

BRASKEM SA
Form 6-K
February 12, 2015

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 6-K

**REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13A-16
OR 15D-16 OF THE SECURITIES EXCHANGE ACT OF 1934**

For the month of February, 2015
(Commission File No. 1-14862)

BRASKEM S.A.

(Exact Name as Specified in its Charter)

N/A

(Translation of registrant's name into English)

Rua Eteno, 1561, Polo Petroquimico de Camacari
Camacari, Bahia - CEP 42810-000 Brazil

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K
in paper as permitted by Regulation S-T Rule 101(b)(1).

Indicate by check mark if the registrant is submitting the Form 6-K
in paper as permitted by Regulation S-T Rule 101(b)(7).

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to
the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes No

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82- _____.

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The Management of Braskem S.A. ("Braskem") submits for your consideration this Management Report and corresponding Financial Statements, which are accompanied by the opinions of the Independent Auditors and the Fiscal Council for the fiscal year ended December 31, 2014.

The recovery in the U.S. economy and the good performance of other developed markets, such as the United Kingdom, had a positive impact on the world economy in 2014. However, world GDP growth fell short of initial forecasts for the year, reflecting the slower growth in emerging economies and in the Euro zone.

China posted GDP growth of 7.4% in 2014, below the 7.5% target set by the government, but still above the consensus expectation of 7.2%. This weaker economic growth reflects the shift in China's growth policy, with the adoption of a greater emphasis on domestic consumption and on sustainability.

In the case of the Brazilian economy, the consensus expectation is calling for GDP growth of less than 1% p.a., reflecting the prospects throughout the year of electricity rationing, the fewer number of business days during the World Cup, the contraction in industrial production and higher interest rates. In this context, the Brazilian market of thermoplastic resins amounted to 5.3 million tons, down 1% on the previous year.

Despite the challenging scenario, Braskem, in keeping with its commitment to develop the plastics chain and its focus of serving Clients, worked together with the Brazilian Plastics Industry Association (ABIPLAST) and the manufacturing industry to advance in the Plastics Chain Incentive Plan (PICPLAST). A structural initiative for the industry, the plan provides incentives to boost competitiveness and foster innovation in the sector, stimulate exports of manufactured plastic goods and promote the advantages of using plastic.

Braskem invested R\$2.5 billion in 2014, of which some 60% was allocated to improvement and maintenance its assets and 25% was allocated to building the new petrochemical complex in Mexico, which plays a fundamental role in the Company's strategy to diversify its feedstock profile and its competitiveness.

Developed in partnership with the Mexico group Idesa, the project construction in Mexico reached 88% physical completion by year-end 2014. Located in the Mexican state of Veracruz, the project will produce annually 750 kton of high-density polyethylene and 300 kton of

low-density polyethylene using ethane as feedstock. The complex is expected to be commissioned by the end of 2015.

Braskem's project to expand and convert one of its polyethylene lines in the state of Bahia to produce metallocene-based LLDPE, in which R\$50 million was invested, began operations in January 2015. The resin, which is based on more modern technology, will supply producers of plastic films.

Regarding its growth project in Rio de Janeiro, the Company informs that the studies were concluded and the most attractive alternative was the expansion project of its existing production at the Duque de Caxias site, in the Rio de Janeiro State. The progress of the project, at this time, will depend on

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obtaining a long-term feedstock supply contract with Petrobras. Braskem remains committed to add value to the national feedstock and to meet the future Brazilian demand for thermoplastic resins, contributing to the country's industrialization process.

Progress continued to be made on the feasibility study for the Appalachian Shale Cracker Enterprise (Ascent), an integrated project for the production of polyethylene in the U.S. state of West Virginia. Note that in view of the recent developments in world energy markets, new scenarios are being incorporated into the project analysis.

Also on the international front, Braskem announced a project to produce ultra-high molecular weight polyethylene at its unit in La Porte, Texas (USA). Known commercially as UTEC, the resin was developed using 100% Brazilian technology and has applications across a wide range of industries, such as oil extraction, military equipment and construction. The project, which is expected to start operations in the first half of 2016, seeks to complement the portfolio of products produced in Brazil.

With the aim of restoring some of the competitiveness of the country's industrial sector, the Brazilian government reintroduced, on a permanent basis, the Reintegra program, which provides tax incentives to exporters. The tax refund rate, which is determined annually, was initially set at 0.3% and then increased to 3% as of October 1, 2014. The measure aims to improve the competitiveness of exporters of manufactured goods by refunding a portion of the federal taxes levied on their exports.

Nevertheless, the year 2014 remained a challenging one for the industry. The lack of cost competitiveness due to the high tax burden, energy prices and infrastructure issues, among other factors, led the industrial sector to post a record trade deficit of US\$109 billion. According to estimates, Industrial GDP in 2014 will account for only 24% of Brazil's GDP, a reduction of 4 p.p. from the sector's average contribution in the last 10 years, demonstrating the country's strong deindustrialization trend.

In line with its commitment to the production chain's growth and to the development of new applications, Braskem invested around R\$230 million in innovation and technology and launched 11 new resin grades in 2014.

Company's commitment to innovation led it to be selected by the U.S. magazine *Fast Company* as one of the world's 50 most innovative companies. The only Brazilian company to feature on the list, Braskem was recognized for its research in products made from renewable resources. The publication evaluates companies based on the impact of their innovations on the world.

In terms of the performance of Braskem's financial indicators, gross revenue was R\$53 billion and net revenue was R\$46 billion, representing growth of 11% and 12%, respectively, in relation to 2013, with these figures reflecting the depreciation in the Brazilian real, the recovery in petrochemical prices at the global level and the higher PP sales volume at the United States & Europe business unit.

Braskem's consolidated EBITDA reached R\$5.6 billion, increasing 17% on the prior year. Factors contributing to the performance were the level of petrochemical spreads in the international market and the weaker Brazilian real. The result also incorporates the net positive effect of R\$218 million attributed primarily to the divestment of non-strategic assets and to the full payment of the outstanding tax installments under Federal Law 11.941/09 – Refis tax amnesty program (for more information, see Item 3.1 – Economic and Financial – EBITDA).

In view of the aforementioned, Braskem posted net income of R\$726 million. A highlight was the adoption, in the fourth quarter, of the hedge accounting for the project in Mexico (for more information, see Item 3.1 0 Economic and Financial - Net Financial Result).

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The results achieved in 2014 also reflect the culture of the Odebrecht Group, which is based on the Odebrecht Entrepreneurial Technology (TEO), in which decentralized management, a strong focus on the Client and entrepreneurship are fundamental pillars.

In the area of workplace safety, the Injury Frequency Rate with and without Lost Time considering both Team Members and Partners was 1.00 accident per million hours worked, which is Braskem's best result ever. In the area of process safety, the Aquapolo Project allowed the Company to reuse water in the production operations at its plants located in the Capuava Complex in the ABC Paulista region of Greater São Paulo. The recycled water is produced from sewage processed at the ABC Water Treatment Station.

Braskem's commitment to sustainable development also supported important internal achievements and external recognition in 2014.

During the year, Braskem was elected Latin America's best publicly traded corporation in Brazil in carbon management by the Carbon Disclosure Project (CDP) in the transparency category. It was also recognized, for the fourth straight year, in the GOLD Category of the GHG Protocol Brazil Program. Braskem also confirmed its inclusion in the Corporate Sustainability Index (ISE) of the BM&FBovespa for the tenth straight year, being one of the 11 Brazilian companies to participate in the index since its creation. And, for the third straight year, Braskem was selected as a component of the Dow Jones Sustainability Index Emerging Markets of the New York Stock Exchange (NYSE).

Braskem also won, for the sixth time, the transparency trophy of the National Association of Finance, Administration and Accounting Executives (Anefac) and, for the first time, the trophy for Best Annual Financial Statements 2013 in the category of companies with annual revenue over R\$5 billion.

Acknowledgements

Management once again takes this opportunity to thank its Clients for the trust they place in Braskem, since this partnership motivates us to always follow a path of excellence, and to thank our Team Members, Partnership and Suppliers for their dedication and competence, which are critical to ensuring our accomplishments and results. We also thank our Shareholders for their support in ensuring the feasibility of our strategic projects, which are fundamental to strengthening the Company.

The International Monetary Fund (IMF) revised downward its forecast for world GDP growth in 2015 to 3.5%; even so, this level is still higher than in 2014. The revision reflects slower overall growth in both emerging and developed economies, a stronger U.S. dollar and rising interest rates in emerging economies. The only exception was the outlook for U.S. economy, for which the IMF is projecting GDP growth of 3.6%.

Recent trends in oil markets could support stronger world demand, particularly from developed markets and oil-importing countries.

In the case of Brazil, in a scenario with higher level of interest rates, fiscal adjustments to be implemented by the Federal Government, the impact of China slowdown and the lackluster growth in commodity exports, it's expected a GDP stagnation according to bulletin Focus. This situation is further exacerbated by the potential need for energy rationing due to the current levels of the country's reservoirs.

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It is absolutely fundamental that the Federal Government, in parallel with the recently announced fiscal adjustments, also develop and implement a structural project to restore the competitiveness of the Brazilian industrial sector. Such a project must focus on reducing costs, improving infrastructure and ensuring the availability of competitive feedstock and electricity in order to reverse the country's deindustrialization and stimulate the growth and productivity of local manufacturers.

Regarding the petrochemical industry, the short-term scenario is marked by caution. As expected, petrochemical prices began to follow the downward trend in naphtha prices, which in turn followed the trend in crude oil markets. However, it is expected that the improvement in the world economy will continue to positively influence the demand and profitability of the sector. Factors to be monitored remain related to the geopolitical issues in the Middle East and North Africa and to the volatility in the supply of oil.

Braskem's strategy remains centered on strengthening its business by (i) increasing the competitiveness of its feedstock matrix by reducing its cost and diversifying its profile; (ii) continuing to strengthen its relationships with Clients; (iii) supporting the development of Brazil's petrochemical and plastics chain; (iv) pursuing higher operational efficiency; and (v) maintaining the Company's financial health and cost discipline.

The Company remains focused on the negotiation of the new terms and conditions for renewing its naphtha supply agreement with Petrobras. With regard to its power supply agreement with Chesf, Braskem continues to seek a solution to ensure the competitiveness of energy costs, especially in its electricity-intensive operations in the northeast of Brazil.

On this front, it is important to note that, since the power blackout that affected its operations in the northeast region in 2011, Braskem has invested in the ability of its crackers to keep their critical systems in operation. Today, approximately 85% of ethylene production is prepared for an unexpected interruption in the power supply, mitigating any potential significant damage to its facilities.

On the operational front, Braskem expects to run its crackers at a capacity utilization rate around 90%. For 2015, no scheduled maintenance shutdowns are planned at its crackers.

Braskem maintains its commitment to sustainable growth and development and will continue to act proactively to pursue the best opportunities for creating value for its Clients, Shareholders and Society and for increasing competitiveness throughout the entire petrochemical and plastics production chain, while maintaining its focus on financial discipline.

In 2014, the Brazilian thermoplastic resins market (PE, PP and PVC) reached nearly 5.3 million tons, down 1.0% from the previous year, due to the weak performance of the domestic

economy.

Imports of resins amounted to 1.8 million tons, and increase close to 50 kton on 2013, explained by opportunistic entry of imported material.

In this scenario, Braskem's resin sales volume came to 3.6 million tons, decreasing 2.8% from 2013. The Company's market share stood at 67%, down 1 p.p. from the previous year.

§ **Polyolefins**

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Domestic demand for polyolefins (PE and PP) was approximately 4.1 million tons, down 1% from 2013. The better performance of the retail and consumer goods industries was unable to offset the downturn in durable goods sectors, such as automotive, white goods and industrial. Meanwhile, Braskem's sales fell by 4% to 2,910 million tons, with its market share in the year standing at 71%.

The Company's sales in the international market came to 1,068 ktons. The decrease in PE export volume, influenced by the lower production volume, was partially offset by higher PP sales due to windows of opportunity in other Latin American markets and in other continents.

In the year, production came to 4 million tons, down 5% on the previous year, explained by the scheduled and unscheduled maintenance shutdowns in the period.

POLYOLEFINS	2014 (D)	2013 (E)	Change (D)/(E)
Sales - Domestic Market			
PE's	1,706,137	1,765,661	-3%
PP	1,204,049	1,268,926	-5%
Total Domestic Market	2,910,185	3,034,587	-4%
Sales - International Market			
PE's	680,390	778,052	-13%
PP	387,888	311,899	24%
Total Exports	1,068,279	1,089,951	-2%
Total Sales			
PE's	2,386,527	2,543,713	-6%
PP	1,591,937	1,580,825	1%
Total Sales	3,978,464	4,124,538	-4%
Production			
PE's	2,414,520	2,580,290	-6%
PP	1,592,492	1,627,141	-2%
Total Production	4,007,012	4,207,431	-5%

§ **Vinyls**

In 2014, Brazilian demand for PVC was 1.2 million tons, down 2% on the prior year, with weak economic growth affecting the performance of the infrastructure and construction sectors.

Braskem's sales, however, amounted to 660 kton, growing 4% on 2013, supporting a market share gain of 3 p.p. to 53%. This good performance was influenced by the normalization of operations at the new plant in the state of Alagoas, which contributed to the 9% growth in PVC production.

The Company's caustic soda sales reached 460 kton in 2014, down 2%, also affected by the slowdown of the Brazilian economy.

Performance (tons) VINYLs	2014 (D)	2013 (E)	Change (D)/(E)
Sales - Domestic Market			
PVC	659,549	636,507	4%
Caustic Soda	460,083	468,765	-2%
Production			
PVC	635,016	582,579	9%
Caustic Soda	448,062	437,334	2%

§ Basic Petrochemicals

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In the year, the average capacity utilization of Braskem's crackers was 86%, with ethylene production decreasing 4% from 2013 to 3.2 million tons. The lower production is explained by (i) the scheduled maintenance shutdown (March-April) of one of the lines at the cracker in Triunfo; (ii) the scheduled shutdown of the cracker in São Paulo (September-October); and (iii) feedstock supply issues at the Rio de Janeiro site in the first half of the year.

Despite the lower production volume, combined sales of ethylene and propylene came to 957 kton in 2014, up 4% on the prior year, which is explained by the higher supply of products to third parties due to scheduled shutdowns at second-generation, as well as by the opportunities in the export market.

BTX and butadiene sales volumes decreased 1% and 2%, respectively, influenced by the lower production volume.

Performance (tons) BASIC PETROCHEMICALS	2014 (D)	2013 (E)	Change (D)/(E)
Production			
Ethylene	3,237,886	3,372,825	-4%
Propylene	1,306,636	1,505,595	-13%
Butadiene	374,827	389,854	-4%
BTX*	1,013,873	1,217,831	-17%
BTX* - Benzene, Toluene, Orthoxylene and Paraxylene			

Performance (tons) BASIC PETROCHEMICALS	2014 (D)	2013 (E)	Change (D)/(E)
Total Sales			
Ethylene/Propylene	957,123	924,435	4%
Butadiene	378,853	381,764	-1%
BTX*	1,012,091	1,036,147	-2%
BTX* - Benzene, Toluene, Orthoxylene and Paraxylene			

§ **United States and Europe**

The USA and Europe unit registered PP sales of 1.9 million tons. The 4% increase on 2013 is explained by the good performance of the automotive, industrial and consumer goods sectors, reflecting the recovery in the U.S. economy and the better performance of the European economy between the periods.

Furthermore, as a result of the investments made in maintenance and to increase the efficiency of assets over the last three years, Braskem expanded the production capacity of its plant in Seadrift, Texas (USA) by 40 kton/y.

In this context, the average utilization rate stood at 94%, while production volume reached 1.9 million tons, 4% higher than in 2013.

Performance (tons) UNITED STATES AND EUROPE	2014 (D)	2013 (E)	Change (D)/(E)
Sales			
PP	1,862,560	1,790,693	4%
Production			
PP	1,855,676	1,785,938	4%

§ **Revenue**

In 2014, Braskem recorded consolidated gross revenue of R\$53 billion, growing 11% from 2013. In U.S. dollar, gross revenue was US\$23 billion, or 2% higher.

In 2014, consolidated net revenue was R\$46 billion, an increase of 12% on the prior year. This performance is explained by (i) higher PP sales from the USA and Europe business unit; (ii) the higher average resins price in the international market; and (ii) the average U.S. dollar appreciation of 9% in the period. In U.S. dollar, net revenue was US\$20 billion, or 3% higher.

Excluding of the analysis the naphtha/condensate resale, Braskem's net revenue was R\$43 billion, or US\$18 billion, increasing 11% and 2%, respectively.

On the same basis, export revenue came to US\$7.2 billion, or R\$17 billion, increasing 1% and 10%, respectively, on 2013. The highlights were the recovery in prices in the international market and the higher sales volume by the USA and Europe business unit, as previously mentioned.

§ **Cost of Goods Sold (COGS)**

In 2014, Braskem's cost of goods sold (COGS) amounted to R\$40 billion, increasing 12% on the prior year, mainly explained by (i) the 9% average appreciation in the U.S. dollar, which generated a negative impact of R\$2.9 billion; (ii) the higher PP sales volume by the USA and Europe business unit; and (ii) the higher average propylene price in the international market.

Braskem acquires around 70% of its naphtha feedstock from Petrobras, with the remainder imported directly from suppliers in North African countries and Venezuela. In 2014, the average price of ARA naphtha, which is the reference for the imported naphtha, was US\$836/ton, down 7% from the average price in 2013. The naphtha price reference for the domestic supply (three-month moving average) reached US\$897/ton, virtually in line with the prior year.

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Regarding the average gas price, the Mont Belvieu reference prices for ethane and propane increased by 3% and 4%, to US\$27 cts/gal (US\$199/ton) and US\$104 cts/gal (US\$544/ton), respectively. The price increases observed in early 2014 due to the rigorous winter in the United States were partially offset by higher supply in the second half of the year and subsequent price declines. The USG price reference for propylene averaged US\$1,563/ton, up 3% on 2013, influenced by the limited product supply in the region at the beginning of the year (scheduled shutdowns).

§ **Selling, General and Administrative Expenses (SG&A)**

In 2014, SG&A expenses amounted to R\$2.5 billion, increasing 14% on the previous year.

Selling Expenses were R\$1.2 billion, up 15% on the prior year. The result was primarily influenced by the higher expenses related to exports, such as storage and demurrage, due to higher sales volume; as well as by the Company's conservative strategy for granting credit in the chain.

General and Administrative Expenses were R\$1.3 billion, or 13% higher than in 2013, explained by (i) higher payroll expenses related to the wage adjustments granted under the collective bargaining agreement and to the price adjustment in the health insurance policy; and (ii) sporadic expenses with institutional marketing, advertising materials and third-party services.

§ **EBITDA**

In 2014, Braskem's consolidated EBITDA was R\$5.6 billion or US\$2.4 billion, increasing 17% and 8%, respectively. The main factors influencing this performance were the recovery in petrochemical spreads in international market and the 9% depreciation in the Brazilian real.

The result also reflects (i) the positive nonrecurring impact of R\$277 million from the divestment of a non-strategic asset; and (ii) the net positive impact of R\$72 million (explained below) related to additional inclusions and the full settlement of the outstanding tax installments under Federal Law 11,941/09 (Refis tax amnesty program); which were partially offset by (iii) the additional R\$65 million provision for the Petros Plans; and (iv) the R\$66 million negative impact from the fair value adjustment of inventory at the USA and Europe business unit to reflect the sharp decline in propylene and PP prices in international markets.

Excluding these extraordinary effects, Braskem's EBITDA grew by 11% in Brazilian real and 3% in U.S. dollar.

Payment in installments of tax liabilities under Federal Law 11.941/09

In June 2014, due to the reopening of the federal tax amnesty program, as authorized under Federal Law 12.972, Braskem opted to include in the program another R\$75 million in tax liabilities, which generated (a) the extraordinary expense of R\$34 million in the quarter.

In November 2014, Braskem's Management decided to settle in full its outstanding installments under the program, in accordance with Federal Law 13.043/14 (for more information see Note 17 – Taxes Payable in the 2014 Financial Statements). A total of R\$1 billion in outstanding liabilities were settled. The effects on the 4Q14 results were (b) the R\$72 million negative impact related to the inclusion of new tax contingencies in the installment payment plans in the last quarter; which were offset by (c) the use of R\$98 million in credits from subsidiaries; and (d) the R\$80 million gain from the discount received for prepayment.

§ **Net Financial Result**

In 2014, the net financial result was an expense of R\$2,391 million, compared to the expense of R\$1,776 million in the prior year.

Braskem holds net exposure to the U.S. dollar (more dollar-denominated liabilities than dollar-denominated assets), and any change in the exchange rate has an impact on the accounting financial result. On December 31, 2014, this exposure was formed: (i) in the operations, by 59% of suppliers, which were partially offset by 78% of accounts receivables; and (ii) in the capital structure, by 74% of net debt. Since the Company's operating cash flow is heavily linked to the dollar, the Company believes that maintaining this level of net exposure to the dollar in liabilities acts as a natural hedge, which is in compliance with its Financial Management Policy. Virtually 100% of its revenue is directly or indirectly pegged to the variation in the U.S. dollar and approximately 80% of its costs are also pegged to this currency.

Since Braskem regularly exports part of its production and aiming to better reflect exchange variation in its result, the Company designated, as of May 1, 2013, part of its dollar-denominated liabilities as hedge for its future exports (hedge accounting of exports).

The subsidiary Braskem Idesa, aiming to better reflect exchange variation in its result, decided, on October 1st, to designate the liabilities related to the financing of the Mexico project, which adopts a project finance model, as hedge for its future sales.

As a result, the exchange variation arising from liabilities related to the project is temporarily recorded under shareholders' equity and transferred to the income statement only when such sales occur, thus enabling the simultaneous recognition of the dollar impact on its liabilities and sales. On December 31, 2014, the liabilities associated with the project amounted to US\$2,879 million.

In this context, in 2014, the effect from the 13% U.S. dollar¹ appreciation on the consolidated net exposure of liabilities not designated as hedge accounting generated a negative impact on the financial result of R\$85 million.

Excluding the effects from exchange and monetary variation, the net financial result in 2014 was an expense of R\$2,060 million, increasing R\$298 million from the prior year, which is mainly explained by (i) the increase in the line "interest expenses," reflecting the impact from exchange variation on the

¹ On December 31, 2014, the Brazilian real/U.S. dollar exchange rate was R\$2.6562/US\$1.00.

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calculation of interest payable on dollar-denominated debt and the extraordinary expense of R\$43 million related to the reopening of the program to renegotiate federal taxes (Refis) in 3Q14; and (ii) the restatement of the provision for the Petros Plans, which impacted the line “net interest on fiscal provisions,” in the amount of R\$77 million; which were partially offset by (iii) the gain of R\$16 million from the prepayment in full of tax liabilities under the Refis program.

The following table shows the composition of Braskem’s net financial result.

R\$ million	2014	2013
Financial Expenses	(2,746)	(2,549)
Interest Expenses	(1,273)	(1,123)
Monetary Variation (MV)	(320)	(300)
Foreign Exchange Variation (FX)	(39)	(78)
Net Interest on Fiscal Provisions	(222)	(174)
Others	(892)	(875)
Financial Revenue	355	773
Interest	253	226
Monetary Variation (MV)	75	24
Foreign Exchange Variation (FX)	(46)	333
Net Interest on Fiscal Credits	30	56
Others	44	134
Net Financial Result	(2,391)	(1,776)

R\$ million	2014	2013
Net Financial Result	(2,391)	(1,776)
Foreign Exchange Variation (FX)	(85)	256
Monetary Variation (MV)	(246)	(276)
Net Financial Result Excluding FX and MV	(2,060)	(1,755)

§ **Net Income**

In 2014, Braskem recorded net income of R\$726 million, which benefitted from the improvement in its operating performance and from the divestment of non-strategic assets. Another important factor was the adoption of hedge accounting, which better translates the effects on the results of exchange variation on dollar-denominated liabilities.

Dividends

The Management of Braskem proposes to the Annual Shareholders' Meeting to be held on April 9, 2015, the distribution of dividends in the total amount of R\$483 million (see Note 24 –

Shareholders' Equity – Items (d) Proposed dividends and allocation of net income and (d.1) Net income in 2014 and proposed dividends).

§ **Capital Structure, Liquidity and Credit Rating**

On December 31, 2014, Braskem's consolidated gross debt stood at US\$10.5 billion. This amount consists of the financing for the Mexico project in the amount of US\$2,879 million that was received by the subsidiary Braskem-Idesa as of 4Q14, which includes the third and fourth disbursements received on April 8 and August 11, in the amounts of US\$465 million and US\$383 million, respectively. Since this investment is made through a project finance structure (70% debt and 30% equity) in which the project's debt will be repaid using its own cash flow, for the purpose of analyzing the Company's debt this project is not included.

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In this context, Braskem's gross debt stood at US\$7,656 million, down 4% from 2013. In Brazilian real, gross debt increased by 9%, reflecting the impact from U.S. dollar² appreciation of 13% in the period. At the end of the year, 68% of gross debt was denominated in U.S. dollar.

Cash and cash equivalents amounted to US\$1,427 million, decreasing US\$124 million from the prior year, due to the U.S. dollar³ appreciation of 13% in the period and its respective impact on the cash position in Brazilian real.

Braskem's net debt in U.S. dollar decreased by 3% to US\$6,229 million. In Brazilian real, net debt increased by 11%, affected by the U.S. dollar appreciation in the period, as mentioned above. At the end of the year, 74% of net debt was denominated in U.S. dollar.

In line with its strategy to maintain high liquidity and its financial health, the Company also maintains two revolving stand-by credit facilities in the amounts of US\$750 million and R\$500 million, both of which mature in 2019. The Company's revolving credit facilities do not include any restrictive covenants on withdrawals during times of Material Adverse Change (MAC Clause). Only prime banks with low default rates (credit default swap) and high credit ratings participated in the transactions.

The 8% increase in EBITDA (US\$2.4 billion) and the reduction in net debt led financial leverage as measured by the ratio of net debt to EBITDA in U.S. dollar to end 2014 at 2.58x, down 10% from the previous year. In Brazilian real, the leverage ratio stood at 2.92x, decreasing 6%.

²On December 31, 2014, the Brazilian real/U.S. dollar exchange rate was R\$2.6562/US\$1.00.

³ On December 31, 2014, the Brazilian real/U.S. dollar exchange rate was R\$2.6562/US\$1.00.

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On December 31, 2014, the average debt term was around 15.7 years, in line with the 15.5 years registered on December 31, 2013. Considering only the portion of debt denominated in U.S. dollar, the average debt term was 21.4 years. The average debt cost on December 31, 2014 was 6.32% in U.S. dollar and 8.96% in Brazilian real, compared to 6.25% and 9.04%, respectively, in the prior year.

The following charts show Braskem's gross debt by category and indexer.

The following chart shows the Company's consolidated amortization schedule at December 31, 2014.

In line with the strategy to lengthen its debt maturity profile, Braskem issued US\$500 million in bonds due in February 2024 with a coupon of 6.45% p.a.. In April, Braskem re-tapped capital markets by raising US\$250 million via the reopening of the 2024 bond issue, with a yield of 6.04% p.a.. The proceeds from these issues were used to repurchase the remaining bonds due in 2017, 2018 and 2020. As a result, only 7% of total debt matures in 2015 and the Company's high liquidity ensures that its cash and cash equivalents cover the payment of obligations maturing over the next 33 months. Considering the stand-by credit facilities, this coverage is 47 months.

Credit Risk Rating – Global Scale

In 2014, Braskem maintained the investment-grade ratings assigned to it by the three major global credit risk rating agencies.

In August, Standard & Poor's reaffirmed Braskem's "BBB-" rating on the global scale with a "stable" outlook. According to the agency, the Company is expected to deleverage as a result of the improvements in its operating indicators and its continued financial health.

Moody's, in a report also published in August, reaffirmed Braskem's "Baa3" rating with a "negative" outlook. According to the agency, the reaffirming of Braskem's rating is based on the fact that the Company is the largest resin producer in the Americas and enjoys a prominent position in Brazil; its operating margins; the high capacity utilization rates of its plants; and its long-term relationship with clients.

In October, Fitch Ratings released a report that reaffirmed Braskem's "BBB-" and changed its outlook from "negative" to "stable." The change in outlook to "stable" was supported by the Company's firm commitment to maintain its robust financial profile, its leadership position in the Americas and its strategy to diversify its feedstock profile with competitive costs via the Mexico project.

In line with its commitment to the continuous development in the petrochemical industry and plastic chain, Braskem maintains an Innovation team with 310 professionals, 2 Technology & Innovation Centers located in Brazil and the United States, 23 laboratories and 7 pilot plants. In December 2014, its portfolio was formed by 291 projects to develop new products and processes with combined net present value of US\$2,450 million.

The importance of Braskem's innovation program is demonstrated, for instance, by the Polyolefins Unit, where around 15% of sales come from products launched in the last three years. In 2014, a total of 11 new products were added to the portfolio, which included:

- Polypropylene RP 149 Maxio – to meet the market's demand for resins with higher fluidity, Braskem developed a new PP resin that more easily fills molds for large parts, which effectively shortens injection cycles with no loss of mechanical properties. The lower injection temperature of higher-fluidity grades also provides energy savings for manufacturers.
- Polyethylene for the gas pipes segment – always seeking to serve its Clients and comply with Brazilian and European regulations, Braskem added a new grade to its portfolio of PE resins for pressure pipes.

- Polyethylene for the stretch films segment – to meet the demands of the stretch films market, the Company developed a new PE resin called Flexus7200XP. The new resin ensures higher transparency and shortens the downtime of Client's machines by keeping the matrix cleaner for longer. Some of the most notable achievements in the field of Innovation & Technology in the year are described below:

a) Fast Company, a leading U.S. magazine focused on innovation, elected Braskem one of the world's 50 most innovative companies in 2014, making it the only Brazilian company to figure in the ranking. Braskem was recognized for bringing to market a sustainable solution, its polyethylene from renewable raw material known as Green PE.

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b) Braskem was selected by *Info* magazine as one of the Brazil's most innovative companies. In a survey that evaluated hundreds of companies, the Company was recognized for establishing "Innovation" as one of the pillars of its business strategy.

c) The expansion of the Renewable Chemical Products Laboratory located in Campinas, São Paulo that conducts projects in the field of biotechnology and chemical processes based on renewable resources, reinforcing the Company's commitment to sustainable technological alternatives.

d) Braskem signed an international cooperation agreement with Amyris and Michelin for the development of a new technological route for the production of a type of isoprene ("Agreement"), a feedstock for the rubber industry. Under this Agreement, the companies will work together to develop a technology using plant sugars, such as those found in sugarcane and cellulosic feedstocks, to produce renewable isoprene.

e) The filing of 87 new patents, bringing the total number of patents filed to 851. Most of the patents filed in 2014 involved technologies based on the use of renewable resources.

f) The Innovation & Technology center in Brazil provided support to 490 clients through 14,000 analyses. At the center located in the United States, around 50 clients received support.

g) The securing of financing facilities from government institutions that foster initiatives in the area of innovation:

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