Videolar S.A.

Individual and Consolidated financial statements December 31, 2013 and 2012

Contents

KPMG Auditores Independentes
R. Dr. Renato Paes de Barros, 33
04530-904 - São Paulo, SP - Brasil
Caixa Postal 2467
01060-970 - São Paulo, SP - Brasil

Central Tel 55 (11) 2183-3000
Fax Nacional 55 (11) 2183-3001
Internacional 55 (11) 2183-3034
Internet www.kpmg.com.br

Independent auditors' report on the financial statements

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

We have audited the accompanying individual and consolidated financial statements of Videolar S.A. ("Company"), which comprise the balance sheet as of December 31, 2013 and the related statements of income, comprehensive income, changes in shareholders' equity and cash flows, for the year then ended, and notes, comprising a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the financial statements
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.

Independent Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Brazilian and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for purposes of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the individual and consolidated financial statements
In our opinion, the financial statements present fairly, in all material respects, the individual and consolidated financial position of Videolar S.A. as of December 31, 2013, and its financial performance and cash flows for the year then ended in accordance with accounting practices adopted in Brazil.

Other issues

Comparability of the financial statements
According to Note 3, consolidated balances presented in financial statements include values of AMZ Mídia Industrial S.A. referring to the seven-month period ended December 31, 2012; therefore, said balances do not permit comparison between years.

São Paulo, March 26, 2014.

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

Videolar S.A.

Balance sheets at December 31, 2013 and 2012

(In thousands of reais)

		Parent company		Consolidated	
Assets	**Note**	**2013**	**2012**	**2013**	**2012**
Current assets					
Cash and cash equivalents	9	21,964	30,076	86,740	61,112
Interest earnings bank deposits		-	-	-	6,819
Accounts receivable	10	160,610	97,389	371,165	306,953
Inventories	11	215,283	155,174	249,250	203,057
Income and social contribution tax, recoverable	28.c	2,951	4,207	2,951	4,488
Recoverable taxes	12	49,923	69,564	53,580	69,720
Other accounts receivable		19,573	13,791	28,646	14,973
Prepaid expenses		795	323	873	422
		471,099	370,524	793,205	667,544
Non-current assets					
Deposits and pledges	19	16,015	16,443	16,054	16,443
		16,015	16,443	16,054	16,443
Interest in controlled companies	13	91,834	76,236	-	-
Property, plant and equipment	14	796,112	791,738	840,675	835,106
Intangible assets	15	8,166	8,549	18,681	22,893
		896,112	876,523	859,356	857,999
		912,127	892,966	875,410	874,442
		1,383,226	1,263,490	1,668,615	1,541,986

		Parent company		Consolidated	
Liabilities	**Note**	**2013**	**2012**	**2013**	**2012**
Current liabilities					
Loans and financing	16	208,045	123,788	208,045	123,788
Suppliers	17	173,800	168,927	184,973	176,409
Labor obligations and social charges		9,667	8,406	13,294	10,790
Tax liabilities		2,129	1,706	3,052	5,986
Royalties payable	21	6,190	6,107	7,668	6,107
Investments payable	20	11,875	23,750	11,875	23,750
Dividends and interest	22.d	-	-	13,401	17,084
Copyright assignment	18	192	192	250,593	237,005
Other liabilities		14,603	13,977	18,896	24,396
		426,501	346,853	711,797	625,315
Non-current liabilities					
Deferred income tax	25	20,298	39,688	20,298	39,688
Loans and financing	13	211,976	177,505	211,976	177,505
Investments payable	20	-	11,875	-	11,875
Provision for contingencies	19	21,555	13,784	21,609	13,784
		253,829	242,852	253,883	242,852
		253,829	242,852	253,883	242,852
Shareholders' equity	22				
Capital	22.a	555,381	536,005	555,381	536,005
Profit reserves	22.c	68,537	58,557	68,537	58,557
Equity evaluation adjustment	22.b	78,978	79,223	78,978	79,223
Shareholders' equity attributable to controlling shareholders		702,896	673,785	702,896	673,785
Non-controlling interest		-	-	39	34
		702,896	673,785	702,935	673,819
		1,383,226	1,263,490	1,668,615	1,541,986

See the accompanying notes to the financial statements.

Videolar S.A.

Statements of income

Years ended December 31, 2013 and 2012

(In thousands of reais, except the earning per share)

		Parent company		Consolidated	
	Note	**2013**	**2012**	**2013**	**2012**
Net operating income	23	952,239	787,273	1,353,649	1,038,901
Cost of sales	24	(816,267)	(676,636)	(1,133,112)	(857,109)
Gross operating income		135,972	110,637	220,537	181,792
Operating income (expenses)					
Sales expenses		(11,232)	(19,664)	(31,809)	(50,223)
Administrative expenses	25	(141,030)	(102,790)	(188,985)	(136,748)
Equity in income of subsidiaries		16,329	(4,304)	-	-
Realization of appreciation and adjustment to present value (AVP)		(2,079)	(1,510)	-	-
Other operating income (expenses), net	26	33,369	89,761	32,706	83,037
		(104,643)	(38,507)	(188,088)	(103,934)
Financial income	27	7,282	3,735	8,041	5,256
Financial expenses	27	(9,407)	(8,820)	(11,014)	(16,100)
Monetary and exchange variations, net	27	(38,860)	(22,002)	(39,140)	(21,968)
Net financial income (expenses)	27	(40,985)	(27,087)	(42,113)	(32,812)
Income (loss) before taxes		(9,656)	45,043	(9,664)	45,046
Deferred income and social contribution taxes	28	19,391	(10,787)	19,391	(10,787)
Income (loss) before non-controlling interest for the year		9,735	34,256	9,727	34,259
Non-controlling interest		-	-	8	(3)
Income for the year		9,735	34,256	9,735	34,256

Earning per share

See the accompanying notes to the financial statements.

Videolar S.A.

Statements of comprehensive income

Years ended December 31, 2013 and 2012

(In thousands of reais)

	Parent company		Consolidated	
	2013	**2012**	**2013**	**2012**
Income (loss) for the year	9,735	34,256	9,735	34,256
Comprehensive income				
Losses with interest in subsidiaries	-	-	-	-
Other comprehensive income, net of income and social contribution taxes	-	-	-	-
Total comprehensive income	9,735	34,256	9,735	34,256
Comprehensive income attributable to				
Controlling shareholders	-	-	9,727	34,259
Non-controlling shareholders	-	-	8	(3)
Total comprehensive income	9,735	34,256	9,735	34,256

See the accompanying notes to the financial statements.

Videolar S.A.

Statements of changes in shareholders' equity

Years ended December 31, 2013 and 2012

(In thousands of reais)

		Attributable to controlling shareholders											
	Note	**Capital**		**Capital reserve**			**Profit reserve**						
		Capital	**(-) Capital to be paid-up**	**Treasury shares**	**Goodwill reserve on issuance of shares**	**Equity evaluation adjustments**	**Legal**	**Tax incentives**	**Profit retention**	**Retained earnings (loss)**	**Total**	**Interest of non-controlling shareholders**	**Total shareholders' equity**
Balance at January 01, 2012		465,464	-	(3,425)	8,424	79,468	2,491	-	10,531	-	**562,953**	-	562,953
Goodwill capitalization share issuance Annual Shareholders' Meeting/Extraordinary Shareholders' Meeting, April 2012	20.a	8,424	-	-	(8,424)			-		-	**-**	-	-
Capital increase		105,243	(19,376)	-						-	**85,867**	-	85,867
Dividends paid according to Extraordinary Shareholders' Meeting, April 2012		-	-	-	-	-	-	-	(4,047)	-	**(4,047)**	-	(4,047)
Revaluation adjustment to equity		-	-	-	-	(245)	-	-	-	245	**-**	-	-
Net income for the period		-	-	-	-	-	-	-	-	34,256	**34,256**	-	34,256
Income (loss) for the year		-	-	-	-	-	-	-	-	-	**-**	(3)	(3)
Interest of non-controlling shareholders		-	-	-	-	-	-	-	-	-	**-**	37	37
Formation of reserve		-	-	-	-	-	-	-	32,788	(32,788)	**-**	-	-
Formation of retention reserve		-	-	-	-	-	-	-	42,256	-	**42,256**	-	42,256
Spin-off - AMZ Mídia S,A		(23,750)	-	-	-	-	(1,890)	-	(21,860)	-	**(47,500)**	-	(47,500)
Recognition of tax incentive		-	-	-	-	-	-	13,982	(13,982)	-	**-**	-	-
Legal reserve		-	-	-	-	-	1,717	-	(4)	(1,713)	**-**	-	-
Cancellation of stock		-	-	3,425	-	-	-	-	(3,425)	-	**-**	-	-
Balances at December 31, 2012		555,381	(19,376)	-	-	79,223	2,318	13,982	42,257	-	**673,785**	34	673,819
Goodwill capitalization share issuance Annual Shareholders' Meeting/Extraordinary Shareholders' Meeting, April 2012													
Dividends paid according to Extraordinary Shareholders' Meeting, April 2012													
Revaluation adjustment to equity		-	-	-	-	(245)	-	-	-	245	**-**	-	-
Net income for the period		-	-	-	-	-	-	-	-	9,735	**9,735**	-	9,735
Interest of non-controlling shareholders		-	-	-	-	-	-	-	-	-	**-**	5	5
Formation of reserve		-	-	-	-	-	-	-	9,493	(9,493)	**-**	-	-
Recognition of tax incentive		-	-	-	-	-	-	9,493	(9,493)	-	**-**	-	-
Legal reserve		-	-	-	-	-	487	-	-	(487)	**-**	-	-
Paid-up capital		-	19,376	-	-	-	-	-	-	-	**19,376**	-	19,376
Balances at December 31, 2013		555,381	-	-	-	78,978	2,805	23,475	42,257	-	**702,896**	39	702,935

See the accompanying notes to the financial statements.

Videolar S.A.

Statements of cash flows

Years ended December 31, 2013 and 2012

(In thousands of reais)

	Parent company		Consolidated	
	2013	**2012**	**2013**	**2012**
Cash flows from operations				
Net income for the year	9,735	34,256	9,735	34,256
Adjustments for reconciliation of net income to operating income:				
Depreciation and amortization	32,441	29,866	40,572	34,430
Deferred and current income tax	(19,390)	10,788	(19,390)	10,788
Equity in income of subsidiaries	(16,329)	4,304	-	-
Provision for contingencies	7,771	858	7,825	859
Write-off of fixed and intangible assets	131,661	34,010	131,267	42,985
Allowance for estimated credit loss for allowance for doubtful accounts	(1,328)	(13,230)	(1,289)	6,922
Provision for obsolescence	594	(339)	594	(429)
Financial charges and foreign exchange variation on balances with related companies, financing, tax obligations, and net escrow deposits	33,703	3,609	33,575	7,231
	178,858	104,122	202,889	137,042
Increase (decrease) in assets				
Trade and other notes receivable	(61,893)	63,051	(62,923)	156,895
Interest earnings bank deposits	-	-	6,819	(6,819)
Inventories	(60,703)	(45,278)	(46,787)	2,038
Recoverable taxes	20,897	(63,875)	17,677	(64,161)
Others	(5,826)	21,516	(13,735)	22,118
	(107,525)	(24,586)	(98,949)	110,071
Increase (decrease) in liabilities				
Suppliers	(3,007)	29,353	817	20,093
Investments payable	(11,875)	35,625	(11,875)	-
Royalties payable	83	(14,454)	1,561	(14,454)
Salaries and social security charges	1,261	(226)	2,504	(417)
Copyright assignment	-	(37,400)	13,588	(186,282)
Others	1,049	(10,941)	(8,434)	20,843
	(12,489)	1,957	(1,839)	(160,217)
Net funds from operating activities	58,844	81,493	102,101	86,896
Cash flow used in investment activities				
Acquisition of property, plant and equipment	(168,080)	(208,984)	(174,856)	(203,641)
Acquisitions of intangible assets	(13)	-	1,660	(11,513)
Investment acquisition	731	(80,540)	-	(16,618)
Capital reduction in subsidiary		-		-
Net funds of provision for investment activities	(167,362)	(289,524)	(173,196)	(231,772)
Cash flow from investment activities				
Raising of financing	181,380	209,588	181,380	209,588
Payment of financing and interest	(88,475)	(103,283)	(88,475)	(103,283)
Spin-off of subsidiary AMZ, net of spun-off cash	-	(15,382)	-	-
Paid-up capital	19,376	85,867	19,376	85,867
Capital reserve		42,256		(5,244)
Dividends paid	(11,875)	(4,047)	(15,558)	(4,047)
Net funds from financing activities	100,406	214,999	96,723	182,881
Increase (decrease) in cash and equivalents	(8,112)	6,968	25,628	38,004
Cash and cash equivalents at the beginning of the year	30,076	23,108	61,112	23,108
Cash and cash equivalents at the end of the year	21,964	30,076	86,740	61,112
Payments of interests carried out during the year	-	-		-
Variation in cash and cash equivalents for the year	(8,112)	6,968	25,628	38,004

See the accompanying notes to the financial statements.

Notes to the individual and consolidated financial statements

(In thousands of reais, unless otherwise indicated)

1 Information on the Group and operating context

Videolar S.A. ("Videolar", the "Company", and "Parent Company") is a privately-held 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 segment of Plastic Resins (Polystyrene), and serves clients of the Electric-electronic, Plastic, Disposable, and Food industries, among others. It manufactures Blank Media (CD-R, DVD-R and pen-drives) of brands Nipponic® and Emtec®.

In 2012, it expanded its business and completed the construction of a new Industrial Unit (Fazenda Vitória Unit) on an area of 289,000 m^2 with built area of 69,000 m^2.

The purpose of this Unit is to produce BOPP films (biaxially oriented polypropylene films), widely used in plastic packages in the food and industrial sectors.

Production of plastic covers, PP (polypropylene), PS (polystyrene) and PP cast (polypropylene film) boards are part of new business segments that are already being manufactured.

In April 2012, Videolar S.A. acquired the control of AMZ Mídia Industrial S.A. ("AMZ" and the "Subsidiary"), a company created by the partial spin-off of Videolar and Microservice Tecnologia Digital da Amazônia Ltda. Accordingly, beginning as of that date, the Company is being considered as Grupo Videolar S.A. ("the Group").

AMZ's plant is located in Manaus, AM, and operates the following activities: (a) supply of technology based on digital optical media through state-of-the-art solutions for the entire supply chain of the phonographic, cinematographic, software and other industries; (b) manufacturing and distribution in Brazil of optical media products, such as Compact Disks (CDs), Digital Video Disks (DVDs) and Blu-rays.

In September 2013, Videolar obtained the approval of Petrobrás' Board of Directors for the purchase indication of 100% of company Innova for the amount of R$870 million, assuming a debt of R$23 million. Conclusion of the purchase process depends on approval by the Administrative Counsel of Economic Defense (CADE), which has not occurred yet.

2 Company of the Group

		%	
Companies	**Country**	**2013**	**2012**
AMZ Mídia Industrial S.A.	Brazil	99.95%	99.95%

On May 28, 2012, the Company acquired control of AMZ Mídia Industrial S.A., 4,750,000 class B preferred shares, representing 49.95% of the acquiree's capital, were acquired. Accordingly, the Company's interest shareholding became 99.95% of the acquiree's capital.

3 Preparation basis

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

- Individual and consolidated financial statements have been prepared in accordance with accounting practices adopted in Brazil (BR GAAP), in compliance with the Brazilian Corporate Law, considering changes introduced by Law 11,638/07 and 11,941/09, and pronouncements, interpretations and guidelines of the Accounting Pronouncements Committee (CPC) approved by resolutions of the Federal Accounting Council (CFC).

2012 consolidated balances presented in financial statements do not permit comparison between years, as they refer to the seven-month period ended December 31, 2012, considering transaction date mentioned in note 1, which refers to subsidiary AMZ Mídia Industrial S.A.

Individual financial statements present, at the equity method, the evaluation of investments in subsidiaries, in accordance with prevailing Brazilian law.

The approval of these individual and consolidated financial statements was given by the Board of Directors in a meeting held on March 26, 2014.

4 Functional currency and presentation currency

These individual and consolidated financial statements are being presented in Brazilian Reais, functional currency of the Group 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 individual and consolidated 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) Judgments

Information about judgment referring to the adoption of accounting policies which impact significantly the amounts recognized in the individual and consolidated financial statements are included in the following notes:

- Note 10 - Estimated loss for allowance for doubtful accounts
- Note 14 - Property, plant and equipment - review of the useful life
- Note 19 - Provisions for contingencies
- Note 28 (a) - Deferred income and social contribution taxes.

(ii) Uncertainties on assumptions and estimates

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, 2014 are included in the following notes:

- Note 14 - Impairment test: main assumptions underlying recoverable amounts, including recoverability of development costs;

- Note 19 - recognition and measurement of provisions and contingencies: main assumptions on probability and magnitude of funds' disbursements.

6 Measuring basis

The individual and consolidated financial statements were prepared based on the historical cost.

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 individual and consolidated financial statements.

7.1 Basis of consolidation

(i) *Subsidiaries*

The financial statements of the subsidiaries are included in the consolidated financial statements as from the date they start to be controlled by the Company until the date such control ceases. The accounting policies of the subsidiaries are aligned with the policies adopted by the Company.

The individual financial statements of the parent company, financial information of subsidiaries are recognized under the equity method.

(ii) *Transactions eliminated in the consolidation*

Intragroup balances and transactions, and any unrealized income or expenses derived from intragroup transactions, are eliminated in the preparation of the consolidated financial statements. Unrealized gains originating from transactions with investees recorded using the equity method are eliminated against the investment in the proportion of the Company's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only up to the point where there is no evidence of loss due to impairment.

(iii) *Interest of non-controlling shareholders*

The Company chose to measure minority interests at their proportion in identifiable net assets. Non-controlling interests in the subsidiaries are presented separately in the balance sheet and income statement.

7.2 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) *Rendering of services*

Revenue from services rendered is recognized in profit or loss based on the stage of completion of the service at the reporting date. The stage of completion is evaluated by reference to research on accomplished works.

(iii) *Tax incentives*

Revenue deriving from tax incentives described in Note 30, 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.

7.3 Assignment of rights payable

By means of copyright licensing agreements, the subsidiary duplicates movies or songs DVDs, CDs and BDs and bills them directly to clients of the licensing company itself, receives cash and transfers it to them, in accordance with provisions of the licensing agreement. Losses from clients of licensing companies, if provided for in the agreement, are accounted for as a contra-entry to the account "Assignment of rights payable (licensing companies)", when incurred.

7.4 Government subsidy 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 and AMZ are beneficiaries of the following tax incentives granted by Amazonas State and Federal Government:

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

Credits from tax incentives related to Value-added tax on sales and services—ICMS reimbursement were accounted for in the Company's income for the year.

b. *Income tax*

The venture of the Company and its subsidiary 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, 2013 and 2012, the Company complied with all legal requirements to receive such benefits.

c. *IPI*

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

d. *PIS / Cofins*

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

e. *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 tax and social contribution

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) Tax exposures

When determining current and deferred income tax, the Company and its subsidiary take into consideration the impact of uncertainties related to tax positions taken and whether additional taxes and interest may be due. The Company and its subsidiary believe 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 become available, which would lead the Company and its subsidiary to change its judgment as to the adequacy of the existing provision; such changes in the provision will impact the income tax expense for the year in which they occur.

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 Property, plant and equipment.

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) 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.

(iii) 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 from the date they are installed and are available for use, or, in the case of assets constructed by the Company, 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 2013.

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:

	2013	**2012**
Equipment	5	5
Improvements / facilities	10	10
Machinery, equipment and tools	10	10
Furniture and fixtures	10	10
Vehicles	5	5
Others	20	20

7.10 Intangible assets

(i) Goodwill

Goodwill arising from the acquisition of subsidiaries is presented with intangible assets in the consolidated 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 Financial instruments

The Company classifies non-derivative financial assets in the following categories: financial assets 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 the Company 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 there is a legally enforceable right to set off and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

(ii) Non-derivative financial assets - measuring

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.

(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.

7.12 Impairment

(i) Non-derivative financial assets
Financial assets not classified as financial assets at fair value through income, 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 receivables 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.

7.13 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.

7.14 New standards and interpretations not yet adopted

There are no other standards and interpretations issued and not yet adopted that might, in management's opinion, have a significant impact on the income or equity disclosed by the Company.

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

	Parent company		Consolidated	
	2013	2012	2013	2012
Cash and cash equivalents	7,797	30,076	41,470	61,073
Investments	14,167	-	45,270	39
	21,964	30,076	86,740	61,112

Financial investment in fixed-income securities remunerated at 99.50% of CDI, with immediate liquidity.

10 Accounts receivable

Accounts receivable balance includes receivables from Videolar clients, as well as AMZ receivables from distributors plus direct sales.

Amounts receivable as of December 31, 2013 and 2012 are as follows:

	Parent company		Consolidated	
	2013	2012	2013	2012
Trade accounts receivable	162,846	102,106	400,594	324,568
Related parties (note 29)	12,599	11,446	8,937	18,701
	175,445	113,552	409,531	343,269
Allowance for doubtful accounts	(14,835)	(16,163)	(38,366)	(36,316)
	160,610	97,389	371,165	306,953

A provision for losses is established at an amount considered sufficient by Management to cover possible losses on realization of credits, considering individual analysis of debtors whose default exceeds 180 days, as shown in the following aging list:

	Parent company		Consolidated	
	2013	2012	2013	2012
Amounts falling due	148,722	105,133	152,457	277,125
Overdue amounts				
up to 30 days	8,181	4,537	28,213	22,531
31-60 days	2,068	557	74,226	9,461
61-90 days	768	1,590	51,440	5,659
91-180 days	871	165	64,829	6,784
> 180 days	14,835	1,570	38,366	21,709
Total Overdue	26,723	8,419	257,074	66,144
Accounts receivable	175,445	113,552	409,531	343,269

Changes to the allowance for doubtful accounts are as follows:

	Parent company		Consolidated	
	2013	**2012**	**2013**	**2012**
Balance at the beginning of the year	16,163	29,394	36,316	29,394
Supplement to allowance for the year	15,834	427	19,212	20,580
Values written-off of provision	(17,162)	(13,658)	(17,162)	(13,658)
Balance at December 31	14,835	16,163	38,366	36,316

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 7,000 thousand active clients in portfolio and no client represents 5% or more of revenues or accounts receivable as of December 31, 2013 and 2012.

11 Inventories

	Parent company		Consolidated	
	2013	**2012**	**2013**	**2012**
Raw material	98,288	62,759	104,033	67,010
Work in process	8,197	8,213	8,628	8,743
Finished products	90,780	68,593	107,260	98,677
Graphic material and packaging	1,319	1,600	4,116	7,946
Other materials	-	42	7,590	6,109
Imports in progress	16,699	13,967	17,623	14,572
	215,283	155,174	249,250	203,057

Changes to the provision for obsolescence are as follows:

	Parent company/ Consolidated	Parent company
	2013	**2012**
Balance at the beginning of the year	(5,324)	(5,663)
Supplement to allowance for the year	(1,889)	(2,910)
Values written-off of provision	1,295	3,249
Balance at December 31	(5,918)	(5,324)

12 Recoverable taxes

.	Parent company		Consolidated	
	2013	**2012**	**2013**	**2012**
ICMS recoverable	3,735	1,476	3,809	1,479
PIS//COFINS recoverable	-	264	3,442	398
PIS/COFINS tax process (i)	42,450	65,923	42,450	65,923
IPI recoverable	1,499	1,415	1,500	1,415
Others	2,239	486	2,379	505
	49,923	69,564	53,580	69,720

(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$ 42,450 as of December 31, 2012.

13 Interest in subsidiaries

	% - Int.	Current assets	Non-current assets	Total assets	Current liabilities	Shareholders' equity	Total liabilities	Income	Expenses	Income (loss)	Group's interest in income or losses
AMZ Mídia Industrial S.A.	99.95%	303,248	42,039	345,287	284,577	60,710	345,287	311,090	(315,396)	(4,306)	(4,304)
December 31, 2012		303,248	42,039	345,287	284,577	60,710	345,287	311,090	(315,396)	(4,306)	(4,304)
AMZ Mídia Industrial S.A.	99.95%	322,588	41,425	364,013	285,617	78,396	364,013	512,919	(496,582)	16,337	16,329
December 31, 2013		322,588	41,425	364,013	285,617	78,396	364,013	512,919	(496,582)	16,337	16,329

Investment breakdown:

	2013	2012
Shareholders' equity of the subsidiary	78,396	60,710
Controlling interest	99.95%	99.95%
	78,357	60,680
Goodwill in business combination	8,804	8,804
Appreciation in business combination and adjustment to present value	4,673	6,752
Balance of the investment	**91,834**	**76,236**

In September 2013, Videolar obtained Petrobrás Board of Directors' approval on purchase indication of 100% of Innova S.A. for R$870 million, subject to price adjustment until transaction is concluded, assuming a debt of R$23 million. Conclusion of the purchase process depends on approval by the Administrative Counsel of Economic Defense (CADE), which has not occurred yet.

14 Property, plant and equipment

Parent company

	Land	Buildings and improvements	Machinery and equipment	Industrial facilities	Furniture and fixtures	Data processing equipment	Vehicles	Molds and tools	Telephony equipment	Provision for non-recovery	Property, plant and equipment in progress (ii)	Imports in progress	Spare Parts - Construction in progress	Total
Balances at December 31, 2011	**99,656**	**115,940**	**471,111**	**69,920**	**36,244**	**17,917**	**739**	**34,512**	**1,121**	**(19,952)**	**246,429**	**73,901**	**-**	**1,147,538**
Additions	-	17	379	-	41	50	-	9	-	-	165,581	14,965	-	181,042
Compound interest	-	-	-	-	-	-	-	-	-	-	-	24,233	-	24,233
Write-off	-	(3,835)	(91,983)	(132)	(3,694)	(343)	(384)	(986)	-	19,952	(36,708)	-	-	(118,113)
Transfer	-	6,055	82,855	7,843	1,742	662	184	105	-	-	(34,830)	(64,616)	-	-
Spin-off	-	(279)	(70,654)	(437)	(1,065)	(143)	-	-	(2)	-	-	-	-	(72,580)
Balances at December 31, 2012	**99,656**	**117,898**	**391,708**	**77,194**	**33,268**	**18,143**	**539**	**33,640**	**1,119**	**-**	**340,472**	**48,483**	**-**	**1,162,120**
Additions	-	-	1,460	-	56	47	-	4	-	(45,623)	84,667	86,653	-	127,264
Compound interest	-	-	-	-	-	-	-	-	-	-	-	40,816	-	40,816
Write-off	-	-	(13,996)	-	(17,915)	(1,505)	-	(667)	(4)	-	(29,028)	(102,619)	-	(165,734)
Transfer	-	112,662	28,452	45,450	11	57	-	208	-	-	(161,502)	(45,779)	20,441	-
Balances at December 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**
Depreciation														
Balances at December 31, 2011	**-**	**(25,161)**	**(337,445)**	**(39,944)**	**(34,089)**	**(15,227)**	**(442)**	**(25,313)**	**(993)**	**-**	**-**	**-**	**-**	**(478,614)**
Depreciation for the year	-	(3,677)	(16,483)	(4,690)	(521)	(1,147)	(120)	(1,884)	(29)	-	-	-	-	(28,551)
Write-off	-	1,136	74,007	131	3,594	251	261	628	-	-	-	-	-	80,008
Spin-off	-	160	55,420	137	1,009	47	-	-	2	-	-	-	-	56,775
Balances at December 31, 2012	**-**	**(27,542)**	**(224,501)**	**(44,366)**	**(30,007)**	**(16,076)**	**(301)**	**(26,569)**	**(1,020)**	**-**	**-**	**-**	**-**	**(370,382)**
Depreciation for the year	-	(7,154)	(17,074)	(5,224)	(611)	(693)	(92)	(1,168)	(29)	-	-	-	-	(32,045)
Write-off	-	-	13,984	-	17,913	1,504	-	667	5	-	-	-	-	34,073
Balances at December 31, 2013	**-**	**(34,696)**	**(227,591)**	**(49,590)**	**(12,705)**	**(15,265)**	**(393)**	**(27,070)**	**(1,044)**	**-**	**-**	**-**	**-**	**(368,354)**
Residual value														
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**	**27,554**	**20,441**	**796,112**
Balances at December 31, 2012	99,656	90,356	167,207	32,828	3,261	2,067	238	7,071	99	0	340,472	48,483	0	**791,738**
Balances at December 31, 2011	99,656	90,779	133,666	29,976	2,155	2,690	297	9,199	128	(19,952)	246,429	73,901	0	668,924
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%	7.62%

Consolidated

	Land	Buildings and improvements	Machinery and equipment	Industrial facilities	Furniture and fixtures	Data processing equipment	Vehicles	Molds and tools	Telephony equipment	Provision for non-recovery	Property, plant and equipment in progress (ii)	Imports in progress	Spare Parts - Construction in progress	Total
Balances at December 31, 2011	**99,656**	**115,940**	**471,111**	**69,920**	**36,244**	**17,917**	**739**	**34,512**	**1,121**	**(19,952)**	**246,429**	**73,901**	**-**	**1,147,538**
Additions	-	17	5,369	81	56	50	-	9	-	-	165,581	14,965	-	186,128
Compound interest	-	-	-	-	-	-	-	-	-	-	-	24,233	-	24,233
Write-off	-	(3,835)	(124,024)	(132)	(4,124)	(343)	(414)	(986)	-	19,952	(36,708)	-	-	(150,614)
Transfer	-	6,055	82,855	7,843	1,742	662	184	105	-	-	(34,830)	(64,616)	-	-
AMZ spinoff	-	(279)	68,081	3,648	615	3,084	446	-	(2)	-	-	-	-	75,593
Appreciation in business combination			4,915	35	17	117	77	4	-	-	-	-	-	5,165
Balances at December 31, 2012	**99,656**	**117,898**	**508,307**	**81,395**	**34,550**	**21,487**	**1,032**	**33,644**	**1,119**	**-**	**340,472**	**48,483**	**-**	**1,288,043**
Additions	-	-	1,500	32	79	53	-	4	-	(45,623)	84,667	86,714	6,923	134,349
Compound interest	-	-	-	-	-	-	-	-	-	-	-	40,815	-	40,815
Write-off	-	-	(21,271)	(2,866)	(18,409)	(4,064)	(330)	(667)	(4)	-	(29,028)	(102,656)	-	(179,295)
Transfer	-	112,662	28,452	45,450	11	57	-	208	-	-	(161,502)	(45,779)	20,441	-
Appreciation in business combination	-	220	2	1	5	3	-	-	-	-	-	-	-	231
Balances at December 31, 2013	**99,656**	**230,780**	**516,990**	**124,012**	**16,236**	**17,536**	**702**	**33,189**	**1,115**	**(45,623)**	**234,609**	**27,577**	**27,364**	**1,284,143**
Depreciation														
Balances at December 31, 2011	**-**	**(25,161)**	**(337,445)**	**(39,944)**	**(34,089)**	**(15,227)**	**(442)**	**(25,313)**	**(993)**	**-**	**-**	**-**	**-**	**(478,614)**
Depreciation for the year	-	(3,677)	(19,999)	(4,827)	(569)	(1,228)	(151)	(1,884)	(29)	-	-	-	-	(32,364)
Write-off	-	1,136	100,070	130	4,014	251	291	628	-	-	-	-	-	106,520
Spin-off	-	160	(42,107)	(2,733)	(310)	(2,747)	(295)	-	3	-	-	-	-	(48,029)
Appreciation in business combination		(1)	(439)	-	(3)	(1)		(6)						(450)
Balances at December 31, 2012	**-**	**(27,543)**	**(299,920)**	**(47,374)**	**(30,957)**	**(18,952)**	**(597)**	**(26,575)**	**(1,019)**	**-**	**-**	**-**	**-**	**(452,937)**
Depreciation for the year	-	(7,154)	(22,836)	(5,329)	(660)	(748)	(106)	(1,168)	(29)	-	-	-	-	(38,030)
Write-off	-	-	22,794	2,280	18,222	3,844	226	667	5	-	-	-	-	48,038
Appreciation in business combination	-	(1)	(526)	-	(4)	(1)	-	(7)	-	-	-	-	-	(539)
Balances at December 31, 2013	**-**	**(34,698)**	**(300,488)**	**(50,423)**	**(13,399)**	**(15,857)**	**(477)**	**(27,083)**	**(1,043)**	**-**	**-**	**-**	**-**	**(443,468)**
Residual value														
Balances at December 31, 2013	**99,656**	**196,082**	**216,502**	**73,589**	**2,837**	**1,679**	**225**	**6,106**	**72**	**(45,623)**	**234,609**	**27,577**	**27,364**	**840,675**
Balances at December 31, 2012	99,656	90,355	208,387	34,021	3,593	2,535	435	7,069	100	-	340,472	48,483	-	835,106
Balances at December 31, 2011	99,656	90,779	133,666	29,976	2,155	2,690	297	9,199	128	(19,952)	246,429	73,901	-	668,924
Annual average rate of depreciation	0.00%	1.30%	12.60%	10.30%	9.90%	19.80%	19.30%	11.90%	9.80%	0.00%	0.00%	0.00%	0.00%	7.90%

a. 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:

	Parent company/Consolidated	
	2013	**2012**
Impairment value		
Machinery and equipment	43,993	-
Spare parts and pieces	1,630	-
	45,623	-

Recoverable value of the blank media segment's cash generating unit (UGC) was estimated based on present value of expected future cash flows (value in use), considering negative EBITDA for 2014 plan and using discount rate before taxes of 6.2% and growth rate of 3%, beginning as of 2015. Estimated UGC's recoverable value was negative and, accordingly, Management chose to record a provision for 90% of machinery, equipment and parts as impairment, considering 10% of residual/ replacement value.

Management is preparing a reorganization plan for this segment to be carried out in 2014, which will generate a new evaluation of these assets' impairment value at the end of that year.

15 Intangible assets

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

Parent company

Cost	**Software**	**Brands, rights and patents**	**Total**
Balances at December 31, 2011	**12,292**	**16,688**	**28,980**
Acquisition of subsidiary	(2,880)	-	(2,880)
Transfer	1,558	-	1,558
Balances at December 31, 2012	10,970	16,688	27,658
Additions	13	-	13
	-	-	-
Balances at December 31, 2013	**10,983**	**16,688**	**27,671**
Amortization			
Balances at December 31, 2011	(7,684)	(12,986)	(20,670)
Amortization for the year	(394)	(922)	(1,316)
Write-off	2,877	-	2,877
Balances at December 31, 2012	(5,201)	(13,908)	(19,109)
Amortization for the year	(393)	(3)	(396)
Balances at December 31, 2013	**(5,594)**	**(13,911)**	**(19,505)**
Residual value			
Balances at December 31, 2013	**5,389**	**2,777**	**8,166**
Balances at December 31, 2012	5,769	2,780	8,549
Balances at December 31, 2011	4,608	3,702	8,310
Annual average amortization rate	0.5%	0.5%	0.5%

Consolidated

Cost	Software	Brands, rights and patents	Goodwill	Total
Balances at December 31, 2011	**12,292**	**16,688**	**-**	**28,980**
Additions	2,733	-	-	2,733
Acquisition of subsidiary	-	-	8,804	8,804
Transfer	1,558	-	-	1,558
Appreciation in business combination	3,115	-	-	3,115
Balances at December 31, 2012	19,698	16,688	8,804	45,190
Additions	8	-	5	13
Write-off	(215)	-	-	(215)
Transfer	5	-	(5)	-
Appreciation in business combination	(231)	-	-	(231)
Balances at December 31, 2013	**19,265**	**16,688**	**8,804**	**44,757**
Amortization				
Balances at December 31, 2011	(7,684)	(12,986)	-	(20,670)
Amortization for the year	(694)	(922)	-	(1,616)
Write-off	950		-	950
Appreciation in business combination	(961)			(961)
Balances at December 31, 2012	(8,389)	(13,908)	-	(22,297)
Amortization for the year	(2,539)	(3)	-	(2,542)
Write-off	205	-	-	205
Appreciation in business combination	(1,442)	-	-	(1,442)
Balances at December 31, 2013	**(12,165)**	**(13,911)**	**-**	**(26,076)**
Residual value				
Balances at December 31, 2013	**7,100**	**2,777**	**8,804**	**18,681**
Balances at December 31, 2012	11,309	2,780	8,804	22,893
Balances at December 31, 2011	4,608	3,702	-	8,310
Annual average amortization rate	0.50%	0.50%	0.00%	0.50%

16 Loans and financing

					Parent company/ Consolidated	
Financial institution		**Charges**	**Guarantees**	**Maturity**	**2013**	**2012**
Banco do Brasil Intern.	(i)	Libor+1,50 p.a.	Guarantor	06/20/2014	121,801	56,741
Banco Bradesco N.Y.	(ii)	Libor+0,45% p.a.	Promissory Note	02/26/2014	39,591	20,442
Banco do Brasil (working capital)	(iii)	119.5% CDI	Guarantor	03/28/2013	-	15,432
BNDES	(iv)	TJLP+2.12%p.a.	Real estate	10/15/2017	88,570	74,194
Banco Bradesco Europa	(v)	Libor+3.25%p.a.	Promissory Note	11/06/2018	170,059	134,484
					420,021	301,293
Current liabilities					208,045	123,788
Non-current liabilities					211,976	177,505

(i) On December 23, 2013, Videolar renegotiated the loan contract with Banco do Brasil (Finimp) - whose interest rates became Libor (0.3479) + 1.50% p.a., maturing on June 20, 2014 - that refers to the acquisition of raw material for the Plastic Resins' production process.

(ii) In February 2013, Videolar entered into a contract with Banco Bradesco for international credit facilities (Finimp) amounting to US$16,847 with interest rate Libor + 0.45% p.a., referring to the acquisition of raw material for Plastic Resins' production process.

(iii) In November 2013, Videolar settled with Banco do Brasil the working capital loan amounting to R$15,000 that was used to acquire machinery and equipment.

a.1 BNDES - National Bank for Social and Economic Development
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. In April 2012, the remaining balance of R$500 was made available and completed the amount of R$84,100 taken during this period.

The purpose of this financing is to expand and build a new industrial unit for the production of biaxially-oriented terephthalate polyethylene film (BOPP) and terephthalate polyethylene film (BOPET), as well as to acquire national machinery and equipment. Properties pledged in guarantee total R$113,669.

a.2 Banco Bradesco
In February 2011, the Company contracted a credit facility from Banco Bradesco Europa in the amount of EURO 57,999. This credit facility is a direct financing from Andritz, supplier responsible for delivering machinery and equipment for the Company's new BOPP production line. Until December 31, 2013, Banco Bradesco Europa had released the amount of EURO 51,945.

Amounts recorded in non-current liabilities as of December 31, 2013 and 2012 mature as follows:

		Parent company / Consolidated 12/31/2013	Parent company / Consolidated 12/31/2012
	2014	-	45,657
	2015	54,122	45,657
	2016	54,122	45,657
	2017	54,122	40,534
	2018	49,610	-
Non-current liabilities		211,976	177,505

17 Suppliers

	Parent company		Consolidated	
	2013	2012	2013	2012
Domestic suppliers	2,149	4,386	11,666	9,339
Suppliers distributed	-	-	314	1,307
Foreign suppliers	171,619	164,522	172,110	165,208
Suppliers, related parties (note 29)	32	19	883	555
	173,800	168,927	184,973	176,409

18 Copyright assignment

	Parent company		Consolidated	
	2013	2012	2013	2012
Foxe	-	-	22,965	49,976
Paramount	-	-	53,492	52,871
Sony Pictures	-	-	5,704	25,320
Warner	-	-	149,739	57,215
Bretz Filmes	-	-	340	63
Universal	-	-	1,067	6,453
Som Livre	-	-	7,055	46,000
Europe	-	-	4,545	5,934
LWr	-	-	256	827
EMI	-	-	261	5,968
Alpha Filmes	-	-	41	-
Vinny Filmes	-	-	748	889
S&D	-	-	11,095	11,625
Videofilmes	192	192	192	192
Non-collectible trade notes	-	-	(23,490)	(20,153)
Others	-	-	16,583	(6,175)
	192	192	250,593	237,005

In order to perform its activities, specifically the manufacturing of solutions for the phonographic and cinematographic industries, licensing contracts for copyright assignment and for the granting of CD and DVD reproduction and duplication rights are executed. As consideration, the subsidiary AMZ pays to licensing companies remunerations calculated on results obtained from product sale. In some cases, marketing and selling expenses are also paid.

Uncollectible notes refer to non-performing clients of companies listed in the note; thus, this amount is discounted from the amount to be transferred. These losses are calculated using the same criteria used for calculation of the allowance for doubtful accounts. The amount recorded in Other refer to advances that, after received, are discounted from the amount to be transferred.

19 Provision for contingencies and judicial deposits

During the normal course of its business, the Parent company is a party to tax, labor, civil and other lawsuits. Based on information from its legal advisors and analysis of pending legal proceedings, Management recorded provision in an amount considered sufficient to cover likely losses from current lawsuits, as follows:

	Parent company			
Provision for contingencies	**Tax**	**Labor**	**Civil**	**Total**
Balances at December 31, 2011	**10,653**	**1,744**	**529**	**12,926**
(+) Supplement of provision	1,041	317	73	1,431
(-) Write-off of provision	(249)	(308)	(16)	(573)
Balances at December 31, 2012	**11,445**	**1,753**	**586**	**13,784**
(+) Supplement of provision	9,334	691	77	10,102
(-) Write-off of provision	(667)	(1,529)	(135)	(2,331)
Balances at December 31, 2013	**20,112**	**915**	**528**	**21,555**

	Consolidated			
Provision for contingencies	**Tax**	**Labor**	**Civil**	**Total**
Balances at December 31, 2011	**10,653**	**1,744**	**529**	**12,926**
(+) Supplement of provision	1,041	317	73	1,431
(-) Write-off of provision	(249)	(308)	(16)	(573)
Balances at December 31, 2012	**11,445**	**1,753**	**586**	**13,784**
(+) Supplement of provision	9,388	691	77	10,156
(-) Write-off of provision	(667)	(1,529)	(135)	(2,331)
Balances at December 31, 2013	**20,166**	**915**	**528**	**21,609**

Main lawsuits are commented as follows:

Tax proceedings

Provision for tax contingencies in the amount of R$20,166 (2012 - R$11,445) refers to the challenge by the Company of PIS and COFINS charged on revenues from Manaus Free Trade Zone, ICMS tax assessment notices, and attorney's fees. The Company is the defendant in legal or administrative proceedings that involve other taxes such as PIS, IPI, ICMS, IR, and social security contributions, totaling R$3,766 that is considered as possible loss; a provision is not recorded for them.

Labor proceedings

The provision for labor contingencies correspond to losses estimated based on individual analyses of 122 labor lawsuits, mainly related to overtime payment.

Videolar is the defendant in labor lawsuits that total R$ 915 (in 2012, R$ 1,753), for which loss is probable and, therefore, a provision has been duly recognized. In addition, the Company is the defendant in labor lawsuits amounting to R$6,694, for which loss is considered possible and no provision has been recognized.

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. 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 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.

In the opinion of legal advisors, Videolar 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.

The Company is the defendant in civil lawsuits amounting to R$586, for which loss is probable; therefore, a provision is duly recognized. Also, the Company is the defendant is civil lawsuits amounting to R$3,032, for which loss is considered as possible.

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

	Parent company			
Judicial deposits	**Tax**	**Labor**	**Civil**	**Total**
Balances at December 31, 2011	**42,480**	**397**	**27**	**42,904**
(+) Supplement of provision	335	358	-	693
(-) Write-off of provision	(26,846)	(292)	(16)	(27,154)
Balances at December 31, 2012	**15,969**	**463**	**11**	**16,443**
(+) Supplement of provision	269	400	89	758
(-) Write-off of provision	(590)	(515)	(81)	(1,186)
Balances at December 31, 2013	**15,648**	**348**	**19**	**16,015**

	Consolidated			
Judicial deposits	**Tax**	**Labor**	**Civil**	**Total**
Balances at December 31, 2011	**42,480**	**397**	**27**	**42,904**
(+) Supplement of provision	335	358	-	693
(-) Write-off of provision	(26,846)	(292)	(16)	(27,154)
Balances at December 31, 2012	**15,969**	**463**	**11**	**16,443**
(+) Supplement of provision	368	400	90	858
(-) Write-off of provision	(651)	(515)	(81)	(1,247)
Balances at December 31, 2013	**15,686**	**348**	**20**	**16,054**

After filing Injunction no. 2006.32.00.005991-8, referring to exclusion of ICMS from PIS/COFINS basis, the Company made escrow deposits from February 2008 to November 2011, when it obtained success in said legal instrument. In April 2012, amounts were redeemed.

20 Investments payable

Parent company e Consolidated

Consideration value	47,500
Payments made in 2012	(11,875)
Balance at December 31, 2012	35,625
Payments made in 2013	(23,750)
Balance at December 31, 2013	11,875
Current liabilities (note 29)	11,875

Purchase of control over AMZ Mídia Industrial S.A. in April 2012 was agreed upon through a contract amounting to R$47,500, which will be paid by the Company to ex-owner Microservice Tecnologia Digital do Amazônia Ltda. in 24 fixed installments of R$1,979.

Extraordinary Shareholders' Meeting held on March 21, 2014 anticipated the payment of priority dividends provided for in Article 35 of the Bylaws to holders of class A preferred shares issued by AMZ in 2014, as shown in letter “b” of note 16.

21 Royalties payable

As of December 31, 2013, a provision of R$6,190 (R$ 6,107 in 2012) is recorded at Videolar and R$ 1,478 (no balance in 2012) at subsidiary AMZ, referring to royalty contracts.

22 Shareholders' equity

a. Capital

(i) As of December 31, 2013, the Company’s capital is represented by 668,997 common shares and 261,279 class “A” preferred shares, totaling 930,276 shares.

(ii) 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.

c. Legal reserve

Brazilian Corporate Law requires corporations to assign 5% of their net income for the year to earnings reserve, before profit sharing, and limits this reserve to 20% of total capital value, which has not occurred yet as the balance as of December 31, 2013 is R$2,805.

d. Dividends

The Company’s Bylaws provide for minimum mandatory dividends equivalent to 25% of net income for the year, adjusted at the establishment of a legal reserve, as provided for by the corporate law. Minimum mandatory dividend calculation is as follows:

	R$
Net income for the year 2013	9,735
(-) Formation of legal reserve (5%)	(487)
(+) Realization of equity evaluation	245
(-) Tax incentives	9,493
Dividends calculation basis	-

Subsidiary's dividends:

The Extraordinary Shareholders' Meeting (AGE) held on April 18, 2013 approved the payment of profits from the earnings retention reserve in the total amount of R$13,000 to shareholder Videolar, of which R$10,000 was advanced on November 28, 2012 and R$3,000 was paid on February 27, 2013.

Extraordinary Shareholders' Meeting held on March 28, 2012 approved the payment of priority, fixed, cumulative dividends to holders of class A preferred shares in proportion to their respective interest in capital.

Provision recorded for dividends for the period from June 2013 to June 2014	4,566
Provision recorded for dividends for the period from July 2014 to June 2016	12,518
Balance of dividends payable on December 31, 2012	17,084
Recalculation of dividends according to Article 35 of the Bylaws.	(1,349)
Payments of dividends on July 01, 2013	(2,546)
Business combination - adjustment to present value	212
Balance of dividends payable on December 31, 2013	13,401

23 Net operating income

	Parent company		Consolidated	
Sales income	**2013**	**2012**	**2013**	**2012**
Gross operating income	1,038,511	901,011	1,551,429	1,212,102
Tax incentive reserves (Note 30)	95,073	80,504	148,391	113,750
Taxes on revenues	(153,174)	(159,327)	(266,897)	(244,887)
Returns	(28,171)	(34,915)	(79,274)	(42,064)
Net operating income	952,239	787,273	1,353,649	1,038,901

24 Cost of sales

	Parent company		Consolidated	
	2013	**2012**	**2013**	**2012**
Cost of products sold	(881,421)	(624,788)	(975,183)	(703,591)
Cost of products sold	(18,702)	-	(37,979)	-
Cost of applied services	-	(1,168)	-	(1,168)
Copyright expenses	-	(21,416)	(229,708)	(152,350)
Others	83,856	(29,264)	109,758	-
	(816,267)	(676,636)	(1,133,112)	(857,109)

25 Administrative expenses

	Parent company		Consolidated	
	2013	**2012**	**2013**	**2012**
Payroll expenses	38,225	37,425	52,884	51,103
Depreciation	10,671	11,044	14,396	14,630
Electric power	7,949	8,231	10,302	9,831
Taxes and rates	7,349	5,095	11,865	5,838
Provisions	39,219	2,602	39,273	2,816
Lawyers' fees	1,529	1,920	1,591	2,117
Preservation of assets	4,990	4,854	5,328	5,298
Travel expenses	1,049	1,676	1,234	1,843
Freight and carriage	16,041	17,702	31,797	24,764
Maintenance and repairs	2,187	1,043	2,187	1,043
Consulting and advisory	112	245	1,524	825
Promotional material	9,575	9,938	11,505	11,619
Others	2,134	1,015	5,099	5,021
	141,030	102,790	188,985	136,748

26 Other operating income (expenses), net

	Parent company		Consolidated	
	2013	**2012**	**2013**	**2012**
Sale of assets	1,558	78,086	1,572	78,101
Losses and gains on write-off of property, plant and equipment	(1,693)	3,569	(1,233)	(2,419)
Gains from claims	5,368	4,996	5,368	4,996
Sale of scrap	7,705	3,282	8,111	3,465
Nondeductible rebates	(1,827)	(2,419)	(3,195)	(3,230)
Compensation	19,045	-	19,045	-
Others	3,213	2,247	3,038	2,124
	33,369	89,761	32,706	83,037

27 Net financial income (expenses)

	Parent company		Consolidated	
	2013	**2012**	**2013**	**2012**
Financial income				
Interest and gains on investments	1,594	397	1,673	1,057
Monetary variation	4,582	2,482	4,586	2,483
Discounts obtained	1,106	856	1,592	1,712
Revenue from collection recovery	-	-	190	4
	7,282	3,735	8,041	5,256
Financial expenses				
Interest on loans	(5,810)	(4,730)	(5,931)	(4,733)
Discounts granted	(644)	(385)	(1,558)	(7,406)
Bank expenses	(2,318)	(3,131)	(2,875)	(3,387)
Others	(635)	(574)	(650)	(574)
	(9,407)	(8,820)	(11,014)	(16,100)
Exchange variation, net				
Foreign exchange variations in assets	53,516	44,951	53,305	45,034
Liability foreign exchange fluctuations	(92,376)	(66,953)	(92,445)	(67,002)
	(38,860)	(22,002)	(39,140)	(21,968)
Net financial income (loss)	(40,985)	(27,087)	(42,113)	(32,812)

28 Income tax and social contribution

a. Formation of deferred income and social contribution taxes

	Parent company/ Consolidated	Parent company
	2013	**2012**
Provision for losses of assets	8,535	13,003
Provision for contingencies	4,074	4,130
Tax loss	15,512	-
Other provisions	1,821	1,374
	-	-
Assets subtotal	29,942	18,507
Deferred income and social contribution taxes on adjustments in the adoption of CPCs:		
Fair value of buildings and land	(40,898)	(41,190)
Review of the useful life of the property, plant and equipment	(9,342)	(17,005)
Total Liabilities	(50,240)	(58,195)
Total deferred income tax and social contribution, net liability	(20,298)	(39,688)

The deferred income and social contribution taxes are recognized to reflect future tax effects attributable to temporary differences between the tax bases of assets and liabilities and their book values.

b. Reconciliation of income tax and social contribution expenses

The reconciliation between the tax expense as calculated by the combined nominal rates and the income and social contribution tax expense charged to income is presented below:

	Parent company	Parent company
Description	**2013**	**2012**
Income (loss) before income and social contribution taxes	(9,656)	45,043
Combined statutory rate	34%	34%
Tax loss and negative social contribution basis/(Income and social contribution tax expense) at combined rate	3,283	(15,315)
Equity in net income	5,552	(1,463)
Permanent additions	13,815	15,225
Incentives and grants	(28,790)	(15,364)
Others	25,531	6,130
	19,391	(10,787)
Effective rate	0%	24%
Current income and social contribution taxes		-
Deferred income and social contribution taxes - liabilities	19,391	(10,787)

c. Income and social contribution tax, recoverable

	Parent company		Consolidated	
	2013	**2012**	**2013**	**2012**
Income tax	950	2,206	950	2,206
Social contribution	2,001	2,001	2,001	2,282
	2,951	4,207	2,951	4,488

d. Transitory tax regime—RTT

The Company opted for the Transition Tax Regime (“RTT”) established by Law no. 11,941, of May 27, 2009, 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 no. 6,404 of December 15, 1976, prevailing as of December 31, 2007.

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 (“DIPJ”) for 2009.

The Management made a initial evaluation of the provisions contained in the Provisional Measure 627, of November 11, 2013 ("MP 627"), and the Regulatory Instruction 1397, of September 16, 2013, amended by the Regulatory Instruction 1422, of December 19, 2013 ("IN 1397").

Although the MP 627 comes into effect on January 1, 2015, there is the option (irreversibly) of early adopting it as of January 1, 2014. Management does not intend to choose early adoption.

According to the analysis made by management and their consultants, no material impacts of Provisional Measure No. 627 and Regulatory Instruction No. 1397 were identified in the financial statements for the year ended December 31, 2013.

29 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 30, 2012.

Total management's remuneration for the year ended December 31, 2013 was R$1,147 (R$1,040 in 2012).

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:

	Parent company 2012		
	Assets	Liabilities	Sales / Purchase
AMZ Mídia Industrial S.A.	7,489	(1,048)	2,959
M.L. Parisotto EPP	535	-	5,750
Microservice Tecnologia Digital da Amazônia Ltda	8,724	(35,625)	35,349
	16,748	(36,673)	44,058

	Parent company - 2013		
	Assets	Liabilities	Sales / Purchase
AMZ Mídia Industrial S.A.	479	-	4,055
M.L. Parisotto EPP	-	-	278
Microservice Tecnologia Digital da Amazônia Ltda	-	-	8,233
	479	-	12,566

	Consolidated - 2012		
	Assets	**Liabilities**	**Sales / Purchase**
M.L. Parisotto EPP	535	-	5,750
Microservice Tecnologia Digital da Amazônia Ltda	18,166	(62,706)	35,349
	18,701	(62,706)	41,099

	Consolidated - 2013		
	Assets	**Liabilities**	**Sales / Purchase**
M.L. Parisotto EPP	-	-	278
Microservice Tecnologia Digital da Amazônia Ltda	76	(13,189)	7,776
	76	(13,189)	8,054

	Parent company		**Consolidated**	
Assets	**2013**	**2012**	**2013**	**2012**
Accounts receivable (Note 10)	12,599	11,446	**8,937**	18,701
Inventory	-	2,302	**-**	-
Other accounts receivable	479	-	**76**	-
Dividends receivable	-	3,000	**-**	-
Total assets	13,078	16,748	9,013	18,701

	Parent company		**Consolidated**	
Liabilities	**2013**	**2012**	**2013**	**2012**
Suppliers (note 17)	(32)	(19)	(883)	(555)
Other liabilities	-	(1,029)	-	-
Copyright to be transferred	-	-	-	(9,442)
Investments payable (note 20)r	(11,875)	(35,625)	(11,875)	(35,625)
Dividends (Note 22.d)	-	-	(13,189)	(17,084)
	(11,908)	(36,673)	(25,947)	(62,706)

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

30 Tax incentives

	Parent company		Consolidated	
Incentive	**2013**	**2012**	**2013**	**2012**
ICMS tax benefit on shipment of intermediate assets (Note 23);	95,073	80,504	148,391	113,750

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) Operational risk

(v) Capital risk

This note presents information on the Company's exposure to each of the aforementioned risks, objectives, policies and processes for risk measurement and management, and 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 Exporting 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.

The Company has the practice of managing its existing risks in a conservative manner, aiming mainly to preserve the value and liquidity of financial assets and to guarantee financial resources for the smooth running of business.

(i) Credit risk

The carrying amounts of financial assets classified as loans and receivables represent the maximum credit exposure. The maximum credit risk exposure on the reporting period was as follows:

Carrying amount of financial assets that represent the maximum exposure to credit risk as showed:

	Consolidated		Subsidiary	
	2013	**2012**	**2013**	**2012**
Cash and cash equivalents and interest earning bank deposits	86,740	67,931	21,964	30,076
Trade accounts receivable	371,165	306,953	160,610	97,389
Other receivables	28,646	14,973	19,573	13,791
	486,551	389,857	202,147	141,256

Management understands that there is no significant credit risk to which the Company and its subsidiary are 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:

	Consolidated				
	Book value	**Up to 1 year**	**1-2 years**	**2-4 years**	**> 4 years**
Loans and financing	420,031	208,045	80,805	121,085	10,096
Suppliers	184,973	184,973			
Investments payable	11,875	11,875			
Royalties payable	7,668	7,668			
Dividends and interest	-	-			
Assignment of rights payable	250,593	250,593			
	875,140	663,154	80,805	121,085	10,096

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

(iii) Market risk

a. Interest rate risk

On the balance sheet dates, the profile of financial instruments (assets) of the Company is remunerated at 99.5% of CDI.

	Consolidated
Variable rate instrument	**2013**
Financial assets	-
Investments	45,270
	45,270

Analysis of sensitivity to CDI rate variation

Regarding the consolidated numbers, the Company has Interest earning bank deposits indexed to the CDI rate variation. As of December 31, 2013, the Parent company had receivables amounting to R$21,964, while Consolidated had receivables amounting to R$86,740. Market expects, indicated a CDI effective average rate of 10.75%, probable scenario for 2014, against the effective rate of 8.06% verified in 2013.

Consolidated			
	Probable scenario	**Scenario I - of 25%**	**Scenario II - of 50%**
Interbank Deposit Certificate annual effective rate in 2013	8.06%	8.06%	8.06%
Interest earnings bank deposits	45,270	45,270	45,270
Interbank Deposit Certificate estimated annual rate for 12 months	10.75%	8.06%	5.38%
Effect in the financial instrument			
Increase (decrease)	1,218	-	(834)

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, 2013 and 2012, which considers the carrying amounts of borrowings and cash and cash equivalents:

		Consolidated			
		2013		**2012**	
		Foreign currency nominal value	**R$**	**Foreign currency nominal value**	**R$**
Bradesco Loan	USD	16,900	39,591	10,003	20,442
Loan from Banco do Brasil	USD	51,988	121,788	27,767	56,741
Foreign suppliers	USD	67,711	158,620	72,208	147,557
Bradesco Loan	EURO	52,716	170,089	49,894	134,484
Foreign suppliers	EURO	4,037	13,025	5,811	15,663
Foreign suppliers	CHF	4	10	(5)	(11)

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

The Company has no derivative instrument to minimize this risk, and continuously monitors volatility of these foreign exchange rates.

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, 2013. The Company considered the scenarios below for the volatility of the US Dollar and Euro exchange rate.

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, 2013 of R$2.3426 per US$1.00:

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

c. *Risk: Dollar fluctuation:*

	Consolidated				
		Income or expense on exchange rate			
	Reference value, USD	**Scenario 1**	**Scenario 2**	**Scenario 3**	**Scenario 4**
	2.3426	1.7569	1.1713	2.9282	3.5139
Bradesco Loan	16,900	29,692	19,795	49,487	59,385
Loan from Banco do Brasil	51,988	91,338	60,894	152,231	182,681
Foreign suppliers	67,711	118,961	79,310	198,271	237,930

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, 2013 of R$3.2265 per EUR$1.00:

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

d. *Risk: Euro fluctuation:*

Consolidated					
		Income or expense on exchange rate			
	Euro reference value	Scenario 1	Scenario 2	Scenario 3	Scenario 4
	3.2265	2.4198	1.6133	4.0331	4.8397
Bradesco Loan	52,716	127,562	85,047	212,609	255,130
Foreign suppliers	4,037	9,769	6,513	16,282	19,538

(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	
	Parent company/Consolidated		Parent company/ Consolidated	
	12/31/2013	12/31/2012	12/31/2013	12/31/2012
Financial assets				
Cash and cash equivalents	86,740	61,112	86,740	61,112
Interest earnings bank deposits	-	6,819	-	6,819
Accounts receivable	371,165	306,953	371,165	306,953
Income and social contribution tax, recoverable	2,951	4,488	2,951	4,488
Recoverable taxes	53,580	69,720	53,580	69,720
Total	514,436	449,092	514,436	449,092
Financial liabilities				
Loans and financing	420,021	301,293	420,021	301,293
Suppliers	184,973	176,409	184,973	176,409
Tax liabilities	3,052	5,986	3,052	5,986
Total	608,046	483,688	608,046	483,688

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

Videolar 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).

a. 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, 2013 and 2012.

	Parent company/ Consolidated	
	12/31/2013	**12/31/2012**
Loans and financing	420,021	301,293
(-) Cash and cash equivalents	(86,740)	(61,112)
Net debt (Net cash of debts)	333,281	240,181
Shareholders' equity	702,897	673,785
Shareholders' equity and net debt	1,036,178	913,966

32 Insurance coverage

Type of coverage	**Total insured amount**
Material damage and revenue losses	160,000
Civil liability	15,000
Load insurance	44,800
Life	480

33 Operating leases

Commitments basically refer to contracts for rent of properties such as flats to be used by employees and projects, rent of the Distribution Center and of the Tube installed from Petrobrás port to Videolar to take styrene monomer inside silos of unit IV in Manaus.

Contracts for equipment rent refer to rent of nitrogen cylinder, forklift of unit III and firewall, routers and server.

Chart with contract validity and estimated renewal is as follows:

	Monthly rent value (R$)	**Expiry of the contract**
Machinery and equipment		
Petrobrás	25	12/21/2015
Ozonio Telecomunicações	4	Undetermined
WhiteMartins	3	Undetermined

Disbursements for rent commitments estimated for the following years, considering renewal of contracts, are as follows:

2014	384
2015	384

34 Subsequent events

In February 2014, Videolar renegotiated the loan contract (Finimp) with Banco do Brasil in the amount of USD7,171,172.86, accordingly, interest rate became Libor (0.3331) + 1.45% p.a., with maturity on August 8, 2014; this loan refers to the acquisition of raw material for the Plastic Resins' production process.

In January 2014, Videolar entered into a contract with Banco do Brasil for an international credit facility (Finimp) of US$8,840,298.22, at interest rate Libor (0.3464) + 1.50% and maturing on July 3, 2014 p.a., referring to the acquisition of raw material for the Plastic Resins' production process.

In February 2014, Videolar entered into a contract with Banco do Brasil for an international credit facility (Finimp) of US$16,847,298.29, at interest rate Libor (0.3305) + 1.45% p.a. that was used to settle the loan (Finimp) raised from Banco Bradesco.

Extraordinary Shareholders' Meeting held on March 21, 2014 anticipated the payment of priority dividends provided for in Article 35 of the Bylaws to holders of class A preferred shares issued by AMZ in 2014, as shown in letter "b" of note 16.

* * *

Executive Board

Lírio Albino Parisotto - CEO and resident at Manaus
Carmo Bernardi Caparelli - Chief Operating Officer
Claudio Rocha Filho - Commercial Diretor
Alexandre Cesar Innecco - Administrative/financial 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