Videolar-Innova S.A.

Financial statements December 31, 2015 and 2014

(A free translation of the original report in Portuguese, containing the financial statements prepared in accordance with accounting practices adopted in Brazil)

KPDS 149499

Contents

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Independent auditors' report on the financial statements

To the Shareholders and Directors of Videolar-Innova S.A.
Manaus - AM

We have audited the financial statements of Videolar - Innova S.A. ("Company"), comprising the balance sheet as of December 31, 2015 and the related statements of income, comprehensive income, changes in quotaholders' equity, and cash flows for the year then ended, as well as the summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements
The Company's management is responsible for the preparation and adequate presentation of the financial statements in accordance with the accounting practices adopted in Brazil, and the internal controls it deemed necessary to enable the preparation of these financial statements free of material misstatements, regardless of whether caused by fraud or error.

Responsibility of the independent auditors
Our responsibility is to express an opinion on these financial statements based on our audit, undertaken in accordance with Brazilian and international auditing standards. These standards require compliance with ethical requirements by the auditors and that the audit be planned and executed with the objective of obtaining reasonable assurance that the financial statements are free from significant distortions.

An audit involves the carrying out of procedures selected to obtain evidence related to the amounts and disclosures presented in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement in the financial statements, whether due to fraud or error. In this assessment of risks, according to auditing standards, the auditor considers relevant internal controls for the preparation and adequate presentation of the financial statements of the Company, to plan the audit procedures that are appropriate in the circumstances, but not for purposes of expressing an opinion on the efficacy of these internal controls of the Company. An audit also includes the evaluation of the adequacy of adopted accounting practices and reasonability of accounting estimates made by Management, as well as an assessment of the presentation of financial statements taken as a whole.

We believe that the audit evidence obtained is sufficient and appropriate to support our opinion.

KPMG Auditores Independentes, a Brazilian entity and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Opinion on the financial statements

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of Videolar - Innova as of December 31, 2015, the performance of its operations and its cash flows for the year then ended, in accordance with the accounting practices adopted in Brazil.

São Paulo, April 25, 2016.

KPMG Auditores Independentes
CRC 2SP014428/O-6
Original report in Portuguese signed by
Mateus de Lima Soares
Accountant CRC RJ-079681/O-0

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Videolar-Innova S.A.

Balance sheets at December 31, 2015 and 2014

(In thousands of reais)

Assets	**Note**	**2015**	**2014**
Current assets			
Cash and cash equivalents	9	20,238	140,337
Accounts receivable	10	315,247	122,321
Financial instruments	31	15,906	-
Inventories	11	239,198	224,534
Income and social contribution tax, recoverable	27.c	2,560	2,560
Recoverable taxes	12	23,428	23,104
Other accounts receivable	13	2,607	2,707
Advances to suppliers		19,668	938
Prepaid expenses		2,800	973
		641,652	517,474
Non-current assets			
Deferred income and social contribution taxes	27.a	214,953	-
Recoverable taxes (LT)	12	13,333	-
Other accounts receivable - Long-term	13	10,277	12,512
Judicial deposits	20	31,963	15,594
		270,526	28,106
Interest in controlled companies	14.b	-	721,164
Investment property	15	162,059	24,009
Property, plant and equipment	16	1,200,468	734,204
Intangible assets	17	353,853	8,282
		1,716,380	1,487,659
		2,628,558	2,033,239

Liabilities	**Note**	**2015**	**2014**
Current liabilities			
Loans and financing	18	333,598	245,314
Suppliers	19	204,993	242,226
Labor obligations and social charges		27,700	9,549
Tax liabilities		7,534	3,494
Royalties payable		4,742	7,110
Investments payable		-	133,784
Copyright assignment		-	192
Other liabilities		18,574	8,489
		597,141	650,158
Non-current liabilities			
Loans and financing	18	850,686	736,201
Provision for contingencies	20	20,559	15,177
Deferred income and social contribution taxes	27.a	-	21,037
Other liabilities - LT		10,211	-
		881,456	772,415
Shareholders' equity	21		
Capital	21.a	686,832	555,381
Tax incentive reserves	21.e	350,168	-
Profit reserves/ Accumulated losses	21.c	6,427	(23,448)
Equity evaluation adjustment	21.b	106,534	78,733
Shareholders' equity		1,149,961	610,666
		2,628,558	2,033,239

See the accompanying notes to the financial statements.

Videolar-Innova S.A.

Statements of income

Years ended December 31, 2015 and 2014

(In thousands of reais)

	Note	2015	2014
Net operating income	22	1,130,130	820,861
Cost of sales	23	(959,190)	(712,525)
Gross operating income		170,940	108,336
Operating income (expenses)			
Sales expenses		(1,536)	(3,938)
Administrative expenses	24	(84,709)	(18,155)
Equity income (loss)	14	119,347	(6,308)
Realization of appreciation and adjustment to present value (AVP)		(17,580)	(5,722)
Other operating income (expenses), net	25	5,412	(43,515)
		20,934	(77,638)
Financial income	26	54,117	7,643
Financial expenses	26	(89,471)	(18,594)
Monetary and exchange variations, net	26	(451,697)	(49,172)
Net financial income (expenses)	26	(487,051)	(60,123)
Income (loss) before taxes		(295,177)	(29,425)
Deferred income and social contribution taxes	27.b	368,709	(740)
Net income (loss) of continued operations		73,532	(30,165)
Discontinued operations			
Net income (loss) of discontinued operations	30	-	(62,065)
Reversal of interest on own capital		(1,097)	-
Non-controlling interest		-	-
Income for the year		**72,435**	**(92,230)**

See the accompanying notes to the financial statements.

Videolar-Innova S.A.

Statements of comprehensive income

Years ended December 31, 2015 and 2014

(In thousands of reais)

	2015	2014
Income (loss) for the year	72,435	(92,230)
Comprehensive income	-	-
Other comprehensive income, net of income and social contribution taxes	-	-
Total comprehensive income	72,435	(92,230)
Comprehensive income attributable to		
Controlling shareholders	72,435	(92,230)
Non-controlling shareholders	-	-
Total comprehensive income	72,435	(92,230)

See the accompanying notes to the financial statements.

Videolar-Innova S.A.

Statements of changes in shareholders' equity

Years ended December 31, 2015 and 2014

(In thousands of reais)

			Profit reserve				
	Capital	**Equity valuation adjustments**		**Tax incentives**	**Profit retention**	**Retained earnings (loss)**	**Total**
Balances at December 31, 2013	555,381	78,978	2,805	23,475	42,257	-	**702,896**
Realization of equity valuation adjustment	-	(245)	-	-	-	245	**-**
Income (loss) for the period	-	-	-	-	-	(92,230)	**(92,230)**
Interest of non-controlling shareholders	-	-	-	-	-	-	**-**
Offsetting of loss for the year	-	-	-	(23,475)	(42,257)	65,732	**-**
Balances at December 31, 2014	555,381	78,733	2,805	-	-	(26,253)	**610,666**
Capital increase by merger (note 21.a)	131,451	-	-	-	-	-	**131,451**
Tax incentives reserve by merger (Note 21.e)	-	-	-	307,363	-	-	**307,363**
Write-offs of minority interest - Innova merger	-	-	-	-	-	-	**-**
Equity valuation adjustment - L.Parisotto Merger (Note 21.b)	-	28,046	-	-	-	-	**28,046**
Realization of equity valuation adjustment	-	(245)	-	-	-	245	**-**
Income for the period	-	-	-	-	-	72,435	**72,435**
Formation of legal reserve (Note 21.c)	-	-	3,622	-	-	(3,622)	**-**
Formation of reserve for tax incentives (Note 21.e)	-	-	-	42,805	-	(42,805)	**-**
Balances at December 31, 2015	686,832	106,534	6,427	350,168	-	-	**1,149,961**

See the accompanying notes to the financial statements.

Videolar-Innova S.A.

Statements of cash flows

Years ended December 31, 2015 and 2014

(In thousands of reais)

	Note	2015	2014
Cash flows from operations			
Net income for the year		72,435	(92,230)
Adjustments for reconciliation of net income to operating income			
Depreciation and amortization	16	60,223	32,851
Deferred and current income tax		(377,320)	739
Write-off of fixed and intangible assets		23,723	62,379
Equity income (loss)	14	(119,347)	6,308
Provision for contingencies	20	(72,373)	(6,378)
Allowance for estimated credit loss for allowance for doubtful accounts	10	3,156	3,413
Provision for obsolescence	11	(4,541)	1,921
Financial charges and foreign exchange variation on balances with related companies, financing, tax obligations, and net escrow deposits		454,941	107,109
		40,897	116,112
Increase (decrease) in assets			
Trade and other notes receivable		104,308	34,876
Inventories		106,257	(11,172)
Recoverable taxes		(4,431)	27,210
Other		186,846	3,659
		392,980	54,573
Increase (decrease) in liabilities			
Suppliers		(50,980)	68,426
Investments payable		(133,784)	121,909
Royalties payable		(7,110)	920
Salaries and social security charges		2,730	(118)
Copyright assignment		(3,174)	-
Other		(146,447)	(4,749)
		(338,765)	186,388
Net funds from operating activities		95,112	357,073
Acquisitions of intangible assets			
Cash flow used in investment activities			
Acquisition of property, plant and equipment		(112,639)	(56,938)
Acquisitions of intangible assets		(29)	(509)
Acquisition of investment		-	(635,638)
Dividends received		99,702	-
Realization of appreciation		14,189	-
Adjustment of inventory		10,410	-
Cash provided from merger		63,147	-
Write-off of investments for merger		(471,799)	-
Net funds of provision for investment activities		(397,019)	(693,085)
Cash flow from investment activities			
Raising of financing		207,972	837,702
Payment of financing and interest		(493,024)	(383,317)
Capital increase by merger		131,451	-
Equity revaluation adjustment - Merger		28,046	-
Tax incentive reserve - Merger		307,363	-
Net funds from financing activities		181,808	454,385
Increase (decrease) in cash and equivalents		(120,099)	118,373
Cash and cash equivalents at the beginning of the year		140,337	21,964
Cash and cash equivalents at the end of the year		20,238	140,337
Variation in cash and cash equivalents for the year		(120,099)	118,373

See the accompanying notes to the financial statements.

Notes to the financial statements

1 Operations

Videolar-Innova S.A. (“Videolar-Innova” and “Company”), formerly Videolar S.A. (“Videolar”) is a non-public corporation domiciled in Brazil. Registered address of the Company’s head office is Avenida Açaí, no. 287, Industrial District, CEP 69041-025, located in Manaus, Amazonas State (AM).

The Company operates in the sector of Plastic Resins (Styrene and Polystyrene), serving clients from the sectors of Electronics, Plastics, Disposables, Foods, among others, in addition to acting in the processed plastics segment, for example, producing Plastic Caps and Bioriented Polypropylene Film (BOPP).

On 31 October 2014, with the acquisition of a 60% stake in Innova S.A. (“Innova”), which formally belonged to Petroleo Brasileiro S.A. (“Petrobrás”), the Company consolidated its position in the Petrochemical sector.

On September 30, 2015, Videolar S.A. formally merged with Innova and the company is now called Videolar-Innova S.A.

After the reorganization, the Company is now the domestic leader in the Polystyrene market and has four plants: three in Manaus, Amazonas and one in Triunfo, Rio Grande do Sul.

2 Company of the Group

		%	
Companies	**Country**	**2015**	**2014**
AMZ Mídia Industrial S.A.	Brazil	-	99.95%
Innova S.A.	Brazil	-	60%

Acquisitions of subsidiaries and non-controlling ownership interest

On October 31, 2014, the Company acquired control of Innova, a company in the petrochemical industry that manufactures and markets styrene and polystyrene.

A total of 38,008,513 common shares were acquired, representing 60% of the capital acquired. The remaining shares, 19,591,487 common and 5,747,521 preferred, totaling 25,339,008, were acquired by L. Partisotto Ltda., the Parent company of Videolar S.A., represents the remaining 40% of capital.

(i) Identifiable assets acquired and liabilities assumed

The pronouncement of CPC 15(R1) on June 3, 2011, establishes a period of 12 months from the date of purchase to complete the final allocation of the price paid. As mentioned above, the acquisition of Innova occurred on October 31, 2014. Thus, the period for final allocation of goodwill and surplus value contained in the consideration paid ended on October 31, 2015. In this regard, the Company’s advisors presented the final allocation Report, dated July 7, 2015, with the final values of fair value of assets and liabilities, resulting in a reduction in the amount of R$ 4,535 from the true value of the identifiable net assets (considering 100% of net assets of

Innova) compared with the preliminary figures presented in the financial statements of December 31, 2014. As a result, the goodwill calculated at the time of R$ 239,331 was increased to R$ 243,866. The following presents the fair value of the identifiable assets and liabilities of Innova S.A. on the base date October 31, 2014, considering the final allocation Report dated July 7, 2015:

	Book value	Fair value	Fair value recognized on acquisition
Assets			
Inventory	177,025	5,658	182,683
Accounts receivable	278,034	-	278,034
Deferred tax	10,272	(10,272)	-
Property, plant and equipment	240,082	213,325	453,407
Intangible assets	2,981	132,437	135,418
Indemnity asset	-	52,091	52,091
Other	88,056	-	88,056
	796,450	**393,239**	**1,189,689**
Liabilities			
Loans and financing	(44,785)	-	(44,785)
Suppliers	(41,402)	-	(41,402)
Provisions	(12,727)	(62,889)	(75,616)
Deferred tax liabilities	-	(112,378)	(112,378)
Other	(54,155)	-	(54,155)
	(153,069)	**(175,267)**	**(328,336)**
	643,381	**217,972**	**861,353**
Total net identifiable assets			643,381
Difference in the fair value			217,972
Goodwill on acquisition			243,866
Total consideration			**1,105,219**

The Innova acquisition contract set out a price adjustment calculation, between the start date of negotiation (which occurred on September 30, 2013) until the time of approval by the Administrative Council for Economic Defense (CADE) and the effective completion of the transaction, which occurred on October 31, 2014. The assumed liabilities related to this price adjustment were R$ 222,974. Of this amount, the 60% corresponding to Videolar totaled (i) R$ 133,784 and was fully paid on March 31, 2015.

The total amount of consideration of the investment of Videolar-Innova and L. Parisotto Ltda., on the fair value at the acquisition date, totaling R$ 1,105,219, combining (ii) R$ 663,131 Videolar-Innova and R$ 442,088 L. Parisotto.

The following table shows the openings of the amounts in the proportion of 60% of the portion of the investment made by Videolar-Innova, according to the final appraisal dated July 7, 2015.

Cost of acquisition (ii)	**663,131**
Initial Value	529,347
Price adjustment (i)	133,784
Fair value of net assets	**861,354**
Book value of shareholders' equity as of October 31, 2014	643,382
Appreciation (depreciation)	**217,972**
Inventory	5,658
Property, plant and equipment	213,325
Client relationship - Styrene	23,257
Client relationship - Polystyrene	19,528
Contract entered into with supplier	88,797
Industrial patents	854
Indemnity asset	52,091
Provisions	(62,888)
Deferred tax liabilities	(122,650)
Proportion acquired	**516,812**
Goodwill	**146,319**

Criteria for evaluation at fair value of main identifiable assets and liabilities may be summarized as follows:

a. **Inventory:** In the inventory balance, the raw materials had fair value determined by replacement cost, measured by the purchase price of the last acquisition occurring in the month following the acquisition date (October 2014); in relation to the inventory of products for sale, we used the concept of net realization, minus estimated expenses to carry out the sale;

b. **Property, plant and equipment:** The fair value of Innova's fixed assets was identified by Stima Engenharia Ltda., an engineering firm specializing in appraisal of equity;

c. **Intangible assets:** Two main intangible assets were identified, i.e., contracts with suppliers and client relationships;

d. **Contracts entered into with suppliers:** On the acquisition date, there was a contract with Braskem S.A. for the supply of benzene and ethylene, essential industrial inputs for Innova. It establishes the prices until April 2018. The contractually set price includes discounts in relation to market prices: 4.1% discount for ethylene and 4.71% discount for benzene. This represents an identifiable asset, which is measured by a method known as 'with or without'. In other words, the value is measured by the difference in Innova's value with and without the discount during the contractual period, without considering possible renewals;

e. **Relationship with clients:** The ongoing relationship with clients yields two identifiable intangible assets, those of styrene and those of polystyrene. To measure them, the Multi period excess earnings (MPEE) method was used. The cash flow is based on the retention rate, using the portfolio run-off concept;

f. **Provisions:** On the acquisition date, a contingent liability was recognized, assumed in a business combination by an understanding of the existence of a present obligation that arises from past events, and if its fair value can be measured reliably;

g. **Indemnity asset:** The purchase/sale agreement of this operation provides for compensation of existing contingencies on the date of contract signing, but were not informed to the buyer;

h. **Deferred taxes:** Records the temporary difference of the values of gain or loss identified previously.

Business combinations are accounted for under the acquisition method. Acquisition cost is measured by the sum of transferred consideration, evaluated based on fair value on acquisition date. Costs directly attributable to acquisition must be accounted for in income, when incurred.

On acquiring a business, the Company assesses the financial assets and liabilities assumed in order to rate and to allocate them in accordance with contractual terms, economic circumstances and pertinent conditions on the acquisition date, which includes segregation by the acquired entity of built-in derivatives existing in the acquired entity's host contracts.

(ii) Goodwill

Initially, goodwill is initially measured as being the excess of consideration transferred in relation to net assets acquired and measured (acquired identifiable assets, nets and assumed liabilities). If consideration is lower than fair value of net assets acquired, the difference must be recognized as gain in statement of income.

Paid goodwill includes the value of future economic benefits resulting from synergies deriving from acquisition and from acquired intangible assets that were not identifiable on acquisition date.

Goodwill from expected future earnings is expected to generate future tax benefits.

(iii) The merger of Parent company L.Parisotto Participações Ltda. and Subsidiaries Innova and AMZ Mídia Industrial S.A.

According to the minutes recorded on November 17, 2015, the Protocol and Justification of the Merger were approved, signed on September 29, 2015, relating to the reverse merger of the parent company L.Parisotto Participações Ltda. ("L.Parisotto") and the merger of the subsidiary Innova S.A. by the company Videolar S.A, with the summary as follows: (a) the transfer of all assets and liabilities of the incorporated into the merged company; (b) the termination of the incorporated, which will be followed in full by the integration of rights and obligations; and (c) at the transfer of merger shares to quotaholders of L.Parisotto, replacing the shares held by them in the incorporated above.

Specialized companies carried out the appraisal reports of the companies Innova S.A. and L.Parisotto.

In the period from January 1, 2015, to the base date of the merger on September 30, 2015, Innova S.A. contributed a gross income of R$ 1,124,196 and net income of R$ 180,339.

We show below the embedded values for the base date of September 30, 2015:

Assets	**Note**	**L.Parisotto**	**Innova**	**Total**
Current				
Cash and cash equivalents		-	63,147	63,147
Accounts receivable		-	298,826	298,826
Inventories		-	103,847	103,847
Recoverable taxes		-	1,575	1,575
Other accounts receivable		1,570	80,515	82,085
Prepaid expenses		-	323	323
		1,570	548,233	**549,803**
Non-current				
Judicial deposits	20	1,788	33,568	35,356
		1,788	33,568	**35,356**
Interest in subsidiaries	14	518,731	-	518,731
Appreciation	14	76,190	-	76,190
Investment property	15	138,050	-	138,050
Property, plant and equipment	16	1	236,460	236,461
Intangible assets	17	-	3,440	3,440
		732,972	239,900	**972,872**
Total current and non-current assets		**736,330**	**821,701**	**1,558,031**

Liabilities	**Note**	**L.Parisotto**	**Innova**	**Total**
Current				
Loans and financing		59,988	2,358	62,346
Suppliers		-	32,496	32,496
Labor obligations and charges		-	15,421	15,421
Tax liabilities		-	16,542	16,542
Other liabilities		17,086	76,372	93,458
		77,074	143,189	**220,263**
Non-current				
I. Deferred Income and Csll		35,153	-	35,153
Provision for contingencies	20	-	14,722	14,722
		35,153	14,722	**49,875**
Total current and non-current liabilities		**112,227**	**157,911**	**270,138**

	L.PARISOTTO	**INNOVA**	**Total**
Net assets (Note 14.b)	286,714	663,790	950,504
Investment	(180,145)	(663,790)	(483,645)
Merged net assets	**466,859**	**-**	**466,859**

On February 4, 2016, it was recorded in the minutes of approval of the Protocol and Justification of the Merger signed on December 30, 2015, the subject related to the merger of the subsidiary AMZ Mídia Industrial S.A. ("AMZ") by Videolar S.A, with the summary as follows: (A) the transfer of all assets and liabilities of the incorporated into the merged company; and (b) the extinction of the incorporated, which will be followed in full by the integration of rights and obligations.

A specialized company carried out the appraisal report of AMZ.

We show below the embedded values for the base date of December 31, 2015, of AMZ:

Assets	**Note**	**AMZ**	**Liabilities**	**Note**	**AMZ**
Current			**Current**		
Recoverable taxes		7,060	Tax liabilities		115
Inventory		12,537	Other liabilities		5,948
Other accounts receivable		49,972			6,063
		69,569			
Non-current			**Non-current**		
Judicial deposits	20	128	Provision for contingencies	20	145
		128			145
Total current and non-current assets		**69,697**	**Total current and non-current liabilities**		**6,208**

	AMZ
Net assets	63,489
Merged net assets	**63,489**

3 Preparation basis

Statement of conformity (regarding the Accountant Statements Committee - CPC standards)

As mentioned in Note 2, in the year 2015, the Company merged its subsidiaries Innova S.A. and AMZ Mídia Industrial S.A., without needing to present consolidated financial statements, since all transactions now take place under its control and transit solely as Videolar-Innova S.A.

- Financial statements have been prepared in accordance with accounting practices adopted in Brazil, in compliance with the Brazilian Corporate Law, considering changes introduced by Law no. 11,638/07 and no. 11,941/09, and pronouncements, interpretations and guidelines of the Accounting Pronouncements Committee (CPC) approved by resolutions of the Federal Accounting Council (CFC).

These financial statements were approved in the Board of Directors' meeting held on April 19, 2016.

4 Functional currency and presentation currency

These financial statements are being presented in Brazilian Real, functional currency of the Company and its subsidiaries. All balances have been rounded to the nearest value, except otherwise indicated.

5 Use of estimates and judgments

The preparation of these financial statements, Management used judgments, estimates and assumptions that affect the application of accounting principles and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and assumptions are reviewed in a continuous manner. Reviews of estimates are recognized on a prospective basis.

(i) Use of estimates and judgments

The preparation of financial statements according to CPC standards requires Management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported values of assets, liabilities, income and expenses. The actual results could differ from these estimates.

Estimates and assumptions are continuously reviewed. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future periods affected.

Information on uncertainties as to assumptions and estimates that pose a high risk of resulting in a material adjustment within the year to end at December 31, 2016 are included in the following notes:

- **Note 10 -** Estimated loss for allowance for doubtful accounts
- **Note 16** - Property, plant and equipment - review of the useful life
- **Note 20 -** Provision for contingencies
- **Note 27 (a)** - Deferred income and social contribution taxes.

6 Measuring basis

The financial statements were prepared based on the historical cost, except for the following material items recognized in the balance sheets:

- Contingent payments assumed in a business combination are measured at fair value;
- Investment property measured at fair value.

7 Significant accounting policies

We present below a table of contents of the significant accounting policies which have been consistently applied to all the periods presented in these financial statements.

7.1 Business combination

Business combinations are recorded using the acquisition method, that is, when control is transferred to the Company. The consideration transferred is generally measured at fair value, as well as the identifiable net assets acquired. Any goodwill arising from the transaction is tested annually for impairment loss. Transaction costs are charged to P/L as incurred, except for costs relating to the issuance of debt instruments or equity instruments.

Any contingent payments to be made are stated at their fair value on the acquisition date. If the payment is classified as an equity instrument, it is not remeasured and the liquidation is recorded in shareholders' equity. For other payments, subsequent changes in the fair value of the contingent consideration are recorded in income for the year.

7.2 Discontinued operation

A discontinued operation is a component of a business of the parent company that comprises operations and cash flows that can be clearly distinguished from the rest of the group and that:

- represents an important separate line of business or geographical area of operations;
- is part of a single coordinated plan to sell an important separate line of business or geographical area of operations; or
- is a subsidiary acquired solely for the purpose of resale.

When an operation is classified as a discontinued operation, the comparative statement of income and the statement of comprehensive income are reissued as if the operation had been discontinued since the beginning of the comparative period.

7.3 Operating income

(i) Products sold

Revenue from sale of products in the normal course of business is measured at the fair value of the consideration received or receivable. Operating income is recognized when there is convincing evidence that the risks and rewards inherent to the ownership of the assets have been transferred to the purchaser, it is probable that the financial economic benefits will flow to the Company, the related costs and potential return of products can be reliably estimated, there is no continued involvement with the products sold, and the amount of operating income can be reliably measured. In the event that it is probable that discounts will be granted and their amounts can be reliably measured, discounts are recognized as a reduction to sales.

The correct moment for the transfer of risks and benefits varies depending on the individual conditions of the sales agreement.

(ii) Tax incentives

Income from tax incentives described in Note 29, received as monetary asset, is recognized in income for the year on a systematic basis, throughout the period corresponding to incurred expenses, which is the object of this incentive. Conditions established for the maintenance of tax incentives were duly complied with by the Company and its subsidiary.

7.4 Government grants and assistance

Government grants and assistances are recognized when there is reasonable assurance that conditions established by Amazonas State government have been met and that they will be earned and are recorded as revenue in income for the period necessary to confront them with the expense that the government grant or assistance intends to offset.

Videolar-Innova is a beneficiary of the following tax incentives granted by the State of Amazonas, Rio Grande do Sul and the Federal Government:

a. Value-added tax on sales and services—ICMS

Credits for tax incentives for the reimbursement of ICMS were accounted for in the income (loss) for the year, in exchange for the entry to collect ICMS of R$ 77,144 (Note 29).

b. *FUNDOPEM-Investment subsidy*

The Company has the FUNDOPEM - Company Operation Fund/RS tax incentive, according to Law Number 6427 of October 18, 1972, and its amendments. The decree that grants the incentive to the Company, under Number 38,497, is dated May 11, 1998.

The resulting benefit is a presumed credit of 60% of the outstanding balance of ICMS, limited to 100% of the investment or within eight years, from January 2000, extended in December 2007 for a further eight years (2015).

In October 2015, the use of FUNDOPEM ended, although, from 2016, the company already has new commitment from the Authorities of RS for a new FUNDOPEM, with considerations for a presumed credit of 30%.

The Company has met the requirements of CPC 07 - "Subsidy and Government Assistance" for its recognition and this investment reserve is recognized in Company’s income (loss) for the year.

c. *Income tax*

The Company, in Manaus units, has approval of its project by the Superintendency of development for the Amazon—SUDAM, and is entitled to exemption from or reduction of income tax and other non-refundable surtaxes, being obliged to capitalize the amount of the tax benefit pursuant to Decree-Law 756 of 1969.

As of December 31, 2015 and 2014, the Company complied with all legal requirements to receive such incentives.

d. *IPI*

Excise tax - Products produced in the Free economic zone of Manaus—ZFM, Decree 7,212/10, article 81, item II.

e. *PIS / Cofins*

PIS/COFINS - Law No. 10,996/2004, article 3 and 4.

f. *Import tax*

Income tax - Provisional Measure 2199-14 Article 1, Regulatory Instruction 217, of October 9, 2002, with new wording from Law 11196, of 2005, Article 32.

7.5 Financial income and expenses

Financial income includes interest income from invested funds (including financial assets available for sale), dividend income (except for dividends received from investees valued under the equity method by the parent company), gains from the sale of financial assets available for sale, variations in fair value of financial assets measured at fair value by means of income, and gains from hedge instruments not recognized in income. Interest income is recognized in profit or loss using the effective interest method. Dividend income is recognized in income on the date when the Company's right to receive the payment is established. The distributions received from investees recorded under the equity method reduce the amount of the investment.

Financial expenses include loan interest expenses, adjustment of discount to present value of the provisions and contingent consideration, losses on disposal of assets available for sale, preferred-share dividends classified as liabilities, variations in fair value of financial assets measured at fair value by means of income, losses arising from a reduction in the recoverable value (impairment) recognized in financial assets (except receivables). Borrowing costs which are not directly attributable to the acquisition, construction, or production of a qualifying asset are accounted for in profit or loss using the effective interest rate method.

Exchange gains and losses are reported on a net basis.

7.6 Foreign currency

Transactions in foreign currency are translated into the respective functional currencies of the Company at the exchange rates on the dates of the transactions. Monetary assets and liabilities denominated and calculated in foreign currencies on the date of presentation are reconverted into the functional currency at the exchange rate determined on that date. Exchange gain or loss in monetary items is the difference between the amortized cost of the functional currency at the beginning of the year, adjusted by interest and effective payments during the year, and the amortized cost in foreign currency at the exchange rate at the end of the presentation year. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated into the functional currency at the foreign exchange rate on the date the fair value was determined.

Exchange differences arising from the reconversion are charged to income.

7.7 Income and social contribution taxes

The income and social contribution taxes, both current and deferred, are calculated based on the rates of 15% plus a surcharge of 10% on taxable income in excess of R$ 240 for income tax and 9% on taxable income for social contribution on net income, and consider the offsetting of tax losses and negative basis of social contribution, limited to 30% of the taxable income.

The income and social contribution tax expense comprises current and deferred taxes on income. Current taxes and deferred taxes are recognized in profit or loss unless they are related to the business combination, or items directly recognized in shareholders' equity or other comprehensive income.

(i) Current tax

Current taxes are the taxes payable or receivable on the taxable income or loss for the year, at tax rates enacted or substantively enacted on the date of preparation of the financial statements, and any adjustments to taxes payable in relation to prior years. Current tax also includes any tax liability arising from the declaration of dividends.

(ii) Deferred tax

Income tax and deferred social contribution are calculated on the temporary differences existing between the tax bases of the assets and liabilities and their book values, determined using the rates in force on the closing date of the financial statements, and are to be applied when the respective deferred income tax and social contribution assets are realized or when the income tax and social contribution tax liabilities are settled.

Deferred income and social contribution tax assets are recognized only in the proportion of the probability that the future taxable income and temporary differences can be used against it.

The amounts of income tax and social contribution assets and liabilities are offset only when there is a legally enforceable right to offset tax assets against tax liabilities.

(iii) Tax exposures

When determining current and deferred income tax, the Company takes into consideration the impact of uncertainties related to tax positions taken and whether additional taxes and interest may be due. The Company believes that the provision for income tax recorded in liabilities is adequate for all outstanding tax periods, based on its evaluation of several factors, including interpretations of tax laws and past experience. This evaluation is based on estimates and assumptions and may involve several judgments on future events. New information may be provided, making the Company change its judgment on the existing provision adequacy; such changes of provision will impact income tax expenses for the year in which they are made.

7.8 Inventories

Stated at the average cost of acquisition, net of recoverable taxes, when applicable.

The cost of finished products and work in process comprises raw materials, other production materials, cost of labor, other direct costs and a portion (allocation) of the fixed and variable costs, based on the normal operating capacity. The evaluation of inventories does not exceed its market value. Provisions for slow-moving or obsolete inventories are formed when considered necessary by Management.

7.9 Property, plant and equipment

(i) Recognition and measurement

Property, plant and equipment items are stated at historical acquisition or construction cost, net of accumulated depreciation and impairment losses.

The cost includes expenditures that are directly attributable to the acquisition of assets. The cost of assets constructed by the Company itself include:

- The cost of materials and direct labor;
- Any other costs attributable to bringing the assets to the location and condition required for them to operate in the manner intended by the Management;
- The costs for dismantling and restoration of the site where these assets are located; and
- Borrowing costs on qualifiable assets.

The cost of a fixed asset may include reclassifications of other comprehensive income of qualifiable cash flow hedge instruments for the purchase of fixed assets in foreign currency. Purchased software that is integral to the functionality of a piece of equipment is capitalized as part of that equipment.

When parts of a property, plant and equipment item have different useful lives, they are accounted for as separate items (major components) of PP&E.

Gains and losses on disposal of a property, plant and equipment item (determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment) are recognized in other operating income (expenses) in profit or loss.

(ii) Reclassification for investment property

When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified as an investment property. Any gain on new remeasurement is recognized in profit or loss to the extent the gain reverses a previous impairment loss on the specific property, with any remaining gain recognized as other comprehensive income and presented under "equity evaluation adjustments". Any loss is immediately recognized in income (loss).

(iii) Subsequent costs

Subsequent expenditures are capitalized in accordance with the probability that associated future benefits may be earned by the Company. Maintenance expenses and recurring repairs are recorded in the income.

(iv) Depreciation

Property, plant and equipment items are depreciated at the straight-line basis in the statement of income, based on the estimated useful life of each component. Leased assets are depreciated over the shorter of the lease term or the estimated useful life of the asset, unless it is reasonably certain that the Company will obtain ownership at the end of the lease term. Land is not depreciated.

Items of property, plant and equipment are depreciated as of the date they are installed and are available for use, or, in the case of assets constructed internally, as of the date the construction is concluded and the asset is available for use.

The depreciation methods, useful lives and residual values will be reviewed at each reporting date and potential adjustments will be recognized as a change in accounting estimates. The useful life and residual value were reviewed in December 2015.

Depreciation of other assets is calculated using the straight-line method, with the costs of other assets being allocated to their residual values over the estimated useful life in years, as follows:

	2015	**2014**
Equipment	5	5
Improvements / facilities	10	10
Machinery, equipment and tools	10	10
Furniture and fixtures	10	10
Vehicles	5	5
Other	20	20

7.10 Intangible assets

(i) Goodwill

Goodwill arising from the acquisition of subsidiaries is presented with intangible assets in the financial statements.

Subsequent measurement

Goodwill is measured at cost, less accumulated impairment losses. For investees recorded at the equity method, goodwill book value is included in investment book value, and impairment losses are assigned to book value of the entire investment.

(ii) Other intangible assets

Other intangible assets acquired by the Company with finite useful lives are carried at cost, less accumulated amortization and any accumulated impairment losses.

(iii) Subsequent expenses

Subsequent expenses are capitalized only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures, including expenditures on internally-generated goodwill and trademarks and patents, are recognized in profit or loss as incurred.

(iv) Amortization

Except for the goodwill, the intangible assets are amortized on the straight-line method and the amortization is recognized in income based on the estimated useful life of the assets as of the date they are available for use. Estimated useful lives for current and comparative years are as follows:

Trademarks and patents	5 years
Software	5 years

The amortization methods, useful lives and residual values are reviewed at each reporting date, and adjusted if appropriate.

7.11 Investment property

Investment property is initially measured at cost and, subsequently, at fair value, and changes to fair value are recognized in the income (loss).

Gains and losses in the disposal of an investment property (calculated by the difference between the net value received in the sale and the item book value) are recognized in the statement of income. When an investment property previously recognized as a fixed asset is sold, any amount recognized in equity valuation adjustment is transferred to retained earnings.

7.12 Financial instruments

Videolar-Innova classifies non-derivative financial instruments in the following categories: financial instruments measured at fair value through profit or loss, investments held to maturity and loans and receivables. The Company classifies non-derivative financial liabilities in the category of other financial liabilities.

(i) Non-derivative financial assets and liabilities - recognition and derecognition

The Company initially recognizes the loans, receivables and debt instruments on the date that they are originated. All other financial assets and liabilities (including assets designated at fair value through profit or loss) are initially recognized on the date of the negotiation under which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flow of the asset expire, or when the Company transfers the rights to the reception of contractual cash flows over a financial asset in a transaction in which essentially all the risks and benefits of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by Videolar-Innova is recognized as a separate asset or liability.

The Company derecognizes a financial liability when its contractual obligations are discharged or canceled or expire.

Financial assets and liabilities are offset and the net amount reported in the balance sheet only when Videolar - Innova has a legally enforceable right to offset the amounts and has the intention to settle them on a net basis, or to realize the asset and settle the liability simultaneously.

(ii) Non-derivative financial assets - Measurement

Financial assets measured at fair value through profit or loss

A financial asset is classified as measured at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. The transaction costs are recognized in income (loss) as incurred. Financial assets recorded at fair value through profit or loss are measured at fair value and changes in the fair value of such assets, including gains with interest and dividends, are recognized in the income for the year.

Held to maturity financial assets

Such assets are initially recognized at fair value plus any transaction costs directly assignable. After their initial recognition, the financial assets held to maturity are measured at amortized cost using the effective interest rate method.

Loans and receivables

Such assets are initially recognized at fair value plus any transaction costs directly assignable. After their initial recognition, loans and receivables are measured at amortized cost using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents include balances of cash and financial investments with short-term original maturity and high liquidity, which are subject to an insignificant risk of change in value and are used by the Company to manage short-term obligations.

In cash flow statements, cash and cash equivalents include overdraft accounts’ negative balances that are immediately receivable and an integral part of the Company’s cash management.

(iii) Non-derivative financial liabilities

Non-derivative financial liabilities are initially recognized at fair value less any transaction costs directly assignable. After their initial recognition, these financial liabilities are measured at amortized cost using the effective interest rate method.

Effective interest rate method

This is used to calculate the amortized cost of a debt instrument and of allocation of interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of a debt instrument or, when appropriate, a shorter period, to the net book value on initial recognition.

Measuring

The regular purchases and sales of financial assets are recognized on the trading date, which is the date when the Company commits to buy or sell the asset. Financial assets classified at fair value through profit or loss are initially recognized at fair value, and transaction costs are debited directly in the statement of income. Loans and receivables are calculated at the amortized cost.

Offset of financial instruments

Financial assets and liabilities are offset and their net amounts in the balance sheet only when there is a legal right to offset the amounts recognized and there is an intent to settle them on net bases, or realize the asset and settle the liability simultaneously.

Derivative financial instruments and swap activities

The Company holds derivative financial instruments to hedge its exposure to foreign currency and interest rate changes. Derivatives are separated from their host contracts and recorded separately if certain criteria are met. Derivatives are initially measured at their fair value; any attributable transaction costs are recognized in income (loss) when incurred. After the initial recognition, derivatives are measured at fair value and changes are recorded in profit or loss.

(iv) Capital

Common shares

Additional costs directly attributable to the issue of shares and share options are recognized as a deduction from shareholders' equity, net of any tax effects.

Preferred shares

The Company did not issue redeemable preferred shares in the period.

The compulsory minimum or priority dividends, as established in the By-laws, are recognized as liabilities.

7.13 Impairment

(i) Non-derivative financial assets

Financial assets not classified as financial assets at fair value through profit or loss, including investments accounted for at the equity method, are evaluated at each balance sheet date to determine if there are objective impairment evidences.

Objective evidences of financial assets' impairment include:

- Debtor's default or delays;
- Restructuring of an amount owed to the Company at conditions that the Company would not consider as normal conditions;
- Indications that the debtor or issuer will face bankruptcy;
- Negative changes in payment situation of debtors or issuers;
- The disappearance of an active market for an instrument; or
- Observable data indicating that expected cash flow measurement of a group of financial assets decreased.

For investments in membership certificates, objective impairment evidences include a significant or prolonged decline in fair value, below cost.

Financial assets measured by the amortized cost

The Company considers as evidence of impairment of assets measured by amortized cost (for receivables and financial assets held-to-maturity) both individually and on an aggregate basis. Individually significant assets are assessed for impairment. Those identified as non-impaired on an individual basis are collectively assessed for any impairment loss not yet identified. Assets that are not individually significant are assessed on an aggregate basis in relation to impairment by grouping the assets with similar risk characteristics.

When assessing impairment on an aggregate basis the Company makes use of historical trends of the recovery term and the amounts of losses incurred, adjusted to reflect the management's judgment if the current economic and credit conditions are such that the actual losses will probably be higher or lower than those suggested by historical trends.

An impairment is calculated as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The losses are recognized in income and reflected in an account for allowance for losses. When the Company considers that it is not possible to reasonably expect recovery, amounts are written-off. When a subsequent event causes the amount of the impairment loss to decrease, the impairment loss is reversed to the profit or loss.

(ii) Non-financial assets

The carrying amounts of the Company's non-financial assets, except for inventories are reviewed at each balance sheet date for indication of impairment. If such indication exists, the asset's recoverable amount is estimated.

Recoverable value of an asset is the higher of value in use and fair value less selling costs. Value in use is based on estimated future cash flows discounted to present value using a discount rate before taxes that reflects current market evaluations of times value of money and the asset's specific risks

An impairment loss is recognized when the carrying amount of an asset exceeds its recoverable value.

Impairment losses are recognized in profit or loss. Regarding other assets, impairment losses are reversed only with the condition that the book value of the asset does not exceed the book value that would have been calculated, net of depreciation or amortization, if the value loss had not been recognized.

7.14 Provisions

A provision is set up when the Company has a legal or constructive obligation as a result of a past event, which can be reliably estimated, and it is probable that an outflow of funds will be required to settle the obligation. Provisions are calculated by discounting the expected future cash flows at a pre-tax rate which reflects the current market evaluations as to the value of the cash over time and the specific risks of the liability. The financial costs incurred are recorded in the statements of income.

7.15 New standards and interpretations not yet adopted

Several new standards, amendments to standards and interpretations will be effective for the years started after January 1, 2016, and have not been adopted to the preparation of these financial statements. Those that may be relevant to the Company are listed below.

IFRS 9 Financial Instruments

IFRS 9, published in July 2014, replaces guidelines of IAS 39 Financial Instruments: Recognition and Measurement (Financial instruments: Recognition and measurement). IFRS 9 presents reviewed guidelines on classification and measurement of financial instruments, including a new model for expected credit loss to calculate impairment of financial assets, and new requirements on hedge accounting. This rule maintains IAS 39 guidelines on financial instruments' recognition and derecognition

IFRS 9 is effective for periods beginning on or after January 1, 2018, with early adoption allowed.

IFRS 15 Income from Contracts with Clients

The IFRS 15 requires an entity to recognize the amount of income reflecting the consideration that it expects to receive in exchange for control of these goods or services. The new standard will replace most of the detailed guidance on income recognition that currently exists in IFRS and GAAP when the new standard is adopted. The new standard is applicable beginning on or after January 1, 2017, with early adoption permitted by the IFRS. The standard may be adopted retrospectively, adopting a cumulative effects approach. The Company is evaluating the effects IFRS 15 will have on its financial statements and disclosures.

Despite the fact that it did not conclude analyses referring to this interpretation, the Company does not expect material effects on financial statements.

In addition, the following new rules or changes are not expected to have a significant impact on the Company's financial statements.

- Acceptable methods of depreciation and amortization (changes to CPC 27/IAS 16 and CPC 04/IAS 38)
- Annual Improvements to 2012-2014 IFRSs.
- Disclosure Initiative (amendment of CPC 26 / IAS 1)

8 Determination of the fair value

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods.

When applicable, additional information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Property, plant and equipment

The fair value of property, plant and equipment recognized due to a business combination is based on market values. The market value of a property is the estimated amount for which the asset could be exchanged on the valuation date between well informed parties interested in the transaction under normal market conditions. The fair value of property, plant and equipment is based on a market approach and on a cost approach using market prices quoted for similar items, when available, and replacement costs, when applicable.

(ii) Intangible assets

The fair value of intangible assets is based on the discounted cash flows expected to be accrued from the use and possible sale of the assets.

(iii) Trade accounts receivable and other credits

The fair value of accounts receivable and other receivables, excluding construction in progress, is estimated as being the present value of future cash flows discounted by the market interest rate calculated on the balance sheet date. Such fair value is determined for disclosure purposes.

(iv) Other non-derivative financial liabilities

The fair value that is determined for disclosure purposes is calculated based on the present value of principal and future cash flows, discounted at market interest rate on the date of presentation of the financial statements. For convertible debt securities, the market interest rate is determined by reference to similar liabilities that do not have a conversion option. For financial leases, the interest rate is calculated by referring to similar lease agreements.

9 Cash and cash equivalents

	2015	2014
Cash and cash equivalents	3,459	6,379
Investments	16,779	133,958
	20,238	**140,337**

The financial investments in fixed income securities reflect the usual market conditions, whose maturity is equal to or less than 90 days, are liquid and have no risk of significant fluctuation in value due to the interest rate. On December 31, 2015, they paid out, on average, 99% of the Interbank deposit certificate (CDI) (average of 90% CDI in 2014), measured at fair value in the statement of income.

10 Accounts receivable

Amounts receivable as of December 31, 2015 and 2014 are as follows:

	2015	2014
Trade accounts receivable	356,705	139,716
Related parties (note 28)	123	853
	356,828	**140,569**
Allowance for doubtful accounts	(41,581)	(18,248)
	315,247	**122,321**

An allowance for doubtful accounts is formed at an amount considered sufficient by Management to cover possible losses on credit realization, considering individual analysis of debtors whose default exceeds 180 days, as shown in the following aging list:

	2015	2014
Amounts falling due	**306,341**	**115,517**
Values overdue - in days		
up to 30	8,401	2,677
31-60	1,722	3,153
61-90	41	243
91-180	1,138	4,403
>181	39,185	14,576
	50,487	25,052
Total Overdue		
Accounts receivable	**356,828**	**140,569**

Changes to the allowance for doubtful accounts are as follows:

	2015	2014
Balance at the beginning of the year	18,248	14,835
Addition by merger	20,177	-
Supplement to allowance for the year	4,783	4,310
Values written-off of provision	(1,627)	(897)
Balance at December 31	**41,581**	**18,248**

Management believes that risk related to trade accounts receivable is minimized by the fact that the composition of the Company's end clients is highly diversified. The Company has more than 250 thousand active clients in portfolio and no client represents 10% or more of revenues or accounts receivable as of December 31, 2015 and 2014.

11 Inventories

	2015	2014
Raw material	104,268	63,112
Work in process	25,694	14,580
Finished products	92,051	59,993
Packaging	2,135	760
Other materials	15,050	-
Imports in progress	-	86,089
	239,198	**224,534**

Changes to the provision for obsolescence are as follows:

	2015	2014
Balance at beginning of year	(7,839)	(5,918)
Provision supplement	(2,643)	(8,555)
Amounts written-off from provision	7,184	6,634
Balance at December 31	**(3,298)**	**(7,839)**

- The inventory items with no outgoing for more than ninety days are considered obsolete, and became part of the provision balance. In the year 2015, the main items provisioned for were a BOPP line, Plates, a PP Cast and Covers.

12 Recoverable taxes

	2015	2014
ICMS recoverable	12,477	3,641
PIS//COFINS recoverable	1,925	-
PIS/COFINS tax process (i)	13,333	14,482
IRRF recoverable	7,446	-
IPI recoverable	1,580	1,017
Other	-	3,964
	36,761	**23,104**
Current assets	**23,428**	**23,104**
Non-current assets	**13,333**	**-**

(i) The Company obtained a favorable decision for injunction no. 2006.3200.005991-8, which addresses the exclusion of ICMS from PIS/COFINS basis; accordingly, a final decision was issued for this lawsuit, generating tax credit of R$ 14,482 as of December 31, 2014.

13 Other accounts receivable

	2015	**2014**
Costs to be amortized (i)	2,607	2,707
Current assets	**2,607**	**2,707**
Costs to be amortized (i)	10,277	12,512
Non-current assets	**10,277**	**12,512**

(i) The Company had costs with financial institutions, in the structuring of the loan agreements for the acquisition of Innova. This cost was recorded in short and long term, and will be amortized along with the payment of the loan agreements.

14 Interest in subsidiaries

a. Equity income (loss)

	% - Int.	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Stockholders' equity	Total liabilities	Income	Expenses	Income (loss)	Group's interest in income/(losses)
AMZ Mídia Indl. S.A.	99.95%	248,447	83	248,530	195,780	301	52,449	248,530	376,227	(400,363)	(24,136)	(24,096)
Innova S.A.	60%	476,974	266,573	743,547	80,981	12,941	649,625	743,547	299,371	(269,724)	29,647	17,788
December 31, 2014		725,421	266,656	992,077	276,761	13,242	702,074	992,077	675,598	(670,087)	5,511	**(6,308)**
AMZ Mídia Indl. S.A. *(i)*	100%	57,288	13,037	70,326	6,521	212	63,592	70,326	12,119	(976)	11,143	11,143
Innova S.A. *(ii)*	60%	489,612	333,456	823,068	144,556	14,722	663,790	823,068	1,124,196	(943,856)	180,340	108,204
		546,900	346,494	893,394	151,077	14,934	727,383	893,394	1,136,315	(944,832)	191,483	**119,347**

(i) On December 31, 2015, AMZ Mídia Industrial S.A. was merged into Videolar. The equity income (loss) balance recorded on the date of the merger was R$ 11,143.

(ii) On September 30, 2015, Innova S.A. was merged into Videolar. The Equity income (loss) balance recorded on the date of the merger was R$ 108,204.

b. Changes in investments

Breakdown of investments	**2015**	**2014**
AMZ Mídia Industrial S.A.		
Shareholders' equity of the subsidiary	63,592	52,449
Controlling interest	100%	100%
	63,592	52,449
Write-off of investment by merger *(i)*	(63,592)	-
	-	**52,449**
Innova S.A.		
Shareholders' equity of the subsidiary	663,790	649,625
Controlling interest	60%	60%
	398,274	389,775
Goodwill in business combination	-	143,599
Appreciation in business combination and adjustment to present value	-	135,341
Write-off of investment by merger *(i)*	(398,274)	-
	-	**668,715**
Total balance of investments	**-**	**721,164**

Changes in investments	
Balance at December 31, 2014	**721,164**
Surplus value and goodwill reallocations	(1,837)
Equity income (loss) held until the merger (Note 14.a)	119,347
Realization of surplus value Innova January to September 2015	(14,189)
Dividends received from Innova	(99,702)
Merger L. Parisotto - Interest in subsidiaries (note 2 *iii*)	518,731
Merger L.Parisotto - surplus value (Note 2(iii))	76,190
Write-off of investments by merger - AMZ (Note 2(iii))	(63,489)
Write-off of investments by merger - Innova (Note 2(iii))	(1,287,893)
Surplus value and goodwill reallocations by merger (a)	(436,651)
Capital increase (Note 21.a)	131,451
Equity valuation adjustment - L.Parisotto (21.b)	28,046
Tax incentive reserve (Note 21.e)	307,363
Other results - merger L.Parisotto	1,469
Closing balance	**-**

c. Breakdown of surplus value

	Note	**Amount**
Group		
Property, plant and equipment	16	203,479
Intangible assets	17	106,279
Intangible assets - Goodwill	17	243,866
Judicial deposits	20	52,091
Provision for contingencies	20	(62,888)
Provision - Deferred		(106,176)
Balance Surplus Value		**436,651**

15 Investment property

	2015	2014
Balance at January 1	24,009	-
Reclassification of property, plant, and equipment	-	24,009
Addition through merger - Lparisotto (Note 2 *iii)*	138,050	-
Balance at December 31	**162,059**	**24,009**

The investment property includes commercial real estate leased to third parties. Each lease has a non-revocable initial period of five years with the annual value of the rent indexed to consumer price indexes.

	2015	2014
Land and buildings	155,813	17,763
Industrial facilities	4,655	4,655
Machinery and equipment	1,591	1,591
Total	**162,059**	**24,009**

The fair value of the investment property was determined by independent technical evaluators, with the appropriate professional qualifications and recent experience with the location and category of property being valued. Independent evaluators provide the fair value of the portfolio of investment properties of the Company each year.

16 Property, plant and equipment

	Land	Buildings and improvements	Machinery and equipment	Industrial facilities	Furniture and fixtures	Data processing equipment	Vehicles	Molds and tools	Telephony equipment	Provision for loss - Impairment (Note 16.1)	Construction in progress (note 16.2)	Imports in progress	Spare Parts - Construction in progress	Goodwill of Property, plant and equipment	Total
Cost															
Balance at Dec 31, 2013	99,656	230,560	407,624	122,644	15,420	16,742	539	33,185	1,115	(45,623)	234,609	27,554	20,441	-	1,164,466
Additions	-	-	1,952	36	49	16	-	11	23	(20,239)	16,942	50,642	7,506	-	56,938
Write-off	(16,689)	(13,920)	(113,619)	(17,605)	(1,921)	(362)	(30)	(3,230)	(53)	45,623	(3,847)	(47,974)	(10,432)	-	(184,059)
Transfer	-	-	11,473	22,223	1	-	-	113	-	-	(33,810)	-	-	-	-
Balance at Dec 31, 2014	82,967	216,640	307,430	127,298	13,549	16,396	509	30,079	1,085	(20,239)	213,894	30,222	17,515	-	1,037,345
Additions	-	-	306	-	174	120	-	49	35	-	37,773	64,972	9,210	203,479	316,118
Merger	2,056	58,130	484,566	5,626	1,734	5,800	225	-	-	-	20,023	-	-	-	578,160
Write-off	-	-	(2,231)	-	(65)	(843)	(28)	(356)	(1)	13,944	(1,546)	(34,437)	-	-	(25,563)
Adjustment of inventory	-	1,068	5,402	(4,964)	3	(391)	15	(3,767)	7		(993)				(3,620)
Transfer	-	-	166,085	38,393	21	421	-	3,814	18	-	(150,611)	(60,757)	-	-	(2,616)
Balance at Dec 31, 2015	**85,023**	**275,838**	**961,558**	**166,353**	**15,416**	**21,503**	**721**	**29,819**	**1,144**	**(6,295)**	**118,540**	**-**	**26,725**	**203,479**	**1,899,824**
Depreciation															
Balance at Dec 31, 2013	-	(34,696)	(227,591)	(49,590)	(12,705)	(15,265)	(393)	(27,070)	(1,044)	-	-	-	-	-	(368,354)
Depreciation for the year	-	(7,942)	(16,293)	(6,242)	(489)	(511)	(49)	(919)	(13)	-	-	-	-	-	(32,458)
Write-off	-	1,762	76,657	13,813	1,801	362	21	3,228	27	-	-	-	-	-	97,671
Balance at Dec 31, 2014	-	(40,876)	(167,227)	(42,019)	(11,393)	(15,414)	(421)	(24,761)	(1,030)	-	-	-	-	-	(303,141)
Depreciation for the year	-	(7,796)	(26,299)	(11,194)	(343)	(547)	(30)	(844)	(10)	-	-	-	-	(3,282)	(50,345)
Merger	-	(36,415)	(296,147)	(3,844)	(1,134)	(4,014)	(147)	-	-	-	-	-	-	-	(341,701)
Adjustment of inventory	-	215	(5,089)	(812)	(16)	(54)	(18)	(438)	(16)					-	(6,228)
Write-off	-	-	1,177	-	56	811	14	-	1	-	-	-	-	-	2,059
Balance at Dec 31, 2015	**-**	**(84,872)**	**(493,585)**	**(57,869)**	**(12,830)**	**(19,218)**	**(602)**	**(26,043)**	**(1,055)**	**-**	**-**	**-**	**-**	**(3,282)**	**(699,356)**
Residual value															
Balance at Dec 31, 2015	**85,023**	**190,966**	**467,973**	**108,484**	**2,586**	**2,285**	**119**	**3,776**	**89**	**(6,295)**	**118,540**	**-**	**26,725**	**200,197**	**1,200,468**
Balances at December 31, 2014	99,656	175,764	140,204	85,278	2,156	981	88	5,319	56	(20,239)	213,894	30,220	17,515	-	734,204
Balances at December 31, 2013	99,656	195,864	180,033	73,054	2,715	1,477	146	6,115	71	(45,623)	234,609	27,553	20,441	-	796,112
Annual average rate of depreciation	0.00%	2.54%	9.07%	9.58%	9.64%	18.68%	18.56%	13.83%	9.52%	0.00%	0.00%	0.00%	0.00%	0.54%	6.57%

The Company offered the Unit I building, located at Avenida Torquato Tapajos, its property, plant and equipment as collateral for the financing of expansion projects and upgrading of its bioriented polypropylene film (BOPP) productions unit. The amount offered in guarantee was R$ 314,835.

In December 2014, with the discontinuation of blank media operations for the subsidiary AMZ, the Company transferred the property, plant and equipment that was used in AMZ operations, to investment property. The value of the assets was remeasured at fair value and reclassified to Investment property account. There was no gain or loss on remeasurement and the amount reclassified was R$ 24,009.

16.1 Provision for impairment losses - Impairment test

Provision for impairment was recognized for machinery, equipment and replacement parts of the blank media segment's cash generating unit (UGC), as follows: In December 2014, Videolar-Innova discontinued activities of the segment of recorded media after the loss of one of its main clients. Recoverability tests were carried out in 2015 and, as a result, the Company recorded R$ 6,295 as an impairment assumed, resulting in a reduction of R$ 13,944 in the provision for loss on a recoverable amount. This reduction was due to the reversal of the provision of spare parts for expected sales. The counterpart of such provision was recorded in the group of administrative expenses.

	2015	**2014**
Value Impairment (Note 24)		
Buildings and improvements	-	2,352
Machinery and equipment	5,262	7,448
Industrial facilities	485	1,744
Furniture and fixtures	165	209
Proc. equipment	152	195
Molds and tools	78	77
Vehicles	13	-
Tele equipment	10	8
Software - Intangible assets	40	45
Constructions in progress	-	165
Spare parts and pieces	90	7,996
	6,295	**20,239**

16.2 Constructions in progress

On December 31, 2015, the balance of the construction in progress account was R$ 118,540 (R$ 213,894 at December 31, 2014), and this was mainly represented by line 3 of BOPP (bioriented polypropylene) of R $60,757 and R$ 23,000 related to the new EPS plant (expanded polystyrene). There was a fixed amount of R$ 82,220 related to line 2 of BOPP. Fixed assets were transferred to the Machinery and Equipment groups (R$ 58,415) and Facilities (R$ 23,805).

Borrowing costs directly related to the acquisition, construction, and upgrading of the industrial park, whose expected entry into operation is the second semester of 2017, are capitalized as part of the project cost. Borrowing costs capitalized to active, accounted for on December 31, 2015, were R$ 25,065 (R$ 3,376 on December 31, 2014). All other borrowing costs unrelated to the purchase of property, plant, and equipment were registered as expenses in the period.

17 Intangible assets

Details on the Company's intangible assets are presented in the tables below:

	Software	Brands, rights and patents	Goodwill due to expectation of future profitability	Appreciation	Total
Cost					
Balance at Dec 31, 2013	10,983	16,688	-	-	27,671
Additions	289	220	-	-	509
Balance at Dec 31, 2014	11,272	16,908	-	-	28,180
Additions/merger	29	-	243,866	106,279	350,174
Merger (note 2 *iii*)	5,789	241	-	-	6,030
Write-offs	-	(219)	-	-	(219)
Transfer	2,617	-	-	-	2,617
Adjustment of inventory	(753)	-	-	-	(753)
Balance at Dec 31, 2015	**18,954**	**16,930**	**243,866**	**106,279**	**386,029**
Amortization					
Balance at Dec 31, 2013	(5,594)	(13,911)	-	-	(19,505)
Amortization for the year	(391)	(2)	-	-	(393)
Balance at Dec 31, 2014	(5,985)	(13,913)	-	-	(19,898)
Amortization for the year	(1,157)	(2)	-	(8,719)	(9,878)
Merger (note 2 *iii*)	(2,590)	-	-	-	(2,590)
Adjustment of inventory	190	-	-	-	190
Balance at Dec 31, 2015	**(9,542)**	**(13,915)**	**-**	**(8,719)**	**(32,176)**
Residual value					
Balance at Dec 31, 2015	**9,412**	**3,015**	**243,866**	**97,560**	**353,853**
Balance at Dec 31, 2014	5,287	2,995	-	-	8,282
Balances at Dec 31, 2013	5,389	2,777	-	-	8,166
Annual average amortization rate	0.5%	0.5%	0.0%	0.03%	0.5%

17.1 Impairment test

In compliance with the requirements of Pronouncement CPC No. 01 (R1) dated August 6, 2010 - Asset impairment, the Company performed the annual recovery test of its intangible assets as of December 31, 2015, which were estimated based on the values in use, using the discounted cash flows, which evidenced that the estimated market value is higher than the net book value on the valuation date, and during the period there was no evidence of impairment of individual assets or group of relevant assets. Occasional impairment impacts were highlighted in explanatory notes, when relevant.

17.2 Goodwill

The goodwill recognized in the Company's records as a result of the acquisition of Innova S.A. was determined as follows:

Cost of acquisition	1,105,219
(-) Adjusted net equity - Innova at 10/31/2014	643,381
(-) Appreciation	217,972
Goodwill on acquisition	**243,866**
60% for the participation of the merged company on the Innova SA	146,320
40% for the participation of L.Parisotto, incorporated conforming to Note 2.	97,546

The acquisition resulted in goodwill for expected future profitability (goodwill) of R$ 243,866. This is the result of several factors, in particular, the synergies between the businesses of the two companies. There is also great commercial synergy, given that the merged company also produces Polystyrenes, but not Styrene.

Another highlight is the expansion project to build a second Styrene plant. This plant will enable Innova to increase its participation in the styrene market, still underdeveloped in Brazil. Besides this project, the current High Impact Polystyrene (HIPS) unit has the capacity, with some alterations, to start the production of Acrylonitrile-Butadiene-Styrene copolymer (ABS), also becoming the first Brazilian producer to do so. Another polystyrene with some adaptations that could be produced on the Crystal Polystyrene plant (GPPS) is the Expanded Polystyrene (EPS), which is in high demand and has a good margin of profitability.

18 Loans and financing

Financial institution		**Charges**	**Guarantees**	**Maturity**	**2015**	**2014**
Banco do Brasil - FINIMP	(i)	Libor + 1.41% p.a.	Surety	12/21/2015	-	40,592
Banco do Brasil - FINIMP	(i)	Libor + 1.50% p.a.	Surety	03/28/2016	84,503	-
Banco do Brasil - FINIMP	(i)	2.15% p.a.	Surety	06/15/2016	58,026	39,456
Banco Bradesco N.Y.		Libor + 0.55% p.a.	Surety	10/26/2015	-	63,791
Banco Bradesco Europa	(ii)	Libor + 3.25% p.a.	Promissory Note	11/20/2020	116,791	137,168
BNDES Contrato I	(iii)	TJLP (Long-term interest rate) + 2.12% p.a.	Real estate	10/15/2017	27,609	43,463
BNDES Contrato II	(iii)	TJLP (Long-term interest rate) + 2.42% p.a.	Real estate	06/15/2020	28,232	30,582
Banco Santander - FINIMP		Libor + 1.08% p.a.	Surety	04/08/2015	-	41,499
Banco HSBC - Debentures	(iv)	VC + 4.96% p.a.	Surety + Lien	10/20/2020	466,665	317,227
Banco Citibank	(v)	Libor + 3.50% p.a.	Surety + Lien	09/25/2020	393,908	267,737
Banco Santander - Antecip. Receivables	(vi)	2.86% p.a.	Trade Notes	01/31/2016	2,865	-
Banco do Brazil - Antecip. Receivables	(vi)	1.84% p.a.	Trade Notes	02/23/2016	2,132	-
Banco Bradesco - FINAME	(vii)	14.63% p.a.	Lien	12/15/2020	3,553	-
					1,184,284	**981,515**
Current liabilities					**333,598**	**245,314**
Non-current liabilities					**850,686**	**736,201**

(i) The Company has agreements with the Banco do Brasil S.A. for the financing of the acquisition of raw materials (FINIMPs) for the production process of plastic resin.

Throughout 2015, the Company entered into two loan agreements of USD6,108 million and USD 15,407 million, with an interest rate of LIBOR + 1.50% p.a. to mature on March 28, 2016.

On December 18, 2015, the Company renegotiated the loan agreement (FINIMP) of USD 14,847 whose interest rate was increased to 2.15% p.a. to maturing on June 15, 2016.

(ii) The Company has an international credit facility with Banco Bradesco Europa for the acquisition of machinery and equipment whose interest rate is LIBOR + 3.25% p.a. The financing consists of several partial disbursements for a maximum period of 60 months, which began in February 2011 and has a grace period of six months for interest and 24 months for the payment of principal. In 2015, disbursements 23, 24 and 25 were released totaling EUR 2,348 million, with the last disbursement (25) made in December 2015.

(iii) In 2010, the Company acquired a credit facility from BNDES (Brazilian National Bank for Economic and Social Development) in the amount of R$84,100. The contract provides for a fee composed by the Long-Term Interest Rate (TJLP) + 2.12% p.a.

In 2012, a new Credit facility from BNDES of R$ 30,100 was made available, consisting of a fee composed by the Long-Term Interest Rate - (TJLP) + 2.42% p.a.

These loans have a grace period of two years to pay the principal and amortization of 66 months; these loans are to be used for the expansion and construction of unit to produce bioriented polypropylene (BOPP) films and the acquisition of machinery and equipment. Properties pledged in guarantee total R$113,669.

(iv) On October 07, 2014, the Company concluded the *Private Deed Instrument of the First Issuance of Simple Debentures* of R$ 300,000, with a date of issue of October 25, 2014, to mature on October 25, 2020. The debentures will be corrected for by exchange rate fluctuations of Reais per US Dollar (PTAX800, option 5) and will be entitled to payment of compensatory interest of 4.96% p.a., payable in semi-annual consecutive installments, with no grace period, the from the date of issue. Amortization of principal will be in 9 (nine) installments also consecutive and half-yearly, with the first due on the 24th month from the date of issue (that is on October 25, 2016).

The resources from this funding were used exclusively to pay part of the cost of acquisition of Innova S.A.

At the end of each year, the contract has obligations related to financial indicators (covenants) measured on the basis of the ratio of net debt divided by EBITDA and the ratio of total debt divided by shareholders' equity.

(v) On October 23, 2014, the Company entered into a credit contract with Banco Citibank of USD 100,004 mil maturing on September 25, 2020. The contract provides for a fee with an interest rate of LIBOR + 3.50% p.a., with quarterly interest payments and a grace period of three years for the payment of principal.

The resources from this funding were used exclusively to pay part of the cost of acquisition of Innova S.A.

The contract has obligations related to the quarterly measured financial indicator *(covenant)* based on the Net Financial Debt index divided by cumulative earnings before interest, tax, depreciation and amortization (EBITDA) over 12 months.

(vi) On November 6, 2015, two Advances on Export Contracts (ACE) operations were made with Banco Santander of USD 1,140,000 with a rate of 2.74% p.a. and USD 1,545,000 with a rate of 2.86% p.a.

On December 2, 2015, an Advances on Export Contracts (ACE) operation was carried out with Banco do Brasil of USD 555,000 with an interest rate of 1.84% p.a.

(vii) In December 2015, the Company obtained together with Banco Bradesco, by transfer contracted with BNDES, a FINAME operation of R$ 3,544 with a prefixed rate of 14.63% p.a. to mature on December 15, 2020. The funds are for the purchase of trucks for the Triunfo plant in Rio Grande do Sul.

Amounts recorded in non-current liabilities as of December 31, 2015 and 2014 mature as follows:

	2015	**2014**
2016	-	286,122
2017	258,079	203,371
2018	208,806	83,967
2019	208,806	66,561
2020	174,995	58,775
2021	-	37,405
Non-current liabilities	**850,686**	**736,201**

a. Financial ratios (Covenants)

Debt instruments used to pay part of the purchase price of Innova S.A. with contractual limits on financial indicators to monitor the indebtedness (leverage) of the Company, as follows:

Debentures

(i) Net Financial Debt/EBITDA ratio at the end of the twelve-month period ended December 31, 2015, equal to or less than 4.0 times;

(ii) Total Debt/Shareholders' ratio at the end of the period ended December 31, 2015, equal to or less than 1.5 times.

Credit Contract CITIBANK

(i) Net Financial Debt/EBITDA ratio at the end of the twelve-month period ended December 31, 2015, equal to or less than 4.0 times.

On December 31, 2015, the Company recorded the 3.21 times the values for the Net Debt/EBITDA **(1)** ratio and 1.03 times for the Total Debt/Shareholders' Equity ratio and is, therefore, in compliance with the indexes (c*ovenants)* established by creditors.

(1) The covenant calculations consider the cash flow for the twelve-month period ended December 31, 2015, for the companies Innova S.A. and Videolar S.A.

19 Suppliers

	2015	**2014**
Domestic suppliers	27,085	11,810
Suppliers distributed	-	-
Foreign suppliers	177,908	230,416
	204,993	**242,226**

20 Provision for contingencies and judicial deposits

Based on an individual analysis of court and administrative proceedings with regard to tax, labor and civil issues against the Company, provisions were created for risks of losses deemed likely by our legal advisors, of sums considered sufficient as follows:

	2015	**2014**
Tax	3,477	13,779
Labor	3,018	893
Civil	3,044	505
Appreciation	11,020	-
Non-current liabilities	**20,559**	**15,177**

The provision for civil lawsuits consists chiefly in reparation suits in connection with contractual disputes.

Labor contingencies deal with pending proceedings in labor courts that, individually, are not relevant to the Company's business.

Transactions with provisions are shown below:

Provision for contingencies	**Tax**	**Labor**	**Civil**	**Appreciation**	**Total**
Balances at December 31, 2014	**13,779**	**893**	**505**	**-**	**15,177**
(+) Supplement of provision	4,490	1,209	3,000	62,888	71,587
(-) Write-off of provision	(27,861)	(850)	(493)	(51,868)	(81,072)
(+) Merger	13,069	1,766	32	-	14,867
Balances at December 31, 2015	**3,477**	**3,018**	**3,044**	**11,020**	**20,559**

The amount of surplus value related to the additional provision of R$ 62,888 refers to the fair value of the tax proceedings that have been incorporated. In November 2015, the surplus value was lowered to R$ 51,868 referring only to the judicial deposit of the tax Drawback process.

Main lawsuits are commented as follows:

Tax proceedings

The provision for tax contingencies of R$ 3,477 refers to legal fees from susceptible causes. The prognosis of possible loss not provisioned of R$ 305,075 refers to the response by the Company on the charges of tax assessments. The main processes are: State inspection on the grounds of default of ICMS tax substitution process number 4.003.845-2 with a balance of R$ 263,633 and Difference of Import Duty because of non-restatement of the DCR-E process number 10283.722865/2015-40 of R$ 36,002.

The Company has tax judicial deposits recorded of R$ 30,608 (R$ 15,257 in 2014) for the process 2006.32.00.005992-1 of the exclusion of PIS/ COFINS on the calculation basis of IR and CSLL of R$ 8,561; Process 139/1.08.0001777-9 of amounts wrongly paid pursuant to tax assessments 13036890 and 12592650 of R$ 11,825; and Process 2001.32.00.010129-9 of exemption of PIS/COFINS on domestic sales of Z. Franca de Manaus of R$ 3,982.

Labor proceedings

The provision for labor contingencies correspond to losses estimated based on individual analyses of 135 labor lawsuits.

Videolar-Innova is the defendant in labor claims, totaling R$ 31,900 (in 2014 R$ 62,095), for which loss is possible and, therefore, is not provisioned, of R$ 3,018, for which the loss is considered probable and provisioned for.

Civil proceedings

The provision for civil contingencies correspond to estimated losses related to 46 lawsuits involving mainly commercial discussions, the main of which are as follows:

Banco Fortis

In June 2008, the Company contracted a credit facility from Banco Fortis in the amount of EURO 20,400 thousand. The characteristic of this credit facility is that Banco Fortis will directly finance Darlet Merchant Technologies S.A. (“Darlet”), the supplier responsible for delivering to the Company machinery and equipment for the new BOPP production line.

Until December 31, 2009, Banco Fortis had released EURO 15,811 thousand to be used to pay Darlet.

In March 2010, the Company was notified about the bankruptcy of supplier Darlet. In the second half of 2009, Banco Fortis Bank NV/AS was acquired by Banco BNP Paribas.

On January 31, 2011, Banco BNP Paribas forwarded a letter requesting the payment of the first installment in the amount of EURO 1,695 thousand. Through its legal advisors in France, Sonier & Associes; the Company rejected the payment request taking into consideration that, over five years, all advances paid by Fortis to Darlet violated the Credit Agreement and, therefore, the Company is not obliged to pay advances made to Banco BNP Paribas. This rejection is based on

Article 5 of the Credit Agreement, which provides that the creditor, that is, Banco Fortis, should make advances to the Company through payments to Darlet.

As of December 31, 2010, the Company's management, supported by its legal advisors' opinion, made the following accounting adjustments:

	12/31/2010
Write-off of advance to supplier as a result of stated bankruptcy	(43,858)
Write-off of liabilities because likelihood of disbursement to Banco Fortis is remote.	36,163
Net loss recognized in other operating expenses	(7,695)

In November 2011, Videolar - Innova S.A. was notified by BNP Paribás on the opening of an arbitration proceeding with the International Court of Arbitration of the International Chamber of Commerce ("ICC"), in Paris, France, aimed at collecting released funds and interest incurred during the period, which were estimated as EUR 18,715,000.

In the opinion of legal advisors, Videolar-Innova has good arguments to present in this arbitration proceeding, and likelihood of success is evaluated as possible. The arbitration proceeding is in the fact-finding stage.

Escrow deposits linked and not linked to proceedings for which provisions were recorded, classified in non-current assets, are as follows.

Judicial deposits	**Tax**	**Labor**	**Civil**	**Appreciation**	**Total**
Balances at December 31, 2013	**15,648**	**348**	**19**	**-**	**16,015**
(+) Supplement of provision	702	226	11	-	939
(-) Write-off of provision	(1,093)	(262)	(5)	-	(1,360)
Balances at December 31, 2014	**15,257**	**312**	**25**	**-**	**15,594**
(+) Supplement of provision	2,422	218	-	52,091	54,731
(-) Write-off of provision	(21,903)	(66)	(9)	(51,868)	(73,846)
(+) Merger	34,832	652	-	-	35,484
Balances at December 31, 2015	**30,608**	**1,116**	**16**	**223**	**31,963**

21 Shareholders' equity

a. Capital

As of December 31, 2014, the Company's capital was R$ 555,381. In accordance with the Annual Shareholders' meeting held on September 30, 2015, the capital increase of the Company was approved as a result of the merger by R$ 131,451. Thus, as of December 31, 2015, the capital is R$ 686,832.

As of December 31, 2015, the Company's capital was represented by 1,185,861 common shares and 363,859 class "A" preferred shares, totaling 1,549,720 shares.

Preferred shares are not entitled to voting in Annual Shareholders' Meeting decisions.

b. Equity evaluation adjustment

Deemed cost adjustments, net of deferred income tax and social contribution were recorded as a contra-entry to caption Valuation adjustments to equity in Shareholders' equity on January 1, 2009, and are realized, net of taxes, upon assets' depreciation or sale.

The increase in the equity valuation adjustment by R$ 28,046, comes from the balance of the merger of L.Parisotto (Note 14.b).

In accordance with the Annual Shareholders' meeting of September 30, 2015, the transfer of R$ 28,046 for equity evaluation reserve was approved.

c. Legal reserve

Legal reserve is formed at 5% of net income for each year, pursuant to the terms of art. 193 of Law no. 6,404/76, up to the limit of 20% of capital. Due to the Income for the year of R$ 72,435, a legal reserve of R$ 3,622 was made.

d. Dividends

The Company's bylaws determine the distribution of a minimum mandatory dividend of up to R$ 2,000 to the administrators. In 2015, there was no basis for dividend distribution after the net income had been adjusted for the legal reserve, tax incentive reserves and offset of with the balance of accumulated losses.

e. Tax incentive reserve

Established by assigning a portion of income for the year, equivalent to tax incentives from government grants, in conformity with Article 195-A of the Brazilian Corporate Law. This reserve may not be distributed to partners or shareholders and will comprise the company's capital reserve, which may only be used to absorb losses or increase capital (paragraph 3 of Article 19 of Decree-Law no. 1,598/1977).

At the Annual General Meeting on April 27, 2015, the use of the balance of R$ 42,256 was authorized, recorded as a profit retention reserve and R$ 23,474, recorded as a tax incentive reserve to offset accumulated losses in 2014.

R$ 42,805 was earmarked for the formation of a tax incentive reserve on December 31, 2015.

On October 31, 2015, with the Merger of Innova, a tax incentive reserve of R$ 307,363 (Note 14.b) was formed.

22 Net operating income

	2015	**2014**
Gross operating income	1,273,763	879,152
Tax incentive credits (Note 29)	77,144	75,275
Taxes on revenues	(212,714)	(115,397)
Returns	(8,063)	(18,169)
	1,130,130	**820,861**

23 Cost of sales

	2015	2014
Cost of products sold	(786,483)	(540,698)
Cost of products sold	(10,592)	(16,540)
Manufacturing general expenses	(111,239)	(119,817)
Other	(50,876)	(35,470)
	(959,190)	**(712,525)**

24 Administrative expenses

	2015	2014
Payroll expenses	(38,416)	(21,240)
Depreciation	(17,477)	(10,502)
Electric power	(8,215)	(4,135)
Provisions	3,957	40,325
Impairment	6,295	-
Lawyers' fees	(362)	(2,567)
Preservation of assets	(2,540)	(2,502)
Travel expenses	(674)	(798)
Freight and carriage	(17,508)	(6,090)
Maintenance and repairs	(2,514)	(2,106)
Consulting and advisory	(2,820)	(4,006)
Promotional material	(198)	(32)
Other	(4,237)	(4,502)
	(84,709)	(18,155)

25 Other operating income (expenses), net

	2015	2014
Sale of assets	1,132	1,060
Losses and gains on write-off of property, plant and equipment	(11,875)	(49,951)
Sale of scrap	2,991	4,311
Compensation	-	317
Lease income	6,879	-
Results of merger	4,941	-
Other	1,344	748
	5,412	**(43,515)**

26 Net financial income (expenses)

	2015	2014
Financial income		
Interest and gains on investments	7,346	4,169
Monetary variation	2,425	2,863
Discounts obtained	338	611
Income from SWAP operations	43,836	-
Other	172	-
	54,117	**7,643**
Financial expenses		
Interest on loans	(52,699)	(16,127)
Discounts granted	(1,732)	(1,471)
Bank expenses	(1,486)	(965)
Expenditure from SWAP operations	(27,215)	-
Others	(6,339)	(31)
	(89,471)	**(18,594)**
Exchange variation, net		
Foreign exchange variations in assets	223,579	76,859
Liability foreign exchange fluctuations	(675,276)	(126,031)
	(451,697)	**(49,172)**
Net financial income (loss)	**(487,051)**	**(60,123)**

27 Income and social contribution taxes

a. Formation of deferred income and social contribution taxes

	2015	2014
Credits on tax loss	92,094	-
Equity evaluation adjustment	(86,568)	(40,814)
Tax goodwill produced by future profitability	152,406	
Deferred tax assets	(97,566)	-
Credits on temporary differences:		
- credits on provisions	154,587	19,777
Total deferred income and social contribution taxes, net	**214,953**	**(21,037)**

The Company has tax losses and negative basis for social contribution generated in Brazil amounting to R$ 270,866 (R$ 170,636 as of December 31, 2014) that may be offset against future taxable income, without statute of limitations.

Realization of deferred income tax on valuation adjustment to equity is proportional to reserve realization.

As of December 31, 2015, the Company has recorded under “Deferred income tax” amounts calculated on expenses that are temporarily non-deductible from taxable income calculation for income tax purposes, which are available for future offsets against said tax.

Deferred taxes generated by these temporary differences are as follows:

	2015	2014
Exchange variation, net	389,745	-
Estimated losses for allowance for doubtful accounts	41,581	18,248
Estimated losses for recoverable inventory values	3,298	4,137
Estimated sundry losses	9,988	21,613
Provision for contingencies	10,055	14,171
Total Provisions (reversals)	454,667	58,168
Income tax rate and Social contribution -34% and 15%	34%	34%
Income tax and social contribution on temporary differences	154,587	19,777

The Company, based on expected future taxable income determined through technical studies conducted at the end of 2015 and approved by Executive Board, recognized tax credits on tax loss carryforwards and temporary differences, with no statute of limitations. Deferred assets book value is reviewed by the Company on an annual basis.

Based on the technical study regarding estimated generation of future taxable income, Videolar-Innova foresees the recovery of tax credits in the following years:

Years	2015
2017	2,202
2018	26,968
2019	18,877
2020-2026	44,047
	92,094

The expected recoverability of the tax credits is based on the projections of future taxable income taking into consideration various business and financial assumptions. Accordingly, these estimates may differ from the effective taxable income in the future due to the inherent uncertainties involving these estimates.

b. Reconciliation of income (loss) from deferred income and social contribution taxes

The reconciliation of income from deferred income and social contribution taxes of R$ 368,709 recorded as income in 2015 and R$ 740 recorded as expense in 2014 are as follows:

	2015	**2014**
Income (loss) antes do Income tax and social contribution	296,274	29,425
Combined statutory rate	34%	34%
Tax loss and negative basis of social contribution/ (Expense with income and social contribution taxes) at the combined rate	**100,733**	**10,004**
Equity income (loss)	40,578	(4,090)
Permanent additions	28,402	21,773
Incentives and grants	(11,427)	(28,427)
Deferred income tax on tax losses from previous years	58,016	-
Tax goodwill produced by future profitability	152,407	-
	368,709	**(740)**
Effective rate	34%	34%
Current income and social contribution taxes	-	-
Deferred income and social contribution taxes	368,709	(740)

c. Income and social contribution tax, recoverable

	2015	**2014**
Income tax	950	950
Social contribution	1,610	1,610
	2,560	2,560

d. Transitory tax regime—RTT

The Company opted for the Tax Regime ("RTT") established by Law no. 12,973, of May 13, 2014, through which IRPJ (corporate income tax), CSLL (social contribution on net income), and PIS and COFINS (taxes on revenue) calculation continues to be determined according to accounting methods and criteria defined by Law.

Accordingly, deferred income tax and social contribution calculated on adjustments arising from the adoption of new accounting practices deriving from Law no. 11,941/09 were recorded in the Company's financial statements, when applicable, in conformity with pronouncement CPC 32 - Taxes on income. The Company confirmed this option in the Corporate Income Tax Return ("EFC") for 2014.

28 Information on related parties

Management's key personnel includes board members and officers. Management's global annual remuneration, including Board of Directors' members' fees, was established as up to R$ 2,000, as approved in the Annual and Extraordinary Shareholders' Meeting held on April 27, 2015.

Total management's remuneration for the year ended December 31, 2015 was R$2,169 (R$1,740 in 2014).

Said expenditures were accounted for under caption general and administrative expenses in the statement of income.

Management carried out transactions with related parties, as shown below:

	2015		
	Assets	**Liabilities**	**Sales / Purchases**
M. L. Parisotto	123	-	486
L.A.I.S.P.E Empreendimentos	-	(3,455)	-
	123	**(3,455)**	**486**

	2014		
	Assets	**Liabilities**	**Sales / Purchases**
AMZ Mídia Industrial S.A.	706	-	7,821
M. L. Parisotto	365	-	4,345
	1,071	-	12,166

Assets	**2015**	**2014**
Accounts receivable (Note 10)	123	853
Other accounts receivable	-	218
Total assets	**123**	**1,071**

Liabilities	**2015**	**2014**
Other liabilities	(3,455)	-
Total liabilities	**(3,455)**	**-**

Above-mentioned transactions were carried out in accordance with contract conditions established by the parties.

29 Tax incentives

Incentive	2015	2014
ICMS tax benefit on shipment of intermediate assets - continued operations (Note 22)	77,144	75,275
ICMS tax benefit on shipment of intermediate assets - discontinued operations	-	8,336
	77,144	83,611

30 Discontinued operations

In 2014, the segment of Blank Media was discontinued, and also the segment of Recorded Media, which operated through the company AMZ Mídia Industrial S.A., following a strategic decision to focus its business in the segments of petrochemicals and plastics.

Before 2014, none of the segments was classified as a discontinued operation or as held for sale.

As mentioned in Note 2, in 2015, all the operations of AMZ Mídia Industrial was incorporated into Videolar-Innova S.A.

a. Net income (loss) of discontinued operations - Blank media

	2014
Income	136,330
Expenses	(198,395)
Income (loss) for the year	**(62,065)**

b. Net income (loss) of discontinued operations - Recorded media

	2014
Income	327,671
Expenses	(351,807)
Income (loss) for the year	**(24,136)**

c. Cash flow from (used in) discontinued operations - Recorded media

	2014
Net cash used in operating activities	8,838
Net cash from investment activities	(3,370)
Net cash used in financing activities	(15,000)
Net cash from (used in) discontinued operations	**(9,532)**

31 Financial instruments

a. Financial risk management

The Company is exposed to the following risks resulting from financial instruments:

(i) Credit risk

(ii) Liquidity risk

(iii) Market risk

(iv) Operating risk

(v) Capital risk

This note contains information on Videolar - Innova S.A. exposure to each of the abovementioned risks, the objectives, practices and the processes for measuring and managing risk and the capital management. Additional quantitative disclosures are included throughout these financial statements.

b. Risk management structure

The main risk factors to which the Company is exposed reflect strategic operational and economic/financial aspects. Strategic-operating risks are addressed using the Company's management model.

The economic and financial risks mainly reflect the behavior of macroeconomic variables such as exchange and interest rates as well as the characteristics of the financial instruments that the Company uses. These risks are managed by means of monitoring by Management that actively participates in the Company's operational management.

It is the practice of Videolar-Innova to manage existing risks on a conservative basis, and the main purposes of this practice is to preserve the value and liquidity of financial assets and to guarantee financial resources for the good progress of business.

(i) Credit risk

Credit risk is the risk the Company has of incurring financial losses if a client or a party to a financial instrument, fails to comply with their contractual obligations. Such risk is mainly due to Company’s trade accounts receivable, and of financial instruments.

The carrying amounts of financial assets classified as loans and receivables represent the maximum credit exposure. Book value of financial assets that represent the maximum exposure to credit risk as showed:

	2015	**2014**
Cash and cash equivalents	20,238	140,337
Accounts receivable	315,247	122,321
Other receivables	22,275	3,645
	357,760	**266,303**

Cash and cash equivalents
Cash and cash equivalents are maintained with banks and financial institutions, which are considered the prime line type.

Accounts receivable
The Company's exposure to credit risk is influenced, mainly, by the individual characteristics of each client. Management understands that there is no significant credit risk to which the Company is exposed, taking into consideration the characteristics of the counterparties, concentration levels and the relevance of the amounts in relation to total revenue.

In relation to the estimated loss on impaired trade receivables, details are available in Note 10 - Accounts receivable.

(ii) Liquidity risk
Liquidity risk is the risk of the Company encountering difficulties in performing the obligations associated with its financial liabilities that are settled with cash payments or with another financial asset.

Management's approach to liquidity risk management is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

We present below the contractual maturities of financial liabilities including payment of estimated interest and excluding, the impact of the negotiation agreements:

		Years			
	Book value	**Up to 1**	**2-3**	**4**	**>4**
Loans and financing	1,184,284	363,979	531,522	249,089	186,707
Suppliers	204,993	204,993	-	-	-
Royalties payable	4,742	4,742	-	-	-
	1,394,019	**573,714**	**531,522**	**249,089**	**186,707**

The cash flows presented above are not expected to be significantly advanced.

(iii) Market risk

a. Interest rate risk
On the financial statement dates, the profile of financial instruments (assets) of the Company is remunerated from 98.2% to 99.2% of CDI.

	2015	**2014**
Variable rate instrument		
Investments	16,779	133,958
	16,779	**133,958**

Analysis of sensitivity to CDI rate variation
The Company has Interest earning bank deposits indexed to the CDI rate variation. As of December 31, 2015, the Company presented receivables totaling R$ 16,779.

Market expects, indicated a CDI effective average rate of 14.06%, probable scenario for 2016, against the effective rate of 14.14% verified in 2015.

	Probable scenario	**Scenario I - of 25%**	**Scenario II - of 50%**
CDI annual effective rate in 2015	14.14%	10.61%	7.07%
Interest earning bank deposits	16,779	16,779	16,779
Interbank Deposit Certificate estimated annual rate for 12 months	14.06%	10.55%	7.03%
Effect in the financial instrument:			
Increase (decrease)	13	10	7

Sensitivity analysis at Libor USD rate variation.
The Company has financial liabilities indexed to LIBOR USD as of December 31, 2015. Accordingly, the Company presented the equity values of loans and financing of R$ 478,410.

The expectations of the Company are a 12-month LIBOR USD estimated at 1.30% as a likely scenario for 2016, against the effective rate of 1.18% recorded on December 31, 2015.

	Probable scenario	**Scenario I - of 25%**	**Scenario II - of 50%**
Effective annual rate of LIBOR USD 2015	1.18%	1.48%	1.77%
Loan from Banco do Brasil	84,503	84,503	84,503
Banco Citibank loan	393,908	393,908	393,908
Estimated annual rate of 12-month LIBOR USD (*)	1.30%	1.63%	1.95%
Effect in the financial instrument:			
Increase (decrease)	574	718	861

(*) The Focus survey does not disclose forecasts for the LIBOR interest rates. Thus, to determine the likely scenario, Videolar-Innova considered an increase of 10% on current market levels.

Sensitivity analysis at Libor EUR rate variation.
The Company has financial liabilities indexed to LIBOR EUR on December 31, 2015. Accordingly, the Company presented the equity values of loans and financing of R$ 116,790.

The expectations of the Company are a 12-month LIBOR EUR estimated at 0.0% as the likely scenario for 2016, against the effective rate of 0.05% recorded on December 31, 2015.

	Probable scenario	**Scenario I - of 25%**	**Scenario II - of 50%**
Annual effective rate of LIBOR EUR in 2015	0.05%	0.06%	0.08%
Banco Bradesco loan	116,791	116,791	116,791
Estimated annual rate of 12-month LIBOR EUR	0.00%	0.00%	0.00%
Effect in the financial instrument:			
Increase (decrease)	(58)	(70)	(93)

Sensitivity analysis at Long-term interest rate - TJLP rate variation.
The Company has financial liabilities indexed to the Long-Term Interest Rate (TJLP) on December 31, 2015. Accordingly, the Company presented the equity values of loans and financing of R$ 55,841

Market expects, indicated an estimated TJLP (Long-term interest rate) of 7.50%, probable scenario for 2016, against the effective rate of 7.00% verified in 2015.

	Probable scenario	Scenario I - of 25%	Scenario II - of 50%
Annual effective rate of TJLP (Long-Term Interest Rate) in 2015	7.00%	8.75%	10.50%
BNDES loan	55,841	55,841	55,841
Estimated annual 12-month Long-Term Interest Rate (TJLP) (*)	7.50%	9.38%	11.25%
Effect in the financial instrument:			
Increase (decrease)	279	352	419

(*) The likely scenario of the Long-Term Interest Rate (TJLP) is an increase of 0.05% on the current rate of 7%, in the range that the government has raised or reduced the rate in the last few movements.

b. *Exchange rate risk*

The related risk derives from the possibility of incurring losses due to fluctuations in foreign exchange rates that reduce or increase amounts raised in the market. Below we present the exposure by currency as at December 31, 2015 and 2014, which considers the equity values of loans and financings and cash and cash equivalents:

		2015		2014	
		Foreign currency nominal value In $'000	R$ thousand	Foreign currency nominal value in thousand of USD	R$ thousand
Bradesco Loan	US$	-	-	23,975	63,791
Loan from Banco do Brasil	US$	36,501	142,529	30,122	80,048
Loan - Santander	US$	-	-	15,561	41,499
Citibank Loan (*)	US$	100,878	393,908	100,004	267,737
Loan HSBC	US$	119,510	466,665	112,943	317,227
Bradesco Loan	EURO	27,477	116,791	42,362	137,168
Foreign suppliers	US$	40,240	154,217	81,050	215,289
Foreign suppliers	EURO	4,888	18,734	4,688	15,127

Gains and losses involving these transactions are recognized in income for the year under caption financial income.

(*) The Company has a swap contract with Banco Santander to minimize the foreign exchange risk for the loan with Banco Citibank.

Foreign exchange swap transactions
Aiming to mitigate risks and mainly to hedge its cash flow, Company management established a foreign exchange risk management policy. This policy establishes guidelines for cash flow hedging operations through the use of derivative instruments.

The Company realized NDFs (Non Deliverable Forwards) tied to liabilities in foreign currency. Basically, the Company realized financial derivatives in US dollars and Euro, in which it will receive the difference between the foreign exchange variation in dollars observed in the period, multiplied by the reference value (asset leg) with payment of the difference between the foreign exchange variation in dollars or Euro observed in the period and the reference value in US dollars or Euro on the date of the agreement (liability leg). On December 31, 2015, the Company recognized the earnings of R$ 15,906 in the financial income (loss), in this type of operation relating to the hedge contract that was pending on this date and the total hedged volume is US$ 100,878 thousand and EURO 88,917 thousand

Maturity	Assets (USD)	Liabilities (EUR)	Parity EUR/USD	Amount in US$	Adjustment in USD	USD rate	Adjustment (R$)
09/25/2020	**100,878**	**88,917**	1.0887	96,804	4,074	3.9048	**15,906**

Sensitivity analysis - Foreign exchange
The sensitivity analysis is based on the assumption of maintaining as a probable scenario the market values as at December 31, 2015. Videolar-Innova considered the scenarios below for the volatility of the Real in the parity of the Dollar and the Euro.

For foreign exchange transactions subject to Dollar fluctuation, the following effects were estimated for the four scenarios, based on foreign exchange rate as of December 31, 2015 of R$3.9048 per US$1.00:

- **Scenario 1:** (25% of Brazilian real appreciation);
- **Scenario 2:** (50% of Brazilian real appreciation);
- **Scenario 3:** (25% devaluation of the Real); and
- **Scenario 4:** (50% devaluation of the real);

Risk: Dollar fluctuation

		Income or expense on exchange rate			
	Reference value, in thousand of USD	**Scenario 1**	**Scenario 2**	**Scenario 3**	**Scenario 4**
		2.9286	***1.9524***	***4.8810***	***5.8572***
Loan from Banco do Brasil	36,501	106,897	71,265	178,161	213,794
Citibank Loan	100,878	295,431	196,954	492,386	590,863
Loan HSBC	119,510	349,997	233,331	583,328	699,994
Foreign suppliers	40,240	117,847	78,565	196,411	235,694

For foreign exchange transactions subject to EURO fluctuation, the following effects were estimated for the four scenarios, based on foreign exchange rate as of December 31, 2015 of R$4.2504 per EUR$1.00:

- **Scenario 1:** (25% of Brazilian real appreciation);
- **Scenario 2:** (50% of Brazilian real appreciation);
- **Scenario 3:** (25% devaluation of the Real); and
- **Scenario 4:** (50% devaluation of the real);
- **Risk:** Euro fluctuation

		Income or expense on exchange rate			
	reference value EUR $000	**Scenario 1**	**Scenario 2**	**Scenario 3**	**Scenario 4**
		3.1878	***2.1252***	***5.3130***	***6.3756***
Bradesco Loan	27,477	87,591	58,394	145,985	175,182
Foreign suppliers	4,888	15,582	10,388	25,970	31,164

(iv) Operating risk

Operational risk is the risk of direct or indirect losses arising from different causes related to the Company's processes, personnel, technology and infrastructure and external factors, except credit risks, market and liquidity risks, as those arising from legal and regulatory requirements.

The Company aims at the constant maintenance, updating of processes, thus minimizing operating risks and reducing possible financial flow impacts and damage to its reputation by seeking cost effectiveness to avoid operating restriction.

(v) Capital risk

The Company's objectives in managing its capital are to safeguard its normal operations, besides maintaining a capital structure, appropriate to offer return to shareholders and benefits to the other stakeholders besides maintaining an optimal capital structure to reduce this cost.

Fair value measurement

Book values of the Company's assets and liabilities may suffer variation. The table below presents the comparison per class of book values and fair values:

	Book value		Fair value	
	2015	**2014**	**2015**	**2014**
Financial assets				
Cash and cash equivalents (Level 1)	20,238	140,337	20,238	140,337
Accounts receivable (level 1)	315,247	122,321	315,247	122,321
Income and social contribution tax, recoverable (Level 1)	2,560	2,560	2,560	2,560
Recoverable taxes (level 1)	23,428	23,104	23,428	23,104
Total	**361,473**	**288,322**	**361,473**	**288,322**
Financial liabilities				
Loans and financing (level 2)	1,184,284	981,515	1,184,284	981,515
Suppliers (Level 1)	204,993	242,226	204,993	242,226
Tax liabilities (level 1)	7,534	3,494	7,534	3,494
Total	**1,396,811**	**1,227,235**	**1,396,811**	**1,227,235**

Fair value represents the amount by which the asset/liability can be exchanged in a current transaction between parties willing to negotiate.

Videolar-Innova uses the following hierarchy to determine and disclose fair value of financial assets and liabilities using the evaluation technique:

- **Level 1 -** Prices quoted (not adjusted) in active markets for identical assets and liabilities.
- **Level 2 -** Inputs, except for quoted prices, included in Level 1 which are observable for assets or liabilities, directly (prices) or indirectly (derived from prices).
- **Level 3 -** Assumptions, for assets or liabilities, which are not based on observable market data (non-observable inputs).

Capital management

One of the Company's management main objective is to ensure that the Company maintains a strong credit score and capital ratio free from problems in order to support businesses and maximize shareholders' value. The Company administrates capital structure and adjusts it considering changes in economic conditions.

Objectives, policies and proceedings were not changed during years ended December 31, 2015 and 2014.

	2015	**2014**
Loans and financing	1,184,284	981,515
(-) Cash and cash equivalents	(20,238)	(140,337)
Net bank debt	1,164,046	841,178
Shareholders' equity	1,149,961	610,666
Shareholders' equity ratio and net bank debt	**1.01**	**1.38**

32 Insurance coverage

At December 31, 2015, operating risk insurance coverage was comprised of R$ 2,039,586 for material damage, R$ 510,271 for loss of profit and R$ 50,000 for general civil liability and R$ 15,000 for environmental risk insurance.

For domestic cargo shipments insurance, coverage was R$ 3,000 for ground shipments and R$ 8,000 for air and waterway shipments. The international transport import coverage of US$ 30.000 exclusively for styrene monomer in bulk and polystyrene in bulk; US$ 15,000 for other goods by vehicle/waterway; US$ 5,000 for other commodities supported by this insurance per vehicle/ air travel or accumulation and US$ 2,000 per vehicle/road trip. For export transportation insurance, coverage was US$ 500,000.

Coverage for life insurance of employees is the payment of 26 times salary on natural death and 52 times for accidental death, limited to R$ 1,600,000.00.

33 Operating leases

Commitments relate to a lease with Petrobras, concerning a duct installed between the Port of Petrobras and Videolar-Innova in order to take Monomer Styrene into the silos of the Videolar-Innova Unit IV in Manaus. This contract has a maturity of January 31, 2017, with the monthly amount of R$ 325.

Equipment rental refers to the lease of nitrogen cylinders, signed with the company WhiteMartins for an indefinite term.

34 Subsequent events

The Company notifies that on January 19, 2016, a loan was contracted with Banco Bradesco Europe, of R$ 44,579 with interest rates of 1.68% p.a. in order to provide funds for working capital.

Executive Board

Lírio Albino Parisotto - CEO and resident at Manaus
Claudio Rocha Filho - Director of operations and human resources
Rubén Eduardo Madoery - Commercial director
Sergio de Oliveira Machado - Industrial Director
Mario Daud Filho - Legal and Compliance Director

Board of Directors

Lírio Albino Parisotto
Elie Linetzky Waitzberg
Tania Maris Vanin Parisotto
Phillip Wojdyslawski

Accountant

Fabricio Santos Debortoli
CRC SC 25,570/O-0