

BRASKEM SA
Form 6-K
March 29, 2018

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 March, 2018
(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- _____.

Braskem S.A.

Financial Statements

at December 31, 2017

and Independent Auditors' Report

Independent auditor's report in the individual and consolidated financial statements

To Shareholders, Members of the Board and Management

Braskem S.A.

Camaçari - Bahia

Opinion

We have audited the individual and consolidated financial statements of Braskem S.A. ("the Company"), respectively referred to as Parent and Consolidated, which comprise the statement of financial position as at December 31, 2017, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

Opinion on the individual financial statements

In our opinion, the accompanying individual financial statements present fairly, in all material respects, the financial position of the Braskem S.A. ("the Company") as at December 31, 2017, and of its financial performance and its cash flows for the year then ended in accordance with Accounting Practices Adopted in Brazil.

Opinion on the consolidated financial statements

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Braskem S.A. as at December 31, 2017, and of its consolidated financial performance and its cash flows for the year then ended in accordance with Accounting Practices Adopted in Brazil and with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB).

Basis for Opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Individual and Consolidated Financial Statements section of our report. We are independent of the Company and its subsidiaries in accordance with the relevant ethical requirements included in the Accountant Professional Code of Ethics ("Código de Ética Profissional do Contador") and in the professional standards issued by the Brazilian Federal Accounting Council ("Conselho Federal de Contabilidade") and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the individual and consolidated financial statements of the current period. These matters were addressed in the context of our audit of the individual and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recoverable value of intangible assets with indefinite useful life (goodwill) and deferred tax assets - notes 3.4 (b), 14 (a) and 21.2 (individual and consolidated)

The Company maintains a significant balance of intangible assets with indefinite useful life, in connection with the goodwill on business combination, allocated to operating segments of Polyolefins, Vinyls and Chemicals (cash generating unit Químicos Sul). The Company also holds a significant balance of deferred tax asset, generated by tax losses and temporary differences.

The recoverability of these assets is based on analyses and projections of cash flow and generation of results. Due to uncertainties inherent to the process of determining future cash flows and some assumptions - such as discount rates, which are the basis for evaluation of recoverable value of such assets -, we considered this matter as significant for our audit.

How our audit conducted this issue

We understood the process and evaluated the design of internal controls related to the preparation and review of the business plan, budgets and impairment analysis provided by the Company. We used the support of our specialists in corporate finance, we have evaluated assumptions and methodologies used by the Company to forecast cash flows for each segment, such as discount rate based on average capital cost (WAAC), growth rate for the next 5 years, expected sales volume and margin, among others. Also with the assistance of our specialists, sensitivity analyses were conducted in relation to the main assumptions used by management. We also evaluated disclosures made by the Company, including those related to sensitivity analysis, which demonstrate the impact on recoverable value resulting from possible and reasonable changes in key assumptions used by the Company.

Based on evidence from the procedures summarized above, we consider that, in relation to its recoverability, the value of intangible assets with indefinite useful life (goodwill) and deferred tax assets, as the related disclosures, are acceptable in the context of individual and consolidated financial statements taken as a whole, for the year ended December 31, 2017.

Fair value of derivative financial instruments and designation of hedge accounting - notes 3.6, 4.1 and 19 (individual and consolidated)

The Company uses derivative financial instruments to manage risks related to exchange rate changes and interest rates of loans and financing. These instruments are recorded at fair value based on the market prices of the own instrument or similar instruments or according to pricing techniques, which consider market curves of interest rate and exchange rate. The Company designates derivative financial instruments as hedge instruments when adopting hedge accounting policy, and regularly performs effectiveness tests on designated hedge relations.

In view of relevance and complexity of estimates made to measure fair value of derivative financial instruments and possible impact that changes in pricing assumptions and techniques used to measure such value would have on the Company's income and financial position, and also considering the complexity involved in designation and regular measurement of effectiveness of hedge accounting relation held by the Company, we consider those as a significant matter for our audit.

How our audit conducted this issue

We understood the process and evaluated design and implementation of internal controls related to the process of evaluating derivative financial instruments and hedge accounting. Our audit engagements work also included tests on samples of transactions with these financial instruments and, with the involvement of our valuation specialists in derivative financial instruments, we recalculated them based on pricing techniques and data and information sources independently defined, and compared our results with those recorded by the Company. Also with the assistance of these specialists, we evaluated the sufficiency of the documentation prepared by the Company supporting the designation as hedge accounting, particularly designations containing the descriptions of all strategies and methodologies adopted for measurement of effectiveness. Also with the assistance of our specialists, sensitivity analyses were conducted in relation to the fair value of derivative financial instruments. We also evaluated the adequacy of disclosures made by the Company involving transactions with derivative financial instruments and hedge accounting, including those related to sensitivity analysis of these instruments.

Based on the evidences obtained through the procedures summarized above, we considered acceptable the balances of derivative financial instruments, as well as the designations maintained as hedge accounting in the context of the individual and consolidated financial statements taken as a whole, for the year ended December 31, 2017.

Other matters

Statements of value added

The individual and consolidated statements of value added (DVA) for the year ended December 31, 2017, prepared under the responsibility of the Company's management, and presented herein as supplementary information for IFRS purposes, have been subject to audit procedures jointly performed with the audit of the Company's financial statements. In order to form our opinion, we assessed whether those statements are reconciled with the financial statements and accounting records, as applicable, and whether their format and contents are in accordance with criteria determined in the Technical Pronouncement 09 (CPC 09) - Statement of Value Added issued by the Committee for Accounting Pronouncements (CPC). In our opinion, the statements of value added have been fairly prepared, in all material respects, in accordance with the criteria determined by the aforementioned Technical Pronouncement, and are consistent with the overall individual and consolidated financial statements.

Other information accompanying the individual and consolidated financial statements and the auditor's report

Management is responsible for the other information comprising the management report.

Our opinion on the individual and consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the individual and consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the individual and consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Individual and Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the individual financial statements in accordance with Accounting Practices Adopted in Brazil, and consolidated financial statements in accordance with Accounting Practices Adopted in Brazil and with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the individual and consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company and subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and subsidiaries financial reporting process.

Auditors' Responsibilities for the Audit of the Individual and Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the individual and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian and international standards on auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Brazilian and international standards on auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the individual and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks,

and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and its subsidiaries internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and its subsidiaries ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the individual and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company and subsidiaries to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the individual and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the individual and consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the individual and consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

São Paulo, March 28, 2018.

KPMG Auditores Independentes
CRC 2SP014428/O-6
Original report in Portuguese signed by
Anselmo Neves Macedo
Accountant CRC 1SP160482/O-6

Braskem S.A.**Balance sheet at December 31**

All amounts in thousands of reais

Assets	Note	2017	Consolidated 2016	2015
Current assets				
Cash and cash equivalents	6	3,775,093	6,701,864	1,953,000
Financial investments	7	2,302,672	1,190,483	1,833,300
Trade accounts receivable	8	3,281,196	1,634,137	1,824,700
Inventories	9	6,846,923	5,238,014	4,800,800
Taxes recoverable	11	1,349,064	1,355,695	830,100
Dividends and interest on capital	10	10,859	14,986	10,800
Prepaid expenses		134,337	101,747	105,200
Related parties	10(b)			30,400
Derivatives operations	19.2	3,793	8,387	3,700
Other receivables		288,391	180,915	232,500
		17,992,328	16,426,228	11,625,000
Non-current assets held for sale	5		359,704	
		17,992,328	16,785,932	11,625,000
Non-current assets				
Financial investments	7	10,336		
Trade accounts receivable	8	37,496	70,236	1,336,200
Advances to suppliers	9	46,464	61,533	46,400
Taxes recoverable	11	1,023,633	1,088,353	1,023,200
Deferred income tax and social contribution	21.2(b)	1,165,726	1,653,115	
Judicial deposits		289,737	233,320	278,000
Related parties	10(b)			16,000
Insurance claims		39,802	50,653	39,800
Derivatives operations	19.2	32,666	29,308	
Other receivables		112,997	140,971	109,100
Investments in subsidiaries and jointly-controlled investments	12	101,258	92,313	4,915,600
Property, plant and equipment	13	29,761,610	29,336,710	16,326,200
Intangible assets	14	2,727,497	2,809,087	2,501,500
		35,349,222	35,565,599	26,592,200
Total assets		53,341,550	52,351,531	38,217,300

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

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Braskem S.A.**Balance sheet at December 31**

All amounts in thousands of reais

Continued

Liabilities and shareholders' equity	Note	2017	Consolidated 2016	2017	Parent
Current liabilities					
Trade payables		5,265,670	6,545,136	1,198,842	
Borrowings	15	1,184,781	2,594,463	382,304	
Braskem Idesa borrowings	16	9,691,450	10,437,791		
Debenture	17	27,183			
Derivatives operations	19.2	6,875	29,042		
Payroll and related charges		630,517	562,455	493,098	
Taxes payable	20	1,261,204	1,153,760	774,391	
Dividends		3,850	3,083	3,709	
Advances from customers		353,222	203,216	187,304	
Leniency agreement	23.3	257,347	1,354,492	202,892	
Sundry provisions	22	178,676	112,891	125,130	
Accounts payable to related parties	10(b)			783,181	
Other payables		276,957	476,262	104,181	
		19,137,732	23,472,591	4,255,032	
Non-current liabilities held for sale	5		95,396		
		19,137,732	23,567,987	4,255,032	
Non-current liabilities					
Trade payables		259,737	201,686	13,845,472	
Borrowings	15	22,176,640	20,736,604	2,823,692	
Debenture	17	286,141			
Derivatives operations	19.2		861,302		
Taxes payable	20	52,802	24,097	50,815	
Accounts payable to related parties	10(b)			7,197,573	
Loan to non-controlling shareholders of Braskem Idesa		1,756,600	1,620,519		
Deferred income tax and social contribution	21.2(b)	940,079	510,523	715,938	
Post-employment benefits		193,775	162,136	83,233	
Provision for losses on subsidiaries				102,750	
Advances from customers			162,955		
Contingencies	23	1,092,645	985,237	1,084,528	
Leniency agreement	23.3	1,371,767	1,498,738	1,322,051	

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Sundry provisions	22	234,996	206,245	213,318
Other payables		148,286	92,792	5,048
		28,513,468	27,062,834	27,444,418
Shareholders' equity	25			
Capital		8,043,222	8,043,222	8,043,222
Capital reserve		232,430	232,430	232,430
Revenue reserves		3,945,898	834,616	3,945,898
Equity valuation adjustments		(5,653,880)	(6,321,859)	(5,653,880)
Treasury shares		(49,819)	(49,819)	(49,819)
Total attributable to the Company's shareholders		6,517,851	2,738,590	6,517,851
Non-controlling interest in subsidiaries		(827,501)	(1,017,880)	
		5,690,350	1,720,710	6,517,851
Total liabilities and shareholders' equity		53,341,550	52,351,531	38,217,301

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

Braskem S.A.**Statement of operations****Years ended December 31****All amounts in thousands of reais, except earnings (loss) per share**

		Consolidated		Parent
	Note	2017	2016	company
	2.4(b)		Adjusted	2016
	27			Adjusted
		49,260,594	47,663,988	36,481,806
Cost of products sold		(36,400,748)	(34,985,569)	(28,929,876)
		12,859,846	12,678,419	7,551,930
Selling and distribution		(1,459,608)	(1,403,673)	(925,663)
General and administrative		(1,434,272)	(1,285,613)	(865,085)
Research and development		(167,456)	(162,010)	(105,286)
Results from equity investments	12(c)	39,956	30,078	2,441,996
Other income (expenses), net	29	(479,404)	(3,905,954)	(449,092)
		9,359,062	5,951,247	7,648,800
Financial expenses	30	(3,747,217)	(3,570,962)	(2,627,262)
Financial income		603,630	690,122	545,262
Exchange rate variations, net		(798,762)	(3,210,417)	(878,154)
		(3,942,349)	(6,091,257)	(2,960,154)
				(4,268,629)

		5,416,713	(140,010)	4,688,646	(171,011)
Current and deferred income tax and social contribution	21.1	(1,292,268)	(616,046)	(614,532)	(271,419)
		4,124,445	(756,056)	4,074,114	(442,430)
Profit from discontinued operations	5				
		13,499	40,760	13,499	30,958
Current and deferred income tax and social contribution		(4,623)	(13,901)	(4,623)	
		8,876	26,859	8,876	30,958
		4,133,321	(729,197)	4,082,990	(411,472)
Company's shareholders		4,082,990	(411,472)		
Non-controlling interest in subsidiaries		50,331	(317,725)		
		4,133,321	(729,197)		

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

Braskem S.A.**Statement of comprehensive income****Years ended December 31****All amounts in thousands of reais**

	Note	2017	Consolidated 2016	2015
Profit (loss) for the year		4,133,321	(729,197)	4,082,124
Other comprehensive income:				
Items that will be reclassified subsequently to profit or loss				
Fair value of cash flow hedge		605,204	215,510	540,100
Income tax and social contribution		(203,186)	(75,333)	(183,800)
Fair value of cash flow hedge - Braskem Idesa				48,500
Income tax and social contribution				(14,500)
Fair value of cash flow hedge from jointly-controlled		3,534	(3,309)	3,500
		405,552	136,868	394,100
Exchange variation of foreign sales hedge	19.4(a.i)	(397,045)	4,121,849	(397,000)
Sales Hedge - transfer to profit or loss	19.4(a.i)	1,022,830	1,297,910	1,022,800
Income tax and social contribution on exchange variation		(212,767)	(1,842,718)	(212,700)
Exchange variation of foreign sales hedge - Braskem Idesa	19.4(a.ii)	472,717	(1,995,065)	354,100
Sales Hedge - transfer to profit or loss - Braskem Idesa	19.4(a.ii)	163,696	59,834	122,100
Income tax on exchange variation - Braskem Idesa		(190,924)	581,304	(143,100)
		858,507	2,223,114	747,100
Foreign subsidiaries currency translation adjustment		(602)	339,296	51,100
Total		1,263,457	2,699,278	1,192,100
Items that will not be reclassified to profit or loss				
Defined benefit plan actuarial loss, net of taxes		(5,750)	(4,119)	(5,700)
Post-employment plans - Health plan, net of taxes		(2,904)		(2,900)
Total		(8,654)	(4,119)	(8,600)
Total comprehensive income for the year		5,388,124	1,965,962	5,267,100

Attributable to:

Company's shareholders	5,267,167	2,355,580
Non-controlling interest in Braskem Idesa	120,957	(389,618)
Total comprehensive income (loss) for the year	5,388,124	1,965,962

	Note	2019 Basic and diluted
Profit (loss) per share attributable to the shareholders of the Company of continued operations at the end of the year (R\$) (expressed in reais)	26	
Earnings per share - common		5.11
Earnings per share - preferred shares class "A"		5.11
Earnings per share - preferred shares class "B"		0.60

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

Braskem S.A.**Statement of changes in equity**

All amounts in thousands of reais

	Note	Attributed to shareholders' interest								
		Capital reserve	Legal reserve	Tax incentive	Retention of profits	Revenue reserves Additional dividends proposed	Equity valuation adjustments	Treasury shares	Retained earnings (loss)	
At December 31, 2015		8,043,222	232,430	229,992		2,404,663	247,364	(9,060,710)	(49,819)	(416,700)
Comprehensive income for the year:										
Profit for the year										(411,470)
Exchange variation of foreign sales hedge, net of taxes								2,561,596		
Fair value of cash flow hedge, net of taxes								145,878		
Foreign subsidiaries currency translation adjustment								63,697		(411,470)
								2,771,171		
Equity valuation adjustments:										
Realization of additional property, plant and equipment price-level restatement, net of taxes								(27,236)		27,236

Realization of deemed cost of jointly-controlled investment, net of taxes						(965)		9
Actuarial loss with post-employment benefits, net of taxes						(4,119)	(32,320)	28,2
Contributions and distributions to shareholders:								
Absorption of losses and adjustments				(800,039)				800,0
Capital increase								
Additional dividends approved by the General Meeting					(247,364)			
Interim dividends approved by Board of Directors				(1,000,000)				
				(1,800,039)	(247,364)			800,0
At December 31, 2016	8,043,222	232,430	229,992	604,624		(6,321,859)	(49,819)	
Comprehensive income for the year:								
Loss for the year								4,082,9
Exchange variation of foreign sales hedge, net of taxes						747,135		
Fair value of cash flow hedge, net of taxes						394,251		
Foreign currency translation adjustment						51,445		
						1,192,831		4,082,9
Equity valuation adjustments:								

Realization of additional property, plant and equipment price-level restatement, net of taxes						(26,847)		26,8	
Realization of deemed cost of jointly-controlled investment, net of taxes						(963)		9	
Actuarial gains post-employment benefits of subsidiaries, net of taxes						(5,750)			
Post-employment benefits - health plan, net of taxes						(2,904)			
						(36,464)		27,8	
Contributions and distributions to shareholders:									
Prescribed dividends								4	
Tax incentive reserve	28(a)		71,745					(71,74	
Prepaid dividends	25(e.1)							(1,000,00	
Legal reserve	25(e.1)	204,150						(204,15	
Additional dividends proposed	25(e.1)				1,500,000			(1,500,00	
Retained earnings	25(e.1)			1,335,387				(1,335,38	
Goodwill on the acquisition of a subsidiary under common control	1(a.ii)					(488,388)			
Non-controlling interest in subsidiaries									
		204,150	71,745	1,335,387	1,500,000	(488,388)		(4,110,80	
At December 31, 2017		8,043,222	232,430	434,142	71,745	1,940,011	1,500,000	(5,653,880)	(49,819)

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

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

	Note	Capital reserve	Legal reserve	Tax incentive	Retention of profits	Revenue reserves Additional dividends proposed	Equity valuation adjustments	Treasury shares	Retained earnings (loss)
At December 31, 2015		8,043,222	232,430	229,992	2,404,663	247,364	(9,060,710)	(927)	(416,700)
Comprehensive income for the year:									
Profit for the year									(411,470)
Exchange variation of foreign sales hedge, net of taxes							2,561,596		
Fair value of cash flow hedge, net of taxes							145,878		
Foreign subsidiaries currency translation adjustment							63,697		
							2,771,171		(411,470)
Equity valuation adjustments:									
Realization of additional property, plant and equipment price-level restatement, net of taxes							(27,236)		27,236
							(965)		965

Realization of deemed cost of jointly-controlled investment, net of taxes							
Actuarial loss with post-employment benefits, net of taxes						(4,119)	28,2
						(32,320)	
Contributions and distributions to shareholders:							
Absorption of losses and adjustments				(800,039)			800,0
Additional dividends approved by the General Meeting					(247,364)		
Interim dividends approved by Board of Directors				(1,000,000)			
				(1,800,039)	(247,364)		800,0
At December 31, 2016	8,043,222	232,430	229,992	604,624		(6,321,859)	(927)
Comprehensive income for the year:							
Loss for the year							4,082,9
Exchange variation of foreign sales hedge, net of taxes						747,135	
Fair value of cash flow hedge, net of taxes						394,251	
Foreign currency translation adjustment						51,445	
						1,192,831	4,082,9
Equity valuation adjustments:						(26,847)	26,8

Realization of deemed cost of jointly-controlled investment, net of taxes									
Realization of additional property, plant and equipment price-level restatement, net of taxes							(963)		9
Actuarial gains post-employment benefits of subsidiaries, net of taxes							(5,750)		
Post-employment benefits - health plan, net of taxes							(2,904)		
							(36,464)		27,8
Contributions and distributions to shareholders:									
Prescribed dividends									4
Addition by incorporation of subsidiary	1(a.iv)						(48,892)		
Goodwill on the acquisition of a subsidiary under common control	1(a.ii)						(488,388)		
Tax incentive reserve	28(a)			71,745					(71,74
Prepaid dividends	25(e.1)								(1,000,00
Legal reserve	25(e.1)		204,150						(204,15
Additional dividends proposed	25(e.1)					1,500,000			(1,500,00
Retained earnings	25(e.1)				1,335,387				(1,335,38
			204,150	71,745	1,335,387	1,500,000	(488,388)	(48,892)	(4,110,80
At December 31, 2017		8,043,222	232,430	434,142	71,745	1,940,011	1,500,000	(5,653,880)	(49,819)

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

Braskem S.A.**Statement of cash flows****Years ended December 31****All amounts in thousands of reais**

	Note	2017	Consolidated 2016 Adjusted	Parent company 2017	2016 Adjusted
Profit (loss) before income tax and social contribution and	2.4(a)	5,416,713	(99,250)	4,688,646	(140,053)
for the result with discontinued operations					
Adjustments for reconciliation of profit					
Depreciation, amortization and depletion		2,928,855	2,683,100	1,880,065	2,052,972
Results from equity investments	12(c)	(39,956)	(30,078)	(2,441,996)	(986,493)
Interest and monetary and exchange variations, net		3,697,714	3,026,008	2,711,904	2,252,597
Gain from divestment in subsidiary	5	(276,816)		(276,366)	
Leniency agreement			2,853,230		2,348,510
Provision for losses and write-offs of long-lived assets		213,184	41,016	184,470	39,718
		11,939,694	8,474,026	6,746,723	5,567,251
Changes in operating working capital					
Financial investments in time deposit	7(i)		(427,688)		
Trade accounts receivable		(1,598,392)	1,007,875	1,685,243	2,985,748
Inventories		(1,557,902)	862,338	(829,586)	914,160
Taxes recoverable		471,362	1,058,104	205,657	623,932
Prepaid expenses		(30,521)	64,029	(19,460)	56,416
Other receivables					

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		25,802	353,981	75,230	341,762
Trade payables		(1,435,775)	(4,254,575)	3,724,398	(1,318,768)
Taxes payable		(217,583)	(292,131)	(28,908)	(161,824)
Advances from customers		(13,512)	216,850	157,033	(16,328)
Leniency agreement		(1,343,803)		(942,905)	
Sundry provisions		194,596	558,231	152,779	544,863
Other payables		55,541	38,464	(150,659)	(61,546)
Cash from operations		6,489,507	7,659,504	10,775,545	9,475,666
Financial investments		(953,228)	(221,847)	(1,014,032)	(271,049)
(includes Letras financeiras do tesouro - LFT's and Letras Financeiras - LF's)					
Cash generated from operations and handling of financial investments		5,536,279	7,437,657	9,761,513	9,204,617
Interest paid		(2,154,053)	(1,826,942)	(827,839)	(478,594)
Income tax and social contribution paid		(920,606)	(1,152,847)	(363,617)	(204,121)
Net cash generated by operating activities		2,461,620	4,457,868	8,570,057	8,521,902
Proceeds from the sale of fixed assets		39,660	564	39,245	122
Proceeds from the sale of investments	5	450,000		449,550	
Effect in the merger of cash in subsidiaries				31,779	
Additions to investments in subsidiaries	1(a.ii)	(608,181)		(610,000)	
Acquisitions to property, plant and equipment and intangible assets	(i)	(2,273,197)	(2,586,511)	(1,379,547)	(1,340,377)
Premium in the dollar put option		(14,683)	(4,856)	(14,683)	(4,856)
Held-for-maturity financial investments			38,353		38,353
Net cash used in investing activities					

	(2,406,401)	(2,552,450)	(1,483,656)	(1,306,758)
Short-term and Long-term debit				
Obtained	8,492,341	4,107,626	2,077,328	4,067,345
Payments	(8,779,091)	(4,901,593)	(7,241,734)	(5,682,323)
Derivative transactions				
Payments	(810,279)		(810,279)	
Braskem Idesa borrowings				
Obtained	187,959	503,921		
Payments	(1,080,502)	(469,282)		
Related parties				
Obtained			3,941,614	2,791,610
Payments			(5,662,812)	(7,248,125)
Dividends paid	(998,893)	(1,997,984)	(998,893)	(1,997,984)
Net cash used in financing activities	(2,988,465)	(2,757,312)	(8,694,776)	(8,069,477)
Exchange variation on cash of foreign subsidiaries	6,475	586,642		
Increase (decrease) in cash and cash equivalents	(2,926,771)	(265,252)	(1,608,375)	(854,333)
Represented by				
Cash and cash equivalents at the beginning of the year	6,701,864	7,043,262	3,561,431	4,415,764
Cash and cash equivalents at the end of the year	3,775,093	6,778,010	1,953,056	3,561,431
Increase (decrease) in cash and cash equivalents	(2,926,771)	(265,252)	(1,608,375)	(854,333)

- (i) In the period ended December 31, 2017, the capitalized interest paid that was included in this item (R\$288,424 Consolidated, R\$69,342 Parent Company) was reclassified to "Interest paid" (Note 2.5(a)).

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

Braskem S.A.**Statement of value added****Years ended December 31****All amounts in thousands of reais**

	Consolidated 2017	2016 Adjusted	2017	Parent company 2016 Adjusted
Revenue	58,000,752	52,429,423	45,303,874	39,775,501
Sale of goods, products and services	57,958,099	55,930,688	45,351,039	42,711,853
Other income (expenses), net	1,202	(3,437,060)	(82,722)	(2,867,482)
Allowance for doubtful accounts	41,451	(64,205)	35,557	(68,870)
Inputs acquired from third parties	(41,147,077)	(39,909,905)	(34,116,843)	(31,662,604)
Cost of products, goods and services sold	(38,845,377)	(37,802,247)	(32,523,499)	(30,222,548)
Material, energy, outsourced services and others	(2,237,835)	(2,019,390)	(1,539,920)	(1,353,186)
Impairment of assets	(63,865)	(88,268)	(53,424)	(86,870)
Gross value added	16,853,675	12,519,518	11,187,031	8,112,897
Depreciation, amortization and depletion	(2,928,855)	(2,683,100)	(1,880,065)	(2,052,972)
Net value added produced by the Company	13,924,820	9,836,418	9,306,966	6,059,925
Value added received in transfer	652,527	720,407	2,996,197	1,618,945
Results from equity investments	48,832	30,078	2,450,872	986,493
Financial income	603,630	690,122	545,262	632,452
Other				

	65	207	63	-
Total value added to distribute	14,577,347	10,556,825	12,303,163	7,678,870
Personnel	1,421,214	1,267,513	1,018,832	765,684
Direct compensation	1,147,158	986,940	801,083	564,067
Benefits	212,815	218,110	154,876	140,879
FGTS (Government Severance Pay Fund)	61,241	62,463	62,873	60,738
Taxes, fees and contributions	4,232,072	3,018,046	3,511,778	2,246,826
Federal	2,214,611	1,288,179	1,569,651	732,051
State	1,995,068	1,703,249	1,928,530	1,502,420
Municipal	22,393	26,618	13,597	12,355
Remuneration on third parties' capital	4,790,740	7,000,463	3,689,563	5,077,832
Financial expenses (including exchange variation)	4,545,979	6,755,962	3,487,287	4,888,738
Rentals	244,761	244,501	202,276	189,094
Remuneration on own capital	4,133,321	(729,197)	4,082,990	(411,472)
Profit (loss) for the year	3,074,114	(438,331)	3,074,114	(442,430)
Dividends	1,000,000		1,000,000	
Non-controlling interest in subsidiaries	50,331	(317,725)		
Discontinued operations results	8,876	26,859	8,876	30,958
Value added distributed	14,577,347	10,556,825	12,303,163	7,678,870

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

Braskem S.A.

Management notes to the financial statements

at December 31, 2017

All amounts in thousands, except as otherwise stated

1 Operations

Braskem S.A. (hereinafter “Parent Company”) is a public company headquartered in the city of Camaçari, Bahia (“BA”), which jointly with its subsidiaries (hereinafter “Braskem” or “Company”), operates 41 industrial units, 29 of which in the Brazilian states of Alagoas (“AL”), Bahia (“BA”), Rio de Janeiro (“RJ”), Rio Grande do Sul (“RS”) and São Paulo (“SP”), six are located in the United States, four in Mexico and two are located in Germany. These units produce thermoplastic resins – polyethylene (“PE”), polypropylene (“PP”) and polyvinyl chloride (“PVC”), as well as basic petrochemicals.

Braskem is also engaged in the import and export of chemicals, petrochemicals and fuels, the production, supply and sale of utilities such as steam, water, compressed air, industrial gases, as well as the provision of industrial services and the production, supply and sale of electric energy for its own use and use by other companies. Braskem also invests in other companies, either as a partner or as shareholder.

The Company is controlled by Odebrecht S.A. (“Odebrecht”), which directly and indirectly holds interests of 50.11% and 38.32% in its voting and total capital, respectively.

(a) Significant corporate and operating events impacting these financial statements

(i) In January 2017, Braskem’s new line to produce ultra-high molecular weight polyethylene (UHMWPE), known commercially as UTEC®, started operations. Located in La Porte, Texas, the plant complements the production capacity of the existing line in Brazil at the Camaçari Petrochemical Complex.

(ii) On January 27, 2017, the Board of Directors of the Company authorized the execution of a purchase agreement with Odebrecht Utilities S.A. (“Odebrecht Utilities”), through which Braskem undertook to purchase all shares held by the seller in Cetrel S.A. (“Cetrel”), which represent 63.66% of its voting capital, for the aggregate amount

of R\$610 million.

Cetrel is an environmental services company that launched its operations in 1978, together with the companies that set up operations in the Camaçari Petrochemical Complex. With over 100 clients, or around 70% of the Camaçari Complex, Cetrel is responsible for treating and disposing of industrial wastewater and solid waste, environmental monitoring and supplying water for industrial use to Braskem's plants in Camaçari.

Cetrel plays an important role in managing the environmental processes of the Camaçari Petrochemical Complex, and its acquisition ensures the security and reliability of the complex's industrial operations.

On September 29, 2017, a Shareholders' Meeting of Braskem approved the consummation of the acquisition and, on October 2, 2017, the acquisition of 1,269,290 shares issued by Cetrel was concluded with payment of the agreed upon amount of R\$610 million, on which date control of Cetrel was transferred to Braskem. The Company's accounting policy choice for acquisition of companies under common control is the predecessor accounting. The impact from the difference between the consideration given and the aggregate book value of the assets and liabilities of the acquired entity, in the amount of R\$488,388, was recognized in "Equity", under "Equity valuation adjustments".

On October 16, 2017, during an extraordinary meeting of the Board of Directors of Cetrel, Braskem elected the new executive board and, on October 25, 2017, the extraordinary shareholders meeting elected the new members of the Board of Directors and Audit Board.

Braskem S.A.**Management notes to the financial statements****at December 31, 2017****All amounts in thousands, except as otherwise stated**

The net assets at the acquisition date are composed of the following main items:

	September/2017
Current and non-current assets	
Cash and cash equivalents	1,819
Financial investments	35,186
Trade accounts receivable	55,055
Inventories	8,152
Deferred income tax and social contribution	106,760
Property, plant and equipment	287,905
Intangible assets	52,556
Other assets	25,852
	573,285
Current and non-current liabilities	
Trade payables	16,019
Borrowings	18,485
Debentures	317,960
Other liabilities	29,787
	382,251
Net assets (assets (-) liabilities)	191,034

The following table summarizes the consideration paid to Odebrecht Utilities on the acquisition date and book value of the net assets acquired:

	September/2017
Consideration	
Acquisition of 1,269,290 shares (63.66% of the capital)	610,000
(A) Total consideration transferred	610,000
% of participation	100.00% 63.66%

(B) Cetrel's shareholders' equity on September 9, 2017	191,034	121,612
Result (A) - (B)	(i)	488,388

(i) Difference between the consideration given and the aggregate book value of the assets and liabilities of the acquired entity on September 9, 2017.

(iii) On June 21, 2017, the Board of Directors approved the construction of a new polypropylene production unit in La Porte, Texas, United States. The total investment is up to approximately US\$675 million for 450 kta in production capacity. The conclusion of the construction of this project and the start of its operations is expected in 2020.

(iv) On December 1, 2017, the Extraordinary Shareholders' Meeting approved the merger, at carrying cost, of Braskem Petroquímica S.A. ("Braskem Petroquímica") into the Parent Company, without any change in its capital or issue of new shares.

On the merger date, the investment in Braskem Petroquímica was composed as follows:

Braskem S.A.**Management notes to the financial statements****at December 31, 2017****All amounts in thousands, except as otherwise stated**

	December 1, 2017
Equity amount	2,104,722
Balances calculated on the acquisition of Braskem Petroquímica in 2010, reclassified to the following accounts:	
Property, plant and equipment - fair value adjustments	341,650
Intangible assets - goodwill for the future profitability	(252,820)
Deferred income tax and social contribution - assets	102,690
Contingencies - possible success	(49,211)
Deferred income tax and social contribution - liabilities	(113,240)
	29,069
	2,133,791

- (i) Future profitability arising from the acquisition of a company registered in the acquired company and written off at Braskem, for business combination purposes.

The merger had the following impacts on the balance sheet of the Parent Company:

		Business combination balances (2010)	December 1, 2017
Assets	Braskem Petroquímica		Total
Current assets			
Cash and cash equivalents	31,779		31,779
Trade accounts receivable	1,133,732		1,133,732
Inventories	156,948		156,948
Taxes recoverable	58,114		58,114
Prepaid expenses	2,543		2,543
Related parties	193,269		193,269
Other receivables	3,371		3,371
	1,579,756		1,579,756
Non-current assets			
Taxes recoverable	96,009		96,009

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Deferred income tax and social contribution		102,690	102,690
Other receivables	21,666		21,666
Investments	48,973		48,973
Property, plant and equipment	583,729	341,650	925,379
Intangible assets	259,607	(252,820)	6,787
	1,009,984	191,520	1,201,504
Total assets	2,589,740	191,520	2,781,260
Liabilities			
Current liabilities			
Trade payables	206,657		206,657
Payroll and related charges	19,408		19,408
Taxes payable	18,504		18,504
Dividends	54,715		54,715
Sundry provisions	9,503		9,503
Other payables	3,312		3,312
	312,099		312,099
Non-current liabilities			
Trade payables	19,501		19,501
Deferred income tax and social contribution	123,439	113,240	236,679
Sundry provisions	28,081	49,211	77,292
Other payables	1,898		1,898
	172,919	162,451	335,370
Total liabilities	485,018	162,451	647,469

Braskem S.A.

Management notes to the financial statements

at December 31, 2017

All amounts in thousands, except as otherwise stated

The line Investments includes 1,154,758 class "A" preferred shares issued by Braskem S.A., in the amount of R\$48,892. On the date of the merger, this amount was recorded as treasury shares.

(v) On January 9, 2017, the Board of Directors approved the sale of the subsidiaries Quantiq Distribuidora Ltda ("Quantiq") and IAQG Armazéns Gerais Ltda ("IQAG") in the amount of R\$550 million, and on April 3, 2017 the transfer of control to the buyer company was concluded (Note 5).

(b) Net Working Capital

On December 31, 2017, in compliance with CPC 26 and its corresponding IAS 1 (Presentation of Financial Statements), the subsidiary Braskem Idesa reclassified to current liabilities its financial obligations whose original maturities were long term, since the Company was not in compliance with certain contractual covenants on the reporting date of these financial statements (Note 16). Consequently, the consolidated net working capital is negative R\$1,145,404.

Note that Braskem Idesa has been settling its obligations in accordance with the original maturity schedule and none of its creditors has requested the immediate reimbursement of said obligations and, without the aforementioned reclassification, consolidated net working capital would positive in R\$7,762,329.

2 Summary of significant accounting policies

The principal accounting policies applied consistently in the preparation of these financial statements are described in the notes of the items on which they have impacts.

2.1 Basis of preparation and presentation of the financial statements

The financial statements have been prepared under the historical cost convention and were adjusted, when necessary, to reflect the fair value of assets and liabilities.

The preparation of financial statements requires the use of certain estimates. It also requires Management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

Issue of these financial statements was authorized by the Executive Board on March 27, 2018, with the Board of Directors having manifested at a meeting held on March 28, 2018, authorizing the convening of the Annual General Meeting.

2.1.1 Consolidated financial statements

The consolidated financial statements were prepared and presented in accordance with accounting practices adopted in Brazil, including the standards issued by the Brazilian Accounting Pronouncements Committee ("CPC"), and in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

All relevant information pertaining exclusively to these financial statements is presented herein and corresponds to the information used by the Management of the Company.

The individual and consolidated Statement of Value Added ("DVA") was prepared in accordance with CPC 09 and is required under Brazilian Corporation Law and under the accounting practices adopted in Brazil for public companies. IFRS does not require the presentation of this statement.

Braskem S.A.**Management notes to the financial statements****at December 31, 2017****All amounts in thousands, except as otherwise stated****(a) Consolidation**

The consolidated financial statements comprise the financial statements of the Parent Company and the following entities:

	Headquarters	Total and voting interest - %	
		2017	2016
Direct and Indirect subsidiaries			
Braskem America Finance Company ("Braskem America Finance")	EUA	100.00	100.00
Braskem America, Inc. ("Braskem America")	EUA	100.00	100.00
Braskem Argentina S.A. ("Braskem Argentina")	Argentina	100.00	100.00
Braskem International GmbH ("Braskem Austria")	(i) Austria	100.00	100.00
Braskem Europe GmbH ("Braskem Alemanha")	Germany	100.00	100.00
Braskem Finance Limited ("Braskem Finance")	Cayman Islands	100.00	100.00
Braskem Idesa S.A.P.I. ("Braskem Idesa")	Mexico	75.00	75.00
Braskem Idesa Servicios S.A. de CV ("Braskem Idesa Serviços")	Mexico	75.00	75.00
Braskem Incorporated Limited ("Braskem Inc")	Cayman Islands	100.00	100.00
Braskem Mexico Proyectos S.A. de C.V. SOFOM ("Braskem México Sofom")	Mexico	100.00	100.00
Braskem Mexico, S. de RL de CV ("Braskem México")	Mexico	100.00	100.00
Braskem Mexico Servicios S. RL de CV ("Braskem México Serviços")	Mexico	100.00	100.00
	Netherlands		

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Braskem Netherlands B.V. ("Braskem Holanda")			100.00	100.00
Braskem Netherlands Finance B.V. ("Braskem Holanda Finance")		Netherlands	100.00	100.00
Braskem Netherlands Inc. B.V. ("Braskem Holanda Inc")		Netherlands	100.00	100.00
Braskem Petroquímica Chile Ltda. ("Braskem Chile")		Chile	100.00	100.00
Braskem Petroquímica	(ii)	Brazil		100.00
Cetrel	(iii)	Brazil	63.66	
Distribuidora de Água Camaçari S.A. ("DAC")	(iv)	Brazil	63.66	
Lantana Trading Co. Inc. ("Lantana")		Bahamas	100.00	100.00
Specific Purpose Entity ("SPE")				
Fundo de Investimento Multimercado Crédito Privado Sol ("FIM Sol")	(v)	Brazil		100.00
Fundo de Investimento Caixa Júpiter Multimercado		Brazil		
Crédito Privado Longo Prazo ("FIM Júpiter")			100.00	100.00

- (i) In the process of dissolution.
- (ii) Merged on December 1, 2017.
- (iii) Acquired on October 2, 2017.
- (iv) Wholly-owned subsidiary of Cetrel.
- (v) Contract terminated in 2016.

(a.i) Reconciliation of equity and profit (loss) for the period between parent company and consolidated

	Shareholders' equity		Profit (loss) for the year	
	2017	2016	2017	2016
Parent company	6,517,851	2,787,482	4,082,990	(411,472)
Shares of Braskem's capital held by subsidiary (i)		(48,892)		
Non-controlling interest in subsidiaries	(827,501)	(1,017,880)	50,331	(317,725)
Consolidated	5,690,350	1,720,710	4,133,321	(729,197)

- (i) Considered as treasury shares as of December 1, 2017 with the merger of Braskem Petroquímica (Note 1(a.iv)).

2.1.2 Parent company financial statements

The financial statements have been prepared in accordance with accounting practices adopted in Brazil, following the provisions in Federal Law 6,404/76, and subsequent amendments, and the standards issued by CPC, and are disclosed together with the consolidated financial statements.

Braskem S.A.

Management notes to the financial statements

at December 31, 2017

All amounts in thousands, except as otherwise stated

2.2 Foreign currency translation

(a) Functional and presentation currency

The functional and presentation currency of the Company is the real

(b) Functional currency other than the Brazilian real

Certain subsidiaries have a different functional currency from that of the Parent Company, as follows:

	Functional currency
Subsidiaries	
Braskem Alemanha, Braskem Austria e Braskem Austria Finance	Euro
Braskem America, Braskem America Finance, Braskem Holanda, Braskem Holanda Finance,	
Braskem Holanda Inc. and Braskem México Sofom	U.S.dollar
Braskem Idesa , Braskem Idesa Serviços, Braskem México and Braskem México Serviços	Mexican peso

The other subsidiaries adopt the Brazilian real as functional currency.

(c) Exchange variation effects

The main effects from exchange variation on the Company's transactions that impacted these financial statements are shown below:

	End of period rate at December 31			Average rate		
	2017	2016	Variation	2017	2016	Variation
U.S. dollar - Brazilian real	3.3080	3.2591	1.50%	3.1925	3.4833	-8.35%
U.S. dollar - Mexican peso	19.6890	20.6352	-4.59%	18.9142	18.6987	1.15%
U.S. dollar - Euro	0.8464	0.9479	-10.71%	0.8871	0.9041	-1.89%

2.3 New or revised pronouncements that are not yet effective

Several new standards will be effective for fiscal years beginning after January 1, 2018. The Company did not early adopt these changes while preparing its financial statements.

(a) Estimated impact from the adoption of CPC 48 / IFRS 9 and CPC 47 / IFRS 15

The Company is obliged to adopt "CPC 48 / IFRS 9 – Financial Instruments" and "CPC 47 / IFRS 15 – Revenue from Contracts with Customers" starting from January 1, 2018. The Company has already assessed the estimated impact of the initial application of CPC 48 / IFRS 9 (Note 2.3(a.1)) and CPC 47 / IFRS 15 (Note 2.3(a.2)) on its consolidated financial statements. The estimated impact of adopting these standards on the Company's equity on January 1, 2018, is based on assessments made until the date of preparation of these financial statements and is summarized below. The actual impacts of adopting the standards on January 1, 2018, may be different due to the following factors:

- (i) the Company did not conclude the testing and appraisal of controls over the new IT systems; and
- (ii) the new accounting standards are subject to changes until the Company reports its first financial statements that include the date of initial application.

The total estimated adjustment (net of taxes) on the opening balance of the shareholders' equity under "Retained earnings" of the Company on January 1, 2018, is a reduction of R\$9,388. The component relating to the estimated adjustment is the change in the methodology for calculating impairment pursuant to CPC 48 / IFRS 9.

Braskem S.A.**Management notes to the financial statements****at December 31, 2017****All amounts in thousands, except as otherwise stated**

	As presented on December 31, 2017	Adjustments estimated at the adoption of CPC 48 / IFRS 9	Adjusted opening balance estimated on January 1, 2018
Retained earnings		(9,388)	(9,388)
Non-controlling	(827,501)		(827,501)
	(827,501)	(9,388)	(836,889)

(a.1) CPC 48 / IFRS 9 – Financial Instruments

CPC 48 / IFRS 9 – Financial Instruments sets the requirements for the recognition and measurement of financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces CPC 38 / IAS 39 – Financial Instruments: Recognition and Measurement.

(a.1.i) Classification – Financial Assets

CPC 48 / IFRS 9 has a new approach for the classification and measurement of financial assets, which reflects the business model in which the assets are managed and their cash flow characteristics.

CPC 48 / IFRS 9 has three main classification categories for financial assets: measured at amortized cost (“AC”), at fair value through other comprehensive income (“FVTOCI”) and at fair value through profit or loss (“FVTPL”). The standard eliminates the categories existing in IAS 39 of held-to-maturity, loans and receivables and available-for-sale. This standard requires that financial assets have to be classified according to the Company’s business model for managing its financial assets.

Pursuant to CPC 48 / IFRS 9, derivatives embedded in contracts where the host is a financial asset under the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Based on its assessment, the Company does not consider that the new classification requirements will have a significant impact on the accounting of its financial investments. However, as some customer receivables are assigned or derecognized in advance, and as Management is still preparing its Business Model to identify the correct accounting classification of each receivable, the Company did not estimate the impact on accounting and presentation of these financial assets. Until the reporting of these financial statements, these receivables are classified as Loans and Receivables measured by amortized cost.

(a.1.ii) Impairment – Financial and Contractual Assets

CPC 48 / IFRS 9 replaced the “incurred loss” model of CPC 38 / IAS 39 for a prospective model of "expected credit losses." This will require judgment regarding the way in which changes in economic factors affect expected credit losses, which will be determined based on weighted probabilities.

The new expected losses model will apply to financial assets measured at AC or FVTPL, except investments in equity instruments and contractual assets.

According to CPC 48 / IFRS 9, provisions for expected losses will be measured at one of the following bases:

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- The 12-month expected credit losses (expected credit losses from default events within 12 months after the reporting date for financial assets that risk has not risen significantly since its initial recognition); and
- Full lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument). The measurement of these losses applies when the credit risk of the financial asset on the date of reporting has increased significantly since initial recognition.

The Company's preliminary assessment indicates that the application of impairment loss requirements of CPC 48 / IFRS 9 on January 1, 2018, would result in a reduction of R\$9,388 in its consolidated shareholders' equity, net of taxes, as follows:

Allowance for doubtful accounts	
Losses incurred (CPC38/IAS39)	350,025
Expected credit losses (CPC48/IFRS9)	359,413
Estimated adjustment	(9,388)

Estimated credit losses were calculated based on the actual experience of credit loss (write offs) over the last five years. This percentage was applied to the account receivable amount.

After determining the total loss percentage, the exposure was divided by groups and these groups are segmented as per the note on operating credit risk, graded from 1 to 5, where 1 is the best and 5 is the worst. The risk is defined based on the financial score which, in turn, is based on indicators calculated from the balance sheets and income statements of customers.

For significant risk increase is consider renegotiated trade accounts and those needing collections lawsuits. The trade accounts past due more than 90 days represent to the Company a real outlook of default.

(a.1.iii) Hedge Accounting

While applying CPC 48 / IFRS 9, the Company can, as an accounting policy, choose to continue applying the hedge accounting requirements of the CPC 38 / IAS 39, instead of the new CPC 48 / IFRS 9 requirements. The Company chose to apply the new requirements of CPC 48 / IFRS 9.

CPC 48 / IFRS 9 requires the Company to ensure that hedge accounting relationships are aligned with the Company's risk management objectives and strategies, and that a more qualitative and prospective approach is applied to assess the effectiveness of the hedge. CPC 48 / IFRS 9 also introduces new requirements for rebalancing the hedge relationship and prohibits the voluntary discontinuation of hedge accounting. According to the new model, it is possible that more risk management strategies, particularly those of a hedge of a risk component of a non-financial item, may qualify for hedge accounting. Currently, the Company does not hedge such risk components.

Currently, the Company uses foreign exchange options contracts to hedge the cash flows change resulting from exchange rates fluctuations related to costs in Reais that are non-dollarized (energy, freight, salaries, etc.).

While adopting CPC 48 / IFRS 9, the Company elected to book the changes in fair value of the forward points separately, as hedge cost. As a result, these changes will be recognized in other comprehensive income and accrued in a hedge cost reserve as a separate component within shareholders' equity and subsequently booked in the same way as accumulated gains or losses in the cash flow hedge reserve.

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According to CPC 38 / IAS 39, for all cash flow hedges, the amount that has been accumulated in the cash flow hedge reserve is reclassified to profit or loss in the same period as the hedged cash flows affect profit or loss.

The types of hedge accounting relationships presently designated by the Company meet the requirements of CPC 48 / IFRS 9 and are aligned with the organization's risk management objective and strategy.

The new accounting rules on hedge accounting are aligned with the Company's risk management practices. The current coverage ratios will be classified as hedge after the adoption of IFRS 9. Moreover, the Company intends that operations started as from January 1, 2018 be designated as hedge instruments for the total intrinsic value and extrinsic value of the USD call and put options.

(a.1.iv) Disclosures

CPC 48 / IFRS 9 will require extensive new disclosures, specifically regarding hedge accounting, credit risk and expected credit losses. The Company's assessment includes an analysis to identify deficiencies related to the information required in the current processes, and the Company is in the process of implementing changes in its systems and controls to meet the new requirements.

(a.1.v) Transition

Changes in accounting policies stemming from the adoption of CPC 48 / IFRS 9 will be applied prospectively, including:

- Exemption allowed for not restating comparative information of prior periods resulting from changes in the classification and measurement of financial instruments, including expected credit losses. Differences in

the book balances of financial assets and liabilities resulting from the adoption of CPC 48 / IFRS 9 will be recognized in accumulated earnings and reserves on January 1, 2018.

- New hedge accounting requirements.
- The following assessments must be made based on facts and circumstances existing on the date of first-time adoption:
 - Determination of business model within which a financial asset is held.
 - Designation and revocation of previous designations of determined financial assets and liabilities measured at FVTPL.

(a.2) Estimated impact from the adoption of CPC 47 / IFRS 15

CPC 47 / IFRS 15 – Revenue from Contracts with Customers introduces a comprehensive framework to determine if and when revenue must be recognized, and by how much the revenue is measured. CPC 48 / IFRS 15 replaces the current standards in force for revenue recognition, including CPC 30 / IAS 18 – Revenue.

(a.2.i) Sales

The Company assessed that in its sales may have two distinct performance obligations between the Company and its customers, which are:

- Delivery the sold product - the performance obligation finalize when the control of the product is transferred to the customer. For the Company, there is no difference between CPC 30 / IAS 18 - Revenue and CPC 47 / IFRS 15 related to the revenue recognition date associated with this performance obligation.
- Freight contracted to the product deliver - the Company's performance obligation in contract the freight to deliver the product finalize when the service is completed. For this performance obligation, the Company does not expect material effect on its result.

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(a.2.ii) Variable compensation (bonus and discounts)

The Company, as contractual practice with some customers, grants rebates for the achievement of revenue targets. For customers that the Company expects will meet such targets and, as such, will have a future discount, the Company has as an accounting practice the provisioning of amounts due monthly. This provision, which until December 31, 2017, is recognized as a deduction from sales revenue, will be disclosed from January 1, 2018, as a deductible amount direct over gross sales revenue (Note 27).

The Company considers commercial discounts included in customer invoices as part of the fair value of revenue recognized, according to the accounting standard applicable until December 31, 2017 (CPC 30 / IAS 18). As such, the commercial discounts included in customer invoices will not have any change in the timing and measurement of their accounting recognition according to CPC 48 / IFRS 15.

(a.2.iii) Disclosures

CPC 47 / IFRS 15 will require new disclosures which the Company is identifying deficiencies in relation to the information required in the current processes in order to implement in its systems and controls to meet with the new requirements.

(a.2.iv) Transition

The Company plans to adopt CPC 47 / IFRS 15 using the cumulative effect method, with initial application of the standard on the initial date (that is January 1, 2018). As a result, the Company will not apply the requirements of CPC 47 / IFRS 15 to the comparative period reported.

Apart from the aforementioned reporting changes for bonuses for the achievement of revenue targets, the Company does not expect changes in the timing and measurement of its revenue.

(b) IFRS 16 – Leases – Adoption on January 1, 2019

This pronouncement replaces existing standards, including CPC 06 / IAS 17 – Leases and ICPC 03 (IFRIC 4 / SIC 15 / SIC 27) Complementary Aspects of Leases.

This standard introduces a single model for the accounting of leases in the balance sheet of the lessees, whereby a right-of-use asset that represents the right to use the leased asset and a leased liability that represents the obligation to pay the lease are recognized.

The standard is effective for annual periods starting on or after January 1, 2019. Early adoption is permitted, but, as of the reporting date of these Financial Statements, the Company is conducting an inventory of contracts that could have an accounting impact from this new standard and is developing processes and controls to meet the new requirements. This accounting impact will depend of the Company's lease portfolio on that date and the Company's assessment as to whether the Company will choose to use practical expedients and exemptions for recognition allowed by this pronouncement.

Furthermore, the nature of expenses related to these lease agreements will now change, since IFRS 16 replaces the accounting of expenses on a straight-line basis with the cost of depreciation of right-of-use assets and interest expenses on lease obligations.

2.4 Change in accounting policy

- (a) The Management of Braskem decided to change, in the statement of cash flows, the presentation of interest paid, which previously was presented under the group referred to as “cash used in investment activities.” These expenses are now recorded under the item “interest paid”. This change enables: (i) the direct identification of the total amount paid as interest; and (ii) greater accuracy in determining the net cash from operations. The amounts reclassified in the period ended December 31, 2017 were R\$288,424 and

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R\$69,342 in the consolidated and Parent Company cash flows, respectively.

- (b) In 2017, the Company changed the classification of provision for profit sharing to standardize such classification among all companies, whether or not productive, and because it deemed the current classification more appropriate, since this provision does not present recurring elements or, even when recurring, the amounts differ from year to year.

In the fiscal year ended December 31, 2017, the consolidated amounts related to this item were reclassified from “costs of goods sold” (R\$163,056), “selling and distribution expenses” (R\$7,155) and “general and administrative expenses” (R\$191,586) to the item “other income (expenses), net” (Note 29).

3 Application of critical estimates and judgments

Critical estimates and judgments are those that require the most difficult, subjective or complex judgments by management, usually as a result of the need to make estimates that affect issues that are inherently uncertain. Estimates and judgments are continually reassessed and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results can differ from planned results due to differences in the variables, assumptions or conditions used in making estimates.

The Company makes a series of other estimates that are presented in the respective notes, such as allowance for doubtful accounts and provision for repairing environmental damage.

In order to provide an understanding of the way the Company forms its judgments on future events, the variables and assumptions used in critical estimates are presented below:

3.1 Deferred income tax (“IR”) and social contribution (“CSL”)

The recognition and the amount of deferred taxes assets depend on the generation of future taxable income, which requires the use of an estimate related to the Company's future performance. These estimates are included in the business plan, which is annually prepared by the Executive Board and submitted to the Board of Directors for approval. This plan uses as main variables projections for the price of the products manufactured by the Company, price of inputs, growth of gross domestic product of each country where the Company operates, exchange variation, interest rate, inflation rate and fluctuations in the supply and demand of inputs and finished products. These projections are carried out on the basis of specialized external consultancies and based on the Company.

Information on deferred income tax and social contribution is presented in Note 21(c).

3.2 Fair value of derivative and non-derivative financial instruments

The Company evaluates the derivative financial instruments at their fair value and the main sources of information are the stock exchanges, commodities and futures markets, disclosures of the Central Bank of Brazil and quotation services like Bloomberg and Reuters. Nevertheless, the volatility of the foreign exchange and interest rate markets in Brazil has been causing significant changes in future rates and interest rates over short periods of time, leading to significant changes in the market value of swaps and other financial instruments.

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The fair values of non-derivative, quoted financial instruments are based on current bid prices. If the market for a financial asset and for unlisted securities is not active, the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models that make maximum use of market inputs and rely as little as possible on information provided by the Company's Management.

Information on derivative and non-derivative financial instruments is presented in Note 19.

3.3 Useful life of assets

The Company recognizes the depreciation and depletion of its long-lived assets based on their useful life estimated by independent appraisers and approved by the Company's technicians taking into consideration the experience of these professionals in the management of Braskem's plants. The useful lives initially established by independent appraisers are normally reviewed at the end of every year by the Company's technicians in order to check whether they need to be changed. This review may take place during the year in case of possible non-recurring events.

The main factors that are taken into consideration in the definition of the useful life of the assets that compose the Company's industrial plants are the information of manufacturers of machinery and equipment, level of the plants' operations, quality of preventive and corrective maintenance and the prospects of technological obsolescence of assets.

The Company's management also decided that (i) depreciation should cover all assets value because when the equipment and installations are no longer operational, they are sold by amounts that are immaterial; and (ii) land is not depreciated because it has an indefinite useful life.

The useful lives applied to the assets determined the following average (%) depreciation and depletion rates:

	2017	Consolidated 2016
Buildings and improvements	3.36	3.49
Machinery, equipment and installations	8.34	9.34
Mines and wells	8.84	8.83
Furniture and fixtures	10.13	10.36
IT equipment	20.09	20.53
Lab equipment	9.56	9.65
Security equipment	9.77	9.78
Vehicles	17.51	22.72
Other	18.17	18.97

Information on property, plant and equipment is presented in Note 13.

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3.4 Impairment test and analysis

(a) Tangible and intangible assets with defined useful lives

On the reporting date of each of its financial statements, the Company conducts an analysis to determine the existence of any indication that the book balance of long-lived tangible assets and intangible assets with defined useful lives may not be recoverable. This analysis is conducted to assess the existence of scenarios that could adversely affect its cash flow and, consequently, its ability to recover the investment in such assets. These scenarios arise from issues of a macroeconomic, legal, competitive or technological nature.

Some significant and notable aspects considered by the Company in this analysis include: (i) the possibility of an oversupply of products manufactured by the Company or of a significant reduction in demand due to adverse economic factors; (ii) the prospects of material fluctuations in the prices of products and inputs; (iii) the likelihood of the development of new technologies or raw materials that could materially reduce production costs and consequently impact sales prices, ultimately leading to the full or partial obsolescence of the industrial facilities of the Company; and (iv) changes in the general regulatory environment that make the production process of Braskem infeasible or that significantly impact the sale of its products. For this analysis, the Company maintains an in-house team with a more strategic vision of the business and also remains in permanent contact with a team of external consultants. If the aforementioned variables indicate any material risk to cash flows, the Management of Braskem conducts impairment tests in accordance with Note 3.4(b).

The Company's assets are grouped initially under operating Segments, based on product lines and production site location. Within each Segment, assets are grouped into Cash-Generating Units ("CGU"), based solely on the production site location (country and, for Basic Petrochemicals, region in Brazil). Based on these concepts, the assets are grouped as follows:

Reportable operating segments:

Chemicals:

- CGU Chemicals Bahia: represented by assets of the chemicals plants located in the state of Bahia;
- CGU Chemicals South: represented by assets of the chemicals plants located in the state of Rio Grande do Sul;
- CGU Chemicals Southeast: represented by assets of the chemicals plants located in the states of Rio de Janeiro and São Paulo;

Polyolefins:

- CGU Polyethylene: represented by assets of the PE plants located in Brazil;
- CGU Polypropylene: represented by assets of the PP plants located in Brazil;
- CGU Renewables: represented by the assets of the Green PE plant located in Brazil;

Vinyls:

- CGU Vinyls: represented by assets of PVC and chloride soda plants located in Brazil;

United States and Europe:

- CGU Polypropylene USA: represented by assets of PP plants located in the United States;
- CGU Polypropylene Europe: represented by assets of PP plants located in Germany;

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Mexico:

- Represented by the assets of the ethylene and PE plants located in Mexico.

(b) Intangible assets with indefinite useful lives

The balances of goodwill from future profitability arising from business combinations are tested for impairment once a year. These tests are based on the projected cash generation for a five-year period, which are extracted from the business plan of the Company and cited in Note 3.1. In addition to the projected cash flow for the period from 2018 to 2022, perpetuity is also calculated based on the long-term vision and excluding real growth. Cash flows and perpetuity are adjusted to present value at a discount rate based on the Weighted Average Cost of Capital (“WACC”).

The goodwill allocated to the Polyolefins operating segment (Note 14 (a)) was generated in a business combination that resulted in the simultaneous acquisition of polypropylene and polyethylene plants. The main raw materials of these plants were already supplied by the Parent Company, which allowed for the obtainment of significant synergies in the operation. These synergies were one of the main drivers of that acquisition. Accordingly, the Company’s management tested this goodwill for impairment in the ambit of their operating segment since the benefits of the synergies are associated with all units acquired.

The remaining existing goodwill is allocated to the Chemicals Sul CGU and to the Vinyls operating segment (Note 14(a)).

Goodwill from future profitability are presented in Note 14. Said note also presents the results of impairment tests.

3.5 Contingencies

Existing contingent liabilities and provisions are mainly related to discussions in the judicial and administrative spheres arising from primarily labor, pension, civil and tax lawsuits and administrative procedures.

The Management of Braskem, based on the opinion of its external legal advisors, classifies these proceedings in terms of probability of loss as follows:

Probable loss – these are proceedings for which there is a higher probability of loss than of a favorable outcome, i.e., the probability of loss exceeds 50%. For these proceedings, the Company recognizes a provision that is determined as follows:

- (i) labor claims – the amount of the provision corresponds to the amount to be disbursed as estimated by the Company’s legal counsels;
- (ii) tax claims - the amount of the provision corresponds to the value of the matter plus charges corresponding to the variation in the Selic rate; and
- (iii) other claims – the amount of the provision corresponds to the value of the matter.

Possible loss – these are proceedings for which the possibility of loss is greater than remote and less than probable. The loss may occur, however, the elements available are not sufficient or clear to allow for a conclusion on whether the trend is for a loss or a gain. In percentage terms, the probability of loss is between 25% and 50%. For these claims, except for the cases arising from business combinations, the Company does not recognize a provision and mentions the most significant ones in a note (Note 23.2) to the financial statements. In business combination transactions, in accordance with the provision in CPC 15 and IFRS 3, the Company records the fair value of the claims based on the assessment of loss. The amount of the provision corresponds to the value of the matter, plus charges corresponding to the variation in the Selic rate, multiplied by the probability of loss, as determined by our external counsels.

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The Company's management believes that the estimates related to the outcome of the proceedings and the possibility of future disbursement may change in view of the following: (i) higher courts may decide in a similar case involving another company, adopting a final interpretation of the matter and, consequently, advancing the termination of the of a proceeding involving the Company, without any disbursement or without implying the need of any financial settlement of the proceeding; and (ii) programs encouraging the payment of the debts implemented in Brazil at the Federal and State levels, in favorable conditions that may lead to a disbursement that is lower than the one that is recognized in the provision or lower than the value of the matter.

The Company's contingencies are presented in Note 23.

3.6 Hedge accounting

The Parent Company designated non-derivative financial liabilities in foreign currency to hedge the future cash flows generated by its exports. This decision was based on two important concepts and judgments: (i) the performance of exports according to its business plan (Note 3.2), which are inherent to the market and business where it operates, and (ii) the ability of the Company to refinance its liabilities in U.S. dollar, since the priority financing in U.S. dollar is part of the Company's guidelines and strategy and the maintenance of a minimum level of net liabilities in U.S. dollar is envisaged in the Financial Policy of the Company.

The subsidiary Braskem Idesa designated all of the financing it obtained for the construction of its industrial plant to protect part of its sales to be made in the same currency as said financing, the U.S. dollar. The sales estimate is included in the project that was presented to the banks/lenders, which, due to the consistency of the projection, granted Braskem Idesa a financing line shall be paid exclusively using the cash generated by these sales. All the commercial considerations of the project were based on market studies conducted by expert consulting firms during the feasibility-analysis phase.

All hedge transactions conducted by the Company are in compliance with the accounting procedures and practices adopted by Braskem, and effectiveness tests are conducted for each transaction every quarter, which prove the effectiveness of its hedge strategy.

The Company determined that hedged items for the Parent Company and the subsidiary Braskem Idesa will be characterized by the first sales in U.S. dollars in each quarter until the amount designated for each period is reached (Note 19). The liabilities designated for hedge will be aligned with the hedging maturity schedule and the Company's financial strategy.

According to the Financial Policy, the Company may contract derivatives (swaps, NDFs, options, etc.) to hedge against any undesired fluctuations in currencies and rates. These derivatives may be designated for hedge accounting based on the judgment of Management and when such designation is expected to significantly improve the demonstration of the compensatory effect on the fluctuations in the items protected by the hedge. The Company currently has derivatives designated for cash flow hedge accounting for (i) Libor hedge at Braskem Idesa and (ii) hedge of Braskem dollar put and call options (Note 19.3).

4 Risk management

Braskem is exposed to market risks arising from variations in commodity prices, foreign exchange rates and interest rates, credit risks of its counterparties in cash equivalents, financial investments and trade accounts receivable, and liquidity risks to meet its obligations from financial liabilities.

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Braskem adopts procedures for managing market and credit risks that are in conformity with its Financial Policy approved by the Board of Directors in March, 2017. The purpose of risk management is to protect the Company's cash flows and reduce the threats to the financing of its operating working capital and investment programs.

4.1 Market risks

Braskem prepares a sensitivity analysis for foreign exchange rate and interest rate risks to which it is exposed, which is presented in Note 19.6.

(a) Exposure to commodity risks

Most of the Braskem's feedstocks (naphtha, ethane, propane and propylene) and main products (PE, PP and PVC) are commodities quoted on international markets. A series of factors determine the dynamics of these quotes, which directly impacts the result and cash generation of Braskem. Nevertheless, the Company understands that this risk is inherent in the petrochemical business and, therefore, in general does not seek financial instruments to hedge against commodities price fluctuations.

(b) Exposure to foreign exchange risk

Considering the dynamics of the international petrochemicals market, where most of the time prices are linked to international references in denominated dollars, even Braskem's sales in Brazil are strongly correlated to the US currency. Thus, maintaining a portion of the cost in reais (fixed expenses with personnel, freight and energy, among others) tends to generate a passive net exposure to the local currency.

Therefore, in order to partially mitigate long-term foreign exchange risk, as from September 2016, the Company began to contract financial derivatives to form a Long-Term Foreign Exchange Hedge Program. The main mitigation of this program is the purchase and sale of US dollar options, protecting the expected flows for a period of up to 24 months, as described in more detail in Note 19.3.

In addition to the Hedge Program, to balance the composition between assets and liabilities in US dollars, Braskem's Financial Policy establishes that the Company should always maintain a percentage of at least 70% of the net debt denominated in US dollars. If appropriate, the company may maintain a percentage higher than 70%, provided that it is conditioned to a sensitivity analysis on the main financial indicators and the proof of the existence of no significant risk in the deterioration of these indicators.

On December 31, 2017, Braskem prepared a sensitivity analysis for its exposure to fluctuation in the U.S. dollar, as informed in Note 19.6.

(c) Exposure to interest rate risk

Braskem is exposed to the risk that a variation in floating interest rates causes an increase in its financial expense due to payments of future interest. Debt denominated in foreign currency subject to floating rates is mainly subject to fluctuations in Libor. Debt denominated in local currency is mainly subject to the variation in the Long-Term Interest Rate ("TJLP") and in the Interbank Certificate of Deposit ("CDI") rate.

In 2016 and 2017, Braskem held swap contracts (Note 19.3.1) in which it: receives the pre-contractual rate and pays the CDI overnight rate; and receives Libor and pays a fixed rate.

On December 31, 2017, Braskem prepared a sensitivity analysis for the exposure to the floating interest rates Libor, CDI and TJLP, as informed in Notes 19.6(c.1) and (c.2).

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4.2 Exposure to credit risk

The transactions that subject Braskem to the concentration of credit risks are mainly in current accounts with banks, financial investments and trade accounts receivable in which Braskem is exposed to the risk of the financial institution or customer involved. In order to manage this risk, Braskem maintains bank current accounts and financial investments with major financial institutions, weighting concentrations in accordance with the credit rating and the daily prices observed in the Credit Default Swap market for the institutions, as well as netting contracts that minimize the total credit risk arising from the many financial transactions entered into by the parties.

On December 31, 2017, approximately 17.4% of the amounts recorded as “Cash and cash equivalents” (Note 6) were allocated to financial institutions that had clearance agreements with the Company. The obligations under these agreements are accounted for under “Borrowings” (Note 16). The effective netting of these amounts is possible only in the event of default by one of the parties.

With respect to the credit risk of customers, Braskem protects itself by performing a rigorous analysis before granting credit and obtaining secured and unsecured guarantees when considered necessary, including credit insurance.

The maximum exposure to credit risk of non-derivative financial instruments on the reporting date is the sum of their carrying amounts less any provisions for impairment losses. On December 31, 2017, the balance of trade accounts receivable was net of allowance for doubtful accounts (Note 8).

4.3 Liquidity risk

Braskem has a calculation methodology to determine minimum cash “vision month” (horizon of 30 days) and minimum cash “vision year” (horizon of up to 12 months) for the purpose of, respectively: (i) ensuring the liquidity needed to

comply with obligations of the following month; and (ii) ensuring that the Company maintains liquidity during potential crises. The amounts for determination of the minimum cash "vision year" are calculated mainly based on the projected operating cash generation, less short-term debts and working capital needs. The amounts for determination of the minimum cash "vision month" consider the projection of operational cash disbursement, service of debts and contributions in projects, as well as the expected disbursement for derivatives with maturity in the period, among other items. The Company, in a conservative manner, uses as the minimum cash in its financial policy the highest value between these two references.

Braskem has two revolving credit lines for the purpose of managing liquidity risks, which may be used without restrictions to improve the Company's credit quality or in the event of deterioration in the macroeconomic scenario, in the amounts of: (i) US\$750 million until December 2019; and (ii) US\$500 million until September 2019. These credit facilities enable Braskem to reduce the amount of cash it holds. As of December 31, 2017, none of these credit lines had been used.

The table below shows Braskem's financial liabilities by maturity, including the amounts due under the Leniency Agreement (Note 23.3). These amounts are calculated from undiscounted cash flows and may not be reconciled with the balance sheet. The Braskem Idesa's borrowings presents the original long-term maturities, excluding the reclassification to current liabilities arising from the breach of contractual obligations (Note 16).

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	Until one year	Maturity Between one and two years	Between two and five years
Trade payables	5,326,811	259,737	
Borrowings	1,256,574	3,963,839	6,708,910
Debtentures	28,569	83,520	133,206
Braskem Idesa borrowings	820,282	1,832,863	2,250,575
Derivatives	6,875		
Loan to non-controlling shareholder of Braskem Idesa			
Leniency agreement (Note 23.3)	257,347	325,299	1,007,348
At December 31, 2017	7,696,458	6,465,258	10,100,039

4.4 Capital management

The ideal capital structure, according to Braskem's Management, considers the balance between own capital and the sum of all payables less the amount of cash and cash equivalents and financial investments. This composition meets the Company's objectives of perpetuity and of offering an adequate return to shareholders and other stakeholders. This structure also permits borrowing costs to remain at adequate levels to maximize shareholder remuneration.

Due to the impact of the U.S. dollar on the Company's operations, the Management of Braskem believes that the own capital used for capital management purposes should be measured in this currency and on a historical basis. Moreover, the Company may temporarily maintain a capital structure that is different from this ideal. This occurs, for example, during periods of growth, when the Company may finance a large portion of its projects through borrowings, provided that this option maximizes return for shareholders once the financed projects start operating. In order to adjust and maintain the capital structure, the Management of Braskem may also consider the sale of non-strategic assets, the issue of new shares or even adjustments to dividend payments.

As is also the case of liquidity, capital is not managed at the Parent Company level, but rather at the consolidated balance sheet level.

5 Available-for-sale assets and discontinued operations

During the second half of 2016, the Management of the Company approved the sale plan of the subsidiaries Quantiq Distribuidora Ltda. and IQAG Armazens Gerais Ltda. to the company GTM do Brasil Comércio de Produtos Químicos Ltda. On January 9, 2017, the Board of Directors approved the sale of the subsidiaries, in the amount of R\$550 million, was signed on the following day, and in January the operation was approved by Brazil's antitrust agency CADE (*Conselho Administrativo de Defesa Econômica*).

Although the sale agreement was executed in January 2017, the consolidated financial statements of Quantiq and IQAG are presented as held-for-sale assets and discontinued operations in the period of 2016, since Braskem had already received a firm offer by the buying party before December 31, 2016 and both the Company's Management and its Board of Directors were committed to the sale plan.

The operating profits or losses of Quantiq and IQAG were presented in the segment information as operating segment "Chemical distribution".

The results of Quantiq and IQAG for 2016 and 2017 are presented in the line "profit from discontinued operations" on the consolidated statements of operations.

The transfer of control to the buyer company was concluded on April 3, 2017. On the same date, Braskem received R\$450 million. The remaining R\$100 million will be received within 12 months, subject to adjustments typical to operations of this nature. The capital gain from the operation was R\$276,816 (Total income of R\$550,000 (-) net assets of R\$273,184), recorded in the second quarter of 2017.

Braskem S.A.**Management notes to the financial statements****at December 31, 2017****All amounts in thousands, except as otherwise stated**

Assets and liabilities classified as available-for-sale and profit or loss from discontinued operations until the date of transfer of control are shown below:

(a) Balance sheet

Assets and liabilities classified as held for sale	Mar/2017	Dec/2016
Assets		
Cash and cash equivalents	40,216	76,146
Trade accounts receivable	119,076	65,626
Inventories	82,815	84,296
Taxes recoverable	46,858	45,859
Property, plant and equipment	61,591	61,037
Intangible assets	6,729	6,665
Other assets	17,932	20,075
Total assets	375,217	359,704
Liabilities		
Trade payables	75,852	62,692
Payroll and related charges	7,099	11,170
Dividends	6,371	6,371
Taxes payable	9,668	7,064
Other payables	3,043	8,099
Total liabilities	102,033	95,396
Net assets (Assets (-) Liabilities)	273,184	264,308

(b) Statement of operations

	Mar/2017	Dec/2016
Result with discontinued operations		
Net sales revenue	212,238	830,754
Cost of products sold and services provided	(176,957)	(674,619)
Gross profit	35,281	156,135
Income (expenses)		
Selling and distribution	(10,164)	(45,938)
General and administrative	(12,067)	(77,258)
Other income (expenses), net	(1,298)	(608)
Operating profit	11,752	32,331
Financial results	1,747	8,429
Profit before income tax and social contribution	13,499	40,760
Current and deferred income tax and social contribution	(4,623)	(13,901)
Result with discontinued operations	8,876	26,859
Profit per share to the discontinued operations at the end of the year (R\$)		
Earnings per share - common	0.0112	0.0337
Earnings per share - preferred shares class "A"	0.0112	0.0337
Earnings per share - preferred shares class "B"	0.0112	0.0337

Braskem S.A.**Management notes to the financial statements****at December 31, 2017****All amounts in thousands, except as otherwise stated****(c) Cash flow**

	2016
Profit before income tax and social contribution	40,760
Adjustments for reconciliation of profit	
Depreciation, amortization and depletion	5,428
Interest and monetary and exchange variations, net	(867)
Other	93
	45,414
Changes in operating working capital	41,642
Cash from operations	87,056
Acquisitions to property, plant and equipment	(5,491)
Net cash used in investing activities	(5,491)
Short-term and long-term debt	
Payments	(57,543)
Related parties	
Obtained	26,469
Payments	(35,094)
Dividends paid	(6,029)
Net cash provided (used) by financing activities	(72,197)
Increase in cash and cash equivalents	9,368
Represented by	
Cash and cash equivalents at the beginning for the year	66,778
Cash and cash equivalents at the end for the year	76,146
Increase in cash and cash equivalents	9,368

6 Cash and cash equivalents

		2017	Consolidated 2016	2017	Parent Company 2016
Cash and banks	(i)	1,428,766	2,178,611	67,424	382,112

Cash equivalents:					
Domestic market		1,706,784	2,914,685	1,885,120	3,085,233
Foreign market	(i)	639,543	1,608,568	512	94,086
Total		3,775,093	6,701,864	1,953,056	3,561,431

- (i) On December 31, 2017, it includes cash and banks of R\$247,285 (R\$172,430 on December 31, 2016) and cash equivalents of R\$47,400 (R\$29,169 on December 31, 2016) of the subsidiary Braskem Idesa, available for use exclusively in its project.

This item includes cash, bank deposits and highly liquid financial investments available for redemption within three months. These assets are convertible into a known cash amount and are subject to insignificant risk of change in value.

Cash equivalents in Brazil are mainly represented by fixed-income instruments and time deposits held by the FIM Jupiter fund. Cash equivalents abroad mainly comprise fixed-income instruments issued by first-class financial institutions (time deposit) with high market liquidity.

Braskem S.A.**Management notes to the financial statements****at December 31, 2017****All amounts in thousands, except as otherwise stated****7 Financial investments**

		2017	Consolidated 2016	2017	Parent Company 2016
Loans and receivables					
Time deposit investments (i)		440,616	434,015		
Held-for-trading					
Time deposit investments		15,764		15,764	
<i>Letras financeiras do tesouro -</i> (ii)					
<i>LFT's and Letras Financeiras</i>					
- <i>LF's</i>		1,816,889	755,712	1,816,889	740,332
Other		39,739	756	667	754
Total		2,313,008	1,190,483	1,833,320	741,086
Current assets		2,302,672	1,190,483	1,833,320	741,086
Non-current assets		10,336			
Total		2,313,008	1,190,483	1,833,320	741,086

- (i) This investment was given as guarantee to cover Braskem's obligation related to the constitution of a reserve account for the project finance of the subsidiary Braskem Idesa.
- (ii) Government bonds held for trade refer to Brazilian floating-rate government bonds ("LFTs") issued by the Brazilian federal government and floating-rate bonds ("LFs") issued by financial institutions. These bonds have maturity above three months, immediate liquidity and expected realization in the short term.

8 Trade accounts receivable

The Company's billing period is generally 30 days; therefore, the amount of the trade accounts receivable corresponds to their fair value. The Company realizes part of its trade accounts receivable through the sale of trade notes to funds and financial institutions that acquire receivables. These operations are not entitled to recourse and with substantial transfer of receivables risks and benefits, for which reason the trade notes are written-off at the moment of the

operation.

	2017	Consolidated 2016	2017	Parent Company 2016
Costumers				
Domestic market	1,459,623	869,306	1,521,082	969,072
Foreign market	2,209,094	1,215,626	1,977,584	3,137,384
Allowance for doubtful accounts	(350,025)	(380,559)	(337,697)	(358,878)
Total	3,318,692	1,704,373	3,160,969	3,747,578
Current assets	3,281,196	1,634,137	1,824,740	952,689
Non-current assets	37,496	70,236	1,336,229	2,794,889
Total	3,318,692	1,704,373	3,160,969	3,747,578

The breakdown of trade accounts receivable by maturity is as follows:

	2017	Consolidated 2016	2017	Parent company 2016
Accounts receivables not past due	2,886,546	1,668,063	2,540,524	3,578,195
Past due securities:				
Up to 90 days	567,590	173,125	478,677	264,932
91 to 180 days	3,673	15,325	278,493	27,575
As of 180 days	210,908	228,419	200,972	235,754
	3,668,717	2,084,932	3,498,666	4,106,456
Allowance for doubtful accounts	(350,025)	(380,559)	(337,697)	(358,878)
Total customers portfolio	3,318,692	1,704,373	3,160,969	3,747,578

Braskem S.A.**Management notes to the financial statements****at December 31, 2017****All amounts in thousands, except as otherwise stated**

The changes in the allowance for doubtful accounts are presented below:

	2017	Consolidated 2016	2017	Parent com
Balance of provision at the beginning of the year	(380,559)	(327,974)	(358,878)	(29
Provision/reversal in the year	18,573	(102,065)	12,679	(9
Write-offs	22,878	38,499	22,878	2
Addition through merger of Cetrel	(10,917)			
Addition through merger of Braskem Petroquímica			(14,376)	
Transfers (of) to non-current assets held for sale		10,981		
Balance of provision at the end of the year	(350,025)	(380,559)	(337,697)	(35

The methodology adopted by the Company for recognizing the provision for impairment is based on the history of losses and considers the sum of (i) 100% of the amount of receivables past due for over 180 days; (ii) 50% of the amount of receivables past due between 90 and 180 days; (iii) 100% of the amount of receivables under judicial collection (iv) all the receivables from the first renegotiation maturing within more than 24 months; and (v) 100% of the receivables arising from a second renegotiation with customers. Receivables from subsidiaries are not considered in this calculation. This methodology is revised on an annual basis by the Management of the Company.

9 Inventories

	2017	Consolidated 2016	2017	Parent company 2016
Finished goods	4,255,114	3,444,898	2,785,182	2,314,755
Raw materials, production inputs and packaging	1,715,757	1,407,399	1,549,001	1,266,323
Maintenance materials	365,803	312,167	165,073	162,568

Advances to suppliers	482,043	103,267	273,401	82,618
Imports in transit and other	74,670	31,816	74,667	31,168
Total	6,893,387	5,299,547	4,847,324	3,857,432
In current assets	6,846,923	5,238,014	4,800,860	3,795,899
In non-current assets	46,464	61,533	46,464	61,533
Total	6,893,387	5,299,547	4,847,324	3,857,432

Inventories of finished products are stated at average cost of purchase or production or the estimated price of sale or acquisition, excluding taxes, whichever is lower

The value of finished products includes raw materials, ancillary and maintenance materials used, depreciation of industrial facilities, expenses with Company's and third-party personnel involved in industrial production and maintenance, and logistics expenses with the transfer of these products from the plants to the sale terminals.

In the fiscal years ended December 31, 2017 and December 31, 2016, finished goods presented a value below their net realizable value, which means there is no need to accrue a provision. For this estimate, the Company considers the sale price projected for the period during which it expects to sell the product. This period is determined based on the historical data for the turnover of the respective inventory.

Braskem S.A.

Management notes to the financial statements

at December 31, 2017

All amounts in thousands, except as otherwise stated

10 Related parties**(a) Consolidated**

Balance sheet	Balances at December 31, 2017				Balances at December 31, 2016				Consolidated
	Associated companies, Jointly-controlled investment and Related companies				Associated companies, Jointly-controlled investment and Related companies				
	Odebrecht and subsidiaries	Petrobras and subsidiaries	Other	Total	Odebrecht and subsidiaries	Petrobras and subsidiaries	Other	Total	
Assets									
Current									
Trade accounts receivable	7,634	45,184	60,502	113,320	5,634	33,843	28,390	67,867	
Inventories	250,904 ^(c.i) and ^(c.ii)	118		251,022		5,434		5,434	
Dividends and interest on capital			10,859	10,859			14,986	14,986	
Other					50			50	
Total assets	258,538	45,302	71,361	375,201	5,684	39,277	43,376	88,337	
Liabilities									
Current									
Trade payables	21,530	149,058	700	171,288	77,461	904,090	1,226	982,777	
Other receivables	2,338	562	7,591	10,491					
Total liabilities	23,868	149,620	8,291	181,779	77,461	904,090	1,226	982,777	

	Twelve-month period ended December 31, 2017				Twelve-month period ended December 31, 2016			
	Associated companies, Jointly-controlled investment and Related companies				Associated companies, Jointly-controlled investment and Related companies			
	Odebrecht and subsidiaries	Petrobras and subsidiaries	Other	Total	Odebrecht and subsidiaries	Petrobras and subsidiaries	Other	Total
Transactions								
Sales of products	27,467	1,810,789	629,302	2,467,558	49,051	2,023,815	562,709	2,635,575
Purchases of raw materials, finished goods								
services and utilities	742,161		5,664		1,564,103(i)		56,170	13,911,463
Financial income (expenses)	2,056	(39,433)		(37,377)	(21)	6,452		6,431
General and administrative expenses								
Post-employment benefits plan ("EPE")								
Odebrecht Previdência Privada ("Odeprev")			36,725				41,845	41,845
Acquisition of subsidiary	610,000 ^(a.ii)			610,000				

(i) Includes expenses with the Braskem Idesa project in the amount of R\$734,263.

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Braskem S.A.

Management notes to the financial statements

at December 31, 2017

All amounts in thousands, except as otherwise stated

(b) Parent Company

	Associated companies, Jointly-controlled investment and associated companies						Related companies		
	Braskem Inc.	Braskem Holanda	Braskem Holanda Inc	Braskem Petroquímica	Braskem America	Braskem Argentina	Other	Odebrecht and subsidiaries	Petrobrás subsidiaries
Balance sheet									
Assets									
Current									
Cash and equivalents									
Financial investments									
Trade accounts receivable		428			23,833	111,824	104,084	3,855	45,180
Inventories								250,904	10(c.i) and (c.ii)
Dividends and interest on capital							10,859		
Related parties		115			20,771		9,592		
Non-current									
Trade accounts receivable		1,298,733							

Related parties									
Loan agreements	15,172					881			
Total assets	15,172	1,299,276		44,604	111,824	125,416	254,759		45,300
Liabilities									
Current									
Trade payables	25					13,829	12,796		149,000
Accounts payable to related parties									
Advance to export			107,574		675,547				
Other payables					60				
Other							7,591	2,338	50,000
Non-current									
Trade Payables		13,585,736							
Accounts payable to related parties									
Advance to export					274,564				
Payable notes	12,703		6,910,306						
Total liabilities	12,728	13,585,736	7,017,880		950,171		21,420	15,134	149,600

Associated companies, Jointly-controlled investment and associated companies

	Braskem Inc	Braskem Holanda	Braskem Holanda Inc	Braskem Petroquímica	Braskem America	Braskem Argentina	Braskem Other	Odebrecht and subsidiaries	Petrobras and subsidiaries
Transactions									
Sales of products		3,774,728		31,082	159,784	326,232		27,467	1,782,100
Purchases of raw materials, finished							722,800		

products									
services and		8,102,867		2,983,908		41,148	714,216		11,637,0
utilities									
Financial	25,451	(295,793)	(756,179)	(3)		1,725	(101)	2,056	(39,43
income				(48,919)					
(expenses)									
General and									
administrative									
expenses -									
Odeprev									
Acquisiton								610,000	1(a.ii)
of									
subsidiary									

Braskem S.A.**Management notes to the financial statements****at December 31, 2017****All amounts in thousands, except as otherwise stated**

	Associated companies, Jointly-controlled investment and associated companies							Balances a		
	Braskem Inc.	Braskem Holanda	Braskem Holanda Inc	Braskem Petroquímica	Braskem America	Braskem Argentina	Other	Odebrecht and subsidiaries	Petrobras and subsidiaries	Other
Balance sheet										
Assets										
Current										
Cash and equivalents										
Financial investments										
Trade accounts receivable		189		2,223	24,212	97,060	95,583	5,634	32,152	
Inventories									5,434	
Dividends and interest on capital				16,435			14,986			
Related parties		20		104,471	50,802	24	16,977	50		
Non-current										
Trade accounts receivable	2,523,072	112,330		88,615						
Related parties										
Loan agreements	14,378						94			
Total assets	2,537,450	112,539		211,744	75,014	97,084	127,640	5,684	37,586	2
Liabilities										
Current										
Trade payables	25				15			34,682	886,775	

Accounts payable to related parties										
Advance to export			97,165		670,325					
Other payables				189,106				13		
Non-current Trade Payables	1,527,820	6,351,905		918,038						
Accounts payable to related parties										
Advance to export			7,951,033		270,505					
Payable notes	12,515									
Total liabilities	1,540,360	6,351,905	8,048,198	1,107,144	940,845			13	34,682	886,775
Twelve-month period ended										
Associated companies, Jointly-controlled investment and associated companies							Related companies			
	Braskem Inc	Braskem Holanda	Braskem Holanda Inc	Braskem Petroquímica	Braskem America	Braskem Argentina	Other	Odebrecht and subsidiaries	Petrobras and subsidiaries	Other
Transactions										
Sales of products	142,978	2,876,647		2,157,743	151,687	266,190	876,116	48,781	1,979,837	
Purchases of raw materials, finished products services and utilities	160,378	4,724,595		3,548,904			62,347	810,574	11,268,019	
Financial income (expenses)	(375,743)	394,646	1,404,690	(13)	114,417	(28,767)	(10,742)	(21)	6,453	
General and administrative expenses - Odeprev										39,213

Braskem S.A.

Management notes to the financial statements

at December 31, 2017

All amounts in thousands, except as otherwise stated

(c) New and/or renewed agreements with related companies

As provided for in the Company's bylaws, the Board of Directors has the exclusive power to decide on any contract with related parties but those related to the purchase of raw materials that exceed R\$5,000 per operation or R\$15,000 altogether per year. This provision encompasses contracts between the Parent Company and its subsidiaries and (i) any of its common shareholders and (ii) directors of the Company, its parent company or subsidiary or its respective related parties.

Pursuant to Federal Law 6,404/76, officers and directors are prohibited from: (i) performing any acts of liberality with the use of the Company's assets and in its detriment; (ii) intervening in any operations in which these officers and directors have a conflict of interest with the Company or in resolutions in which they participate; and (iii) receiving, based on their position, any type of personal advantage from third parties, directly or indirectly, without an authorization under the Bylaws or by the shareholders' meeting.

As part of the control to identify related parties, the officers and directors of Braskem are asked, on an annual basis, if they or their direct family members have any kind of relevant interaction, in an amount equal to or greater than R\$5,000 per operation, or in an aggregate amount greater than R\$15,000, with companies that transact with Braskem and its subsidiaries, per fiscal year. Such interaction may be in the form of holding an equity interest or participating in the management of the company. For the fiscal years 2017 and 2016, the companies that were informed by the managers are considered in this note if they met the aforementioned criteria.

The related parties that have significant relationship with the Company are as follows:

Odebrecht and its direct and indirect subsidiaries:

- Agro Energia Santa Luzia S.A. (“USL”)
- Brenco Companhia Brasileira de Energia Renovável. (“Brenco”)
- Construtora Norberto Odebrecht S.A. (“CNO”).
- Odebrecht Agroindustrial Participações S.A. (“ODB Agro Par”)
- Rio Claro Agroindustrial S.A.
- Usina Conquista do Pontal S.A. (“UCP”)
- Santo Antônio Energia S.A. (“SAESA”)

Petrobras and its direct and indirect subsidiaries:

- Petrobras: shareholder of Braskem.
- Petrobras Distribuidora (“BR Distribuidora”).
- Refinaria Alberto Pasqualini (“REFAP”).

Joint ventures of Braskem:

- Refinaria de Petróleo Riograndense S.A. (“RPR”).

The main transactions with related parties, in the fiscal years ended December 31, 2017 and December 31, 2016, except subsidiaries of the Company, are as follows:

- Odebrecht and its subsidiaries:
 - (i) In March 2017, the Company entered into an agreement for supply of hydrous ethanol with UCP and USL. Ethanol is the feedstock consumed by Braskem to produce green ethylene. The agreement is guaranteed by ODB Agro Par and Rio Claro. The agreement also provides for a commercial discount and other flexibilities in the process of Braskem’s acquisition of the product. It also includes an advance of R\$150,000, to be restated at market rates. The advance is guaranteed by a pledge of the

Braskem S.A.

Management notes to the financial statements

at December 31, 2017

All amounts in thousands, except as otherwise stated

sugarcane crop, its products and subproducts at net market value in an amount greater than the value of the advance, with the pledged asset insured through a policy contracted from a premium insurer and with a provision for subrogation. The agreement is valid through April 30, 2018 and the balance as of December 31, 2017 was R\$50,904.

In December 2017, the Company entered into an amendment that changed the billing for raw material acquisitions to future delivery, so as to bring forward the billing of the volume of the goods to be delivered between January and March 2018. The amendment determines that the price practiced at time of delivery is the lesser of the ceiling established in the amendment and the reference established in the original contract.

- (ii) In December 2017, an agreement was entered into with USL, UCP, ODB Agro Par and Brenco, with the purpose of ensuring the supply of hydrous ethanol volumes, which included a commercial discount on the supply and established contractual flexibilities for acquisition. The contract includes an advance of R\$200,000, which is guaranteed by a pledge of the sugarcane crop, its products and sub-products at a net market value greater than the amount of the advance, with the pledged asset insured by a policy contracted from a premium insurer and with a provision for subrogation, with duration through April 30, 2019.
- (iii) In December 2017, the Company signed an industrial maintenance services agreement with CNO that encompassed boilers and the welding of tubing and static equipment, as well as operational and maintenance services on cargo machinery to be performed at the Braskem Units located in Rio Grande do Sul. The agreement has an estimated maximum amount of R\$120,000 and is valid through December 1, 2021.
- (iv) In August 2017, a power purchase agreement was executed with SAESA to supply Braskem's industrial units. The agreement has an

estimated maximum value of R\$517,000 and is valid for 13 years as from January 1, 2017.

- Petrobras and its subsidiaries:

- (i) On December 23, 2016, Braskem and Petrobras entered into an agreement for the annual purchase of 7 million tons of petrochemical naphtha for five years. This agreement includes commercial renegotiation rights for both parties as of the third year, in case of changes in certain market conditions. The established price is 102.1% of ARA international benchmark, which is the average price of inputs in the European ports of Amsterdam, Rotterdam and Antwerp).
- (ii) As from January 2017, Braskem maintains agreements for the sale of gasoline to Petrobras Distribuidora S.A., which is renewed on a monthly basis. Sales in the year amount to R\$995,602.
- (iii) In November 2016, the Company entered into an agreement with Petrobras for the purchase of 108,000 tons of polymer-grade propylene through REFAP, with duration of 5 years.

Braskem S.A.**Management notes to the financial statements****at December 31, 2017****All amounts in thousands, except as otherwise stated**

- Braskem joint venture:
 - (i) In 2017, sales of gasoil to RPR amounted to R\$44,698. The product is used as feedstock in the diesel production process.
 - (ii) Since January 2017, Braskem has maintained monthly negotiations for the sale of gasoline to RPR. Sales in the period amounted to R\$323,949.

(d) Changes in accounts payable to related parties

	Balance at December 31, 2016	Obtained	Payments	Interest, changes monetary and foreign exchange, net	Transferences	Incorporat eff
Current						
Export prepayment	767,490		(5,600,660)	607,467	5,008,823	
Credit notes	189,119	167,672	(62,152)			(294,
Total	956,609	167,672	(5,662,812)	607,467	5,008,823	(294,
Non-current						
Export prepayment	8,220,091	3,773,942		198,213	(5,008,823)	
Credit notes	13,962			188		
Total	8,234,053	3,773,942		198,401	(5,008,823)	
Total	9,190,662	3,941,614	(5,662,812)	805,868		(294,

(e) Key management personnel

Income statement transactions	Parent company and consolidated	
Remuneration	2017	2016
Short-term benefits		

	60,303	44,277
Post-employment benefit	664	515
Total	60,967	44,792

Braskem S.A.**Management notes to the financial statements****at December 31, 2017****All amounts in thousands, except as otherwise stated****11 Taxes recoverable**

		2017	Consolidated 2016	2017	Parent Company 2016
Parent Company and subsidiaries in Brazil					
IPI		18,226	38,909	18,226	37,850
Value-added tax on sales and services (ICMS) - normal operations	(a)	499,984	495,339	499,979	420,620
ICMS - credits from PP&E		140,904	125,145	140,904	118,980
Social integration program (PIS) and social contribution on revenue					
(COFINS) - normal operations		22,389	32,823	21,904	28,380
PIS and COFINS - credits from PP&E		223,297	253,503	222,964	242,470
Income tax and social contribution (IR and CSL)	(b)	691,697	584,157	684,570	487,070
REINTEGRA program	(c)	102,166	53,129	102,166	51,410
Federal supervenience	(d)	160,198	155,533	160,198	151,790
Other		4,322	1,046	2,486	2,690
Foreign subsidiaries					
Value-added tax ("IVA")		90,050	132,152		
Income tax (IR)		415,443	569,684		
Other		4,021	2,628		
Total		2,372,697	2,444,048	1,853,397	1,541,310
Current assets		1,349,064	1,355,695	830,152	543,270
Non-current assets		1,023,633	1,088,353	1,023,245	998,030
Total		2,372,697	2,444,048	1,853,397	1,541,310

(a) ICMS – normal operations

Accumulated ICMS credits over the past few years arises mainly from domestic sales subject to deferred taxation and export sales.

The Management of the Company has been prioritizing a series of actions to maximize the use of these credits and currently does not expect losses on the realization of cumulative balances.

(b) IR and CSL

Accumulated IR and CSL arises from prepayments of these taxes and retentions on income from financial investments over the past few years.

The realization of these credits occurs in two ways: (i) offset of overdue or falling due liabilities related to taxes levied by the Federal Revenue Service; or (ii) cash reimbursement.

Diverse tax refund claims were already filed with Brazil's Federal Revenue Service.

(c) REINTEGRA Program

The REINTEGRA program aims to refund to exporters the federal taxes levied on the production chain for goods sold abroad. The amount to be refunded is equivalent to the following percentages of all export revenue, in accordance with Federal Law 13,043/14 and Executive Order 8,543/15:

- (i) 3%, between October 1, 2014 and February 28, 2016;
- (ii) 1%, between March 1, 2016 and November 30, 2016;
- (iii) 0.1% between December 1, 2016 and December 31, 2017;
- (iv) 2% between January 1, 2017 and December 31, 2017; and
- (v) 2% between January 1, 2018 and December 31, 2018.

Braskem S.A.

Management notes to the financial statements

at December 31, 2017

All amounts in thousands, except as otherwise stated

Such credits may be realized in two ways: (i) by offsetting own debits overdue or undue related to taxes levied by the Federal Revenue Service; or (ii) by a cash reimbursement.

In the fiscal year ended December 31, 2017, the Company recognized credits in the amount of R\$178,716 (R\$8,694 in 2016) and offset the amount of R\$138,531 (R\$230,220 in 2016). In the Statement of Operations, credits were recognized in the item "Cost of Products Sold."

(d) Federal supervenience

This item includes credits arising from legal discussions regarding the legality and constitutionality of various taxes and contributions in which the Company has already obtained a favorable ruling or has unquestionable precedents in its favor.

These amounts will be realized after the use of other credits described above in this Note.

12 Investments

(a) Information on investments

Interest in total and voting capital (%) - 2017 Direct and indirect	Adjusted net profit (loss) for the year	
	2017	2016

Subsidiaries

Braskem Alemanha	100.00	1,069,616	1,404,696
Braskem America	100.00	993,681	1,147,107
Braskem America Finance	100.00	981	1,099
Braskem Argentina	100.00	10,844	7,945
Braskem Austria	100.00	(322)	15
Braskem Chile	100.00	4,382	6,977
Braskem Holanda	100.00	2,291,436	1,264,789
Braskem Holanda Finance	100.00	(8,569)	(16)
Braskem Holanda Inc	100.00	1,661	2,367
Braskem Finance	100.00	(9,529)	44,647
Braskem Idesa	75.00	202,657	(1,270,899)
Braskem Idesa Serviços	75.00	6,674	4,350
Braskem Inc.	100.00	(40,349)	(559,670)
Braskem México	100.00	(1,292)	32,994
Braskem México Sofom	100.00	3,971	3,691
Braskem México Serviços	100.00	552	(265)
Braskem Petroquímica	100.00	61,170	57,669
Cetrel	63.66	(916)	
DAC	63.66	4,875	
Lantana	100.00	(13)	173

Jointly-controlled investment

RPR	33.20	106,109	86,682
Odebrecht Comercializadora de Energia S.A. ("OCE")	20.00	(543)	(5,720)

Associates

Borealis	20.00	17,752	10,538
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Management notes to the financial statements

at December 31, 2017

All amounts in thousands, except as otherwise stated

(b) **Changes in investments – Parent Company**

	Balance at 2016	Incorporations effects	Acquisition of shares	Goodwill on the acquisition of investment with common control	Capital increase (decrease)	Dividends and interest on equity	Equity in results of investee Effect of results	Adjustment of profit in inventories
Subsidiaries and jointly-controlled investment								
Domestic subsidiaries								
Cetrel			610,000	(488,388)			(583)	
Braskem								
Petroquímica	2,131,629	(2,133,791)				(38,280)	61,169	5,060
RPR	58,405					(30,960)	35,230	
OCE	1,145						(109)	
	2,191,179	(2,133,791)	610,000	(488,388)		(69,240)	95,707	5,060
Foreign subsidiaries								
Braskem								
Alemanha	162,901						60,545	302
Braskem								
Argentina	21,385						10,844	(3,755)
Braskem								
Austria	4,169						(322)	
Braskem								
Chile	14,685						4,382	
Braskem								
Holanda	1,248,185						2,291,436	49,600
Braskem Inc.	283,909						(40,349)	
Braskem								
México	173,589						(1,291)	
	1,908,823						2,325,245	46,145
	4,100,002	(2,133,791)	610,000	(488,388)		(69,240)	2,420,952	51,205
Associates	32,527	81			511	(3,793)	4,591	
Total	4,132,529	(2,133,710)	610,000	(488,388)	511	(73,033)	2,425,543	51,205

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Management notes to the financial statements

at December 31, 2017

All amounts in thousands, except as otherwise stated

(c) **Equity accounting results**

	2017	Consolidated 2016	2017	Parent
Equity in results of subsidiaries, associate and jointly-controlled	39,779	29,738	2,476,751	
Result with discontinued operations				
Amortization of fair value adjustment			(25,788)	
Provision for losses on investments			(9,144)	
Dividends received	177	340	177	
	39,956	30,078	2,441,996	

Braskem S.A.

Management notes to the financial statements

at December 31, 2017

All amounts in thousands, except as otherwise stated

(d) **Impact on the consolidation of Braskem Idesa**

In compliance with IFRS 12 and CPC 45, the Company is presenting the financial statements of the subsidiary in which the non-controlling shareholder holds interest, with material effects on the Company's consolidated statements.

Balance sheet	Consolidated Braskem without the effect of Braskem Idesa consolidated		Braskem Idesa consolidated (i)		Elimin
	2017	2016	2017	2016	
Assets					
Current					
Cash and cash equivalents	3,480,407	6,500,265	294,686	201,600	
Financial investments	2,302,672	1,190,483			
Trade accounts receivable	2,809,034	1,455,893	620,531	247,465	(148,369)
Inventories	6,500,198	4,862,571	346,725	375,443	
Taxes recoverable	1,286,035	1,240,662	63,029	115,033	
Other receivables	392,750	278,865	44,630	27,169	
	16,771,096	15,528,739	1,369,601	966,710	(148,369)
Non-current assets held for sale		359,704			
	16,771,096	15,888,443	1,369,601	966,710	(148,369)
Non-current					
Taxes recoverable	1,023,581	1,088,304	52	49	
Deferred tax	129,469	189,613	1,036,257	1,463,502	
Related parties	5,051,706	4,690,672			(ii) (5,051,706)
Other receivables	637,549	648,511	33,207	29,823	
Property, plant and equipment	19,180,263	18,814,175	11,228,346	11,171,400	(iii) (646,999)
Intangible	2,575,567	2,667,708	151,930	141,379	
	28,598,135	28,098,983	12,449,792	12,806,153	(5,698,705)
Total assets	45,369,231	43,987,426	13,819,393	13,772,863	(5,847,074)
Liabilities and shareholders' equity					
Current					
Trade payables	5,254,167	6,335,452	159,872	278,905	(148,369)
Borrowings	1,184,781	2,594,463			
Debentures	27,183				
Braskem Idesa Borrowings			9,691,450	10,437,791	
Payroll and related charges	609,883	540,405	20,634	22,050	
Taxes payable	1,248,137	1,140,911	13,067	12,849	
Other payables	1,019,346	2,053,031	57,581	125,955	
	9,343,497	12,664,262	9,942,604	10,877,550	(148,369)
Non-current liabilities held for sale		95,396			
	9,343,497	12,759,658	9,942,604	10,877,550	(148,369)
Non-current					
Loan agreements	22,176,640	20,736,604			

Braskem Idesa Borrowings

286,141