Videolar S.A.

Individual and consolidated financial statements December 31, 2014 and 2013

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

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Independent auditors' report on the financial statements

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

We have audited the individual and consolidated financial statements of Videolar S.A. ("Company"), comprising the balance sheet as of December 31, 2014 and the related statements of income, comprehensive income, changes in shareholders' equity and cash flows, for the year then ended, as well as the summary of the significant accounting practices and other explanatory notes.

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

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

An audit involves the carrying out of procedures selected to obtain evidence related to the amounts and disclosures presented in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement in the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the relevant internal controls for the Company´s preparation and fair presentation of the financial statements, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls. An audit also includes the evaluation of the adequacy of adopted accounting practices and reasonability of accounting estimates made by Management, as well as an assessment of the presentation of financial statements taken as a whole.

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

KPMG Auditores Independentes, uma sociedade simples brasileira e firma-membro da rede KPMG de firmas-membro independentes e afiliadas à KPMG International Cooperative ("KPMG International"), uma entidade suíça.

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

Opinion
In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of Videolar S.A. as of December 31, 2014, the performance of its operations and its cash flows for the year then ended, in accordance with the accounting practices adopted in Brazil.

São Paulo, March 27, 2015.

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, 2014 and 2013

(In thousands of reais)

		Parent company		Consolidated	
Assets	**Note**	**2014**	**2013**	**2014**	**2013**
Current assets					
Cash and cash equivalents	9	140,337	21,964	251,107	86,740
Accounts receivable	10	122,321	160,610	548,711	371,165
Inventories	11	224,534	215,283	388,492	249,250
Income and social contribution tax, recoverable	29.c	2,560	2,951	10,323	2,951
Recoverable taxes	12	23,104	49,923	26,229	53,580
Other accounts receivable		3,645	19,573	13,355	28,646
Prepaid expenses		973	795	3,367	873
		517,474	471,099	1,241,584	793,205
Non-current assets					
Other accounts receivable - Long-term	13	12,512	-	74,192	-
Judicial deposits	20	15,594	16,015	24,887	16,054
		28,106	16,015	99,079	16,054
Interest in controlled companies	14	721,164	91,834	-	-
Investment property	15	24,009	-	24,009	-
Property, plant and equipment	15	734,204	796,112	1,136,747	840,675
Intangible assets	16	8,282	8,166	325,968	18,681
		1,487,659	896,112	1,486,724	859,356
		1,515,765	912,127	1,585,803	875,410
		2,033,239	1,383,226	2,827,387	1,668,615

		Parent company		Consolidated	
Liabilities	**Note**	**2014**	**2013**	**2014**	**2013**
Current liabilities					
Loans and financing	17	245,314	208,045	261,419	208,045
Suppliers	18	242,226	173,800	282,837	184,973
Labor obligations and social charges		9,549	9,667	24,873	13,294
Tax liabilities		3,494	2,129	12,801	3,052
Royalties payable	22	7,110	6,190	10,330	7,668
Investments payable	21	133,784	11,875	133,784	11,875
Dividends and interest		-	-	-	13,401
Copyright assignment	19	192	192	185,356	250,593
Other liabilities		8,489	14,603	14,810	18,896
		650,158	426,501	926,210	711,797
Non-current liabilities					
Deferred income and social contribution taxes	29.a	21,037	20,298	129,400	20,298
Loans and financing	17	736,201	211,976	736,201	211,976
Provision for contingencies	20	15,177	21,555	77,894	21,609
		772,415	253,829	943,495	253,883
Shareholders' equity	23				
Capital	23.a	555,381	555,381	555,381	555,381
Profit reserves/ Accumulated losses	23.c	(23,448)	68,537	(23,448)	68,537
Equity evaluation adjustment	23.b	78,733	78,978	78,733	78,978
Shareholders' equity attributable to controlling shareholders		610,666	702,896	610,666	702,896
Non-controlling interest		-	-	347,016	39
		1,383,081	956,725	1,901,177	956,818
		2,033,239	1,383,226	2,827,387	1,668,615

See the accompanying notes to the financial statements.

Videolar S.A.

Statements of income

(In thousands of reais)

	Note	Parent company		Consolidated	
		2014	2013	2014	2013
Continued operations					
Net operating income	24	820,861	755,481	1,053,962	755,481
Cost of sales	25	(712,525)	(625,877)	(906,775)	(625,877)
Gross operating income		108,336	129,604	147,187	129,604
Operating income (expenses)					
Sales expenses		(3,938)	3,601	(23,224)	3,588
Administrative expenses	26	(18,155)	(125,084)	(18,356)	(127,067)
Equity in income of subsidiaries	14	(6,308)	16,329		
Realization of appreciation and adjustment to present value (AVP)		(5,722)	(2,079)	-	-
Other operating income (expenses), net	27	(43,515)	30,331	(40,703)	30,331
		(77,638)	(76,902)	(82,283)	(93,148)
Financial income	28	7,643	7,471	8,723	7,471
Financial expenses	28	(18,594)	(9,407)	(20,213)	(9,506)
Monetary and exchange variations, net	28	(49,172)	(30,950)	(49,770)	(30,950)
Net financial income (expenses)	28	(60,123)	(32,886)	(61,260)	(32,985)
Investment property					
Income (loss) before taxes		(29,425)	19,816	3,644	3,471
Income and social contribution taxes		-	-	3,153	-
Deferred income and social contribution taxes	29.b	(740)	19,391	(1,007)	19,391
Net income (loss) of continued operations		(30,165)	39,207	5,790	22,862
Discontinued operations					
Net income (loss) of discontinued operations	32	(62,065)	(29,472)	(86,201)	(13,135)
Non-controlling interest		-	-	11,819	8
Income for the year		(92,230)	9,735	(92,230)	9,735

See the accompanying notes to the financial statements.

Videolar S.A.

Statements of comprehensive income

Years ended December 31, 2014 and 2013

(In thousands of reais)

	Parent company		Consolidated	
	2014	**2013**	**2014**	**2013**
Income (loss) for the year	(92,230)	9,735	(92,230)	9,735
Comprehensive income				
Other comprehensive income, net of income and social contribution taxes		-		-
Total comprehensive income	(92,230)	9,735	(92,230)	9,735
Comprehensive income attributable to				
Controlling shareholders	-	-	(92,230)	9,727
Non-controlling shareholders	-	-	11,819	-
Total comprehensive income	(92,230)	9,735	(80,411)	9,727

See the accompanying notes to the financial statements.

Videolar S.A.

Statements of changes in shareholders' equity

Years ended December 31, 2014 and 2013

(In thousands of reais)

	Attributable to controlling shareholders									
	Capital			Profit reserve						
	Capital	(-) Capital to be paid-up	Equity evaluation adjustments	Legal	Tax incentives	Profit retention	Retained earnings (loss)	Total	Interest of non-controlling shareholders	Total shareholders' equity
Balance at January 01, 2013	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
			-	-	-	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
Revaluation adjustment to equity	-	-	(245)	-	-	-	245	**-**	-	-
Income (loss) for the period	-	-	-	-	-	-	(92.230)	**(92.230)**	11.819	(80.411)
Interest of non-controlling shareholders	-	-	-	-	-	-	-	**-**	335.158	335.158
Offsetting of loss for the year	-	-	-	-	(23.475)	(42.257)	65.732	**-**	-	-
Balances at December 31, 2014	555.381		78.733	2.805	-	-	(26.253)	**610.666**	347.016	957.682

See the accompanying notes to the financial statements.

Videolar S.A.

Statements of cash flows

Years ended December 31, 2014 and 2013

(In thousands of reais)

	Parent company		Consolidated	
	2014	**2013**	**2014**	**2013**
Cash flows from operations				
Net income for the year	(92,230)	9,735	(92,230)	9,735
Adjustments for reconciliation of net income to operating income				
Depreciation and amortization	32,851	32,441	53,283	40,572
Deferred and current income tax	739	(19,390)	4,750	(19,390)
Equity in income of subsidiaries	6,308	(16,329)	-	-
Provision for contingencies	(6,378)	7,771	(6,341)	7,825
Write-off of fixed and intangible assets	62,379	131,661	98,165	131,267
Allowance for estimated credit loss for allowance for doubtful accounts	3,413	(1,328)	3,413	(1,289)
Provision for obsolescence	1,921	594	1,921	594
Financial charges and foreign exchange variation on balances with related companies, financing, tax obligations, and net escrow deposits	107,109	33,703	107,109	33,575
	116,112	178,858	170,070	202,889
Increase (decrease) in assets				
Trade and other notes receivable	34,876	(61,893)	97,075	(62,923)
Interest earning bank deposits	-	-	-	6,819
Inventories	(11,172)	(60,703)	35,862	(46,787)
Recoverable taxes	27,210	20,897	40,727	17,677
Other	3,659	(5,826)	(36,687)	(13,735)
	54,573	(107,525)	136,977	(98,949)
Increase (decrease) in liabilities				
Suppliers	68,426	(3,007)	55,698	817
Investments payable	121,909	(11,875)	121,909	(11,875)
Royalties payable	920	83	2,662	1,561
Salaries and social security charges	(118)	1,261	(4,505)	2,504
Copyright assignment	-	-	(65,237)	13,588
Other	(4,749)	1,049	(28,828)	(8,434)
	186,388	(12,489)	81,699	(1,839)
Net funds from operating activities	357,073	58,844	388,746	102,101
Acquisitions of intangible assets				
Cash flow used in investment activities				
Acquisition of property, plant and equipment	(56,938)	(168,080)	(25,831)	(174,856)
Acquisitions of intangible assets	(509)	(13)	(4,888)	1,660
Investment acquisition	(635,638)	731	(663,131)	-
Cash generated in the business combination – Innova	-	-	27,607	-
Net funds of provision for investment activities	(693,085)	(167,362)	(666,243)	(173,196)
Cash flow from investment activities				
Raising of financing	837,702	181,380	815,654	181,380
Payment of financing and interest	(383,317)	(88,475)	(373,790)	(88,475)
Paid-up capital	-	19,376	-	19,376
Dividends paid	-	(11,875)	-	(15,558)
Net funds from financing activities	454,385	100,406	441,864	96,723
Increase (decrease) in cash and equivalents	118,373	(8,112)	164,367	25,628
Cash and cash equivalents at the beginning of the year	21,964	30,076	86,740	61,112
Cash and cash equivalents at the end of the year	140,337	21,964	251,107	86,740
Variation in cash and cash equivalents for the year	118,373	(8,112)	164,367	25,628

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. The Company's individual and consolidated financial statements include the Company and its subsidiaries (together referred to as 'Group' and individually as 'Group entities').

In 2012, it expanded its business and completed the construction of a new Industrial Unit (Fazenda Vitória Unit) on an area of 289,000 m2 with built area of 69,000 m2.

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 October 2014, with the acquisition of a 60% stake in Innova S.A., together with Petrobras, Videolar is consolidated in the Petrochemical segment.

Innova S.A. is a close corporation, with a plant located in Triunfo, Rio Grande do Sul, and its administrative headquarters in Porto Alegre, Rio Grande do Sul. It is primarily engaged in the manufacture and sale of styrene and polystyrene.

In June 2014, Videolar ceased activities in the Blank Media segment (CD-R, DVD-R and flash drives), of the brands Nipponic® and Emtec®, focusing its business in the petrochemical and plastic segments.

Also in December 2014, Videolar discontinued activities of Recorded Media, which operated through AMZ Mídia S.A., ceasing to perform 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.

Despite Management's decision to discontinue the business regarding the aforementioned activities, the subsidiary AMZ, as a legal person, will continue to exist, enabling the realization of its assets and settlement of its liabilities considering the rights and obligations before and after the interruption of its operations.

Previously, the assumption of operational continuity was properly used by Group Management in preparing the financial statements. The event that led to the decision of discontinuing operational activities by Group Management was the loss of a major client that was not foreseen previously.

Accordingly, the application of the assumption of operational continuity is inappropriate under the circumstances, and the financial statements on December 31, 2014 have been prepared on a basis that reflects the effects of the foregoing decision. Therefore, the aforementioned financial statements should be read and interpreted from this perspective. For better understanding, we present the most relevant aspects that reflect the effects of such decision.

(a) Deferred income tax on tax loss and social contribution - These tax credits were not recorded in assets of the Subsidiary AMZ, having in light of the discontinuation of operational activities and consequently the non-existence of future taxable income. These credits are still eligible regarding the Subsidiary's rights according to tax legislation currently in force;

(b) Tax incentives - In view of the continuity of business operations, tax incentives will not be canceled until the completion of all of the processes.

(c) Impairment of assets - The Company calculated impairment from the perspective of discontinuity of operating activities in its projections, resulting in impairment losses for fixed and intangible assets recognized in the income statement (see Note 15);

(d) Segregation between current and non-current - bearing in mind the continuity of the legal person of the Subsidiary AMZ and the nature of the assets and liabilities involved, the segregation did not consider special bases following the same bases as the previous financial year;

(e) Provisions - All necessary provisions were taken into account to reflect the discontinuation of the operation.

Group Management expects cash flow, after discontinuation of operating activities, sufficient to meet the obligations assumed by the Parent Company, without the need for borrowing funds from third parties.

2 Company of the group

		%	
Companies	**Country**	**2014**	**2013**
AMZ Mídia Industrial S.A.	Brazil	99.95%	99.95%
Innova S.A.	Brazil	60%	-

Acquisitions of subsidiaries and non-controlling ownership interest

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

In all, 38,008,513 common shares are being acquired, representing 60% of the share capital of the acquired entity. The remaining shares, 19,591,487 common and 5,747,521 preferred, totaling 25,339,008, were acquired by L. Partisotto Ltda, representing the remaining 40% of the share capital.

From the acquisition up to December 31, 2014, Innova S.A. contributed gross income in Consolidated in the amount of R$ 299,371 and profit of R$ 17,788.

(i) *Identifiable assets acquired and liabilities assumed*

The fair value of identifiable assets and liabilities of Innova S.A. at the acquisition date is as follows:

	Book value	Fair value	Fair values recognized on acquisition
Assets			
Inventory	177,025	5,658	182,683
Accounts receivable	278,034	-	278,034
Deferred tax	10,272	(10,272)	-
	240,082	170,123	410,205
Intangible property, plant and equipment	2,981	169,252	172,233
Indemnity asset	-	51,868	51,868
Other	88,056	-	88,056
	796,450	**386,629**	**1,183,079**

	Book value	Fair value	Fair values recognized on acquisition
Liabilities			
Loans and financing	(44,785)	-	(44,785)
Suppliers	(41,402)	-	(41,402)
Provisions	(12,727)	(59,770)	(72,497)
Deferred tax liabilities	-	(104,352)	(104,352)
Other	(54,155)	-	(54,155)
	(153,069)	**(164,122)**	**(317,191)**
	643,381	**222,507**	**865,888**
Total net identifiable assets			643,381
Difference in the fair value			222,507
Goodwill on acquisition			239,331
Total compensation			1,105,219

The Innova acquisition contract set out a price adjustment calculation, between the start date of negotiation (which occurred on September 30, 2013) until the time of approval by the Administrative Council for Economic Defense (CADE) and the effective completion of the transaction, which occurred on October 31, 2014. The assumed liabilities, referring to this price adjustment, is R$ 222,974 and payment is set for the end of March, 2015. On December 31, 2014, the outstanding liabilities of the 60% stake in Videolar regarding the price adjustment is R$ 133,784 (i) / Note 21.

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

The following table shows the openings of the amounts in the proportion of 60% of the portion of the investment made by Videolar:

Cost of acquisition (ii)	**663,131**
Initial Value	529,347
Price adjustment (i)	133,784
Fair value of net assets	**865,888**
Book value of shareholders' equity as of October 31, 2014	643,382
Appreciation (depreciation)	**222,506**
Inventories (Note 11)	5,658
Property, plant and equipment (Note 15)	170,123
Client relationship - Styrene (note 16)	54,415
Client relationship - Polystyrene (note 16)	20,712
Contract with supplier (note 16)	93,270
Industrial patents (note 16)	855
Indemnity asset (note 13)	51,868
Provisions (Note 20)	(59,770)
Deferred tax liabilities	(114,625)
Proportion acquired	**519,533**
Goodwill (Note 14)	**143,599**

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

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

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

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

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

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

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

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

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

As established by CPC 15, the Company has a period of 12 months counted as of acquisition date to complete final recognition of paid price, which will be concluded on October 31, 2015. If new information obtained within one year from the date of purchase, regarding facts and circumstances that existed on the acquisition date, indicate adjustments to the aforementioned amounts, or any additional provision that existed on the acquisition date, recording of the acquisition will be reviewed.

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

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

(ii) Goodwill

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

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

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

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 no. 11,638/07 and no. 11,941/09, and pronouncements, interpretations and guidelines of the Accounting Pronouncements Committee (CPC) approved by resolutions of the Federal Accounting Council (CFC).

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 27, 2015.

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 15 - Property, plant and equipment - review of the useful life
- Note 20 - Provision for contingencies
- Note 29 (a) - Deferred income and social contribution taxes.

(ii) Uncertainties over 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:

- Notes 15 - impairment test: Main assumptions underlying recoverable amounts, including recoverability of development costs;

- Note 20 - 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, except for the material items recognized in balance sheets.

- contingent payments assumed in a business combination are measured at fair value;

- investment properties are measured at fair value.

7 Significant accounting policies

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

- 7.1 - Consolidation basis
- 7.2 - Operating income
- 7.3 - Assignment of rights payable
- 7.4 - Government grants and assistance
- 7.5 - Financial income and expenses
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- 7.8 - Inventories
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- 7.10 - Intangible assets and goodwill
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- 7.13 - Provisions
- 7.14 - New standards and interpretations not yet adopted

7.1 Basis of consolidation

(i) Business combination

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

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

(ii) Interest of non-controlling shareholders

The Company opted to measure any non-controlling interest in the acquiree at the proportionate stake in the net identifiable assets on the acquisition date.

Changes to the Parent Company’s interest in a subsidiary that do not result in loss of control are accounted for as transactions from shareholders’ equity

(iii) Subsidiaries

The Parent Company controls an entity when it is exposed to, or has a right over the variable returns arising from its involvement with the entity and has the ability to affect those returns exerting its power over the entity. 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.

In the individual financial statements of the Company, the financial statements of subsidiaries are recognized under the equity method.

(iv) 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.

7.2 Discontinued operation

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

- represents an important separate line of business or geographical area of operations;

- is part of a single coordinated plan to sell an important separate line of business or geographical area of operations; or

- is a subsidiary acquired solely for the purpose of resale.

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

7.3 Operating income

(i) Products sold

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

(ii) 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 31, received as monetary asset, is recognized in income for the year on a systematic basis, throughout the period corresponding to incurred expenses, which is the object of this incentive. Conditions established for the maintenance of tax incentives were duly complied with by the Company and its subsidiary.

7.4 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.

7.5 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, 2014 and 2013, the Company complied with all legal requirements to receive such incentives.

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.

7.6 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.

7.7 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.

7.8 Income and social contribution taxes

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

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

(i) Current tax

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

(ii) Deferred tax

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

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

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

(iii) Tax exposures

When determining current and deferred income tax, the Company 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 be provided, making the Company and its subsidiary change its judgment on the existing provision adequacy; such changes of provision will impact income tax expenses for the year in which they are made.

7.9 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.

7.10 Property, plant and equipment

(i) Recognition and measurement

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

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

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

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

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

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

(ii) Reclassification for investment property

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

(iii) Subsequent costs

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

(iv) Depreciation

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

Items of property, plant and equipment are depreciated 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 2014.

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:

	2014	**2013**
Equipment	5	5
Improvements / facilities	10	10
Machinery, equipment and tools	10	10
Furniture and fixtures	10	10
Vehicles	5	5
Other	20	20

7.11 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.

7.12 Investment property

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

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

7.13 Financial instruments

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

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

The Group initially recognizes the loans, receivables and debt instruments on the date that they were 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 Group fails to recognize a financial asset when the contractual rights to the cash flow of the asset expire, or when the Group 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 Group is recognized as a separate asset or liability.

The Group 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 of the Group 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 Group 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.

7.14 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 Group 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.

7.15 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.

7.16 New standards and interpretations not yet adopted

Several new standards, amendments to standards and interpretations will be effective for the years started after January 1, 2015, and have not been adopted to the preparation of these financial statements. Those that may be relevant to the Company are listed below.

IFRS 9 Financial Instruments

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

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

IFRS 15 Income from Contracts with Clients

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

The CPC has not yet issued all respective pronouncements and amendments related to new and revised IFRS previously presented. Because of the CPC's commitment and Federal Accounting Council - CFC keep the set of standards issued based on the updates made by the IASB, we expect that such pronouncements and amendments be issued by Accounting Pronouncement Committee - CPC and approved by the Federal Accounting Council - CFC in order to be applied from your application mandatory as required by IFRSs.

Company Management evaluated the new standards, not yet applied, and does not expect significant effects on the amounts reported.

The standards described above have been issued but had not yet entered into force as of December 31, 2014. The Group intends to adopt these standards when they enter into force.

8 Determination of the fair value

A number of the Group'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	
	2014	**2013**	**2014**	**2013**
Cash and cash equivalents	6,379	7,797	22,128	41,470
Investments	133,958	14,167	228,979	45,270
	140,337	21,964	251,107	86,740

Financial investment in fixed-income securities remunerated from 75% to 100% of CDI, with immediate liquidity.

10 Accounts receivable

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

Amounts receivable as of December 31, 2014 and 2013 are as follows:

	Parent company		Consolidated	
	2014	**2013**	**2014**	**2013**
Trade accounts receivable	139,716	162,846	615,403	400,594
Related parties (Note 30)	853	12,599	365	8,937
	140,569	175,445	615,768	409,531
Allowance for doubtful accounts	(18,248)	(14,835)	(67,057)	(38,366)
	122,321	160,610	548,711	371,165

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	
	2014	**2013**	**2014**	**2013**
Amounts falling due	**115,517**	**148,722**	**503,643**	**152,457**
Overdue amounts				
up to 30 days	2,677	8,181	29,217	28,213
31-60 days	3,153	2,068	9,362	74,226
61-90 days	243	768	1,138	51,440
91-180 days	4,403	871	9,338	64,829
Over 180 days	14,576	14,835	63,070	38,366
Total Overdue	**25,052**	**26,723**	**112,125**	**257,074**
Accounts receivable	**140,569**	**175,445**	**615,768**	**409,531**

Changes to the allowance for doubtful accounts are as follows:

	Parent company		Consolidated	
	2014	**2013**	**2014**	**2013**
Balance at the beginning of the year	14,835	16,163	50,004	36,316
Supplement to allowance for the year	4,310	15,834	20,320	19,212
Values writen-off of provision	(897)	(17,162)	(3,267)	(17,162)
Balance at December 31	18,248	14,835	67,057	38,366

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 3,000 thousand active clients in portfolio and no client represents 5% or more of revenues or accounts receivable as of December 31, 2014 and 2013.

11 Inventories

	Parent company		Consolidated	
	2014	**2013**	**2014**	**2013**
Raw material	63,112	98,288	90,316	104,033
Work in process	14,580	8,197	14,580	8,628
Finished products	59,993	90,780	164,862	107,260
Graphic material and packaging	760	1,319	2,900	4,116
Other materials	-	-	14,388	7,590
Imports in progress	86,089	16,699	95,784	17,623
Replacement cost - PPA Innova (Note 2)	-	-	5,658	-
	224,534	215,283	388,492	249,250

Changes to the provision for obsolescence are as follows:

	Parent company		Consolidated	
	2014	**2013**	**2014**	**2013**
Balance at beginning of year	(5,918)	(5,324)	(5,918)	(5,324)
	(8,555)	(2,065)	(15,189)	(2,065)
Additional provision in the year Amounts written off from provision	6,634	1,471	6,634	1,471
Balance at December 31	(7,839)	(5,918)	(14,473)	(5,918)

The inventory items with no outgoing movement for more than ninety days are considered obsolete, and became part of the provision balance. In 2014, the main provisioned items were items in the Blank Media line, Recorded Media line, and Farmaco line.

12 Recoverable taxes

	Parent company		Consolidated	
	2014	**2013**	**2014**	**2013**
ICMS recoverable	3,641	3,735	5,868	3,809
PIS//COFINS recoverable	-	-	-	3,442
PIS/COFINS tax process (i)	14,482	42,450	14,482	42,450
IPI recoverable	1,017	1,499	1,280	1,500
Other	3,964	2,239	4,599	2,379
	23,104	49,923	26,229	53,580

(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, 2013. On December 31, 2014, the recoverable balance of this process is R$ 14,482.

13 Other accounts receivable

	Parent company		Consolidated	
	2014	**2013**	**2014**	**2013**
Costs to be amortized (i)	12,512	-	12,512	-
Other receivables	-	-	9,812	-
Indemnity assets fair value (note) 2 (ii)	-	-	51,868	-
		-		-
	12,512	-	74,192	-

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

(ii) The Company recorded, at fair value, indemnity assets according to the contract on the signing date of the acquisition of Innova, as established by CPC 15, generating a tax credit in the amounting of R$ 51,868.

14 Interest in subsidiaries

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	% - Int.	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Shareholders' equity	Total liabilities	Income	Expenses	Income (loss)	Group's interest in income/(losses)
AMZ Mídia Indl. S.A.	99.95%	322,588	41,425	364,013	285,563	54	78,396	364,013	512,919	(496,582)	16,337	16,329
December 31, 2013		322,588	41,425	364,013	285,563	54	78,396	364,013	512,919	(496,582)	16,337	16,329
AMZ Mídia Indl. S.A.	99.95%	248,447	83	248,530	195,780	301	52,449	248,530	376,227	(400,363)	(24,136)	(24,096)
Innova S.A.	60%	476,974	266,573	743,547	80,981	12,941	649,625	743,547	299,371	(269,724)	29,647	17,788
December 31, 2014		725,421	266,656	992,077	276,761	13,242	702,074	992,077	675,598	(670,087)	5,511	(6,308)

Breakdown of investments

	2014	2013
AMZ Mídia Industrial S.A. (i)		
Shareholders' equity of the subsidiary	52,449	78,396
Controlling interest	100%	99.95%
	52,449	78,357
Goodwill in business combination	-	8,804
Appreciation in business combination and adjustment to present value	-	4,673
	52,449	**91,834**
Innova S.A. (ii)		
Shareholders' equity of the subsidiary	649,625	-
Controlling interest	60%	-
	389,775	-
Goodwill in business combination (Note 2.i)	143,599	-
Appreciation in business combination and adjustment to present value	135,341	-
	668,715	**-**
Total balance of investments	**721,164**	**91,834**

(i) In December 2014, Videolar discontinued the activities of Recorded Media, which operated through AMZ Mídia S.A. Accordingly, because there is no expectation of future profit on this operation of AMZ, the Company derecognized the amounts of Goodwill and Capital gains arising from the business combination. The counterpart against the derecognition of goodwill and capital gains were recorded under Other Operating Expenses.

(ii) In October 2014, the Company acquired control of Innova S.A. ("Innova"), a petrochemical industry company that manufactures and markets styrene and polystyrene. A total of 38,008,513 common shares were acquired, representing 60% of the share capital acquired. The acquisition resulted in goodwill of R$ 143,599 and gain of R$ 135,341.

15 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 (Note 15a)	Property, plant and equipment in progress (ii)	Imports in progress	Spare Parts - Construction in progress	Total
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**
Additions	-	-	1,952	36	49	16	-	11	23	(20,239)	16,942	50,642	7,506	56,938
Compound interest	-	-	-	-	-	-	-	-	-	-	-	-	-	
Write-off	(16,689)	(13,920)	(113,619)	(17,605)	(1,921)	(362)	(30)	(3,230)	(53)	45,623	(3,847)	(47,974)	(10,432)	(184,059)
Transfer	-	-	11,473	22,223	1	-	-	113	-	-	(33,810)	-	-	-
Balances at December 31, 2014	**82,967**	**216,640**	**307,430**	**127,298**	**13,549**	**16,396**	**509**	**30,079**	**1,085**	**(20,239)**	**213,894**	**30,222**	**17,515**	**1,037,345**
Depreciation														
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)**
Depreciation for the year	-	(7,942)	(16,293)	(6,242)	(489)	(511)	(49)	(919)	(13)	-	-	-	-	(32,458)
Write-off	-	1,762	76,657	13,813	1,801	362	21	3,228	27	-	-	-	-	97,671
Balances at December 31, 2014	**-**	**(40,876)**	**(167,227)**	**(42,019)**	**(11,393)**	**(15,414)**	**(421)**	**(24,761)**	**(1,030)**	**-**	**-**	**-**	**-**	**(303,141)**
Residual value														
Balances at December 31, 2014	**82,967**	**175,764**	**140,203**	**85,279**	**2,156**	**982**	**88**	**5,318**	**55**	**(20,239)**	**213,894**	**30,222**	**17,515**	**734,204**
Balances at December 31, 2013	99,656	195,864	180,033	73,054	2,715	1,477	146	6,115	71	(45,623)	234,609	27,553	20,441	**796,112**
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
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 (Note 15a)	Property, plant and equipment in progress (ii)	Imports in progress	Spare Parts - Construction in progress	Total
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**
Additions	-	-	2,014	37	97	21	-	11	23	(55,492)	17,623	50,641	10,856	25,831
Compound interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-off	(16,689)	(13,920)	(113,626)	(17,605)	(1,932)	(1,269)	(89)	(3,230)	(53)	45,623	(3,847)	(47,998)	(13,377)	(188,012)
Transfer	-	-	13,039	22,223	1	224	-	113	-	-	(38,468)	-	-	(2,868)
Acquisition Innova	2,056	-	475,981	48,831	1,729	5,521	225	-	-	-	14,182	-	-	548,525
Gains - Innova (note 2)	4,252	69,626	94,250	-	1,350	665	(20)							170,123
Appreciation - AMZ	-	(220)	(4,917)	(36)	(22)	(120)	(77)	(4)	-	-	-	-	-	(5,396)
Balances at December 31, 2014	**89,275**	**286,266**	**983,731**	**177,462**	**17,459**	**22,578**	**741**	**30,079**	**1,085**	**(55,492)**	**224,099**	**30,220**	**24,843**	**1,832,346**
Depreciation														
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
Spin-off	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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)**
Depreciation for the year	-	(7,942)	(26,593)	(6,659)	(555)	(591)	(58)	(918)	(12)	-	-	-	-	(43,328)
Write-off	-	1,763	76,663	13,813	1,813	1,266	79	3,228	27	-	-	-	-	98,652
Acquisition Innova	-	-	(277,868)	(24,911)	(1,035)	(4,506)	(124)	-				-	-	(308,444)
Appreciation in business combination	-	2	965	-	7	2	-	13	-	-	-	-	-	989
Balances at December 31, 2014	**-**	**(40,875)**	**(527,321)**	**(68,180)**	**(13,169)**	**(19,686)**	**(580)**	**(24,760)**	**(1,028)**	**-**	**-**	**-**	**-**	**(695,599)**
Residual value														
Balances at December 31, 2014	**89,275**	**245,389**	**456,411**	**109,282**	**4,290**	**2,228**	**161**	**5,319**	**57**	**(55,492)**	**224,099**	**30,220**	**24,843**	**1,136,747**
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
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%

The Company gave items from its fixed assets in security of loans for its production lines' expansion and technological updating projects, which on December 31, 2014 totaled R$ 113,669 (R$ 113,669 on December 31, 2013).

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

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: In December 2014, Videolar discontinued the activities of subsidiary AMZ Mídia S.A. After the loss of one of its main clients, the Company decided to discontinue operations in the recorded media segment. Impairment tests were carried out on the Company's assets, and in December the Company recorded an impairment in the amount of R$ 35,254 regarding its net assets due to the discontinuity the recorded media segment. The counterpart of the impairment provision was recorded in the group of administrative expenses.

	Parent company		**Consolidated**	
	2014	**2013**	**2014**	**2013**
Impairment value				
Buildings and improvements	2,352	-	2,352	-
Machinery and equipment	7,448	43,993	42,701	43,993
Industrial facilities	1,744	-	1,744	-
Furniture and fixtures	209	-	209	-
Proc. equipment	195	-	195	-
Molds and tools	77	-	77	-
Tele equipment	8	-	8	-
Software - Intangible assets	45	-	45	-
Property, plant and equipment in progress	165	-	165	-
Spare parts and pieces	7,996	1,630	7,996	1,630
	20,239	**45,623**	**55,492**	**45,623**

Management prepared a reformatting plan of this segment for 2014, which showed no results and, therefore, the total assets of this segment were provisioned and the Company is discontinuing blank media operations.

16 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, 2012	10,970	16,688	27,658
Additions	13	-	13
Write-offs	-	-	-
Balances at December 31, 2013	**10,983**	**16,688**	**27,671**
Additions	289	220	509
Write-offs	-	-	-
Balances at December 31, 2014	**11,272**	**16,908**	**28,180**
Amortization			
Balances at December 31, 2012	(5,201)	(13,908)	(19,109)
Amortization for the year	(393)	(3)	(396)
Write-offs	-	-	-
Balances at December 31, 2013	**(5,594)**	**(13,911)**	**(19,505)**
Amortization for the year	(391)	(2)	(393)
Write-offs	-	-	-
Balances at December 31, 2014	**(5,985)**	**(13,913)**	**(19,898)**
Residual value			
Balances at December 31, 2014	**5,287**	**2,995**	**8,282**
Balances at December 31, 2013	**5,389**	**2,777**	**8,166**
Balances at December 31, 2012	5,769	2,780	8,549
Annual average amortization rate	0.5%	0.5%	0.5%

Consolidated

Cost	**Software**	**Brands, rights and patents**	**Goodwill**	**Relationship with Clients and Contract with Suppliers (i)**	**Total**
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**
Additions	2,816	218	-	-	3,034
Acquisition Innova	10,330	21	143,599	169,252	323,202
Write-offs	(2,772)	-	(8,804)	-	(11,576)
Transfer	-	-	-	-	-
Appreciation in business combination	(2,884)	-	-	-	(2,884)
Balances at December 31, 2014	**26,755**	**16,927**	**143,599**	**169,252**	**356,533**
Amortization					
Balances at December 31, 2012	(8,389)	(13,908)	-	-	(22,297)
Amortization for the year	(2,539)	(3)	-	-	(2,542)
Write-off	205	-	-	-	205
Transfer	-	-	-	-	-
Appreciation in business combination	(1,442)	-	-	-	(1,442)
Balances at December 31, 2013	**(12,165)**	**(13,911)**	**-**	**-**	**(26,076)**
Amortization for the year	(2,291)	(2)	-	-	(2,293)
Acquisition Innova	(7,370)	-	-	-	(7,370)
Write-off	2,771	-	-	-	2,771
Transfer	-	-	-	-	-
Appreciation in business combination	2,403	-	-	-	2,403
Balances at December 31, 2014	**(16,652)**	**(13,913)**	**-**	**-**	**(30,565)**
Residual value					
Balances at December 31, 2014	**10,103**	**3,014**	**143,599**	**169,252**	**325,968**
Balances at December 31, 2013	7,100	2,777	8,804	-	18,681
Balances at December 31, 2012	11,309	2,780	8,804	-	21,893
Annual average amortization rate	0.50%	0.50%	0.00%	0.00%	0.50%

(i) The balance of supplier and client relationship is composed of: relationship with styrene clients - R$ 54,514; relationship with polystyrene clients - R$ 20,712; contract with supplier - R$ 93,270, and industrial patents - R$ 885 - Note 2.

a. *Impairment test*

In compliance with the requirements of CPC 01 - Asset impairment, the Company performed the annual recovery test of its intangible assets as of December 31, 2014, which were estimated based on the values in use, using the discounted cash flows, which evidenced that the estimated market value is higher than the net book value on the valuation date, and during the period there was no evidence of impairment of individual assets or group of relevant assets. Occasional impairment impacts were highlighted in explanatory notes, when relevant.

17 Loans and financing

					Parent company	
Financial institution		**Charges**	**Guarantees**	**Maturity**	**2014**	**2013**
Banco do Brasil Intern.	(i)	Libor+1.20p.a.	Surety	12/21/2015	80,048	121,801
Banco Bradesco N.Y.	(ii)	Libor + 0.55% p.a.	Surety	10/26/2015	63,791	39,591
Banco Bradesco Europa	(ii)	Libor + 3.25% p.a.	Promissory Note	07/24/2019	137,168	170,059
BNDES	(iii)	TJLP + 2.12% p.a.	Real estate	10/15/2017	74,045	88,570
Banco Santander	(iv)	Libor + 1.08% p.a.	Surety	04/08/2015	41,499	-
Banco HSBC	(v)	EV+4.96%p.a.	Surety + Pledge	10/20/2020	317,227	-
Banco Citibank	(vi)	Libor + 3.50% p.a.	Surety + Pledge	10/20/2020	267,737	-
					981,515	**420,021**
Current liabilities					**245,314**	**208,045**
Non-current liabilities					**736,201**	**211,976**

					Consolidated	
Financial institution		**Charges**	**Guarantees**	**Maturity**	**2014**	**2013**
Banco do Brasil Intern.	(i)	Libor+1.20p.a.	Surety	12/21/2015	80,048	121,801
Banco Bradesco N.Y.	(ii)	Libor + 0.55% p.a.	Surety	10/26/2015	63,791	39,591
Banco Bradesco Europa	(ii)	Libor + 3.25% p.a.	Promissory Note	07/24/2019	137,168	170,059
BNDES	(iii)	TJLP + 2.12% p.a.	Real estate	10/15/2017	74,045	88,570
Banco Santander	(iv)	Libor + 1.08% p.a.	Surety	04/08/2015	41,499	-
Banco HSBC	(v)	EV+4.96%p.a.	Surety + Pledge	10/20/2020	317,227	-
Banco Citibank	(vi)	Libor + 3.50% p.a.	Surety + Pledge	10/20/2020	267,737	-
Banrisul		Libor + 0.95% p.a.	n/a	05/08/2015	16,105	-
					997,620	**420,021**
Current liabilities					**261,419**	**208,045**
Non-current liabilities					**736,201**	**211,976**

(i) On December 27, 2014, Videolar renegotiated the loan agreement (Finimp) whose interest rates were thereby changed to the Libor rate (0.6278) + 1.41 p.a., maturing on December 21, 2015 related to the acquisition of raw materials for the plastic resin production process.

(ii) On October 31, 2014, Videolar entered into an international credit line agreement (Finimp) with Banco Bradesco, in the amount of US$ 23,975, maturing on October 26, 2015, with Libor interest rate (0.3233) + 0.55 p.a., related to the acquisition of raw material for the plastic resin production process

(iii) **National Bank for Social and Economic Development - BNDES**

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), as well as to acquire national machinery and equipment. Properties pledged in guarantee total R$113,669.

(iv) On October 10, 2014, Videolar entered into an international credit line agreement (Finimp) with Banco Santander, in the amount of US$ 7,267, maturing on April 8, 2015, with Libor interest rate (0.32415) + 1.0791 p.a., related to the acquisition of raw material for the plastic resin production process.

(v) On October 7, 2014, Videolar entered into a credit agreement with Banco HSBC, in the amount of R$ 300,000, maturing on October 25, 2020, semi-annual interest payments and two-year grace for payment of the principal, with interest rate of 4.96% p.a. The resources from this funding will be used exclusively to pay part of the cost of acquisition of Innova.

The contract has obligations related to financial indicators (covenants) measured on the basis of the ratio of net debt divided by EBITDA and the ratio of total debt divided by shareholder equity.

The Company showed compliance with the covenants as of December 31, 2014.

(vi) On September 26, 2014, Videolar entered into a credit agreement with Banco Citibank, in the amount of US$ 100,004, maturing on October 25, 2020, semi-annual interest payments and three-year grace for payment of the principal, with interest rate = Libor + 3.50% p.a. The resources from this funding will be used exclusively to pay part of the cost of acquisition of Innova.

The contract has obligations related to financial indicators (covenants) measured on the basis of the ratio of net debt divided by EBITDA, which will be applicable starting one year from the contract execution date, which took place on October 23, 2014

Amounts recorded in non-current liabilities as of December 31, 2014 and 2013 mature as follows:

	Parent company / Consolidated	
	2014	**2013**
2016	286,122	54,122
2017	203,371	54,122
2018	83,967	54,122
2019	66,561	49,610
2020	58,775	-
2021	37,405	-
Non-current liabilities	**736,201**	**211,976**

18 Suppliers

	Parent company		Consolidated	
	2014	**2013**	**2014**	**2013**
Domestic suppliers	11,810	2,149	44,433	11,666
Suppliers distributed	-	-	328	314
Foreign suppliers	230,416	171,618	238,076	172,110
Suppliers, related parties (Note 30)	-	33	-	883
	242,226	173,800	282,837	184,973

19 Copyright assignment

	Videolar		Consolidated	
	2014	**2013**	**2014**	**2013**
Fox	-	-	11,199	22,965
Paramount	-	-	50,276	53,492
Sony Pictures	-	-	4,274	5,704
Warner	-	-	107,845	149,739
Bretz Filmes	-	-	433	340
Universal	-	-	1,337	1,067
Europe	-	-	563	4,545
LW	-	-	-	256
EMI	-	-	221	262
Alpha Filmes	-	-	5	41
Vinny Filmes	-	-	138	748
Videofilmes	192	192	192	192
Other	-	-	8,873	11,242
	192	**192**	**185,356**	**250,593**

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.

20 Provision for contingencies and judicial deposits

During the normal course of its business, the Group 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, 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**
(+) Supplement of provision	35,996	649	8	36,653
(-) Write-off of provision	(42,329)	(671)	(31)	(43,031)
Balances at December 31, 2014	**13,779**	**893**	**505**	**15,177**

	Consolidated			
Provision for contingencies	**Tax**	**Labor**	**Civil**	**Total**
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**
(+) Supplement of provision	37,742	2,081	40	39,863
(-) Write-off of provision	(42,646)	(671)	(31)	(43,348)
(+) Appreciation - Innova (Note 2)	-	59,770	-	59,770
Balances at December 31, 2014	**15,262**	**62,095**	**537**	**77,894**

Main lawsuits are commented as follows:

Tax proceedings

Provision for tax contingencies in the amount of R$15,262 (2013 - R$20,166) 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$3,008 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. Regarding the gains identified, the PPA report determined the existence of past events and the reliably measured fair value thereof was R$ 59,770.

Videolar is the defendant in labor lawsuits that total R$ 62,095 (in 2013, R$ 915), for which loss is possible and, therefore, a provision has been duly recognized. In addition, the Company is the defendant in labor lawsuits amounting to R$ 5,216 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$537, for which loss is probable; therefore, a provision is duly recognized. Also, the Company is the defendant is civil lawsuits amounting to R$3,032, for which loss is considered as possible amounting to R$ 153 and considered as probable loss amounting to R$ 3,938.

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, 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**
(+) Supplement of provision	702	226	11	939
(-) Write-off of provision	(1,093)	(262)	(5)	(1,360)
Balances at December 31, 2014	**15,257**	**312**	**25**	**15,594**

	Consolidated			
Judicial deposits	**Tax**	**Labor**	**Civil**	**Total**
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**
(+) Supplement of provision	9,607	576	10	10,193
(-) Write-off of provision	(1,093)	(262)	(5)	(1,360)
Balances at December 31, 2014	**24,200**	**662**	**25**	**24,887**

21 Investments payable

	Parent company/ Consolidated	
	2014	**2013**
Innova S.A.		
Installment maturing in the last 12 months (i)	133,784	-
AMZ Mídia Industrial S.A.		
Installment maturing in the last 12 months	-	11,875
	133,784	**11,875**

(i) The Innova acquisition contract set out a price adjustment calculation, between the start date of negotiation (which occurred on September 30, 2013) until the time of approval by the Administrative Council for Economic Defense (CADE) and the effective completion of the transaction, which occurred on October 31, 2014. The assumed liabilities, referring to this price adjustment, is R$ 222,974 and payment is set for the end of March, 2015. On December 31, 2014, the outstanding liabilities of 60% of Videolar regarding the price adjustment totaled R$ 133,784 (i) / Note 2.

22 Royalties payable

As of December 31, 2014, a provision of R$7,110 (R$ 6,190 in 2013) is recorded at Parent Company and R$ 10,330 (R$ 7,668 in 2013) at consolidated referring to royalty contracts.

23 Shareholders' equity

a. Capital

(i) As of December 31, 2014, 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

A legal reserve was not established due to losses for the year.

d. Dividends

In 2014, there was no basis for distribution of dividends, due to the loss for the year.

Dividends from subsidiaries:

At the Extraordinary Shareholders' Meeting held on April 9, 2014, former Article 35, now Article 28, of the Articles of Association, was changed, determining, in item "b", the payment of dividends to shareholders holding class A preferred shares in two installments, one R$ 5,000 on March 25, 2014, and another in the amount of R$ 10,000 on April 9, 2014.

Innova on December 17, 2014, made the payment of Interest on Own Capital in the amount of R$23,404, for the purpose of early payment of dividends.

24 Net operating income

	Parent company		Consolidated	
	2014	**2013**	**2014**	**2013**
Gross operating income	879,152	794,122	1,178,523	794,122
Tax incentive reserves (Note 31)	75.275	78,249	118,894	131,567
Taxes on revenues	(115,397)	(100,725)	(224,691)	(154,044)
Returns	(18,169)	(16,165)	(18,764)	(16,164)
Net operating income	**820,861**	**755,481**	**1,053,962**	**755,481**

25 Cost of sales

	Parent company		Consolidated	
	2014	**2013**	**2014**	**2013**
Cost of products sold	(540,698)	(557,624)	(493,122)	(304,577)
Cost of products sold	(16,540)	(18,702)	(29,962)	(37,979)
Cost of applied services	-	-		-
Manufacturing general expenses	(119,817)	(133,407)	(147,590)	(163,371)
Copyright expenses	-	-	(178,640)	(229,708)
Other	(35,470)	83,856	(57,461)	109,758
	(712,525)	(625,877)	(906,775)	(625,877)

26 Administrative expenses

	Parent company		Consolidated	
	2014	**2013**	**2014**	**2013**
Payroll expenses	21,240	38,225	21,441	38,225
Depreciation	10,502	10,671	10,502	12,652
Electric power	4,135	7,949	4,135	7,949
Taxes and rates	866	7,349	866	7,349
Provisions	(40,325)	38,507	(40,325)	38,507
Lawyers' fees	2,567	1,529	2,568	1,529
Preservation of assets	2,502	4,990	2,502	4,990
Travel expenses	798	1,049	798	1,049
Freight and carriage	6,090	7,069	6,089	7,069
Maintenance and repairs	2,106	2,187	1,848	2,187
Consulting and advisory	4,006	112	6,085	112
Promotional material	32	9,575	32	9,575
Other	3,636	(4,128)	1,815	(4,126)
	18,155	125,084	18,356	127,067

27 Other operating income (expenses), net

	Parent company		Consolidated	
	2014	**2013**	**2014**	**2013**
Sale of assets	1,060	1,558	1,060	1,558
Losses and gains on write-off of property, plant and equipment	(49,951)	(5,075)	(49,955)	(5,075)
Gains from claims	20	5,368	21	5,368
Sale of scrap	4,311	7,705	4,313	7,705
Nondeductible rebates	-	(1,827)	-	(1,827)
Compensation	317	19,045	317	19,045
Other	728	3,557	3,541	3,557
	(43,515)	30,331	(40,703)	30,331

The amounts of losses and gains in derecognizing assets in the segment of blank media of the Parent Company and recorded media in Consolidated reflect a net amount of R$ 49,951.

28 Net financial income (expenses)

	Parent company		Consolidated	
	2014	**2013**	**2014**	**2013**
Financial income				
Interest and gains on investments	4,169	1,783	4,790	1,784
Monetary variation	2,863	4,582	2,861	4,581
Discounts obtained	611	1,106	612	1,106
Other	-	-	460	
	7,643	7,471	8,723	7,471

Financial expenses				
Interest on loans	(16,127)	(5,810)	(16,739)	(5,810)
Discounts granted	(1,471)	(644)	(2,145)	(645)
Bank expenses	(965)	(2,318)	(967)	(2,416)
Others	(31)	(635)	(362)	(635)
	(18,594)	(9,407)	(20,213)	(9,506)
Exchange variation, net				
Foreign exchange variations in assets	76,859	53,516	78,062	53,516
Liability foreign exchange fluctuations	(126,031)	(84,466)	(127,832)	(84,466)
	(49,172)	(30,950)	(49,770)	(30,950)
Net financial income (loss)	(60,123)	(32,886)	(61,260)	(32,985)

29 Income and social contribution taxes

a. Formation of deferred income and social contribution taxes

	Parent company		Consolidated	
	2014	**2013**	**2014**	**2013**
Provision for losses of assets	6,790	8,535	6,790	8,535
Provision for contingencies	5,023	4,074	5,023	4,074
Tax loss	11,169	15,512	11,169	15,512
Other provisions	1,196	1,821	1,196	1,821
Subtotal assets	24,178	29,942	24,178	29,942
Deferred income and social contribution taxes on adjustments in the adoption of CPCs:				
Fair value of buildings and land	(40,814)	(40,898)	(40,814)	(40,898)
Review of the useful life of the property, plant and equipment	(4,401)	(9,342)	(4,401)	(9,342)
Fair value Deferred tax liabilities (Innova)	-	-	(104,352)	-
Other provisions	-	-	(4,011)	
Subtotal liabilities	(45,215)	(50,240)	(153,578)	(50,240)
Total income and social contribution taxes deferred liabilities, net	(21,037)	(20,298)	(129,400)	(20,298)

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		Consolidated	
	2014	**2013**	**2014**	**2013**
Income (loss) before income and social contribution taxes	91,490	(9,656)	82,557	(9,664)
Combined statutory rate	34%	34%	34%	34%
Tax loss and negative social contribution basis/ (Income and social contribution tax expense) at combined rate	**(31,406)**	**3,283**	**(28,069)**	**3,286**
Equity in net income	4,090	5,552	4,090	5,552
Permanent additions	26,131	13,815	26,280	13,892
Incentives and grants	(28,427)	(28,790)	(43,257)	(46,918)
Other	28,872	25,531	44,109	43,579
	(740)	**19,391**	**3,153**	**19,391**
Effective rate	0%	0%	4%	0%
Current income and social contribution taxes	-	-	3,153	-
Deferred income and social contribution taxes	‘(740)	19,391	(1,007)	19,391

c. Income and social contribution tax, recoverable

	Parent company		Consolidated	
	2014	**2013**	**2014**	**2013**
Income tax	950	950	6,943	950
Social contribution	1,610	2,001	3,380	2,001
	2,560	2,951	10,323	2,951

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.

30 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$ 3,000, as approved in the Annual and Extraordinary Shareholders' Meeting held on March 21, 2014.

Total management's remuneration for the year ended December 31, 2014 was R$1,740 (R$1,147 in 2013).

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

	Parent company - 2013		
	Assets	Liabilities	Sales / Purchases
AMZ Mídia Industrial S.A.	534	33	4,055
Microservice Tecnologia Digital da Amazônia Ltda	12,141	11,875	8,233
M. L. Parisotto	-		278
	12,675	11,908	12,566

	Consolidated - 2014		
	Assets	Liabilities	Sales / Purchases
M.L. Parisotto	365	-	4,345
	365	-	4,345

	Consolidated - 2013		
	Assets	Liabilities	Sales / Purchases
AMZ Mídia Industrial S.A.	-	(883)	-
M.L. Parisotto EPP	-	-	278
Microservice Tecnologia Digital da Amazônia Ltda	9,013	(25,064)	7,776
	9,013	(25,947)	8,054

	Parent company		Consolidated	
Assets	**2014**	**2013**	**2014**	**2013**
Accounts receivable (Note 10)	853	12,599	365	8,937
Other accounts receivable	218	76	-	76
Total assets	1,071	12,675	365	9,013

	Parent company		Consolidated	
Liabilities	**2014**	**2013**	**2014**	**2013**
Suppliers (Note 18)	-	33	-	(883)
Other liabilities	-		-	-
Investments payable (note 21)	-	(11,875)	-	(11,875)
Dividends	-		-	(13,189)
	-	(11,908)	-	(25,947)

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

31 Tax incentives

	Parent company		Consolidated	
Incentive	**2014**	**2013**	**2014**	**2013**
ICMS tax benefit on shipment of intermediate assets - continued operations (Note 24)	75.275	78,249	118,894	131,567
ICMS tax benefit on shipment of intermediate assets - discontinued operations	8,336	16,824	8,336	16,824
	83,611	95,073	127,230	148,391

32 Discontinued operations

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

None of the segments was previously classified as a discontinued operation or as held for sale. The statement of income for the comparative period has been restated to show the discontinued operations separately from the continuing operations.

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

	2014	**2013**
Income	136,330	246,793
Expenses	(198,395)	(276,265)
Income (loss) for the year	**(62,065)**	**(29,472)**

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

	2014	2013
Income	327,671	401,411
Expenses	(351,807)	(385,074)
Income (loss) for the year	**(24,136)**	**(16,337)**

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

	2014	2013
Net cash used in operating activities	8,838	46,368
Net cash from investment activities	(3,370)	(7,083)
Net cash used in financing activities	(15,000)	(5,545)
Net cash from (used in) discontinued operations	**(9,532)**	**33,740**

The consolidated results of discontinued operations are as follows:

	2014	2013
Revenue Blank and Recorded Media	464,001	648,204
Expenses Blank and Recorded Media	(550,202)	(661,339)
Net cash from (used in) discontinued operations	**(86,201)**	**(13,135)**

33 Financial instruments

a. Financial risk management

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

(i) Credit risk

(ii) Liquidity risk

(iii) Market risk

(iv) Operating risk

(v) Capital risk

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

b. Risk management structure

The main risk factors to which the Group is exposed reflect strategic operational and economic/financial aspects. Strategic-operating risks are addressed using the Group'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 Group uses. These risks are managed by means of monitoring by Management that actively participates in the Company's operational management.

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

(i) Credit risk

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		Parent company	
	2014	**2013**	**2014**	**2013**
Cash and cash equivalents and interest earning bank deposits	251,107	86,740	140,337	21,964
Trade accounts receivable	549,199	371,165	122,321	160,610
Other receivables	13,355	28,646	3,645	19,573
	813,661	486,551	266,303	202,147

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 Group of 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 Group's and its subsidiaries' 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**	**Over 4 years**
Loans and financing	997,622	261,421	489,493	150,528	96,180
Suppliers	283,325	283,325	-	-	-
Investments payable	133,784	133,784	-	-	-
Royalties payable	10,330	10,330	-	-	-
Assignment of rights payable	185,356	185,356	-	-	-
	1,610,417	874,216	489,493	150,528	96,180

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

(iii) Market risk

a. Interest rate risk

On the financial statement dates, the profile of financial instruments (assets) of the Company is remunerated at CDI from 75% to 100%.

	Consolidated	
Variable rate instrument	**2014**	**2013**
Financial assets	-	-
Investments	228,979	45,270
	228,979	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, 2014, the Parent company had receivables amounting to R$133,958, while Consolidated had receivables amounting to R$228,979.

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%**
CDI annual effective rate in 2014	11.57%	11.57%	11.57%
Interest earning bank deposits	228,979	228,979	228,979
Interbank Deposit Certificate estimated annual rate for 12 months	12.82%	9.62%	6.41%
Effect in the financial instrument			
Increase (decrease)	2,862	(4,465)	(11,815)

b. *Exchange rate risk*

The related risk derives from the possibility that the Group will incur 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, 2014 and 2013, which considers the equity values of loans and financings and cash and cash equivalents:

		Consolidated		Consolidated	
		2014		2013	
		Foreign currency nominal value	R$	Foreign currency nominal value	R$
Bradesco Loan	US$	23,975	63,791	16,900	39,591
Loan from Banco do Brasil	US$	30,122	80,048	51,988	121,801
Loan - Santander	US$	15,561	41,499	-	-
Citibank Loan	US$	100,004	267,737	-	-
Loan HSBC	US$	112,943	317,227	-	-
Foreign suppliers	US$	81,050	215,289	67,711	158,620
Bradesco Loan	EURO	42,362	137,168	52,716	170,059
Foreign suppliers	EURO	4,688	15,127	4,037	13,025
Foreign suppliers	CHF	-	-	4	10

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

The Group 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, 2014. The Group 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, 2014 of R$2.6562 per US$1.00:

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

Risk: Dollar fluctuation

	Consolidated				
		Income or expense on exchange rate			
	Reference value, US$	**Scenario 1**	**Scenario 2**	**Scenario 3**	**Scenario 4**
		1.992	1.3281	3.3203	3.9843
Bradesco Loan	23,975	47,758	31,841	79,604	95,524
Loan from Banco do Brasil	30,122	60,003	40,005	100,014	120,015
Loan - Santander	15,561	30,998	20,667	51,667	62,000
Citibank Loan	100,004	199,208	132,815	332,043	398,446
Loan HSBC	112,943	224,982	150,000	375,005	449,999
Foreign suppliers	81,050	161,452	107,643	268,110	322,928

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, 2014 of R$3.2270 per EUR$1.00:

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

Risk: Euro fluctuation

	Consolidated				
		Income or expense on exchange rate			
	Euro reference value	**Scenario 1**	**Scenario 2**	**Scenario 3**	**Scenario 4**
		2.4203	1.6135	4.0338	4.8405
Bradesco Loan	42,362	102,529	68,351	170,880	205,053
Foreign suppliers	4,688	11,346	7,564	18,910	22,692

(iv) Operating risk

Operational risk is the risk of direct or indirect losses arising from different causes related to the Group'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 Group'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	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Financial assets				
Cash and cash equivalents	22,128	86,740	22,128	86,740
Interest earning bank deposits	-	-	-	-
Accounts receivable	549,199	371,165	549,199	371,165
Income and social contribution tax, recoverable	16,584	2,951	16,584	2,951
Recoverable taxes	26,229	53,580	26,229	53,580
Total	614,140	514,436	614,140	514,436
Financial liabilities				
Loans and financing	997,622	420,021	997,622	420,021
Suppliers	283,325	184,973	283,325	184,973
Tax liabilities	12,801	3,052	12,801	3,052
Total	1,293,748	608,046	1,293,748	608,046

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

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

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

Capital management

One of the Group'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, 2014 and 2013.

	Parent company/ Consolidated	
	12/31/2014	**12/31/2013**
Loans and financing	997,622	420,021
(-) Cash and cash equivalents	(22,128)	(86,740)
Net debt	975,494	333,281
Shareholders' equity	622,652	702,897
Shareholders' equity and net debt	1,598,146	1,036,178

34 Insurance coverage

Type of coverage	Total insured amount
Material damage and revenue losses	634,066
Civil liability	15,000
Load insurance	1,300
Life	480

35 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:

2015	390
2016	399

*   *   *

Executive Board

Lírio Albino Parisotto - CEO and resident at Manaus
Carmo Bernardi Caparelli - Chief Operating Officer
Claudio Rocha Filho - Commercial Director
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