BRASKEM SA
Form 20-F
April 24, 2015

As filed with the Securities and Exchange Commission on April 24, 2015

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, 2014

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)

Mário Augusto da Silva

Braskem S.A.

Rua Lemos Monteiro, 120 – 24° andar

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

Telephone: + (55 11) 3576-9000

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(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, 2014 was:

451,688,652 Common Shares, without par value

345,002,878 Preferred Shares, Class A, without par value

593,818 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 **x**   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 **x**

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

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

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

Large accelerated filer **x** Accelerated filer ¨ Non-accelerated filer ¨

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

U.S. GAAP	International Financial Reporting Standards as issued by the International Accounting Standards Board **x**	Other ¨

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

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

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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 April 20, 2015, the exchange rate for *reais* into U.S. dollars was R$3.047 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$2.6562 to US$1.00 on December 31, 2014, R$2.3426 to US$1.00 on December 31, 2013 and R$2.0435 to US$1.00 on December 31, 2012, in each case, as reported by the Central Bank. The *real*/U.S. dollar exchange rate fluctuates widely, and the selling rate on April 20, 2015 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, 2010.

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, 2014 of R$2.6562 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, 2014 and 2013 and for the three years ended December 31, 2014 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, natural gas, propylene and other raw materials;
- 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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PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

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, 2014 and 2013 and for the three years ended December 31, 2014 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, 2012, 2011 and 2010 and for the years ended December 31, 2011 and 2010 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, 2009 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,					
	2014(1)	2014	2013	2012(2)	2011(2)(3)	2010(4)
	(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$17,329.8	R$46,031.4	R$40,969.5	R$36,160.3	R$33,086.5	R$25,025.7
Cost of products sold	(15,080.7)	(40,057.3)	(35,820.8)	(32,709.1)	(29,265.0)	(21,028.9)
Gross profit	2,249.1	5,974.0	5,148.7	3,451.2	3,821.5	3,996.8
Income (expenses):						
Selling and Distribution	(435.1)	(1,155.8)	(1,000.7)	(990.4)	(820.0)	(689.1)
General and administrative	(455.6)	(1,210.1)	(1,077.9)	(1,071.0)	(1,008.1)	(931.1)
Research and development	(52.1)	(138.4)	(115.8)	(106.2)	(99.1)	(78.8)
Results from equity investments	1.5	3.9	(3.2)	(25.8)	(1.0)	18.2
Results from business combinations	—	—	—	—	30.0	975.3
Other operating income (expenses), net	36.0	95.6	(211.1)	333.5	2.9	(96.6)
Operating profit	1,343.7	3,569.2	2,740.0	1,591.3	1,926.2	3,194.7
Financial results:						
Financial expenses	(1,033.8)	(2,745.9)	(2,549.1)	(3,926.2)	(3,560.5)	(1,692.0)
Financial income	133.7	355.2	773.0	532.0	759.0	364.9
Profit (loss) before income tax and social contribution	443.7	1,178.6	963.9	(1,802.9)	(875.3)	1,867.6
Income tax and social contribution	(170.3)	(452.3)	(456.9)	783.1	359.5	6.1
Profit (loss) from continuing operations	273.4	726.3	507.0	(1,019.8)	(515.8)	1,873.7
Results from discontinued operations	—	—	—	281.5	27.6	15.8
Profit (loss)	US$273.4	R$726.3	R$507.0	R$(738.3)	R$(488.2)	R$1,889.5
Net income attributable to shareholders of the company	325.3	R$864.1	R$509.7	R$(731.1)	R$(496.5)	R$1,895.3
Net income attributable to non-controlling interest	(51.9)	(137.8)	(2.7)	(7.2)	8.3	(5.8)
Earnings (loss) per share:						
Basic:						
Common shares		1.0857	0.6403	(1.2718)	(0.6566)	2.6816
Preferred class “A” shares		1.0857	0.6403	(1.2718)	(0.6566)	2.5683
Preferred class “B” shares		0.6062	0.6062	—	—	0.6029
ADS		2.1714	1.2806	(2.5436)	(1.3132)	5.1366
Diluted:						
Common shares		1.0857	0.6403	(1.2718)	(0.6566)	2.6816
Preferred class “A” shares		1.0857	0.6403	(1.2718)	(0.6566)	2.5683
Preferred class “B” shares		0.6062	0.6062	—	—	0.6029
ADS(5)		2.1714	1.2806	(2.5436)	(1.3132)	5.1366

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(1) Translated for convenience only using the selling rate as reported by the Central Bank as of December 31, 2014 for *reais* into U.S. dollars of R$2.6562=US$1.00.

(2) As a result of our decision to maintain IQ Soluções & Química, or QuantiQ, and Ipiranga Química Armazéns Gerais Ltda., or and IQAG, which previously represented the Chemical Distribution segment before we temporarily offered them for sale during 2013, we have restated our financials to include the Chemical Distribution segment for

the year ended December 31, 2011.

(3) The financial information for 2011 and 2010, presented for comparison purposes against 2012, was restated to reflect the impacts of the discontinued operations of Cetrel S.A. and Distribuidora de Água Camaçari (formerly Braskem Distribuidora S.A.).

(4) Includes Braskem America as from April 1, 2010, Braskem Qpar S.A. (formerly known as Quattor Participações S.A.), or Braskem Qpar, and its subsidiaries, Unipar Comercial and Polibutenos as from May 1, 2010. The financial information for 2010 has not been restated to reflect the impacts of our decision to maintain QuantiQ and IQAG after we temporarily offered them for sale last year because such impacts did not have a material effect in 2010.

(5) 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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	At and For the Year Ended December 31,					
	2014(1)	**2014**	**2013**	**2012**	**2011**	**2010(2)**
	(in millions of US$, except as indicated)	**(in millions of *reais*, except as indicated)**				
Balance Sheet Data:						
Cash and cash equivalents	US$1,503.4	R$3,993.4	R$4,335.9	R$3,287.6	R$2,986.8	R$2,624.3
Short-term trade accounts receivable	1,013.7	2,692.6	2,810.5	2,326.5	1,843.8	1,894.6
Inventories	2,021.0	5,368.1	5,150.3	4,102.1	3,623.5	3,015.7
Non-current assets held for sale	—	—	37.7	277.8	—	—
Property, plant and equipment, net	10,918.4	29,001.5	25,413.5	21,176.8	20,622.7	19,366.3
Total assets	18,606.2	49,421.8	46,815.8	39,872.3	36,821.13	33,993.2
Short-term borrowings (including current portion of long-term borrowings)	534.0	1,418.5	1,248.8	1,836.0	1,391.8	1,206.4
Short-term debentures (including current portion of debentures)	—	—	—	—	—	517.7
Non-current liabilities held for sale	—	—	—	109.8	—	—
Long-term borrowings	7,122.2	18,918.0	17,353.7	15,675.6	13,753.0	11,004.3
Long-term debentures	—	—	—	—	19.1	—
Share capital	3,028.1	8,043.2	8,043.2	8,043.2	8,043.2	8,043.2
Shareholders’ equity (including non-controlling interest)	2,219.1	5,894.4	7,681.3	8,652.0	9,979.9	10,408.3
Other Financial and Operating Information:						
Cash Flow Information:						
Net cash provided by (used in):						
Operating activities	US$1,427.6	R$3,791.9	R$2,457.8	R$2,571.8	R$2,777.5	R$2,720.4
Investing activities	(1,873.8)	(4,977.1)	(4,954.2)	(2,834.3)	(2,866.5)	(2,387.6)
Financing activities	336.7	894.4	3,614.2	633.9	494.7	(388.3)

Other Information:						
Capital expenditures:						
Property, plant and equipment	1,996.0	5,301.8	5,656.4	2,792.9	2,252.5	1,689.0
Investments in other companies	—	—	—	—	619.2	939.4
Domestic Sales Volume Data (in thousands of tons) (3):						
Ethylene		3,203.9	3,360.0	3,329.3	3,097.4	2,949.9
Propylene		1,068.5	1,187.7	1,170.4	1,123.1	1,212.1
Polyethylene		1,706.1	1,765.7	1,668.2	1,524.9	1,546.8
Polypropylene		1,204.0	1,268.9	1,233.3	1,149.8	1,086.9
Polyvinyl chloride (PVC)		667.5	636.5	560.9	484.0	504.9

(1) Translated for convenience only using the selling rate as reported by the Central Bank as of December 31, 2014 for *reais* into U.S. dollars of R$2.6562=US$1.00.

(2) Includes Braskem America as from April 1, 2010, Braskem Qpar and the subsidiaries, Unipar Comercial and Polibutenos as from May 1, 2010.

(3) Including intra-company sales within our company. Intra-company sales of ethylene totaled approximately 2,704,300 tons in 2014, 2,828,200 tons in 2013, 2,805,500 in 2012, 2,606,100 in 2011 and 2,511,500 tons in 2010. Intra-company sales of propylene totaled approximately 859,500 tons in 2014, 977,900 tons in 2013, 950,000 tons in 2012, 905,400 tons in 2011 and 926,300 tons in 2010.

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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.

	Reais per U.S. Dollars			
Year	**High**	**Low**	**Average**	**Period End**
2010	R$1.881	R$1.655	R$1.759	R$1.666
2011	1.902	1.535	1.675	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

	Reais per U.S. Dollars	
Month	**High**	**Low**
September 2014	R$2.452	R$2.232
October 2014	2.534	2.391
November 2014	2.614	2.484
December 2014	2.740	2.561
January 2015	2.711	2.575
February 2015	2.881	2.689
March 2015	3.268	2.865
April 2015(through April 20)	3.155	3.046

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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 cyclicality 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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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 recorded growth of 3.3% in 2014. In 2014, the Brazilian economy did not register significant GDP growth, as compared to 2.5% in 2013 and 1.0% in 2012 and apparent consumption for thermoplastic resins in Brazil declined by 2.4%.

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.

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 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 and set the prices for polypropylene sold in the United States with reference to industry indices or based on negotiations with its customers. We generally set the prices for our second generation products exported from Brazil based on international spot market prices. As a result of the announced commissioning of new ethylene capacity, particularly 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 increases 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 marketing resources than our company.

Higher raw materials costs would increase our cost of sales 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 48.3% of our consolidated cost of sales and services rendered in 2014.

We purchase a portion of the naphtha used by our Basic Petrochemical Unit from Petróleo Brasileiro S.A.- Petrobras, or Petrobras, at prices based on a variety of factors, including the Amsterdam-Rotterdam-Antwerp market prices of naphtha and a variety of other 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.

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The price of naphtha that we purchase from international suppliers is also linked to the Amsterdam-Rotterdam-Antwerp. 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 2014, the price of the front-month contract on Brent crude oil decreased by 50.2% from a high of US$115.06 per barrel in June 2014 to a low of US$57.33 per barrel in December 2014. 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 7.4% to US$836 per ton in 2014 from US$903 per ton in 2013 and US$936 per ton in 2012, with its highest price of reaching US$952 per ton in June 2014 and its lowest price reaching US$492 per ton in December 2014. The price of naphtha 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 costs in *reais*. Any increase in naphtha 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 naphtha, so we are exposed to fluctuations in the price of our primary raw material.

We currently do not hedge our exposure to fluctuations in U.S. dollar or *real* prices of naphtha. Although we attempt to pass on increases in naphtha prices through higher prices for our products, in periods of high volatility in the U.S. dollar price of naphtha or in 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 *real* depreciates against the U.S. dollar and the time that we may effectively pass on those increased costs in *reais* to our customers in Brazil. As a result, if the U.S. dollar price of naphtha increases precipitously, or if the *real* depreciates against the U.S. dollar, as has occurred in recent years, we may not immediately be able to pass on all of the corresponding increases in our naphtha costs to our customers in Brazil, 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 almost all of 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.

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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."

In February 28, 2014, we extended our naphtha supply contract with Petrobras under the same terms of this contract until August 31, 2014. On August 29, 2014, we amended our naphtha supply contract with Petrobras to extend the maturity to February 28, 2015, under the same terms of the original contract. On February 27, 2015, we amended our naphtha supply contract with Petrobras to extend the agreement to August 31, 2015. Pursuant to this amendment, the existing terms and conditions of the contract have been maintained and the price will be adjusted retroactively to March 1, 2015 in accordance with the terms of a replacement contract that we are currently negotiating once it is executed. We cannot assure that the price adjustment on this amendment will not reduce our gross margin and net income.

We cannot assure you that the pricing formula under the new naphtha supply contract will be as favorable to our company as the pricing formulas under our existing naphtha supply contracts. To the extent that the price that we pay naphtha under our new naphtha supply contract causes our costs for naphtha to increase relative to contract or spot prices available for in the international commodities market or the volatility of naphtha pricing under our new naphtha supply contract increases, the revisions to this pricing formula could have a material adverse effect on the margins that we are able to achieve for our petrochemical products and, as a result, on our results of operations.

In addition, we cannot assure you that we will be successful in our negotiation of a new naphtha supply contract. In the event that our current naphtha supply contracts, as extended, were to expire and Petrobras was unwilling to further extend these contracts, we would seek to replace this supply through other long-term contracts with other suppliers and through purchases on the spot market. However, because our naphtha delivery infrastructure has been designed to accommodate large deliveries from Petrobras refineries in Brazil, we would initially be constrained with respect to storage and delivery of naphtha to our naphtha-based crackers in Brazil. As a result, any interruption in our supply of naphtha from Petrobras could have an adverse effect on the cost of naphtha to our company, and consequently the margins we achieve on our petrochemical products, as well as our capacity utilization rates as we upgraded our infrastructure to permit delivery from other suppliers, each of which would have a material adverse effect on our results of operations.

Finally, 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

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.

During 2014, 47.3 % of the propylene used by our Polyolefins Unit was supplied by Petrobras. Because there is inadequate infrastructure in Brazil to permit the importation of large quantities of these products and the cost of storing and transporting propylene is substantial, we are highly dependent on propylene supplied by Petrobras and production volumes of, and net sales revenue from, polypropylene products would decrease, and our overall financial performance would be negatively affected, 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

- any termination by Petrobras of the supply contracts with our company, which provide that Petrobras may terminate the contracts for a number of reasons described in "Item 4. Information on the Company—Polyolefins Unit—Raw Materials of Our Polyolefins Unit."

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 Ratings Services, a division of The McGraw-Hill Companies, Inc., or Standard & Poor's, Moody's Investors Service, or Moody's, and Fitch, Inc., or Fitch, maintain ratings of our company and our debt securities. Currently, Standard & Poor's, Moody's and Fitch maintain ratings of our company on a local and a global basis. On a global basis, Standard & Poor's maintains a local currency rating for our company of "BBB- (stable)" and a foreign currency rating for our company of "BBB- (stable)," Moody's maintains a local currency rating for our company of "Baa3 (negative)" and foreign currency rating for our company of "Baa3 (negative)," and Fitch maintains a local currency rating for our company of "BBB- (stable)" and foreign currency rating for our company of "BBB- (stable)." 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.

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.

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 50.11% 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 have agreed to undertake certain actions only after Odebrecht and Petrobras have reached a consensus with respect to those actions and Odebrecht will have the sole power to approve the business plan of our company, as described under "Item 7. Major Shareholders and Related Party Transactions—Major Shareholders—Shareholders' Agreements." As a result, Odebrecht will have 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.

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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 and propane. Petrobras holds 36.1% of our outstanding share capital, including 47.0% of our voting share capital. 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, other than the prices that we pay under our naphtha purchase agreements with Petrobras, which we believe are more suitable to the products that we receive from Petrobras compared to products and prices available in transactions that we enter into with other third parties. We also engage in financial and other transactions with some of our direct and indirect shareholders. These and other commercial and financial 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;
- unanticipated liabilities; and
- antitrust considerations.

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 implementation of Project Ethylene XXI which could result in this project failing to provide expected benefits to our company.

In 2012, we began construction of an olefins complex, or the Mexico Complex, to be 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 will undertake significant capital expenditure programs to implement this project. Our ability to achieve our strategic objectives relating to this project will depend on, in large part, the successful, timely and cost-effective implementation of this project. Factors that could affect this implementation include the following:

- the outcome of negotiations with governments, suppliers, customers or others;

- the ability of Braskem Idesa to complete the project's milestones in order to obtain future disbursements under our project finance facilities that are necessary for the implementation of this project;

- the occurrence of unforeseen technical difficulties (including technical problems that may delay start-up of, or interrupt production from, Project Ethylene XXI or lead to unexpected downtime of the plants of Braskem Idesa);

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- delays in the delivery of third-party equipment or services by Braskem Idesa's vendors;

- the failure of the equipment supplied by these vendors to comply with the expected capabilities of this equipment; and

- delays resulting from the failure of third-party suppliers or contractors to meet their obligations in a timely and cost-effective manner.

Although we believe that the cost estimate and implementation schedule of Project Ethylene XXI is reasonable, we cannot assure you that the actual costs or time required to complete the implementation of this project will not substantially exceed our current estimates. Any significant cost overrun or delay could hinder or prevent the implementation of our business plan as originally conceived, and result in revenues and net income being less than 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 polyolefins and vinyls 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 increase 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 produce 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.

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 and Germany are subject to extensive U.S. and German 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.

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 feedstocks 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. For example, in May 2011, our Alagoas chlor-alkali plant experienced a chlorine leak and rupture of equipment caused by an abnormal and unpredictable increase in the concentration of trichloramine generated in this plant's production process. As a result of the chlorine leak, approximately 150 local residents were examined for respiratory contamination by the emergency room of a local hospital. All were released within 24 hours. The equipment rupture resulted in the hospitalization of five employees of Mills Estruturas e Serviços de Engenharia S.A. working at this plant, three of whom were released from the hospital the following day. As a result of these incidents, our chlor-alkali plant was temporarily shut down for approximately two weeks.

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.

Additionally, approximately 70% of Brazil's installed electric generation capacity is currently dependent upon hydroelectric generation facilities. If the amount of water available to energy producers becomes increasingly scarce due to drought or diversion for other uses, as has occurred in recent years, the cost of energy, which represented approximately 2.2% of our total cost of goods sold in 2014, may increase. Such conditions could have a material adverse effect on our sales and margins.

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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. 12,486/2013, 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 of improper payments made in order to receive favorable treatment in connection with certain contracts that we are party to with Petrobras. We have not received notice of any proceeding or investigation involving us that has been commenced in Brazil or the United States in connection with these allegations.

Although we have certain procedures in place, we have implemented additional procedures and controls to monitor our compliance with applicable anti-corruption laws and as a result of the recent allegations against us, have engaged Brazilian and U.S. legal counsel to conduct a voluntary internal investigation of this matter. If any of these allegations prove to be true, or if 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.

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.

Uncertainty over whether possible changes in policies or rules affecting these or other factors may contribute to economic uncertainties in Brazil and to heightened volatility in the Brazilian securities markets and securities issued abroad by Brazilian issuers. The President of Brazil has considerable power to determine governmental policies and actions that relate to the Brazilian economy and, consequently, affect the operations and financial performance of businesses, such as our company. We cannot assure you that the policies that may be implemented by the Brazilian federal or state governments will not adversely affect our business, results of operations and financial condition.

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 economic 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 plastics producers in the export markets by refunding the federal taxes levied on their export sale, intervention of the federal government to limit uniform import tariffs 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 were set at a rate of 5.6% prior to June 2013, when they were lowered to 1%. These tax rates are expected to continue at a 1% rate during 2015 but the rate is expected to increase to 3% in 2016 and 5% in 2017 and, then return to 5.6% in 2018. Such industrial policies may be of limited duration and may be renewed or discontinued at the discretion of the Brazilian government. 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.

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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* appreciated against the U.S. dollar by 4.3% during 2010. The *real* depreciated by 12.6% against the U.S. dollar during 2011, by 8.9% during 2012, by 14.6% during 2013 and by 13.4% during 2014.

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$13,928.4 million (US$5,248.1 million) as of December 31, 2014, representing 68.5% of our consolidated indebtedness, not including transaction costs or the aggregate amount of R$7,577.5 million (US$2,878.9 million) outstanding as of December 31, 2014 in connection with the project finance debt related to Project Ethylene XXI. As of December 31, 2014, we had US$858.0 million in foreign currency-denominated cash and cash equivalents.

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 dollar-denominated liabilities as a hedge for our future exports. See "Item 5. Operating and Financial Review and Prospects—Year Ended December 31, 2013 Compared with Year Ended December 31, 2012—Financial Results" for more information.

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 48.3% of our consolidated cost of sales and services rendered in 2014. 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.

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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 11.3% in 2010, 5.1% in 2011, 7.8% in 2012, 5.5% in 2013 and 3.7% in 2014. 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 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, 2014, we had, among other debt obligations, R$2,375.5 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$2,362.0 million of loans and financing and debentures that were subject to the Interbank Deposit Certificate (*Certificado de Depósito Interbancário*), or CDI rate, and R$7,377.5 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.

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 dollars represented an aggregate of 68.5% of our indebtedness on a consolidated basis as of December 31, 2014, not including transaction costs or the aggregate amount of R$7,577.5 million (US$2,852.8 million) outstanding as of December 31, 2014 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 class A preferred shares and the ADS.

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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 Our Equity and Debt Securities

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. 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. 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, depository requesting the ADR depository 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.

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

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 depositary 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 depositary, 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.

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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.

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 class A preferred shares, ADSs and 2024 Notes.

The market price of our 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.

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 that of China and Brazil 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 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 the financial condition and results of operations of Braskem and its subsidiaries that are creditors of Braskem Finance Limited. In the event of an adverse change in the financial condition or results of operations of Braskem and its 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.

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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.

As of December 31, 2014, Braskem had (1) consolidated corporate debt, net of transaction costs, of R$20,366.6 million (US$7,656.3 million), and (2) consolidated project debt of R$7,577.5 million (US$2,852.8 million). Of the consolidated corporate debt, R$3,697.6 million (US$1,392.1 million) was unsecured debt of Braskem, R$4,205.8 million (US$1,583.4 million) was secured debt of Braskem, R$3,070.3 million (US$1,155.9 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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ITEM 4. INFORMATION ON THE COMPANY

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, 2014. 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 third largest Brazilian-owned private sector industrial company, based on net sales revenue in 2013 (the latest year for which such information is available). We recorded net sales revenue of R$ 46,031.4 million and a net profit of R$ 726.3 million during the year ended December 31, 2014.

As of December 31, 2014, 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$25,576.3 million, or 46.0% of the net sales revenue of all reportable segments, including net sales to our other business units, and had an operating margin of 7.1% in 2014;

- 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$18,502.2 million, or 33.3% of the net sales revenue of all reportable segments, including net sales to our other business units, and had an operating margin of 10.2% in 2014;

- Vinyls, which includes our production and sale of PVC and caustic soda. This segment accounted for net sales revenue of R$2,709.5 million, or 4.9% of the net sales revenue of all reportable segments, including net sales to our other business units, and had a negative operating margin of 0.4% in 2014;

- USA and Europe, which includes the operations of Braskem Europe, and consists of the production and sale of polypropylene in the United States and the operations of the polypropylene business in the United States and Germany. This segment accounted for net sales revenue of R$7,934.3 million, or 14.3% of the net sales revenue of all reportable segments, including net sales to our other business units, and had an operating margin of 1.0% in 2014; 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$842.7 million, or 1.5% of the net sales revenue of all reportable segments, including net sales to our other business units, and had a negative operating margin of 0.9% in 2014.

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, 2014, collectively had 312 employees.

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• ***Acquisition of Feedstocks at Competitive Prices.*** 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 its 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 untraditional 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 end of 2015. 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.

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 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;

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

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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.

History and Development of Our Company

We were founded in 1972 as Petroquímica do Nordeste Copene Ltda. to plan, execute and coordinate the activities of the petrochemical complex located in Camaçari in the State of Bahia, or the Northeastern Complex. The construction of the Northeastern Complex formed part of a development policy of the Brazilian government implemented in the early 1970's to diversify the geographical distribution of industrial assets and to promote economic growth across different regions of Brazil. On June 18, 1974, we were incorporated as a corporation under the laws of Brazil (registered with the Board of Trade of the State of Bahia under company registry No. 29300006939) and were renamed Copene Petroquímica do Nordeste S.A. In 2002, we changed our corporate name to Braskem S.A.

The following discussion highlights the important developments in our business since January 1, 2014.

Merger of Braskem Qpar

Braskem Qpar merged with and into Braskem on December 1, 2014. This merger is part of Braskem's reorganization strategy to simplify its current corporate structure. Because all of Braskem Qpar's shares are held by Braskem, the merger did not result in an increase in Braskem's share capital or alteration in the number of its shares.

Joint Venture with Styrolution

In October 2013, we signed a memorandum of understanding with Styrolution Group GmbH, or Styrolution, a global leader in the production of styrene, to assess the economic feasibility of forming a joint venture in Brazil. If approved, this joint venture would build and operate a plant with an expected annual production capacity of 100,000 tons of the copolymers acrylonitrile, butadiene, styrene and styrene acrylonitrile. We expect that the joint venture would market these copolymers to customers in Brazil and throughout South America. The memorandum of understanding contemplates that Styrolution would hold a 70% controlling interest in the joint venture and would contribute its expertise in developing and producing these copolymers, providing the technology licenses and leveraging its existing acrylonitrile butadiene styrene and styrene acrylonitrile businesses in the region. The memorandum of understanding contemplates that Braskem would hold a 30% interest in the joint venture and would contribute the required infrastructure and the site of the plant. The implementation of this joint venture is subject to, among other things, the negotiation of definitive agreements among the parties with respect to the joint venture and regulatory and antitrust approval. If this joint venture is implemented, we expect that construction will commence in early 2016 and that this plant would commence operations in 2018.

Investment in Metallocene-based LLDPE

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.

Sale of Southern Complex Water Treatment Assets

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. This sale occurred in February 2014. Pursuant to this agreement, we sold DAT, which owned our water treatment assets located in our Southern Complex, to Odebrecht Ambiental, which is part of Odebrecht. In connection with this agreement, we entered into a long-term agreement with Odebrecht Ambiental for the supply of industrial water.

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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.

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(1) Braskem Qpar merged with and into Braskem on December 1, 2014.

(2) Braskem America is wholly owned by Braskem Europe GmbH, or Braskem Europe, which is wholly owned by Braskem Netherlands B.V.

Basic Petrochemicals Unit

As of December 31, 2014, 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$25,576.3 million in 2014, or 46.0% of the net sales revenue of all reportable segments. Net sales revenue generated by sales to our other business units was R$11,495.5 million during 2014, representing 44.9% 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;
- 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.

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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 utilities to 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 2014, 83.8% 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, 4.0% from the sale of naphtha and condensate, 3.5% from the sale of intermediates and 2.4% from the sale of utilities and services. In 2014, 44.9% 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,		
	2014	**2013**	**2012**
	(thousands of tons)		
Domestic sales:			
Ethylene	499.6	531.8	523.8
Propylene	208.9	209.9	220.4
Cumene	211.6	234.1	250.5
Butadiene	210.0	210.8	216.4
BTX products(1)	716.0	686.3	744.4
Others	394.9	395.0	400.9
Total domestic sales of basic petrochemicals	2,241.0	2,267.9	2,356.4
Total export sales of basic petrochemicals	1,324.9	1,274.6	1,208.0
Total sales of basic petrochemicals	3,565.9	3,542.5	3,564.4

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

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

	Year Ended December 31,		
	2014	2013	2012
	(thousands of tons)		
Ethylene	2,704.3	2,828.2	2,805.5
Propylene	859.5	977.9	950.0
Benzene	—	7.5	36.9

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:

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- 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, 2014 and annual production for the years presented.

Primary Products	Annual Production Capacity	Production For the Year Ended December 31, 2014	2013	2012
	(in tons, except automotive gasoline)			
Olefins:				
Ethylene	3,752,000	3,237,886	3,372,825	3,329,758
Propylene	1,585,000	1,306,636	1,505,595	1,349,142
Butadiene(1)	477,000	374,827	389,854	355,703
Aromatics:				
BTX products(2)	1,503,000	1,013,873	1,217,831	1,079,644

(1) Includes revenue generated from sales of butadiene by our butadiene plant in the Southern Complex which has an annual production capacity of 103,000 tons and commenced operations in September 2012.

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

Raw Materials of Our Basic Petrochemicals Unit

Naphtha

Naphtha is the principal 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 74.9% of the total cost of sales of our Basic Petrochemicals Unit during 2014, and naphtha accounted for 48.3% of our direct and indirect consolidated cost of sales and services rendered during 2014.

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

	2015	**2014**	**2013**	**2012**
Average(1)	US$467.96	US$836.23	US$903.01	US$1,031.57
Month ended:				
January	396.90	918.58	932.95	950.61
February	502.13	913.65	991.86	1,026.88
March(2)	504.86	911.40	910.29	1,068.84
April (through April 20)	496.72	925.63	815.70	1,029.51
May	–	937.84	833.20	877.11
June	–	952.45	843.60	729.49
July	–	935.59	876.79	825.40
August	–	865.81	913.88	935.18
September	–	841.36	929.81	966.06
October	–	711.52	901.87	954.59
November	–	628.94	929.33	930.99
December	–	491.98	956.78	938.06

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

Source: IHS

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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,		
	2014	**2013**	**2012**
Brazil	69.8%	72.4%	73.0%
Algeria	10.2%	13.0%	10.3%
Venezuela	9.0%	9.0%	5.2%
Argentina	—	0.8%	4.0%
Others	11.0%	4.9%	7.4%
Total	100%	100%	100%

Supply Contracts with Petrobras

In July 2009, we and Petrobras entered into a Petrochemical Naphtha Purchase and Sale Contract, which we have operated under since March 2009. 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, which was terminated in June 2008, 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. This contract had a term of five years and expired in March 2014. On February 28, 2014, we extended our naphtha supply contract with Petrobras under the same terms of this contract until August 31, 2014. On August 29, 2014, we amended our naphtha supply contract with Petrobras to extend the maturity to February 28, 2015, under the same terms of the original contract. On February 27, 2015, we amended our naphtha supply contract with Petrobras to extend the agreement to August 31, 2015. Pursuant to this amendment, the existing terms and conditions of the contract were maintained and the price will be adjusted retroactively to March 1, 2015 in accordance with the terms of a replacement contract that we are currently negotiating once it is executed.

Under the terms of this contract:

- Petrobras has agreed to sell and deliver naphtha to our basic petrochemicals plants in the Northeastern Complex 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;

- since March 2009, the price that we pay for naphtha is based on a variety of factors, including the market prices of naphtha and a variety of 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;

- 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 continues for more than 90 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; (4) an alteration of our ownership or corporate purposes that conflicts with the object of the contract; or (5) our dissolution, bankruptcy or liquidation.

In May 2006, Quattor Química (formerly known as Braskem Qpar) and Petrobras entered into a Petrochemical Naphtha Purchase and Sale Contract for the supply of naphtha to our basic petrochemicals plants located in São Paulo Complex, which superseded a previous naphtha supply agreement between the parties. In October 2010, this contract was amended to extend the term of this contract until February 2014, when it expired. On February 28, 2014, we extended our naphtha supply contract with Petrobras under the same terms until August 31, 2014. On August 29, 2014, we amended our naphtha supply contract with Petrobras to extend the maturity to February 28, 2015, under the same terms of the original contract. On February 27, 2015, we amended our naphtha supply contract with Petrobras to extend the agreement to August 31, 2015. Pursuant to this amendment, the existing terms and conditions of the contract were maintained and the price will be adjusted retroactively to March 1, 2015 in accordance with the terms of a replacement contract that we are currently negotiating once it is executed.

Under the terms of our amended naphtha supply contract:

- Petrobras agrees to sell and deliver naphtha to our basic petrochemicals plants in the São Paulo Complex exclusively for use as a raw material;

- we are required to purchase a minimum annual volume of naphtha;

- we agree to provide Petrobras with a firm commitment order for naphtha each year;

- the price that we pay for naphtha under this contract is based on a variety of factors, including the market prices of naphtha and a variety of 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;

- 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 continues for more than 180 days; (3) we transfer or offers 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 Qpar's ownership or corporate purposes that conflicts with the object of the contract; (5) a change of entity type, merger, sale, spin-off or any other corporate reconstruction of Braskem Qpar that may conflict with the execution of contract's object; or (6) the dissolution, bankruptcy or liquidation of Braskem Qpar.

Supply Arrangements with SONATRACH

La Société Nationale pour la Recherche, la Production, le Transport, la Transformation et la Commercialisation des Hydrocarbures, or SONATRACH (an Algerian national petroleum 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 from other sources to meet the supply needs of our basic petrochemicals plants in the Northeastern Complex and the Southern Complex.

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 suppliers in Argentina, Venezuela and other countries in Latin America and North Africa.

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 North Africa and South 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 represents 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:

- 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;

- 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 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 chain 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:

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- 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 Qpar; and (5) a change of entity type, merger, sale, spin-off or any other corporate reconstruction of Braskem Qpar that conflicts with or impedes the execution of contract's object.

Utilities

We self-generate approximately 39% of the Northeastern Complex's energy consumption requirements, and the remainder is furnished by Companhia Hidro Elétrica do São Francisco, or CHESF, a Brazilian government-owned electric power generation company located in the State of Bahia.

We self-generate approximately 34% of the Southern Complex's energy consumption requirements, and the remainder is acquired primarily under long-term contracts in the free market for energy (*Mercado Livre de Energia*) from several companies.

We self-generate approximately 15% of the São Paulo Complex's energy consumption requirements, and the remainder is acquired primarily under long-term contracts in the free market for energy from several companies.

We purchase substantially all of the energy consumption requirements of the Rio de Janeiro Complex's from Petrobras Energia under a long-term contract, which expires in August 2015, and from other energy suppliers under several long-term contracts, which will start to expire in 2018.

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 52.3% of our Basic Petrochemicals Unit's total net sales revenue (excluding intra-company sales) during the year ended December 31, 2014.

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,		
	2014	**2013**	**2012**
	(in millions of *reais*)		
Net sales revenue:			
Domestic sales	R$8,459.5	R$7,786.3	R$7,705.7
Export sales	5,389.8	5,661.7	6,022.7
	R$13,849.3	R$13,448.0	R$13,728.4

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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-l and isoprene with reference to market prices prevailing in the European market.

We are focused on maintaining our leading position in the Brazilian market, while continuing to use our exports to hedge our operations and adjust the imbalances between demand and production. Export net sales of our Basic Petrochemicals Unit represented 21.1% of our Basic Petrochemicals Unit’s net sales revenue during 2014.

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 2014, we recorded average resale operations of R$257.7 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.

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Polyolefins Unit

As of December 31, 2014, 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$18,397.6 million during 2014, or 33.3% 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 six 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 products for use in consumer and industrial applications, including:

- plastic films for food and industrial packaging;

- 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,		
	2014	2013	2012
	(thousands of tons)		
Domestic sales:			
Polyethylene (1)	1,743.0	1,765.7	1,660.5
Polypropylene	1,204.0	1,268.9	1,233.3
Other	20.3	19.6	21.5
Total domestic sales	2,967.4	3,054.2	2,915.3
Total export sales	1,112.5	1,150.3	1,334.8
Total Polyolefins Unit sales	4,079.9	4,204.5	4,250.1

(1) Includes EVA.

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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, 2014, 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, 2014 and annual production for the years presented.

Primary Products	Annual Production Capacity (in tons)	Production For the Year Ended December 31, 2014	2013 (in tons)	2012
Polyethylene:				
LDPE/EVA(1)	801,000	616,849	697,540	702,625
HDPE/LLDPE/UHMWPE(2)	2,230,000	1,890,974	1,960,394	1,910,685
Polypropylene(3)	1,965,000	1,592,491	1,627,142	1,646,618

(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 six 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.

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 88.9% of our Polyolefins Unit's total variable cost of production during 2014. Our Polyolefins Unit purchases ethylene and propylene from our Basic Petrochemicals Unit at prices determined by reference to international market prices for ethylene. During 2014, our Polyolefins Unit purchased all of its ethylene requirements and 53.1% of its propylene requirements from our Basic Petrochemicals Unit.

Propylene Contracts with Petrobras and its Subsidiaries

In August 2013, we entered into a twelve-month propylene supply contract with Petrobras, on behalf of its subsidiary Refinaria Alberto Pasqualini S.A., or REFAP, a refinery that is owned and operated by Petrobras. This contract expires in June 2015. Under this contract, we will purchase an annual supply of 92,500 tons of propylene. We expect to negotiate an extension of this contract prior to its expiration.

Under this contract:

- REFAP has agreed to sell and deliver propylene to us exclusively for our use as a raw material; and
- we agreed to purchase, and REFAP agreed to sell, at prices determined by reference to U.S. Gulf Coast prices for propylene.

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This volume will be used to supply the existing plants of our Polyolefins Unit in the Southern Complex and will be available to meet additional demand that arises through the expansion of these plants and the acquisition of additional plants.

In September 2005, we entered into a 20-year propylene supply contract, effective since May 2008, with Petrobras for our Paulínia plant. This contract is automatically renewable for consecutive two-year terms following the initial term, unless terminated by one of the parties. Under this contract, we purchase 300,000 tons of propylene per year. Under this contract:

- Petrobras has agreed to sell and deliver propylene to us exclusively for our use as a raw material; and
- we agreed to purchase, and Petrobras agreed to sell, at prices determined by reference to U.S. Gulf Coast prices for propylene.

Between May 2001 and February 2006, Quattor Petroquímica and Petrobras entered into five propylene supply contracts. These contracts have initial terms expiring at various dates between May 2016 through February 2026 and two of these contracts are automatically renewable for additional five-year terms, unless either party notifies the other party in writing, at least six months prior to the expiration of the contract, that it does not intend to renew the contract. Under the terms of these contracts:

- Petrobras has agreed to sell and deliver propylene to our polypropylene plants in the States of São Paulo and Rio de Janeiro exclusively for use as a raw material;
- Petrobras has agreed to supply an aggregate of 440,000 tons of propylene to us annually;
- we agree to provide Petrobras with a firm commitment order for propylene each month, together with an estimate of the volume of propylene that we will purchase over the immediately succeeding three or four months;
- the price that we pay for propylene under these contracts is based primarily on ICIS-LOR’s prices for propylene in the U.S. Gulf Coast; and
- 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.

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 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 Petroquímica’s management or corporate purposes that conflicts with the object of the contract; (5) the dissolution, bankruptcy or liquidation of Braskem Petroquímica; and (6) a change of entity type, merger, sale, spin-off or any other corporate reconstruction of Braskem Petroquímica that conflicts with or impedes the execution of contract’s object.

Ethanol Supply Contracts

In March 2010, we entered into an ethanol supply contract with a major producer of ethanol to supply our new facility that produces ethylene using sugar cane ethanol. This agreement took effect in August 2010 and expires in July 2016. In November 2013, we entered into a new contract with a major producer of ethanol, which became effective in May 2014 and expires in April 2016. 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*).

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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 six 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.

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 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 1,302 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 19.2% of our Polyolefins Unit's total net sales revenue during 2014. No customer of our Polyolefins Unit accounted for more than 3.0% of our total net sales revenue in 2014, 2013 or 2012.

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,		
	2014	**2013**	**2012**
	(in millions of *reais*)		
Net sales revenue:			
Domestic sales	R$14,098.6	R$12,848.6	R$10,427.3
Export sales:			
South America (excluding Brazil)	2,421.1	2,093.2	2,073.1
Europe	872.1	905.2	944.2
North America	896.4	642.9	655.1
Asia	189.4	166.0	245.8
Other	24.6	288.8	111.3
Total export sales	4,403.6	4,096.1	4,029.5
	R$18,502.2	R$16,944.7	R$14,456.8

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Domestic Sales

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

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 six 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 production 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. In addition to our offices in Argentina and the Netherlands, we maintain an office in the United States that is focused on further developing the market for engineering plastics under the UTEC™ brand. 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 cyclicality of the international spot market for polyolefins through the development of long-term relationships with customers in neighboring countries.

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.

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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 no longer 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.

Competition

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 2014, Brazilian polyethylene and polypropylene imports increased by 8.5% and represented 29.0% 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 2014. As of December 31, 2014, our PVC production facilities had the third largest annual production capacity in Latin America. Our Vinyls Unit generated net sales revenue of R$2,709.5 million in 2014, or 4.9% 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 and paper and chlorine.

In 2014, we had an approximate 52.8% 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,		
	2014	2013	2012
	(thousands of tons)		
PVC	659.5	636.4	560.9
Caustic soda	478.1	475.0	471.6
Other(1)	126.7	127.6	118.3
Total Vinyls Unit sales	1,264.4	1,239.0	1,150.8

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

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.

The table below sets forth for each of our primary vinyls products, our annual production capacity as of December 31, 2014 and annual production for the years presented.

Primary Products	Annual Production Capacity	Production For the Year Ended December 31, 2014	2013	2012
	(in tons)			
PVC(1)	710,000	633,942	582,579	498,621
Caustic Soda(2)	539,000	448,062	437,334	393,940

(1) Represents capacity at three plants and production at four plants, including production during 2012 at our new PVC plant in Alagoas that has an annual production capacity of 200,000 tons and commenced operations in August 2012.

(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 55.4% of our Vinyls Unit's total cost of sales in 2014. 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 12.4% of our Vinyls Unit's total cost of sales in 2014. 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 June 2015. 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 823,000 tons of salt during 2014. Salt accounted for 0.3% of our Vinyls Unit's total cost of sales in 2014. 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.

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Sales and Marketing of Our Vinyls Unit

Net sales revenue to our 10 largest Vinyls Unit customers accounted for 44.8% of our Vinyls Unit's total net sales revenue during 2014. One customer accounted for 9.4% of our Vinyl Unit's total sales revenue in 2014, 13.3% in 2013 and 12.2% in 2012.

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.

Prices and Sales Terms

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 36.6% of our caustic soda sales in 2014 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.

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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 27.1% of Brazilian PVC consumption in 2014. 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.

Caustic Soda

The four largest Brazilian producers of caustic soda accounted for 90.1% of Brazilian production in 2014. 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 46.2% of Brazil's total caustic soda consumption in 2014.

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, 2014, 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$7,934.3 million during 2014, or 14.3% 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 complex, which is expected to become operational in 2016. 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 1,862,600 ton in 2014, 1,790,700 tons in 2013 and 1,744,100 tons in 2012. For a description of the uses of our polypropylene products, see "—Polyolefins Unit."

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Production Facilities of our USA and Europe Unit

The table below sets forth the annual production capacity as of December 31, 2014 of the USA and Europe Unit's polypropylene plants in the United States and Germany and the annual production for the years presented.

Plant	**Annual Production Capacity**	**Production For the Year Ended December 31, 2014**	**2013**	**2012**
		(in tons)		
United States	1,465,000	1,317,800	1,306,863	1,264,772
Germany	545,000	537,876	479,075	492,294

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 Unites States under a variety of long-term supply agreements and through the spot market. As of December 31, 2014, 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 35% of our U.S. gulf coast plants' current annual production capacity through 2018, at prices calculated a cost-based formula that includes a fixed discount that declines until 2018.

As a result of rising natural gas production, U.S. crackers have shifted to lighter feeds, which lowered the production of propylene. Recently, several companies have announced plans to build propane dehydrogenation (PDH) plants, which would produce on-purpose propylene. Braskem has secured a long-term propylene agreement with one of those companies, Enterprise Products, which plans to build 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 2016. Under this arrangement, following completion of this plan, Enterprise Products will supply us with sufficient propylene to produce approximately 65% of our U.S. gulf coast plants' current annual production capacity under a long-term contract with a term of 15 years. Pricing under this contract 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 all of the propylene requirements of these plants. One of these supply agreements expires in December 2016 and is renewable until December 2021, and the other supply agreement expires in March 2021, and is automatically renewable for consecutive one-year terms, unless cancelled by one of the parties. 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.

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Net sales revenue to the 10 largest customers of our USA and Europe Unit accounted for 50.4% of our USA and Europe Unit's total net sales revenue during 2014.

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,		
	2014	**2013**	**2012**
	(in millions of *reais*)		
Net sales revenue:			
Europe	R$2,167.3	R$1,690.1	R$1,587.3
North America	5,767.0	5,058.4	3,877.9
	R$7,934.3	R$6,748.5	R$5,465.2