhães. Mr. Magalhães was elected as an alternate member of our board of directors as a nominee of Petrobras. Mr. Magalhães is a senior processing engineer, and he works as a petrochemical refinery Integration manager at Petrobras. He holds a degree in Chemical Engineering from the Military Institute of Engineering.

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Mauricio Roberto de Carvalho Ferro. Mr. Ferro was elected to our board of directors as a nominee of Odebrecht. He is currently responsible for the legal team at the Odebrecht group. He also serves in several board positions in subsidiaries and affiliates of Odebrecht S.A. He was responsible for legal and corporate governance at Braskem from 2001 to 2013. He was also a member of the board of directors in several companies such as Cetrel S.A., Ipirange Petroquímica S.A., Companhia Petriquímica do Sul – Copesul, Politeo Indústria e Comércio S.A., Petroflex Indústria e Comércio S.A., Trikem S.A., Nitrocarbono S.A. and Polialden Petroquímica S.A. He also served as an officer at Copene - Companhia Petroquímica de Camaçari. He worked as a lawyer at the law office of Carlos Eduardo Paladini Cardoso in 1989 also at the law office of Bulhões Pedreira, Bulhões Carvalho e Advogados Associados from 1991 until 1995. Mr. Ferro holds a law degree from the Pontifícia Universidade Católica do Rio de Janeiro and a master degree from the London School of Economics, University of London.

Mauro Motta Figueira. Mr. Figueira was elected as an alternate member of our board of directors as a nominee of Odebrecht. Mr. Figueira currently serves as the financial planning director of Odebrecht. Previously, he was a financial analyst at Citibank and strategic planning manager at OPP Petroquímica until 2002; senior consultant at management consulting firm A.T. Kearney from 2004 to 2006, marketing controller at Johnson & Johnson from 2006 to 2008 and senior manager at strategic consulting firm Monitor Group from 2008 to 2010. Mr. Figueira holds a degree in production engineering from the University of São Paulo and has an MBA from the Darden School of Business.

Monica Bahia Odebrecht. Ms. Odebrecht is a lawyer and has been working since 1994 in the Odebrecht Group, the same group as the issuer. She is currently an executive officer in various Odebrecht Group companies, including ODBVINODBINV S.A., the parent company of Odebrecht S.A. She started her career at Odebrecht S.A. in 1994, where she worked in the corporate area until 1999, when she moved to the United States to work on secondment at Clifford Chance LLP. From 2000, she worked in the corporate and financial areas of the Odebrecht Group petrochemical companies until 2002, when she moved to the group's engineering and construction businesses, where too she was responsible for the corporate and financial areas until 2008. Since then she has been working as Legal Manager at Odebrecht S.A.

Paulo Cezar Fernandes da Silva. Mr. Silva was elected to the Board of Directors as a nominee of Petrobras, Mr. Silva currently serves as Manager of Relationship and Information in the Petrochemical Business – Relationship with Control Agencies. From 2014 to 2015 he served as Planning and Control manager, responsible for planning and control of the petrochemical supply department. Earlier, he served as Manager of Evaluation and Support to Management of Shareholdings, where he was responsible for the corporate governance of ownership interests at the petrochemical supply department, and manager of economic and financial analysis. Mr. Silva graduated in Industrial Mechanic Engineering from Centro Federal de Educação Tecnológica (CEFET-RJ), holds a graduate degree in Public Administration from FGV and an Executive MBA in Finance from IBMEC-RJ. He has also completed specialization programs in Management from Fundação Dom Cabral and The Innovative Organization from the University of California, Berkeley.

Sergio Bottino. Mr. Bottino was elected to the Board of Directors as a nominee of Petrobras, Mr. Bottino has experience in the oil industry, acquired over 36 years working at various areas of the Petrobras system, notably production, services, natural gas, distribution and supply. He has vast management experience and, since 2015, has been Assistant to the Chief Supply Officer of Petrobras S.A. Between 2010 and 2015, he served as Manager of Integrity and Reliability (Operations) at Petrobras Distribuidora S.A. Mr. Bottino graduated in Electrical Engineering from UFRJ and holds an MBA in Economics and Management of Natural Gas and Energy from COPPEAD and IE of

UFRJ.

Ticiana Vaz Sampaio Marianetti. Ms. Marianetti graduated in civil engineering from the Federal University of Bahia (UFBA) and earned an MBA from the Haas Business School at the University of California in Berkley. Before taking charge of the financial area of Odebrecht Ambiental in 2008, she held several positions in the Odebrecht Group, in the engineering and finance departments, all companies belonging to the same group as the issuer. Her previous experience includes working for Bechtel Enterprises (USA), Alterra Partners (Costa Rica and UK), both companies operating in the engineering, construction and project management sector, and for Gerens Management Group (Spain).

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Our board of executive officers is our executive management body. Our executive officers are our legal representatives and are responsible for our internal organization and day-to-day operations and the implementation of the general policies and guidelines established from time to time by our board of directors.

Our by-laws require that the board of executive officers consist of a chief executive officer and between three and nine additional members, each responsible for business areas that our board of directors assigns to them. The members of our board of executive officers, other than our chief executive officer, have no formal titles (other than the title of executive officer or “*Diretor*”) but have the informal titles set forth in the table below.

The members of our board of executive officers are elected by our board of directors for three-year terms and are eligible for reelection. The current term of all of our executive officers ends at the first board of directors meeting held immediately after our annual shareholders’ meeting to be held in 2018. Our board of directors may remove any executive officer from office at any time with or without cause. According to the Brazilian Corporation Law, executive officers must be residents of Brazil but need not be shareholders of our company. Our board of executive officers holds meetings when called by our chief executive officer.

The following table lists the current members of our board of executive officers:

Name	Year of Appointment	Position Held	Age
Fernando Musa	2016	Chief Executive Officer	51
Pedro van Langendonck Teixeira de Freitas	2016	Vice President Executive Officer, Chief Financial Officer and Director of Investor Relations	40
Gustavo Sampaio Valverde	2013	Vice President Executive Officer and General Counsel	41
Luciano Nitrini Guidolin	2012	Vice President Executive Officer of Polyolefins, and Renewable Chemicals	43
Marcelo Arantes de Carvalho	2015	Vice President Executive Officer of People, Organization and Procurement	47
Marcelo de Oliveira Cerqueira	2013	Vice President Executive Officer of Basic Petrochemicals Unit	50

Summarized below is information regarding the business experience, areas of expertise and principal outside business interests of our current executive officers.

Fernando Musa. Mr. Musa is currently our Chief Executive Officer. From April 2012 to April 2016, Mr Musa was in charge of the company’s business in the United States and Europe. Before that, in 2011, Mr Musa was Planning and Business Development Officer for Braskem, leading the areas of Strategic Planning, Procurement and Information Technology and also in charge of quantiQ, Braskem’s distributor of chemical products. Mr. Musa joined Braskem in January 2010, as Planning and Integration Officer at Quattor (at the time of the acquisition by Braskem), where he was responsible for the integration into Braskem, leading the Financial, Procurement, Polymer Logistics and SAP Project areas. Previously, Mr Musa held leadership positions at McKinsey, Editora Abril and Monitor Group. Mr. Musa holds a degree in mechanical engineering from the aeronautic technological institute (Instituto Tecnológico da Aeronáutica), or ITA, in São José dos Campos, Brazil, and an MBA from Insead, in Fontainebleau, France.

Pedro van Langendonck Teixeira de Freitas. Mr. Freitas is currently our chief financial officer and investor relations officer and previously served in our strategic planning area from 2011 to 2016. Prior to this, he was a strategy consultant, having participated in the construction of business strategies and mergers and acquisitions projects in various industries, including petrochemicals, agribusiness, consumer goods and pharmaceuticals. He holds a degree in production engineering from the Polytechnic School of the University of São Paulo and an MBA from INSEAD.

Gustavo Sampaio Valverde. Mr. Valverde is currently our vice president of legal and corporate affairs, and previously served as our vice president of legal and external affairs of Braskem America from 2011 to 2013, as well as our legal officer from 2009 to 2011 and senior in-house counsel to Braskem S.A. (OPP Química S.A.) from 2001 to 2002. Mr. Valverde also served as legal officer at CBPO Ingeniería de Venezuela from 2007 to 2009, senior in-house counsel at CNO from 2003 to 2007, and previously as an attorney at Costa, Mello & Cavalcanti Advogados. He holds a bachelor's degree in law from Universidade Federal da Bahia, a specialization in tax law and a master's degree in law from Pontifícia Universidade Católica de São Paulo, as well as a master's degree in law from Columbia University, New York.

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Luciano Nitrini Guidolin. Mr. Guidolin is currently our vice president executive officer of polyolefins, project COMPERJ and vinyl renewable chemicals and corporate technology. He joined the Odebrecht Group in 1994 and has held several positions in OPP and later at Braskem, such as corporate planning director, vinyl marketing and development director, polyolefin export director and vinyl commercial director. In 2007, Mr. Guidolin was appointed executive director of Odebrecht Agroindustrial (former ETH Bioenergia), in which he was responsible for the finance, information technology and planning areas. From 2011 to 2012, Mr. Guidolin worked as chief financial officer for Odebrecht where he served on the board of directors of several of the Odebrecht Group companies, including Braskem. He holds a bachelor's degree in engineering from Universidade de São Paulo, and a master's degree in business administration from Harvard Business School.

Marcelo Arantes de Carvalho. Mr. Carvalho is currently our vice president executive officer of people, organization and procurement and has implemented organizational and human resources training programs, cultural change and leadership development programs as well as built and implemented global strategy in the areas of human resources, information technology and procurement. Has developed his career within global companies such as ABB, Unilever, Fiat Chrysler Automotive and Braskem and has over 27 years of experience in the human resources, information technology and procurement areas in industries such as metallurgy, automation and power technology, telecommunications, automotive, consumer goods and petrochemical/chemical industries. Mr. Carvalho holds a degree in business administration, with specialization in business management, from Fundação Dom Cabral and a degree in global leadership from Wharton, Pennsylvania.

Marcelo de Oliveira Cerqueira. Mr. Cerqueira is currently the vice president of our Basic Petrochemicals Unit. Mr. Cerqueira previously served as head of our Vinyls Unit from 2010 until October 2013, as industrial vinyls director from 2009 until 2010 and as production manager of our PVC production unit in the State of Bahia from 2003 until 2008. Previously he worked at Trikem in various capacities, including production manager of the PVC production unit in the State of Alagoas from 1997 until 2002. At Companhia Petroquímica Camaçari, he worked with the production logistics, health, safety and the environment and procurement engineering areas from 1989 until 1996. He began his career at Companhia Alcoolquímica Nacional and COPERBO (now Lanxess), where he worked from 1987 until 1989. He holds a bachelor's degree in chemical engineering from the University of Pernambuco and an MBA from FGV.

Fiscal Council

The Brazilian Corporation Law requires us to establish a permanent or non-permanent fiscal council (*conselho fiscal*). Our by-laws provide for a permanent fiscal council composed of five members and their respective alternate members. The fiscal council is a separate corporate body, independent of our management and our independent accountants.

The members of our fiscal council are elected by our shareholders at the annual general shareholders' meeting for one-year terms and are eligible for reelection. The terms of the members of our fiscal council expire at the next annual general shareholders' meeting. Under the Brazilian Corporation Law, the fiscal council may not contain members who are members of our board of directors or our board of executive officers or are employees or spouses or relatives of any member of our management. To be eligible to serve on our fiscal council, a person must be a resident of Brazil and either be a university graduate or have been a company officer or fiscal council member of another Brazilian company for at least three years prior to election to our fiscal council. Holders of (1) preferred shares without voting rights and; (2) non-controlling common shareholders that together hold at least 10.0% of our voting share capital are each entitled to elect one member and his or her respective alternate to the fiscal council.

The responsibilities of a fiscal council are established by the Brazilian Corporation Law. In accordance with the Brazilian Corporation Law, our fiscal council has the right and obligation to, among other things:

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- supervise, through any of its members, the actions of our managers and to verify their fulfillment of their duties;
- give an opinion on the annual report of our management, including the supplementary information deemed necessary or useful for deliberation at a general meeting;
- at least every three months examine the trial balance sheet and other financial statements periodically prepared by the company;
- examine the accounts and financial statements for the financial year and give an opinion on them;
- opine on any management proposals to be submitted to a vote of our shareholders related to:
 - Ø changes in our share capital;
 - Ø issuances of debentures or rights offerings entitling the holder to subscribe for equity securities;
 - Ø distributions of dividends; and
 - Ø transformation of our corporate form and any corporate restructuring, such as takeovers, mergers and spin-offs;
- inform our management of any error, fraud or misdemeanor detected and suggest measures we should take in order to protect our primary interests. If our management fails to take the measures required to protect our interests, inform our shareholders at a shareholders' meeting of these facts; and
- call general shareholders' meetings if management delays the general shareholders' meeting for more than one month and call special shareholders' meetings in the event that important matters arise.

As described in "Item 16D. Exemptions From the Listing Standards for Audit Committees," we are relying on the general exemption from the listing standards relating to audit committees contained in Rule 10A-3(c)(3) under the Exchange Act. In order to comply with the requirements of this exemption, our board of directors has delegated to our fiscal council certain additional responsibilities and our fiscal council adopted rules under which our fiscal council has the duties and responsibilities of a U.S. audit committee to the extent permitted under Brazilian corporate law.

Because Brazilian corporate law does not permit the board of directors to delegate responsibility for the appointment, retention and compensation of the external auditors and does not provide our board of directors or fiscal council with the authority to resolve disagreements between management and our external auditors regarding financial reporting, our fiscal council cannot fulfill these functions. Our fiscal council may only make recommendations to our board of directors and shareholders with respect to the appointment, retention and compensation of the external auditors, and with regard to resolution of disagreements between management and the external auditors, our fiscal council may only make recommendations to our board of directors and shareholders. Under the rules governing our fiscal council, our fiscal council has the following rights and obligations, among others, in addition to those established by the Brazilian Corporation Law:

- to follow and analyze the process of hiring independent auditors, observing applicable Brazilian rules and legislation, and considering the technical expertise, independence, efficiency, experience and costs of the independent auditors, and recommend to our board of directors the selection and remuneration for the work of independent

auditors and their possible replacement;

- to approve the annual list of pre-approval services that may be provided in a given year by the independent auditors, as well as ensure that the policy is observed by our management and independent auditors;
- to supervise the work of our independent auditors, as well as to discuss the scope of audit services to be performed by them;

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- to analyze the recommendations report prepared by our independent auditors and the internal control over financial reporting, including items that may impact our financial statements;
- to request from our independent auditors, if necessary, any clarification or information that is deemed to be necessary for the verification of specific facts;
- to meet with our management and independent auditors, whenever required, for the analysis of adoption of critical accounting policies and practices, including analysis of alternative treatments of policies, practices and disclosures related to material items, giving preferential treatment to the guidelines of our independent auditors;
- to intermediate possible discussion and conflicts arising between our independent auditors and our management related to the draft of financial reports, providing, if necessary, opinions regarding such conflicts;
- to discuss the content of all material and relevant communication made in writing by our independent auditors to our management which come to its knowledge;
- to hire, as appropriate, in accordance with § 8 of Article 163 of the Brazilian Corporation Law, independent experts and advisers, including but not limited to legal counsel, to advise and give opinions on matters related to the performance of its duties;
- to meet regularly and privately with the head of internal audit to discuss any issues and/or concerns; and
- to receive information and oversee the evaluation process regarding complaints received by the Company, whether through its confidential, anonymous ethics hotline or otherwise, with respect to the company's financial statements, internal accounting controls and auditors (whether internal or independent).

The following table lists the current members of our fiscal council and their alternates:

<u>Name</u>	<u>First Year of Appointment</u>
Aluizio da Rocha Coelho Neto	2010
Cristiano Gadelha Vidal Campelo	2016
Ismael Campos de Abreu	2003
Luis Eduardo Queiroz Castello	2016
Marcos Galiazzi Rosset	2016
Eduardo Seixas (alternate)	2016
Hubert Georg Deierl (alternate)	2016
Ivan Silva Duarte (alternate)	2016
Luiz Fernando Sachet (alternate)	2016
Tatiana Macedo Costa Rego Tourinho (alternate)	2014

The following is a summary of the business experience, areas of expertise and principal outside business interests of the current members of our fiscal council and their alternates.

Members of Fiscal Council

Aluizio da Rocha Coelho Neto. Mr Rocha was elected a member of the Audit Board as representative of Odebrecht in April 2010, Mr. Neto is currently Controller of Construtora Norberto Odebrecht S.A. (CNO), after serving as leader of the International Tax Planning area of the company, which belongs to the same business group of the issuer. From 2002 to 2008, he worked in the tax department of the Company, as Tax Planning Manager. Previously, he worked for 9 years at PricewaterhouseCoopers. Mr. Neto graduated in Accounting from the Federal University of Espírito Santo and holds an MBA in controllership from USP/FIPECAFI.

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Cristiano Gadelha Vidal Campelo. Mr Campelo was elected a member of the Audit Board as representative of Petrobras in April 2016. Mr. Campelo has worked at Petrobras for 10 years, where he has been, since 2012, External Tax Relationship Manager, responsible for managing people and processes associated with tax risks of the Petrobras System, also serving as negotiator and institutional interface with the Secretaries of Treasury of States and Municipalities in the South, Southeast and Midwest regions of Brazil, as well as with trade associations (IBP, SINDICON, FIRJAN, ABRAGET, etc.) and other bodies such as CONFAZ. Between 2014 and 2015, he served as member of the Audit Board of Companhia Maranhense de Gás (GASMAR). He holds a degree in Law and an MBA from Fundação Dom Cabral.

Ismael Campos de Abreu. Elected member of the Audit Board as representative of Odebrecht in 2003, Mr. Abreu has, since April 2011, been Director of Kieppe Participações e Administração Ltda., a company that indirectly holds more than 5% of the same type or class of securities of the Company. Between 1995 and March 2011, he served as controller of Odebrecht S.A., which indirectly holds more than 5% of the same type and class of securities of the Company. Both companies mentioned above are part of the same business group of the issuer. Between 1978 and 1985, he served as manager of the tax consulting division of PricewaterhouseCoopers, between 1986 and 1988 as controller of Corrêa Ribeiro S.A. Comércio e Indústria, between 1989 and 1991 as Manager of the consulting area of Arthur Andersen, and between 1992 and 1995, as partner of Performance Auditoria e Consultoria. He served as member of the Audit Board of Petroflex Indústria e Comércio S.A. (“Petroflex”) until the sale of the Company’s interest in Petroflex in April 2008. Between March 2006 and March 2008, he served as member of the Audit Board of Companhia Petroquímica do Sul (“Copesul”). Mr. Abreu graduated in Accounting from Fundação Visconde de Cairú and earned a graduate degree in Economic Engineering from the Inter-American Development Center.

Luis Eduardo Queiroz Castello. Elected member of the Audit Board representing Petrobras in April 2016, Mr. Castello has been with Petrobras for over 25 years, where he has held several management positions. He is currently General Manager of Tax Enforcement. Mr. Castello graduated in Electric Engineering, with an emphasis on Computing Systems, from the State University of Rio de Janeiro (UERJ) and earned a graduate degree in Software Engineering from the Federal University of Rio de Janeiro (UFRJ) and in Tax Management from Mackenzie Presbyterian University. He holds an Executive MBA from COPPEAD-UFRJ. Mr. Castello is Chairman of the Audit Board of Transpetro, to which he was elected member in 2014. He also served as Audit Board member at Bahiagás from 2010 to 2014.

Marcos Galiazzi Rosset. Elected member of the Audit Board by preferred shareholders in April 2016, Mr. Rosset has served as President and CEO of multinational companies for 25 years and as member of strategic and management boards for Latin America. He is currently a member of the Advisory Board of Sambatech (leading company in Latin America in infrastructure and distribution of content in the digital platform) and Director of the company Magic Bubble (electronic games and edutainment developer). Member of IBGC. Mr. Rosset serves as CEO of e-all Entertainment, previously served as CEO and SVP of The Walt Disney Company Brasil (2001 -2011), as Managing Director and AL of CIC VIDEO International (subsidiary of the Universal Pictures and Paramount Pictures) and Manager of Globo Vídeo (a company of the Rede Globo Television Organization) for São Paulo.

Alternate Members of Fiscal Council

Eduardo Seixas. Mr. Seixas has been an employee of Petrobras for over 15 years. He is currently Partnership Control Manager. Mr. Seixas graduated in Accounting from the State University of Rio de Janeiro (UERJ) and earned a master’s in Business Management from FGV and an MBA in Accounting Management from USP. He has completed

the following specialization programs: Advanced International Program in Oil and Gas Financial Management from The University of Texas at Dallas (USA) and Exploration & Production Accounting - MDT International (England).

Hubert Georg Dierl. Mr. Dierl has worked for Petobras for over 30 years in various areas, including oil platforms, development projects and, since 1992 in the finance area. He has held management positions at Petrobras since 2006. Since September 2012 he is Area Manager of the Corporate Finance area. Mr. Dierl graduated in Mechanical and Automotive Engineering from the Military Institute of Engineering (IME), earned a master's degree in Mechanical Engineering from the Pontifical Catholic University of Rio de Janeiro (PUC/RJ), and has the following specialist qualifications: IAG Master in Finance from the Pontifical Catholic University of Rio de Janeiro and International Executive Programme - Fontainebleau and Singapore – INSEAD.

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Ivan Silva Duarte. Mr. Duarte has served as director of Kieppe Participações e Administração LTDA since January 2016, a company of the same business group of the issuer and indirectly holds more than 5% of its capital. Previously he served as manager of KPMG - Auditores Independentes from 1995 to 2001, when he started working as senior manager at PricewaterhouseCoopers Auditores Independentes, where he worked until 2008. Between 2008 and 2015, Mr. Duarte was an executive officer at EAO Empreendimentos Agropecuários e Obras S.A, an Odebrecht Group company operating in the Agricultural and Food and Beverage segments. Mr. Duarte graduated in Accounting from the University of Salvador (UNIFACS) and holds an MBA in Corporate Finances from the Fundação Getúlio Vargas and an MBA in Entrepreneurship from Babson College in Boston, USA.

Luiz Fernando Sachet. Mr. Sachet is a lawyer and head of procedural law at firm Gasparino, Fabro, Roman, Sachet & Marchiori Advogados. He has an MBA in Tax Law from FGV and is a member of the Brazilian Corporate Governance Institute (IBGC). He has worked in the mining, steel, energy, telecommunications and retail sectors. Mr. Sachet is a member of the Commission on Tax and Legislative Affairs of the Federation of Industries of the State of Santa Catarina (FIESC).

Tatiana Macedo Costa Rego Tourinho. Ms. Tourinho has, since May 2007, been Head of Tax Planning at Construtora Norberto Odebrecht S.A., which indirectly holds over 5% of the same type or class of securities of the Company. From 2000 to 2007, she worked in the tax department of VIVO S/A, a telephony company, as Tax Planning Division Manager. Previously she worked for 2 years at Arthur Andersen. Ms. Tourinho graduated in Public and Private Business Administration from the Federal University of Bahia and earned an MBA in Management from IBMEC. She does not hold management positions in any non-profit organization.

Board Committees

On June 22, 2005, our board of directors approved its internal operating rules. An English translation of the internal operating rules of our board of directors is available on our investor relations website at www.braskem.com.br/ir. Under these rules, our board of directors has established three permanent committees and has the power to establish ad-hoc committees. Permanent committees must have no fewer than three and no more than four members. Members of permanent committees serve one-year terms and may be re-appointed. Ad-hoc committees may be convened for a limited period to consider temporary issues and are dissolved when their purpose has been achieved or when the term established upon the creation of such committees expires. The number of members of the ad-hoc committees is defined upon the creation of such committees. In April 2015, our board of directors approved the constitution of an ad hoc committee to accompany the voluntary investigation surrounding allegations of improper payments made to Petrobras for beneficial terms in our raw material supply contracts from 2006 to 2013.

In April 2015, our board of directors approved the constitution of an ad hoc committee to accompany the Investigation surrounding allegations of improper payments made to Petrobras for beneficial terms in connection with certain raw material supply contracts we have with Petrobras. Such ad hoc committee is formed by members independent from our shareholders, and its main objectives are (i) to ensure that the Investigation is carried out independently, thoroughly and in strict compliance with its approved scope, mitigating as much as possible the impact on our operations and (ii) to take all necessary measures to ensure that all required resources are devoted to the Investigation.

We currently have the following three permanent committees: (1) the Finance and Investments Committee, (2) the Personnel and Corporate Issues Committee, and (3) the Strategy and Communication Committee. The duties of each permanent committee are established by our board of directors. The members of each permanent committee are

appointed by our board of directors, solely from among its members and alternate members, and the board of directors also designates the coordinating of each permanent committee. Our board of directors does not delegate the power to take actions on behalf of our company to the permanent committees; rather the role of the permanent committees is to provide analyses of issues in order to assist the full board of directors in its deliberations.

Finance and Investments Committee

Our Finance and Investments Committee meets quarterly and has the following duties: (1) to evaluate new policies relating to financial management, insurance and guarantees and analyze existing policies, (2) to evaluate new risk management policies and analyze existing policies, (3) to analyze opportunities related to financing and investment transactions that may improve our capital structure, (4) to analyze transactions approved by our board of directors that involve parties related to our company and (5) to analyze guidelines and protocols for our business planning execution cycle. Our Finance and Investments Committee is currently composed of Marcela Aparecida Drehmer Andrade, Antonio Aparecida de Oliveira, Ticiania Vaz Sampaio Marianetti and Monica Bahia Odebrecht.

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Personnel and Corporate Issues Committee

Our Personnel and Corporate Issues Committee meets quarterly and has the following duties: (1) to evaluate new policies and review existing policies relating to personnel matters and organizational issues, (2) to analyze processes relating to identification, training, development and succession of executives for or in strategic positions, (3) to analyze processes relating to the determination of fixed and variable compensation for executives in strategic positions, (4) to analyze issues relating to compliance with our Code of Conduct, and (5) to evaluate new policies and review existing policies relating the maintenance and strengthening of our corporate culture. Our Personnel and Corporate Issues Committee is currently composed of Ernani Filgueiras de Carvalho, Álvaro Fernandes da Cunha Filho, Daniel Bezerra Villar and Carla Gouveia Barretto.

Strategy and Communication Committee

Our Strategy and Communication Committee meets at least twice a year and has the following duties: (1) to evaluate determinations relating to the foundation of our business plan, (2) to evaluate the business direction being pursued to achieve objectives defined by our board of directors, (3) to evaluate new policies and review existing policies relating to the capital markets and social responsibility, (4) to evaluate the image of our company projected to and perceived in the market and make recommendations to our board of directors to maintain or to redefine our social communications programs, and (5) to analyze guidelines and protocols for our business planning and execution cycle. Our Strategy and Communication Committee is currently composed of Alfredo Lisboa Ribeiro Tellechea, Luiz de Mendonça, Antônio Britto and José Carlos Trigo de Loureiro.

Compensation

According to our by-laws, our shareholders are responsible for establishing the aggregate compensation we pay to the members of our board of directors, our board of executive officers and our fiscal council. Our shareholders determine this aggregate compensation at the general shareholders' meeting each year. Once aggregate compensation is established, the members of the board of directors are responsible for distributing such aggregate compensation individually to the members of our board of directors, our board of executive officers and our fiscal council in compliance with our by-laws.

Compensation and Benefits

The aggregate compensation paid by us to all members of our board of directors, board of executive officers and our fiscal council for services in all capacities was approximately R\$43.6 million in 2015. On April 2016, our shareholders (acting in the annual general meeting) established the compensation for our board of directors, our board of executive officers and the member of our fiscal council for the year 2016.

The members of the board of directors receive a fixed monthly compensation, which is not affected by the numbers of meetings that take place each month. The members of the fiscal council receive a fixed monthly compensation, which is not affected by the numbers of meetings that take place each month. The alternate members of the board of directors and of the fiscal council do not receive any compensation.

Our executive officers receive the same benefits generally provided to our employees, such as medical (including dental) assistance, private pension plan and meal vouchers. Like our employees, our executive officers also receive a

yearly bonus equal to one-month's salary (known as the "thirteenth" (monthly) salary in Brazil), an additional one-third of one-month's salary for vacation, and contributions of 8.0% of their salary into a defined contribution pension fund known as the Guarantee Fund for Time of Service (*Fundo de Garantia por Tempo de Serviço*). Members of our board of directors and fiscal council are not entitled to these benefits.

Members of our board of directors, board of executive officers and fiscal council are not parties to contracts providing for benefits upon the termination of employment other than, in the case of executive officers, the benefits described above.

TABLE OF CONTENTS***Long-Term Incentive Plan***

On September 26, 2005, we adopted a long-term incentive plan. Under the terms of this plan, we issued investment units, each having an economic value equivalent to the economic value of one class A preferred share of our company, to our executive officers, senior management and other employees involved in our strategic programs, which the plan refers to as our business partners.

The long-term incentive plan was terminated by a meeting of our board of directors held on May 7, 2014.

Corporate Governance Practices

The significant differences between our corporate governance practices and the standards of the NYSE are described in “Item 16G. Corporate Governance.”

Share Ownership of Directors and Officers

As of May 5, 2016, no member of Braskem’s board of directors or executive officer owned more than 0.1% of Braskem’s share capital. All shares owned by our directors and executive officers were purchased at market prices through the BM&FBOVESPA.

Employees

The following table sets forth the number of our employees by geographic location at the dates indicated.

<u>Number of Employees by Geographic Location</u>	2015	2014	2013
State of Bahia	1,676	1,763	1,811
State of Rio Grande do Sul	1,664	1,732	1,781
State of São Paulo	2,053	2,186	2,109
State of Alagoas	521	530	535
State of Rio de Janeiro	479	457	493
Other Brazilian states	8	2	13
Brazil	6,401	6,670	6,742
United States	680	668	624
Germany	175	162	168
Mexico	701	588	524
Other countries	38	38	38
Total	7,995	8,126	8,096

We do not employ a material number of temporary employees.

Employees in Brazil

In Brazil, both employees and employers have the right to organize unions. Employees belonging to a specific “professional category” and employers constituting a specific “economic category” may each be represented by a single union in a particular geographic area. Individual unions generally belong to state-wide union federations, which in turn belong to nationwide union confederations. We are a member of the Petrochemicals and Synthetic Resins

Industries Union of the States of Bahia, Alagoas, Rio Grande do Sul and São Paulo, and our employees belong to the Petrochemicals Industries Workers' Unions in each of these states. As of December 31, 2015, approximately 29.20% of our employees in Brazil were union members. We believe that we have good ongoing relations with our employees and their unions. We have not experienced a strike in Brazil since Trikem was privatized in 1995. The current collective bargaining agreements with our unions have one-year to two year terms and are subject to annual renegotiation. We have traditionally applied the terms of bargaining agreements entered into with the unions equally to unionized and non-unionized employees.

TABLE OF CONTENTS*Post-Employment Benefits in Brazil**ODEPREV Defined Contribution Plan*

The majority of our employees (approximately 83%) participate in the Odebrecht Pension Plan (*Odebrecht Previdência*), or ODEPREV. We pay part of the monthly payments made by our employees to ODEPREV. This pension fund is a defined contribution plan that pays pension and retirement amounts that supplement those paid by the Brazilian government's pension system and is intended to provide its members with income upon retirement. In 2015, we paid R\$29.9 million into this fund.

Petros Copesul Defined Benefit Plan

As a result of our merger with Copesul, we became the sponsor of the Petros Copesul plan. On October 2, 2012, PREVIC approved the withdrawal of sponsorship of this plan by Braskem. Since February 2015, we have made payments of individual reserves by Petros. As this pension plan was deficient, in accordance with current Brazilian law in 2012, Braskem had to pay an amount of R\$358.6 million in February 2015. In anticipation of this payment, we provisioned an amount of R\$336.4 million, recorded under current liabilities in the 2014 financial statements. The difference between the amount provisioned and the payment made corresponds to interest incurred in 2015.

Petros PQU Defined Benefit Plan

With the acquisition of Braskem Qpar in April 2010 (which merged into our company on December 1, 2014), we assumed the liabilities of Petros PQU. On August 6, 2012, PREVIC approved the sponsorship withdrawal process, which had been requested on September 30, 2009. The payment of the reserves to participants was completed in 2015. As a result, the sponsorship withdrawal process could be finalized in 2015. This plan currently has a surplus and consequently no provision has been made.

Other Benefits in Brazil

Our employees in Brazil and their dependents receive medical and dental assistance through a network of accredited doctors. We pay most of the costs for these services, with a small monthly portion being paid by our employees. A small monthly fee is also charged to our employees according to the use of some medical services (copayment system) for more costly medical services. In 2015, we spent R\$70.6 million on this assistance.

Employees in the United States

The employees of Braskem America are not represented by any union, other than employees of Braskem America's Neal, West Virginia plant. As of December 31, 2015, approximately 58% of the employees of this plant were represented by the United Steel, Paper & Forestry, Rubber, Manufacturing, Energy Allied-Industrial & Service Workers International Union. The collective bargaining agreement with this union expires in May 2019.

Post-Employment Benefits in the United States

Braskem America administers a closed defined benefit pension plan that, as of December 31, 2015, had 42 active participants, compared to 54 participants in 2014. The company made a cash contribution to the plan of US\$3.6

million in 2015. There were no participant contributions in 2015.

We offer a 401(k) savings plan that, as of December 31, 2015, had total assets of US\$64.5 million, including US\$543 thousand in participant contributions made in 2015.

Other Benefits in the United States

Braskem America offers its employees the ability to participate in a variety of health and welfare benefit plans, including medical, dental vision, life and disability coverage.

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Employees in Germany

Employees of Braskem Europe GmbH in Germany are not represented by any union.

Post-Employment Benefits in Germany

In October 2011, the obligations of Dow under German pension plans were assumed by Braskem Europe as a result of the Dow Polypropylene Acquisition. In 2013, Braskem Europe implemented a new defined contribution pension plan. As of December 31, 2015, 38 of our employees were active participants in this new pension plan.

Other Benefits in Germany

Braskem Europe offers its employees the ability to participate in benefit plans, including pension, life and disability coverage.

Employees in Mexico

Post-Employment Benefits in Mexico

Braskem Idesa employees are granted a government retirement benefit plan when they retire or reach retirement age. On December 31, 2015, this government retirement plan had 663 active participants.

Other Benefits in Mexico

Braskem Mexico offers its employees the ability to participate in benefit plans, including a savings plan, food plan, life insurance and health insurance.

Performance-Based Employee Compensation Plan

We have adopted and applied a personnel management philosophy which emphasizes a performance related pay structure and a decentralized management structure. Employees in each of our business units participate in setting and achieving their business unit's annual objectives. As a result, employees in those business units that meet or exceed their goals share in our financial performance through performance-based employee compensation plans. During 2015, we recorded an expense of R\$356.4 million related to this program with respect to approximately 8,614 employees and former employees, including our executive officers. The members of our board of directors do not participate in this program.

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As of May 5, 2016, we had outstanding share capital of R\$8,043,222,080.50 equal to 797,265,248 total shares consisting of 451,668,652 common shares, 345,002,978 class A preferred shares and 593,618 class B preferred shares. As of May 5, 2016, all of our authorized shares were issued and outstanding, other than 1,234,758 class A preferred shares held in treasury. All of our share capital is fully paid. All of our shares are without par value.

Generally, only our common shares have voting rights. Our preferred shares have voting rights only in exceptional circumstances.

As permitted by the Brazilian Corporation Law, our by-laws specify that 25% of our adjusted net profits for each fiscal year must be distributed to shareholders as dividends or interest attributable to shareholders' equity. Under our by-laws, our preferred shareholders are entitled to a minimum annual non-cumulative preferential dividend, or the Minimum Preferred Dividend, equal to 6% of their *pro rata* share of our capital before dividends may be paid to our common shareholders. Distributions of dividends in any year are made:

- first, to the holders of preferred shares, up to the amount of the Minimum Preferred Dividend for such year;
- then, to the holders of common shares, until the amount distributed in respect of each common share is equal to the amount distributed in respect of each preferred share; and
- thereafter, to the holders of our common shares and our class A preferred shares on a pro rata basis.

Our class B preferred shareholders are not entitled to receive any additional dividend amounts after they have received the Minimum Preferred Dividend. If the Minimum Preferred Dividend is not paid for a period of three years, holders of preferred shares will be entitled to full voting rights.

The following table sets forth information concerning the ownership of our common shares and class A preferred shares as of May 5, 2016 by each person whom we know to be the owner of more than 5.0% of our common shares and our class A preferred shares, and by all of our directors and executive officers as a group. Our principal shareholders have the same voting rights with respect to each class of our shares that they own as other holders of shares of that class.

	Common Shares		Class A Preferred Shares		Total	
	Number of Shares	%	Number of Shares	%	Number of Shares	%
Odebrecht(1)	226,334,623	50.1	79,182,498	23.0	305,517,121	38.3
Petrobras	212,426,952	47.0	75,492,222	21.9	287,919,174	36.1
BNDESPAR	0	0.0	17,008,647	4.9	17,008,647	2.1
All directors, fiscal council members, their alternates and executive officers as a group	0*		77,036*		77,036*	

(38 persons)

* less than 1%

(1) Includes 79,182,486 class A preferred shares held by OSP, a wholly-owned subsidiary of Odebrecht.

We currently have no management or employee option plans or management or employee options outstanding. See “Item 6. Directors, Senior Management and Employees—Compensation—Long-Term Incentive Plan.”

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Shareholders' Agreements

Petrobras Shareholders' Agreement

Odebrecht, OSP, Petrobras and Petroquisa, with Braskem and BRK as intervening parties, entered into the Petrobras Shareholders' Agreement, effective February 8, 2010, which has a term of 35 years. The Petrobras Shareholders' Agreement superseded the Shareholders' Agreement that formerly governed the relationship between Petrobras, Petroquisa, Odebrecht and Norquisa regarding our shares.

Under the Petrobras Shareholders' Agreement Petrobras has the right to designate:

- four members of our board of directors and their alternates for so long as they own, directly or indirectly, an aggregate of 30% or more of our voting share capital;
- three members of our board of directors and their alternates for so long as they own, directly or indirectly, an aggregate of 18%, but less than 30%, of our voting share capital;
- two members of our fiscal council and their alternates, one of which will serve as president, for so long as they own, directly or indirectly, an aggregate of 30% or more of our voting share capital; and
- two members of our fiscal council and their alternates for so long as they own, directly or indirectly, an aggregate of 18%, but less than 30%, of our voting share capital and for so long as Odebrecht has the right to elect more than a majority of the members.

For so long as Petrobras has the right to designate three or four members of our board of directors, one of these designees will serve as vice president of our board of directors.

Under the Petrobras Shareholders' Agreement, Odebrecht is entitled to nominate our chief executive officer. Our chief executive officer must choose our chief financial officer from among three nominees submitted by Odebrecht and the executive officer responsible for our investment and portfolio area from among three nominees submitted by Petrobras. Our chief executive officer has the power to nominate the other members of our board of executive officers. After these nominations, the officers will be elected at a board of directors' meeting.

Under the Petrobras Shareholders' Agreement, Odebrecht has the sole power to approve the business plan of our company. However, for so long as Petrobras owns, directly or indirectly, an aggregate of less than 30% and more than 18% of our voting share capital, we are prohibited from taking certain strategic actions unless a consensus regarding those actions is reached between Odebrecht and Petrobras, including, among others:

- actions affecting our share capitalization or the rights of holders of our shares;
- mergers, spin-offs or similar transactions;
- investments and purchases of non-current assets with a value in excess of 30% of our non-current assets;
- dispositions of non-current assets with a value in excess of 10% of our non-current assets;

- creation of liens on our non-current assets with a value in excess of the lesser of R\$350 million and 20% of our non-current assets; and
- actions that would result in our violating specified net debt to EBITDA and EBITDA to total interest ratios.

Under the Petrobras Shareholders' Agreement, we have agreed that investments that we make to increase our capacity must be supported by an evaluation demonstrating profitability under standards such as net present value or internal rate of return. Petrobras has granted a right of first refusal to our company with respect to development of any petrochemical project that Petrobras proposes to pursue. In the event that we decide not to participate in any such proposed project, Petrobras has agreed that we will have the right to market the products produced by the proposed project on conditions satisfactory to us and Petrobras.

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Under the Petrobras Shareholders' Agreement, Petrobras has the right to sell a pro rata portion of their common shares of our company in connection with any direct or indirect sale of our common shares by the Odebrecht Group to a third party.

Under the Petrobras Shareholders' Agreement, each of the parties has agreed:

- subject to certain exceptions, not to grant any liens on any of its Braskem shares;
- to grant a right of first refusal and tag along rights to the other parties to the Petrobras Shareholders' Agreement with respect to any sale of its Braskem shares;
- in the event that a party's interest in our voting share capital is diluted in a transaction involving one or more of the other parties to the Petrobras Shareholders' Agreement, the diluted party will have the right to purchase shares of Braskem from the diluting parties in an amount that would, after giving effect to such purchase, result in the diluted party holding the same percentage interest in our voting share capital that it held immediately prior to the dilution event; and
- in the event that any party acquires or receives a right to acquire common shares of Braskem from a third party, to offer to sell to the other parties to the Petrobras Shareholders' Agreement an amount of common shares of Braskem that would, after giving effect to such sale, result in each of the parties to the Petrobras Shareholders' Agreement holding the same direct and/or indirect proportion of the common shares of Braskem that the parties held prior to the acquisition of common shares of Braskem from the third party.

Termination of BNDESPAR Shareholders' Agreement

In February 2016, we received a letter from BNDESPAR informing us of its sale of preferred shares of our capital stock on the BM&FBOVESPA. As a result of these sales, BNDESPAR held preferred shares and total share capital of 6.61% and 2.86%, respectively. The shareholders' agreement to which BNDESPAR was a party automatically terminated as a result of BNDESPAR holding less than 5.0% of our total share capital.

Related Party Transactions

The following summarizes the material transactions that we have engaged in with our principal shareholders and their affiliates since January 1, 2015.

We have engaged in extensive transactions with our principal shareholders and their affiliates and expect to do so in the future. We also have commercial relationships with some of our affiliates and, as a result, record trade accounts receivable and current and long-term liabilities mainly from purchases and sales of goods and services at prices and on terms equivalent to the average terms and prices of transactions that we enter into with third parties. In addition, we have entered into financial and other transactions with our principal shareholders and their affiliates, including, among others, as a party to three shareholders' agreements or memoranda of understandings with shareholders of our company. See "—Major Shareholders—Shareholders' Agreements."

Under the Brazilian Corporation Law, each of our directors, their alternates and our executive officers cannot vote on any matter in which they have a conflict of interest and such transactions can only be approved on reasonable and fair

terms and conditions that are no more favorable than the terms and conditions prevailing in the market or offered by third parties. However, if one of our directors is absent from a meeting of our board of directors, that director's alternate may vote even if that director has a conflict of interest, unless the alternate director shares that conflict of interest or has another conflict of interest.

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In May 2014, we entered into an Alliance Agreement with CNO under which we have appointed CNO as a non-exclusive preferred provider with respect to maintenance services and efficiency enhancement projects at each of our plants. This agreement was unanimously approved by our board of directors. Under this agreement, we are required to request bids from CNO for these services and projects. If CNO is retained for any specific service or project, we will pay CNO its costs related to the service or project plus 15%. We are also required to pay any applicable taxes with respect to such fees. This agreement expires in May 2018.

In August 2013 we entered in a R\$226 million sublease agreement with Construtora Norberto Odebrecht S.A., and Abiatar SPE Empreendimentos Imobiliários (as intervening party), In January 2014 this contract was updated by IPCA/IBGE in a new amount R\$239 million. This agreement expires in December 31, 2028.

In October 2011, we entered into an Alliance Agreement with companies in the Odebrecht Group and ICA Flour for the site preparation construction works to be performed for the construction of Project Ethylene XXI. The total value of this contract was US\$150.0 million.

In September 2012, we entered into an Alliance EPC contract with Ethylene XXI Contractors, S.A.P.I. de C.V. and Etileno XXI Services B.V., as contractors, and for the construction of Project Ethylene XXI. Each contractor consists of a joint venture among Odebrecht Industrial Engineering B.V., ICA Fluor Petroquímica, S.A. de C.V. and Technip Italy S.p.A. Payments under the EPC contract are made on a “cost-plus” basis, in which Braskem Idesa reimburses costs of the contractors and pays a profit margin. Payments of costs are made prior to the beginning of each month based on an estimate of costs expected to be incurred during that month and are reconciled with costs actually incurred in the following month, and payments of the profit margin are made based on the achievement of milestones defined under the contract. Any cost overrun will be borne equally between Braskem Idesa and the contractors and any cost savings will be shared equally by Braskem Idesa and the contractors, in each case up to a maximum amount as calculated pursuant to the EPC contract. The contract provides for a guaranteed completion date of December 31, 2015, extended from June 30, 2015, for the Mexico Complex and contains certain other performance guarantees and provisions for damages in case completion does not occur on or prior to the scheduled completion date. We are currently negotiating an additional extension for completion to occur in the first half of 2016.

The aggregate amount of services we purchased under these Alliance Agreements in 2015 was R\$3,692.6 million. We had accounts payable to companies in the Odebrecht Group of R\$285.0 million as of December 31, 2015.

In September 2009, our former subsidiaries Quattor Petroquímica S.A. and Quattor Participações S.A. (which merged with and into Braskem on December 1, 2014) entered into an agreement for the supply of industrial water with Aquapolo Ambiental S.A., as amended in June 2010 and August 2011. The agreement expires in October 2053 and has an estimated value of R\$3,300.0 million.

In October 2012, we entered into an agreement with Cetrel for the purchase of 4 million cubic meters / year of recycled water by sites located in the Industrial Pole of Camaçari. The agreement expires in April 2028 and has a total value of R\$120 million.

In March 2013, we entered into an agreement for the supply of industrial water with Distribuidora de Águas de Camaçari S.A., a subsidiary of Odebrecht. This agreement expires in March 2043, and has an estimated total value of

R\$2,160.0 million.

In December 2013, we entered into an agreement for the supply of industrial water with Distribuidora de Águas Triunfo S.A., a subsidiary of Odebrecht. This agreement expires in December 2053, and has an estimated total value of R\$2,880.0 million.

In December 2012, we sold all of our shares of Braskem Distribuidora, which owned our water treatment unit, and Cetrel, to Odebrecht Ambiental, a subsidiary of Odebrecht, for an aggregate principal amount of R\$652 million, to be adjusted pursuant to the net cash position on December 28, 2012. The sale was for: (1) all of our shares in Braskem Distribuidora, equivalent to 100% of the total and voting capital of Braskem Distribuidora, which owned the assets related to the water treatment unit located at the Camaçari petrochemical complex (owned by Braskem Distribuidora), which is responsible for producing demineralized, clear and drinkable water, as well as for managing the fire water reservoir, and (2) all our shares in Cetrel, equivalent to 54.2% of the total and voting capital of Cetrel, which is responsible, among other things, for the treatment and final disposal of industrial effluents and waste, as well as for environmentally monitoring the Camaçari petrochemical complex. The supply of industrial water and the treatment and disposal of industrial effluents and waste are guaranteed to Braskem through contracts entered into with Braskem Distribuidora (currently Distribuidora de Águas Camaçari) and Cetrel, respectively.

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In July 2013, we acquired 2,000 shares, or 20%, of the capital of Odebrecht Comercializadora de Energia. See “Item 4—Information on the Company—Acquisition of Interest in Odebrecht Comercializadora de Energia S.A.”

On December 31, 2013, we entered into a share purchase agreement relating to all of our shares of Distribuidora de Água Triunfo S.A., or DAT, which represented all of its outstanding shares, for an aggregate principal amount of R\$315.0 million. See “Item 4—Information on the Company—Sale of Southern Complex Water Treatment Assets.”

On March 01, 2016, we entered into an agreement with Usina Conquista do Pontal S.A. (UCP), Agro Energy Santa Luzia S.A. (USL) and Odebrecht Agroindustrial Participações S.A. (ODB Agro Par), to guarantee the continuous supply of Hydrous Ethyl Alcohol to the Company, with technical flexibilities and differentiated commercial conditions, by way of an advance updated by market interest rates and guaranteed by Odebrecht S.A. The parties are indirectly controlled by Odebrecht S.A. and the price of Hydrous Ethyl Alcohol is based on the Monthly index ESALQ (index published by Escola Superior de Agricultura Luiz de Queiroz) Hydrous Fuel - São Paulo R\$ / liter of the reference month and with a discount. This agreement expires in April 2017.

Petrobras*Commercial Transactions with Petrobras*

We have entered into the following 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.
- An ethane and propane supply agreement that RioPol and Petrobras entered into in December 2000. See “Item 4—Information on the Company—Supply Contracts and Pricing of the Basic Petrochemicals Unit—Ethane and Propane” for more information.
- An agreement for the purchase and sale of a chain of light refinery hydrocarbons, that Quattor Química (formerly known as Braskem Qpar before it merged into our company on December 1, 2014) and Petrobras entered into in January 2005. See “Item 4—Information on the Company—Supply Contracts and Pricing of the Basic Petrochemicals Unit—Light Refinery Hydrocarbons” for more information.

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- A 20-year propylene supply contract we and Petrobras entered into in May 2008 for our Paulínia plant. See “Item 4—Information on the Company—Raw Materials of Our Polyolefins Unit—Propylene Contracts with Petrobras and its Subsidiaries” for more information.
- Five propylene supply agreements that Braskem Petroquímica (formerly known as Quattor Petroquímica) and Petrobras signed between September 1997 and February 2006. See “Item 4—Information on the Company—Raw Materials of Our Polyolefins Unit—Propylene Contracts with Petrobras and its Subsidiaries” for more information.
- A three-year caustic soda supply contract that we and Petrobras entered into January 2012, under which we will supply approximately 68,000 tons of caustic soda for use by Petrobras’ Brazilian refineries. This contract expired in January 2015. An amendment of the supply contract entered into January 2015, under which we will supply an additional 10,500 tons of caustic soda. This amendment expired in December 2015.
- In April 2008, Polietilenos União S.A. a former subsidiary of Quattor Participações S.A. (which merged with and into Braskem on December 1, 2014) entered into an agreement for the supply of steam with Petrocoque S.A. Indústria e Comércio, as amended in March 2014. We began purchasing thermal energy produced by steam pursuant to this agreement in September 2009. This agreement has a 10-year term, expiring in September 2019, and an estimated value of R\$238.7 million.
- In October 2015, Braskem and Petrobras entered into a monthly basis agreement for the sale of Gasoline A to Petrobras.

We purchased raw materials from Petrobras and its subsidiaries of R\$12,488.6 million in 2015 and sold products to Petrobras and its subsidiaries of R\$1,620.3 million in 2015. We had accounts payable to Petrobras and its subsidiaries in an aggregate amount of R\$1,400.5 million at 2015, and we had accounts receivable from Petrobras and its subsidiaries in an aggregate amount of R\$141.6 million as of December 31, 2015.

BNDESPAR

In August 2010, BNDESPAR exercised its option to sell 60% of the RioPol shares that it held to Braskem for R\$210.0 million. Payment for the shares acquired by Braskem will be made in three annual installments beginning in June 2015 and the amounts of each installment will be adjusted by the TJLP plus 2.5% per annum from June 2008 until the respective payment dates.

Other Related Party Transactions

In July 2015, we entered into an agreement for marketing through spot trading of oil/condensate to the RPR, with an estimated value of US\$ 24 million.

In July 2015, quantiQ Distribuidora Ltda and Petrobras entered into an agreement with respect to the marketing of 30,000 cubic meters of aliphatic solvent, having an estimated value of R\$72 million. This agreement expires in March 2017.

Our Jointly Controlled Companies and Associated Companies

Borealis Brasil S.A.

We sell polypropylene and polyethylene to Borealis in which we have a 20.0% interest. We recorded net sales to Borealis of R\$134.5 million in 2015. We account for Borealis under the equity method of accounting. We had accounts receivable from Borealis of R\$10.7 million as of December 31, 2015.

Refinaria de Petróleo Rio-grandense S.A.

We own directly 33.2% of the voting and total share capital of RPR. As of January 1, 2012, we have valued this investment using the equity method, which was proportionally consolidated prior to that date. We sell

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condensate to the Refinaria de Petróleo Rio-grandense S.A., or RPR, and purchase naphtha from RPR. In 2015, we recorded sales to RPR of R\$222.1 million and purchases from RPR of R\$29.7 million.

- In March 2016, Braskem and Refinaria de Petróleo Rio-grandense entered into a monthly basis agreement for the sale of Gasoline A to RPR.

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ITEM 8. FINANCIAL INFORMATION

Consolidated Statements and Other Financial Information

Reference is made to Item 19 for a list of all financial statements filed as part of this annual report.

Legal Proceedings

We are, and may be in the future, involved in numerous tax, civil and labor disputes, among others, involving monetary claims. If any of these legal proceedings were decided adversely to us, we do not believe that our results of operations or financial condition would be materially and adversely affected.

For some of these lawsuits, we have not established any provision on our balance sheet nor have we established provisions only for part of the amounts claimed, based on our judgments as to the outcomes of these lawsuits.

Tax Proceedings

We are engaged in several legal proceedings with Brazilian tax authorities for which we have established provisions in an aggregate amount of R\$368.1 million as of December 31, 2015. In addition, there are currently certain legal proceedings pending in which we are involved for which we have not established provisions. If any of these legal proceedings were decided adversely to us, we do not believe that our results of operations, cash flows or financial condition would be materially and adversely affected.

IR/CSLL Tax Assessment Notices

In 2007, tax assessment notices were issued by the Federal Brazilian Revenue Service against Braskem Petroquímica claiming, among others unpaid income tax and CSLL in connection with foreign exchange variation in foreign subsidiary investment accounts in 2002. As of December 31, 2015, the amount in dispute of these claims was approximately R\$139.1 million. We challenged these assessment notices in the administrative court because we believe that there are reasonable grounds on which we can successfully defend against these assessments. We believe that a loss in this claim is possible. As of December 31, 2015, we have established related provisions in the amount of R\$48.3 million.

In 2013 and 2014, we received tax assessment notices from the Federal Brazilian Revenue Service claiming that the amortization of the goodwill recorded in 2001 and 2002 in connection with the purchase of shares of certain companies related to the formation of Braskem was not deductible for purposes of calculating our income tax and social contribution. The amount claimed is R\$1.0 billion, including interest and fines. We challenged these assessment notices because we believe that these claims are based on a misinterpretation of both the applicable law and facts by the tax authorities and that the statute of limitations has expired. We believe that a loss in this claim is possible and as of December 31, 2015 have made no provision with respect to this claim.

In December 2013, we received tax assessment notices were from the Federal Brazilian Revenue Service claiming that the interest expenses and exchange variation losses recorded by Braskem relating to indebtedness of Ipiranga Petroquímica S.A. was not deductible for purposes of calculating our income tax and social contribution. The amount

claimed is R\$57.5 million. We challenged this assessment because we believe that the assumption of Ipiranga Petroquímica debt instruments had strong business purposes. We believe that a loss in this claim is possible and as of December 31, 2015, we have established related provisions in the amount of R\$6.1 million.

In July 2014, we received a tax assessment notice from the Federal Brazilian Revenue Service claiming that the tax losses and social contribution negative tax base used to pay debts under the MP 470/2009 installments program were not included in the income tax and social contribution tax base in 2009. The amount claimed is R\$427.8 million. We challenged these assessment notices because we believe that these claims are based on a misinterpretation of both the applicable law and facts by the tax authorities. We believe that a loss in this claim is possible and as of December 31, 2015 have made no provision with respect to this claim.

TABLE OF CONTENTS*IOF Tax Assessment Notice*

In November 2015, we received a tax assessment notice from the Federal Brazilian Revenue Service claiming that the advances for future capital increases and the transfers of financial resources under a cash pooling and current account agreement made by Quattor Participações S/A and Quattor Química S/A are subject to the Financial Operations Tax (IOF). The amount claimed is R\$ 97 million. We challenged these assessment notices because we believe that these operations do not characterize as loans under Brazilian legislation and, as such, are not subject to IOF. We believe that a loss in this claim is possible and have made no provision with respect to this claim.

ICMS Tax Assessment Notice

From 1999 to 2015, the internal revenue department of the States of Bahia, Alagoas, São Paulo, Rio Grande do Sul and Rio de Janeiro issued tax assessment notices against Braskem claiming unpaid ICMS taxes in the amount of R\$ 576 million, retrospectively revised by inflation and the benchmark rate, in connection with several alleged violations of certain provisions of the ICMS tax legislation, including, among others: (1) inappropriately claiming ICMS credits for the acquisition of goods that the internal revenue department considers for use and consumption; (2) inappropriately claiming ICMS credits for the acquisition of assets not related to production; (3) transfer of goods below the cost of production; (4) differences in stock of final products; (5) lack of evidence that the company exported goods; (6) failure to pay taxes on the sale of products subject to tax substitution and inappropriately claiming ICMS tax credits on the purchase of products subject to tax substitution; (6) failure to register invoices; and (7) unpaid ICMS taxes on charges for electricity transmission. We challenged these assessment notices in the administrative court because we believe that there are reasonable grounds on which we can successfully defend against these assessments. We believe that a loss in this claim is possible. As of December 31, 2015, we have not recognized any provision with respect thereto.

The reductions of the amount of ICMS in dispute, when compared to 2014, are due to payments made under tax amnesty programs and to final decisions rendered in favor of the company.

In 2009, tax assessment notices were issued by the internal revenue department of the State of São Paulo against Braskem Qpar claiming unpaid ICMS taxes and related fines in connection with several alleged violations of certain provisions of the ICMS tax legislation, including (1) inappropriately claiming ICMS credits for the acquisition of “acrylonitrile” between February 2004 and January 2008, as the goods were sold by Acrinor Acrilonitrila do Nordeste S/A to exportation and as such no ICMS tax was levied; (2) issuance of invoices to storage without remittance of the goods to the storage company; and (3) failure to present documents to inspection. As of December 31, 2015, the amount in dispute of these claims was approximately R\$282.6 million. The cases were closed in the administrative court. The case is under discussion in the Judiciary, where a preliminary order was issued in favor of the company. Due to the final decision in the administrative stage, we reassessed the chances of success in the Judiciary and increased the related provisions as of December 31, 2015 to R\$195.3 million, which is the amount the company is expected to pay at the end of litigation.

PIS and COFINS Non-Cumulative Tax Assessment Notice

We received assessment notices from the federal internal revenue department alleging that we had inappropriately claimed certain PIS and COFINS credits in relation to: (1) wastewater treatment, (2) charges for electricity transmission, (3) freight related to the storage of finished goods and (4) credits claimed at inappropriate times, relating

to the acquisition of fixed assets between 2006 and 2011. As of December 31, 2015, the amount in dispute of these claims was approximately R\$817 million. We challenged these assessment notices in an administrative court because we believe that there are reasonable grounds on which we can successfully defend against these assessments. We believe that a loss on these claims is possible. As of December 31, 2015, we have not recognized any provision with respect thereto.

PIS and COFINS Tax Assessment Notice

Braskem Petroquímica is involved in several judicial and administrative proceedings related to the payment of PIS and COFINS, including (1) unpaid COFINS from March 1999 to December 2000, February 2001 to March 2002, May 2002 to July 2002 and during September 2002, (2) inappropriately claimed credits due to the additional 1% in the COFINS rate and PIS Decree-Law No. 2,445 and 2,449, and (3) undue compensation of PIS and COFINS debts with PIS credits (Decree-Laws n°s 2.445 e 2.449) which were considered to have expired by the tax authorities; and (4) an omission in the base revenue resulting from exchange gains earned due to successive reductions of our associated capital. As of December 31, 2015, the amount in dispute of these claims was approximately R\$ 80.2 million. We challenged these assessment notices because we believe that there are reasonable grounds on which we can successfully defend against these assessments. We believe that a loss on these claims is possible. As of December 31, 2015, we have established related provisions in the amount of R\$49.3 million.

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In 2014, we received a tax assessment notice from the Federal Brazilian Revenue Service claiming that the tax losses and social contribution negative tax base used to pay debts under the MP 470/2009 installments program, as well as interest, fines exoneration afforded in installments of the MP 470/09 are taxable. The amount of PIS and COFINS claimed is R\$1.4 billion. We challenged this assessment notice because we believe that these claims are based on a misinterpretation of both the applicable law and facts by the tax authorities. We believe that a loss in this claim is possible and as of December 31, 2015 have made no provision with respect to this claim.

We and our affiliates are involved in several other judicial and administrative proceedings related to the alleged undue compensation of PIS and COFINS debts with the following credits: (1) Corporate Income tax; (2) FINSOCIAL; (3) Tax on net profits; (4) PIS (Decree-Laws nos 2.445 and 2.449); (5) Cofins. The proceeding are also related to debts of COFINS levied on interest calculated on equity. As of December 31, 2015, the amounts in material disputes relating to PIS and COFINS was approximately R\$238 million. The reduction of the amount in dispute when compared to 2014 is due to payments made under tax amnesty programs. We believe that a loss in this claim is possible. As of December 31, 2015, we have not recognized any provision with respect thereto.

Income Tax – SUDENE

In 2015, the Company obtained grant in lawsuits claiming the reduction of 75% of IR on income from the following industrial units: (i) PVC and Cloro Soda, established in the state of Alagoas; and (ii) basic petrochemicals unit, PE (2), PVC and Cloro Soda units, all established in the city of Camaçari (BA). The third PE plant established in Camaçari and the second PVC plant established in Alagoas will have the benefit up to 2016 and 2019, respectively.

PRODESIN - ICMS

The Company has ICMS tax incentives granted by the state of Alagoas, through the state of Alagoas Integrated Development Program – PRODESIN, which are aimed at implementing and expanding a plant in that state. This incentive is considered an offsetting entry to sales taxes. In 2015, the amount was R\$71.6 (R\$60.0 in 2014).

REIQ

The Brazilian chemical and petrochemical sector enjoyed an important achievement in 2013. The Government, in response to one of the proposals elaborated by the Chemical Industry Competitiveness Council, approved the PIS and COFINS tax rates relief on raw material purchases by first and second generation producers, which serve various sectors of the economy. The measure aimed to restore some of the industry's competitiveness, which was weakened by factors related to infrastructure, productivity, feedstock and energy costs and the exchange rate that pressured the chemical industry's trade deficit, according to ABIQUIM, which ended 2015 at US\$25,5 billion. By 2015, the company had a tax rebate of 8.25% (PIS and COFINS) on the acquisition of petrochemical raw materials.

Other Tax Proceedings

In December 2013, we received a deficiency notice from the Brazilian federal tax authority claiming that the tax losses offset in the taxable year ended September 30, 2008 by Ipiranga Petroquímica S.A. (which merged with and into Braskem on September 30, 2008) were in excess of the limitation of 30% of the taxable profits of a given year, as imposed by Brazilian tax law. The amount under discussion is R\$331 million, including interest and fines. We believe that the 30% limitation is not applicable in the event of the merger of the taxpayer and that the statute of limitations

for this claim has expired. We intend to vigorously defend ourselves against this claim. We believe that chances of success are more likely than not and as of December 31, 2015 have made no provision with respect to this claim.

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In late September 2010, we received notice that a lawsuit had been commenced against our company by the Petrochemical Industry Workers' Union of Triunfo (*Sindicato dos Trabalhadores das Indústrias Petroquímicas de Triunfo*) alleging that we had violated an agreement regarding payment of overtime at our Triunfo basic petrochemicals plant. The suit claims damages of R\$338.0 million, retrospectively revised by inflation and the benchmark rate. We have presented our defense to the court and have received a favorable decision by the higher labor court, which the Petrochemical Industry Workers' Union of Triunfo has appealed. We believe that the likelihood of loss in this suit is possible.

The Petrochemical Industry Workers' Union of Triunfo filed similar claims in the second quarter of 2005 claiming overtime payment in the amount of R\$840.0 million. The parties have entered into a settlement agreement on April 2015, pursuant to which Braskem paid R\$48.0 million between June and December 2015, extinguishing to two claims. As of the date hereof, only one claim was pending of R\$20.0 million.

Class Action Claim

In July of 2015, two putative class action lawsuits were filed in the United States District Court for the Southern District of New York against the company and certain of its current and former officers and directors. The lawsuits were subsequently consolidated under the caption *In re Braskem, S.A. Securities Litigation*, No. 15-cv-5132 (the "Securities Action"). On November 6, 2015, the lead plaintiff in the Securities Action filed a Consolidated Class Action Complaint, which asserts claims under Section 10(b) and Section 20(a) of the Securities Exchange Act of 1934, on behalf of a putative class of purchasers of the company's ADRs from June 1, 2010 to March 11, 2015. The complaint alleges that the defendants are liable for making misrepresentations and omissions that allegedly concealed a purported scheme by which the company allegedly made improper payments in order to receive favorable naphtha pricing from Petrobras. The company filed a motion to dismiss the complaint on December 21, 2015 and intends to defend against the litigation vigorously.

Employment and Occupational Health and Safety Proceedings

As of December 31, 2015, we were involved in approximately 642 employment and occupational health and safety proceedings. We have established a provision for these claims in an aggregate amount of R\$158.7 million as of December 31, 2015. We do not believe that these proceedings will have a material adverse effect on our business, financial condition or operations.

Social Security

As of December 31, 2015, we were involved in several social security proceedings as to which the aggregate amount claimed was approximately R\$152,5 million. We believe that our chance of loss is possible and therefore have not established a provision for these claims.

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As of December 31, 2015, we were a defendant in two civil suits filed by a former caustic soda distributor, its controlling shareholder and a former transporter for breach of a caustic soda distribution agreement. The damages claimed in these suits totaled R\$50 million as of December 31, 2015. These suits are pending and we believe that our chance of loss is possible in these suits.

Dividends and Dividend Policy***Payment of Dividends***

Our dividend distribution policy has historically included the distribution of periodic dividends, based on annual balance sheets approved by our board of directors. When we pay dividends on an annual basis, they are declared at our annual shareholders' meeting, which we are required by the Brazilian Corporation Law and our by-laws to hold by April 30 of each year. When we declare dividends, we are generally required to pay them within 60 days of declaring them unless the shareholders' resolution establishes another payment date. In any event, if we declare dividends, we must pay them by the end of the fiscal year for which they are declared. Any holder of record of shares at the time that a dividend is declared is entitled to receive dividends. Our payment of annual dividends is based on our audited financial statements prepared for our preceding fiscal year.

Our board of directors may declare interim dividends based on the accrued profits recorded or the realized profits in our annual or semi-annual financial statements approved by our common shareholders. In addition, we may pay dividends from net income based on our unaudited quarterly financial statements. These quarterly interim dividends may not exceed the amounts included in our capital reserve accounts. We may set off any payment of interim dividends against the amount of the mandatory distributable amount for the year in which the interim dividends were paid.

The following table sets forth the dividends and/or interest attributable to shareholders' equity paid to holders of our common shares, class "A" preferred shares and "class B" 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.

Year	Payment Date	Nominal Brazilian Currency per			US\$ equivalent per		
		Common shares	Class A Preferred Shares	Class B Preferred Shares	Common shares	Class A Preferred Shares	Class B Preferred Shares
2012	November 19, 2012	0.61	0.61	0.61	0.29	0.29	0.29
2014	April 23, 2014	0.61	0.61	0.61	0.27	0.27	0.27
2015	April 23, 2015	0.61	0.61	0.61	0.16	0.16	0.16

On April 6, 2016, our shareholders approved a dividend payment of R\$1.26 per common share and R\$2.51 per ADR with respect to the fiscal year 2015. The payment of dividends is expected to begin on April 15, 2016.

The following discussion summarizes the principal provisions of the Brazilian Corporation Law and our by-laws relating to the distribution of dividends, including interest attributable to shareholders' equity.

Calculation of Adjusted Net Profits

At each annual shareholders' meeting, our board of directors is required to recommend how to allocate our net profits for the preceding fiscal year, which recommendation our board of executive officers initially submits to our board of directors for approval. This allocation is subject to approval by our common shareholders. The Brazilian Corporation Law defines "net profits" for any fiscal year as our net income after income taxes for that fiscal year, net of any accumulated losses from prior fiscal years and any amounts allocated to employees' participation in our net profits in that fiscal year. Under the Brazilian Corporation Law, our adjusted net profits available for distribution are equal to our net profits in any fiscal year, reduced by amounts allocated to our legal reserve and other applicable reserves, and increased by any reversals of reserves that we constituted in prior years.

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Reserve Accounts

Under the Brazilian Corporation Law and our by-laws, we are required to maintain a legal reserve. In addition, we are permitted by the Brazilian Corporation Law to establish the following discretionary reserves:

- a contingency reserve for an anticipated loss that is deemed probable in future years. Any amount so allocated in a previous year must be reversed in the fiscal year in which the loss had been anticipated if the loss does not occur as projected or charged off in the event that the anticipated loss occurs;
- a reserve for investment projects, in an amount based on a capital expenditure budget approved by our shareholders;
- an unrealized profit reserve described under “—Mandatory Distributions” below; and
- a tax incentive investment reserve, included in our capital reserve accounts, in the amount of the reduction in our income tax obligations due to government tax incentive programs. See note 23(c) of our consolidated financial statements elsewhere in this annual report.

Allocations to each of these reserves (other than the legal reserve) are subject to approval by our common shareholders voting at our annual shareholders’ meeting.

Legal Reserve Account

Under the Brazilian Corporation Law and our by-laws, we must allocate 5% of our net profits for each fiscal year to our legal reserve until the aggregate amount of our legal reserve equals 20% of our paid-in capital. However, we are not required to make any allocations to our legal reserve in a fiscal year in which our legal reserve, when added to our other reserves, exceeds 30% of our shareholders’ equity. As of December 31, 2015, we had a balance of R\$230.0 million in our legal reserve account.

Dividend Preference of Preferred Shares

Under our by-laws, our preferred shareholders are entitled to a Minimum Preferred Dividend, equal to 6% of the book value of such shares, before dividends may be paid to our common shareholders. Distributions of dividends in any year are made:

- first, to the holders of preferred shares, up to the amount of the Minimum Preferred Dividend for such year;
- then, to the holders of common shares, until the amount distributed in respect of each common share is equal to the amount distributed in respect of each preferred share; and
- thereafter, to the holders of our common shares and our class A preferred shares on a pro rata basis.

Our class B preferred shareholders are not entitled to receive any additional dividend amounts after they have received the preferential dividend. If the Minimum Preferred Dividend is not paid for a period of three years, holders of preferred shares will be entitled to full voting rights.

Mandatory Distributions

As permitted by the Brazilian Corporation Law, our by-laws specify that 25% of our adjusted net profits for each fiscal year must be distributed to shareholders as dividends or interest attributable to shareholders' equity. We refer to this amount as the mandatory distributable amount.

Under the Brazilian Corporation Law, the amount by which the mandatory distributable amount exceeds the "realized" portion of net income for any particular year may be allocated to the unrealized profit reserve, and the mandatory distribution may be limited to the "realized" portion of net income. The "realized" portion of net income is the amount by which our net income exceeds the sum of (1) our net positive results, if any, from the equity method of accounting for earnings and losses of our subsidiaries and certain associated companies, and (2) the profits, gains or income obtained on transactions maturing after the end of the following fiscal year. As amounts allocated to the unrealized profit reserve are realized in subsequent years, such amounts must be added to the dividend payment relating to the year of realization.

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The Brazilian Corporation Law permits us to suspend the mandatory distribution if our board of directors reports to our annual shareholders' meeting that the distribution would be incompatible with our financial condition at that time. Our fiscal council must approve any suspension of the mandatory distribution. In addition, our management must report the reasons of any suspension of the mandatory distribution to the CVM. We must allocate net profits not distributed by our company as a result of a suspension to a special reserve and, if not absorbed by subsequent losses, we must distribute these amounts as soon as our financial condition permits. In case our profits reserves, as defined in the Brazilian Corporation Law, exceed our share capital, the excess must be credited to shareholders' equity or used for the payment of distributions.

Interest Attributable to Shareholders' Equity

Brazilian companies, including our company, are permitted to pay interest attributable to shareholders' equity as an alternative form of payment of dividends to our shareholders. These payments may be deducted when calculating Brazilian income tax and social contribution tax. The interest rate applied to these distributions generally cannot exceed the TJLP for the applicable period. The amount of interest paid that we can deduct for tax purposes cannot exceed the greater of:

- 50% of our net income (after the deduction of the provision for social contribution tax and before the deduction of the provision for corporate income tax) before taking into account any such distribution for the period for which the payment is made; and
- 50% of the sum of our retained earnings and profit reserves.

Any payment of interest attributable to shareholders' equity to holders of common shares, preferred shares or ADSs, whether or not they are Brazilian residents, is subject to Brazilian withholding tax at the rate of 15%, except that a 25% withholding tax rate applies if the recipient is a resident of a tax haven jurisdiction. A tax haven jurisdiction is a country (1) that does not impose income tax or whose income tax rate is lower than 20% or (2) which does not permit disclosure of the identity of shareholders of entities organized under its jurisdiction. See "Item 10. Additional Information—Taxation—Brazilian Tax Considerations." Under our by-laws, we may include the amount distributed as interest attributable to shareholders' equity, net of any withholding tax, as part of the mandatory distributable amount.

Significant Changes

Other than as disclosed in this annual report, no significant change has occurred since the date of the audited consolidated financial statements included in this annual report.

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The principal trading market for our common shares, class A preferred shares and class B preferred shares is the BM&FBOVESPA, where they are traded under the symbols “BRKM3,” “BRKM5” and “BRKM6,” respectively. Our common shares and class A preferred shares began trading on the BM&FBOVESPA on November 11, 1980, and our class B preferred shares began trading on the BM&FBOVESPA on August 19, 1983.

On December 21, 1998, ADSs representing our class A preferred shares began trading on the NYSE. Our ADSs are traded under the symbol “BAK.” On December 31, 2015, there were 14,184,083 ADSs outstanding, representing 26,398,166 class A preferred shares, or 8.3% of our outstanding class A preferred shares. Each ADS represents two class A preferred shares.

On October 8, 2003, we listed our class A preferred shares on the LATIBEX, a stock market for Latin American issuers that is quoted in Euros on the Madrid Stock Exchange, under the symbol “XBRK.” Our class A preferred shares are traded on the LATIBEX in lots of one share.

Price History of Our Class A Preferred Shares and the ADSs

The tables below set forth the high and low closing sales prices and the approximate average daily trading volume for our class A preferred shares on the BM&FBOVESPA and the high and low closing sales prices and the approximate average daily trading volume for the ADSs on the NYSE for the periods indicated.

	BM&FBOVESPA		NYSE	
	Closing Price per Class A Preferred Share		Closing Price per ADS	
	High	Low	High	Low
	(in reais)		(in U.S. dollars)	
2011	R\$25.00	R\$12.80	US\$32.15	US\$13.91
2012	16.60	10.48	18.58	10.54
2013	21.18	13.32	18.40	13.34
2014	20.61	13.73	17.41	12.30
2015	29.36	9.83	15.01	6.22

	BM&FBOVESPA		NYSE	
	Closing Price per Class A Preferred Share		Closing Price per ADS	
	High	Low	High	Low
	(in reais)		(in U.S. dollars)	
2014				
First Quarter	R\$20.61	R\$15.45	US\$17.41	US\$12.75

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Second Quarter	17.59	14.09	15.72	12.85
Third Quarter	16.20	13.73	14.12	12.30
Fourth Quarter	19.45	16.06	15.44	12.42
2015				
First Quarter	17.41	10.35	12.82	6.53
Second Quarter	14.97	10.46	10.03	6.66
Third Quarter	16.80	10.83	8.43	6.42
Fourth Quarter	29.36	17.45	15.01	8.72
2016				
First Quarter	27.76	21.85	15.45	11.39
Most Recent Six Months				
October 2015	R\$21.78	R\$17.45	US\$11.15	US\$8.72
November 2015	26.49	21.49	14.52	11.25
December 2015	29.36	25.61	15.01	13.10
January 2016	27.76	23.30	13.74	11.45
February 2016	25.85	22.90	13.06	11.39
March 2016	27.50	21.85	15.45	12.62
April 2016	25.49	21.04	14.47	12.25
May 2016 (through May 4)	24.36	23.80	14.00	13.32

Source: Economática Ltda/Bloomberg

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On May 4, 2016, the closing sales price of:

- our class A preferred shares on the BM&FBOVESPA was R\$23.80 per share;
- our class A preferred shares on the LATIBEX was €6.09 per share; and
- the ADSs on the NYSE was US\$13.32 per ADS.

Regulation of Brazilian Securities Markets

The Brazilian securities markets are regulated by the CVM, which has regulatory authority over the stock exchanges and the securities markets generally, the National Monetary Council and the Central Bank, which has, among other powers, licensing authority over brokerage firms and which regulates foreign investment and foreign exchange transactions. The Brazilian securities markets are governed by (1) Law No. 6,385, as amended and supplemented, which is the principal law governing the Brazilian securities markets and which we refer to as the Brazilian Securities Law; (2) the Brazilian Corporation Law; and (3) the regulations issued by the CVM, the National Monetary Council and the Central Bank.

Trading on the BM&FBOVESPA

Overview of the BM&FBOVESPA

In 2000, the *Bolsa de Valores de São Paulo S.A. – BVSP* (the São Paulo Stock Exchange), or the BM&FBOVESPA, was reorganized through the execution of memoranda of understanding by the Brazilian stock exchanges. Following this reorganization, the BM&FBOVESPA was a non-profit entity owned by its member brokerage firms and trading on the BM&FBOVESPA was limited to these member brokerage firms and a limited number of authorized nonmembers. Under the memoranda, all securities are now traded only on the BM&FBOVESPA, with the exception of electronically traded public debt securities and privatization auctions, which are traded on the Rio de Janeiro Stock Exchange.

Regulation of Foreign Investments

Trading on the BM&FBOVESPA by a holder not deemed to be domiciled in Brazil for Brazilian tax and regulatory purposes, or a non-Brazilian holder, is subject to certain limitations under Brazilian foreign investment regulations. With limited exceptions, non-Brazilian holders may trade on the BM&FBOVESPA only in accordance with the requirements of Resolution No. 2,689 of the National Monetary Council. Resolution No. 2,689 requires that securities held by non-Brazilian holders be maintained in the custody of, or in deposit accounts with, financial institutions that are authorized by the Central Bank and the CVM. In addition, Resolution No. 2,689 requires non-Brazilian holders to restrict their securities trading to transactions on the BM&FBOVESPA or qualified over-the-counter markets. With limited exceptions, non-Brazilian holders may not transfer the ownership of investments

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made under Resolution No. 2,689 to other non-Brazilian holders through private transactions. See “Item 10. Additional Information—Exchange Controls” for further information about Resolution 2,689, and “Item 10. Additional Information—Taxation—Brazilian Tax Considerations—Taxation of Gains in Brazil” for a description of certain tax benefits extended to non-Brazilian holders who qualify under Resolution No. 2,689.

TABLE OF CONTENTS**ITEM 10. ADDITIONAL INFORMATION****General**

As of May 5, 2016, we had outstanding share capital of R\$8,043,222,080.50, equal to 797,265,248 total shares consisting of 451,668,652 common shares, 345,002,978 class A preferred shares and 593,618 class B preferred shares, including 1,234,758 class A preferred shares held in treasury. All of our share capital is fully paid. All of our shares are without par value. Under the Brazilian Corporation Law, the aggregate number of our non-voting and limited voting class A and class B preferred shares may not exceed two-thirds of our total outstanding share capital.

Description of Our Company's By-laws

The following is a summary of the material provisions of our by-laws and of the Brazilian Corporation Law. In Brazil, a company's by-laws (*estatuto social*) is the principal governing document of a corporation (*sociedade por ações*).

Corporate Purposes

Article 2 of our by-laws establishes our corporate purposes to include:

- the manufacture, trading, import and export of chemical and petrochemical products and petrochemical derivatives;
- the production, distribution and trading of utilities such as: steam, water, compressed air, industrial gases, as well as the provision of industrial services;
- the production, distribution and trading of electricity for its own consumption and that of other companies;
- holdings of equity stakes in other companies, pursuant to Law No. 6,404/76, as a holder of quotas or shares; and
- the manufacture, distribution, trading, import and export of gasoline, diesel oil, LPG and other oil derivatives.

Board of Directors

Under the Brazilian Corporation Law, any matters subject to the approval of our board of directors can be approved by a simple majority of votes of the members present at a duly convened meeting, unless our by-laws otherwise specify. Under our by-laws, our board of directors may only deliberate if a majority of its members are present at a duly convened meeting. Any resolutions of our board of directors may be approved by the affirmative vote of a majority of the members present at the meeting, provided that certain matters may only be approved by mutual agreement between the parties under the Petrobras Shareholders' Agreement. See "Item 7. Major Shareholders and Related Party Transactions—Major Shareholders—Shareholders Agreements—Petrobras Shareholders' Agreement." The majority of the members of our board of directors are elected by the Odebrecht Group. In addition, any director appointed by a shareholder pursuant to a shareholders agreement is bound by the terms of such agreement. See "Item 7. Major Shareholders and Related Party Transactions—Major Shareholders—Shareholders Agreements." The members of our board of directors are elected at general meetings of shareholders for concurrent two-year terms. Our by-laws do not require

the members of our board of directors to be a resident in Brazil or a shareholder of our company. The Brazilian Corporation Law requires each of our executive officers to be residents of Brazil. Under our by-laws, our common shareholders approve the aggregate compensation payable to our directors, executive officers and members of our fiscal council. Subject to this approval, our board of directors establishes the compensation of its members and of our executive officers. See “Item 6. Directors, Senior Management and Employees—Compensation.” Neither the Brazilian Corporation Law nor our by-laws establish any mandatory retirement age for our directors or executive officers.

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Under the Brazilian Corporation Law, the number of issued and outstanding non-voting shares or shares with limited voting rights, such as our class A preferred shares and class B preferred shares, may not exceed fifty percent of total outstanding share capital, however, our by-laws state that such amount shall not exceed two thirds of total outstanding share capital. Each of our common shares entitles its holder to one vote at our shareholders' meetings. Holders of our common shares are not entitled to any preference in respect of our dividends or other distributions or otherwise in case of our liquidation. Our class A preferred shares and class B preferred shares are non-voting, except in limited circumstances, and have priority over our common shares in the case of our liquidation. See “—Voting Rights” for information regarding the voting rights of our preferred shares, “—Liquidation” for information regarding the liquidation preferences of our preferred shares, and “Item 8. Financial Information—Dividends and Dividend Policy—Calculation of Adjusted Net Profits” and “Item 8. Financial Information—Dividends and Dividend Policy—Dividend Preference of Preferred Shares” for information regarding the distribution preferences of our preferred shares.

Shareholders' Meetings

Under the Brazilian Corporation Law, we must hold an annual shareholders' meeting by April 30 of each year in order to:

- approve or reject the financial statements approved by our board of directors and board of executive officers, including any recommendation by our board of directors for the allocation of net profits and distribution of dividends; and
- elect members of our board of directors (upon expiration of their two-year term) and members of our fiscal council, subject to the right of minority shareholders to elect members of our board of directors and our fiscal council.

In addition to the annual shareholders' meetings, holders of our common shares have the power to determine any matters related to changes in our corporate purposes and to pass any resolutions they deem necessary to protect and enhance our development whenever our interests so require, by means of extraordinary shareholders' meetings.

Under the Brazilian Corporation Law, the holders of our common shares have the power, among other powers, to vote at shareholders' meetings to:

- amend our by-laws;
- approve any capital increase in excess of the amount of our authorized capital;
- approve any capital reduction;
- accept or reject the valuation of assets contributed by any of our shareholders in exchange for the issuance of our share capital;
- suspend the rights of any of our shareholders in default of their obligations established by law or by our by-laws;

- authorize the issuance of convertible debentures;
- approve any reorganization of our legal form or any merger, consolidation or spin-off involving us;
- authorize our dissolution and liquidation, the election and dismissal of liquidators appointed in connection with any dissolution or liquidation of our company, and the examination of the liquidators' accounts;
- participate in a centralized group of companies (as defined under the Brazilian Corporation Law);

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- approve the aggregate compensation payable to our directors and executive officers;
- authorize management to declare us insolvent or bankrupt and to request a *concordata* (a procedure involving our protection from our creditors similar in many respects to a reorganization under the U.S. bankruptcy code);
- elect and substitute members of our board of directors and fiscal council;
- modify the number of members our board of directors;
- alter our dividend policy; and
- authorize the delisting of our shares.

We convene our shareholders' meetings, including our annual shareholders' meeting, by publishing a notice in the *Diário Oficial do Estado da Bahia*, in at least one additional newspaper designated by our shareholders with general circulation in Bahia, where we maintain our registered office. On the first call of any meeting, the notice must be published no fewer than three times, beginning at least 15 calendar days prior to the scheduled meeting date. The notice must contain the meeting's place, date, time, agenda and, in the case of a proposed amendment to our by-laws, a description of the subject matter of the proposed amendment.

In order for a valid action to be taken at a shareholders' meeting, shareholders representing at least 25% of our issued and outstanding voting share capital must be present on first call. However, shareholders representing at least two-thirds of our issued and outstanding voting share capital must be present at a shareholders' meeting called to amend our by-laws. If a quorum is not present, our board of directors may issue a second call by publishing a notice as described above at least eight calendar days prior to the scheduled meeting. The quorum requirements do not apply to a meeting held on the second call, and the shareholders' meetings may be convened with the presence of shareholders representing any number of shares (subject to the voting requirements for certain matters described below). A shareholder without a right to vote may attend a shareholders' meeting and take part in the discussion of matters submitted for consideration.

Voting Rights

Under the Brazilian Corporation Law and our by-laws, each of our common shares entitles its holder to one vote at our shareholders' meetings. Our preferred shares generally do not confer voting rights, except in the limited circumstances. We may not restrain or deny any voting rights without the consent of the majority of the shares affected. Whenever the shares of any class of share capital are entitled to vote, each share is entitled to one vote.

Preemptive Rights

Under the Brazilian Corporation Law, each of our shareholders has a general preemptive right to subscribe for our shares or securities convertible into our shares in any capital increase, in proportion to the number of our shares held by such shareholder. However, under our by-laws, the holders of our class B preferred shares do not have preemptive rights. In the event of a capital increase that would maintain or increase the proportion of our capital represented by our class A preferred shares, holders of our class A preferred shares would have preemptive rights to subscribe to newly issued class A preferred shares only. In the event of a capital increase that would reduce the proportion of our

capital represented by our class A preferred shares, holders of our preferred shares would have preemptive rights to subscribe to any new class A preferred shares in proportion to the number of our shares that they hold, and to our common shares only to the extent necessary to prevent dilution of their interests in our total capital.

Under our by-laws, except when issuing voting shares or securities convertible into voting shares, our board of directors or our shareholders, as the case may be, may decide to reduce the term of preemptive rights or not to extend preemptive rights to our shareholders with respect to any issuance of our non-voting shares, debentures convertible into our shares or warrants made in connection with a public exchange made to acquire control of another company or in connection with a public offering or through a stock exchange. The preemptive rights are transferable and must be exercised within a period of at least 30 days following the publication of notice of the issuance of shares or securities convertible into our shares. Holders of the ADSs may not be able to exercise the preemptive rights relating to our class A preferred shares underlying their ADSs unless a registration statement under the Securities Act is effective with respect to those rights or an exemption from the registration requirements of the Securities Act is available. We are not obligated to file a registration statement with respect to the shares relating to these preemptive rights or to take any other action to make preemptive rights available to holders of the ADSs, and we may not file any such registration statement.

TABLE OF CONTENTS***Redemption, Amortization, Tender Offers and Rights of Withdrawal***

Our by-laws or our shareholders at a shareholders' meeting may authorize us to use our profits or reserves to redeem or amortize our shares in accordance with conditions and procedures established for such redemption or amortization. The Brazilian Corporation Law defines "redemption" (*resgate de ações*) as the payment of the value of the shares in order to permanently remove such shares from circulation, with or without a corresponding reduction of our share capital. The Brazilian Corporation Law defines "amortization" (*amortização*) as the distribution to the shareholders, without a corresponding capital reduction, of amounts that they would otherwise receive if we were liquidated. If an amortization distribution has been paid prior to our liquidation, then upon our liquidation, the shareholders who did not receive an amortization distribution will have a preference equal to the amount of the amortization distribution in the distribution of our capital.

The Brazilian Corporation Law authorizes us to redeem shares not held by our controlling shareholders, if, after a tender offer effected as a consequence of delisting or a substantial reduction in the liquidity of our shares, our controlling shareholders increase their participation in our total share capital to more than 95%. The redemption price in such case would be the same price paid for our shares in any such tender offer.

Rights of Withdrawal

The Brazilian Corporation Law provides that, in certain limited circumstances, a dissenting shareholder may withdraw its equity interest from our company and be reimbursed by us for the value of our common or preferred shares that it then holds.

This right of withdrawal may be exercised by the holders of the adversely affected common or preferred shares if we decide:

- to create a new class of our preferred shares with greater privileges than the existing classes of our preferred shares;
- to increase an existing class of our preferred shares relative to the other classes of our preferred shares (unless such actions are provided for or authorized by our by-laws); or
- to modify a preference, privilege or condition of redemption or amortization conferred on one or more classes of our preferred shares.

In addition, holders of our common and preferred shares may exercise their right of withdrawal if we decide to undertake any of the following actions:

- to merge with another company or to consolidate with another company in a transaction in which our company is not the surviving entity;
- to transfer all of our shares to another company or to acquire all of the shares of another company ("*incorporação de ações*");
- to participate in a centralized group of companies as defined under the Brazilian Corporation Law;

- to reduce the mandatory distribution of dividends;

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- to change our corporate purposes; or
- to spin-off a portion of our company.

Only shareholders who own shares on the date of publication of the first notice convening the relevant shareholders' meeting or the press release concerning the relevant shareholders' meeting is published, whichever is earlier, will be entitled to withdrawal rights.

Shareholders will not be entitled to this right of withdrawal if the shares of the entity resulting from a merger, incorporation, consolidation of our company or participation of our company in a group of companies have minimal market liquidity and are dispersed among a sufficient number of shareholders. For this purpose, shares that are part of general indices representative of portfolios of securities traded in Brazil or abroad are considered liquid, and sufficient dispersion will exist if the controlling shareholder holds less than half of the class and type of the outstanding shares. In case of a spin-off, the right of withdrawal will only exist if there is a significant change in the corporate purpose or a reduction in the mandatory dividend.

The redemption of shares arising out of the exercise of any withdrawal rights would be made at book value per share, determined on the basis of their most recent audited balance sheet approved by our dissenting shareholders. However, if the shareholders' meeting approving the action that gave rise to withdrawal rights occurred more than 60 days after the date of the most recent approved audited balance sheet, a shareholder may demand that its shares be valued on the basis of a balance sheet prepared specifically for this purpose. The right of withdrawal lapses 30 days after the date of publication of the minutes of the shareholders' meeting that approved one of the matters described above. Our shareholders may reconsider any resolution giving rise to withdrawal rights within 10 days following the expiration date for such rights if we believe that the withdrawal of shares of dissenting shareholders would jeopardize our financial stability.

Disclosures of Share Ownership

Brazilian regulations require that (1) each of our controlling shareholders, directly or indirectly, (2) shareholders who have elected members of our board of directors, and (3) any person or group of persons representing a person that has directly or indirectly acquired or sold an interest that exceeds upwards or downwards, the threshold of 5%, 10%, 15%, and so on, of the total number of our shares of any type or class to disclose its or their share ownership or divestment to the CVM and to the BM&FBOVESPA.

Form and Transfer

Our preferred shares and common shares are in book-entry form, registered in the name of each shareholder or its nominee. The transfer of our shares is governed by Article 35 of the Brazilian Corporation Law, which provides that a transfer of shares is effected by our transfer agent, Banco Itaú S.A., by an entry made by the transfer agent in its books, upon presentation of valid written share transfer instructions to us by a transferor or its representative. When preferred shares or common shares are acquired or sold on a Brazilian stock exchange, the transfer is effected on the records of our transfer agent by a representative of a brokerage firm or the stock exchange's clearing system. The transfer agent also performs all the services of safe-keeping of our shares. Transfers of our shares by a non-Brazilian investor are made in the same manner and are executed on the investor's behalf by the investor's local agent. If the original investment was registered with the Central Bank pursuant to foreign investment regulations, the non-Brazilian

investor is also required to amend, if necessary, through its local agent, the electronic certificate of registration to reflect the new ownership.

The BM&FBOVESPA operates a central clearing system. A holder of our shares may choose, at its discretion, to participate in this system, and all shares that such shareholder elects to be put into the clearing system are deposited in custody with the clearing and settlement chamber of the BM&FBOVESPA (through a Brazilian institution that is duly authorized to operate by the Central Bank and maintains a clearing account with the clearing and settlement chamber of the BM&FBOVESPA). Shares subject to the custody of the clearing and settlement chamber of the BM&FBOVESPA are noted as such in our registry of shareholders. Each participating shareholder will, in turn, be registered in the register of the clearing and settlement chamber of the BM&FBOVESPA and will be treated in the same manner as shareholders registered in our books.

TABLE OF CONTENTS**Material Contracts**

We have not entered into any material contracts, other than those described elsewhere in this annual report or entered into in the ordinary course of business.

Exchange Controls

There are no restrictions on ownership or voting of our capital stock by individuals or legal entities domiciled outside Brazil. However, the right to convert dividend payments, interest on shareholders' equity payments and proceeds from the sale of our share capital into foreign currency and to remit such amounts outside Brazil is subject to restrictions under foreign investment legislation and foreign exchange regulations, which generally require, among other things, the registration of the relevant investment with the Central Bank and the CVM.

Investments in our class A preferred shares by (1) a holder not deemed to be domiciled in Brazil for Brazilian tax purposes, (2) a non-Brazilian holder who is registered with the CVM under Resolution No. 2,689, or (3) the depositary, are eligible for registration with the Central Bank. This registration (the amount so registered is referred to as registered capital) allows the remittance outside Brazil of foreign currency, converted at the commercial market rate, acquired with the proceeds of distributions on, and amounts realized through, dispositions of our class A preferred shares.

Resolution No. 1,927 of the National Monetary Council, as amended, provides for the issuance of depositary receipts in foreign markets in respect of shares of Brazilian issuers. It restates and amends Annex V to Resolution No. 1,289 of the National Monetary Council, known as the Annex V Regulations. The ADS program was approved under the Annex V Regulations by the Central Bank and the CVM prior to the issuance of the ADSs. Accordingly, the proceeds from the sale of ADSs by ADS holders outside Brazil are not subject to Brazilian foreign investment controls, and holders of the ADSs who are not resident in a "tax haven" jurisdiction are entitled to favorable tax treatment. See "—Taxation—Brazilian Tax Considerations."

We pay dividends and other cash distributions with respect to our class A preferred shares in reais. We have obtained an electronic certificate of foreign capital registration from the Central Bank in the name of the depositary with respect to our ADSs to be maintained by the custodian on behalf of the depositary. Pursuant to this registration, the custodian is able to convert dividends and other distributions with respect to our class A preferred shares represented by ADSs into foreign currency and remit the proceeds outside Brazil to the depositary so that the depositary may distribute these proceeds to the holders of record of the ADSs.

Registration under Resolution No. 2,689 affords favorable tax treatment to non-Brazilian portfolio investors who are not resident in a tax haven jurisdiction, which is defined under Brazilian tax laws as a country or jurisdiction that does not impose taxes or where the maximum income tax rate is lower than 20% or that restricts the disclosure of shareholder composition or ownership of investments. See "—Taxation—Brazilian Tax Considerations."

Under Resolution No. 2,689, non-Brazilian investors registered with the CVM may invest in almost all financial assets and engage in almost all transactions available to Brazilian investors in the Brazilian financial and capital markets without obtaining a separate Central Bank registration for each transaction, provided that certain requirements are fulfilled. Under Resolution No. 2,689, the definition of a non-Brazilian investor includes individuals, legal entities, mutual funds and other collective investment entities, domiciled or headquartered outside Brazil.

Pursuant to Resolution No. 2,689, non-Brazilian investors must:

- appoint at least one representative in Brazil with powers to take action relating to its investments;
- appoint an authorized custodian in Brazil for its investments, which must be a financial institution duly authorized by the Central Bank and CVM;
- complete the appropriate foreign investor registration forms;

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- register as a non-Brazilian investor with the CVM;
- register its investments with the Central Bank; and
- obtain a taxpayer identification number from the Brazilian federal tax authorities.

The securities and other financial assets held by a non-Brazilian investor pursuant to Resolution No. 2,689 must be registered or maintained in deposit accounts or under the custody of an entity duly licensed by the Central Bank or the CVM or be registered in registration, clearing and custody systems authorized by the Central Bank or by the CVM. In addition, the trading of securities held under Resolution No. 2,689 is restricted to transactions carried out on stock exchanges or through organized over-the-counter markets licensed by the CVM.

Foreign direct investors under Law No. 4,131 may sell their shares in both private or open market transactions, but these investors will generally be subject to less favorable tax treatment on gains with respect to our class A preferred shares. See “—Taxation—Brazilian Tax Considerations.”

Foreign investors must be registered with the Brazilian Internal Revenue Service (“Receita Federal”) pursuant to the Nominative Instruction 1,183, dated as of August 19, 2011. This registration process is undertaken by the investor’s legal representative in Brazil.

Taxation

The following summary contains a description of the material Brazilian and U.S. federal income tax consequences of the purchase, ownership and disposition of class A preferred shares and ADSs, but it does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase any such securities.

There is at present no income tax treaty between Brazil and the United States.

The description below is not intended to constitute a complete analysis of all tax consequences relating to the acquisition, ownership and disposition of class A preferred shares or ADSs. Prospective purchasers of our class A preferred shares or ADSs are advised to consult their own tax advisors in respect of the consequences that the purchase, ownership or disposition of our class A preferred shares or ADSs might trigger under the laws of Brazil, the United States or any other jurisdiction in light of their particular investment circumstances.

Brazilian Tax Considerations

The following discussion summarizes the material Brazilian tax consequences of the acquisition, ownership and disposition of class A preferred shares or ADSs by an individual, entity, trust or organization that is not domiciled or resident in Brazil for purposes of Brazilian taxation and, in the case of a holder of class A preferred shares, which has registered its investment with the Central Bank, or a non-resident holder. The following discussion is based upon the tax laws of Brazil as in effect on the date of this annual report, which are subject to change, with possible retroactive effect, and to differing interpretation. Furthermore, the following discussion does not specifically address all of the Brazilian tax considerations applicable to any particular non-resident holder, and each non-resident holder should consult his or her own tax advisor concerning the Brazilian tax consequences of an investment in any of such

securities.

Acquisition of ADSs or Class A Preferred Shares

The acquisition of ADSs or class A preferred shares by non- resident holders is not a taxable event in Brazil. See “—Taxation of Gains Outside Brazil” for further information on the tax implications arising from the exchange of existing class A preferred shares for ADSs, as well as those arising from the exchange of ADSs for class A preferred shares.

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Taxation of Dividends

Dividends paid by a Brazilian corporation with respect to profits generated as of January 1, 1996, including dividends paid in kind to the depositary in respect of our class A preferred shares underlying the ADSs or to a non- resident holder in respect of class A preferred shares, are not subject to withholding income tax in Brazil.

Dividends paid from profits generated before January 1, 1996 may be subject to Brazilian withholding income tax at variable rates, according to the tax legislation applicable to each corresponding year.

Interest on Shareholders' Equity

Distributions of interest on our shareholders' equity in respect of our class A preferred shares or the ADSs are subject to Brazilian withholding tax at the rate of 15% or 25% in the case of a non-resident holder domiciled in a country or location or other jurisdiction (1) that does not impose income tax, (2) where the maximum income tax rate is lower than 20%, or (3) the laws of which do not allow access to information related to the composition of shareholders, ownership of investments or identification of beneficial owners of earnings attributed to non-residents, or a tax favorable jurisdiction.

Since 1997 and in accordance with Laws Nos. 9,249/95 and 9,430/96, we have been permitted to deduct these distributions for purposes of calculating the CSLL and the corporate income taxes that we owe, provided that each such distribution is approved by our shareholders in a general meeting and complies with the limits established by Brazilian tax legislation.

Payments of interest on shareholders' equity may be included, at their net value, as part of any mandatory dividend. To the extent payment of interest on shareholders' equity is so included, the corporation is required to distribute to shareholders an additional amount to ensure that the net amount received by them, after payment of the applicable withholding income tax plus the amount of declared dividends, is at least equal to the mandatory dividend.

Taxation of Gains Outside Brazil

According to Brazilian Law No. 10,833/03, gains realized on the disposition or sale of assets located in Brazil are subject to income tax in Brazil, regardless of whether the sale or the disposition is made by the non-resident holder to a Brazilian resident or to another non-resident of Brazil, as follows: "the acquiror, individual or legal entity resident or domiciled in Brazil, or the acquiror's attorney-in-fact, when such acquiror is resident or domiciled abroad, shall be responsible for the retention and payment of the income tax applicable to capital gains under Article 18 of Law 9,249 of December 26, 1995 earned by the individual or legal entity resident or domiciled abroad who disposes of property located in Brazil."

Holders of the ADSs outside of Brazil may have grounds to assert that Brazilian Law No. 10,833/03 does not apply to sales or other dispositions of ADSs as ADSs are not assets located in Brazil. However, the sale or other disposition of class A preferred shares abroad may be subject to the provisions of Brazilian Law No. 10,833/03. Any capital gains arising from sales or other dispositions outside Brazil would be subject to Brazilian income tax at the rate of 15% or 25% if the investor is located in a Tax Favorable Jurisdiction. Brazilian Law No. 10,833/03 requires the purchaser of our class A preferred shares outside Brazil or its attorney-in-fact in Brazil to withhold the income tax. A disposition of class A preferred shares can only occur abroad if any investor decides to cancel its investment in ADSs and register

the underlying class A preferred shares as a direct foreign investment under Law No. 4,131/62.

Taxation of Gains in Brazil

The exchange of ADSs for class A preferred shares is not subject to Brazilian tax. Upon receipt of the underlying class A preferred shares in exchange of ADSs, a non-resident investor will be entitled to register with the Central Bank the U.S. dollar value of such shares as a foreign portfolio investment under Resolution No. 2,689/00. See “—Exchange Controls” and “—Tax on Foreign Exchange and on Bonds and Securities Transactions—Registered Capital.” The sale or disposition of class A preferred shares on a Brazilian stock exchange is exempt from capital gains tax, provided that such shares are held by a non-resident holder that (1) has registered its investment in Brazil with the Central Bank under the rules of under Resolution No. 2,689/00, or a 2,689 Holder, and (2) is not resident or domiciled in a tax favorable jurisdiction. Upon receipt of the underlying class A preferred shares, a non-resident holder is also entitled to register with the Central Bank the U.S. dollar value of such shares as a foreign direct investment under Law 4,131/62. See “—Exchange Controls” and “—Tax on Foreign Exchange and on Bonds and Securities Transactions—Registered Capital.” 15% capital gains tax is applicable to the sale or other disposition of preferred class A shares in Brazil where such shares are held by a non-resident holder as a foreign direct investment and the transaction is executed outside a Brazilian stock exchange. If the non-resident holder is domiciled in a tax favorable jurisdiction and the disposition of the preferred class A shares is executed outside a Brazilian stock exchange, the income tax rate will be 25%.

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If the sale or other disposition of such shares is carried out on a Brazilian stock exchange, the capital gains on the sale or disposition will be taxed at a rate of 15%. This 15% rate applies to all transactions carried out on a Brazilian stock exchange by non-resident holders regardless of whether or not they are domiciled in tax favorable jurisdiction (except to gains realized by a 2,689 Holder that is not resident or domiciled in a tax favorable jurisdiction as described above). In these transactions, the gain realized is calculated based on the amount registered with the Central Bank. As of January 1, 2005, a withholding tax of 0.005% will also be assessed on the sales price or other disposition value of shares sold or disposed of in transactions carried out on a Brazilian stock exchange. The withholding tax, to be offset against tax due on eventual capital gain, must be withheld by one of the following entities: (1) the agent receiving the sale or disposition order from the client; (2) the stock exchange responsible for registering the transactions; or (3) the entity responsible for the settlement and payment of the transactions. Such withholding does not apply to a 2,689 Holder that is not a resident of or domiciled in a favorable tax jurisdiction.

The deposit of class A preferred shares in exchange for ADSs is not subject to Brazilian tax, provided that these shares are held by the non-resident holder as a foreign portfolio investment under Resolution No. 2,689/00. In the event our class A preferred shares are held by the non-resident holder as a foreign direct investment under Law No. 4,131/62, the deposit of these shares in exchange for ADSs is subject to payment of Brazilian capital gains tax at the rate of 15% (25% in the case of a non-resident holder located in a tax favorable jurisdiction).

The current preferential treatment for non-resident holders of ADSs and non-resident holders of class A preferred shares under Resolution No. 2,689/00 may not continue in the future.

Any exercise of preemptive rights relating to our class A preferred shares will not be subject to Brazilian taxation. Gains on the sale or assignment of preemptive rights relating to our class A preferred shares by the depositary may be subject to Brazilian taxation. Tax authorities may attempt to tax such gains even when the sale or assignment of such rights takes place outside Brazil, based on the provisions of Law No. 10,833/03. These authorities may allege that the preemptive rights relate to assets located in Brazil (the class A preferred shares) and require payment of capital gains tax at the rate of 15% (or 25% if the beneficiary of the payments is resident of a tax favorable jurisdiction). If the preemptive rights are assigned or sold in Brazil, capital gains tax will apply at a rate of 15% (or 25% in the case of a non-resident holder located in a tax favorable jurisdiction). Sales or assignments of preemptive rights effected on Brazilian stock exchanges are exempt from income tax, provided that such preemptive rights relate to shares registered as a foreign portfolio investment under Resolution No. 2,689/00 and the 2,689 Holder is not a resident of or domiciled in a tax favorable jurisdiction.

Other Brazilian Taxes

There are no Brazilian inheritance, gift or succession taxes applicable to the ownership, transfer or disposition of class A preferred shares or ADSs by a non-resident holder except for gift and inheritance imposed by some states of Brazil on gifts made or inheritances bestowed by individuals or entities not resident or domiciled in Brazil or domiciled within the state to individuals or entities resident or domiciled within such state in Brazil. There are no Brazilian stamp, issue, registration or similar taxes or duties payable by holders of class A preferred shares or ADSs.

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Pursuant to Decree 6,306 of December 14, 2007, as amended, or Decree 6,306/07, the conversion of Brazilian currency into foreign currency (e.g., for purposes of paying dividends and interest) and on the conversion of foreign currency into Brazilian currency may be subject to the IOF/Exchange Tax. Currently, for most exchange transactions, the rate of IOF/Exchange is 0.38%. This is the rate applicable to the inflow and outflow of foreign direct investments for companies in Brazil according to Law 4,131/62 (other than trading portfolio investments in securities under Resolution 2,689/00).

The IOF/Exchange Tax levies a 6% flat rate on capital inflows from non-residents who invest in the Brazilian stock exchange, futures and commodities exchanges, including inflows that serve as margin guarantees in these transactions. As of December 2011, however, the 6.0% rate was reduced to 0% on the following capital inflows from non-residents: (1) investments in securities bearing a variable rate of return that are purchased on the Brazilian stock exchange, futures and commodities exchanges; (2) acquisition of stocks in public offerings on the Brazilian stock exchange or subscriptions of capital increases; (3) investments in Brazilian stocks using funds derived from the cancelation of “depository receipts”; (4) certain investments in private equity or emerging companies investment funds (FIP and FIEE) and funds of these funds; and (5) conversion of foreign direct investments in stocks under Law 4,131/62 into foreign investment in stocks under Resolution 2,689/00.

In March 2012, Brazilian federal regulators clarified that the 0% rate also applies to investments in Brazilian depository receipts representing shares of foreign companies and traded in Brazilian stock exchanges.

The IOF is 0% on the outflow of foreign investments in portfolio in Brazil under Resolution 2,689/00. The remittance abroad of dividends and interest on equity to non-Brazilian residents is subject to 0% IOF tax.

Additionally, the transfers of shares traded on the stock exchange with the purpose of enabling the issuance of ADSs are subject to the IOF/Bonds Tax at a rate of 1.5%, which is aimed at correcting an asymmetry created by the IOF/Exchange Tax.

The Brazilian government may increase the rate of the IOF/Exchange Tax to a maximum of 25% of the amount of the foreign exchange transaction at any time, but such an increase would only apply to future foreign exchange transactions. The imposition of these taxes 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 BM&FBOVESPA.

Registered Capital

The amount of an investment in class A preferred shares held by a non-Brazilian holder as a foreign direct investment under Law No. 4,131/02 or a foreign portfolio investment under Resolution No. 2,689/00 or in ADSs held by the depository representing such holder, as the case may be, is eligible for registration with the Central Bank; such registration (the amount so registered is referred to as “registered capital”) allows the remittance outside Brazil of foreign currency, converted at the commercial market rate, acquired with the proceeds of distributions on, and amounts realized with respect to disposition of, such class A preferred shares. The registered capital for class A

preferred shares purchased in the form of ADSs, or purchased in Brazil and deposited with the depository in exchange for an ADS, is equal to their purchase price in U.S. dollars paid by the purchaser. The registered capital for class A preferred shares that are withdrawn upon surrender of ADSs is the U.S. dollar equivalent of (1) the average price of our class A preferred shares on the Brazilian stock exchange on which the greatest number of such class A preferred shares was sold on the day of withdrawal, or (2) if no class A preferred shares were sold on such day, the average price of class A preferred shares that were sold in the fifteen trading sessions immediately preceding such withdrawal. The U.S. dollar value of our class A preferred shares is determined on the basis of the average commercial market rates quoted by the Central Bank on such date (or, if the average price of class A preferred shares is determined under clause (2) of the preceding sentence, the average of such average quoted rates on the same fifteen dates used to determine the average price of our class A preferred shares).

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A non-Brazilian holder of class A preferred shares may experience delays in effecting the registration of registered capital, which may delay remittances abroad. Such a delay may adversely affect the amount, in U.S. dollars, received by the non-Brazilian holder. See “—Exchange Controls” and “Item 3. Key Information—Risk Factors—Risks Relating to Our Class A Preferred Shares and the ADSs.

U.S. Federal Income Tax Considerations

The following is a discussion of the material U.S. federal income tax consequences that may be relevant with respect to the acquisition, ownership and disposition of our class A preferred shares or ADSs, which are evidenced by ADRs. This description addresses only the U.S. federal income tax considerations of U.S. holders (as defined below) that will hold class A preferred shares or ADSs as capital assets. This description does not address tax considerations applicable to holders that may be subject to special tax rules, such as banks, financial institutions, insurance companies, real estate investment trusts, grantor trusts, regulated investment companies, dealers or traders in securities or currencies, tax-exempt entities, pension funds, persons that received our class A preferred shares or ADSs pursuant to an exercise of employee stock options or rights or otherwise as compensation for the performance of services, persons that will hold our class A preferred shares or ADSs as a position in a “straddle” or as a part of a “hedging,” “conversion” or other risk reduction transaction for U.S. federal income tax purposes, persons that have a “functional currency” other than the U.S. dollar, persons that will own our class A preferred shares or ADSs through partnerships or other pass through entities, holders subject to the alternative minimum tax, certain former citizens or long-term residents of the United States or holders that own (or are deemed to own) 10% or more (by voting power) of our shares.

This description does not address any state, local or non-U.S. tax consequences of the acquisition, ownership and disposition of our class A preferred shares or ADSs. Moreover, this description does not address the consequences of any U.S. federal tax other than income tax, including but not limited to the U.S. federal estate and gift taxes. This description is based on (1) the Internal Revenue Code of 1986, as amended (the “Code”), existing, proposed and temporary U.S. Treasury Regulations and judicial and administrative interpretations thereof, in each case as in effect and available on the date of this annual report and (2), in part, on the representations of the depositary and the assumption that each obligation in the deposit agreement and any related agreement will be performed in accordance with its terms. All of the foregoing are subject to change, which change could apply retroactively and could affect the tax consequences described below.

As used below, a “U.S. holder” is a beneficial owner of a class A preferred share or ADS that is, for U.S. federal income tax purposes, (1) an individual citizen or resident of the United States, (2) a corporation organized under the laws of the United States, any state thereof or the District of Columbia, (3) an estate the income of which is subject to U.S. federal income taxation regardless of its source, or (4) a trust if (i) a court within the United States is able to exercise primary supervision over its administration and (ii) one or more U.S. persons have the authority to control all of the substantial decisions of such trust. As used below, a “Non-U.S. holder” is a beneficial owner of a class A preferred share or ADS that is neither a U.S. holder nor a partnership (or other entity treated as a partnership for U.S. federal income tax purposes).

If a partnership (or any other entity treated as a partnership for U.S. federal income tax purposes) holds class A preferred shares or ADSs, the tax treatment of a partner in such partnership will generally depend on the status of the partner and the activities of the partnership. A partnership or its partners should consult their tax advisor as to its tax consequences.

The class A preferred shares will be treated as equity for U.S. federal income tax purposes. In general, for U.S. federal income tax purposes, a holder of an ADR evidencing an ADS will be treated as the beneficial owner of our class A preferred shares represented by the applicable ADS. The U.S. Treasury Department has expressed concern that depositories for ADSs, or other intermediaries between the holders of shares of an issuer and the issuer, may be taking actions that are inconsistent with the claiming of U.S. foreign tax credits by U.S. holders of such receipts or shares. Such actions include, for example, a pre-release of an ADS by a depository. Accordingly, the analysis regarding the availability of a U.S. foreign tax credit for Brazilian taxes, the sourcing rules and the availability of the reduced tax rate for dividends received by certain non-corporate holders, each described below could be affected by future actions that may be taken by the U.S. Treasury Department.

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Subject to the discussion under “—Passive Foreign Investment Company Rules,” in general, the gross amount of a distribution made with respect to a class A preferred share or ADS (which for this purpose shall include distributions of interest attributable to shareholders’ equity before any reduction for any Brazilian taxes withheld therefrom) will, to the extent made from the current or accumulated earnings and profits of our company, as determined under U.S. federal income tax principles, constitute a dividend to a U.S. holder for U.S. federal income tax purposes. Non-corporate U.S. holders may be taxed on dividends from a qualified foreign corporation at the lower rates applicable to long-term capital gains (*i.e.*, gains with respect to capital assets held for more than one year). A foreign corporation is treated as a qualified foreign corporation with respect to dividends received from that corporation on shares or ADSs that are readily tradable on an “established securities market” in the United States. U.S. Treasury Department guidance indicates that the ADSs (which are listed on the NYSE), but not our class A preferred shares, are readily tradable on an established securities market in the United States. Thus, subject to the discussion below under “—Passive Foreign Investment Company Rules,” dividends that we pay on the ADSs, but not on our class A preferred shares, currently meet the conditions required for these reduced tax rates. There, however, can be no assurance that the ADSs will be considered readily tradable on an established securities market in later years. Furthermore, a U.S. holder’s eligibility for such preferential rate is subject to certain holding period requirements and the non-existence of certain risk reduction transactions with respect to the ADSs. Such dividends will not be eligible for the dividends received deduction generally allowed to corporate U.S. holders. Subject to the discussion below under “—Passive Foreign Investment Company Rules,” if a distribution exceeds the amount of our company’s current and accumulated earnings and profits, it will be treated as a non-taxable return of capital to the extent of the U.S. holder’s tax basis in our class A preferred share or ADS on which it is paid and thereafter as capital gain. Our company does not maintain calculations of our earnings and profits under U.S. federal income tax principles. Therefore, U.S. holders should expect that distributions by our company generally will be treated as dividends for U.S. federal income tax purposes.

A dividend paid in *reais* will be includible in the income of a U.S. holder at its value in U.S. dollars calculated by reference to the prevailing spot market exchange rate in effect on the day it is received by the U.S. holder in the case of our class A preferred shares or, in the case of a dividend received in respect of ADSs, on the date the dividend is received by the depositary, whether or not the dividend is converted into U.S. dollars. Assuming the payment is not converted at that time, the U.S. holder will have a tax basis in *reais* equal to that U.S. dollar amount, which will be used to measure gain or loss from subsequent changes in exchange rates. Any gain or loss realized by a U.S. holder that subsequently sells or otherwise disposes of *reais*, which gain or loss is attributable to currency fluctuations after the date of receipt of the dividend, will be ordinary gain or loss. The amount of any distribution of property other than cash will be the fair market value of such property on the date of distribution.

The gross amount of any dividend paid (which will include any amounts withheld in respect of Brazilian taxes) with respect to a class A preferred share or ADS will be subject to U.S. federal income taxation as foreign source dividend income, which may be relevant in calculating a U.S. holder’s foreign tax credit limitation. Subject to limitations under U.S. federal income tax law concerning credits or deductions for foreign taxes and certain exceptions for short-term and hedged positions, any Brazilian withholding tax will be treated as a foreign income tax eligible for credit against a U.S. holder’s U.S. federal income tax liability (or at a U.S. holder’s election, may be deducted in computing taxable income if the U.S. holder has elected to deduct all foreign income taxes for the taxable year). The limitation on foreign taxes eligible for the U.S. foreign tax credit is calculated separately with respect to specific “baskets” of income. For this purpose, the dividends should generally constitute “passive category income,” or in the case of certain U.S. holders, “general category income.” The rules with respect to foreign tax credits are complex, and U.S. holders are urged to

consult their own tax advisors regarding the availability of the foreign tax credit under their particular circumstances.

Subject to the discussion under “—Information Reporting and Backup Withholding,” a Non-U.S. holder of class A preferred shares or ADSs generally will not be subject to U.S. federal income or withholding tax on dividends received on such shares or ADSs, unless such income is effectively connected with the conduct by such Non-U.S. holder of a trade or business in the United States.

TABLE OF CONTENTS*Sale, Exchange or Other Disposition of Class A Preferred Shares or ADSs*

A deposit or withdrawal of class A preferred shares by a holder in exchange for an ADS that represents such shares will not result in the realization of gain or loss for U.S. federal income tax purposes. A U.S. holder generally will recognize capital gain or loss upon a sale, exchange or other disposition of a class A preferred share or ADS held by the U.S. holder or the depository, as the case may be, in an amount equal to the difference between the U.S. holder's adjusted basis in our class A preferred share or ADS (determined in U.S. dollars) and the U.S. dollar amount realized on the sale, exchange or other disposition. If a Brazilian tax is withheld on the sale, exchange or other disposition of a share, the amount realized by a U.S. holder will include the gross amount of the proceeds of that sale, exchange or other disposition before deduction of the Brazilian tax. In the case of a non-corporate U.S. holder, the maximum marginal U.S. federal income tax rate applicable to capital gain will generally be lower than the maximum marginal U.S. federal income tax rate applicable to ordinary income (other than, as discussed above, certain dividends) if such holder's holding period for such class A preferred share or ADS exceeds one year (i.e., such gain is a long-term capital gain). Capital gain, if any, realized by a U.S. holder on the sale or exchange of a class A preferred share or ADS generally will be treated as U.S. source income for U.S. foreign tax credit purposes. Consequently, in the case of a disposition or deposit of a class A preferred share or ADS that is subject to Brazilian tax, the U.S. holder may not be able to use the foreign tax credit for that Brazilian tax unless it can apply the credit against U.S. tax payable on other income from foreign sources in the appropriate income category, or, alternatively, it may take a deduction for the Brazilian tax if it elects to deduct all of its foreign income taxes. The deductibility of capital losses is subject to limitations under the Code.

The initial tax basis of class A preferred shares or ADSs to a U.S. holder is the U.S. dollar value of the *reais*-denominated purchase price determined on the date of purchase. If our class A preferred shares or ADSs are treated as traded on an "established securities market," a cash basis U.S. holder, or, if it elects, an accrual basis U.S. holder, will determine the dollar value of the cost of such class A preferred shares or ADSs by translating the amount paid at the spot rate of exchange on the settlement date of the purchase. The conversion of U.S. dollars to *reais* and the immediate use of that currency to purchase class A preferred shares or ADSs generally will not result in taxable gain or loss for a U.S. holder.

With respect to the sale or exchange of class A preferred shares or ADSs, the amount realized generally will be the U.S. dollar value of the payment received determined on (1) the date of receipt of payment in the case of a cash basis U.S. holder and (2) the date of disposition in the case of an accrual basis U.S. holder. If our class A preferred shares or ADSs are treated as traded on an "established securities market," a cash basis taxpayer, or, if it elects, an accrual basis taxpayer, will determine the U.S. dollar value of the amount realized by translating the amount received at the spot rate of exchange on the settlement date of the sale.

Subject to the discussion below under "—Information Reporting and Backup Withholding," a Non-U.S. holder of class A preferred shares or ADSs generally will not be subject to U.S. federal income or withholding tax on any gain realized on the sale or exchange of such shares or ADSs unless (1) such gain is effectively connected with the conduct by such Non-U.S. holder of a trade or business in the United States or (2) in the case of any gain realized by an individual Non-U.S. holder, such holder is present in the United States for 183 days or more in the taxable year of such sale or exchange and certain other conditions are met.

Passive Foreign Investment Company Rules

A Non-U.S. corporation will be classified as a “passive foreign investment company,” or a PFIC, for U.S. federal income tax purposes in any taxable year in which, after applying certain look-through rules, either (1) at least 75 percent of its gross income is “passive income” or (2) at least 50 percent of the average value of its gross assets is attributable to assets that produce “passive income” or is held for the production of passive income. Passive income for this purpose generally includes dividends, interest, royalties, rents and gains from commodities and securities transactions.

Based on certain estimates of its gross income and gross assets and the nature of its business, our company believes that it will not be classified as a PFIC for its taxable year ending December 31, 2015. The company’s status in future years will depend on its assets and activities in those years. The company has no reason to believe that its assets or activities will change in a manner that would cause it to be classified as a PFIC for the taxable year ended December 31, 2015 or any future year, but there can be no assurance that the company will not be considered a PFIC for any taxable year. If we were a PFIC, a U.S. holder of class A preferred shares or ADSs generally would be subject to imputed interest charges and other disadvantageous tax treatment with respect to any gain from the sale or exchange of, and certain distributions with respect to, the shares or ADSs (including the loss of the potential reduced tax rate on certain dividends described above).

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If we were a PFIC, a U.S. holder of class A preferred shares or ADSs could make a variety of elections that may alleviate certain of the tax consequences referred to above, and one of these elections may be made retroactively. However, it is expected that the conditions necessary for making certain of such elections will not apply in the case of the class A preferred shares or ADSs. U.S. holders should consult their own tax advisors regarding the tax consequences that would arise if the company were treated as a PFIC.

If a U.S. holder owns our class A preferred shares or ADSs during any year in which we were a PFIC, the U.S. holder generally must file IRS Form 8621 with respect to our company, generally with the U.S. holder's federal income tax return for that year. If our company was a PFIC for a given taxable year, then U.S. holders of class A preferred shares or ADSs should consult their tax advisor concerning their annual filing requirements.

Medicare Tax on "Net Investment Income"

Certain U.S. Holders who are individuals, estates or trusts are required to pay an additional 3.8% tax on, among other things, dividends and capital gains for the sale or other disposition of class A preferred shares and ADSs.

Foreign Asset Reporting

Pursuant to the Hiring Incentives to Restore Employment Act of 2010 and recently promulgated temporary regulations thereunder, certain U.S. holders who are individuals are required to report information relating to an interest in our class A preferred shares or ADSs, subject to certain exceptions (including an exception for shares or ADSs held in custodial accounts maintained with a financial institution). U.S. holders of the class A preferred shares or ADSs are urged to consult their tax advisors regarding their information reporting obligations, if any, with respect to their ownership and disposition of our class A preferred shares or ADSs.

Information Reporting and Backup Withholding

U.S. backup withholding tax and information reporting requirements generally apply to certain payments to certain non-corporate holders of shares. Information reporting generally will apply to payments of dividends on, and to proceeds from the sale or redemption of, our class A preferred shares or the ADSs made within the United States or by a U.S. payor or U.S. middleman to a holder of our class A preferred shares or the ADSs, other than an exempt recipient, including a corporation, a payee that is not a U.S. person that provides an appropriate certification and certain other persons. Backup withholding tax will apply to any payments of dividends on, or the proceeds from the sale or redemption of, class A preferred shares or the ADSs within the United States or by a U.S. payor or U.S. middleman to a holder, other than an exempt recipient, if such holder fails to furnish its correct taxpayer identification number or otherwise fails to comply with, or establish an exemption from, such backup withholding tax requirements. The backup withholding tax rate is 28%.

Backup withholding is not an additional tax. Holders generally will be entitled to credit any amounts withheld under the backup withholding rules against their U.S. federal income tax liability or a refund of the amounts withheld provided the required information is furnished to the IRS in a timely manner.

The above description is not intended to constitute a complete analysis of all tax consequences relating to ownership and disposition of class A preferred shares or ADSs. Prospective purchasers should consult their own tax advisors concerning the tax consequences of their particular situations.

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Documents on Display

Statements contained in this annual report regarding the contents of any contract or other document filed as an exhibit to this annual report summarize their material terms, but are not necessarily complete, and each of these statements is qualified in all respects by reference to the full text of such contract or other document.

We are subject to the periodic reporting and other informational requirements of the Exchange Act applicable to a foreign private issuer. Accordingly, we are required to file with or furnish to the SEC, reports and other information, including annual reports on Form 20-F and reports on Form 6-K.

As a foreign private issuer, we are exempt under the Exchange Act from, among other things, the rules prescribing the furnishing and content of proxy statements, and members of our board of directors and board of executive officers and our principal shareholders are exempt from reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act. In addition, as a foreign private issuer, we will not be required under the Exchange Act to file periodic reports and financial statements with the SEC as frequently or as promptly as U.S. companies whose securities are registered under the Exchange Act.

You may inspect and copy reports and other information that we file with or furnish to the SEC at the SEC's Public Reference Room located at 100 F Street, N.E., Washington D.C. 20549. Copies of these materials may be obtained by mail from the SEC's Public Reference Room at prescribed rates. The public may obtain information on the operation of the SEC's Public Reference Room by calling the SEC in the United States at 1-800-SEC-0330. In addition, the SEC maintains an internet website at www.sec.gov from which you can electronically access these materials.

We also file financial statements and other periodic reports with the CVM, which are available for investor inspection at the CVM's offices located at Rua Sete de Setembro, 111, 2nd floor, Rio de Janeiro, RJ, and Rua Cincinato Braga, 340, 2nd, 3rd and 4th floors, São Paulo, SP. The telephone numbers of the CVM in Rio de Janeiro and São Paulo are +55-21-3554-8686 and +55-11-2146- 2097, respectively.

Copies of our annual report on Form 20-F and documents referred to in this annual report and our by-laws are available for inspection upon request at our headquarters at Rua Lemos Monteiro, 120 – 24° andar, Butantã—São Paulo—SP, CEP 05501-050, Brazil. Our filings are also available to the public through the internet at our website at www.braskem.com.br. The information included on our website or that might be accessed through our website is not included in this annual report and is not incorporated into this annual report by reference.

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We are exposed to market risks arising from our normal business activities. These market risks, which are beyond our control, principally involve the possibility that changes in interest rates, exchange rates or commodity prices will adversely affect the value of our financial assets and liabilities or future cash flows and earnings. Market risk is the potential loss arising from adverse changes in market rates and prices.

In order to mitigate the market risks to which we are exposed, we have used, and we may use, foreign currency, interest rate and commodity derivative instruments, as well as cash and receivables. As of December 31, 2015, we had non-deliverable forward, cross-currency and interest rate swaps with an aggregate notional amount of R\$2,696 million in addition to R\$5,127 million related to Project Ethylene XXI. These cross-currency and interest rate swaps match certain of our foreign currency-denominated debt obligations.

It is our policy to assess the potential and consolidated impact of market risks and to mitigate assessed risks in accordance with our risk management policy.

On August 9, 2010, our board of directors adopted a new risk management policy covering our cash flow management and liquidity, investment of cash and cash equivalents, funding activities and guarantees, and management of foreign exchange and commodity risks. This policy reflects our conservative financial practices and risk management procedures. Its objective is to manage and anticipate risks by continuously evaluating several key factors, including the risk-adjusted return of our business strategies, the overall financial health of the company, any financial operations we have with related parties, our ratings, counterparty risk and hedging strategy. Additionally, the policy aims to ensure the alignment of the objectives of the teams involved in risk management with the overall objectives of Braskem.

We do not enter into derivative transactions for speculative purposes.

As of December 31, 2015, we had R\$4,888.4 million in foreign currency-denominated cash, cash equivalents and financial investments, which may partially offset the effects of any depreciation of the real against the foreign currency on our ability to service our foreign currency-denominated debt to the extent of these foreign currency-denominated cash equivalents and other investments.

Interest Rate Risk

Our variable interest rate exposure is primarily subject to the variations of the LIBOR rate and, for *real*-denominated borrowings and short-term cash investments, variations of the TJLP rate and the CDI rate.

With respect to Brazilian interest rates:

- the short-term domestic CDI rate increased to 14.14% per annum as of December 31, 2015 from 11.1% per annum as of December 31, 2014 and 9.8% per annum as of December 31, 2013; and
- the TJLP increased to 7.0% per annum as of December 31, 2015 from 5.0% per annum as of December 31, 2014 and remained stable at 5.0% per annum as of December 31, 2013.

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The table below provides information about our significant interest-rate sensitive instruments:

**Payment Schedule—Breakdown by Type of Interest Rate
As of December 31, 2015
Expected Maturity Date**

	2016	2017	2018	2019	2020	Thereafter	Total	Fair Value(1)
	(in millions of <i>reais</i> , unless otherwise indicated)							
Liabilities:								
Loans and financings (excluding debentures):								
Fixed rate, denominated in U.S. dollars	543,2	218,2	3.769,8	292,9	2.138,6	11.704,6	18.667,3	16.097,5
Average interest rate	4,6%	8,0%	7,4%	7,9%	7,1%	6,2%		
Variable rate, denominated in U.S. dollars	251,2	192,4	731,1	1.441,8	90,2	157,0	2.863,6	2.863,6
Average interest rate (over LIBOR)	2,1%	1,9%	1,6%	1,7%	1,3%	1,1%		
Ethylene XXI Project finance fixed rate, denominated in U.S. dollars	100,9	192,3	219,7	226,3	255,4	1.995,7	2.990,3	2.990,3
Average interest rate	4,9%	4,9%	4,9%	4,8%	4,8%	4,8%		0,0%
Ethylene XXI Project finance variable rate, denominated in U.S. dollars	226,3	518,8	642,8	667,1	788,8	6.616,5	9.460,3	9.460,3
Average interest rate	4,1%	4,0%	3,9%	3,9%	3,9%	4,0%		0,0%
Fixed rate, denominated in <i>reais</i>	467,0	574,6	191,9	160,0	107,6	186,6	1.687,7	1.687,7
Average interest rate	6,9%	7,0%	5,4%	5,6%	6,1%	6,7%		
Variable rate, denominated in <i>reais</i>	611,8	517,2	401,4	309,0	173,5	54,3	2.067,3	2.067,3
Average interest rate (over TJLP)	2,9%	2,8%	2,8%	2,8%	2,7%	2,6%		
Variable rate, denominated in <i>reais</i>	50,0	151,8	185,1	1.031,7	178,3	145,0	1.741,9	1.741,9
Average interest rate (over CDI)	107,6%	104,8%	105,4%	111,3%	105,6%	105,0%		
Variable rate, denominated in <i>reais</i>	81,4	117,8	120,0	116,3	98,0	43,0	576,4	576,4
Average interest rate (over SELIC)	2,7%	2,6%	2,6%	2,6%	2,6%	2,4%		
Total loans and financings	2.331,8	2.483,1	6.261,7	4.245,1	3.830,4	20.902,7	40.054,9	37.485,1
Assets:								
Cash and cash equivalents and other instruments:								
							27.604,2	12.450,7
Fixed rate, denominated in foreign currency	4.888,4	-	-	-	-	-	4.888,4	4.888,4
Variable rate, denominated in <i>reais</i>	2.484,7	-	-	-	-	113,9	2.598,7	2.598,7
Total cash and cash equivalents and other investments	7.373,1	-	-	-	-	113,9	7.487,1	7.487,1

(1) Represents the net present value of the future cash flows from the obligations converted into *reais* at fair market value as of December 31, 2015.

In the event that the average interest rate applicable to our financial assets and debt in 2016 were 1% higher than the average interest rate in 2015, our financial income would increase by approximately R\$74.9 million and our financial expenses would increase by approximately R\$400.5 million.

Foreign Currency Exchange Rate Risk

Our liabilities that are exposed to foreign currency exchange rate risk are primarily denominated in U.S. dollars. To partially offset our risk of any devaluation of the real against the U.S. dollar, we currently maintain available liquid resources denominated in U.S. dollars and may enter into derivative contracts. Additionally, in order to provide a better representation of the actual exchange rate risk related to future exports, we designated part of our U.S. dollar-denominated liabilities as a hedging instrument, using the hedge accounting treatment on May 1, 2013. We borrow in the international markets to support our operations and investments; we are exposed to market risks from changes in foreign exchange rates and interest rates.

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The table below provides information about our significant foreign currency exposures:

	Payment Schedule—Breakdown by Currency							
	As of December 31, 2015 Expected Maturity Date							
	2016	2017	2018	2019	2020	Thereafter	Total	Fair Value(1)
	(in millions of reais)							
Liabilities:								
Loans, financings and trade payables:								
Loans and financings denominated in U.S. dollars	1.121,6	1.121,7	5.363,4	2.628,1	3.273,0	20.473,8	33.981,6	31.411,8
Accounts payable denominated in U.S. dollars	8.488,5	-	-	-	-	-	8.488,5	8.488,5
Total loans, financings and trade payables	9.610,1	1.121,7	5.363,4	2.628,1	3.273,0	20.473,8	42.470,0	39.900,3
Assets:								
Cash and cash equivalents and other investments denominated in foreign currency								
Denominated in foreign currency	4.888,4	-	-	-	-	-	4.888,4	4.888,4
Total cash and cash equivalents and other investments	4.888,4	-	-	-	-	-	4.888,4	4.888,4
Hedge Accounting:								
Hedge Accounting designated Exports	3.605,1	3.950,9	3.939,1	3.759,5	3.871,3	19.710,5	38.836,3	38.836,3

(1) Represents the net present value of the future cash flows from the obligations converted into *reais* at fair market value as of December 31, 2015.

Our foreign currency exposures give rise to market risks associated with exchange rate movements of the real against the U.S. dollar. Foreign currency-denominated liabilities as of December 31, 2015 consisted primarily of U.S. dollar-denominated debt. Our U.S. dollar-denominated debt, including short-term debt and current portion of long-term debt, was R\$31,411.8 million (US\$8,044.4 million) as of December 31, 2015 and R\$21,878.2 million

(US\$8,236.6 million) as of December 31, 2014. This foreign currency exposure is represented by debt in the form of notes, bonds, pre-export finance facilities and working capital loans. Our cash and funds available in U.S. dollars partially protect us against exposure arising from the U.S. dollar-denominated debt. Similarly, revenues from future sales and exports partially offset this foreign currency exposure for U.S. dollar-denominated debt, and we therefore adopted hedge accounting treatment to provide a better representation of our actual exposure.

In 2016, Braskem begins to recognize the exchange rate variation, held on “Other Comprehensive Income”, to the income statement, following the future sales and exports designation schedule (For further information, see note 16.3 of our consolidated financial statements elsewhere in this annual report).

In the event that the real were to devalue by 10% against the U.S. dollar during 2016 as compared to the real/U.S. dollar exchange rate as of December 31, 2015, our financial expenses indexed to the dollar in 2016 would increase by approximately R\$3,398.2 million, and our financial income would increase by approximately R\$488.8 million.

Commodity Prices

We do not currently hedge our main exposure to changes in prices of naphtha, our principal raw material, which are linked to international market prices denominated in U.S. dollars of naphtha and other petroleum derivatives. We do not hedge this main exposure, in part, because a portion of our sales are exports payable in foreign currencies and

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linked to the international market prices of these commodities denominated in U.S. dollars and, in part, because the prices of our polyethylene, polypropylene and PVC products sold in domestic markets generally reflect changes in the international market prices of these products denominated in U.S. dollars, converted into *reais*. In periods of high volatility in the U.S. dollar price of naphtha or the *real*/U.S. dollar exchange rate, there is usually a lag between the time that the U.S. dollar price of naphtha increases or the U.S. dollar appreciates and the time that we can effectively pass on the resulting increased cost in *reais* to our customers in Brazil. Accordingly, if the U.S. dollar price of naphtha increases precipitously or the *real* devalues precipitously against the U.S. dollar in the future, we may not immediately be able to pass on all of the corresponding increases in our naphtha costs to our customers in Brazil, which could materially adversely affect our results of operations and financial condition. See “Item 3. Key Information—Risk Factors—Risks Relating to Our Company and the Petrochemical Industry.”

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The depositary, JP Morgan Chase Bank, NA, collects its fees for the delivery and surrender of ADSs directly from investors depositing shares or surrendering ADSs or from intermediaries acting for them. The depositary also collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The depositary may collect its annual fee for depositary services by deductions from cash distributions or by directly billing investors or by charging the book-entry system accounts of participants acting for them. The depositary may generally refuse to provide fee-attracting services until its fees for those services are paid.

Persons depositing or withdrawing shares must pay:

- U.S.\$5.00 for each 100 ADSs (or portion thereof) issued, delivered, reduced, cancelled or surrendered (as the case may be) plus any additional fees charged by any governmental authorities or other institutions such as the Companhia Brasileira de Liquidação e Custódia (the Brazilian Clearing and Depository Corporation);
- a fee of U.S.\$0.05 or less per ADS for any Cash distribution made pursuant to the Deposit Agreement;
- a fee of U.S.\$1.50 per ADR or ADRs for transfers made pursuant to paragraph;
- a fee for the distribution or sale of securities;
- an aggregate fee of U.S.\$0.05 or less per ADS per calendar year (or portion thereof) for services performed by the Depositary in administering the ADRs;
- a fee for the reimbursement of such fees, charges and expenses as are incurred by the Depositary and/or any of its agents; and
- transfer or registration fees for the registration or transfer of Deposited Securities on any applicable register in connection with the deposit or withdrawal of Deposited Securities.

During the year ended December 31, 2015, we received from the depositary of our ADSs approximately US\$800,000, which was used for general corporate purposes such as the payment of costs and expenses associated with (1) the preparation and distribution of proxy materials, (2) the preparation and distribution of marketing materials and (3) consulting and other services related to investor relations.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

Not applicable.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

Not applicable.

ITEM 15. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The Company's management, with the participation of the Chief Executive Officer and Chief Financial Officer, conducted an evaluation, pursuant to Rule 13a-15 promulgated under the Securities Act of 1934, as amended (the "Exchange Act"), of the effectiveness of our disclosure controls and procedures as of December 31, 2015. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures were effective as of December 31, 2015.

Disclosure controls and procedures means controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms, and that such information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosures."

Management's Annual Report on Internal Control over Financial Reporting and Report of Independent Registered Public Accounting Firm

Our management's report on internal control over financial reporting is included in this annual report on page F-2 and the opinion issued by our independent registered public accounting firm is included in the report of PricewaterhouseCoopers Auditores Independentes that is included in this annual report on pages F-3 and F-4.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting that occurred during the year ended December 31, 2015 that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

Our fiscal council currently includes an "audit committee financial expert" within the meaning of this Item 16A. Our fiscal council has determined that Ismael Campos de Abreu is our fiscal council financial expert. Mr. Neto's

biographical information is included in “Item 6. Directors, Senior Management and Employees—Directors and Senior Management—Fiscal Council.” Given that our board has not made a formal determination as to Mr. Abreu’s independence, as that term is defined in Rule 303A.02 of the New York Stock Exchange’s Listed Company Manual, he is not considered independent under that standard. However, he meets the standards of independence for fiscal council members under Brazilian Corporation Law. See “Item 6. Directors, Senior Management and Employees—Directors and Senior Management—Fiscal Council” for more information.

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We have adopted a code of conduct that applies to members of our board of directors, fiscal council and board of executive officers, as well as to our other employees. This code of conduct was updated and approved by our board of directors in February 2014. A copy of our code of conduct may be found on our website at www.braskem.com.br. The information included on our website or that might be accessed through our website is not included in this annual report and is not incorporated into this annual report by reference.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES**Audit and Non-Audit Fees**

The following table sets forth the fees billed to us by our independent registered public accounting firm, PricewaterhouseCoopers Auditores Independentes, during the fiscal years ended December 31, 2015 and 2014.

	Year Ended December 31,	
	2015	2014
	(in millions of reais)	
Audit fees(1)	R\$6.9	R\$10.6
Audit-related fees	0.8	2.1
Tax fees(2)	2.8	0.6
All other fees	0.0	0.2
Total fees	R\$10.5	R\$13.5

(1) Audit fees consist of the aggregate fees billed by PricewaterhouseCoopers Auditores Independentes in connection with the audit of our annual financial statements, interim audits, issuance of comfort letters, procedures as related to audit of income tax provisions and related reserves in connection with the audit and review of financial statements and review of documents filed with the SEC.

(2) Tax fees consist of the aggregate fees billed by PricewaterhouseCoopers Auditores Independentes for tax compliance reviews.

Pre-Approval Policies and Procedures

Our fiscal council and board of directors have approved an Audit and Non-Audit Services Pre-Approval Policy that sets forth the procedures and the conditions pursuant to which services proposed to be performed by our independent auditors may be pre-approved. This policy is designed to (1) provide both general pre-approval of certain types of services through the use of an annually established schedule setting forth the types of services that have already been pre-approved for a certain year and, with respect to services not included in an annual schedule, special pre-approval

of services on a case by case basis by our fiscal council and our independent auditors, and (2) assess compliance with the pre-approval policies and procedures. Our management periodically reports to our fiscal council the nature and scope of audit and non-audit services rendered by our independent auditors and is also required to report to our fiscal council any breach of this policy of which our management is aware.

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

We are relying on the general exemption from the listing standards relating to audit committees contained in Rule 10A-3(c)(3) under the Exchange Act for the following reasons:

- we are a foreign private issuer that has a fiscal council, which is a board of auditors (or similar body) established and selected pursuant to and as expressly permitted under Brazilian law;
- Brazilian law requires our fiscal council to be separate from our board of directors;
- members of our fiscal council are not elected by our management, and none of our executive officers is a member of our fiscal council;

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- Brazilian law provides standards for the independence of our fiscal council from our management;
- our fiscal council, in accordance with its charter, makes recommendations to our board of directors regarding the appointment, retention and oversight of the work of any registered public accounting firm engaged (including, the intermediation of disagreements between our management and our independent auditors regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for our company, as Brazilian law requires that our board of directors appoint, retain and oversee the work of our independent public accountants;
- our fiscal council (1) has implemented procedures for receiving, retaining and addressing complaints regarding accounting, internal control and auditing matters, including the submission of confidential, anonymous complaints from employees regarding questionable accounting or auditing, and (2) has authority to engage independent counsel and other advisors as it determines necessary to carry out its duties; and
- our company compensates our independent auditors and any outside advisors hired by our fiscal council and provides funding for ordinary administrative expenses incurred by the fiscal council in the course of its duties.

We do not believe that our reliance on this general exemption will materially adversely affect the ability of our fiscal council to act independently and to satisfy the other requirements of the listing standards relating to audit committees contained in Rule 10A-3 under the Exchange Act.

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

On August 13, 2012, our board of directors authorized a share repurchase program under which we are authorized to repurchase up to 13,376,161 “class A” preferred shares at market prices over the BM&FBOVESPA at any time and from time to time prior to August 28, 2013. In 2012, we repurchased 262,300 shares under this program. In 2013 and 2014, we did not repurchase any shares.

On February 11, 2015, Braskem’s Board of Directors approved the fifth program for the repurchase of shares effective for the period between February 19, 2015 and February 19, 2016, through which the Company may acquire up to 3,500,000 “class A” preferred shares at market price.

In April 20, 2015, we had repurchased 80,000 “class A” preferred shares for an aggregate of R\$0.9 million.

ITEM 16F. CHANGE IN REGISTRANT’S CERTIFYING ACCOUNTANT

Not applicable.

ITEM 16G. CORPORATE GOVERNANCE

On November 4, 2003, the SEC approved the final corporate governance rules established by the NYSE. According to these rules, foreign private issuers that are listed on the NYSE, such as Braskem, are subject to a more limited set of corporate governance requirements than those imposed on U.S. domestic issuers. As a foreign private issuer, Braskem must comply with the following four requirements imposed by the NYSE:

- Braskem must satisfy the audit committee requirements of Rule 10A-3 under the Exchange Act;
- Braskem's chief executive officer must promptly notify the NYSE in writing if any executive officer of Braskem becomes aware of any material non-compliance with any of the applicable NYSE corporate governance rules;

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- Braskem must provide a brief description of any significant ways in which Braskem’s corporate governance practices differ from those required to be followed by U.S. domestic issuers under the NYSE corporate governance rules; and
- Braskem must submit an executed written affirmation annually to the NYSE and an interim written affirmation to the NYSE each time a change occurs to Braskem’s board of directors or any committees of Braskem’s board of directors that are subject to Section 303A, in each case in the form specified by the NYSE.

Significant Differences

The significant differences between Braskem’s corporate governance practices and the NYSE’s corporate governance standards are mainly due to the differences between the U.S. and Brazilian legal systems. Braskem must comply with the corporate governance standards set forth under the Brazilian Corporation Law, the rules of the CVM and the applicable rules of the BM&FBOVESPA, as well as those set forth in Braskem’s by-laws.

The significant differences between Braskem’s corporate governance practices and the NYSE’s corporate governance standards are set forth below.

Independence of Directors and Independence Tests

In general, the NYSE corporate governance standards require listed companies to have a majority of independent directors and set forth the principles by which a listed company can determine whether a director is independent. However, under the NYSE corporate governance standards, a listed company (whether U.S or foreign) of which more than 50% of the voting power is held by another company (a “controlled company”), need not comply with the following NYSE corporate governance standards:

- A controlled company need not have a majority of independent directors;
- A controlled company need not have a nominating/corporate governance committee composed of independent directors with a charter that complies with the NYSE corporate governance rules; and
- A controlled company need not have a compensation committee composed of independent directors with a charter that complies with the NYSE corporate governance rules.

Because a majority of the voting power of Braskem’s capital stock is directly controlled by Odebrecht, Braskem is a controlled company, and would therefore not be required to have a majority of independent directors if it were a U.S. domestic issuer.

Although Brazilian Corporation Law and Braskem’s by-laws establish rules in relation to certain qualification requirements of its directors, neither Brazilian Corporation Law nor Braskem’s by-laws require that Braskem have a majority of independent directors nor require Braskem’s board of directors or management to test the independence of Braskem’s directors before such directors are appointed.

Executive Sessions

The NYSE corporate governance standards require non-management directors of a listed company to meet at regularly scheduled executive sessions without management.

According to the Brazilian Corporation Law, up to 1/3 of the members of Braskem's board of directors can be elected to management positions. The remaining non-management directors are not expressly empowered to serve as a check on Braskem's management, and there is no requirement that those directors meet regularly without management. Notwithstanding the foregoing, Braskem's board of directors consists entirely of non-management directors, and therefore Braskem believes it would be in compliance with this NYSE corporate governance standard.

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The NYSE corporate governance standards require that a listed company have a nomination/corporate governance committee and a compensation committee, each composed entirely of independent directors and each with a written charter that addresses certain duties. However, as a controlled company, Braskem would not be required to comply with these requirements if it were a U.S. domestic company.

Braskem is not required under Brazilian law to have, and accordingly does not have, a nominating/corporate governance committee. Currently, all of Braskem's directors are nominated by certain of its shareholders, including Odebrecht, pursuant to shareholders agreements and Braskem's by-laws.

Braskem is not required under Brazilian law to have a compensation committee. However, Braskem has a personnel and organization committee, which is a subcommittee of its board of directors which is responsible for, among other things, analyzing proposals and making recommendations to Braskem's board of directors with respect to the total compensation paid to Braskem's management, including Braskem's chief executive officer. This committee, however, does not evaluate the performance of the chief executive officer in light of corporate goals and objectives. Under Brazilian Corporation Law, Braskem's shareholders establish the aggregate compensation of its directors and executive officers, including benefits and allowances, at a general shareholder's meeting based on the recommendation of Braskem's board of directors.

Audit Committee and Audit Committee Additional Requirements

The NYSE corporate governance standards require that a listed company have an audit committee with a written charter that addresses certain specified duties and that is composed of at least three members, all of whom satisfy the independence requirements of Rule 10A-3 under the Exchange Act and Section 303A.02 of the NYSE's Listed Company Manual.

As a foreign private issuer that qualifies for the general exemption from the listing standards relating to audit committees set forth in Section 10A-3(c)(3) under the Exchange Act, Braskem is not subject to the independence requirements of the NYSE corporate governance standards. See "Item 16D. Exemptions From the Listing Standards for Audit Committees."

Shareholder Approval of Equity Compensation Plans

The NYSE corporate governance standards require that shareholders of a listed company must be given the opportunity to vote on all equity compensation plans and material revisions thereto, subject to certain exceptions.

Under Brazilian Corporation Law, shareholder pre-approval is required for the adoption and revision of any equity compensation plans. Braskem does not currently have any equity compensation plans.

Corporate Governance Guidelines

The NYSE corporate governance standards require that a listed company must adopt and disclose corporate governance guidelines that address certain minimum specified standards which include: (1) director qualification standards; (2) director responsibilities; (3) director access to management and independent advisors; (4) director

compensation; (5) director orientation and continuing education; (6) management succession; and (7) annual performance evaluation of the board of directors.

Braskem has adopted the BM&FBOVESPA's corporate governance rules for Level 1 companies and must also comply with certain corporate governance standards set forth under Brazilian Corporation Law. See "Item 9. The Offer and Listing—Trading on the BM&FBOVESPA—BM&FBOVESPA Corporate Governance Standards." The Level 1 rules do not require Braskem to adopt and disclose corporate governance guidelines covering the matters set forth in the NYSE's corporate governance standards. However, certain provisions of Brazilian Corporation Law that are applicable to Braskem address certain aspects of director qualifications standards and director responsibilities.

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Code of Business Conduct and Ethics

The NYSE corporate governance standards require that a listed company must adopt and disclose a code of business conduct and ethics for directors, officers and employees and promptly disclose any waivers of the code for directors or officers. Each code of business conduct and ethics should address the following matters: (1) conflicts of interest; (2) corporate opportunities; (3) confidentiality; (4) fair dealing; (5) protection and proper use of company assets; (6) compliance with laws, rules and regulations (including insider trading laws); and (7) encouraging the reporting of any illegal or unethical behavior.

Braskem has adopted a code of business conduct applicable to its directors, officers and employees, which addresses each of the items listed above. Braskem's code of business conduct is available on Braskem's website at www.braskem.com.br. The information included on our website or that might be accessed through our website is not included in this annual report and is not incorporated into this annual report by reference. No waivers of the provisions of the code of business conduct are permitted, except that the restrictions on outside activities do not apply to Braskem's directors and members of its fiscal council.

ITEM 16H. MINE SAFETY DISCLOSURE

The information concerning mine safety violations or other regulatory matters required by Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and this Item is included in exhibit 99.01.

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We have responded to Item 18 in lieu of responding to this item.

ITEM 18. FINANCIAL STATEMENTS

Reference is made to Item 19 for a list of all financial statements filed as part of this annual report.

ITEM 19. EXHIBITS

(a) Financial Statements

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(b) List of Exhibits

Exhibit Number	Exhibit
<u>1.01</u>	<u>By-laws, as amended (English translation).</u>
2.01	Amended and Restated Deposit Agreement, dated as of March 3, 2008, among Braskem S.A., JP Morgan Chase Bank, N.A. and all Owners and holders from time to time of American Depositary Shares issued thereunder (incorporated by reference to Exhibit 1 to Form F-6 of Braskem S.A. filed on August 12, 2013).
2.02	The total amount of long-term debt securities of our company and its subsidiaries under any one instrument does not exceed 10% of the total assets of our company and its subsidiaries on a consolidated basis. We agree to furnish copies of any or all such instruments to the SEC upon request.
3.01	Shareholders' Agreement of BRK Investimentos Petroquímicos S.A. and Braskem S.A., dated as of February 8, 2010, among Odebrecht S.A., Odebrecht Serviços e Participações S.A., Petróleo Brasileiro S.A. – Petrobras, and Petrobras Química S.A. – Petroquisa, and BRK Investimentos Petroquímicos S.A. and Braskem S.A., as intervening parties (English translation) (incorporated by reference to Exhibit 3.01 to Form 20-F of Braskem S.A. filed on June 1, 2010).
3.02	Memorandum of Understanding Regarding Shareholders Agreement, dated July 20, 2001, among Odebrecht Química S.A., Petroquímica da Bahia S.A., PETROS—Fundação Petrobras de Seguridade Social and PREVI—Caixa de Previdência dos Funcionários do Banco do Brasil (English translation) (incorporated by reference to Exhibit 3.05 to Form 20-F of Braskem S.A. filed on June 30, 2003).

- 4.01 Investment Agreement, dated as of January 22, 2010, among Odebrecht S.A., Odebrecht Serviços e Participações S.A., Petróleo Brasileiro S.A. – Petrobras, Petrobras Química S.A. – Petroquisa, Braskem S.A. and UNIPAR – União de Indústrias Petroquímicas S.A. (English translation) (incorporated by reference to Exhibit 4.02 to Form 20-F of Braskem S.A. filed on June 1, 2010).

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4.02	Braskem S.A. Long-Term Incentive Plan (English translation)(incorporated by reference to Exhibit 4.23 to Form 20-F of Braskem S.A. filed on June 23, 2006).
4.03	Amendment and Restatement of Section 7 of Braskem’s Long-Term Incentive Plan, adopted at Extraordinary Shareholder’s Meeting on April 7, 2006 (English translation)(incorporated by reference to Exhibit 4.24 to Form 20-F of Braskem S.A. filed on June 23, 2006).
4.04	Naphtha Purchase Agreement, dated as of December 23, 2015, between Petróleo Brasileiro S.A. - Petrobras and Braskem S.A. (English translation). (*Confidential treatment has been requested for certain portions omitted from this exhibit pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended. Confidential portions of this Exhibit have been separately filed with the Securities and Exchange Commission.)
8.01	List of subsidiaries (incorporated by reference to note 2.1(a) to our audited consolidated financial statements included elsewhere in this annual report).
<u>12.01</u>	<u>Certification of Principal Executive Officer dated May 5, 2016 pursuant to Exchange Act Rules 13a-15(e) and 15d-15(e).</u>
<u>12.02</u>	<u>Certification of Principal Financial Officer dated May 5, 2016 pursuant to Rules 13a-15(e) and 15d-15(e).</u>
<u>13.01</u>	<u>Certifications of Principal Executive Officer and Principal Financial Officer dated May 5, 2016 pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
<u>15.01</u>	<u>Consent letter of Independent Registered Public Accounting Firm</u>
<u>99.01</u>	<u>Disclosure of Mine Safety and Health Administration Safety Data.</u>
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SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

May 5, 2016

BRASKEM S.A.

By /s/ Fernando Musa

Name: Fernando Musa

Title: Chief Executive Officer

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<u>Exhibit Number</u>	<u>Exhibit</u>
<u>1.01</u>	<u>By-laws, as amended (English translation).</u>
<u>4.04</u>	<u>Naphtha Purchase Agreement, dated as of December 23, 2015, between Petróleo Brasileiro S.A. - Petrobras and Braskem S.A. (English translation). (*Confidential treatment has been requested for certain portions omitted from this exhibit pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended. Confidential portions of this Exhibit have been separately filed with the Securities and Exchange Commission.)</u>
<u>12.01</u>	<u>Certification of Principal Executive Officer dated May 5, 2016 pursuant to Exchange Act Rules 13a-15(e) and 15d-15(e).</u>
<u>12.02</u>	<u>Certification of Principal Financial Officer dated May 5, 2016 pursuant to Rules 13a-15(e) and 15d-15(e).</u>
<u>13.01</u>	<u>Certifications of Principal Executive Officer and Principal Financial Officer dated May 5, 2016 pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
<u>15.01</u>	<u>Consent letter of Independent Registered Public Accounting Firm.</u>
<u>99.01</u>	<u>Disclosure of Mine Safety and Health Administration Safety Data.</u>

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PRESENTATION OF FINANCIAL STATEMENTS

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(a) Management's report on internal controls over financial reporting

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of

Braskem S.A.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statement of operations, comprehensive income, of shareholders' equity and of cash flows present fairly, in all material respects, the financial position of Braskem S.A and its subsidiaries at December 31, 2015 and 2014, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2015 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying "Management's Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/PricewaterhouseCoopers

Auditores Independentes

Salvador, Brazil, February 17, 2016

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TABLE OF CONTENTS**Braskem S.A.****Balance sheet at December 31**

**All amounts in thousands of
reais**

Assets	Note	2015	2014
Current assets			
Cash and cash equivalents	5	7,439,723	3,993,359
Financial investments	6	1,172	89,729
Trade accounts receivable	7	2,735,144	2,692,612
Inventories	8	5,517,206	5,368,146
Taxes recoverable	10	1,272,004	2,129,837
Dividends and interest on capital		1,998	
Prepaid expenses		166,170	99,469
Related parties	9	10,507	66,616
Derivatives operations	16.2	53,662	33,555
Other receivables		300,901	287,876
		17,498,487	14,761,199
Non-current assets			
Financial investments	6	46,193	42,494
Trade accounts receivable	7	19,822	25,050
Advances to suppliers	8	135,046	68,988
Taxes recoverable	10	1,304,056	1,045,428
Deferred income tax and social contribution	19	3,226,507	870,206
Judicial deposits		277,093	230,945
Related parties	9	144,633	138,501
Insurance claims		63,199	143,932
Derivatives operations	16.2	12,280	39,350
Other receivables		298,057	91,905
Investments in subsidiaries and jointly-controlled investments	11	82,290	120,024
Other investments		4,064	6,511
Property, plant and equipment	12	33,961,963	29,001,490
Intangible assets	13	2,887,604	2,835,728
		42,462,807	34,660,552
Total assets		59,961,294	49,421,751

The Management notes are an integral part of the financial statements.

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TABLE OF CONTENTS**Braskem S.A.****Balance sheet at December 31**

All amounts in thousands of reais

Continued

Liabilities and shareholders' equity	Note	2015	2014
Current liabilities			
Trade payables		11,698,695	10,852,410
Borrowings	14	1,968,540	1,418,542
Project finance	15	302,266	26,462
Derivatives operations	16.2	57,760	95,626
Payroll and related charges		605,059	533,373
Taxes payable	17	744,660	203,392
Dividends		753,668	215,888
Advances from customers		119,680	99,750
Sundry provisions	20	93,942	88,547
Post-employment benefits	21		336,357
Other payables	22	337,959	212,945
		16,682,229	14,083,292
Non-current liabilities			
Trade payables		57,148	
Borrowings	14	25,370,260	18,918,021
Project finance	15	11,975,167	7,551,033
Derivatives operations	16.2	1,184,741	594,383
Taxes payable	17	26,716	30,699
Ethylene XXI Project Loan	18	1,538,784	792,188
Deferred income tax and social contribution	19	731,241	603,490
Post-employment benefits	21	154,707	69,176
Advances from customers		31,116	88,402
Sundry provisions	20	653,972	505,677
Other payables	22	217,502	291,040
		41,941,354	29,444,109
Shareholders' equity	24		

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Capital	8,043,222	8,043,222
Capital reserve	232,430	232,430
Revenue reserves	2,882,019	736,180
Other comprehensive income	(9,085,256)	(2,924,057)
Treasury shares	(49,819)	(48,892)
Total attributable to the Company's shareholders	2,022,596	6,038,883
Non-controlling interest in Braskem Idesa	(684,885)	(144,533)
	1,337,711	5,894,350
Total liabilities and shareholders' equity	59,961,294	49,421,751

The Management notes are an integral part of the financial statements.

TABLE OF CONTENTS**Braskem S.A.****Statement of operations****Years ended December 31****All amounts in thousands of reais, except earnings per share**

	Note	2015	2014	2013
Net sales revenue	26	47,282,996	46,031,389	40,969,490
Cost of products sold		(36,902,086)	(40,057,341)	(35,820,761)
Gross profit		10,380,910	5,974,048	5,148,729
Income (expenses)				
Selling and distribution		(1,122,012)	(1,155,800)	(1,000,749)
General and administrative		(1,325,342)	(1,210,124)	(1,077,934)
Research and development		(176,431)	(138,441)	(115,812)
Results from equity investments	11(c)	2,219	3,929	(3,223)
Other operating income (expenses), net	28	(707,153)	95,596	(211,090)
Operating profit		7,052,191	3,569,208	2,739,921
Financial results	29			
Financial expenses		(4,193,533)	(2,745,864)	(2,549,111)
Financial income		1,701,027	355,221	773,138
		(2,492,506)	(2,390,643)	(1,775,973)
Profit before income tax and social contribution		4,559,685	1,178,565	963,948
Current and deferred income tax and social contribution	19	(1,660,905)	(452,264)	(456,910)
		(1,660,905)	(452,264)	(456,910)
Profit for the year		2,898,780	726,301	507,038
Attributable to:				
Company's shareholders		3,140,311	864,064	509,697
Non-controlling interest in Braskem Idesa		(241,531)	(137,763)	(2,659)

Profit for the year	2,898,780	726,301	507,038
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The Management notes are an integral part of the financial statements.

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TABLE OF CONTENTS**Braskem S.A.****Statement of comprehensive income****Years ended December 31**

All amounts in thousands of reais

Continued

	Note	2015	2014	2013
Profit for the year		2,898,780	726,301	507,038
Other comprehensive income or loss:				
Items that will be reclassified subsequently to profit or loss				
Fair value of cash flow hedge		(686,991)	(352,700)	(127,520)
Income tax and social contribution		228,415	116,532	40,120
Fair value of cash flow hedge from jointly-controlled		2,295		
		(456,281)	(236,168)	(87,400)
Exchange variation of foreign sales hedge - Parent company	16.3(a.i)	(8,437,079)	(2,119,069)	(2,303,540)
Income tax and social contribution on exchange variation - Parent company		2,868,607	720,483	783,204
Exchange variation of foreign sales hedge - Braskem Idesa	16.3(a.ii)	(1,589,544)	(656,783)	
Income tax on exchange variation - Braskem Idesa		476,518	197,035	
		(6,681,498)	(1,858,334)	(1,520,336)
Foreign subsidiaries currency translation adjustment		644,308	147,453	221,270
Total		(6,493,471)	(1,947,049)	(1,386,466)
Items that will not be reclassified to profit or loss				
Defined benefit plan actuarial (loss) gain		(849)		169
Total		(849)		169
Total comprehensive loss for the year		(3,595,540)	(1,220,748)	(879,259)
Attributable to:				
Company's shareholders		(2,992,686)	(939,099)	(890,241)
Non-controlling interest in Braskem Idesa		(602,854)	(281,649)	10,982
Total comprehensive loss for the year		(3,595,540)	(1,220,748)	(879,259)

	Note	2015	Basic and diluted 2014	2013
Profit per share attributable to the shareholders of the Company at the end of the year (R\$)	25			
Earnings per share - common		3.9474	1.0857	0.6403
Earnings per share - preferred shares class "A"		3.9474	1.0857	0.6403
Earnings per share - preferred shares class "B"		0.6065	0.6062	0.6062

The Management notes are an integral part of the financial statements.

TABLE OF CONTENTS**Braskem S.A.****Statement of changes in equity****All amounts in thousands of reais**

	Capital	Capital reserve	Legal reserve	Retention of profits	Revenue reser Additio divide propo
At December 31, 2012	8,043,222	797,979			
Comprehensive income for the year:					
Profit for the year					
Exchange variation of foreign sales hedge, net of taxes					
Fair value of cash flow hedge, net of taxes					
Foreign currency translation adjustment					
Equity valuation adjustments					
Realization of deemed cost of jointly-controlled investment, net of taxes					
Realization of additional property, plant and equipment price-level restatement, net of taxes					
Actuarial gain with post-employment benefits, net of taxes					
Contributions and distributions to shareholders:					
Absorption of losses		(565,549)			
Capital loss from non-controlling interest in Braskem Idesa					
Loss on interest in subsidiary					
Legal reserve			26,895		
Mandatory minimum dividends					
Additional dividends proposed					354,
Retained earnings				28,412	
		(565,549)	26,895	28,412	354,
At December 31, 2013	8,043,222	232,430	26,895	28,412	354,
Comprehensive income for the year:					
Profit for the year					
Exchange variation of foreign sales hedge, net of taxes					
Fair value of cash flow hedge, net of taxes					

Foreign currency translation adjustment

Equity valuation adjustments

Realization of additional property, plant and equipment price-level
restatement, net of taxes

Realization of deemed cost of jointly-controlled investment, net of taxes

Contributions and distributions to shareholders:

Prescribed dividends

Additional dividends approved by the General Meeting

Legal reserve 44,647

Mandatory minimum dividends

Additional dividends proposed

Retained earnings 44,647 365,709

At December 31, 2014

8,043,222 232,430 71,542 394,121 270,

(354,8

270,

(84,3

The Management notes are an integral part of the financial statements.

TABLE OF CONTENTS**Braskem S.A.****Statement of changes in equity****All amounts in thousands of reais****Continued**

	Note	Capital	Legal reserve	Retained earnings
At December 31, 2014		8,043,222	232,430	71,000
Comprehensive income for the year:				
Profit for the year				
Exchange variation of foreign sales hedge, net of taxes				
Fair value of cash flow hedge, net of taxes				
Foreign currency translation adjustment				
Equity valuation adjustments				
Realization of additional property, plant and equipment price-level restatement, net of taxes				
Realization of deemed cost of jointly-controlled investment, net of taxes				
Actuarial loss with post-employment benefits, net of taxes				
Contributions and distributions to shareholders:				
Capital increase				
Repurchase of treasury shares	24(b)			
Prescribed dividends				
Additional dividends approved by the General Meeting				
Legal reserve	24(f.1)			158,000
Proposed dividends	24(f.1)			
Retained earnings	24(f.1)			158,000
At December 31, 2015		8,043,222	232,430	229,000

The Management notes are an integral part of the financial statements.

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TABLE OF CONTENTS**Braskem S.A.****Statement of cash flows****Years ended December 31****All amounts in thousands of reais**

	Note	2015	2014	2013
Profit before income tax and social contribution		4,559,685	1,178,565	963,948
Adjustments for reconciliation of profit				
Depreciation, amortization and depletion		2,114,929	2,056,362	2,056,088
Results from equity investments	11(c)	(2,219)	(3,929)	3,223
Interest and monetary and exchange variations, net		3,249,558	1,560,734	979,242
Gain from divestment in subsidiary	28		(277,338)	
Other		130,758	9,805	9,175
		10,052,711	4,524,199	4,011,676
Changes in operating working capital				
Held-for-trading financial investments		118,929	(19,057)	97,693
Trade accounts receivable		(38,586)	144,087	(492,851)
Inventories		(161,419)	(270,351)	(927,435)
Taxes recoverable		831,507	486,082	(448,378)
Prepaid expenses		(66,701)	(36,472)	(8,915)
Other receivables		(132,865)	27,832	(27,019)
Trade payables		(2,205,683)	(419,476)	742,649
Taxes payable		221,371	(539,262)	(127,443)
Advances from customers		(37,356)	(261,886)	6,344
Sundry provisions		153,690	38,674	139,858
Other payables		708,267	677,071	307,603
Cash from operations		9,443,865	4,351,441	3,273,782
Interest paid		(1,034,811)	(356,333)	(710,297)
Project finance - transactions costs paid		(51,355)	(65,098)	(50,866)
Income tax and social contribution paid		(232,302)	(138,144)	(54,828)
Net cash generated by operating activities		8,125,397	3,791,866	2,457,791

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Proceeds from the sale of fixed assets		1,282	10,646	2,576
Proceeds from the sale of investments	1(a)		315,000	689,868
Cash effect of discontinued operations				9,985
Acquisitions of investments in subsidiaries and associates			(55)	(86)
Acquisitions to property, plant and equipment	(i) 12(a)	(4,057,123)	(5,301,778)	(5,656,440)
Acquisitions of intangible assets	13	(20,106)	(30,269)	(25,748)
Held-for-maturity financial investments		2,441	29,380	25,645
Net cash used in investing activities		(4,073,506)	(4,977,076)	(4,954,200)
Short-term and long-term debt				
Obtained borrowings		5,481,546	6,174,678	6,317,022
Payments of borrowings		(6,087,217)	(6,692,638)	(7,300,718)
Project finance	15			
Obtained funds		1,501,939	1,894,507	4,562,343
Payments		(510,715)		
Non-controlling interests in Braskem Idesa				35,628
Dividends paid		(482,117)	(482,147)	(35)
Repurchase of treasury shares		(927)		
Net cash provided by (used in) financing activities		(97,491)	894,400	3,614,240
Exchange variation on cash of foreign subsidiaries		(508,036)	(51,690)	(69,594)
Increase (decrease) in cash and cash equivalents		3,446,364	(342,500)	1,048,237
Represented by				
Cash and cash equivalents at the beginning for the year		3,993,359	4,335,859	3,287,622
Cash and cash equivalents at the end for the year		7,439,723	3,993,359	4,335,859
Increase (decrease) in cash and cash equivalents		3,446,364	(342,500)	1,048,237

(i) Includes capitalized financial charges paid: 2015 - R\$786,063 (2014 - R\$623,162 and 2013 - R\$362,528).

The Management notes are an integral part of the financial statements.

Braskem S.A.**Notes to the financial statements****at December 31, 2015****All amounts in thousands, except as otherwise stated****1 Operations**

Braskem S.A. together with its subsidiaries (hereinafter “Braskem or “Company”) is a public company headquartered in the city of Camaçari, Bahia (“BA”), which jointly with its subsidiaries, operates 36 industrial units, 29 of which in the Brazilian states of Alagoas (“AL”), Bahia (“BA”), Rio de Janeiro (“RJ”), Rio Grande do Sul (“RS”) and São Paulo (“SP”), five are located in the United States, in the states of Pennsylvania, Texas and West Virginia and two are located in Germany, in the cities of Wesseling and Schkopau. These units produce thermoplastic resins – polyethylene (“PE”), polypropylene (“PP”) and polyvinyl chloride (“PVC”), as well as basic petrochemicals.

Braskem is also engaged in the import and export of chemicals, petrochemicals and fuels, the production, supply and sale of utilities such as steam, water, compressed air, industrial gases, as well as the provision of industrial services and the production, supply and sale of electric energy for its own use and use by other companies. Braskem also invests in other companies, either as a partner or as shareholder.

The Company is controlled by Odebrecht S.A. (“Odebrecht”), which directly and indirectly holds interests of 50.11% and 38.32% in its voting and total capital, respectively.

(a) Significant corporate and operating events impacting these financial statements

On December 31, 2013, the Company entered into a share sales agreement with Odebrecht Ambiental (“OA”), through which it sold its interest in the subsidiary Distribuidora de Águas Triunfo S.A. (“DAT”) for R\$315,000. On February 3, 2014, the Extraordinary Shareholders’ Meeting of DAT approved the change in its management and consequently the transfer of the management of its operations to OA, upon the recognition of a gain (“Other operating income (expenses), net”) of R\$277,338.

(b) Naphtha agreement with Petrobras

On December 23, 2015, Braskem and Petrobras entered into a new agreement for the annual supply of 7 million tons of petrochemical naphtha for five years as of December 23, 2015 (Note 9).

2 Summary of significant accounting policies

The principal accounting policies applied consistently in the preparation of these financial statements are described in the notes of the items on which they have impacts.

2.1 Basis of preparation and presentation of the financial statements

The financial statements have been prepared under the historical cost convention and were adjusted, when necessary, to reflect the fair value of assets and liabilities.

The preparation of financial statements requires the use of certain estimates. It also requires Management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

The issue of these financial statements was authorized by the Executive Director on February 16, 2016.

TABLE OF CONTENTS**Braskem S.A.****Notes to the financial statements****at December 31, 2015****All amounts in thousands, except as otherwise stated****2.1.1 Consolidated financial statements**

The consolidated financial statements were prepared and presented in accordance with the International Financial Reporting Standards “IFRS” issued by the International Accounting Standards Board “IASB”.

All the financial statements’ relevant information are properly supported and correspond to the information used by Management in the Company’s management.

(a) Consolidation

The consolidated financial statements comprise the financial statements of the Braskem S.A. and the following entities:

		Total and voting interest - %		
	Headquarters	2015	2014	2013
Direct and Indirect subsidiaries				
Alclor Química de Alagoas Ltda ("Alclor")	Brazil	100.00	100.00	100.00
Braskem America Finance Company ("Braskem America Finance")	USA	100.00	100.00	100.00
Braskem America, Inc. (“Braskem America”)	USA	100.00	100.00	100.00
Braskem Argentina S.A. (“Braskem Argentina”)	Argentina	100.00	100.00	100.00

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Braskem International GmbH ("Braskem Austria")		Austria	100.00	100.00	100.00
Braskem Austria Finance GmbH ("Braskem Austria Finance")		Austria	100.00	100.00	100.00
Braskem Chile Ltda. ("Braskem Chile")	(i)	Chile			100.00
Braskem Europe GmbH ("Braskem Alemanha")		Germany	100.00	100.00	100.00
Braskem Finance Limited ("Braskem Finance")		Cayman Islands	100.00	100.00	100.00
Braskem Idesa		Mexico	75.00	75.00	75.00
Braskem Idesa Servicios S.A. de CV ("Braskem Idesa Serviços")		Mexico	75.00	75.00	75.00
Braskem Importação e Exportação Ltda. ("Braskem Importação")	(ii)	Brazil		100.00	100.00
Braskem Incorporated Limited ("Braskem Inc")		Cayman Islands	100.00	100.00	100.00
Braskem Mexico Proyectos S.A. de C.V. SOFOM ("Braskem México Sofom")		Mexico	100.00		
Braskem Mexico, S. de RL de CV ("Braskem México")		Mexico	100.00	100.00	100.00
Braskem Mexico Servicios S. RL de CV ("Braskem México Serviços")		Mexico	100.00	100.00	100.00
Braskem Holanda		Netherlands	100.00	100.00	100.00
Braskem Netherlands Finance B.V. ("Braskem Holanda Finance")		Netherlands	100.00		
Braskem Netherlands Inc. B.V. ("Braskem Holanda Inc")		Netherlands	100.00		
Braskem Participações S.A. ("Braskem Participações")	(ii)	Brazil		100.00	100.00
Braskem Petroquímica Chile Ltda. ("Petroquímica Chile")		Chile	100.00	100.00	100.00
Braskem Petroquímica Ibérica, S.L. ("Braskem Espanha")	(iii)	Spain		100.00	100.00
Braskem Petroquímica Ltda. ("Braskem Petroquímica")		Brazil	100.00	100.00	100.00
Braskem Qpar S.A. ("Braskem Qpar")	(i)	Brazil			100.00
Quantiq Distribuidora Ltda. ("Quantiq")		Brazil	100.00	100.00	100.00
IQAG Armazéns Gerais Ltda. ("IQAG")		Brazil	100.00	100.00	100.00
Lantana Trading Co. Inc. ("Lantana")		Bahamas	100.00	100.00	100.00
Norfolk Trading S.A. ("Norfolk")	(iv)	Uruguay		100.00	100.00
Politeno Empreendimentos Ltda. ("Politeno Empreendimentos")	(ii)	Brazil		100.00	100.00
Specific Purpose Entity ("SPE")					
Fundo de Investimento Multimercado Crédito Privado Sol ("FIM Sol")		Brazil	100.00	100.00	100.00
Fundo de Investimento Caixa Júpiter Multimercado					
Crédito Privado Longo Prazo ("FIM Júpiter")		Brazil	100.00	100.00	100.00

- (i) Merged in December 2014.
- (ii) Merged in February 2015.
- (iii) Dissolved in September 2015.
- (iv) Dissolved in March 2015.

TABLE OF CONTENTS**Braskem S.A.****Notes to the financial statements****at December 31, 2015****All amounts in thousands, except as otherwise stated****2.2 Foreign currency translation****(a) Functional and presentation currency**

The functional and presentation currency of the Company is the real.

(b) Functional currency other than the Brazilian real

Some subsidiaries have a different functional currency from that of the Braskem S.A., as follows:

	Functional currency
Subsidiaries	
Braskem Alemanha, Braskem Austria e Braskem Austria Finance	Euro
Braskem America, Braskem America Finance, Braskem Holanda Finance, Braskem Holanda Inc e Braskem México Sofom	U.S.dollar
Braskem Holanda	(i) U.S.dollar
Braskem Idesa , Braskem Idesa Serviços, Braskem México e Braskem México Serviços	(ii) Mexican peso

(i) Two events determined the change of the functional currency of the subsidiary Braskem Holanda from Brazilian real to U.S. dollar as of 2015. The first was the definition of Braskem Holanda as the party responsible for the purchase and sale of naphtha and basic petrochemicals produced by Braskem in the export markets, which is fully made in U.S. dollar, with its own administrative and commercial structure. The second event was the creation of two wholly-owned subsidiaries of Braskem Holanda to raise funds in the international financial market and transfer these

funds to the Braskem S.A. and its subsidiaries in Brazil and abroad. These financial transactions are conducted in U.S. dollar. Thus, Management decided to change prospectively the functional currency of Braskem Holanda as of January 1, 2015. Assets, liabilities, capital and other items comprising the shareholders' equity of Braskem Holanda whose functional currency was the Brazilian real on December 31, 2014 were converted into U.S. dollar at a fixed exchange rate of US\$1 to R\$2.6562 on December 31, 2014.

(ii) Braskem Idesa will go operational in 2016. Due to the impact of this operation on the local market, the Management will evaluate during this first year of operation if the Mexican peso should, in fact, continue to be the functional currency of this subsidiary.

The other subsidiaries adopt the Brazilian real as functional currency.

(c) **Exchange variation effects**

The main effects from exchange variation that impacted these financial statements are shown below:

	End of period rate at December 31			Average rate			
	2015	2014	Variation	2015	2014	2013	Variation
U.S. dollar - Brazilian real	3.9048	2.6562	47.01%	3.3387	2.3547	2.1605	41.79%
U.S. dollar - Mexican peso	17.3700	14.7180	18.02%	15.8846	13.3113	12.7692	19.33%
U.S. dollar - Euro	0.9187	0.8231	11.61%	0.9019	0.7545	0.7532	19.55%

2.3 New or revised pronouncements that are not yet effective

IFRS 9 – “Financial instruments” – this pronouncement was issued by IASB in July 2014 to address the classification and measurement, impairment and hedge accounting, all in a single document. The main amendment refers to the change in the calculation and disclosure methodology of the allowance for doubtful accounts due to the adoption of the concept of provision for expected loss instead of incurred loss. In addition, the Company will evaluate if its receivables have a significant financial component and therefore define whether the simplified or general method to calculate the provision will be adopted. This standard should be adopted as from 2018.

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IFRS 15 – “Revenue from contracts with customers” – this pronouncement was issued by IASB in May 2014 and addresses the recognition of revenue from contracts with customers. The Company assessed its contracts and, considering the changes to the standard, concluded that it is not expected to materially impact its financial statements. This standard will be adopted as from January 2018.

IFRS 16 – “Leases” – the new standard requires lessees to recognize the liability of the future payments and the right of use of the leased asset for virtually all lease contracts, including operating leases. This standard will be adopted as from January 2019. Management is yet to assess IFRS 16’s full impact.

3 Application of critical estimates and judgments

Critical estimates and judgments are those that require the most difficult, subjective or complex judgments by management, usually as a result of the need to make estimates that affect issues that are inherently uncertain. Estimates and judgments are continually reassessed and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results can differ from planned results due to differences in the variables, assumptions or conditions used in making estimates.

The Company makes a series of other estimates that are presented in the respective notes, such as allowance for doubtful accounts, fair-value adjustment of inventories and provision for repairing environmental damage.

In order to provide an understanding of the way the Company forms its judgments on future events, the variables and assumptions used in critical estimates are presented below:

3.1 Deferred income tax and social contribution

The recognition and the amount of deferred taxes assets depend on the generation of future taxable income, which requires the use of an estimate related to the Company's future performance. These estimates are included in the business plan, which is annually submitted to the Board of Directors for approval. This plan is prepared by the Executive Board using as main variables the price of the products manufactured by the Company, price of inputs, gross domestic product, exchange variation, interest rate, inflation rate and fluctuations in the supply and demand of inputs and finished products. These variables are obtained from expert external consultants, historical performance of the Company and its capacity to generate taxable income, internal programs focused on operational efficiency, and specific incentives from the Brazilian government for the petrochemical sector in Brazil.

3.2 Fair value of derivative and non-derivative financial instruments

The Company evaluates the derivative financial instruments at their fair value and the main sources of information are the stock exchanges, commodities and futures markets, disclosures of the Central Bank of Brazil and quotation services like Bloomberg and Reuters. Nevertheless, the high volatility of the foreign exchange and interest rate markets in Brazil has been causing significant changes in future rates and interest rates over short periods of time, leading to significant changes in the market value of swaps and other financial instruments.

The fair values of non-derivative, quoted financial instruments are based on current bid prices. If the market for a financial asset and for unlisted securities is not active, the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models that make maximum use of market inputs and rely as little as possible on information provided by the Company's Management.

TABLE OF CONTENTS**Braskem S.A.****Notes to the financial statements****at December 31, 2015****All amounts in thousands, except as otherwise stated****3.3 Useful life of assets**

The Company recognizes the depreciation and depletion of its long-lived assets based on their useful life estimated by independent appraisers and approved by the Company's technicians taking into consideration the experience of these professionals in the management of Braskem's plants. The useful lives initially established by independent appraisers are normally reviewed at the end of every year by the Company's technicians in order to check whether they need to be changed. This review may take place during the year in case of possible non-recurring events.

The main factors that are taken into consideration in the definition of the useful life of the assets that compose the Company's industrial plants are the information of manufacturers of machinery and equipment, level of the plants' operations, quality of preventive and corrective maintenance and the prospects of technological obsolescence of assets.

The Company's management also decided that (i) depreciation should cover all assets value because when the equipment and installations are no longer operational, they are sold by amounts that are immaterial; and (ii) land is not depreciated because it has an indefinite useful life.

The useful lives applied to the assets determined the following average depreciation and depletion rates:

	2015	2014
		(%)
Buildings and improvements	3.42	3.38
Machinery, equipment and installations	8.42	7.29
Mines and wells	8.89	8.83
Furniture and fixtures	10.48	10.82
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IT equipment	20.55	20.15
Lab equipment	9.80	9.59
Security equipment	9.91	9.79
Vehicles	19.09	19.91
Other	18.98	18.19

3.4 Impairment test and analysis

(a) Tangible and intangible assets with defined useful lives

On the reporting date of each of its financial statements, the Company conducts an analysis to determine the existence of any indication that the book balance of long-lived tangible assets and intangible assets with defined useful lives may not be recoverable. This analysis is conducted to assess the existence of scenarios that could adversely affect its cash flow and, consequently, its ability to recover the investment in such assets. These scenarios arise from issues of a macroeconomic, legal, competitive or technological nature.

Some significant and notable aspects considered by the Company in this analysis include: (i) the possibility of an oversupply of products manufactured by the Company or of a significant reduction in demand due to adverse economic factors; (ii) the prospects of material fluctuations in the prices of products and inputs; (iii) the likelihood of the development of new technologies or raw materials that could materially reduce production costs and consequently impact sales prices, ultimately leading to the obsolescence of the industrial facilities of the Company; and (iv) changes in the general regulatory environment that make the production process of Braskem infeasible or that significantly impact the sale of its products. For this analysis, the Company maintains an in-house team with a more strategic vision of the business and also remains in permanent contact with a team of external consultants. If the aforementioned variables indicate any material risk to cash flows, the Management of Braskem conducts impairment tests in accordance with Note 3.4(b).

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The assets are allocated to the Cash Generating Units (“CGU”) as follows:

Basic Petrochemicals operating segment:

- CGU UNIB Bahia: represented by assets of the basic petrochemicals plants located in the state of BA;
- CGU UNIB South: represented by assets of the basic petrochemicals plants located in the state of RS;
- CGU UNIB Southeast: represented by assets of the basic petrochemicals plants located in the states of RJ and SP;

Polyolefins operating segment:

- CGU Polyethylene: represented by assets of the PE plants located in Brazil;
- CGU Polypropylene: represented by assets of the PP plants located in Brazil;
- CGU Renewables: represented by the assets of the Green PE plant located in Brazil;

Vinyls operating segment:

- CGU Vinyls: represented by assets of PVC plants and chloride soda located in Brazil;

International businesses operating segment:

- CGU Polypropylene USA: represented by assets of PP plants located in the United States;
- CGU Polypropylene Europe: represented by assets of PP plants located in Germany;

Chemical Distribution operating segment:

- Represented by assets of the subsidiaries Quantiq and IQAG.

In 2016, the Company will report a new operating segment from the beginning of the industrial operations of the subsidiary Braskem Idesa.

(b) Intangible assets with indefinite useful lives

The balances of goodwill from future profitability arising from business combinations and intangible assets with indefinite useful lives are tested for impairment once a year. These tests are based on the projected cash generation for a five-year period, which are extracted from the business plan of the Company and cited in Note 3.1. In addition to the projected cash flow for the period from 2016 to 2020, perpetuity is also calculated based on the long-term vision. Note that real growth is not considered for the calculation of perpetuity. Cash flows and perpetuity are adjusted to present value at a discount rate based on the Weighted Average Cost of Capital (“WACC”).

The goodwill allocated to the Polyolefins operating segment (Note 13 (a)) was generated in a business combination that resulted in the simultaneous acquisition of polypropylene and polyethylene plants. The main raw materials of these plants were already supplied by the Company, which allowed for the obtainment of significant synergies in the operation. These synergies were one of the main drivers of that acquisition. Accordingly, the Company’s management tested this goodwill for impairment in the ambit of their operating segment since the benefits of the synergies are associated with all units acquired.

The remaining existing goodwill is allocated to the UNIB South CGU and to the Vinyls operating segment (Note 13(a)).

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3.5 Provisions and contingent liabilities

Existing contingent liabilities and provisions are mainly related to litigation in the judicial and administrative spheres arising from primarily labor, pension, civil and tax lawsuits and administrative procedures.

The Management of Braskem, based on the opinion of its external legal advisors, classifies these proceedings in terms of probability of loss as follows:

Probable loss – these are proceedings for which there is a higher probability of loss than of a favorable outcome, i.e., the probability of loss exceeds 50%. For these proceedings, the Company recognizes a provision that is determined as follows:

- (i) labor claims – the amount of the provision corresponds to the amount to be disbursed as estimated by the Company's legal counsels;

- (ii) tax claims - the amount of the provision corresponds to the value of the matter plus charges corresponding to the variation in the Selic rate; and

- (iii) other claims – the amount of the provision corresponds to the value of the matter.

Possible loss – these are proceedings for which the possibility of loss is greater than remote. The loss may occur, however, the elements available are not sufficient or clear to allow for a conclusion on whether the trend is for a loss or a gain. In percentage terms, the probability of loss is between 25% and 50%. For these claims, except for the cases of business combinations, the Company does not recognize a provision and mentions the most significant ones in a note to the financial statements (Note 23). In business combination transactions, in accordance with the provision in IFRS 3, the Company records the fair value of the claims based on the assessment of loss (Note 20). The amount of the provision corresponds to the value of the matter, plus charges corresponding to the variation in the Selic rate, multiplied by the probability of loss, as determined by our external counsels.

The Company's management believes that the estimates related to the outcome of the proceedings and the possibility of future disbursement may change in view of the following: (i) higher courts may decide in a similar case involving another company, adopting a final interpretation of the matter and, consequently, advancing the termination of the of a proceeding involving the Company, without any disbursement or without implying the need of any financial settlement of the proceeding; and (ii) programs encouraging the payment of the debts implemented in Brazil at the Federal and State levels, in favorable conditions that may lead to a disbursement that is lower than the one that is recognized in the provision or lower than the value of the matter.

3.6 Hedge accounting

The Company designated liabilities in foreign currency to hedge the future cash flows generated by its exports. This decision was based on two important assumptions and judgments: (i) the performance of exports according to its business plan (Note 3.1), which are inherent to the market and business where it operates, and (ii) the ability of the Company to refinance its liabilities in U.S. dollar, since the priority financing in U.S. dollar is part of the Company's guidelines and strategy. In addition to the ability to refinance its U.S. dollar liabilities, the maintenance of a minimum level of net liabilities in U.S. dollar is envisaged in the Financial Policy of the Company.

Braskem Idesa designated all of the financing it obtained for the construction of its industrial plant to protect part of its sales to be made in the same currency as said financing, the U.S. dollar. The sales estimate is included in the project that was presented to the banks/lenders, which, due to the consistency of the projection, granted Braskem Idesa a financing line to be paid exclusively using the cash generated by these sales. All the commercial considerations of the project were based on market studies conducted by expert consulting firms during the feasibility-analysis phase.

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All hedge transactions conducted by the Company are in compliance with the accounting procedures and practices adopted by Braskem, and effectiveness tests are conducted for each transaction every quarter, which prove the effectiveness of its hedge strategy.

The Company determined that hedged items will be characterized by the first sales in U.S. dollars in each quarter until the amount designated for each period is reached (Note 16). The liabilities designated for hedge will be aligned with the hedging maturity schedule and the Company's financial strategy.

4 Risk management

Braskem is exposed to market risks arising from variations in commodity prices, foreign exchange rates and interest rates, credit risks of its counterparties in cash equivalents, financial investments and trade accounts receivable, and liquidity risks to meet its obligations from financial liabilities.

Braskem adopts procedures for managing market and credit risks that are in conformity with its Financial Policy approved by the Board of Directors on August 9, 2010. The purpose of risk management is to protect the cash flows of Braskem and reduce the threats to the financing of its operating working capital and investment programs.

4.1 Market risks

Braskem prepares a sensitivity analysis for foreign exchange rate and interest rate risks to which it is exposed, which is presented in Note 16.5.

(a) Exposure to commodity risks

Braskem is exposed to the variation in the prices of various commodities (naphtha, PE, PP, PVC and etc.) and, in general, seeks to transfer the variations caused by fluctuations in market prices.

(b) Exposure to foreign exchange risk

Braskem has commercial operations denominated in or pegged to foreign currencies. Braskem's inputs and products have prices denominated in or strongly influenced by international prices of commodities, which are usually denominated in U.S. dollar. Additionally, Braskem has long-term loans in foreign currencies that expose it to variations in the foreign exchange rate between the functional currency (Brazilian real, Mexican peso and Euro) and the foreign currency, in particular the U.S. dollar. Braskem manages its exposure to foreign exchange risk through the combination of debt, financial investments, accounts receivable and raw material purchases denominated in foreign currencies and through derivative operations. Braskem's Financial Policy for managing foreign exchange risks provides for the maximum and minimum coverage limits that must be observed and which are continuously monitored by its Management.

On December 31, 2015, Braskem prepared a sensitivity analysis for its exposure to the risks of fluctuation in the U.S. dollar, as informed in Note 16.5.

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(c) Exposure to interest rate risk

Braskem is exposed to the risk that a variation in floating interest rates causes an increase in its financial expense due to payments of future interest. Debt denominated in foreign currency subject to floating rates is mainly subject to fluctuations in Libor. Debt denominated in local currency is mainly subject to the variation in the Long-Term Interest Rate (“TJLP”) and in the Interbank Certificate of Deposit (“daily CDI”) rate.

In 2014 and 2015, Braskem held swap contracts (Note 16.2.1) in which it: receives the pre-contractual rate and pays the CDI overnight rate; and (b.ii.i) receives Libor and pays a fixed rate.

On December 31, 2015, Braskem prepared a sensitivity analysis for the exposure to the floating interest rates Libor, CDI and TJLP, as disclosed in Notes 16.5(b.1) and (b.2).

4.2 Exposure to credit risk

The transactions that subject Braskem to the concentration of credit risks are mainly in current accounts with banks, financial investments and trade accounts receivable in which Braskem is exposed to the risk of the financial institution or customer involved. In order to manage this risk, Braskem maintains bank current accounts and financial investments with major financial institutions, weighting concentrations in accordance with the credit rating and the daily prices observed in the Credit Default Swap market for the institutions, as well as netting contracts that minimize the total credit risk arising from the many financial transactions entered into by the parties.

On December 31, 2015, Braskem held netting contracts with Banco Citibank S.A., HSBC Bank Brasil S.A. – Banco Múltiplo, Banco Itaú BBA S.A., Banco Safra S.A., Banco Santander S.A., Banco Votorantim S.A., Banco West LB do Brasil S.A., Banco Caixa Geral – Brasil S.A., and Banco Bradesco S.A. Approximately 34% of the amounts held in “Cash and cash equivalents” (Note 5) are contemplated by these agreements, whose related liabilities are accounted for under “Borrowings” (Note 14). The effective netting of these amounts is possible only in the event of default by one of the parties.

With respect to the credit risk of customers, Braskem protects itself by performing a rigorous analysis before granting credit and obtaining secured and unsecured guarantees when considered necessary.

The maximum exposure to credit risk of non-derivative financial instruments on the reporting date is the sum of their carrying amounts less any provisions for impairment losses. On December 31, 2015, the balance of trade accounts receivable was net of allowance for doubtful accounts (Note 7).

4.3 Liquidity risk

Braskem has a calculation methodology to determine operating cash and minimum cash for the purpose of, respectively: (i) ensuring the liquidity needed to comply with obligations of the following month; and (ii) ensuring that the Company maintains liquidity during potential crises. These amounts are calculated mainly based on the projected operating cash generation, less short-term debts and working capital needs.

Braskem has two revolving credit lines for the purpose of managing liquidity risks, which may be used without restrictions in the amounts of: (i) US\$750 million, up to December 2019; and (ii) US\$500 million up to September 2019. These credit facilities enable Braskem to reduce the amount of cash it holds. As of December 31, 2015, none of these credit lines had been used.

The table below shows Braskem’s financial liabilities by maturity. These amounts are calculated from undiscounted cash flows and may not be reconciled with the balance sheet.

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	Until one year	Between one and three years	Between three and five years	Maturity More than five years	Total
Trade payables	11,900,747	57,148			11,957,895
Borrowings	2,073,046	5,205,794	8,169,825	28,311,338	43,760,003
Project finance	335,321	1,720,628	2,291,048	11,963,813	16,310,810
Derivatives	57,760	(6,497)	1,191,238		1,242,501
Ethylene XXI Project Loan				1,538,784	1,538,784
Other payables	(i) 112,533	160,761			273,294
At December 31, 2015	14,479,407	7,137,834	11,652,111	41,813,935	75,083,287

(i) Amounts payable to BNDES Participações S.A. (“BNDESPAR”) (Note 22).

4.4 Capital management

The ideal capital structure, according to Braskem’s Management, considers the balance between own capital and the sum of all payables less the amount of cash and cash equivalents and financial investments. This composition meets the Company’s objectives of perpetuity and of offering an adequate return to shareholders and other stakeholders. This structure also permits borrowing costs to remain at adequate levels to maximize shareholder remuneration.

Due to the impact of the U.S. dollar on the Company’s operations, the Management of Braskem believes that the own capital used for capital management purposes should be measured in this currency and on a historical basis. Moreover, the Company may temporarily maintain a capital structure that is different from this ideal. This occurs, for example, during periods of growth, when the Company may finance a large portion of its projects through borrowings, provided that this option maximizes return for shareholders once the financed projects start operating. In order to adjust and

maintain the capital structure, the Management of Braskem may also consider the sale of non-strategic assets, the issue of new shares or even adjustments to dividend payments.

5 Cash and cash equivalents

		2015	2014
Cash and banks	(i)	873,966	227,237
Cash equivalents:			
Domestic market		2,428,995	2,253,648
Foreign market	(i)	4,136,762	1,512,474
Total		7,439,723	3,993,359

(i) On December 31, 2015, it includes cash and banks of R\$96,830 (R\$26,830 in 2014) and cash equivalents of R\$37,809 (R\$307,034 in 2014) of the subsidiary Braskem Idesa, available for use in its project (Note 11(d.i)).

This item includes cash, bank deposits and highly liquid financial investments available for redemption within three months. These assets are convertible into a known cash amount and are subject to insignificant risk of change in value.

Cash equivalents in Brazil are mainly represented by fixed-income instruments and time deposits held by the FIM Jupiter fund. Cash equivalents abroad mainly comprise fixed-income instruments issued by first-class financial institutions (time deposit) with high market liquidity.

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		2015	2014
Held-for-trading			
	Investments in FIM Sol		85,573
	Other	1,172	4,155
Held-to-maturity			
	Quotas of investment funds in credit rights	46,193	42,495
	Investments in foreign currency	(i)	399,005
	Compensation of investments in foreign currency	(i)	(399,005)
Total		47,365	132,223
In current assets		1,172	89,729
In non-current assets		46,193	42,494
Total		47,365	132,223

(i) Braskem Holanda had a balance of financial investments that was offset by an export prepayment agreement of the Braskem S.A., in the amount of US\$150,000, as provided for in the credit assignment agreement entered into between these two companies and Banco Bradesco. These operations were settled in May 2015.

7 Trade accounts receivable

The Company's collection period is generally 30 days; therefore, the amount of the trade accounts receivable corresponds to their fair value on the date of the sale. The Company realizes part of its trade accounts receivable through the sale of trade notes to funds that acquire receivables. These operations are not entitled to recourse, for which reason the trade notes are written-off at the moment of the operation.

	2015	2014
Consumers		
Domestic market	1,439,133	1,523,458
Foreign market	1,643,807	1,517,035
Allowance for doubtful accounts	(327,974)	(322,831)
Total	2,754,966	2,717,662
In current assets	2,735,144	2,692,612
In non-current assets	19,822	25,050
Total	2,754,966	2,717,662

The breakdown of trade accounts receivable by maturity is as follows:

	2015	2014
Accounts receivables not past due	2,466,098	2,256,932
Past due securities:		
Up to 90 days	309,585	531,966
91 to 180 days	52,757	45,271
As of 180 days	254,500	206,324
	3,082,940	3,040,493
Allowance for doubtful accounts	(327,974)	(322,831)
Total customers portfolio	2,754,966	2,717,662

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The changes in the balance of the allowance for doubtful accounts are presented below:

	2015	2014	2013
Balance of provision at the beginning of the year	(322,831)	(282,753)	(256,884)
Provision in the year	(51,368)	(81,078)	(27,333)
Write-offs	46,225	41,000	23,250
Transfers of non-current assets held for sale			(21,786)
Balance of provision at the end of the year	(327,974)	(322,831)	(282,753)

The methodology adopted by the Company for recognizing the provision for impairment is based on the history of losses and considers the sum of (i) 100% of the amount of receivables past due for over 180 days; (ii) 50% of the amount of receivables past due for over 90 days; (iii) 100% of the amount of receivables under judicial collection (iv) all the receivables from the first renegotiation maturing within more than 24 months; and (v) 100% of the receivables arising from a second renegotiation with customers. Receivables from subsidiaries are not considered in this calculation. This methodology is revised on an annual basis by the Management of the Company.

8 Inventories

	2015	2014
Finished goods	3,928,446	3,681,204
Raw materials, production inputs and packaging	1,008,217	1,067,512
Maintenance materials	289,568	247,327
Advances to suppliers	315,234	346,885
Imports in transit and other	110,787	94,206
Total	5,652,252	5,437,134

In current assets	5,517,206	5,368,146
In non-current assets	135,046	68,988
Total	5,652,252	5,437,134

Inventories are stated at average cost of purchase or production or the estimated price of sale or acquisition, excluding taxes, whichever is lower (market value).

The value of finished products includes raw materials, ancillary and maintenance materials used, depreciation of industrial facilities, expenses with Company's and third-party personnel involved in industrial production and maintenance, and logistics expenses with the transfer of these products from the plants to the sale terminals.

A portion of the final inventory of finished products and raw materials was adjusted to fair value, since its value was lower than the cost of production/acquisition. This adjustment totaled R\$2,875 (R\$83,265 in 2014). For this estimate, the Company considers the purchase/sale price projected for the period during which it expects to sell or consume the product. This period is determined based on the historical data for the turnover of the respective inventory.

Advances to suppliers and expenditures with imports in transit are mainly related to operations for the acquisition of raw materials.

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9 Related parties

The Company carries out transactions among themselves and with other related parties in the ordinary course of its operations and activities. The Company believes that all the conditions set forth in the contracts with related parties meet the Company's interests. To ensure that these contracts present terms and conditions that are as favorable to the Company as those it would enter into with any other third parties is a permanent objective of Braskem's management.

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TABLE OF CONTENTS**Braskem S.A.****Notes to the financial statements****at December 31, 2015****All amounts in thousands, except as otherwise stated****Balance sheet for associated companies, jointly-controlled
2015**

Balance sheet	Odebrecht and subsidiaries	Petrobras and subsidiaries	Other	Total	Odebrecht and subsidiaries
Assets					
Current					
Trade accounts receivable	12,851	141,550	33,997	188,398	4,347
Inventories	138,619 (i)			138,619	108,929 (i)
Related parties		9,927	580	10,507	55
Other					
Non-current					
Advances to suppliers	58,443 (i)			58,443	68,988 (i)
Related parties					
Intracompany loan		78,332		78,332	
Other		66,301		66,301	
Total assets	209,913	296,110	34,577	540,600	182,319
Liabilities					
Current					
Trade payables	284,973	1,400,485	2,011	1,687,469	459,412
Total liabilities	284,973	1,400,485	2,011	1,687,469	459,412

Transactions	Note	Odebrecht and subsidiaries	Petrobras and subsidiaries	Other	2015 Total	Odebrecht and subsidiaries
Sales of products		64,093	1,620,335	475,836	2,160,264	82,750
Purchases of raw materials, finished goods services and utilities		3,692,625 (ii)	12,488,618	108,688	16,289,931	3,631,198 (ii)

Financial income (expenses)		6,723		6,723	
General and administrative expenses					
Post-employment benefits	21.2.2		44,466	44,466	
Gain from divestment of asset					277,338 (iii)
Total transactions		3,756,718	14,115,676	628,990	18,501,384
					3,991,286

(i) Amount related to advances to raw material suppliers.

(ii) It includes expenses for construction of subsidiary Braskem Idesa project, of which R\$3,177,121 for 2015 (R\$3,297,400 for 2014).

(iii) Amount related to divestment in subsidiary (Note 1(a)).

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As provided for in the Company's bylaws, the Board of Directors has the exclusive power to decide on any contract but those related to the purchase of raw materials that exceed R\$ 5,000 per operation or R\$ 15,000 altogether per year. This provision encompasses contracts between the Braskem S.A. and its subsidiaries and any of its common shareholders, directors of the Company, its Braskem S.A. or its respective related parties. Additionally, the Company has a Finance and Investment Committee that, among other things, monitors the contracts with related parties that are approved by the Board of Directors.

Pursuant to Brazilian Corporation Law, officers and directors are prohibited from: (i) performing any acts of liberality with the use of the Company's assets and in its detriment; (ii) intervening in any operations in which these officers and directors have a conflict of interest with the Company or in resolutions in which they participate; and (iii) receiving, based on their position, any type of personal advantage from third parties, directly or indirectly, without an authorization under the Bylaws or by the shareholders' meeting.

The related parties that have significant relationship with the Company are as follows:

- Construtora Norberto Odebrecht S.A. ("CNO"): subsidiary of Odebrecht
- Odebrecht Ambiental S.A. ("OA"): subsidiary of Odebrecht
- Aquapolo Ambiental S.A. ("Aquapolo"): subsidiary of Odebrecht Ambiental
- Cetrel S.A. ("Cetrel"): subsidiary of Odebrecht Ambiental
- Distribuidora de Água Camaçari S.A. ("UTA"): subsidiary of Odebrecht Ambiental
- Distribuidora de Águas Triunfo S.A. ("DAT"): subsidiary of Odebrecht Ambiental
- Petrobras: shareholder of Braskem
- Petrocoque S.A. Indústria e Comércio ("Petrocoque"): subsidiary of Petrobras
- Refinaria de Petróleo Rio Grandense S.A ("RPR"): jointly-controlled investment of Braskem
- Petrobras Transportes S.A. Transpetro ("Transpetro"): subsidiary of Petrobras

The main transactions with related parties, except subsidiaries of the Company, are summarized below:

- Odebrecht and its subsidiaries:

(i) In May 2014, an alliance agreement was signed with CNO for maintenance services at the industrial plants in Brazil with duration of four years and estimated total value of R\$121 million;

(ii) The lease agreement with CNO for the floors in the building where the offices of Braskem are located in São Paulo came into force as of January 1, 2014. The agreement is worth R\$226 million and is valid through December 2028;

(iii) An agreement was executed with CNO in September 2012 for the engineering, procurement and construction services of the subsidiary Braskem Idesa Project for an estimated value of US\$3 billion and duration through 2015;

(iv) In September 2009, the Company entered into an agreement with Aquapolo (a special purpose entity formed by Odebrecht Ambiental and the water utility Companhia de Saneamento Básico do Estado de São Paulo – SABESP for the production of industrial reuse water) for the acquisition of 9.5 million m³/year of reuse water by the plants located in the São Paulo Petrochemical Complex. The agreement is valid through 2053 and has an estimated annual value of R\$65 million;

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(v) In October 2012, an agreement was executed with Cetrel for the acquisition of 4 million m³/year of reuse water by the plants located in the Industrial Complex of Camaçari. The contract is worth an estimated R\$120 million and is valid through April 2028;

(vi) In March 2013, an agreement was executed with UTA for the acquisition of 14.5 million m³/year of industrial water by the plants located in the Industrial Complex of Camaçari. The contract is worth an estimated R\$2.2 billion and is valid through March 2043;

(vii) In December 2013, an agreement was executed with DAT for the acquisition of 29 million m³/year of industrial water by the plants located in the Industrial Complex of Triunfo. The contract is worth an estimated R\$2.9 billion and is valid through December 2053.

- Petrobras and its subsidiaries:

(i) Naphtha

On December 23, 2015, an agreement was executed with Petrobras for the purchase of 7 million tons/year of petrochemical naphtha for five years. This agreement includes commercial renegotiation rights for both parties as of the third year, in case of changes in certain market conditions. The established price is 102.1% of ARA international benchmark, which is the average price of inputs in the European ports of Amsterdam, Rotterdam and Antwerp.

(ii) Naphtha (amendments to agreements)

On August 29, 2014, Braskem and Petrobras entered into a new amendment to the naphtha supply contract of 2009, which extended the original contract duration by 6 months (from September 1, 2014 to February 28, 2015). In this amendment, the naphtha pricing formula of the original contract was maintained. It was also established that, if a new long-term contract had been executed, the pricing formula in the new contract would be applied retroactively to any purchases made during the duration of the amendment. On the other hand, if a new long-term contract was not executed, the average price base negotiated between the parties would be valid throughout the duration of the amendment. After applying the average price scenario, it was determined that Braskem was entitled to a refund of R\$242,917. This amount was recorded in the first quarter of 2015 under "Cost of goods sold" and settled in the second quarter of 2015.

On February 27, 2015, Braskem and Petrobras executed a new amendment valid through August 31, 2015, under the same conditions as in the previous amendment. The naphtha price formula stipulated in the original contract was maintained in this amendment, but if the parties did not sign a new long-term contract, a price adjustment would be applied based on the international naphtha benchmark. For this amendment, a pricing complement was determined for payment to Petrobras in the amount of R\$18,486, registered in the second quarter of 2015 under "Cost of goods sold."

On September 1, 2015, Braskem and Petrobras signed a new agreement valid until October 31, 2015, under the same conditions as in the previous amendment. For this amendment, a refund for Braskem was calculated in the amount of R\$64,434, registered in the fourth quarter of 2015 under "Cost of goods sold."

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On October 30, 2015, Braskem and Petrobras signed a new amendment to the agreement for the supply of petrochemical naphtha up to December 15, 2015. The price practiced for the duration of this amendment was already definitive.

- (iii) Braskem has propylene purchase agreements with Petrobras for the plants located in the Petrochemical Complexes of Triunfo, Rio de Janeiro and São Paulo. These agreements provide for the full supply of approximately 910 thousand tons/year of propylene. The contracted propylene price is based on various international references linked to the most important markets for propylene and polypropylene, particularly the U.S., European and Asian markets;
- (iv) The Company has an agreement with Petrobras for the supply of: (i) 392.5 thousand tons/year of ethane, and 392.5 thousand tons/year of propane, valid through December 2020; (ii) 438.0 Nm³/year of HLR, valid through January 2020. In addition, the Company had an agreement for the supply of 159.83 GWh/year of electricity, which was terminated in August 2015;
- (v) Since October 2015, Braskem has gasoline sales agreements with Petrobras with monthly duration;
- (vi) In January 2015, an amendment to the agreement with Petrobras for the supply of approximately 10.5 thousand ton/year of caustic soda was signed for the estimated total value of R\$15 million and maturing in December 2015;
- (vii) In July 2015, an agreement was executed with Petrobras for the sale of 30 thousand m³ of aliphatic solvent was signed for R\$72 million with duration up to March 2016;
- (viii) In April 2008, an agreement was executed with Petrocoque for the acquisition of 312.2 thousand tons/year of steam by the Polyethylene units. The contract is worth an estimated R\$238.7 million and is valid through September 2019;

(ix) In December 2012, an agreement was executed with RPR for the sale through spot trading of petroleum/condensate to Braskem was signed with Petrobras for an estimated amount of R\$142 million. This agreement was terminated in September 2015;

(x) In June 2015, an agreement was executed with Transpetro for the acquisition of naphtha and condensate handling and storage services by Braskem's Basic Petrochemicals Unit, located in the Industrial Complex of Triunfo. The contract is worth an estimated R\$16 million and is valid through June 2016.

(i) **Key management personnel**

The Company considers "Key management personnel" to be the members of the Board of Directors and the Executive Board, composed of the CEO and vice-presidents. Not all the members of the Executive Board are members of the statutory board.

Income statement transactions	2015	2014	2013
Remuneration			
Short-term benefits	46,562	35,963	35,380
Post-employment benefit	272	256	275
Long-term incentives		560	15
Total	46,834	36,779	35,670

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		2015	2014
Brazil			
	IPI	23,996	20,456
	Value-added tax on sales and services (ICMS) - normal operations	(a) 403,842	413,066
	ICMS - credits from PP&E	121,954	136,308
	Social integration program (PIS) and social contribution on revenue (COFINS) - normal operations	(b) 69,431	675,983
	PIS and COFINS - credits from PP&E	230,030	244,194
	Income tax and social contribution (IR and CSL)	(c) 944,863	692,723
	REINTEGRA program	(d) 274,654	263,771
	Federal supervenience	(e) 173,436	170,264
	Other	14,281	9,217
Other countries			
	Value-added tax	(f) 277,751	547,947
	Income tax (IR)	40,263	
	Other	1,559	1,336
Total		2,576,060	3,175,265
Current assets		1,272,004	2,129,837
Non-current assets		1,304,056	1,045,428
Total		2,576,060	3,175,265

(a) ICMS – normal operations

Accumulated ICMS credits over the past few years arises mainly from domestic sales subject to deferred taxation and export sales.

The Management of the Company has been prioritizing a series of actions to maximize the use of these credits and currently does not expect losses on their realization. These include the maintenance of the terms of the agreements with the states in which the Company produces petrochemical products in order to defer the ICMS tax levied on naphtha purchases, which increases the effective monetization of the balances.

(b) PIS and COFINS

The Company has PIS and COFINS tax credits arising materially from the incentivized domestic outflows and exports.

The realization of these credits occurs in two ways: (i) offset of overdue or falling due liabilities related to taxes levied by the Federal Revenue Service; or (ii) cash reimbursement.

(c) IR and CSL

Accumulated IR and CSL arises from prepayments of these taxes and retentions on income from financial investments over the past few years.

The realization of these credits occurs in two ways: (i) offset of overdue or falling due liabilities related to taxes levied by the Federal Revenue Service; or (ii) cash reimbursement.

Several tax refund protocols were already filed with Brazil's Federal Revenue Service.

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(d) REINTEGRA Program

The REINTEGRA program aims to refund to exporters the federal taxes levied on the production chain for goods sold abroad. The amount to be refunded is equivalent to the following percentages of all export revenue, in accordance with Federal Law 13,043/14 and Executive Order 8,543/15:

- (i) 3%, between October 1, 2014 and February 28, 2015;
- (ii) 1%, between March 1, 2015 and November 30, 2015; and
- (iii) 0.1% between December 1, 2015 and December 31, 2016.

Such credits may be realized in two ways: (i) by offsetting own debits overdue or undue related to taxes levied by the Federal Revenue Service; or (ii) by a cash reimbursement.

In the fiscal year ended December 31, 2015, the Company recognized credits in the amount of R\$102,273 (R\$65,701 in 2014) and offset the amount of R\$91,389 (R\$69,192 in 2014). In the Statement of Operations, credits are recognized in the item "Cost of Products Sold."

(e) Federal supervision

This item includes credits arising from legal discussions regarding the legality and constitutionality of various taxes and contributions in which the Company has already obtained a favorable ruling or has unquestionable case law in its favor.

These amounts will be realized after the use of other credits described above in this Note.

(f) Value added tax – subsidiaries abroad

On December 31, 2015, this line included:

(i) R\$56,605 from sales by Braskem Alemanha to other countries. These credits are reimbursed in cash by the local government;

(ii) R\$189,157 from purchases of machinery and equipment for the subsidiary Braskem Idesa project (Note 11(d)). This credit will be reimbursed in cash by the local government after their validation according to established tax procedures. In fiscal year 2015, Braskem Idesa was reimbursed the amount of R\$811,016 (US\$263,927) (R\$634,911 in 2014 (US\$250,454)).

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		Adjusted net profit (loss) for the year			Adjusted equity	
	Interest in total and voting capital (%) - 2015	2015	2014	2013	2015	2014
Jointly-controlled investment						
RPR	33.20	24,784	(3,166)	1,871	145,551	125,955
Odebrecht Comercializadora de Energia S.A. ("OCE")	20.00	10,490	129	402	11,441	734
Polipropileno Del Sur, S.A. ("Propilsur") (i)	49.00		(72)	(4,445)		121,547
Associates						
Borealis Brasil S.A. ("Borealis")	20.00	(3,914)	7,246	5,492	158,366	174,433
Companhia de Desenvolvimento Rio Verde ("Codeverde") (i)	35.97		(596)	(596)		46,342

(i) Investees with provision for loss at amount equivalent to the investment.

(b) Changes in investments

	Balance at Dec/2014	Capital increase	Dividends and interest on equity	Effect of results	Other comprehensive income	Currency translation adjustments	Balance at Dec/2015
Associates							
Borealis	34,887			(3,214)			31,673
Codeverde		897		(897)			
	34,887	897		(4,111)			31,673
Jointly-controlled investments							
Propilsur	43,165			(97,401)		54,236	
RPR	41,824		(2,346)	5,861	2,295	694	48,328
OCE	148	55	(4)	2,090			2,289
	85,137	55	(2,350)	(89,450)	2,295	54,930	50,617
Total	120,024	952	(2,350)	(93,561)	2,295	54,930	82,290

(c) **Breakdown of equity accounting results**

	2015	2014	2013
Equity in results of subsidiaries, associate and jointly-controlled investments	2,219	3,929	(3,223)
	2,219	3,929	(3,223)

(d) Braskem Idesa

Braskem holds 75% indirect interest in Braskem Idesa, and the remaining 25% pertains to Etileno XXI, S.A. de C.V.

Braskem Idesa is constructing a plant in Mexico, with capacity to produce around 750 kton of high-density polyethylene (*) and 300 kton of low-density polyethylene (*) using ethane as feedstock. The raw material will be supplied through a 20-year agreement with PEMEX-Gás for delivery of 66,000 barrels of ethane per day. The petrochemical complex reached 99% of physical progress on December 31, 2015, and is in the startup process.

(*) *unaudited*

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The Company is presenting a summary of the financial statements of the subsidiary in which the non-controlling shareholder holds relevant interest, as follows:

Balance sheet					
Assets	2015	2014	Liabilities	2015	2014
Current			Current		
Cash and cash equivalents	134,639	333,864	Trade payables	429,400	620,953
Inventories	173,129	238,193	Project finance	302,266	26,462
Taxes recoverable	219,071	499,173	Other payables	106,911	101,596
Other receivables	150,109	96,349		838,577	749,011
	676,948	1,167,579			
Non-current			Non-current		
Deferred tax	825,416	179,249	Project finance	11,975,167	7,551,033
Property, plant and equipment	15,134,641	9,440,389	Loan agreements	5,911,266	2,834,972
Intangible	80,870		Other payables	7,065	90,513
Other receivables	32,080	39,763		17,893,498	10,476,518
	16,073,007	9,659,401			
			Shareholders' equity	(1,982,120)	(398,549)
			Total liabilities and		
Total assets	16,749,955	10,826,980	shareholders' equity	16,749,955	10,826,980

Statement of operations

	2015	2014	2013
Gross profit (loss)	(14,575)	5,320	2,294
Operating expenses, net	(83,467)	(52,834)	(31,113)
Financial results	(354,844)	(240,936)	38,095
Profit (loss) before income tax	(452,886)	(288,450)	9,276

(c) Breakdown of equity accounting results

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Income tax	63,022	(83,030)	(19,911)
Loss for the year	(389,864)	(371,480)	(10,635)

Statement of cash flows

	2015	2014	2013
Cash flows from operating activities			
Cash generated by operating activities	1,808,983	992,401	(204,798)
Interest paid	(502,279)	(336,998)	(98,272)
Net cash generated by operating activities	1,306,704	655,403	(303,070)
Net cash used in investing activities	(3,339,518)	(3,645,196)	(4,052,864)
Net cash provided by financing activities			
Project finance	988,447	1,894,507	4,562,343
Related parties	898,213	653,118	463,859
Capital increase			153,285
	1,886,660	2,547,625	5,179,487
Exchange variation on cash	(53,071)	(33,843)	(61,533)
Increase (decrease) in cash and cash equivalents	(199,225)	(476,011)	762,020
Represented by:			
Cash and cash equivalents at the beginning for the year	333,864	809,875	47,855
Cash and cash equivalents at the end for the year	134,639	333,864	809,875
Increase (decrease) in cash and cash equivalents	(199,225)	(476,011)	762,020

The shareholders' equity of Braskem Idesa was negative on December 31, 2015 and 2014. This is an acceptable situation considering that it is a company in the pre-operating phase. This situation will be reversed with the startup of operations in 2016.

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	Land	Buildings and Improvements	Machinery, Equipment and Facilities	Projects and Stoppage in Progress (i)	Other	Total
Cost	436,540	1,899,018	26,581,334	13,179,475	1,065,324	43,161,691
Accumulated depreciation/depletion		(848,243)	(12,772,515)		(539,443)	(14,160,201)
Balance as of December 31, 2014	436,540	1,050,775	13,808,819	13,179,475	525,881	29,001,490
Acquisitions	79	2,296	151,553	3,116,931	201	3,271,060
Capitalized financial charges				786,063		786,063
Foreign currency translation adjustment	43,002	11,088	307,697	2,658,730	22,946	3,043,463
Transfers by concluded projects	(ii)	3,536,983	10,451,774	(14,113,868)	125,111	
Transfers to intangible	(iii)			(85,917)		(85,917)
Other, net of depreciation/depletion		(2,890)	(12,367)	(35,370)	(602)	(51,229)
Depreciation / depletion		(66,976)	(1,820,213)		(115,778)	(2,002,967)
Net book value	479,621	4,531,276	22,887,263	5,506,044	557,759	33,961,963
Cost	479,621	5,435,600	37,401,007	5,506,044	1,212,365	50,034,637
Accumulated depreciation/depletion		(904,324)	(14,513,744)		(654,606)	(16,072,674)
Balance as of December 31, 2015	479,621	4,531,276	22,887,263	5,506,044	557,759	33,961,963

(i) On December 31, 2015, the main amounts included in this account refer to the expenses with the subsidiary Braskem Idesa project (R\$2,022,870) and expenses with planned shutdown maintenance which is in preparation or in progress (R\$627,985). The balance corresponds mainly to diverse projects aimed at maintenance of plants' production capacity.

(ii) Expenses up to May 31, 2015 in Braskem Idesa's project were transferred to the definite accounts as follows: R\$8,917,760 to "Machinery, equipment and installations" and R\$3,476,205 to "Buildings and improvements." These amounts will be depreciated as of the beginning of the commercial production of the subsidiary.

(iii) This change includes R\$80,870 from Braskem Idesa corresponding to the transfer to intangible assets when amounts are capitalized to the related accounts (Note 13).

The financial charges are capitalized on the balance of the projects in progress using (i) an average rate of all borrowings; and (ii) the portion of the foreign exchange variation that corresponds to a possible difference between the average rate of financing in the internal market and the rate mentioned in item (i) above. The capitalized amount is considered in the statement of cash flows as "Acquisitions to property, plant and equipment".

The machinery, equipment and facilities of the Company require inspections, replacement of components and maintenance in regular intervals. The Company makes shutdowns in regular intervals that vary from two to six years to perform these activities. These shutdowns can involve the plant as a whole, a part of it, or even relevant pieces of equipment, such as industrial boilers, turbines and tanks. Shutdowns that take place every six years, for example, are usually made for the maintenance of industrial plants as a whole. Expenses with each scheduled shutdown are included in property, plant and equipment items that were the subject matter of the stoppage and are fully depreciated until the beginning of the following related stoppage. The expenditures with personnel, the consumption of small materials, maintenance and the related services from third parties are recorded, when incurred, as production costs. Property, plant and equipment items are depreciated on a straight-line basis. Projects in progress are not depreciated. Depreciation begins when the assets are available for use.

Based on the analysis cited in Note 3.4(a), the Management of Braskem believes that the plants will operate at their full capacity, or close to it, within the projected period, therefore impairment tests of these assets were not necessary. The prices of products manufactured by the Company are quoted in international markets and adjust to the prices of raw materials to preserve the historical margins of the business.

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	2015	2014
Brazil	17,637,392	18,434,300
Mexico	14,416,835	9,260,814
USA	1,609,956	1,086,228
Germany	297,278	218,753
Other	502	1,395
	33,961,963	29,001,490

13 Intangible assets

	Goodwill based on expected future profitability	Brands and Patents	Software licenses	Customers and Suppliers Agreements	Total
Cost	3,187,722	213,031	497,813	729,711	4,628,277
Accumulated amortization	(1,128,804)	(91,121)	(292,250)	(280,374)	(1,792,549)
Balance as of December 31, 2014	2,058,918	121,910	205,563	449,337	2,835,728
Acquisitions			20,106		20,106
Foreign currency translation adjustment		3,782	14,603	66,071	84,456
Transfers from projects and stoppage in progress (PP&E)		81,625	4,292		85,917
Other, net of amortization			(16)		(16)
Amortization		(9,661)	(43,791)	(85,135)	(138,587)
Net book value	2,058,918	197,656	200,757	430,273	2,887,604
Cost	3,187,722	298,438	536,786	795,782	4,818,728

(c) Breakdown of equity accounting results**363**

Accumulated amortization	(1,128,804)	(100,782)	(336,029)	(365,509)	(1,931,124)
Balance as of December 31, 2015	2,058,918	197,656	200,757	430,273	2,887,604
Average annual rates of amortization		4.44%	10.79%	6.01%	

The Company adopts the following accounting practice for each class of intangible assets:

(a) Goodwill based on future profitability

The existing goodwill was determined in accordance with the criteria established by the accounting practices adopted in Brazil before the adoption of the IFRS pronouncements and represent the excess of the amount paid over the amount of equity of the entities acquired.

The Company's goodwill was systematically amortized until December 2008. As from 2009, it has been subject to annual impairment tests in accordance with the provisions in IAS 36.

At the end of 2015, Braskem conducted an impairment test of the goodwill using the value in use method (discounted cash flow) and did not identify any loss, as shown in the table below:

	Allocated goodwill	Cash flow (CF)	Book value (with goodwill and work capital)	CF/Book value
CGU and operating segments				
CGU - UNIB - South	926,854	7,741,247	942,748	8.2
Operating segment - Polyolefins	939,711	22,136,662	6,379,797	3.5
Operating segment - Vinyls	192,353	4,724,932	3,395,587	1.4

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The assumptions adopted to determine the discounted cash flow are described in Note 3.4(b). The WACC used was 13.91% p.a.

Given the potential impact on cash flows of the “discount rate” and the “perpetuity”, Braskem conducted a sensitivity analysis based on changes in these variables, with cash flows shown in the table below:

	+0.5% on discount rate	-0.5% on perpetuity
CGU and operating segments		
CGU - UNIB - South	7,424,446	7,396,596
Operating segment - Polyolefins	21,346,548	21,277,089
Operating segment - Vinyls	4,551,687	4,536,457

(b) Intangible assets with defined useful lives**(b.1) Brands and patents**

The technologies acquired from third parties, including those acquired through business combination, are recorded at the cost of acquisition and/or fair value and other directly attributed costs, net of accumulated amortization and provision for impairment, when applicable. Technologies that have defined useful lives and are amortized using the straight-line method based on the term of the purchase agreement (between 10 and 20 years). Expenditures with research and development are accounted for in profit or loss as they are incurred.

(b.2) Contractual customer and supplier relationships**(c) Breakdown of equity accounting results**

Contractual customer and supplier relationships arising from a business combination were recognized at fair value at the respective acquisition dates. These contractual customer and supplier relationships have a finite useful life and are amortized using the straight-line method over the term of the respective purchase or sale agreement (between 14 and 28 years).

(b.3) Software

All software booked has defined useful life estimated between 3 and 10 years and is amortized using the straight-line method. Costs associated with maintaining computer software programs are recognized in profit or loss as incurred.

(c) Intangible assets by country

	2015	2014
Brazil	2,583,208	2,626,099
Mexico	80,870	
USA	220,083	205,329
Germany	3,415	4,245
Other	28	55
	2,887,604	2,835,728

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	Annual financial charges	2015	2014
<u>Foreign currency</u>			
Bonds and Medium term notes (MTN)	Note 14 (a)	17,004,617	11,776,400
Advances on exchange contracts	US dollar exchange variation + 2.23%	255,809	
	US dollar exchange variation + 1.10% + semiannual		
Export prepayment	Libor	549,036	427,000
BNDES	Note 14 (b)	409,076	396,400
Export credit notes	Note 14 (c)	1,405,227	956,000
Working capital	US dollar exchange variation + 1.70% above Libor	1,907,145	633,100
Transactions costs		(248,838)	(260,600)
<u>Local currency</u>			
Export credit notes	Note 14 (c)	2,350,965	2,435,800
BNDES	Note 14 (b)	3,001,776	3,137,000
BNB/ FINAME/ FINEP/ FUNDES	6.48%	642,739	762,700
BNB/ FINAME/ FINEP/ FUNDES	TJLP + 1.90%	2,177	8,500
Fundo de Desenvolvimento do Nordeste (FDNE)	6.5%	51,939	51,000
Other	CDI + 0.04%	23,714	26,900
Transactions costs		(16,582)	(14,000)
Total		27,338,800	20,336,500
Current liabilities		1,968,540	1,418,500
Non-current liabilities		25,370,260	18,918,000
Total		27,338,800	20,336,500

(a) Bonds and MTN**(c) Breakdown of equity accounting results**

Issue date		Issue amount	Maturity	Interest		
		US\$		(% per year)	2015	2014
July - 1997	(i)	250,000	June - 2045	8.63		149,394
September - 2006		275,000	January - 2017	8.00	225,637	165,863
June - 2008		500,000	June - 2018	7.25	539,327	381,567
May - 2010		400,000	May - 2020	7.00	188,088	127,945
May - 2010		350,000	May - 2020	7.00	1,380,764	939,251
October - 2010		450,000	no maturity date	7.38	1,757,160	1,216,348
April - 2011		750,000	April - 2021	5.75	2,953,803	2,009,294
July - 2011		500,000	July - 2041	7.13	2,013,453	1,369,631
February - 2012		250,000	April - 2021	5.75	987,894	672,005
February - 2012		250,000	no maturity date	7.38	976,200	675,749
May - 2012		500,000	May - 2022	5.38	1,969,307	1,339,601
July - 2012		250,000	July - 2041	7.13	1,006,727	684,815
February - 2014	(ii)	500,000	February - 2024	6.45	2,004,171	1,363,317
May-2014	(iii)	250,000	February - 2024	6.45	1,002,086	681,658
Total		5,475,000			17,004,617	11,776,438

(i) This transaction, which was due in June 2015, had its maturity extended to June 2045. The subsidiary Braskem Holanda holds 100% of these securities as at December 31, 2015.

(ii) The effective interest rate considering the transaction costs is 7.78% p.a.;

(iii) The effective interest rate considering the transaction costs is 7.31% p.a..

TABLE OF CONTENTS**Braskem S.A.****Notes to the financial statements****at December 31, 2015****All amounts in thousands, except as otherwise stated****(b) BNDES borrowings**

Projects	Issue date	Maturity Charges (% per year)	2015	2014
<u>Foreign currency</u>				
Other	2006	October - 2016 US dollar exchange variation + 6.88	3,204	4,795
Braskem Qpar expansion	2007/2008	April - 2016 US dollar exchange variation + 6.73 to 6.88	2,426	6,717
Green PE	2009	July - 2017 US dollar exchange variation + 6.66	29,352	32,577
Limit of credit II	2009	January - 2017 US dollar exchange variation + 6.66	47,353	61,946
New plant PVC Alagoas	2010	January - 2020 US dollar exchange variation + 6.66	128,806	109,077
Limit of credit III	2011	October - 2018 US dollar exchange variation + 6.50 to 6.53	149,495	141,894
Butadiene	2011	January - 2021 US dollar exchange variation + 6.53	48,440	39,433
			409,076	396,439
<u>Local currency</u>				
Other	2006	September - 2016 TJLP + 2.80	13,501	31,376
Braskem Qpar expansion	2007/2008	February - 2016 TJLP + 2.15 to 3.30	5,372	40,617
Green PE	2009	June - 2017 TJLP + 0.00 to 4.78	119,201	198,608
Limit of credit II	2009	January - 2017 TJLP + 2.58 to 3.58	85,004	162,815
Limit of credit II	2009	January - 2021 4.00 to 4.50	96,698	93,875
New plant PVC Alagoas	2010	December - 2019 TJLP + 0.00 to 3.58	235,641	293,568
New plant PVC Alagoas	2010	December - 2019 5.50	26,732	33,414
Limit of credit III	2011	December - 2021 TJLP + 0.00 to 3.58	1,154,552	1,331,699
Limit of credit III	2011	December - 2021 SELIC + 2.32 to 2.78	284,263	260,508
Limit of credit III	2011	December - 2021 3.50 to 7.00	230,198	250,505
Butadiene	2011	December - 2020 TJLP + 0.00 to 3.45	96,407	115,225
Finem	2014	March - 2021 TJLP + 0.00 to 2.78	215,372	192,827
Finem	2014	March - 2021 SELIC + 2.78	160,603	129,326
Finem	2014	March - 2021 6.00	6,664	2,672
Limit of credit IV	2015	January - 2022 TJLP + 0.00 to 2.62	140,024	
Limit of credit IV	2015	January - 2022 SELIC + 2.32	131,544	
			3,001,776	3,137,035

Total

3,410,852 3,533,474

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Issue date	Initial amount of the transaction	Maturity Charges (% per year)	2015	2014
Foreign currency		US\$		
November - 2006	167,014	May - 2018 Us dollar exchange variation + 8.10	308,069	209,561
April - 2007	101,605	March - 2018 Us dollar exchange variation + 7.87	198,782	135,220
May - 2007	146,010	May - 2019 Us dollar exchange variation + 7.85	294,840	200,518
January - 2008	266,430	February - 2020 Us dollar exchange variation + 7.30	603,536	410,711
	681,059		1,405,227	956,010
Local currency				
April - 2010	50,000	October - 2021 105% of CDI	36,653	36,120
June - 2010	200,000	October - 2021 105% of CDI	146,611	144,481
February - 2011	250,000	October - 2021 105% of CDI	146,611	144,481
April - 2011 (i)	450,000	April - 2019 112.5% of CDI	464,039	461,254
June - 2011	80,000	October - 2021 105% do CDI	58,644	57,792
August - 2011 (i)	400,000	August - 2019 112,5% of CDI	405,478	404,309
June - 2012	100,000	October - 2021 105% of CDI	73,305	72,241
September - 2012	300,000	October - 2021 105% of CDI	219,917	216,722
October - 2012	85,000	October - 2021 105% of CDI	62,310	61,405
February - 2013 (ii)	100,000	September - 2017 8.00	101,118	101,161
February - 2013 (ii)	100,000	February - 2016 8.00	101,248	101,161
February - 2013 (ii)	50,000	September - 2017 8.00	50,440	50,440
February - 2013 (ii)	100,000	February - 2016 8.00	101,118	101,096
March - 2013 (ii)	50,000	March - 2016 8.00	50,253	50,257
June - 2014 (ii)	50,000	June - 2017 8.00	50,010	50,010
June - 2014 (ii)	17,500	June - 2017 8.00	17,504	17,504
June - 2014 (ii)	10,000	June - 2017 8.00	10,002	10,002
September - 2014	100,000	August - 2020 108% of CDI	104,642	103,579
November - 2014 (ii)	150,000	November - 2017 8.00	151,062	151,094
November - 2014	100,000	April - 2015 8.00		100,730

(c) Breakdown of equity accounting results

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Total	2,742,500	2,350,965 2,435,839
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(i) The Company enters into swap transactions to offset the variation in the Interbank Certificate of Deposit (CDI) rate (Note 16.2.1 (b.i)).

(ii) The Company entered into swap transactions for these contracts (from fixed rate to 67.10% to 92.70% of CDI rate) (Note 16.2.1).

(d) Payment schedule

The maturity profile of the long-term amounts is as follows:

	2015	2014
2016		1,253,774
2017	1,737,331	1,528,616
2018	2,633,143	1,977,384
2019	3,320,800	1,997,887
2020	2,757,234	1,940,691
2021	4,257,177	2,947,526
2022	2,071,030	1,417,085
2023	7,540	7,652
2024	2,944,726	2,008,387
2025 and thereafter	5,641,279	3,839,019
Total	25,370,260	18,918,021

TABLE OF CONTENTS**Braskem S.A.****Notes to the financial statements****at December 31, 2015****All amounts in thousands, except as otherwise stated****(e) Capitalized financial charges**

In 2015, the Company capitalized financial charges presented in this note in the amount of R\$130,180 (R\$95,542 in 2014), including monetary variation and part of the exchange variation. The average rate of these charges in the year was 7.80% p.a. (7.69% p.a. in 2014).

(f) Guarantees

Braskem gave collateral for part of its borrowings as follows:

Loans	Maturity	Total debt 2015	Total guaranteed	Guarantees
BNB	December - 2022	171,041	171,041	Mortgage of plants, pledge of machinery and equipment
BNB	August - 2024	247,343	247,343	Bank surety
BNDES	December - 2021	3,410,852	3,410,852	Mortgage of plants, land and property, pledge of machinery and equipment
FUNDES	June-2020	143,789	143,789	Mortgage of plants, land and property, pledge of machinery and equipment
FINEP	July - 2024	80,566	80,566	Bank surety
FINAME	February-2022	2,177	2,177	Pledge of equipment
Total		4,055,768	4,055,768	

15 Project finance**(c) Breakdown of equity accounting results**

Identification	Contract value	US\$		Maturity Charges (% per year)
		Value received		
Project finance I	700,000	700,000		February - 2027 Us dollar exchange variation + quarterly Libor + 3.2
Project finance II	210,000	189,996		February - 2027 Us dollar exchange variation + 6.17
Project finance III	600,000	600,000		February - 2029 Us dollar exchange variation + 4.33
Project finance IV	660,000	680,004		February - 2029 Us dollar exchange variation + quarterly Libor + 3.8
Project finance V	400,000	400,000		February - 2029 Us dollar exchange variation + quarterly Libor + 4.6
Project finance VI	90,000	89,994		February - 2029 Us dollar exchange variation + quarterly Libor + 2.7
Project finance VII	533,095	533,095		February - 2029 Us dollar exchange variation + quarterly Libor + 4.6
Transactions costs				
Total	3,193,095	3,193,089		

VAT borrowings (i)

November - 2029 2,00% above TIIE (ii)

Current liabilities

Non-current liabilities

Total

(i) Financing for the subsidiary Braskem Idesa obtained in Mexican peso and paid exclusively using the reimbursement of value-added taxes (Note 10(e.ii)). During the year ended December 31, 2015, a total of R\$535,125 was raised and R\$516,496 was settled (R\$510,715 as principal and R\$5,781 as interest).

(ii) TIIE – “*Tasa de Interés Interbancaria de Equilibrio*” – basic interest rate in Mexico, similar to the CDI overnight rate in Brazil.

On April 22, 2015, Braskem Idesa received the fifth tranche of the Project Finance in the amount of R\$877,040 (US\$290,545), and on September 9, 2015 it received the last tranche in the amount of R\$89,774 (US\$23,608).

In line with the Company’s Financial Policy, the investment in the Ethylene XXI project (Note 11(d)) is being financed under the Project finance mode, whereby the project loan must be paid exclusively with the cash generated by the project itself and shareholders must provide limited guarantees. Thus, this financing has the usual guarantees of this type of operation such as assets, receivables, cash generation and other rights from the project, as well commitments by shareholders to inject a limited amount of capital to provide for eventual additional costs of the project.

TABLE OF CONTENTS**Braskem S.A.****Notes to the financial statements****at December 31, 2015****All amounts in thousands, except as otherwise stated**

The financing structure was concluded in December 2012, at the ratio of 70% debt and 30% equity. The total financing to meet construction expenses and start operation was US\$3,193,089.

In the year ended December 31, 2015, the subsidiary Braskem Idesa capitalized the interest on this financing in the amount of R\$657,191 (R\$527,620 in 2014), which partially includes the exchange variation. The average rate of charges capitalized in the year was 8.28% p.a. (7.76% in 2014).

The maturity profile of this long-term financing, by year of maturity, is as follows:

	2015	2014
2016		137,360
2017	687,211	417,129
2018	840,247	511,886
2019	872,994	533,244
2020	1,025,621	630,543
2021	1,172,569	722,211
2022	977,593	603,387
2023	1,294,219	797,728
2024	1,400,843	863,811
2025	1,398,554	2,333,734
2026 and thereafter	2,305,316	
Total	11,975,167	7,551,033

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TABLE OF CONTENTS**Braskem S.A.****Notes to the financial statements****at December 31, 2015****All amounts in thousands, except as otherwise stated****16 Financial instruments****16.1 Non-derivative financial instruments**

	Note	Classification by category	Fair value hierarchy	2015	2014	2015	2014
Cash and cash equivalents	5						
Cash and banks				873,966	227,237	873,966	227,237
Financial investments in Brazil		Held-for-trading	Level 2	605,770	1,146,880	605,770	1,146,880
Financial investments in Brazil		Loans and receivables		1,823,225	1,106,768	1,823,225	1,106,768
Financial investments abroad		Held-for-trading	Level 2	4,136,762	1,512,474	4,136,762	1,512,474
				7,439,723	3,993,359	7,439,723	3,993,359
Financial investments	6						
FIM Sol investments		Held-for-trading	Level 2		85,573		85,573
Other		Held-for-trading	Level 2	1,172	4,155	1,172	4,155
Quotas of receivables investment fund		Held-to-maturity		46,193	42,495	46,193	42,495
				47,365	132,223	47,365	132,223
Trade accounts receivable	7			2,754,966	2,717,662	2,754,966	2,717,662
Related parties credits	9	Loans and receivables		155,140	205,117	155,140	205,117
Trade payables				11,755,843	10,852,410	11,755,843	10,852,410

Borrowings	14					
Foreign currency - Bond		Level 1	17,004,617	11,776,438	14,434,854	11,900,361
Foreign currency - other borrowings			4,526,293	2,412,627	4,526,293	2,412,627
Local currency			6,073,310	6,422,161	6,073,310	6,422,161
			27,604,220	20,611,226	25,034,457	20,735,149
Project finance	15		12,450,673	7,689,093	12,450,673	7,689,093
Ethylene XXI Project Loan	18		1,538,784	792,188	1,538,784	792,188
Other payables	22		273,294	296,969	273,294	296,969

(a) Fair value

The fair value of financial assets and liabilities is estimated as the amount for which a financial instrument could be exchanged in an arm's length transaction and not in a forced sale or settlement. The following methods and assumptions were used to estimate the fair value:

- (i) Held-for-trading and available-for-sale financial assets are measured in accordance with the fair value hierarchy (Level 1 and Level 2), with inputs used in the measurement processes obtained from sources that reflect the most recent observable market prices.
- (ii) Trade accounts receivable and trade payables correspond to respective carrying amounts due to the short-term maturity of these instruments.
- (iii) The fair value of borrowings is estimated by discounting future contractual cash flows at the market interest rate, which is available to Braskem in similar financial instruments.
- (iv) The fair value of bonds is based on prices negotiated in financial markets, plus the respective carrying amount of interests.

Braskem S.A.

Notes to the financial statements

at December 31, 2015

All amounts in thousands, except as otherwise stated

(v) The fair values of the remaining assets and liabilities correspond to their carrying amount.

(b) Fair value hierarchy

The Company adopts IFRS 7 for financial instruments that are measured in the balance sheet; this requires disclosure of measurements by level of the following fair value measurement hierarchy:

Level 1 – fair value obtained through prices quoted (without adjustments) in active markets for identical assets or liabilities, such as the stock exchange; and

Level 2 – fair value obtained from discounted cash flow models, when the instrument is a forward purchase or sale or a swap contract, or valuation models of option contracts, such as the Black-Scholes model, when the derivative has the characteristics of an option.

16.2 Financial hedge instruments designated and not designated for hedge accounting

16.2.1 Changes

Operation characteristics

(c) Breakdown of equity accounting results

Identification	Note	Fair value hierarchy	Principal exposure	Derivatives	Balance at 2014	Change in fair value	Final settlement
<u>Non-hedge accounting transactions</u>							
Exchange swap	16.2.1 (a.i)	Level 2	Argentine peso	Dollar	1,383	(31,314)	(9)
Interest rate swaps		Level 2	Fixed rate	CDI	18,588	6,489	(16)
Deliverable Forward		Level 2	Euro	Dollar	2,230	(6,494)	(21)
					22,201	(31,319)	(21)
<u>Hedge accounting transactions</u>							
Exchange swap	16.2.1 (b.i)	Level 2	CDI	Dollar+Interests	560,828	592,058	1
	16.2.1						
Interest rate swaps	(b.ii.i)	Level 2	Libor	Fixed rates	3,542	106,780	(75)
Deliverable Forward		Level 2	Mexican peso	Dollar	30,533	19,754	(50)
					594,903	718,592	(106)
<u>Derivatives operations</u>							
Current assets					(33,555)		
Non-current assets					(39,350)		
Current liabilities					95,626		
Non-current liabilities					594,383		
					617,104		

The counterparties in these contracts are constantly monitored based on the analysis of their respective ratings and Credit Default Swaps – CDS. Braskem has many bilateral risk mitigators in its derivative contracts, such as the possibility of depositing or requesting deposits of a guarantee margin from the counterparties it deems convenient.

Financial hedge instruments designated and not designated for hedge accounting are presented in the balance sheet at their fair value in an asset or liability account depending on whether the fair value represents a positive or a negative balance to Braskem, respectively, and are necessarily classified as "held-for-trading". The regular changes in the fair value are recognized as financial income or expense in the period in which they occur, except when designated and qualified for hedge accounting.

Braskem S.A.**Notes to the financial statements****at December 31, 2015****All amounts in thousands, except as otherwise stated**

All financial hedge instruments held at December 31, 2015 were contracted on Over the Counter - OTC markets with large financial counterparties under global derivative contracts in Brazil or abroad and its fair value is classified as Level 2.

Braskem's Financial Policy provides for a continuous short-term hedging program for foreign exchange rate risk arising from its operations and financial items. The other market risks are addressed on a case-by-case basis for each transaction. In general, Braskem assesses the need for hedging in the analysis of prospective transactions and seeks to customize the hedge for each operation and keeps it in place for the whole period of the hedged transaction.

Braskem may elect derivatives for the application of hedge accounting in accordance with IAS 39-32 and IFRS 7. The hedge designation is not mandatory. In general, Braskem will elect to designate financial instruments as hedges when the application is expected to provide a significant improvement in the presentation of the offsetting effect on the changes in the hedged items.

The effective portion of the changes in the fair value of hedge derivatives and of the exchange variation of financial liabilities designated and qualified as sales flow hedge is recognized in equity, under "Other comprehensive income". These amounts are transferred to profit or loss for the periods in which the hedged item affects the financial results. The ineffective portion is recognized immediately in profit or loss as "Financial result."

When a hedge instrument matures or is sold or when it no longer meets the criteria for hedge accounting, it is prospectively discontinued and any cumulative gain or loss in equity remains in equity and is recognized in financial result when the hedged item or transaction affects profit or loss. If the hedged item or transaction is settled in advance, discontinued or is not expected to occur, the cumulative gain or loss in equity is immediately transferred to financial result.

(a) Non-hedge accounting transactions**(a.i) Currency swaps**

The subsidiary Braskem Argentina has receivables and cash in Argentine peso. Due to the Company's risk management strategy, Argentine peso–U.S. dollar swap operations were contracted with the purpose of mitigating exchange risk, hedging the amount generated by Braskem operations in the country.

Identification	Nominal value US\$	Hedge (argentine peso / US\$)	Maturity	2015	Fair value 2014
NDF I	15,000	9.1100	February-2015		606
NDF II	10,000	9.1100	February-2015		404
NDF III	10,000	9.1000	February-2015		373
NDF XXII	20,000	10.7000	February-2015	(16,329)	
NDF XXIII	34,000	11.5000	March-2016	(22,661)	
	89,000			(38,990)	1,383
<u>Derivatives operations</u>					
Current assets				(41,046)	
Current liabilities				2,056	1,383
Total				(38,990)	1,383

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In line with the Company's risk management strategy and based on its Financial Policy, the Management contracted swap operations to offset the CDI and currency risks arising from the financings mentioned in Note 14(c), by maintaining its exposure to long-term financial liabilities in the U.S. dollar.

To measure the fair value of derivatives, Braskem adopts PTAX disclosed by the Central Bank on December 31, 2015 as USD/BRL benchmark rate. Due to the high volatility of exchange rate on December 31, 2015, the exchange rate disclosed by the Central Bank differed slightly from the year-end.

Identification	Nominal value	Hedge (exchange variation + interest rate)	Maturity	2015	Fair value 2014
Swap NCE I	200,000	6.15%	August 2019	301,325	155,961
Swap NCE II	100,000	6.15%	August 2019	147,021	75,373
Swap NCE III	100,000	6.15%	August 2019	144,496	73,565
Swap NCE IV	100,000	5.50%	April 2019	124,071	57,906
Swap NCE V	100,000	5.50%	April 2019	123,966	57,831
Swap NCE VI	150,000	7.90%	April 2019	203,675	80,506
Swap NCE VII	100,000	4.93%	April 2019	127,571	59,686
Total	850,000			1,172,125	560,828

(c) Breakdown of equity accounting results

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Derivatives operations

Current assets	(12,616)	(33,555)
Non-Current liabilities	1,184,741	594,383
Total	1,172,125	560,828

(b.ii) Hedge operation by Braskem Idesa related to project finance**(b.ii.i) Interest rate swap linked to Libor**

Identification	Nominal value US\$	Hedge (interest rate per year)	Maturity	2015	2014
Swap Libor I	299,996	1.9825%	May-2025	7,997	790
Swap Libor II	299,996	1.9825%	May-2025	8,050	870
Swap Libor III	299,996	1.9825%	May-2025	7,956	775
Swap Libor IV	129,976	1.9825%	May-2025	3,465	330
Swap Libor V	132,996	1.9825%	May-2025	3,569	386
Swap Libor VI	149,932	1.9825%	May-2025	4,036	391
Total	1,312,892			35,073	3,542

Derivatives operations

Non-Current assets	(12,280)	(39,350)
Current liabilities	47,353	42,892
Total	35,073	3,542

This hedge operation shares the same guarantees with the Project Finance.

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The value at risk of the derivatives held by Braskem which is defined as the loss that could result in one month as from December 31, 2015, with a probability of 5%, and under normal market conditions, was estimated by the Company at US\$58,452 for the NCE exchange swap (Note 16.2.1(b.i)), US\$5,180 for U.S. dollar to Argentine peso swap (Note 16.2.1 (a.i)); US\$318 to the interest rate NCE swap and US\$22,492 for the swap of Libor related to Braskem's project in Mexico.

16.3 Non-derivative financial liabilities designated to hedge accounting**(a.i) Future exports in U.S. dollars**

On May 1, 2013, Braskem S.A. designated non-derivative financial instrument liabilities, denominated in U.S. dollars, as hedge for the flow of its highly probable future exports. Thus, the impact of exchange rates on future cash flows in dollars derived from these exports will be offset by the foreign exchange variation on the designated liabilities, partly eliminating the volatility of results. The exchange rate at the date of designation was US\$1: R\$2.0017.

Hedged exports amounted to US\$6,757,231, as shown below:

	Total nominal value
	US\$
(c) Breakdown of equity accounting results	386

2016	839,447
2017	829,685
2018	787,894
2019	733,980
2020	724,000
2021	716,000
2022	719,000
2023	718,372
2024	688,853
	6,757,231

The Company considers these exports in the selected period (2016/2024) as highly probable, based on the following factors:

- In the last five years, Braskem S.A. exported an average US\$4,8 billion per year, which represents around 5 to 6 times the annual exports of the hedged exports.
- Hedged exports represent between 15% and 25% of the export flows planned by the Company.
- The exports of the Company are not sporadic or occasional, but constitute an integral part of its strategy and of the petrochemical business, in which competition is global.

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On December 31, 2015, the original maturities of the financial liabilities designated as this hedge, within the scope of the consolidated balance sheet, were as follows:

	Total nominal value US\$
2016	2,258,395
2017	105,143
2018	1,152,281
2019	444,236
2020	570,782
2021	1,017,703
2022	519,837
2024	688,854
	6,757,231

As the two preceding charts show, export and settlement flows of designated liabilities are not necessarily equivalent per year. To ensure the continuity of the proposed relationship, the Company, in keeping with its hedge strategy, plans to refinance and/or substitute these hedge instruments to adjust them to the schedule and value of the hedged exports. In this regard, the financing facilities considered in the hedge position (export credit notes, bonds and export prepayment agreements) will be renegotiated in accordance with the needs of the Company and in line with its strategy. The Company may also substitute financing facilities designated as hedge, always seeking to maintain the proposed protection. Trade payables, especially naphtha, were also considered in the transaction. The rollover or substitution of these liabilities are also considered in the strategy of this hedge. The rollover or replacement of the hedge instrument are provided for in IAS 39(paragraph 91). It is important to note that the long period of export flows does not affect the ability of the Company to rollover and/or refinance its liabilities. If the refinancing and/or rolling over of these liabilities does not occur, the exchange variation related to the period in which the hedge was in effect will be recorded under "Other comprehensive income" until the exports are realized.

Given favorable market conditions, the Company may prepay or lengthen the maturity of designated liabilities to beyond the periods of the hedged exports. If these transactions do come to occur and cause any inefficiency to the hedge position, they must be discontinued due to their ineffectiveness. In this case, the exchange variation related to the period in which the hedge was effective will be recorded under “Other comprehensive income” until the exports are realized.

For the purposes of analyzing the prospective and retroactive effectiveness of the transactions, the Company used the dollar offset and volatility reduction methods, respectively.

The realizations expected for 2016 will occur through the payments of financial instruments in conformity with exports made, and the exchange variation recorded in “Other comprehensive income” will be written off to the financial results. Below is the quarterly schedule of hedged exports in 2016:

	Total nominal value US\$
First quarter	206,951
Second quarter	210,752
Third quarter	210,835
Fourth quarter	210,909
	839,447

Braskem S.A.**Notes to the financial statements****at December 31, 2015****All amounts in thousands, except as otherwise stated****(a.ii) Liabilities related to the Project Finance of future sales in U.S. dollar**

On October 1, 2014, the subsidiary Braskem Idesa designated its liabilities in the amount of R\$2,878,936 related to Project Finance, denominated in U.S. dollar, as hedge instruments to protect highly probably future sales flows. Due to the new disbursements by the project's financiers in April and September 2015 (Note 15), Braskem Idesa designated the respective amounts of US\$290,545 and US\$23,608 for hedge accounting. Therefore, the impact of exchange variation on future flows of sales in U.S. dollar derived from these sales in dollar will be offset by the exchange variation on the designated liabilities, partially eliminating the volatility in the results of the subsidiary.

The Management of Braskem Idesa believes these exports are highly probable, based on the following:

- The hedged flow corresponds to less than 15% of the planned revenue flow of the project over the designated period.
- The financing was obtained through a Project Finance structure and will be repaid exclusively through the cash generation of the project (Note 15). Therefore, the existence of the debit is directly associated with the highly probable nature of the future sales in U.S. dollar.
- In Mexico, domestic sales can be made in U.S. dollar. As part of its commercial strategy, Braskem Idesa began, in 2013, to sell in the domestic market products imported from Brazil and other countries (“pre-marketing”). Confirming the feasibility of invoicing sales in the domestic market in U.S. dollar, part of the sales in the pre-marketing phase are being carried out in said currency.
- The plant will supply products mainly to Mexico, a market characterized by a shortfall of polyethylene and the supply of feedstock at prices below the reference price adopted by its main competitors. These factors favor its sales in the market.

On December 31, 2015, hedged sales and the maturities of financial liabilities amounted to US\$3,193,089 and were distributed as follows:

	Nominal value US\$
2016	67,774
2017	183,253
2018	221,790
2019	229,270
2020	266,690
2021	303,392
2022	253,204
2023	333,093
2024	359,559
2025	357,903
2026	309,240
2027	152,103
2028	124,654
2029	31,164
	3,193,089

For the purposes of analyzing the prospective and retroactive effectiveness of the transactions, the Company used the dollar offset and volatility reduction coefficient methods, respectively.

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The realizations expected for 2016 will occur as of May through the beginning of payments of project finance, and the exchange variation recorded in “Other comprehensive income” will be written off to the financial results. Below is the quarterly schedule of hedged exports in 2016:

	Total nominal value US\$
Second quarter	16,359
Third quarter	25,084
Fourth quarter	26,331
	67,774

16.4 Credit quality of financial assets**(a) Trade accounts receivable**

Virtually none of Braskem’s clients have risk ratings assigned by credit rating agencies. For this reason, Braskem developed its own credit rating system for all accounts receivable from domestic clients and for part of the accounts receivable from foreign clients. Braskem does not apply this rating to all of its foreign clients because most accounts receivable from them are covered by an insurance policy or letters of credit issued by banks. On December 31, 2015, the credit ratings for the domestic market were as follows:

	2015	(%) 2014
(c) Breakdown of equity accounting results		392

1Minimum risk		7.67	5.09
2Low risk		42.84	40.23
3Moderate risk		33.07	30.81
4High risk		13.74	23.15
5Very high risk	(i)	2.69	0.72

(i) Most clients in this group are inactive and the respective accounts are in the process of collection actions in the courts. Clients in this group that are still active buy from Braskem and pay in advance.

Default indicators for the years ended:

	Domestic market	Last 12 months Export market
December 31, 2015	0.39%	0.70%
December 31, 2014	0.65%	0.18%
December 31, 2013	0.14%	0.13%

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In order to determine the credit ratings of counterparties of assets recorded in “Cash and cash equivalents” and “Financial investments”, Braskem uses the following credit rating agencies: Standard & Poor’s, Moody’s and Fitch Ratings. Braskem’s Financial Policy determines “A-” as the minimum rating for financial investments.

	2015	2014
Financial assets with risk assessment		
AAA	5,982,393	3,765,527
AA	27,753	65,304
AA-	163,188	
A+	1,076,803	53,229
A	69,576	180,233
A-	120,219	13,648
	7,439,932	4,077,941
Financial assets without risk assessment		
Quotas of investment funds in credit rights	(i) 46,193	42,495
Other financial assets with no risk assessment	963	5,146
	47,156	47,641
Total	7,487,088	4,125,582

(i) Investments approved by Management of the Company, as permitted by policy.

16.5 Sensitivity analysis**(c) Breakdown of equity accounting results****394**

Financial instruments, including derivatives, may be subject to changes in their fair value as a result of the variation in commodity prices, foreign exchange rates, interest rates, shares and share indexes, price indexes and other variables. The sensitivity of the derivative and non-derivative financial instruments to these variables are presented below:

(a) Selection of risks

On December 31, 2015, the main risks that can affect the value of Braskem's financial instruments are:

- Brazilian real/U.S. dollar exchange rate;
- Mexican peso/Brazilian real exchange rate;
- Libor floating interest rate;
- Selic interest rate;
- CDI interest rate; and
- TJLP interest rate.

For the purposes of the risk sensitivity analysis, Braskem presents the exposures to currencies as if they were independent, that is, without reflecting in the exposure to a foreign exchange rate the risks of the variation in other foreign exchange rates that could be directly influenced by it.

Braskem S.A.**Notes to the financial statements****at December 31, 2015****All amounts in thousands, except as otherwise stated****(b) Selection of scenarios**

Braskem included three scenarios in the sensitivity analysis, with one that is probable and two that represent adverse effects to the Company. In the preparation of the adverse scenarios, only the impact of the variables on the financial instruments, including derivatives, and on the items covered by hedge transactions, was considered. The overall impacts on Braskem's operations, such as those arising from the revaluation of inventories and revenue and future costs, were not considered. Since Braskem manages its exposure to foreign exchange rate risk on a net basis, adverse effects from depreciation in the Brazilian real in relation to the U.S. dollar can be offset by opposing effects on Braskem's operating results.

(b.1) Probable scenario

The Market Readout published by the Central Bank of Brazil on December 31, 2015 was used to create the probable scenario for the U.S. dollar/Brazilian real exchange rate, the Selic interest rate and the CDI interest rate, using that same date as reference. The Market Readout presents a consensus of market expectations based on a survey of the forecasts made by various financial and non-financial institutions. According to the Market Readout, at the end of 2016, the U.S. dollar will appreciate by 7.23% against the Brazilian real compared to end-2015, and the CDI and Selic rate will reach 14.97%.

The probable scenario for the TJLP is an increase of 0.50% from the current rate of 7.5%, in line with the size of the Government's most recent decisions to increase or decrease the rate. The Market Readout does not publish forecasts for the Libor interest rate. Therefore, to determine the probable scenario, Braskem considered a 5% increase on current market levels.

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The sensitivity values in the table below are the changes in the value of the financial instruments in each scenario:

Instrument / Sensitivity	Probable	Possible adverse (25%)	Extreme adverse (50%)
Brazilian real/U.S. dollar exchange rate			
Bonds and MTN	(1,525,934)	(4,193,740)	(8,387,480)
BNDES	(37,212)	(102,269)	(204,538)
Working capital / structured operations	(301,310)	(828,093)	(1,656,186)
Export prepayments	(48,198)	(132,463)	(264,927)
Project finance	(1,114,381)	(3,062,665)	(6,125,331)
Financial investments abroad	(23,270)	(63,952)	(127,904)
Swaps	(189,726)	(331,701)	(853,128)
Financial investments abroad	561,061	1,541,971	3,083,941
Mexican peso/Brazilian real			
Project finance	(3,322)	(6,693)	(13,385)
Libor floating interest rate			
Working capital / structured operations	(3,987)	(19,937)	(39,874)
Export prepayments	(3,316)	(16,582)	(33,165)
Swaps	(8,840)	(14,209)	(28,658)
Selic interest rate			
BNDES	(19,358)	(101,073)	(216,258)

CDI interest rate

Swaps Export credit notes	(23,784)	(122,213)	(256,225)
Foreign loans / other in local currency	(537)	(2,741)	(5,702)
Agricultural credit note	(35,039)	(184,950)	(401,253)
Swaps NCE	(107)	(443)	(84,010)
Financial investments in local currency	8,851	43,829	87,740

	Probable	Possible adverse	Extreme adverse
Instrument / Sensitivity	7.5%	8.0%	8.5%

TJLP interest rate

BNDES	178	361	548
FINEP	(29,907)	(60,106)	(90,597)
Other government agents	(64)	(130)	(197)

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	2015	2014
Brazil		
IPI	61,784	53,536
IR and CSL	175,963	31,474
ICMS	149,811	99,328
Other	88,198	45,177
Other countries		
IR	238,645	
Value-added tax	56,975	4,576
Total	771,376	234,091
Current liabilities	744,660	203,392
Non-current liabilities	26,716	30,699
Total	771,376	234,091

18 Ethylene XXI Project Loan

The contribution made by the shareholders to the subsidiary Braskem Idesa project (Note 11(d)) can be made via capital or subordinated loan. The loan recorded under this item of the balance sheet is owed to the non-controlling shareholder of Braskem Idesa, and will be paid exclusively with the cash generation from the project. Since this is a subordinated loan to the project finance (Note 15), it will be paid only when a series of obligations related to project finance have been fulfilled. Such obligations include, but are not limited to: (i) debt service payments envisaged until the date; (ii) maintenance of the balance required in the project reserve accounts; and (iii) achievement of specific

liquidity and coverage indices prospectively and retrospectively. The loan is denominated in U.S. dollar, carries interest of 7% p.a., and its payment schedule depends on the project's cash flow.

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TABLE OF CONTENTS**Braskem S.A.****Notes to the financial statements****at December 31, 2015****All amounts in thousands, except as otherwise stated****19 Income tax (“IR”) and social contribution (“CSL”)****19.1 Reconciliation of the effects of income tax and social contribution on profit or loss**

	2015	2014	2013
Income before IR and CSL	4,559,685	1,178,565	963,948
IR and CSL at the rate of 34%	(1,550,293)	(400,712)	(327,742)
Permanent adjustments to the IR and CSL calculation basis			
IR and CSL on equity in results of investees	755	23,815	(1,096)
Effects from pre-payment of taxes		41,046	8,539
IR and CSL accrued in previous years			1,236
Other permanent adjustments	(i) (111,367)	(116,413)	(137,847)
Effect of IR and CSL on results of operations	(1,660,905)	(452,264)	(456,910)
Breakdown of IR and CSL:			
Current IR and CSL	(406,336)	(57,806)	(45,218)
Deferred IR and CSL	(1,254,569)	(394,458)	(411,692)
Total	(1,660,905)	(452,264)	(456,910)

(i) Includes the impact from the difference between IR/CSL tax rate in Brazil (34%) used for the preparation of this note and the tax rates in countries where the subsidiaries abroad are located, as follows:

	Official rate - %
Headquarters (Country)	2015
Braskem Alemanha	Germany 31.00
Braskem America e Braskem America Finance	USA 35.00
Braskem Argentina	Argentina 35.00
Braskem Austria e Braskem Austria Finance	Austria 25.00
Braskem Petroquímica Chile	Chile 22.50
Braskem Holanda, Braskem Holanda Finance e Braskem Holanda Inc	Netherland 25.00
Braskem Idesa, Braskem Idesa Serviços, Braskem México	
Braskem México Serviços e Braskem México Sofom	Mexico 30.00

The effective rate is 36.43% (2014 – 38.37% and 2014 – 47.40%).

19.2 Deferred income tax and social contribution

The income tax (“IR”) and social contribution (“CSL”) recorded in the year are determined on the current and deferred tax basis. These taxes are calculated on the basis of the tax laws enacted at the balance sheet date in the countries where the Company operates and are recognized in the statement of operations, except to the extent they relate to items directly recorded in equity.

Deferred income tax and social contribution are mainly recognized on the following bases: (i) tax losses and social contribution tax loss carryforwards; (ii) temporarily non-taxable and nondeductible income and expenses, respectively; (iii) tax credits and expenses that will be reflected in the books in subsequent periods; and (iv) asset and liability amounts arising from business combinations that will be treated as income or expenses in the future and that will not affect the calculation of income tax and social contribution.

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	As of December	Impact on the	Impact on the	As of December
	31, 2014	P&L	equity	31, 2015
Assets				
Tax losses (IR) and negative base (CSL)	444,406	1,700,392		2,144,798
Goodwill amortized	7,411	(1,394)		6,017
Exchange variations	1,302,801	1,623,094		2,925,895
Temporary adjustments	789,330	(41,310)	(697,392)	50,628
Business combination	187,859	1,544		189,403
Pension plan	104,227	(104,227)		
Deferred charges - write-off	24,854	(4,006)		20,848
	2,860,888	3,174,093	(697,392)	5,337,589
Liabilities				
Amortization of goodwill based on future profitability	699,179	35,840		735,019
Tax depreciation	694,039	121,204		815,243
Exchange variations	(1,273)	1,273		
Temporary differences	416,230	711,771	(606,971)	521,030
Business combination	232,301	(15,119)		217,182
Write-off negative goodwill of incorporated subsidiaries	594	(594)		
Additional indexation PP&E	124,762	(14,031)		110,731
Hedge accounting		3,573,540	(3,573,540)	
Amortization of fair value adjustments on the assets from the acquisition of Quattor	313,422	(23,894)		289,528
Other	114,918	38,672		153,590

(c) Breakdown of equity accounting results

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	2,594,172	4,428,662	(4,180,511)	2,842,323
Net	266,716	(1,254,569)	3,483,119	2,495,266
Presentation in the balance sheet:				
Non-current assets	870,206			3,226,507
(-) Non-current liabilities	603,490			731,241

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	Headquarters (Country)	Asset	IR and CSL Liability	2015 Balance
Assets				
Braskem S.A.	Brazil	4,146,404	(1,967,050)	2,179,354
Braskem Argentina	Argentina	8,235		8,235
Braskem Alemanha	Germany	104,785		104,785