Videolar-Innova S.A.

Financial statements december 31, 2021

KPDS 976988

Contents

Management report

Dear Shareholders,

The management of Videolar-Innova S/A, in accordance with the legal and statutory provisions, hereby submits the **Management Report and the Financial Statements for the Year 2021** with its respective explanatory notes, accompanied by the Independent Auditors' Report for the years ended December 31, 2021 and 2020, which include the pronouncements issued by the Accounting Pronouncement Committee (CPC) applicable to its operations.

2021: A YEAR OF HISTORICAL CHALLENGES

Still under the effects of the COVID-19 pandemic, the year 2021 was marked by two challenges successfully faced: the guarantee of supply to clients under an inflection of demand at unprecedented volumes and the completion of the project that made the petrochemical company in Triunfo (RS) self-producing and self-sufficient in electricity and steam from a renewable source, biomass from forest residues, in replacement for oil and coal.

These two work streams, carried out under highly restrictive health protocols, challenged us in every possible way.

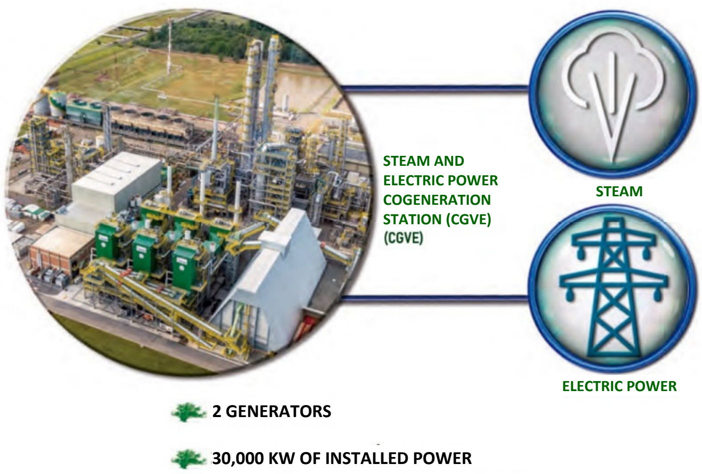
Our industrial activity was classified as essential to society and, after a period of near inertia at the beginning of the pandemic and for practically the entire second quarter, as of the third quarter onwards, there was a large and sudden reaction in demand with a strong increase in sales, in a call to our ability to adapt, dialogue with suppliers and, above all, keeping the safety and integrity of employees. Thus, our customers continued receiving the product without any surprises or disruptions.

In this same context, we concluded the works on the Steam and Energy Generation Station (CGVE), built at the petrochemical plant in Triunfo (RS). The project generates 30,000 kW of installed power from a 100% renewable source: biomass from acacia, pine, eucalyptus forest residues, vegetable residues, rice husks and sawmill scraps in the form of chips, replacing non-renewable energy sources of fossil origin.

The petrochemical company in Triunfo (RS) has already changed part of its energy matrix to natural gas in 2019 and, subsequently, the Steam and Energy Generation Station (CGVE) was the great game changer at the top of our sustainability agenda. Currently, Innova has neutralized 80% of its greenhouse gas emissions in Scopes 1 and 2. Our commitment is ambitious: neutralize 100% of emissions by 2024.

This turnaround was presented as a sustainability case by Banco do Brasil at the 26th United Nations Conference on Climate Change (COP26), which was attended by leaders from the 20 largest economies in the world. The flag of the green economy, with efficiency in energy resources and social inclusion is at the root of the project, which actually generates a virtuous social impact for the forestry chain within a radius of 300 km around the Triunfo Petrochemical Complex (Rio Grande do Sul).

Steam and Electric Power Generation Station (CGVE)



In December 2021, the company RiMO S.A., a manufacturer of physical media supports (Blu-ray discs, DVDs, CDs) for the music, video and gaming markets, in addition to credit activation cards at retail checkouts (gift cards), was merged into Innova.

RiMO's manufacturing plant, in the Manaus Industrial Complex, also has a graphic plant dedicated to the special packaging business.

The next step, after the merger, is the implementation of a plant for injection of plastic containers for ice cream.

ABOUT US

Innova brings all the experience gained by Videolar, operating in the manufacturing and recording industry of physical media (VHS videotapes, audio cassettes, floppy disks, flash drives, CDs, DVDs and Blu-ray discs) in its DNA.

Along the way, at the end of the 1990s, the chance to elevate the Company from the position of the largest national polystyrene consumer to the manufacturer of resin was envisioned. Videolar then built the first petrochemical plant in the North Region in Manaus, with production starting in 2002.

Polystyrene use to be the main raw material for CD cases and VHS tapes, in addition to several other items from industries installed in the Manaus Industrial Complex, such as electronics and home appliances, with their cabinets for refrigerators and TVs, for office and school supplies. This is how the reinvention in petrochemicals took place from a media industry.

In 2011, processed plastics would become the target: over US$ 100 million were invested in the manufacture of closure caps for PET bottles of mineral water, juices, soft drinks and a state-of-the-art plant for the production of plastic films of bioriented polypropylene (BOPP) and plastic laminates in polystyrene (PS) and polypropylene (PP) coils, essential items for the food packaging industry. All this forms specialized labor in the State of Amazonas.

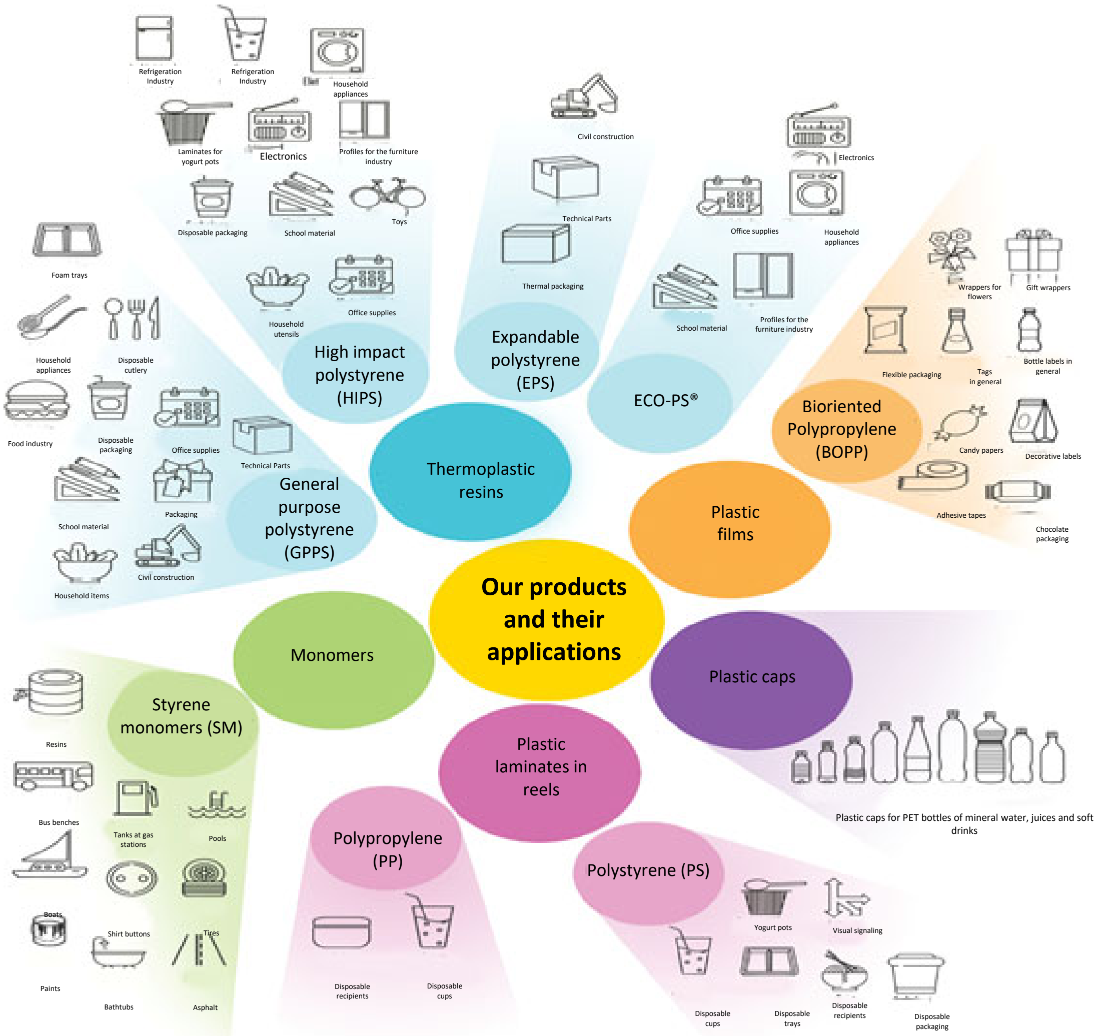
In 2014, Videolar purchased the petrochemical company Innova from Petrobras for US$ 500 million, located in the Triunfo Petrochemical Complex (RS), an integrated manufacturer of styrene monomer (SM), general purpose polystyrene (GPPS) and high impact polystyrene (HIPS), all of which play an essential role in the economy. This move consolidated highly strategic positions with petrochemicals installed in the North and South of the country, with national coverage from end to end.

In 2016, the new management doubled the tank storage capacity and built an expandable polystyrene (EPS), plant present in applications from the pharmaceutical industry to civil construction and in infrastructure works, such as roads and bridges.

In common among all products, from Videolar to Innova, from video tapes to resins, there has always been plastic, throughout the successive reinventions.

OUR PRODUCTS AND THEIR APPLICATIONS

We are at the core of the production chain as manufacturers of resins and processed plastics. Our products are essential raw materials for applications with fundamental importance in the economy: from asphalt to paints, food and disposable packaging, from tires to the automotive, refrigeration, school and office supplies, toys, pharmaceutical and civil construction industries.



STATE-OF-THE-ART PETROCHEMICAL

Unit II, in Triunfo (RS) is also the headquarters of the Styrenic Technology Center (CTE), an international benchmark in the production of patents for the segment, equipped with technology and specialized professionals to reproduce the exact needs of customers and develop resin applications capable of meeting its renewed needs.

At the Manaus petrochemical plant, we pioneered the production of ECO-PS®, a resin with up to 30% post-consumer material in its composition. The selective collection process is carried out in partnership with Fundação Amazonas Sustentável (FAS), acknowledged by UNESCO with the Sustainable Development Education Award. A major environmental and social front of action in the Amazon region, both in terms of generation of income and pollution decontamination in urban areas in Manaus.

PLASTIC RESIN TRANSFORMATION

In the area of thermoplastic resins transformation, we manufacture bioriented polypropylene (BOPP) films with up to five layers, polystyrene (PS) and polypropylene (PP) reels and closure caps for PET bottles of mineral water, juices and soft drinks. All these plants are located, in the city of Manaus (Amazonas), an industry equipped with state-of-the-art technology.

The broad range applications of BOOP plastic films is impressive and is noticeable in supermarket aisles: they are everywhere, ubiquitous in flexible packaging, 100% recyclable and providing an effective barrier against oxygen. Besides offering protection, BOPP plastic films deliver the best look result by keeping up to date with increasingly bold graphics.

BOPP preserves freshness and properties of foods such as chocolates, cookies, snacks, cereal bars, popsicles, among others. It is also present in adhesive tapes, bottle labels and a wide range of other applications.

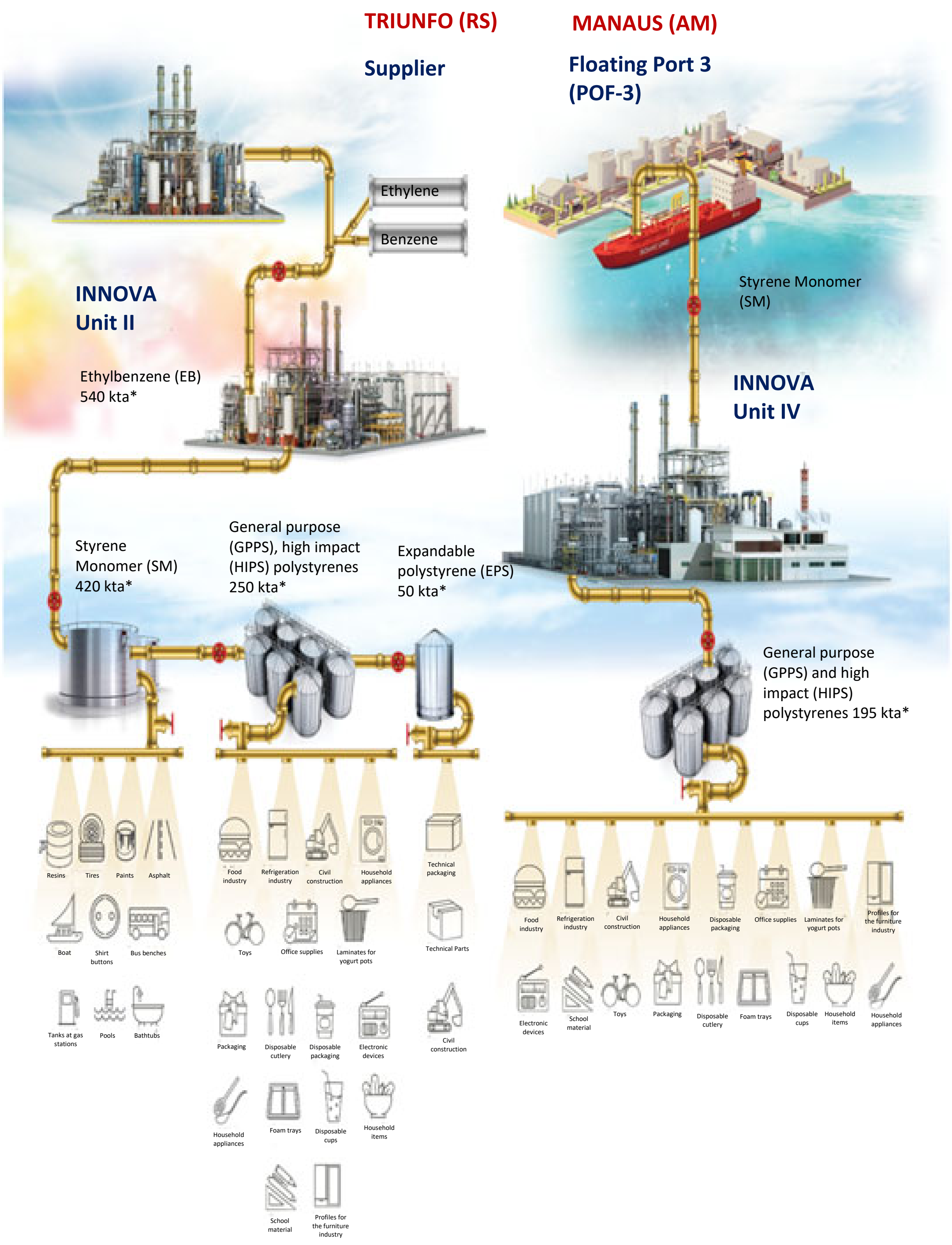
Manufacturing of closure caps for mineral water, juices and soft drinks, with a capacity of 300 million units/month, it meets the most prestigious brands in the Brazilian market and obtained the rigorous FSSC 22000 certification in risk management focused on food safety.

All Innova's industrial plants are duly certified in accordance with ISO 9001 and 14000 standards.

STRATEGIC LOCATION

The location of the manufacturing plants in the city of Manaus (Amazonas) and Triunfo (Rio Grande do Sul) ensures end to end national coverage, throughout Brazil.

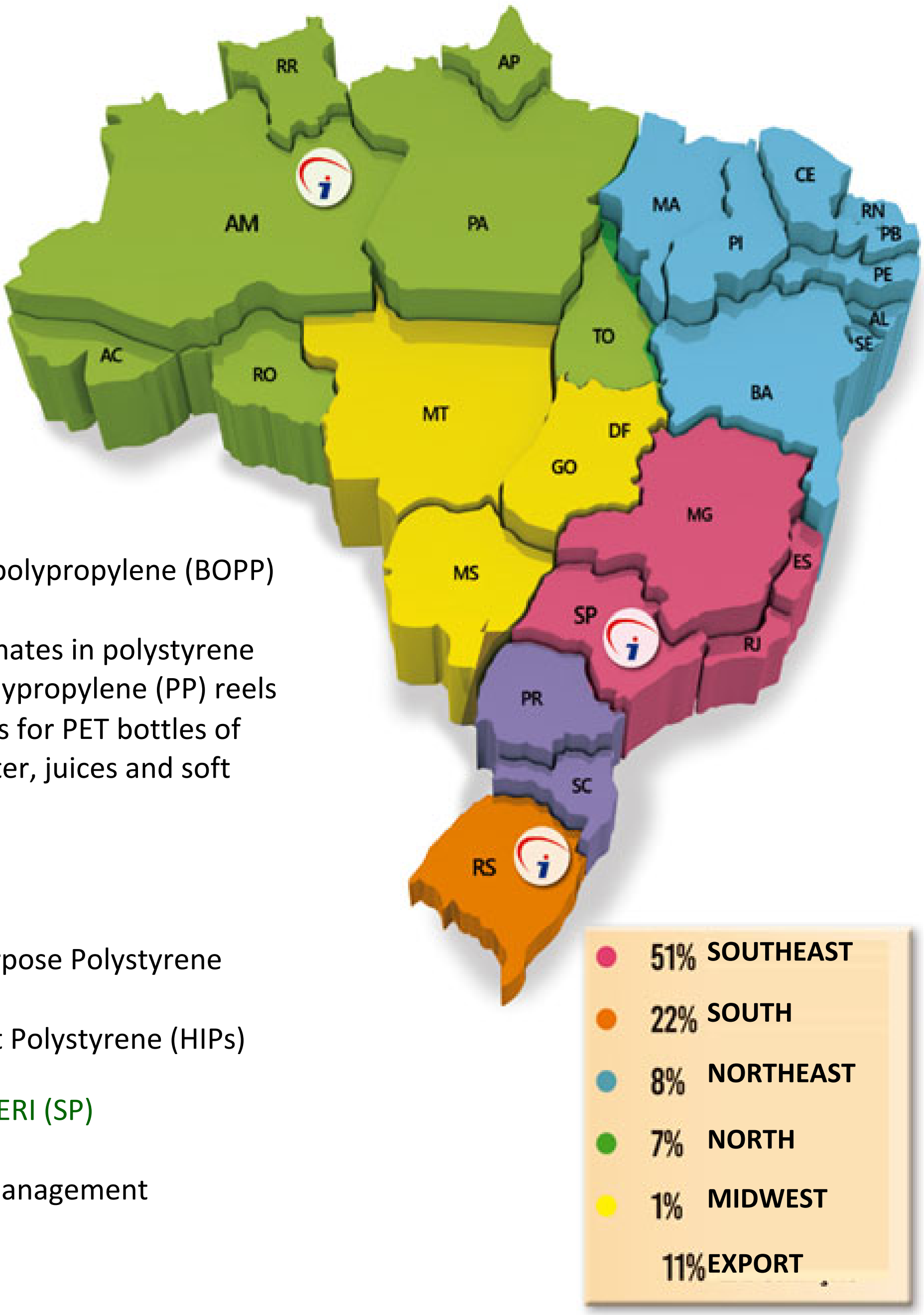
STYRENE PRODUCTION AND INTEGRATION CHAIN



*KTA: thousand tons per year

National operation, Regional and strategic coverage

PERCENTAGE SALES VOLUME BY REGION + EXPORT



MANAUS (AM)

UNIT I:

- Bioriented polypropylene (BOPP) plastic films
- Plastic laminates in polystyrene (PS) and polypropylene (PP) reels
- Closure caps for PET bottles of mineral water, juices and soft drinks
- ECO-PS®

UNIT IV:

- General Purpose Polystyrene (GPPS)
- High Impact Polystyrene (HIPs)

ALPHAVILLE, BARUERI (SP)

HEADQUARTER:

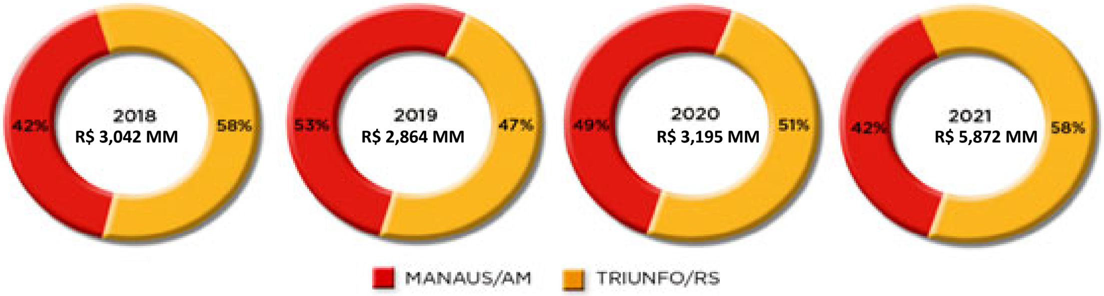
- Sales and management

TRIUNFO (RS)

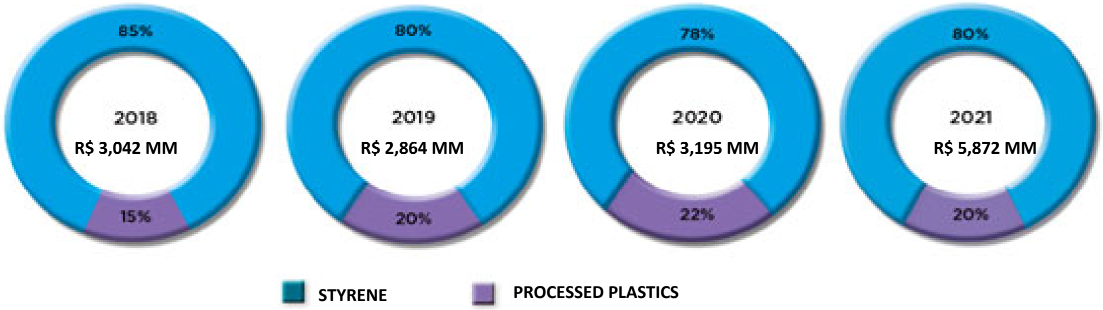
UNIT:

- Ethylbenzene (EB)
- Styrene Monomer (SM)
- General Purpose Polystyrene (GPPS)
- High Impact Polystyrene (HIPS)
- Expandable Polystyrene (EPS)
- Styrene Technology Center (CTE)

GROSS REVENUE BY GEOGRAPHICAL ORIGIN



GROSS REVENUE BY SEGMENT



VIDEOLAR-INNOVA S/A

ECONOMIC AND FINANCIAL PERFORMANCE (IN R$ 000)

	2021	**2020**
TOTAL ASSETS	3,817,645	3,507,268
SHAREHOLDERS' EQUITY	2,788,518	2,196,589
INDEBTEDNESS (NET DEBT/EBITDA)	-	1.02x
GROSS OPERATING REVENUE	5,872,628	3,195,128
NET OPERATING REVENUE	5,174,223	2,816,744
GROSS INCOME	1,551,938	640,835
EBITDA	1,308,347	671,337
EBITDA margin (%)	25.29%	23.83%
FINANCIAL INCOME (LOSS)	(71,079)	(249,080)
NET INCOME	833,813	244,588
INVESTMENTS MADE (CAPEX)	116,687	154,015

CORPORATE THINKING:

MISSION

Leading in our businesses, providing trust and strong relationships with customers and employees, a sustainable attitude towards the environment and the desired return to shareholders.

VISION

Knowing how to listen, develop and deliver: there is always a clear need.
A leading Company provides solutions.

VALUES

Committed and immaculate conduct;
Adaptation capacity;
Total focus on customer demands.

GOVERNANCE & ORGANIZATION

Innova continuously seeks to improve its corporate governance practices. Acting as an example of good practices and transparency towards employees, shareholders, customers and the community is at the core of our business philosophy. The Company has a Compliance department which provides employees and stakeholders in general with an outsourced-management reporting channel, aiming at reporting any facts or events that must become knowledgeable and upon which Innova should act accordingly.

Innova's governance structure includes an Internal Audit area responsible for monitoring such Company's good practices and evaluating internal control systems.

Innova's Employee Manual, is available to all employees, aims to be a benchmark for personal and professional conduct, based on the values and principles that underpin our Mission, Vision and Values.

Ethics in practice

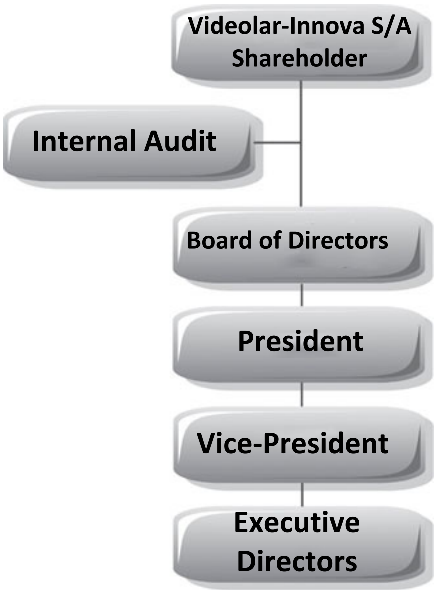
As always, and also considering the enactment of the Brazilian Anti-corruption Law in 2014, Company has always developed internal initiatives to give its employees a broad knowledge of the aforementioned legal document, disseminating the required guidance for the best practical understanding and adherence to the spirit that drove the enactment of said law.

Even though it is privately-held corporation, since 2005, Innova has an external audit firm (that is one of the Big Four) to analyze its results.

Innova’s organizational structure is designed to integrate the critical processes in the management of the Company:

The Board of Directors is the guiding and senior management body of the Company. It is responsible for setting the general direction of the businesses and define the mission, objectives, strategies and guidelines.

Executive Board operates like a collegiate body and performs business management according to the mission, goals, strategies and guidelines defined by the Board of Directors.



PERSPECTIVES FOR 2022

Styrenic and processed plastic products continue to play their role in the fight against coronavirus and Innova has guaranteed its supply to customers. At the height of sanitary restrictions and facing an unprecedented recovery, production capacity was increased as a result of the team's efforts and intensive investments previously made in all industrial plants.

Innova has a notable socioeconomic impact in the regions where it operates, increasing competitiveness throughout the petrochemical and processed plastics production chain, with a strict focus on financial discipline and sustainability in the broadest sense. The Company invests towards neutralizing 100% of its greenhouse gas emissions by 2024.

ACKNOWLEDGMENT

We would like to thank our shareholders for their confidence and encouragement. We thank our costumers for having chosen us. We thank our suppliers and financial institutions for their support and partnership. We thank our employees for their commitment and dedication, which are essential for our proved leadership in the businesses we are in.

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Independent auditors' report on financial statements

To the Shareholders and Directors of
Videolar Innova S.A.
São Paulo - SP

Opinion

We have reviewed financial statements of Videolar-Innova S.A. ("Company"), comprising the balance sheet as of December 31, 2021 and the related statements of income, comprehensive income and changes in shareholders' equity, and cash flows for the year then ended, as well as the corresponding notes, comprising the significant accounting policies and other clarifying information.

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of Videolar-Innova S.A. as of December 31, 2021, the performance of its operations and its cash flows for the year then ended, in accordance with the accounting practices adopted in Brazil.

Basis for opinion

Our audit was conducted in accordance with Brazilian and international standards on auditing. Our responsibilities, in compliance with such standards, are described in the following section, titled "Auditor's Responsibilities for the Audit of Financial Statements." We are independent in relation to the Company, according to the relevant ethical principles established in the Accountants' Professional Code of Ethics and the professional standards issued by the Federal Accounting Council, and we comply with the other ethical responsibilities according to these standards. We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

Other information accompanying the financial statements and auditors' report

The Company's management is responsible for such other information that comprises the Management Report.

Our opinion on the financial statements does not include the Management Report and we do not express any form of audit conclusion on such report.

Regarding the audit of financial statements, our responsibility is to read the Management Report and, in doing so, consider whether this report is, in a material way, inconsistent with the financial statements or with our knowledge gained in the audit or otherwise appears to be materially misstated. If, based on the performed work, we conclude that there is material misstatement in the Management Report, we are required to report such fact. We do not have anything to report on this respect.

Responsibility of management for the financial statements

The 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 financial statements free of material misstatements, regardless of whether caused by fraud or error.

In the preparation of financial statements, management is responsible for assessing the ability of the Company to continue as a going concern, disclosing, where applicable, the matters relating to its going concern and the use of this basis of accounting in preparing the financial statements, unless management intends to wind-up the Company or cease its operations, or has no realistic alternative to avoid the closure of operations.

The ones responsible for the Company's management are those with responsibility for overseeing the process of preparation of financial statements.

Responsibilities of the auditors regarding the audit of financial statements

Our objectives are to obtain reasonable assurance that the financial statements, taken as a whole, are free from material misstatements, regardless of whether any such misstatement is caused by fraud or error, and issue an audit report containing our opinion. Reasonable assurance is a high level of assurance, but not a guarantee that the audit conducted pursuant to Brazilian and international auditing standards will always detect any existing material misstatements. Misstatements may be due to fraud or error and are considered material when, individually or taken as a whole, can influence, within a reasonable perspective, the economic decisions of users taken based on these financial statements.

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

– Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

– Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

– Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

– Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

– Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

– Obtain appropriate and sufficient audit evidence regarding the financial information of the entities or business activities of the group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicated with management regarding, among other things, the planned scope, the timing of the audit and the significant findings of the audit, including any significant deficiencies in internal controls that we identified during our work.

São Paulo, January 28, 2022

KPMG Auditores Independentes Ltda.
CRC 2SP014428/O-6

Original report in Portuguese signed by
Juliana Leonam de Araujo Braga
Accountant CRC 1SP-251062/O-5

Videolar-Innova S.A.

Balance sheets at December 31, 2021 and 2020

(In thousands of reais)

Assets	Note	2021	2020
Current assets			
Cash and cash equivalents	8	84,043	65,088
Accounts receivable	9	874,227	714,029
Financial instruments	28	-	5,078
Inventories	10	594,388	261,551
Income tax and social contribution, recoverable	25.c	-	1,347
Recoverable taxes	11	61,952	117,893
Other accounts receivable		3,846	1,869
Advances to suppliers		1,618	1,279
Prepaid expenses		7,933	1,750
		1,628,007	1,169,884
Non-current assets			
Deferred income tax and social contribution	25.a	-	74,578
Accounts receivable	9	1,367	4,621
Recoverable taxes	11	53,431	103,015
Judicial deposits	18	7,916	10,929
		62,714	193,143
Investments	12	-	3,550
Investment property	13	273,161	268,299
Property, plant and equipment	14	1,600,491	1,617,203
Intangible assets	15	253,272	255,189
		2,126,924	2,144,241
		3,817,645	3,507,268

Liabilities	Note	2021	2020
Current liabilities			
Loans and financing	16	-	714,051
Suppliers	17	645,817	492,025
Labor obligations and social charges		52,495	37,716
Income tax and social contribution payable		34,751	-
Tax obligations		14,182	17,318
Advances from clients		13,497	2,700
Dividends payable	19.d	724	
Interest on own capital payable	19.d	28,636	-
Other liabilities		45,101	32,410
		835,203	1,296,220
Non-current liabilities			
Deferred income tax and social contribution	25.a	66,019	-
Provision for contingencies	18	127,905	14,459
		193,924	14,459
Shareholders' equity			
Capital	19.a	1,373,666	1,373,666
Goodwill reserve on disposal of own shares	19.g	1	1
Tax incentive reserve	19.e	936,377	586,062
Legal reserve	19.c	100,061	58,370
Profit retention	19.f	268,851	68,683
Equity valuation adjustment	19.b	109,562	109,807
Shareholders' equity		2,788,518	2,196,589
		3,817,645	3,507,268

See the accompanying notes to the financial statements.

Videolar-Innova S.A.

Statements of income

Years ended December 31, 2021 and 2020

(In thousands of reais)

	Note	2021	2020
Net operating revenue	20	5,174,223	2,816,744
Cost of products sold	21	(3,622,285)	(2,175,909)
Gross operating income		**1,551,938**	**640,835**
Operating revenues (expenses)			
Administrative and selling expenses	22	(379,654)	(189,932)
Equity in net income of subsidiaries	12	11,706	3,550
Realization of goodwill		(8,606)	(8,433)
Other operating revenue (expenses)	23	(4,921)	91,772
		(381,475)	(103,043)
Financial revenues	24	3,062	103,591
Financial expenses	24	(56,628)	(79,427)
Net inflation adjustments and exchange-rate changes	24	(17,513)	(273,244)
Net financial revenue (expenses)		(71,079)	(249,080)
Income (loss) before taxes		**1,099,384**	**288,712**
Current income tax and social contribution	25.b	(117,197)	-
Deferred income tax and social contribution	25.b	(148,374)	(44,124)
Net income for the year		**833,813**	**244,588**

See the accompanying notes to the financial statements.

Videolar-Innova S.A.

Statements of comprehensive income

Years ended December 31, 2021 and 2020

(In thousands of reais)

	2021	2020
Income (loss) for the year	833,813	244,588
Comprehensive income	-	-
Other comprehensive income, net of income tax and social contribution	-	-
Total comprehensive income	833,813	244,588
Comprehensive income attributable to		
Controlling shareholders	833,813	244,588
Non-controlling shareholders	-	-
Total comprehensive income	**833,813**	**244,588**

See the accompanying notes to the financial statements.

Videolar-Innova S.A.

Statements of changes in shareholders' equity

Years ended December 31, 2021 and 2020

(In thousands of reais)

					Profit reserve				
	Capital	**Treasury shares**	**Goodwill reserve on disposal of own shares**	**Equity valuation adjustments**	**Legal**	**Tax incentives**	**Profit retention**	**Retained earnings/ (losses)**	**Total**
Balances at December 31, 2019	**686,832**	**(79,732)**	**-**	**109,968**	**46,141**	**1,107,792**	**1,183**	**-**	**1,872,184**
Disposal of treasury shares	-	79,732	1	-	-	-	-	-	**79,733**
Increase in paid-up capital	686,834	-	-	-	-	(686,834)	-	-	**-**
Equity valuation adjustment	-	-	-	84	-	-	-	-	**84**
Income (loss) for the year	-	-	-	-	-	-	-	244,588	**244,588**
Realization of equity adjustment	-	-	-	(245)	-	-	-	245	**-**
Formation of legal reserve	-	-	-	-	12,229	-	-	(12,229)	**-**
Formation of tax incentive reserve	-	-	-	-	-	165,104	-	(165,104)	**-**
Profit retention reserve	-	-	-	-	-	-	67,500	(67,500)	**-**
Balances at December 31, 2020	**1,373,666**	**-**	**1**	**109,807**	**58,370**	**586,062**	**68,683**	**-**	**2,196,589**
Distribution of annual dividends in 2020	-	-	-	-	-	-	(68,000)	-	**(68,000)**
Distribution of interim dividends in 2021	-	-	-	-	-	-	(84,046)	-	**(84,046)**
Payment of interest on own capital								(89,838)	**(89,838)**
Income (loss) for the year	-	-	-	-	-	-	-	833,813	**833,813**
Realization of equity adjustment	-	-	-	(245)	-	-	-	245	**-**
Formation of legal reserve	-	-	-	-	41,691	-	-	(41,691)	**-**
Formation of IRPJ tax incentive reserve	-	-	-	-	-	48,719	-	(48,719)	**-**
Formation of ICMS tax incentive reserve	-	-	-	-	-	301,596	-	(301,596)	**-**
Profit retention reserve	-	-	-	-	-	-	352,214	(352,214)	**-**
Balances at December 31, 2021	**1,373,666**	**-**	**1**	**109,562**	**100,061**	**936,377**	**268,851**	**-**	**2,788,518**

See the accompanying notes to the financial statements.

Videolar-Innova S.A.

Statements of cash flows

Years ended December 31, 2021 and 2020

(In thousands of reais)

	Note	2021	2020
Cash flows from operating activities			
Net income for the year		833,813	244,588
Adjustments for reconciliation of net income to operating income			
Depreciation and amortization	14 and 15	113,805	109,163
Realization of goodwill		8,606	8,433
Deferred and current income tax		265,571	44,124
Write-off of property, plant and equipment and intangible assets		20,741	1,950
Provision for contingencies	18	109,353	(2,762)
Allowance for estimated credit loss for allowance for doubtful accounts	9	33	(4,317)
Provision for obsolescence	10	1,042	(2,112)
Gain from adjustment to fair value	13	(14,731)	(9,325)
Other revenues from tax credits		-	(131,257)
Equity in net income of subsidiaries		(11,706)	(3,550)
Provision for impairment of property, plant and equipment		2,965	
Financial charges and exchange-rate change over balances of financing, tax obligations, judicial deposits, accounts payable and receivable, net		21,442	109,544
		1,350,934	364,479
Increase (decrease) in assets			
Accounts receivable		(138,720)	(320,014)
Inventories		(324,836)	21,758
Recoverable taxes		36,293	12,691
Other		1,689	6,216
		(425,574)	(279,349)
Increase (decrease) in liabilities			
Suppliers		117,549	(76,574)
Labor obligations and social charges		14,210	20,218
Other		14,558	10,110
		146,317	(46,246)
Cash generated by operating activities		1,071,677	38,884
Income taxes paid		(15,811)	-
Net cash flow from operating activities		1,055,866	38,884
Cash flow from investment activities			
Acquisition of property, plant and equipment		(101,763)	(11,903)
Acquisitions of intangible assets		(1,313)	(66)
Cash from merger of subsidiary		89	-
Cash flow used in investment activities		(102,987)	(11,969)
Cash flow from financing activities			
Funding financing	16	212,101	418,644
Payment of financing and interest	16	(933,501)	(447,695)
Repurchase of shares		-	(35,990)
Dividends		(151,322)	-
Interest on own capital		(61,202)	79,733
Net cash (used in) from financing activities		(933,924)	14,692
Increase in cash and cash equivalents		18,955	41,607
Cash and cash equivalents at the beginning of the year		65,088	23,481
Cash and cash equivalents at the end of the year		84,043	65,088
Change in cash and cash equivalents for the year		18,955	41,607
Additional disclosure – non-cash transactions			
Acquisition of property, plant and equipment		13,987	136,172

See the accompanying notes to the financial statements.

Notes to the financial statements

(In thousands of Reais)

1 Operations

Videolar-Innova S.A. (“Videolar-Innova” and “Company) is a privately-held company domiciled in Brazil, headquartered at Avenida Torquato Tapajós, nº 5.555, Bloco B, Tarumã, CEP 69041-025, located in Manaus - AM.

The Company is engaged in the Plastic Resins sector (Styrene and Polystyrene and Expandable Polystyrene), supplying the needs of clients in the Electric and Electronic Appliance, Plastic, Disposable goods, Food and other sectors, as well as operating in transformed plastics such as for example: Plastic Lids and (Biaxial polypropylene film).

After the merger of Innova S.A. in 2015, the Company consolidated its position in the Petrochemical segment.

In the short term, the Company is committed to neutralizing its CO2 emissions. On June 5, 2021, a major step towards zero carbon emissions was consolidated, when the Steam and Electric Power Cogeneration Plant (CGVE) entered into Commercial Operation, according to ANEEL Order 1594/2021.

The petrochemical plant in Triunfo (RS) became self-producing and self-sufficient in the generation of electricity and steam from a 100% renewable source, biomass, replacing energy sources of fossil origin (fuel oil and mineral coal, used by the supplier of steams). CGVE is powered by biomass from solid plant residues of pine, eucalyptus, rice husks and sawmill leftovers in the form of chips.

On December 18, 2019, the Company acquired a 40% interest in the capital of company Rimo S.A., which operates in the games, technology, music and films segments by replicating CDs, DVDs, and Blu-ray devices, packaging and graphic products, as well as the distribution of these products.

After acquiring another 60% of the shares of the company Rimo S.A. on October 14, 2021, Videolar-Innova became the direct owner of all the capital of Rimo S.A.

Thus, on December 30, 2021, the managers of the Parties decided for the merger as they believe that the actual integration of Rimo’s activities represents the best strategy for both businesses. All the Company’s assets and rights were transferred to Innova through universal succession. On the merger date, Rimo S.A. shareholders' equity totaled R$ 15,256.

After a corporate reorganization, the Company now encompasses four manufacturing plants, three located in Manaus in the state of Amazonas and one in the city of Triunfo in Rio Grande do Sul.

2 Preparation basis

a. Statement of compliance (in relation to standards of the Accounting Pronouncement Committee (CPC)

The financial statements include were prepared in accordance with accounting practices adopted in Brazil (BR GAAP).

The issue of financial statements was authorized by the Executive Board on January 28, 2022. After their issuance, only the shareholders have the power to change the financial statements.

Details on the Company's accounting policies are shown in Note 6.

All relevant information specific to the financial statements, and only such information, is is being evidenced, and corresponds to those used by Management for administration.

b. Corporate restructuring – Merger of subsidiary

As of October 14, 2021, the Company acquired another 60% of the shares of Rimo S.A. and its shareholding increased from 40% to 100%. With this, it started holding control over Rimo S.A..

According to the Extraordinary General Meeting and ARCA registered on December 30, 2021, the Merger and Justification Protocol was approved, with the purpose of merging the subsidiary Rimo S.A., which briefly resulted in: (a) transfer of the total assets and liabilities of the merged company to the merging company; and (b) discontinuation of the Merged company, which will be fully succeeded by the merging company regarding its rights and obligations.

The appraisal report was carried out by a specialized company.

From the period from January 1, 2021 to the base date of the merger, Rimo S.A. contributed with gross revenue of R$ 57,536 and net income of R$ 6,383.

Merged amounts related to the base date December 30, 2021 are as follows:

Assets	Amount	Liabilities	Amount
Cash and cash equivalents	89	Suppliers	905
Accounts receivable	6,794	Suppliers - licensing	5,494
Accounts receivable – licensing	7,768	Labor obligations	570
Inventories	9,043	Taxes payable	1,453
Recoverable taxes	52	Related parties	232
Other receivables	553	Other accounts payable	1,518
Total current assets	**24,299**	Other provisions	60
		Total current liabilities	**10,232**
Judicial deposits	531		
Recoverable taxes	2,060	Provision for legal disputes	4,093
Deferred income tax and social contribution	3,343	Other provisions	4,707
Property, plant and equipment	3,104	**Total non-current liabilities**	**8,800**
Intangible assets	951		
Total non-current assets	**9,989**	**Total current and non-current liabilities**	**19,032**
Total current and non-current assets	**34,288**	**Net assets**	**15,256**
		Merged net assets	**15,256**

3 Functional and presentation currency

These financial statements are being presented in reais (R$), functional currency of the Company. All balances have been rounded to the nearest value, except otherwise indicated.

4 Use of estimates and judgments

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

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

Uncertainties on assumptions and estimates

Information on uncertainties as to assumptions and estimates as of December 31, 2021 that pose a high risk of resulting in a material adjustment in book balances of assets and liabilities in the next fiscal year are included in the following notes:

- **Note 9 -** Measurement of estimated credit losses for accounts receivable: main assumptions in determining the weighted average loss rate;
- **Note 14 -** Property, plant and equipment – determination of useful life and impairment;
- **Note 15** - Intangible asset and goodwill impairment test: main assumptions in relation to recoverable values;

- **Note 18** - recognition and measurement of provisions and contingencies: main assumptions regarding the likelihood and magnitude of the outflows of funds;

- **Note 25.a** - Recognition of deferred tax assets: availability of future taxable profit against which deductible temporary differences and tax losses carried forward can be utilized;

- **Note 25.b** - Uncertainty over income tax treatment.

Measurement of fair value

A number of Company's accounting policies and disclosures requires the measurement of fair value, for both financial and non-financial assets and liabilities.

When measuring fair value of an asset or liability, the Company uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on inputs used in the valuation techniques as follows:

- **Level 1:** quoted prices (unadjusted) 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**: inputs, for assets or liabilities, which are not based on observable market data (non-observable inputs).

The Company recognizes transfers between fair value hierarchic levels at the end of the financial statements period in which changes occurred.

Additional information on the assumptions adopted in the measurement of fair values is included in the following notes:

- **Note 13** - Investment property;

- **Note 28** – Financial instruments.

5 Measuring basis

The financial statements were prepared based on the historical cost, except for the following material items which are measured on each reporting date and recognized in the balance sheets:

- Derivative financial instruments measured at fair value;

- Non-derivative financial instruments stated at fair value through profit or loss are measured at fair value;

- Debt and equity securities at FVTOCI are measured at fair value;

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

- Investment properties are measured at fair value;

6 Significant accounting policies

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

6.1 Business combination

Business combinations are recorded using the acquisition method when the set of activities and acquired assets addresses the definition of a business and the control is transferred to the Company.

The consideration transferred is usually measured at fair value, as well as the identifiable net assets acquired. Any goodwill arising in the transaction is tested annually for impairment. Gains in a bargain purchase are immediately recognized in profit or loss. Transaction costs are recorded in income (loss) as incurred, except the costs related to the issue of debt or equity instruments.

Transferred consideration does not include amounts referring to payment of pre-existing relations. These amounts are usually recognized in income for the year.

Any contingent consideration payable is measured at its fair value on acquisition date. If the payment is classified as an equity instrument, it is not remeasured and the liquidation is recorded in shareholders' equity. The remaining contingent consideration is remeasured at fair value on each reporting date, and subsequent changes in fair value are recorded in the income (loss) for the year.

Investments
Investments in subsidiary or non-subsidiary are accounted for using the equity method.

Based on the equity accounting method, investments in are recorded in the balance sheet at cost, plus changes after the acquisition of ownership interest.

The statement of income reflects the share in the results from operations of subsidiary or non-subsidiary based on the equity accounting method. When a change is directly recognized in the shareholders' equity of the subsidiary or non-subsidiary, the Investor will recognize its share in the changes occurred and will disclose that fact, in case of materiality.

6.2 Operating revenue

Goods sold
Revenue is recognized when products are delivered and accepted by the clients. For contracts that allow the client to return goods, the revenue is recognized to the extent that it is highly likely that a significant reversal in the value of accumulated revenue will not occur. Therefore, the value of the recognized revenue is adjusted for the expected returns, which are estimated based on historical data In these circumstances, the Company recognizes a liability for the return and a right to recover the asset to be returned.

Tax incentives
Revenue deriving from tax incentives described in Note 27, received as monetary asset, is recognized in income (loss) 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.

6.3 Government grants and assistance

Government grants and assistances are recognized when there is reasonable assurance that conditions established by the Federal, State and Municipal Governments have been met and that they will be earned and are recorded as “Other Revenues” in income (loss) for the period necessary to confront them with the expense that the government grant or assistance intends to offset.

The Company is beneficiary of the following tax incentives granted by Amazonas, Rio Grande do Sul State, and Federal Government:

a. ICMS

In the state of Amazonas
Tax incentive credits related to ICMS reimbursement, from State of Amazonas, were accounted for in the Company’s income (loss) for the year as a counterparty to ICMS payable in the amount of R$ 192,714 (R$ 130,366 in 2020), as Note 27.

In the State of Rio Grande do Sul
The Company has Financial Benefits from FUNDOPEM/RS - Fundo Operação Empresa/RS (Rio Grande do Sul Company Operation Fund) and from INTEGRAR/RS - Programa de Harmonização de Desenvolvimento da Indústria do Rio Grande do Sul (Rio Grande do Sul State Industry Development Harmonization Program), provided for in Decree 49205/12 and the presumed ICMS credit for the interstate resale of ABS granted by means of Decree 46070/2008 amended by Decree 51832/2014.

The Company complied with the requirements of CPC 07 - "Government grants and assistance" for its recognition and this investment reserve was recognized in Company's income (loss) for the year in the amount of R$ 108,882 (R$ 34,738 in 2020) for FUNDOPEM, as Note 27.

b. Income tax

The Company, in the units of Manaus, 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 any non-refundable surtaxes, being obliged to capitalize the amount of the tax benefit according to the Provisional Measure 2199-14, Article 1, amended by Law 12715, 2012, article 69.

As of December 31, 2021 and 2020, the Company complied with all legal requirements to use these benefits.

c. IPI

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

d. PIS / Cofins

PIS/COFINS - Law 10996/2004 art. 3 and art. 4.

e. Import tax

Decree-Law 288/1967, article 7

6.4 Financial revenues and expenses

Financial revenues include interest revenues on invested funds. Interest revenue is recognized in income (loss) using the effective interest method.

Financial expenses include expenses with interest on loans, discount at present value adjustments on provisions and contingent consideration, changes in financial assets fair value measured at fair value through profit or loss and impairment losses recognized in financial assets (except for receivables). Loan costs which are not directly attributable to the acquisition, construction, or production of a qualifying asset are accounted for in income (loss) using the effective interest rate method.

Exchange gains and losses are reported on a net basis.

6.5 Foreign currency

Foreign currency transactions are translated into the respective functional currency 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 balance sheet date are reconverted into the functional currency at the exchange rate determined on that date. Non-monetary assets and liabilities denominated in foreign currency that are measured at fair value are translated into the functional currency at the foreign exchange rate on the date the fair value was determined.

Foreign currency differences arising from the translated are recognized in income (loss).

6.6 Income tax and social contribution

The income tax and social contribution for the year, both current and deferred, are calculated using 15% rate and an additional charge of 10% on taxable income 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% from the taxable income for the year.

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

(i) Current income tax and social contribution expense

Current tax expense is the tax payable or receivable on the taxable income or loss for the year and any adjustments to taxes payable in relation to prior years.

The amount of current taxes payable or receivable is recognized in the balance sheet as an asset or tax liability under the best estimate of the expected amount of taxes to be paid or received reflecting the uncertainties related to its calculation, if any. It is measured based on tax rates enacted at the balance sheet date.

Current tax assets and liabilities are only offset if certain criteria are met.

(ii) Deferred income tax and social contribution expense

Deferred tax assets and liabilities are recognized in relation to the temporary differences between the book values of assets and liabilities for financial statement purposes and used for taxation purposes. The changes in deferred tax assets and liabilities for the year are recognized as deferred income tax and social contribution expense. Deferred taxes are not recognized for:

- Temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination, and not affecting the taxable, accounting income or loss;
- Temporary differences related to investments in subsidiaries, associated companies and joint ventures to the extent that the Company is able to control the timing of the reversal of the temporary difference and it is probable that it will not be reversed in the foreseeable future; and
- Taxable temporary differences arising from the initial recognition of goodwill.

A deferred tax asset is recognized for unused tax losses, tax credits and unused deductible temporary differences, to the extent that it is probable that future taxable income will be available against which the credits will be utilized. Future taxable income is determined based on the reversal of relevant taxable temporary differences. If the amount of the taxable temporary differences is insufficient to recognize a deferred tax asset in full, then future taxable profits, adjusted for reversals of the existing temporary differences, are considered, based on the Company's business plans.

Deferred tax assets are reviewed at each reporting date and impaired when their realization is no longer probable.

Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted at the reporting date, and reflects uncertainty related to income taxes (if any).

The measurement of deferred tax assets and liabilities reflects the tax consequences resulting from the way the Company expects to recover or settle its assets and liabilities.

Deferred tax assets and liabilities are only offset when certain criteria are met.

6.7 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.

6.8 Property, plant and equipment

(i) Recognition and measurement

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

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

Gains and losses on disposal of a property, plant and equipment item (determined by comparing the proceeds from disposal with the book value of property, plant and equipment) are recognized in other operating revenues/expenses in income (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 from this remeasurement is recognized in income (loss) as the gain reverses an impairment loss on the specific property, and any remaining gain recognized as other comprehensive income and presented under equity valuation adjustment account. Any loss is immediately recognized in income (loss). However, to the extent that there is an amount previously recognized as a revaluation of said property, the loss is recognized in other comprehensive income.

(iii) Subsequent costs

Subsequent costs are capitalized in accordance with the probability that associated future economic benefits may be earned by the Company.

(iv) Depreciation

Depreciation is calculated to amortize the cost of property, plant and equipment, net of their estimated residual values, using the straight-line method based on estimated useful lives of such items. Depreciation is recognized in income (loss). Land is not depreciated.

The estimated useful lives (in years) of property, plant and equipment are as follows:

	Years
Equipment	5
Improvements / facilities	32
Machinery, equipment and tools	16
Furniture and fixtures	13
Vehicles	5
Aircraft	10
Other	11

Depreciation methods, useful lives and residual values are reviewed on each balance sheet date and adjusted if appropriate.

6.9 Intangible assets and goodwill

(i) Recognition and measurement

Goodwill

Goodwill is measured at cost, less accumulated impairment losses.

Research and development

Research and development expenditures are recognized in income (loss) as incurred.

Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and use or sell the asset. Other development expenditures are recognized in the income (loss) as incurred. After the initial recognition, capitalized development expenditures are measured at cost less accumulated amortization and any accumulated impairment losses.

Other intangible assets

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

(ii) Subsequent expenditures

Subsequent expenditures 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.

(iii) Amortization

Amortization is calculated using the straight-line method based on estimated useful lives of such items, net of estimated residual values. Amortization is usually recognized in income (loss). Goodwill is not amortized.

Estimated useful lives for current and comparative years are as follows:

	Years
Trademarks and patents	8
Software	5

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

6.10 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 property, plant and equipment is sold, any amount recognized in equity valuation adjustment is transferred to retained earnings.

The revenue from rental of investment properties is recognized as other revenues under the straight-line method over the lease period. Granted lease incentives are recognized as part of the total rental revenue, over the lease period.

6.11 Financial instruments

Initial recognition and measurement

Trade accounts receivable and debt securities issued are initially recognized on the date that they were originated. All other financial assets and liabilities are initially recognized when the Company becomes a party to the instrument's contractual provisions.

A financial asset (unless it is trade accounts receivable without a material financing component) or a financial liability is initially measured at fair value, plus, for an item not measured at fair value through profit or loss (FVTPL), transaction costs which are directly attributable to its acquisition or issue. Trade accounts receivable without a significant financing component are initially measured at the transaction price.

Classification and subsequent measurement

Financial assets

In the initial recognition, a financial asset is classified as measured: at amortized cost; at fair value through other comprehensive income (FVTOCI) - debt instrument; at fair value through other comprehensive income (FVTOCI) - equity instrument; or at fair value through profit or loss (FVTPL).

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for the management financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortized cost if it meets both conditions below and is not designated as measured at fair value through profit or loss (FVTPL):

- It is held within a business model whose purpose is to maintain financial assets to receive contractual cash flows; and

- Its contractual terms generate, on specific dates, cash flows only related to the payment of principal and interest on outstanding principal value.

A debt instrument is measured at fair value through other comprehensive income (FVTOCI) if it meets both conditions below and is not designated as measured at fair value through profit or loss (FVTPL):

- It is maintained within a business model whose purpose is achieved by both the receipt of contractual cash flows and the sale of financial assets; and

- Its contractual terms generate, on specific dates, cash flows which are only payments of principal and interest on outstanding principal value.

In the initial recognition of an investment in an equity instrument not held for trading, the Company may irrevocably choose to present subsequent changes in the fair value of the investment in other comprehensive income (“OCI”). This choice is made on an investment basis.

All financial assets not classified as measured at amortized cost or at fair value through other comprehensive income (FVTOCI), as described above, are classified at fair value through profit or loss (FVTPL). It includes all derivative financial assets. At initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at fair value through other comprehensive income (FVTOCI), as fair value through profit or loss (FVTPL) if it eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets - Evaluation whether the contractual cash flows represent solely payments of principal and interest

For the purpose of this assessment, ‘principal’ is defined as the fair value of the financial asset on initial recognition. “Interest” is defined as a consideration for the amount of cash at the time and for the credit risk associated to the outstanding principal value during a certain period and for other risks and base costs of loans (for example, liquidity risk and administrative costs), as well as for the profit margin.

The Company considers the contractual terms of the instruments to assess whether the contractual cash flows are solely payments of principal and interest. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of the contractual cash flows such that it would not meet this condition. In making this evaluation, the Company considers the following:

- Contingent events that change the amount or timing of cash flows;

- Terms that may adjust the contractual rate, including variable rates;

- The prepayment and the extension of the term; and

- The terms that limit the Company's access to cash flows of specific assets (for example, based on the performance of an asset).

Financial assets - Subsequent measurement and gains and losses

- **Financial assets at fair value through profit or loss (FVTPL):** These assets are subsequently measured at fair value. Net income (loss), plus interest or dividend revenue, is recognized in income (loss).

- **Financial assets at amortized cost:** These assets are subsequently measured at amortized cost using the effective interest rate method. The amortized cost is reduced by impairment losses. Interest revenue, foreign exchange gains and impairment losses are recognized in the income (loss). Any gain or loss on derecognition is recognized in income (loss).

- **Debt instruments at fair value through other comprehensive income (FVTOCI):** These assets are subsequently measured at fair value. Revenue from interest calculated using the effective interest method, foreign exchange gains and losses and impairment loss are recognized in the income (loss). Other net income (loss) recognized in other comprehensive income (ORA). In derecognition, the retained earnings in other comprehensive income (OCI) are reclassified to the income (loss).

- **Equity instruments at fair value through other comprehensive income (FVTOCI):** These assets are subsequently measured at fair value. Dividends are recognized as gain in income (loss) unless the dividend clearly represents a recovery of part of the investment cost. Other net income (loss) are recognized in other comprehensive income (OCI) and are never reclassified to the income (loss).

Financial liabilities - classification, subsequent measurement and gains and losses
Financial liabilities were classified as measured as amortized cost or at fair value through profit or loss (FVTPL). A financial liability is classified as measured at fair value through profit or loss if it is classified as held for trading if it is a derivative or assigned as such in initial recognition. Financial liabilities measured at fair value through profit or loss (FVTPL) are measured at fair value and net income (loss), plus interest, is recognized in income (loss). Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense, foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

Derecognition

Financial assets
The Company derecognizes a financial asset when the contractual rights to the cash flows of the asset expire; or when the Company transfers the rights to the reception of contractual cash flows on a financial asset in a transaction that: substantially all the risks and rewards of ownership of the financial asset are transferred; or in which the Company neither transfers nor substantially maintains all the risks and benefits of the ownership of the financial asset and does not retain control over the financial asset.

The Company carries out transactions in which it transfers assets recognized in the balance sheet, but retains all or substantially all risks and rewards of the assets transferred. In such cases, financial assets are not derecognized.

Financial liabilities
The Company derecognizes a financial liability when its contractual obligations are discharged, canceled or expired. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

In the derecognition of a financial liability, the difference between the extinct book value and the consideration paid (including assets transferred that do not pass through the cash or assumed liabilities) is recognized in income (loss).

Offset
Financial assets and liabilities are offset and the net value reported in the balance sheet only when the Company has a legally enforceable right to offset and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Derivative financial instruments

Derivative financial instruments
When required, the Company timely analyzes the engagement of derivative financial instruments to hedge its exposure to foreign currency and interest rate changes.

Derivatives are initially measured at fair value. After the initial recognition, derivatives are measured at fair value and changes are normally recorded in the income (loss).

The Company designates certain derivatives as instruments to hedge the variability of cash flows associated with highly likely forecasted transactions resulting from changes in exchange and interest rates.

Capital

Common shares
Additional costs directly attributable to the issue of shares and share options are recognized as reducers of shareholders' equity. Effects from taxes related to these transactions’ costs are accounted for in conformity with CPC 32.

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

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

Repurchase and re-issuance of shares (treasury shares)
When shares recognized as shareholders' equity are repurchased, the value of the consideration paid which includes any costs directly attributable is recognized as a deduction from shareholders' equity. The repurchased shares are classified as treasury shares and presented as a deduction from shareholders' equity. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in shareholders' equity, and the resulting gain or loss from the transaction is shown as goodwill reserve on disposal of own assets.

Increase in paid-up capital
The capital increase is determined by the shareholders at a general meeting or a shareholders' meeting. In the case of corporations, the decision on the capital increase may also be decided by the administrative body, if determined to do so. When deciding on an increase, it is essential to determine how it will be carried out. This may occur by increasing the nominal value of existing quotas or shares. The Company's capital can be increased by subscribing new shares or incorporating reserves.

6.12 Impairment

(i) Non-derivative financial assets

Financial instruments and contract assets
The Company recognizes the contractual terms for estimated credit losses regarding:

- Financial assets measured at amortized cost;
- Debt investments measured at fair value through other comprehensive income (FVTOCI); and
- Contract assets.

The Company measures the provision for loss in an amount equal to credit loss expected for the whole life time, except for the items described below, which are measured as credit loss expected for 12 months:

- Debt securities with low credit risk on balance sheet date; and
- Other debt securities and bank balances for which the credit risk (i.e., default risk throughout the expected life of financial instrument) has not increased significantly since initial recognition.

Provisions for losses on trade accounts receivable and contract assets are measured at a value equal to a credit loss estimated for the instrument's entire life.

When determining if the credit risk of a financial asset has significantly increased since the initial recognition and when estimating expected credit losses, the Company considers reasonable and tolerable information that is relevant and available without excessive cost or effort. This includes quantitative and qualitative information and analysis, based on the Company's historical experience, credit assessment, and considering forward-looking information.

The Company considers a financial asset to be in default when:

- It is very unlikely that the debtor will fully pay its credit obligations to the Company, without having to resort to actions like the realization of guarantee (if any); or

- Lifetime expected credit losses are expected credit losses that result from all possible default events over the expected life of a financial instrument.

- Expected credit losses for 12 months are credit losses that result from potential delinquency events within 12 months after the balance sheet date (or in a shorter period if the estimated life of the instrument is lower than 12 months).

The maximum period considered in the estimate of expected credit loss is the maximum contractual period during which the Company is exposed to credit risk.

Credit-impaired financial assets
On each balance sheet date, the Company assesses whether the financial assets accounted for at amortized cost and the debt securities measured through other comprehensive income (FVTOCI) are experiencing recovery problems.

A financial asset has “recovery problems” when one or more events with a negative impact on the estimated future cash flows of the financial asset occur.

Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulties of the issuer or borrower;

- Breach of contractual clauses, delinquency or late payment of more than 90 days;

- Restructuring of an amount owed to the Company at conditions that would not be accepted under normal conditions;

- The probability that the borrower will enter bankruptcy or other financial reorganization; or

- The disappearance of an active market for that financial asset because of financial difficulties.

Presentation of provision for expected credit losses in the balance sheet
Provision for losses for financial assets measured at amortized cost are deducted from the gross book value of assets.

For debt instruments measured at fair value through other comprehensive income, the provision for losses is debited to the result and recognized in other comprehensive income.

Write-off
The gross book value of a financial asset is written off when the Company has no reasonable expectation of recovering the financial asset in full or in part. The Company assesses, on an individual basis, the time and amount of write-off based on the existence or not of reasonable expectation of recovery. The Company does not expect any significant recovery of amount written off. However, financial assets written off may still be subject to credit collection, in compliance with procedures of the Company for the recovery of the amounts due.

(ii) Non-financial assets
On each reporting date, the Company reviews book values of non-financial assets (except for investment property, inventories and deferred tax assets) to determine if there is an indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated. In case of goodwill, recoverable value is tested on an annual basis.

For impairment tests, assets are grouped into CGUs, that is, the smallest identifiable group of assets that can generate cash inflows by continuous use, which are highly independent from cash inflows referring to other assets or cash generating units. Goodwill in a business combination is allocated to cash generating units or groups of cash generating units that are expected to benefit combination synergy.

Recoverable value of an assets or CGU 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 specific risks of the assets or CGU.

An impairment loss is recognized when the book value of an asset or its CGU exceeds its recoverable value.

Impairment losses are recognized in profit or loss. Recognized losses referring to CGUs are initially allocated to reduce any goodwill allocated to that CGU (or CGU group) and then to reduce the book value of other assets of that CGU (or CGU group) on a pro rata basis.

An impairment loss related to goodwill is not reversed. Regarding other assets, impairment losses are reversed only with the condition that the new 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.

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

6.14 Employee benefits
Obligations for short-term employee benefits are recognized as personnel expenses as the related service is rendered. The liability is recognized at the amount expected to be paid, if the Company has a legal or constructive obligation to pay this amount as a result of prior service rendered by the employee, and the obligation can be reliably estimated.

6.15 Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease.

A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(i) As a lessee

At the inception or amendment of an agreement containing a lease component, the Company allocates the lease consideration to each lease and non-lease component based on its individual prices.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the value of initial measurement of the lease liability adjusted to any lease payments made to the initial date, plus any initial direct costs incurred by the lessee and an estimate of the costs to be incurred by the lessee to disassemble and remove the underlying asset, by returning it to the place where it is located or returning the underlying asset to the state required under the lease terms and conditions, less any lease incentives received accordingly.

The right-of-use asset is subsequently depreciated using the straight-line method from the start date to the end of the lease term, unless the lease transfers ownership of underlying asset to the lessee at the end of lease term, or if the cost of the right-of-use asset reflects that the lessee will exercise the call option. In this case, the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as that of property, plant and equipment. Moreover, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the inception date, and discounted using the interest rate implied in the lease or, if that rate cannot be immediately determined, the incremental loan rate of the Company.

The Company sets its incremental rate on loans by obtaining interest rates from a number of external funding sources and making some adjustments to reflect the agreement terms and the type of asset leased.

Lease payments included in the measurement of the lease liability
comprising the following:

- Fixed payments, including in-substance fixed payments;

- Variable lease payments based on an index or rate, initially measured based on the index or rate at the initial date;

- Amounts expected to be paid by the lessee, in accordance with the residual value guarantees; and

- The call option exercise price if the lessee is reasonably certain to exercise such option, and payments of fines due to termination of the lease agreement, if the term of the lease reflects the fact that the lessee is exercising their option to terminate the lease agreement.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when a change occurs in future lease payments as a result of a change in an index or rate, if there is a change in the amounts expected to be paid in accordance with the residual value guarantee, if the Company changes its assessment to exercise a call option, extend or terminate it, or if there is a payment of an initially fixed revised lease.

When the lease liability is thus remeasured, an adjustment corresponding to the book value of the right-of-use asset is made or recorded in income (loss) if the right-of-use asset is reduced to zero.

As of December 31, 2021, the Company has a single lease agreement in the amount of R$ 858, as a lessee, subject to the recognition of right-of-use assets under "Property, plant and equipment" and a lease liability under "Other liabilities".

Low-value asset leases

The Company opted not to recognize the assets of right-of-use and the lease liabilities for low-value lease assets and short-term lease, including copiers, forklifts and other equipment. The Company records lease payments in connection with these leases as expenses on a straight-line basis based on the term of the lease.

(ii) As a lessor

At the inception or amendment of an agreement containing a lease component, the Company allocates the lease consideration to each lease and non-lease component based on its independent prices.

When the Company acts as a lessor, it determines, at lease inception whether each lease is a finance or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. In this case, this will be a financial lease; otherwise it will be an operating lease. As part of this assessment, the Company takes into account certain indicators, such as whether the term of the lease is equal to the greatest part of the economic life of the underlying asset.

When the Company is an intermediate lessor, its interests are recorded in the main lease and in the sublease on a separate basis. It assesses the classification of the sublease based on the right-of-use asset arising from the main lease rather than on the underlying asset. If the main lease is a short-term lease that the Company, as a lessee, records by applying the aforementioned exemption, it will classify the sublease as an operating lease.

If an agreement has both lease and sublease elements, the Company will adopt the CPC 47 standard to allocate the consideration under the agreement, as well as derecognition and impairment requirements under standard CPC 48 to the net investment in the lease. The Company further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Company recognizes lease receivables arising from operating leases under the straight-line method over the term of the lease as part of other revenues.

6.16 Measurement of fair value

Fair value is the price that would be received upon the sale of an asset or paid for the transfer of a liability in an orderly transaction between market participants at the measurement date in the principal or in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its risk of non-performance.

A series of Company's accounting policies and disclosures requires the measurement of fair value, for financial and non-financial assets and liabilities.

When available, the Company measures the fair value of a security using the price quoted on an active market for such securities. A market is considered as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

The chosen valuation technique incorporates all the factors market participants would take into account when pricing a transaction.

If an asset or a liability measured at fair value has a purchase and a selling price, the Company measures the assets based on purchase prices and liabilities based on selling prices.

The best evidence of fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Company determines that fair value at initial recognition differs from transaction price and fair value is not evidenced, not even by price quoted in an active market for an identical asset or liability, neither based on evaluation technique for which non-observable data is judged as insignificant for measurement, then financial instrument is initially measured at adjusted fair value, to distinguish the difference between fair value at initial recognition and transaction price. Later, this difference is recognized in the income at an appropriate basis over the life of the instrument, or to the moment when the assessment is fully supported by observable market data or the transaction is terminated, whichever occurs first.

7 New standards and interpretations not yet effective

The following new and amended standards are not expected to have a significant impact on the Company's financial statements:

- **Property, plant and equipment:** Revenues before Intended Use (amendments to CPC 27);
- Reference to Conceptual Framework (amendments to CPC 15).
- Classification of Liabilities in Current or Non-Current (amendments to CPC 26);
- Disclosure of Accounting Policies (Amendments to CPC 26);
- Definition of Accounting Estimates (Amendments to CPC 23).

8 Cash and cash equivalents

	2021	2020
Cash and cash equivalents	4,827	13,704
Interest earning bank deposit	79,216	51,384
	84,043	**65,088**

The investments retained by the Company in fixed income securities reflect the usual market conditions and are remunerated at the rate of the Interbank Deposit Certificates ("CDI"). Operations with a minimum investment term of 30 days were remunerated at an average rate of 99.57% of the CDI (96% in 2020). Such assets are convertible into a known sum of cash and subject to an insignificant risk of change of value.

9 Accounts receivable

Amounts receivable as of December 31, 2021 and 2020 are as follows:

	2021	2020
Clients	879,086	757,789
	879,086	**757,789**
Provision for expected credit loss	(3,492)	(39,139)
	875,594	**718,650**
Current assets	**874,227**	**714,029**
Non-current assets	**1,367**	**4,621**

Pursuant to CPC 48, Management adopted the prospective model of "expected credit losses", determined according to the following practices:

- **Stage 1** - This phase comprises all securities still performing and represents possible default events within the following 12 months.

- **Stage 2 -** At this stage the securities with an Expressive Risk of Loss is considered when there is a deterioration in the customer's credit risk; that is, when the note is directed to the collection company (even if renegotiated) and notes requiring legal collection.

The table below shows the expected credit loss:

		Accounts receivable	Provision for expected credit loss	Percentage of estimated loss
Stage 1	Falling due	856,036	(849)	0.1%
	Overdue (days):			
	1–30	20,527	(205)	1%
	31–60	80	(4)	5%
	61–90	-	-	10%
	91–180	18	(9)	50%
	>181	330	(330)	100%
		876,991	**(1,397)**	-
	Legal collection	2,095	(2,095)	100%
		2,095	**(2,095)**	100%
Total		**879,086**	**(3,492)**	

Management believes that the risk related to accounts receivable is relatively low and there was no significant transfer of credit from Stage 1 to Stage 2.

Changes in the provision for estimated credit losses are as follows:

	2021	2020
Balance at the beginning of the year	(39,139)	(43,456)
Merged balance	(353)	-
Supplement to allowance for the year	(33)	(369)
Reversal of provision in the year	-	4,686
Write-off in the provision for the year (i)	36,033	-
Balance at December 31	**(3,492)**	**(39,139)**

(i) Write-offs made in the current year against accounts receivable with no prospect of receipt.

10 Inventories

	2021	2020
Raw material	128,855	82,997
Work in process	175,614	62,769
Finished goods	262,623	102,925
Packaging	13,866	4,335
Imports in progress	12,485	5,662
Other materials	3,911	3,686
Provision for obsolescence	(2,966)	(823)
	594,388	**261,551**

Changes to the provision for obsolescence are as follows:

	2021	2020
Balance at the beginning of the year	(823)	(2,935)
Merged balance	(1,101)	-
Supplement of provision	(1,042)	-
Reversal of provision	-	2,112
Balance at December 31	**(2,966)**	**(823)**

Changes in the market affected the process of development and approval of products in some segments, resulting in low turnover of raw materials acquired for these specific cases. Furthermore, we had the process of merger of RIMO S.A., where the existing provision in the entity was absorbed. Therefore, we closed the year 2021 with the following provisions: BOPP R$ 1,550, Plastic Caps R$ 245, Polystyrene/EPS R$ 70, Media/Injected/Graphics (Incorporation) R$ 1,101.

11 Recoverable taxes

	2021	2020
Recoverable ICMS	92,993	85,761
Recoverable PIS/COFINS	18,461	6,348
PIS/COFINS tax process (i)	-	18,926
PIS/COFINS - tax lawsuit (ii)	-	105,151
Withholding income tax (IRRF) recoverable	236	664
Recoverable IPI	900	490
Other	2,793	3,568
	115,383	**220,908**
Current assets	**61,952**	**117,893**
Non-current assets	**53,431**	**103,015**

(i) Lawsuit 0060657.83.2013.4.01.0000 claiming the exclusion of ICMS from the PIS/COFINS calculation basis from 10/20/2001 to 10/20/2006. The balance of this tax credit in the amount of R$ 18,926, since it was outside the period covered in the decision, was written-off as “loss” and recorded under “Other operating expenses” (Note 23).

(ii) In August 2020, the final and unappealable decision regarding Videolar-Innova S.A. lawsuit 5055615-53.2015.4.04.7100 was ratified, determining the exclusion of ICMS from the PIS/COFINS calculation basis, retroacting from 2010 to 2015. The balance of R$ 105,151 was offset against federal taxes for the current year.

12 Investments

In December 2019, the Company acquired a 40% interest in the capital of Rimo S.A., which operates in the games, technology, music and films segments by replicating CDs, DVDs, and Blu-ray devices, packaging and graphic products, as well as the distribution of these products.

As of October 14, 2021, the Company’s interest in Rimo S.A. increased from 40% to 100% and the Company became Rimo’s parent company on that date (see Note 2.b).

The balance of equity in net income of subsidiaries recorded as of the date of the merger was R$ 11,706.

	Equity pick-up on subsidiaries	Investments
Balance at 12/31/2020	**-**	**3,550**
Equity income (loss) from January to September (40%)	107	107
Acquisition of 60% interest	5,483	5,483
Equity income (loss) from October to December (60%)	6,116	6,116
Merger	-	(15,256)
Balance at 12/31/2021	**11,706**	**-**

	Equity pick-up on subsidiaries	Investments
Balance at 12/31/2019	-	-
Acquisition of 40% interest	3,550	3,550
Balance at 12/31/2020	**3,550**	**3,550**

	Rimo S.A.	Ownership interest acquired	Amount of interest acquired
Income (loss) from January to September 2021	268	40%	107
Income (loss) from October to December 2021	6,116	100%	6,116
	6,383	**-**	**6,223**
Acquisition of the remaining 60% of the shares			
Shareholders' equity in September 2021	9,140	60%	5,483
Equity in net income of subsidiaries	-	-	**11,706**

13 Investment property

	2021	2020
Land and buildings	273,161	268,299
	273,161	**268,299**

The investment properties are recorded at fair value, which was based on valuations made by independent external appraisers, at November 30, 2021.

The balance of investment property transactions were as shown below:

	2021	**2020**
Balance at January 1	268,299	258,974
Addition		-
Gain from adjustment to fair value (Note 23)	14,731	9,325
Reclassification of investment property and property, plant and equipment (Note 14)	(9,869)	-
Total	**273,161**	**268,299**

Investment property is real estate (land, building or part of a building or both) retained by the proprietor to earn income from rentals or for capital appreciation or both situations with no intention to sell or use, which generates cash flows separate from other assets.

14 Property, plant and equipment

	Land	Buildings and improvements	Machinery and equipment	Spare parts and sets	Industrial facilities	Furniture and fixtures	Data processing equipment	Vehicles	Aircraft	Molds and tools	Telephony equipment	Works of art and antique	Provision for impairment loss (Note 14.1)	Construction in progress (Note 14.2)	Spare Parts – Construction in progress (i)	Goodwill - Property, plant and equipment	Total
Cost																	
Balances at 12/31/2019	**96,319**	**270,483**	**1,520,841**	**1,381**	**201,862**	**12,632**	**13,174**	**1,089**	**-**	**35,574**	**1,434**	**-**	**(9,270)**	**156,823**	**40,025**	**203,479**	**2,545,846**
Additions	-	-	479	-	-	2	-	476	27,143	-	-	-	(132)	122,373	3,674	-	154,015
Write-off	-	-	(46,412)	-	(3,736)	(6,183)	(1,584)	(279)	-	(19,477)	(781)	-	8,918	-	-	-	(69,534)
Transfer	-	6,440	21,010	-	921	414	123	192	-	-	-	152	-	(29,252)	-	-	-
Balances at 12/31/2020	**96,319**	**276,923**	**1,495,918**	**1,381**	**199,047**	**6,865**	**11,713**	**1,478**	**27,143**	**16,097**	**653**	**152**	**(484)**	**249,944**	**43,699**	**203,479**	**2,630,327**
Additions	-	46	328	-	-	-	-	-	-	-	-	-	-	84,702	31,611	-	116,687
Reclassification of PPI	(152)	10,021	-	-	-	-	-	-	-	-	-	-	-	-	-	-	9,869
Reclassification of intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	763	-	-	763
Merger	-	-	37,221	-	7,701	2,048	1,387	-	-	1,895	-	-	(2,964)	-	-	-	47,288
Write-off	-	-	(1,557)	-	-	(11)	(5)	-	(13,274)	-	(59)	-	484	(8,276)	-	-	(22,698)
Transfer	858	31,004	155,154	2,053	35,288	561	345	96	-	-	-	-	-	(225,359)	-	-	-
Balances at 12/31/2021	**97,025**	**317,994**	**1,687,064**	**3,434**	**242,036**	**9,463**	**13,440**	**1,574**	**13,869**	**17,992**	**594**	**152**	**(2,964)**	**101,774**	**75,310**	**203,479**	**2,782,236**
Depreciation																	
Balances at 12/31/2019	**-**	**(119,916)**	**(639,504)**	**-**	**(96,177)**	**(10,916)**	**(10,321)**	**(421)**	**-**	**(27,468)**	**(882)**	**-**	**-**	**-**	**-**	**(55,619)**	**(961,224)**
Depreciation for the year	-	(8,668)	(82,664)	(12)	(12,760)	(269)	(873)	(304)	(226)	(742)	(60)	-	-	-	-	(12,952)	(119,530)
Write-off	-	-	38,345	-	3,445	6,057	1,484	274	-	17,245	780	-	-	-	-	-	67,630
Balances at 12/31/2020	**-**	**(128,584)**	**(683,823)**	**(12)**	**(105,492)**	**(5,128)**	**(9,710)**	**(451)**	**(226)**	**(10,965)**	**(162)**	**-**	**-**	**-**	**-**	**(68,571)**	**(1,013,124)**
Depreciation for the year	-	(9,860)	(82,941)	(190)	(13,590)	(287)	(811)	(257)	(1,719)	(764)	(57)	-	-	-	-	(12,952)	(123,428)
Write-off	-	-	1,479	-	-	8	-	-	442	-	26	-	-	-	-	-	1,955
Merger	-	-	(34,644)	-	(7,500)	(1,830)	(1,279)	-	-	(1,895)	-	-	-	-	-	-	(47,148)
Balances at 12/31/2021	**-**	**(138,444)**	**(799,929)**	**(202)**	**(126,582)**	**(7,237)**	**(11,800)**	**(708)**	**(1,503)**	**(13,624)**	**(193)**	**-**	**-**	**-**	**-**	**(81,523)**	**(1,181,745)**
Balances at 12/31/2021	**97,025**	**179,550**	**887,135**	**3,232**	**115,454**	**2,226**	**1,640**	**866**	**12,366**	**4,368**	**401**	**152**	**(2,964)**	**101,774**	**75,310**	**121,956**	**1,600,491**
Balances at 12/31/2020	**96,319**	**148,339**	**812,095**	**1,369**	**93,555**	**1,737**	**2,003**	**1,027**	**26,917**	**5,132**	**491**	**152**	**(484)**	**249,944**	**43,699**	**134,908**	**1,617,203**

(i) Spare Parts - Construction in progress: The Company adopts the criterion of classifying spare items, spare parts, tools and equipment for internal use in property, plant and equipment since the entity expects to use them for more than a period. Such practice is adopted according to the accounting pronouncement.

14.1 Provision for impairment loss - Impairment test

The provision for impairment losses is comprised of property, plant and equipment and spare parts of discontinued segments. The amount of R$ 2,964 (R$ 484 in 2020) includes items that are no longer in operation as described below:

	2021	2020
Spare parts	2,964	484
	2,964	**484**

In compliance with the requirements of pronouncement CPC 01 (R1) dated August 6, 2010 - Asset Impairment, the Company performed the annual recovery test of its assets as of December 31, 2021, which were estimated based on the values in use, using the discounted cash flows.

In 2021, the Company wrote-off the provision in the amount of R$ 484, consisting of spare parts inventory items, and the amount of R$ 2,964 refers to the implementation of a balance arising from the merged company.

14.2 Construction in progress

As of December 31, 2021, the balance of construction in progress account was R$ 101,774 (R$ 249,944 in 2020) and was mainly represented by the projects: power generation and steam generation R$ 24,037 (R$ 172,076 in 2020), Scheduled Maintenance Shutdown R$ 12,000, Revitalization of BOPP Lines R$ 8,728 and Acquisition of Equipment for the duplication of the styrene plant R$ 4,709.

All other loan costs unrelated to the acquisition of property, plant and equipment were recorded as expenses for the period.

15 Intangible assets

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

Cost	Software	Brands, rights and patents	Goodwill due to expectation of future profitability	Goodwill	Total
Balances at 12/31/2019	**24,513**	**19,225**	**243,866**	**106,279**	**393,883**
Additions	66	-	-	-	66
Write-offs	(490)	-	-	-	(490)
Balances at 12/31/2020	**24,089**	**19,225**	**243,866**	**106,279**	**393,459**
Additions	1,312	-	-	-	1,312
Reclassification of property, plant and equipment	(763)	-	-	-	(763)
Merger	2,001	-	-	-	2,001
Balances at 12/31/2021	**26,639**	**19,225**	**243,866**	**106,279**	**396,009**
Balances at 12/31/2019	**(15,377)**	**(14,795)**	**-**	**(105,869)**	**(136,041)**
Amortization for the year					

Cost	**Software**	**Brands, rights and patents**	**Goodwill due to expectation of future profitability**	**Goodwill**	**Total**
	(2,036)	(549)	-	(88)	(2,673)
Write-offs	444	-	-	-	444
Balances at 12/31/2020	**(16,969)**	**(15,344)**	**-**	**(105,957)**	**(138,270)**
Amortization for the year	(1,761)	(1,568)	-	(88)	(3,417)
Merger	(1,050)	-	-	-	(1,050)
Balances at 12/31/2021	**(19,780)**	**(16,912)**	**-**	**(106,045)**	**(142,737)**
Residual value					
Balances at 12/31/2021	**6,859**	**2,313**	**243,866**	**234**	**253,272**
Balances at 12/31/2020	**7,120**	**3,881**	**243,866**	**322**	**255,189**

15.1 Goodwill

The goodwill recognized in the Company's records, as a result of Innova S.A. acquisition in 2014, was computed as per the following:

Cost of acquisition	1,105,219
(-) Shareholders' equity - Innova on 10/31/2014	(643,381)
(-) Goodwill	(217,972)
Goodwill on acquisition	**243,866**

The acquisition resulted in goodwill based on the expectation of future profits of R$ 243,866. It is the result of several factors especially the synergy between the two companies´ businesses. There is also a high level of commercial synergy in that the absorbing company also produces Polystyrenes, but not Styrene.

The cash-generating unit to which the goodwill was allocated is tested for impairment annually, regardless of whether there are indications of impairment. The main cash flow assumptions are as follows: prices based on the last disclosed strategic plan, production curves related to plans existing in the Company portfolio, market operating costs and investments needed to complete the projects.

If the recoverable value of the cash-generating unit is less than its book value, the impairment loss is allocated first to reduce the book value of any goodwill allocated to this unit and then to the other assets of the unit pro rata based on the book value of each asset in the unit. An impairment loss related to goodwill is not reversed in a posterior period. In carrying out the recovery study for the year, we did not identify any impairment loss.

The assumptions adopted for impairment testing considered a growth rate at the perpetuity of 1.00% and actual discount rate of 11.6% in a five-year horizon.

16 Loans and financing

Financial institution		Charges	Guarantees	Maturity	2021	2020
Banco do Brasil	(i)	CDI + 1.2% p.a.	Surety + Trade notes	03/21/2021	-	150,128
Banco Bradesco Europa	(ii)	Libor EUR + 3.25% p.a.	Promissory Note	07/22/2021	-	1,608
Sundry - Foreign exchange advances delivered	(iii)	2.1–3.79% p.a.	Trade Notes	12/30/2021	-	266,618
Banco Bradesco Finimp	(iv)	5.42% p.a.	-	04/01/2021	-	27,093
Bradesco Capital de giro	(v)	FX+4.55% p.a.	Surety	03/29/2021	-	268,604
					-	**714,051**

The Company settled all balances of loans and financing during 2021, with no outstanding balance remaining as of December 31, 2021.

Equity changes in loans and financing:

Description	Balance in 2020	Addition	Interest	IRRF	Amortization	Exchange rate change	Balance in 2021
Banco do Brasil	150,128	27,563	1,092	19	(176,413)	(2,389)	-
Banco Safra	-	53,471	320	46	(50,584)	(3,253)	-
Bradesco Europa	1,608	-	16	2	(1,622)	(4)	-
Bradesco Finimp	27,093	-	380	60	(30,035)	2,502	-
Foreign exchange advances delivered	266,618	76,913	4,608	-	(347,068)	(1,071)	-
Bradesco Giro	268,604	-	2,138	-	(276,614)	5,872	-
Citibank	-	54,154	213	32	(51,165)	(3,234)	-
Grand total	**714,051**	**212,101**	**8,767**	**159**	**(933,501)**	**(1,577)**	**-**

Description	Balance 2019	Addition	Interest	IRRF	Amortization	Exchange rate change	Balance in 2020
Banco do Brasil	150,132	-	5,939	-	(5,943)	-	150,128
Bradesco Europa	5,463	-	129	19	(5,572)	1,569	1,608
BNDES	3,996	-	62	-	(4,058)	-	-
Debentures	67,646	-	2,585	-	(83,522)	13,291	-
Banco Citibank	71,146	-	2,198	388	(96,014)	22,282	-
Foreign exchange advances delivered	170,503	128,439	8,096	-	(70,400)	29,980	266,618
Banco Safra	8,418	-	50	7	(10,713)	2,238	-
Bradesco Finimp	81,048	24,905	2,576	363	(106,448)	24,649	27,093
Santander Finimp	50,753	-	821	197	(65,024)	13,253	-
Bradesco Giro	-	265,300	9,176	-	-	(5,872)	268,604
Grand total	**609,105**	**418,644**	**31,632**	**974**	**(447,694)**	**101,390**	**714,051**

17 Suppliers

	2021	2020
Domestic suppliers	96,724	77,793
Suppliers - Drawee risk (i)	304,054	46,983
Foreign suppliers	245,039	367,249
	645,817	**492,025**

(i) Suppliers (drawee risk): refer to financial liabilities characterized by early payments to suppliers through financial institutions, the due dates of which have been postponed. Due to the characteristics of commercial negotiation of terms between suppliers and the Company, these financial liabilities were included in programs for advancing funds through the Company's credit facilities with financial institutions, with the implicit financial cost of 10.5% p.a. as of December 31, 2021. The Company understands that this transaction has a specific nature and classifies it separately under "Suppliers".

18 Provision for contingencies and judicial deposits

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

	2021	2020
Tax	9,246	-
Labor	4,287	5,505
Civil (i)	105,486	68
Goodwill	8,886	8,886
Non-current liabilities	**127,905**	**14,459**

(i) Provision in the amount of R$ 101,400 linked to the judicial contingency with nullity of legal relationships (purchase and sale agreements, lease, etc.) with declaration of subsistence of loan.

The provision for civil lawsuits consists chiefly in indemnity lawsuits.

Labor contingencies refer to outstanding lawsuits in the Labor Court which, individually, are not relevant to the Company's business.

Transactions with provisions are shown below:

Provision for contingencies	Tax	Labor	Civil	Goodwill	Total
Balances at December 31, 2019	**-**	**6,912**	**1,423**	**9,148**	**17,483**
(+) Supplement of provision	-	2,945	294	-	**3,239**
(-) Write-off of provision	-	(4,352)	(1,649)	(262)	**(6,263)**
Balances at December 31, 2020	**-**	**5,505**	**68**	**8,886**	**14,459**
(+) Merged balance	-	76	4,017	-	**4,093**
(+) Supplement of provision	12,237	4,840	107,812	-	**124,889**
(-) Write-off of provision	(2,991)	(6,134)	(6,411)	-	**(15,536)**
Balances at December 31, 2021	**9,246**	**4,287**	**105,486**	**8,886**	**127,905**

Main lawsuits are commented as follows:

Tax proceedings

The forecast of possible loss that is not provided in the amount of R$ 649,689 (R$ 204,868 in 2020). Main lawsuits are: (i) proceeding 2016000088 - challenge to the tax assessment notice filed by the municipal government of Manaus/AM in view of AMZ (incorporated by Videolar in 2015) related to the retention of ISSQN on remittance of Royalties with restated amount of R$ 118,517 (R$ 49,739 in 2020); (ii) proceeding 5044721-47.2017.4.04.7100 - annulment action of MPF tax assessment notice 1015400/00096/11 - PTA 10516.720002/2013-95, default of the commitment to export, due to non-proof of physical binding - Drawback, suspension with restated amount of R$ 75,195 (R$ 73,147 in 2020); (iii) proceeding 5013192-3.2018.4.04.7100 - challenge to the notice of infraction drawn up by the Brazilian Federal Revenue Service due to the alleged infraction committed by the company in an import procedure with a restated amount of R$ 22,944 (R$ 19,913 in 2020); (iv) Rimo (merged by Videolar-Innova in 2021) lawsuit related to ICMS-ST in the amount of R$ 323,868 in which the State of São Paulo requires the payment of benefits from the Manaus Free Trade Zone to the State, such as ICMS-ST.

The Company has tax judicial deposits recorded in the amount of R$ 7,320 (R$ 9,252 in 2020). Main lawsuits are: (i) cancellation of debt generated by tax assessment notice 12266.721420/2015-86 not defended by WorldLog, referring to the imposition of a fine for NCM rectification after a period in the amount of R$ 566; (ii) Proceeding 0007521-72.2016.4.01.3200 due to the alleged lack of collection of union contributions totaling R$ 685 (R$ 685 in 2020); (iii) Proceeding 2006.32.00.005992-1 of PIS/ COFINS exclusion on the calculation basis of IR and CSLL of R$ 531 (R$ 531 in 2020).

Labor proceedings

The provision for labor contingencies corresponds to losses estimated based on individual analysis of labor lawsuits.

The Company is defendant in labor lawsuits, and their loss is possible, amounting to R$ 9,419 (R$ 9,809 in 2020), and for which the loss is considered as probable and the total amount of the provision is R$ 4,287 (R$ 5,505 in 2020).

Civil proceedings

The Company is the defendant of civil lawsuits amounting to R$ 8,127 (R$ 9,540 in 2020) for which loss is considered as possible. The main lawsuits are (i) lawsuit No. 22904/JPA – Collection of royalties related to the contract with the Emtec brand with a historical value of R$ 6,588 (R$ 6,588 in 2020); (ii) lawsuit No. 5003503-20.2019.8.24.0038 - Suspension of protest trade notes with a value of R$ 1,327.

The provision for civil contingencies corresponds to estimated losses related to lawsuits mainly involving commercial discussions.

Goodwill

The added value recognized in the company's records is the result of the acquisition of Innova S.A., where there were lawsuits assessed as a possible risk, in the total amount of R$ 62,888, of which R$ 60,247 are tax lawsuits and R$ 2,641 labor lawsuits. After the partial realization of the lawsuits, the balance presented on December 31, 2021 is R$ 7,902 (R$ 7,902 in 2020) for tax claims and R$ 984 (R$ 984 in 2020) for labor lawsuits.

Judicial deposits

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

Judicial deposits	Tax	Labor	Civil	Total
Balances at December 31, 2019	**9,047**	**1,440**	**4,057**	**14,544**
(+) Addition	353	347	608	1,308
(-) Write-off	(148)	(418)	(4,357)	(4,923)
Balances at December 31, 2020	**9,252**	**1,369**	**308**	**10,929**
(+) Merged balance	-	531	-	531
(+) Addition	114	242	449	805
(-) Write-off	(3,748)	(544)	(57)	(4,349)
Balances at December 31, 2021	**5,618**	**1,598**	**700**	**7,916**

19 Shareholders' equity

a. Capital

As of December 31, 2021 and 2020, the Company's capital amounts to R$ 1,373,666.

Company's capital is represented by 1,185,861 common shares and 363,859 class "A" preferred shares, totaling 1,549,720 shares. Preferred shares are not entitled to voting in Annual Shareholders' Meeting decisions.

b. Equity valuation adjustment

The equity valuation adjustments derive from equity valuation of land and buildings available at Investment Property and adoption of Deemed Cost on assets recorded in Property, plant and equipment.

Amounts recorded in equity valuation adjustments will be totally or partially reclassified to income (loss) for the year upon disposal, write-off or depreciation of assets to which they refer.

Changes in balance of equity valuation adjustment were as follows:

	2021	2020
Balance at January 1	109,807	109,968
Realization of equity evaluation adjustment	(245)	(161)
Total	**109,562**	**109,807**

c. Legal reserve

Legal reserve is formed at 5% of net income for each year, pursuant to the terms of art. 193 of Law 6404/76, up to the limit of 20% of capital. Due to income for the year of R$ 833,813, the amount of R$ 41,691 was formed as a legal reserve, totaling R$ 100,061 (R$ 58,370 in 2020).

d. Dividends and interest on own capital

According to the Company's by-laws, net income for the year is allocated as follows: (i) 5% for formation of legal reserve, until reaches 20% of subscribed capital; and (ii) at least 25% of the remaining balance adjusted, pursuant to article 202 of Law 6404/76, for the payment of mandatory dividends.

The shareholders approved the distribution of dividends in the amount of R$ 152,046, of which R$ 68,000 for the year 2020 and R$ 84,046 for interim dividends for 2021. The distribution of interest on own capital was also approved in the gross amount of R$ 89,838, totaling R$ 241,884.

Changes in dividends are as follows:

	2021
Balance at January 1	-
(+) Dividends distributed	152,046
(-) Payment of dividends	(151,322)
Balance at December 31, 2021	**724**

Changes in interest on own capital are as follows:

	2021
Balance at January 1	-
(+) Interest on own capital distributed	89,838
(-) Payment of interest on own capital	(47,726)
(-) IRRF (Withholding income tax)	(13,476)
Balance at December 31, 2021	**28,636**

e. Tax incentive reserve

Established by assigning a portion of income for the year, equivalent to tax incentives from government grants, in conformity with Article 195-A of the Brazilian Corporate Law. This reserve may not be distributed to partners or shareholders and will comprise the company’s capital reserve, which may only be used to absorb losses or increase capital (paragraph 3 of Article 19 of Decree-Law 1598/1977).

In 2020, R$ 686,834 was used from the tax incentive reserve to capitalize the capital increase.

The amount of R$ 301,596 was allocated to the formation of ICMS tax incentive reserve as of December 31, 2021 and R$ 48,719 for IRPJ tax incentive reserve.

f. Profit retention reserve

As of April 13, 2021 and November 16, 2021, the distribution of dividends in the amount of R$ 152,046 was authorized, of which R$ 68,000 related to the year 2020 and R$ 84,046 of interim dividends for 2021, using the balance of the profit reserve.

A profit retention reserve was formed in the amount of R$ 352,214 (R$ 67,500 in 2020), totaling R$ 268,851 to shareholders.

g. Goodwill reserve on disposal of shares

In August 2020, the sale of treasury shares generated a positive result (profit). This credit was recorded as a goodwill reserve on the sale of shares in the Company's shareholders' equity, in the amount of R$ 1.

20 Net operating revenue

	2021	2020
Gross operating revenue	5,872,628	3,195,128
Tax incentive credits (Note 27)	301,596	165,104
Taxes on revenues	(971,659)	(530,281)
Returns	(28,342)	(13,207)
	5,174,223	**2,816,744**

21 Cost of products sold

	2021	2020
Cost of products sold	(3,217,174)	(1,834,642)
Cost of goods resold	(6,506)	(9,797)
Manufacturing general expenses	(320,356)	(264,631)
Production Idleness	(70,849)	(64,375)
Other	(7,400)	(2,464)
	(3,622,285)	**(2,175,909)**

22 Administrative and selling expenses

	2021	2020
Payroll expenses	(84,663)	(66,458)
Depreciation	(7,791)	(8,486)
Electric power	(324)	(1,630)
Taxes and rates	(2,632)	(2,413)
Provisions (*)	(106,353)	(1,818)
Impairment	485	8,785
Lawyers' fees	(8,890)	(2,948)
Preservation of assets	(475)	(634)
Travel expenses	(681)	(639)
Freight and carriage	(128,641)	(93,892)
Maintenance and repairs	(13,475)	(959)
Consulting and advisory	(7,162)	(7,644)
Insurance costs	(872)	(771)
Use license	(1,689)	(1,050)
Import expenses	(5,882)	(6,914)
Advertising and publicity	(299)	(451)
Other	(10,310)	(2,010)
	(379,654)	**(189,932)**

(*) Provision in the amount of R$ 101,400 linked to a judicial transaction (Note 18).

23 Other operating revenues (expenses)

	2021	2020
Sale of assets	13,525	1,582
Losses with write-off of assets	(12,950)	(10,866)
Sale of scrap	3,772	3,556
Lease revenue	11,022	8,017
Recovery of taxes (*)	665	81,739
Compensation	(16,877)	(1,235)
Increase in fair value of investment property (Note 13)	14,731	9,325
Loss in tax lawsuits (Note 11)	(18,926)	-
Other	117	(346)
	(4,921)	**91,772**

(*) In August 2020, the final and unappealable decision regarding Videolar-Innova S.A. lawsuit 5055615-53.2015.4.04.7100 was ratified, determining the exclusion of ICMS from the PIS/COFINS calculation basis, retroacting from 2010 to 2015. In 2020, the effect of this decision was recognized in the amount of R$ 131,257, of which R$ 80,342 of principal was recorded as tax recovery and R$ 50,915 of inflation adjustment. During 2021, the Company used balance of this lawsuit.

24 Net financial revenues (expenses)

	2021	2020
Financial revenues		
Interest and gains on investments	2,310	3,954
Inflation adjustment	302	52,078
Discounts obtained	450	483
Revenue from SWAP operations	-	47,076
	3,062	**103,591**
Financial expenses		
Interest on loans and other	(9,012)	(29,791)
Discounts granted	(79)	(86)
Bank expenses	(2,072)	(1,271)
Expense with swap operations	(26,470)	(41,498)
Other	(18,995)	(6,781)
	(56,628)	**(79,427)**
Net exchange-rate changes		
Foreign exchange income	211,421	936,401
Foreign exchange costs	(228,934)	(1,209,645)
	(17,513)	**(273,244)**

25 Income tax and social contribution

a. Formation of deferred income tax and social contribution

	2021	2020
Credits on tax losses	99,081	191,063
Tax goodwill produced by future profitability	-	64,657
Corporate vs. tax depreciation	2,272	-
Tax credits on timing differences:		
- Credits on provisions	51,209	(22,072)
Total income tax and social contribution – Deferred Assets	**152,562**	**233,648**
Equity valuation adjustment	(56,484)	(56,567)
Deferred tax on goodwill	(38,524)	(42,957)
Investment property	(67,775)	(26,548)
Corporate vs. tax depreciation	(55,798)	(32,998)
Total income tax and social contribution – Deferred Liabilities	**(218,581)**	**(159,070)**
Total income tax and social contribution – Deferred Net	**(66,019)**	**74,578**

The Company has tax losses and negative basis of social contribution generated in Brazil amounting to R$ 291,415 (R$ 561,952 as of December 31, 2020) that may be offset against future taxable income, without statute of limitations.

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

As of December 31, 2021, the Company has recorded under "Deferred income tax and Social Contribution" amounts calculated on expenses that are temporarily non-deductible from taxable income calculation for income tax purposes, which are available for future offsets against said tax.

Deferred taxes generated by these temporary differences are as follows:

	2021	2020
Net exchange-rate changes	3,786	1,056
Estimated losses for allowance for doubtful accounts	1,911	730
Estimated losses on recoverable values of inventories	4,029	823
Estimated gain from tax credit	-	(105,151)
Estimated losses for provision for profit sharing	-	19,500
Estimated sundry losses	21,869	9,550
Provision for judicial contingencies	119,019	8,573
Total Provisions (reversals)	150,615	(64,919)
IR and CS tax rate 25% and 9%	34%	34%
IR/CS on temporary differences	51,209	(22,072)

The Company, based on expected future taxable income determined through technical studies conducted at the end of 2021 and approved by Executive Board, recognized tax credits on tax losses, negative bases of income tax and temporary differences, with no statute of limitations. Deferred assets book value is reviewed by the Company on an annual basis.

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

Years	**2021**	**2020**
Total balance of tax loss	**291,415**	**561,952**
Deferred assets on tax loss	99,081	191,063
Applied IR and CS tax rate - 25% and 9%	34%	34%
Recovery estimate for the coming years	**2021**	**2020**
2021	-	128,827
2022	252,974	72,967
2023	38,441	79,874
2024–2029	-	280,284
	291,415	**561,952**

The expected recoverability of the tax credits is based on the projections of future taxable income taking into consideration various business and financial assumptions.

Accordingly, these estimates may differ from the effective taxable income in the future due to the inherent uncertainties involving these estimates.

b. Reconciliation of current and deferred income tax and social contribution

The reconciliation of income from current and deferred income tax and social contribution in the amount of R$ 265,571 in 2021 (R$ 44,124 in 2020) is as follows:

	2021	**2020**
Income (loss) before income tax and social contribution	1,099,384	288,712
Combined statutory rate	34%	34%
Expense with income tax and social contribution at the combined rate	**(373,791)**	**(98,162)**
Incentives and grants	105,124	56,146
Tax goodwill produced by future profitability	(64,657)	-
Changes – Tax loss (*)	(18,440)	82
Interest on own capital	30,545	-
Permanent differences	(1,124)	115,296
Timing differences	38,613	(117,486)
Valuation Adjustment - PPI	(36,219)	-
Other	5,658	-
Exemption and Reduction – Exploration profit	48,720	-
Total Current and Deferred Income Tax (IR)	**(265,571)**	**(44,124)**
Effective rate	24%	15%
Current income tax and social contribution	(117,197)	-
Deferred income tax and social contribution	(148,374)	(44,124)

(*) Change in tax loss refers to the tax loss recorded for the year.

c. Income tax and social contribution, recoverable

	2021	2020
Income tax	-	1,347
Social contribution	-	-
	-	1,347

Transitory tax regime—RTT

The Company opted for the Transition Tax Regime ("RTT") established by Law 12973, dated May 13, 2014, through which IRPJ (corporate income tax), CSLL (social contribution on net income), and PIS and COFINS (income taxes) calculation continues to be determined according to accounting methods and criteria defined by Law.

Accordingly, deferred income tax and social contribution calculated on adjustments arising from the adoption of new accounting practices deriving from Law 12973/14 were recorded in the Company's financial statements, when applicable, in conformity with pronouncement CPC 32 – Income taxes. The Company confirmed this option in the Corporate Income Tax Return ("DIPJ") for 2016.

26 Information on related parties

Company's related parties are: Matsukawa Holding Co LLP e EMTEC Participações Ltda.

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$ 5,000, as approved in the Ordinary General Meeting held on April 13, 2021.

Total management's remuneration for the year ended December 31, 2021 was R$ 4,650 (R$ 3,664 in 2020).

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

27 Tax incentives

Incentive	2021	2020
ICMS tax benefit on shipment of intermediate assets (Note 20);	192,714	130,366
Benefit of FUNDOPEM/RS (note 20)	108,882	34,738
	301,596	165,104

28 Financial instruments

a. Financial risk management

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

- Credit risk

- Liquidity risk
- Market risk
- Operating risk
- Capital risk

This note contains information on the Company'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 Company is exposed reflect strategic operational and economic/financial aspects. Strategic-operating risks are addressed using the Company's management model.

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

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

(i) Credit risk

Credit risk is the risk of the Company incurring financial losses due to a client or financial instrument counterparty, resulting from failure in complying with contract obligations. Such risk is mainly due to Company’s trade accounts receivable, and financial instruments.

The book values of financial assets represent the maximum credit exposure. Book value of financial assets that represents the maximum exposure to credit risk as showed:

	2021	**2020**
Cash and cash equivalents	84,043	65,088
Accounts receivable	875,594	718,650
Financial instruments	-	5,078
Other accounts receivable	3,846	1,869
	963,483	**790,685**

Cash and cash equivalents

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

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

In relation to the estimate of expected credit loss, details are available in Note 9 - Accounts Receivable.

(ii) Liquidity risk

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

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

We present below the contractual maturities of financial liabilities including payment of estimated interest and excluding, the impact of the negotiation agreements. Therefore, cannot be conciliated with the amounts of balance sheet:

		Contractual cash flow				
	Book value	**Total**	**Up to 1 year**	**2–3 years**	**4 years**	**>4 years**
Suppliers	645,817	645,817	645,817	-	-	-
	645,817	**645,817**	**645,817**	**-**	**-**	**-**

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

(iii) Market risk

a. Interest-rate risk
The Company has interest earning bank deposits remunerated at the CDI interest rate change. Such assets amount to R$ 79,216 as of December 31, 2021.

	2021	**2020**
Variable rate instrument		
Interest earning bank deposit	79,216	51,384
	79,216	**51,384**

Analysis of sensitivity to changes in CDI rate
To estimate the principal financial indicators for sensitivity analysis, the Company uses the Focus survey, organized by the Central Bank of Brazil and based on the analysis of forecasts of financial and non-financial institutions. As of December 31, 2021, market expects, indicated a CDI/SELIC effective average rate of 11.25% for 2022, against the effective rate of 9.25% verified in 2021.

	Probable scenario	Scenario I - 25% decrease	Scenario II - 50% decrease
Annual effective rate of CDI in 2021	9.25%	6,94%	4.63%
Interest earning bank deposits	79,216	79,216	79,216
Interbank Deposit Certificate estimated annual rate for 12 months	11.25%	8.44%	5.63%
Effect in the financial instrument			
Increase / (Decrease)	1,584	1,188	792

b. *Currency risk*
The related risk derives from the possibility of incurring losses due to fluctuations in foreign exchange rates that reduce or increase amounts raised in the market. Below we present the exposure by currency as at December 31, 2021 and 2020, which considers the equity values of loans and financing:

		2021		2020	
		Foreign currency nominal value	R$	Foreign currency nominal value	R$
Foreign suppliers	USD	43,894	244,952	69,846	362,970
Foreign suppliers	EUR	14	87	665	4,240
Foreign suppliers	GBP	-	-	5	39

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

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, 2021. The Company considered the scenarios below for the volatility of the US Dollar and Euro exchange rate.

For foreign exchange transactions subject to Dollar fluctuation, the following effects were estimated for the four scenarios, based on foreign exchange rate as of December 31, 2021 of R$ 5.58 per US$ 1.00:

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

- **Risk:** Dollar fluctuation

		Revenue (expense) on exchange rate (in reais)			
	Reference value, USD	Scenario 1	Scenario 2	Scenario 3	Scenario 4
USD rate		**4.1854**	**2.7903**	**6.9756**	**8.3708**
Foreign suppliers	244,952	341,739	683,477	(341,739)	(683,477)
Financial income (loss) - revenue/ (expense)		**341,739**	**683,477**	**(341,739)**	**(683,477)**

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, 2021 of R$ 6.3210 per EUR 1.00:

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

		Revenue (expense) on exchange rate (in reais)			
	Reference value EUR	Scenario 1	Scenario 2	Scenario 3	Scenario 4
Euro rate		**4.7408**	**3.1605**	**7.9013**	**9.4815**
Foreign suppliers	87	137	275	(137)	(275)
Financial income (loss) - revenue (expense)		**137**	**275**	**(137)**	**(275)**

(iv) Operating risk

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

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

(v) Capital risk

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

Fair value measurement
Book values of the Company's financial assets and liabilities may suffer change. The table below presents the comparison per class of book and fair values, including fair value hierarchy levels. It does not include information on the fair value of financial assets and liabilities not measured at fair value if the book value is a reasonable approximation of fair value.

December 31, 2021:

		Book value	**Fair value**	
	Rating	**2021**	**2021**	**Hierarchy**
Financial assets				
Cash and cash equivalents	Amortized cost	4,827	4,827	-
Interest earning bank deposits	Amortized cost	79,216	79,216	-
Accounts receivable	Amortized cost	875,594	875,594	-
Other accounts receivable	Amortized cost	3,846	1,869	-
Total		**963,483**	**961,506**	**-**
Financial liabilities				
Suppliers	Other financial liabilities	645,817	645,817	-
Total		**645,817**	**645,817**	**-**

December 31, 2020:

		Book value	**Fair value**	
	Rating	**2020**	**2020**	**Hierarchy**
Financial assets				
Cash and cash equivalents	Amortized cost	13,704	13,704	-
Interest earning bank deposits	Amortized cost	51,384	51,384	-
Financial instruments	Fair value through profit or loss	5,078	5,078	Level 2
Accounts receivable	Amortized cost	718,650	718,650	-
Other accounts receivable	Amortized cost	1,869	1,869	-
Total		**790,685**	**790,685**	**-**
Financial liabilities				
Loans and financing	Other financial liabilities	714,051	714,051	-
Suppliers	Other financial liabilities	492,025	492,025	-
Total		**1,206,076**	**1,206,076**	**-**

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

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

- **Level 1** - Prices quoted (not adjusted) in active markets for identical assets and liabilities.

- **Level 2** - Inputs, except for quoted prices, included in Level 1 which are observable for assets or liabilities, directly (prices) or indirectly (derived from prices).

- **Level 3 –** Assumptions, for assets or liabilities, which are not based on observable market data (non-observable inputs).

Capital management

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

29 Insurance coverage

As of December 31, 2021, operating a civil liability risk insurance coverage was comprised of R$ 2,582,854 for material damage and R$ 508,936 for loss of profits. Regarding Specific Risks, coverage was comprised of R$ 1,280,620 for material damage and R$ 92,894 for loss of profits. For general liability insurance coverage, R$ 100,000, for environmental risk insurance, R$ 100,000 and for D&O insurance, R$ 120,000. Aviation insurance - hull & optional civil liability US$ 159,190, RETA insurance R$ 1,520.

For insurance of domestic cargo transportation, the coverage is R$ 3,000 for terrestrial loading up to R$ 72,000 for aerial and waterway loading. On international transportation import, the coverage is US$ 35,000 exclusively for styrene monomer in bulk and polystyrene in bulk; US$ 15,000 to other goods by vehicle/waterway transportation; US$ 5,000 to air transportation of other goods or US$ 5,000 per vehicle/road trip. For insurance of export transportation, the coverage was US$ 10,000 exclusively for ethylbenzene and styrene and US$ 1,000 for other goods by vehicle/ship/airplane/transportation or accumulation.

The coverage for group life insurance of the employees has salary multiple of 18 times, limited to R$ 1,000 of coverage.

* * *

Executive Board

Lírio Albino Parisotto
CEO

Reinaldo José Kröger
Director Vice-president

Cláudio da Rocha Filho
Commercial and Operation Director

Christian Barg
Industrial Director

José Lemos de Carvalho Junior
Financial Director

Board of Directors

Lírio Albino Parisotto

Elie Linetzky Waitzberg

Liz Vanin Parisotto

Raphael David Wojdyslawski

Accountant

Marcus Vinícius de Souza
CRC SP 287.155/O-4