Videolar-Innova S.A.

Financial statements as of December 31, 2022

Contents

Dear Shareholders,

The management of Videolar-Innova S/A, in compliance with the legal and statutory provisions, hereby submits for your appreciation the **Management Report and Accounting Statements for Fiscal Year 2022**, with the explanatory notes herein, together with the Independent Auditors' Report, referring to the fiscal years ending December 31, 2022 and 2021, which include the pronouncements issued by the CPC (Accounting Pronouncements Committee), applicable to its operations.

2022: CONSOLIDATION OF INVESTMENTS, ZERO DEBT

Innova operated at full capacity under the rhythm of an outstanding market recovery in the period marked by the cooling down of the COVID-19 pandemic: non-stop supply to our customers, industries all over Brazil and into the world, in unprecedented volumes.

This secure response to the market was enabled by intensive investments made in previous years: R$ 457 million, between 2019 and 2021, for the production capacity expansion of styrene monomer (SM), polystyrene (PS), expandable polystyrene (EPS), bioriented polypropylene films (BOPP) and in the implementation of the Steam and Power Generation Plant in the Triunfo petrochemical plant (Rio Grande do Sul). It became self-producing and self-sufficient in electricity and steam from a renewable source, the biomass of forest residues, replacing oil and coal.

The Steam and Power Generation Plant has 30,000 kW of installed power, equivalent to consumption of a city with 450 thousand inhabitants.

The new energy matrix led Innova to massive neutralization of its greenhouse gas emissions. The Company´s commitment is ambitious, heading towards Net Zero in the short term.

The remarkable capture of value from the fixed assets has become possible precisely due to the investment vision Innova has always kept in the Company´s thinking and actions: favorable internal and external scenarios, high operational rates, 24% of EBITDA margin in 2022 (25% in 2021).

RECENT INVESTMENTS

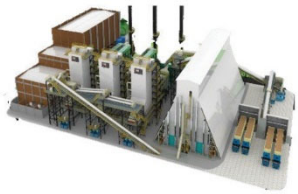
STYRENE MONOMER (SM):

R$ 283 MM

Duplication to 413,000 tons/year production capacity of our primary product styrene monomer (SM), investment that enabled Innova to reach production records after the peak of the pandemic, providing safety and stability to our customers. The company registered production record in all items manufactured at Triunfo Petrochemical, totaling 872 kt.

STEAM AND POWER GENERATION PLANT:

R$ 223 MM



Replacement of the fossil energy matrix of the Triunfo (RS) petrochemical plant, the first to operate with renewable sources: biomass from vegetable waste. The investment enabled a reduction superior to 70% in CO_2 emissions, on the way to Net Zero.

BIORIENTED POLYPROPYLENE FILMS (BOPP): LINE 3 ASSEMBLY

R$ 88 MM

Installation of the third line for bioriented polypropylene films (BOPP), achieving an all-time record production: 50 kt.

This means supply safety and stability for the customers.

ADDITIONAL STORAGE TANKS:

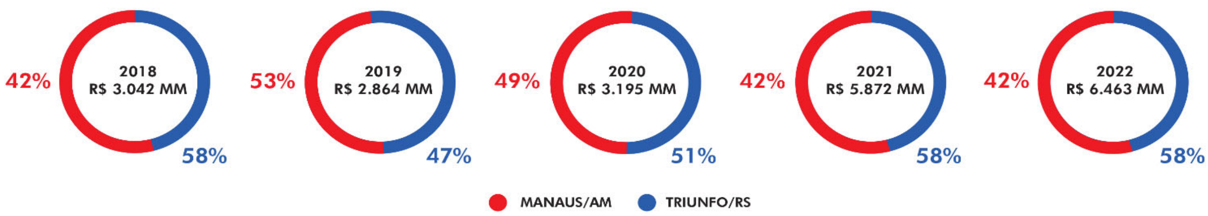
R$ 60 MM

Duplication of the tanking area at Triunfo Petrochemical, providing storage safety, especially during maintenance periods.

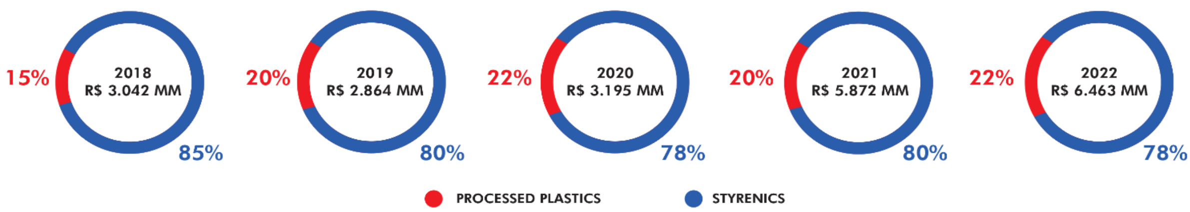
Our total storage capacity in all plants for ethylbenzene (EB) and styrene monomer (SM) will reach 100,000 tons.

Simultaneously, the Company carried out a consistent expense reduction plan started in 2019/2020, which led to zero indebtedness in 2022, reducing the exposure to foreign exchange risk and achieving an all-time level of liquidity.

GROSS REVENUE BY GEOGRAPHICAL ORIGIN



GROSS REVENUE BY SEGMENT



Having consolidated its leadership in the petrochemical styrenics business, Innova continues to grow consistently in the plastic transformed products segment.

WHAT WE DO

Innova is a Brazilian company, a petrochemical and processed plastics manufacturer.

As a petrochemical, we operate in the styrenics business, manufacturing ethylbenzene (EB), styrene monomer (SM), general purpose polystyrene (GPPS), high impact polystyrene (HIPS) and expandable polystyrene (EPS).

In plastics processing, we manufacture bioriented polypropylene films (BOPP), polystyrene (PS) and polypropylene (PP) reels and plastic closure caps for mineral water, juices and soft drinks, products at the heart of the economy and production chain.

Our plants are strategically located: in Manaus (Amazonas) and Triunfo (Rio Grande do Sul), always close to our customers, industries from north to south of the country, and beyond, into the world.

MANAUS (AMAZONAS)

PLANT I

Bioriented polypropylene plastic films (BOPP)

Polystyrene (PS) and polypropylene (PP) reels

Closure caps for mineral water, juices, and soft drinks

PLANT IV

General Purpose Polystyrene (GPPS)

High Impact Polystyrene (HIPS)

ECO-PS®

SALES DISTRIBUTION:

SOUTHEAST	51%
SOUTH	22%
NORTHEAST	8%
NORTH	7%
MIDWEST	1%
EXPORTS	11%

BARUERI (SÃO PAULO)

HEADQUARTERS

Sales and Administration

TRIUNFO (RIO GRANDE DO SUL)

PLANT II

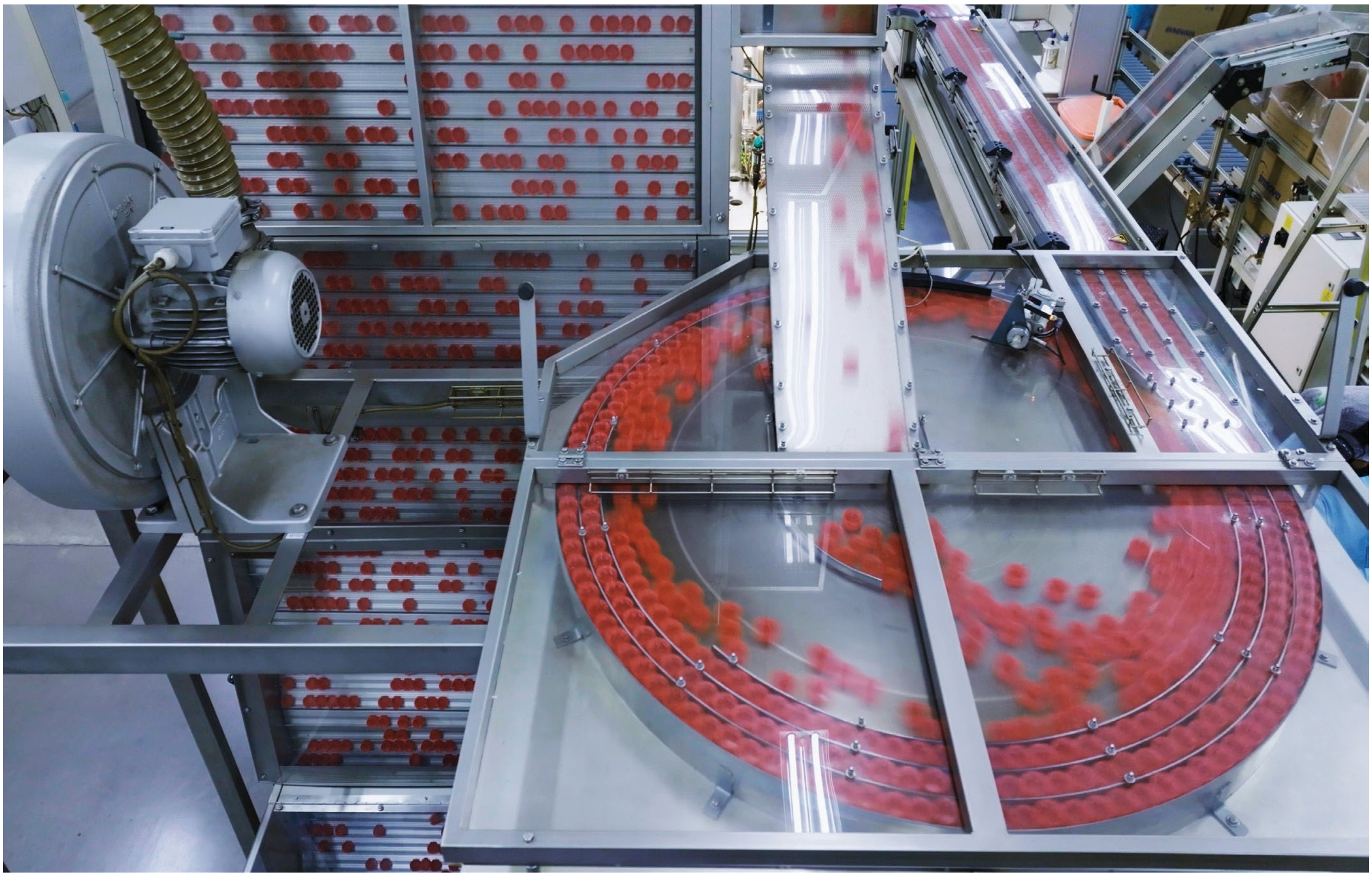
Ethylbenzene (EB)
Styrene Monomer (SM)
General Purpose Polystyrene (GPPS)
High Impact Polystyrene (HIPS)
Expandable Polystyrene (EPS)
PS-3D
Steam and Power Generation Plant
Styrenics Technology Center

Innova's DNA carries the history of Videolar, a blank and recorded media manufacturer: VHS tapes, audio cassettes, floppy disks, pen drives, CDs, DVDs and Blu-ray discs.

By the end of the 90's the chance was glimpsed to escalate the Company from the position of the largest national polystyrene consumer to the new condition of its manufacturer. The resin was feedstock for VHS tape cartridges and CD cases. In 2002, Videolar built the first petrochemical plant in Northern Brazil, for its own demand and supplying electro-electronic and household appliance industries, with their refrigerators and TV cabinets, as well as office and school supplies manufacturers, all of them installed in the Manaus Industrial Pole, in Amazonas.

At the peak of its history as media carrier manufacturer, Videolar reinvented itself into a petrochemical industry.

FURTHER REINVENTIONS



Just as VHS tapes consisted in processed plastics, the Company would start manufacturing its next ones: in 2011, it launched the production of plastic closure caps for mineral water, juices, and soft drinks.

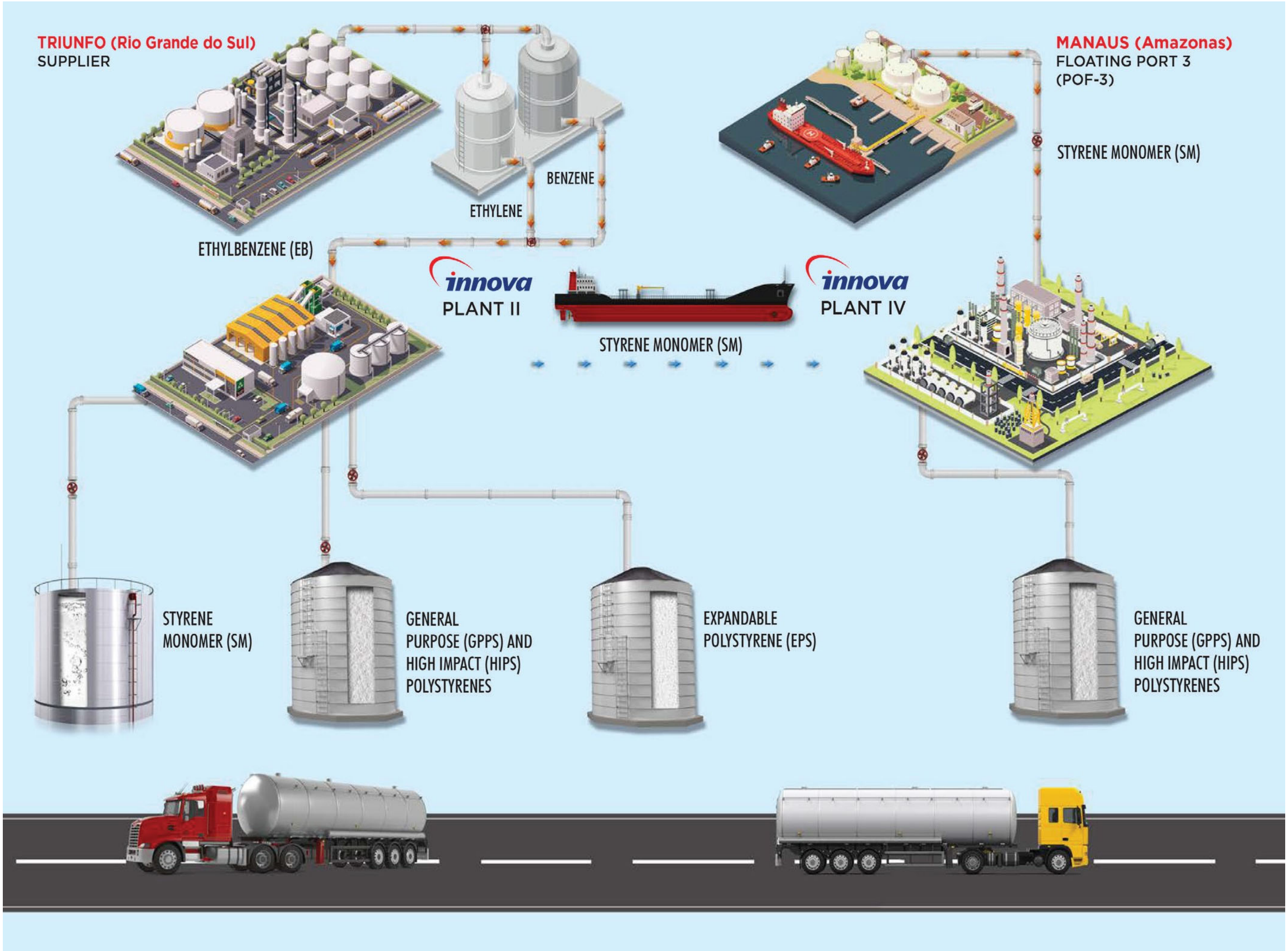
In 2012, a state-of-the-art plant was built for bioriented polypropylene films (BOPP), as well as polystyrene (PS) and polypropylene (PP) reels manufacturing, all essential items for the food packaging industry.

In 2014, Videolar bought from Petrobras, for US$ 500 million, the petrochemical company Innova, located in Triunfo (Rio Grande do Sul), an integrated manufacturer of ethylbenzene (EB), styrene monomer (SM), general purpose polystyrene (GPPS) and high impact polystyrene (HIPS).

At the very beginning of the new management, in 2016, investments were made to expand the plant's tanking facility and to implement the production of a new product: expandable polystyrene (EPS), present in the most diverse applications, from pharmaceutical to civil construction and infrastructure industries, in roads and bridges.

After the incorporation, the company started to designate its products and businesses under the Innova brand. The new condition brought to the petrochemical a strategic positioning, manufacturing simultaneously at north and south of the country, with the possibility of optimizing regionalized service and, moreover, capturing opportunities by alternating the emphasis of production according to the feedstocks costs dynamics.

INTEGRATED STYRENICS PRODUCTION CHAIN



OUR PRODUCTS AND THEIR APPLICATIONS

STYRENICS

STYRENE MONOMER (SM)

ASPHALT · TIRES · PAINTS · BUS SEATS · SWIMMING POOLS · BATHTUBS

THERMOPLASTIC RESINS

GENERAL PURPOSE POLYSTYRENE (GPPS)

CONSTRUCTION · FOOD INDUSTRY · HOUSEHOLD UTENSILS · DISPOSABLE CUTLERY · DISPOSABLE PACKAGING · TECHNICAL PARTS · SCHOOL AND OFFICE SUPPLIES · FOAM TRAYS

HIGH IMPACT POLYSTYRENE (HIPS)

ELECTRONICS · TOYS · SCHOOL AND OFFICE SUPPLIES · REFRIGERATION INDUSTRY · HOME APPLIANCES · HOUSEHOLD UTENSILS · PROFILES FOR THE FURNITURE INDUSTRY · DAIRY PRODUCTS · DISPOSABLE PACKAGING

EXPANDABLE POLYSTYRENE (EPS)

THERMAL PACKAGING · TECHNICAL PARTS · CONSTRUCTION · SURFBOARDS · HELMETS · SLAB FILLING

ECO-PS®

HOME APPLIANCES · ELECTRONICS · PROFILES FOR THE FURNITURE INDUSTRY · OFFICE SUPPLIES

PROCESSED PLASTICS

PLASTIC FILMS

BIORIENTED POLYPROPYLENE (BOPP)

FLEXIBLE PACKAGING · BOTTLE LABELS · GIFTS PACKAGING · LABELS · ADHESIVE TAPES · DECORATIVE LABELS · CHOCOLATES PACKAGING · CANDIES · FLOWERS PACKAGING

PLASTIC REELS

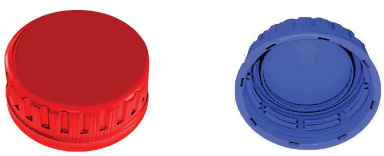
POLYSTYRENE (PS)

FLEXIBLE PACKAGING · DAIRY PRODUCTS · DISPOSABLE CUPS · DISPOSABLE CONTAINERS · DISPOSABLE TRAYS

POLYPROPYLENE (PP)

DISPOSABLE CUPS · DISPOSABLE CONTAINERS

PLASTIC CAPS FOR MINERAL WATER, JUICE AND SOFT DRINKS



THINKING AND ACTION:

Mission

To lead our business segment, by being trustworthy and developing strong ties with customers and employees, assuming a sustainable attitude towards the environment and ensuring the desired returns for our shareholders.

Vision

Knowing how to listen, develop and deliver:
there is always a clear need.

A leading Company offers solutions.

Values

Committed and transparent conduct;
The ability to adapt.

Full focus on customer´s needs.

GOVERNANCE & ORGANIZATION

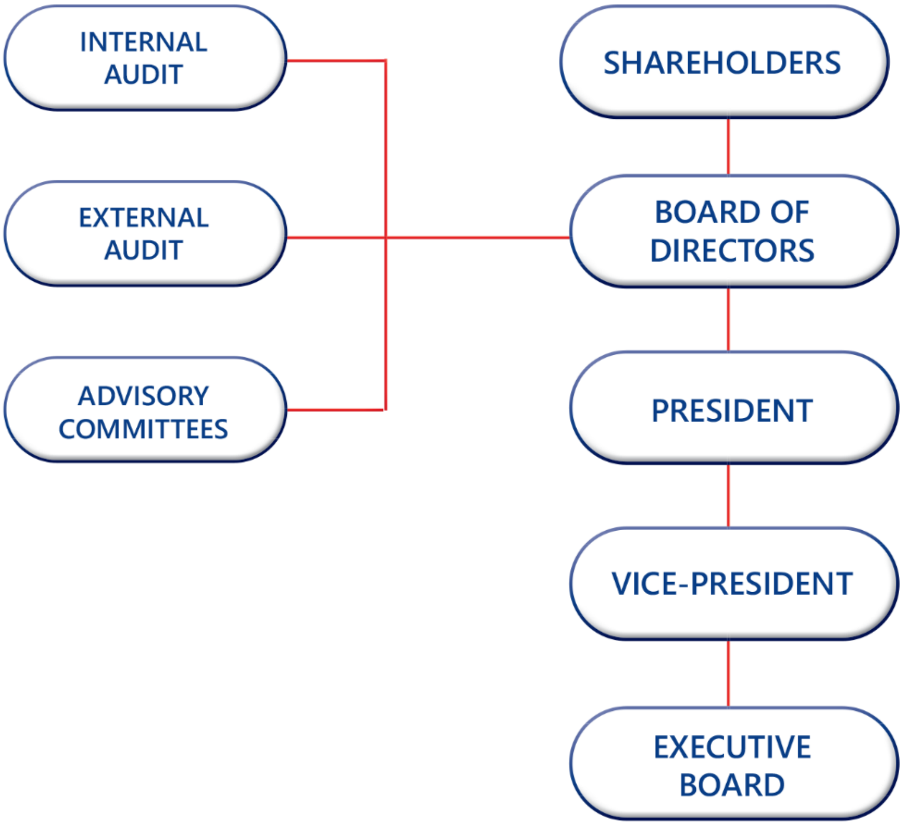
Innova's renown and consistency result from a legacy of successive reinventions and trust built with the market and the community. Our Corporate Governance principles are the basis for everything Innova does: Transparency, Fairness, Accountability and Corporate Responsibility.

Even being a private company, since 2005 Innova has been subject to external audits, always by a member of the group known as Big Four.

The Board of Directors, highest guidance entity of the Company, is present on a permanent basis in Innova's Corporate Governance structure and counts on its statutory Advisory Committees: Audit, Compliance and Sustainability.

Innova's organizational structure also includes an Internal Audit area with the attribution of monitoring practices, processes and evaluating internal control systems, all in accordance with the established policies.

Our Corporate Governance is organized as follows:



ADVISORY COMMITTEES

Our committees aim to support the Board of Directors with the aim of providing to its decisions greater efficiency and quality by deepening the discussions on the themes they were created for. There are three committees provided in the Bylaws: Audit, Compliance and Sustainability.

Audit Committee

The Audit Committee assists in activities that involve the reliability of information, ensuring the quality of the accounting practices adopted in the preparation of financial statements, compliance with legal and regulatory requirements, and the adjustment of internal processes and controls related to risk management.

Compliance Committee

The Compliance Committee fosters a culture of integrity and the Company's commitment to act in an ethical and transparent manner. It seeks to detect, prevent and minimize risks, as well as ensure compliance with the regulations applicable to the business.

Sustainability Committee

The Sustainability Committee creates strategies and mechanisms to integrate sustainability into the company's management process, consolidating economic development and socio-environmental responsibility under a single business philosophy.

ECONOMIC-FINANCIAL PERFORMANCE (IN R$ THOUSANDS)

	2022	2021
TOTAL ASSETS	4.225.983	3.817.645
NET EQUITY	3.611.696	2.788.518
INDEBTEDNESS	-	-
GROSS OPERATING REVENUE	6.534.332	5.872.628
NET OPERATING REVENUE	5.729.123	5.174.223
GROSS PROFIT	1.284.795	1.551.938
EBITDA	1.355.584	1.308.347
EBITDA MARGIN (%)	23,66%	25,29%
FINANCIAL PERFORMANCE	43.755	(71.079)
NET PROFIT	1.027.323	833.813
INVESTENTS MADE (CAPEX)	156.356	116.687

2023 OUTLOOK

Styrenics and processed plastics continue playing their central role in the economy, but the upcoming international scenario points to the drop of feedstock prices, with direct impacts on the products margins.

Innova's thinking stays in motion: intensive investments combined with financial discipline, exactly what brought us to this point and places the Company in a position to lead the pursuit of creative solutions towards the new frontier of circular economy. We are also firmly on track to neutralize 100% of our greenhouse gas emissions in the short term.

ACKNOWLEDGEMENTS

We thank our shareholders for their trust and incentive. To our customers for their preference. To the suppliers and financial institutions for their support and partnership. And to our employees for their commitment and dedication, fundamental to our proven leadership role.

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Independent auditors' report on the financial statements

To the Shareholders and Directors of

Videolar Innova S.A.

Manaus – AM

Opinion

We have reviewed financial statements of Videolar-Innova S.A. ("Company"), comprising the balance sheet as of December 31, 2022 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, 2022, 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.

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 25, 2023

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, 2022 and 2021

(In thousands of reais)

Assets	Note	2022	2021
Current assets			
Cash and cash equivalents	8	317,538	84,043
Accounts receivable	9	929,852	874,227
Inventories	10	670,870	594,388
Income tax and social contribution, recoverable	24.c	236	-
Recoverable taxes	11	93,015	61,952
Other accounts receivable		2,319	3,846
Advances to suppliers		6,770	1,618
Prepaid expenses		4,106	7,933
		2,024,706	1,628,007
Non-current assets			
Accounts receivable	9	-	1,367
Recoverable taxes	11	55,359	53,431
Judicial deposits	17	7,632	7,916
		62,991	62,714
Investment property	12	307,275	273,161
Property, plant and equipment	13	1,581,635	1,600,491
Intangible assets	14	249,376	253,272
		2,138,286	2,126,924
		4,225,983	3,817,645

Liabilities	Note	2022	2021
Current liabilities			
Suppliers	16	295,694	645,817
Labor obligations and social charges		40,986	52,495
Income tax and social contribution payable	24.d	-	34,751
Tax obligations		14,495	14,182
Advances from clients		2,607	13,497
Dividends payable	18.d	1,010	724
Interest on own capital payable	18.d	948	28,636
Other liabilities		31,792	45,101
		387,532	835,203
Non-current liabilities			
Deferred income tax and social contribution	24.a	199,887	66,019
Provision for contingencies	17	21,444	127,905
Other liabilities		5,424	-
		226,755	193,924
Shareholders' equity			
Capital	18.a	1,373,666	1,373,666
Goodwill reserve on disposal of own shares	18.g	1	1
Tax incentive reserve	18.e	1,306,430	936,377
Legal reserve	18.c	151,427	100,061
Profit retention	18.f	670,527	268,851
Equity valuation adjustment	18.b	109,645	109,562
Shareholders' equity		3,611,696	2,788,518
		4,225,983	3,817,645

See the accompanying notes to the financial statements.

Videolar-Innova S.A.

Statements of income

Years ended December 31, 2022 and 2021

(In thousands of reais)

Current assets	Note	2022	2021
Net operating revenue	19	5,729,123	5,174,223
Cost of products sold	20	(4,444,328)	(3,622,285)
Gross operating income		**1,284,795**	**1,551,938**
Operating revenues (expenses)			
Administrative and selling expenses	21	(167,355)	(379,654)
Equity in net income of subsidiaries		-	11,706
Realization of goodwill		(7,957)	(8,606)
Other operating revenues	22	109,591	49,482
Non-current assets	22	(20,769)	(54,403)
		(86,490)	(381,475)
Financial revenues	23	33,541	3,062
Financial expenses	23	(19,387)	(56,628)
Net inflation adjustments and exchange-rate changes	23	29,601	(17,513)
Net financial income (expenses)		43,755	(71,079)
Income (loss) before taxes		**1,242,060**	**1,099,384**
Current income tax and social contribution	24.b	(76,686)	(117,197)
Deferred income tax and social contribution	24.b	(138,051)	(148,374)
Net income for the year		**1,027,323**	**833,813**

See the accompanying notes to the financial statements.

Videolar-Innova S.A.

Statements of comprehensive income

Years ended December 31, 2022 and 2021

(In thousands of reais)

Current assets	**2022**	**2021**
Income (loss) for the year	1,027,323	833,813
Comprehensive income	-	-
Other comprehensive income, net of income tax and social contribution	-	-
Total comprehensive income	1,027,323	833,813
Comprehensive income attributable to		
Controlling shareholders	1,027,323	833,813
Non-current assets	-	-
Total comprehensive income	**1,027,323**	**833,813**

See the accompanying notes to the financial statements.

Videolar-Innova S.A.

Statements of changes in shareholders' equity

Years ended December 31, 2022 and 2021

(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, 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	-
Non-current assets		-	-	-	-	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**
Distribution of interim dividends in 2022	18.d	-	-	-	-	-	-	(60,000)	-	(60,000)
Payment of interest on own capital	18.d	-	-	-	-	-	-	-	(144,228)	(144,228)
Income (loss) for the year		-	-	-	-	-	-	-	1,027,323	1,027,323
Realization of equity adjustment	18.b	-	-	-	83	-	-	-	-	83
Formation of legal reserve	18.c	-	-	-	-	51,366	-	-	(51,366)	-
Formation of IRPJ tax incentive reserve	18.e	-	-	-	-	-	46,102	-	(46,102)	-
Formation of ICMS tax incentive reserve	18.e	-	-	-	-	-	323,951	-	(323,951)	-
Profit retention reserve	18.f	-	-	-	-	-	-	461,676	(461,676)	-
Balances at December 31, 2022		**1,373,666**	**-**	**1**	**109,645**	**151,427**	**1,306,430**	**670,527**	**-**	**3,611,696**

See the accompanying notes to the financial statements.

Videolar-Innova S.A.

Statements of cash flows

Years ended December 31, 2022 and 2021

(In thousands of reais)

	Note	2,022	2021
Current assets			
Cash flows from operating activities			
Net income for the year		1,027,323	833,813
Adjustments to reconcile income (loss) for the year with funding from operational activities			
Depreciation	13	125,442	110,476
Amortization	14	3,825	3,329
Realization of goodwill		7,956	8,606
Deferred and current income tax		214,737	265,571
Write-off of fixed assets		36,820	20,741
Provision for contingencies	17	(85,040)	109,353
Allowance for doubtful accounts	9	564	33
Non-current assets	10	(492)	1,042
Gain from adjustment to fair value	12	(34,114)	(14,731)
Equity in net income of subsidiaries		-	(11,706)
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		(5,837)	21,442
		1,291,184	1,350,934
Increase (decrease) in assets			
Accounts receivable		(56,022)	(138,720)
Inventories		(75,990)	(324,836)
Recoverable taxes		(33,227)	36,293
Other assets		470	1,689
		(164,769)	(425,574)
Increase (decrease) in liabilities			
Suppliers		(341,785)	117,549
Labor obligations and social charges		(11,509)	14,210
Tax obligations, income tax and social contribution payable		(22,104)	(8,930)
Advances from clients		(11,153)	10,797
Other liabilities		(7,885)	12,691
Provision for contingencies (Indemnities)	17	(20,437)	-
		(414,873)	146,317
Cash generated by operating activities		711,542	1,071,677
Income taxes paid		(111,438)	(15,811)
Net cash flow from operating activities		600,104	1,055,866
Cash flow from investment activities			
Acquisition of property, plant and equipment	13	(156,357)	(101,763)
Acquisitions of intangible assets	14	(17)	(1,313)
Cash from merger of subsidiary		-	89
Cash flow used in investment activities		(156,374)	(102,987)
Cash flow from financing activities			
Funding financing	15	150,806	212,101
Payment of financing	15	(151,828)	(933,501)
Dividends	18.d	(59,714)	(151,322)
Interest on own capital	18.d	(149,499)	(61,202)
Net cash from (used in) financing activities		(210,235)	(933,924)
Increase in cash and cash equivalents		233,495	18,955
Cash and cash equivalents at the beginning of the year		84,043	65,088
Cash and cash equivalents at the end of the year		317,538	84,043
Changes in cash and cash equivalents for the year		233,495	18,955

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 segment (Styrene, Polystyrene and Expandable Polystyrene), and serves clients of the Electric-electronic, Plastic, Disposable Goods and Food industries, among others, as well as operating in transformed plastics such as Plastic Lids and BOPP (Biaxially Oriented PolyPropylene film).

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

The petrochemical plant in Triunfo (RS) became self-producing and self-sufficient in the generation of electric power 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 (Steam and Electric Power Generation Station) is powered by biomass from solid plant residues of pine, eucalyptus, rice husks and sawmill leftovers in the form of chips.

The Company has three manufacturing plants, two located in the city of Manaus, state of Amazonas, and one in the city of Triunfo, state of Rio Grande do Sul.

2 Preparation basis

Statement of compliance (in relation to the Accounting Pronouncements Committee (CPC) standards)

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 24, 2023.

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.

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, 2022 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 13 -** Property, plant and equipment – determination of useful life and impairment;
- **Note 14 -** Intangible asset and goodwill impairment test: main assumptions in relation to recoverable values;
- **Note 17** - Recognition and measurement of provisions and contingencies: main assumptions regarding the likelihood and magnitude of the outflows of funds;
- **Note 19** - Revenue recognition: estimated return expectation;
- **Note 24.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 24.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:** 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**: 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 12** - Investment property;
- **Note 27** – Financial instruments.

5 Measuring basis

The financial statements were prepared based on the historical cost, except for the following items:

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

6 Significant accounting policies

The Company adopted accounting policies described below consistently to all years presented in these financial statements.

- **6.1** – Operating revenue
- **6.2** – Government grants and assistance
- **6.3 –** Financial revenues and expenses
- **6.4** – Foreign currency
- **6.5** – Income tax and social contribution
- **6.6** – Inventory
- **6.7** – Property, plant and equipment
- **6.8** – Intangible assets and goodwill
- **6.09 –** Investment property
- **6.10** – Financial instruments
- **6.11** – Impairment

- **6.12** – Provisions
- **6.13** – Employee benefits
- **6.14** – Leases
- **6.15 –** Measurement of fair value

6.1 Operating revenue

Sales of goods
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 26, 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.

6.2 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 contraentry to ICMS payable in the amount of R$ 195,498 (R$ 192,714 in 2021), pursuant to Note 26.

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 49.205/12.

The Company complied with the requirements of CPC 07 - "Government Grants and Assistance" for its recognition and this investment reserve was recognized in the Company's income (loss) for the year in the amount of R$ 128,453 (R$ 108,882 in 2021) for FUNDOPEM, according to Note 26.

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, 2022 and 2021, the Company complied with all legal requirements to use these benefits.

c. *IPI*

Excise tax – Products produced in the Manaus Free Trade Zones—ZFM, Decree 7.212/10, Article 81, item II.

d. *PIS / Cofins*

PIS/COFINS – Law 10.996/2004, Articles 3 and 4.

e. *Import tax*

Decree-Law 288/1967, Article 7

6.3 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 profit or loss using the effective interest rate method.

Exchange gains and losses are reported on a net basis.

6.4 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).

6.5 Income tax and social contribution

Current and deferred income tax and social contribution are calculated based on the tax rates of 15%, plus an additional 10% on taxable income in excess of R$ 240 for income tax and 9% on taxable income for social contribution on net income, and consider the tax loss carryforward and negative basis of social contribution, limited to 30% of 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 can be used. 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.

6.6 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.

6.7 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 a 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 and reduces the valuation reserve in shareholders' equity.

(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.

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

(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.

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

Gains and losses in the disposal of an investment property (calculated by the difference between the net value received in the sale and the item book value) are recognized in the statement of income.

When an investment property previously recognized as 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.

6.10 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 is initially measured at the price of operation.

Subsequent classification and 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 coupon rate, including variable-rate features;
- 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 it is a derivative or it is designated as such on 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 income (loss). Any gain or loss on derecognition is also recognized in income (loss).

Derecognition

Financial assets
The Company derecognizes a financial asset when:

- contractual rights to the cash flows of the asset expire; or

- 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 retains all the risks and rewards 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 the income (loss).

Interest rate reform
When the basis to determine the contractual cash flows of a financial asset or liability measured at amortized cost changes due to a result of benchmark interest rate reform, the Company restates the effective interest rate of financial asset or financial liability to reflect the change that is required by the reform. A change in the basis for determining contractual cash flows is required for the benchmark interest rate reform if the following conditions are met:

- The change is required as a direct consequence of the reform; and
- The new basis for determining contractual cash flows is economically equivalent to the previous basis; that is, the basis immediately prior to the change.

When changes have been made to a financial asset or financial liability, in addition to changes in the basis for determining the contractual cash flows required by the benchmark interest rate reform, the Company first updates the effective interest rate of the financial asset or financial liability to reflect the change, which is required by the benchmark interest rate reform. Thereafter, the Company applies the accounting policies of changes to additional amendments.

Offsetting
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 net assets. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in net assets, and the resulting gain or loss from the transaction is shown as capital reserve.

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.

6.11 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;

- it is probable that the debtor 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 properties, 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.

6.12 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.

6.13 Short-term 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.

6.14 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 determines its incremental loan rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and the type of asset leased.

Lease payments included in the measurement of lease liability comprise 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 strike 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 there is a change in future lease payments resulting from a change in index or rate, if there is a change in the amounts expected to be paid under the residual value guarantee, if the Company changes its assessment whether it will exercise a call option, extension or termination, or if there is a revised lease payment fixed in essence.

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, 2022, 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 financial 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.

6.15 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:

- Classification of Liabilities as Current or Non-Current (amendments to CPC 26 and CPC 23);
- Disclosure of Accounting Policies (amendments to CPC 26);
- Definition of Accounting Estimate (amendments to CPC 23); and
- Deferred tax related to assets and liabilities arising from a single transaction (amendments to CPC 32).

8 Cash and cash equivalents

	2022	2021
Cash and cash equivalents	20,586	4,827
Interest earning bank deposit	296,952	79,216
	317,538	**84,043**

The interest earning bank deposits 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 101% of the CDI (99.57% in 2021). 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, 2022 and 2021 are as follows:

	2022	2021
Clients	933,908	879,086
	933,908	**879,086**
Provision for expected credit loss	(4,056)	(3,492)
	929,852	**875,594**
Current assets	**929,852**	**874,227**
Non-current assets	**-**	**1,367**

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 trade notes still performing and represents possible default events within the following 12 months.

- **Stage 2 -** At this stage the trade notes 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	930,496	(917)	0.1%
	Overdue 1–30 days	276	(3)	1%
		930,772	**(920)**	-
	Legal collection	3,136	(3,136)	100%
		3,136	**(3,136)**	100%
Total		**933,908**	**(4,056)**	

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:

	2022	2021
Balance at the beginning of the year	(3,492)	(39,139)
Merged balance	-	(353)
Supplement to allowance for the year	(564)	(33)
Write-off in the provision for the year	-	36,033
Balance at December 31	**(4,056)**	**(3,492)**

10 Inventories

	2022	2021
Raw material	215,284	126,992
Work in process	197,715	175,614
Finished goods	238,585	261,520
Packaging	12,851	13,866
Imports in progress	2,162	12,485
Other materials	4,273	3,911
	670,870	**594,388**

Changes in the provision for obsolescence are as follows:

	2022	2021
Balance at the beginning of the year	(2,966)	(823)
Merged balance	-	(1,101)
Supplement of provision	-	(1,042)
Reversal of provision	492	-
Balance at December 31	**(2,472)**	**(2,966)**

Provision for obsolescence as of December 31, 2022 is as follows: BOPP R$ 600, Plastic Lids R$ 123, Polystyrene/EPS R$ 106 and Media R$ 1,643, of which R$ 1,759 (R$ 1,863 in 2021) is allocated to the raw material caption and R$ 713 (R$ 1,103 in 2021) is allocated to the finished products caption.

11 Recoverable taxes

	2022	2021
ICMS recoverable	97,577	92,993
PIS/COFINS recoverable	18,922	18,461
PIS/COFINS tax proceeding (i)	24,567	-
Withholding income tax (IRRF) recoverable	1,552	236
IPI recoverable	2,834	900
Other	2,921	2,793
	148,374	**115,383**
Current assets	**93,015**	**61,952**
Non-current assets	**55,359**	**53,431**

(i) In 2022, the final and unappealable decision was handed down for the merged companies Rimo and AMZ, which determine the exclusion of ICMS from the PIS/COFINS calculation basis. Said decision was retroactive to the years 2004 to 2021, on the total balance of R$ 59,936, of which R$ 40,434 as principal plus R$ 19,502 in inflation updating. Such amounts were offset against federal taxes in the current year, leaving a balance of R$ 24,567 for future offsetting.

12 Investment property

	2022	2021
Land and buildings	307,275	273,161
	307,275	**273,161**

The investment properties are recorded at fair value, which was based on valuations made by independent external appraisers, at November 30, 2022.

The balance of investment property transactions were as shown below:

	2022	2021
Balance at January 1	273,161	268,299
Addition		
Gain from adjustment to fair value (Note 22)	34,114	14,731
Reclassification of investment property and property, plant and equipment (Note 13)	-	(9,869)
Total	**307,275**	**273,161**

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.

13 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 13.1)	Construction in progress (Note 13.2)	Spare Parts – Construction in progress (i)	Goodwill - Property, plant and equipment	Total
Cost																	
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**
Additions	-	-	-	-	-	4	-	-	-	-	-	-	-	103,015	53,338	-	156,357
Write-off	-	-	(41,414)	-	(1,122)	(262)	(302)	-	-	-	-	-	-	(18)	-	-	(43,118)
Transfer	-	1,729	60,964	-	1,520	55	994	-	-	-	-	-	-	(30,000)	(35,262)	-	-
Balances at 12/31/2022	**97,025**	**319,723**	**1,706,614**	**3,434**	**242,434**	**9,260**	**14,132**	**1,574**	**13,869**	**17,992**	**594**	**152**	**(2,964)**	**174,771**	**93,385**	**203,479**	**2,895,474**
Depreciation																	
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)**
Depreciation for the year	-	(10,962)	(95,632)	(344)	(14,886)	(352)	(796)	(269)	(1,386)	(761)	(54)	-	-	-	-	(12,951)	(138,393)
Write-off	-	-	5,768	-	-	237	294	-	-	-	-	-	-	-	-	-	6,299
Balances at 12/31/2022	**-**	**(149,406)**	**(889,793)**	**(546)**	**(141,468)**	**(7,352)**	**(12,302)**	**(977)**	**(2,889)**	**(14,385)**	**(247)**	**-**	**-**	**-**	**-**	**(94,474)**	**(1,313,839)**
Balances at 12/31/2022	97,025	170,317	816,821	2,888	100,966	1,908	1,830	597	10,980	3,607	347	152	(2,964)	174,771	93,385	109,005	1,581,635
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.

13.1 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$ 2.964 in 2021) includes items that are no longer in operation as described below:

	2022	2021
Spare parts	2,964	2,964
	2,964	**2,964**

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, 2022, which were estimated based on the values in use, using the discounted cash flows.

13.2 Property, plant and equipment in progress

As of December 31, 2022, the balance of construction in progress account was R$ 174,771 (R$ 101,774 in 2021) and was mainly represented by the projects: power generation and steam generation R$ 51,789 (R$ 24,037 in 2021), Scheduled Maintenance Shutdown R$ 10,327 (R$ 12,000 in 2021), Biomass Storage Expansion R$ 8,138 and Tankage Expansion R$ 37,623.

14 Intangible assets

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

	Software	Brands, rights and patents	Goodwill	Surplus	Total
Cost					
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**
Additions	17	-	-	-	17
Balances at 12/31/2022	**26,656**	**19,225**	**243,866**	**106,279**	**396,026**
Depreciation					
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)**
Amortization for the year	(2,253)	(1,572)	-	(88)	(3,913)
Balances at 12/31/2022	**(22,033)**	**(18,484)**	**-**	**(106,133)**	**(146,650)**

	Software	Brands, rights and patents	Goodwill	Surplus	Total
Residual value					
Balances at 12/31/2022	**4,623**	**741**	**243,866**	**146**	**249,376**
Balances at 12/31/2021	**6,859**	**2,313**	**243,866**	**234**	**253,272**

14.1 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
(-) Net equity - Innova on 31/10/2014	(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 3.00% and actual discount rate of 11.4% in a five-year horizon.

15 Loans and financing

Financial institution		Charges	Maturity	2022	2021
Banco Santander	(i)	3.00% p.a.	04/29/2022	-	-
Banco Safra	(ii)	2,05% p.a.	05/24/2022	-	-
Banco Safra	(iii)	2.05% p.a.	06/23/2022	-	-
Banco Bradesco	(iv)	1.71% p.a.	06/02/2022	-	-
Bradesco Citibank	(v)	1.70% p.a.	06/03/2022	-	-
				-	-

The Company settled all balances of loans and financing during the year, with no outstanding balance remaining as of December 31, 2022 and 2021.

Equity changes in loans and financing are as follows:

Description	Balance in 2021	Addition	Interest	IRRF	Amortization	FX	Balance 2022
Banco Safra	-	75,315	400	-	(76,399)	684	-
Bradesco Finimp	-	15,218	55	-	(14,219)	(1,054)	-
Santander	-	40,000	176	-	(40,176)	-	-
Citibank	-	20,273	120	-	(21,034)	641	-
Grand total	**-**	**150,806**	**751**	**-**	**(151,828)**	**271**	**-**

Description	Balance in 2020	Addition	Interest	IRRF	Amortization	FX	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)**	**-**

16 Suppliers

	2022	2021
Domestic suppliers	94,573	96,724
Suppliers - Drawee risk (i)	-	304,054
Foreign suppliers	201,121	245,039
	295,694	**645,817**

(i) Suppliers (drawee risk): these are financial liabilities characterized by prepayments made by suppliers through the use of prepayment programs using the Company's credit facilities with financial institutions. The implicit financial cost in 2021 was 10.5% p.a. Moreover, in 2022, such operations were carried out until April with an implicit cost at the rate of 13.3% p.a. The Company understands that this transaction has a specific nature and classifies it separately under the heading “Suppliers”.

17 Provision for contingencies and judicial deposits

Based on an individual analysis of court and administrative proceedings related 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:

	2022	2021
Tax	8,201	9,246
Labor	5,231	4,287
Civil (i)	110	105,486
Goodwill	7,902	8,886
Non-current liabilities	**21,444**	**127,905**

(i) Reversal in the amount of R$ 101,400 for the dismissal of the cause due to the judicial settlement signed with the plaintiff, who claimed the annulment of the purchase and sale agreement of the property located at Avenida Rio Negro, nº 400, between Carville (former owner of the property) and the Company.

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, 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**
(+) Supplement of provision	1,088	2,733	774		**4,595**
(-) Write-off of provision	(1,207)	(23)	(89,389)	-	**(90,619)**
(-) Payments made	(926)	(1,766)	(16,761)	(984)	**(20,437)**
Balances at December 31, 2022	**8,201**	**5,231**	**110**	**7,902**	**21,444**

Main lawsuits are commented as follows:

Tax proceedings

The forecast of possible losses that are not provided for amount to R$ 608,347 (R$ 649,689 in 2021). The main lawsuits are: (i) proceeding 10283.724949/2021-66 referring to the tax assessment notice related to amounts incorrectly deducted in the calculation of Taxable totaling R$ 190,997 (R$ 174,739 in 2021); (ii) proceeding 2016.11209.12613.0.009414 referring to the tax assessment notice drawn up against AMZ due to the collection of ISS on copyright in the amount of R$ 135,513 (R$ 72,276 in 2021), and; (iii) proceeding 10283-722.476/2021-62 referring to the tax assessment notice for the deduction of the Goodwill paid on the acquisition of investments in the amount of R$ 129,086 (R$ 435,772 in 2021).

The Company has tax judicial deposits recorded in the amount of R$ 7,632 (R$ 7,320 in 2021). The 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 (R$ 566 in 2021); (ii) Proceeding 0007521-72.2016.4.01.3200 due to the alleged lack of collection of union contributions totaling R$ 685 (R$ 685 in 2021); (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 2021).

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$ 6,664 (R$ 9,419 in 2021), and for which the loss is considered as probable and the total amount of the provision is R$ 5,231 (R$ 4,287 in 2021).

Civil proceedings

The Company is the defendant of civil lawsuits amounting to R$ 10,782 (R$ 8,127 in 2021) for which loss is considered as possible. The main lawsuits are: (i) proceeding 0006284.22.2005.8.19.0203 for collection of property rights with an updated amount of R$ 7,027 (R$ 6,000 in 2021); (ii) proceeding 0002404-77.2016.8.21.0139 – Alleged defect in the product with updated value of R$ 2,376 (R$ 2,465 in 2021); (iii) proceeding 06134407220138040001 – linked to logistics operations with an updated value of R$ 609 (R$ 552 in 2021).

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, 2022 is R$ 7,902 (R$ 7,902 in 2021) for tax 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, 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**
(+) Merged balance	-	-	-	-
(+) Addition	53	744	171	968
(-) Write-off	(506)	(648)	(98)	(1,252)
Balances at December 31, 2022	5,165	1,694	773	7,632

18 Shareholders' equity

a. Capital

As of December 31, 2022 and 2021, the Company's capital amounts to R$ 1,373,666.

Company's capital is represented by 1,549,720 common shares.

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:

	2022	**2021**
Balance at January 1	109,562	109,807
Realization of equity evaluation adjustment	83	(245)
Total	**109,645**	**109,562**

c. Legal reserve

Legal reserve is formed at 5% of net income for each year, pursuant to the terms of art. 193 of Law no. 6.404/76, up to the limit of 20% of capital. Due to income for the year of R$ 1,027,323, the amount of R$ 51,366 was formed as a legal reserve, totaling R$ 151,427 (R$ 100,061 in 2021).

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 after the resolution of the General Meeting.

The shareholders approved the distribution of dividends in the amount of R$ 60,000 relating to interim dividends for 2022. The distribution of interest on own capital was also approved in the gross amount of R$ 144,228, totaling R$ 204,228.

Changes in dividends are as follows:

	2022
Balance at January 1	724
(+) Dividends distributed	60,000
(-) Payment of dividends	(59,714)
Balance at December 31, 2022	**1,010**

Changes in interest on own capital are as follows:

	2022
Balance at January 1	28,636
(+) Interest on own capital distributed	144,228
(-) Payment of interest on own capital	(149,499)
(-) IRRF (Withholding income tax)	(22,417)
Balance at December 31, 2022	**948**

e. Tax incentive reserve

Established by assigning a portion of income for the year, equivalent to tax incentives from government grants, in conformity with Article 195-A of the Brazilian Corporate Law. This reserve may not be distributed to partners or shareholders and will comprise the company's capital reserve, which may only be used to absorb losses or increase capital (paragraph 3 of Article 19 of Decree-Law no. 1.598/1977).

The amount of R$ 323,951 was allocated to the formation of ICMS tax incentive reserve as of December 31, 2022 and R$ 46,102 for IRPJ tax incentive reserve, totaling the amount of R$ 1,306,430 (R$ 936,377 in 2021).

f. Profit retention reserve

As of April 14, 2022, the distribution of dividends in the amount of R$ 60,000 was authorized of interim dividends for 2022, using the balance of the profit reserve.

A profit retention reserve was formed in the amount of R$ 461,676 (R$ 352,214 in 2021), totaling R$ 670,527 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.

19 Net operating revenue

	2022	2021
Gross operating revenue	6,534,332	5,872,628
Tax incentive reserves (Note 26)	323,951	301,596
Taxes on revenues	(1,085,352)	(971,659)
Returns	(43,808)	(28,342)
	5,729,123	**5,174,223**

20 Cost of products sold

	2022	2021
Cost of products sold	(3,979,195)	(3,217,174)
Cost of goods resold	(312)	(6,506)
Manufacturing general expenses	(387,974)	(320,356)
Production Idleness	(68,340)	(70,849)
Other	(8,507)	(7,400)
	(4,444,328)	**(3,622,285)**

21 Administrative and selling expenses

	2022	2021
Payroll expenses	(72,151)	(84,663)
Depreciation	(8,411)	(7,791)
Electric power	(358)	(324)
Taxes and rates	(2,819)	(2,632)
Provisions (*)	105,477	(106,353)
Impairment	-	485
Lawyers' fees	(3,019)	(8,890)
Preservation of assets	(1,825)	(475)
Travel expenses	(1,206)	(681)
Freight and carriage	(151,843)	(128,641)
Maintenance and repairs	(1,662)	(13,475)
Consulting and advisory	(9,121)	(7,162)
Insurance costs	(1,332)	(872)
Use license	(2,797)	(1,689)
Import expenses	(4,400)	(5,882)
Advertising and publicity	(1,075)	(299)
Other	(10,813)	(10,310)
	(167,355)	**(379,654)**

(*) Reversal of provision in the amount of R$ 101,400 linked to a judicial transaction (Note 17).

22 Other operating revenues (expenses)

	2022	2021
Operating income		
Sale of assets	3,918	13,525
Sale of scrap	7,342	3,772
Lease income	11,875	11,022
Recovery of taxes (Note 11)	40,434	665
Increase in fair value of investment property (Note 12)	34,114	14,731
Other	11,908	5,767
	109,591	**49,482**

	2022	2021
Operating expenses		
Losses with write-off of assets	(1,541)	(12,950)
Indemnities	(17,686)	(16,877)
Loss in tax lawsuit	-	(18,926)
Other	(1,542)	(24,576)
	(20,769)	**(54,404)**

23 Net financial revenues (expenses)

	2022	2021
Financial revenues		
Interest and gains on investments	11,398	2,310
Inflation adjustment	21,585	302
Discounts obtained	558	450
	33,541	**3,062**
Financial expenses		
Interest on loans and other	(2,015)	(9,012)
Discounts granted	(54)	(79)
Bank expenses	(1,436)	(2,072)
Expense with swap operations	-	(26,470)
Other	(15,882)	(18,995)
	(19,387)	**(56,628)**
Net exchange-rate changes		
Foreign exchange income	162,446	211,421
Foreign exchange costs	(132,845)	(228,934)
	29,601	**(17,513)**

24 Income tax and social contribution

a. Formation of deferred income tax and social contribution

	2022	2021
Credits on tax losses	35,112	99,081
Corporate vs. tax depreciation	-	2,272
Tax credits on timing differences:		
- Credits on provisions	14,355	51,209
Total deferred income tax and social contribution in assets	**49,468**	**152,562**
Equity valuation adjustment	(56,484)	(56,484)
Deferred tax on goodwill	(34,425)	(38,524)
Investment property	(79,374)	(67,775)
Corporate vs. tax depreciation	(79,073)	(55,798)
Total deferred income tax and social contribution in liabilities	**(249,335)**	**(218,581)**
Total deferred income tax and social contribution, net	**(199,888)**	**(66,019)**

The Company has tax losses and social contribution carryfowards generated in Brazil amounting to R$ 103,272 (R$ 291,415 as of December 31, 2021) 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, 2022, 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:

	2022	**2021**
Net exchange-rate changes	(3,166)	3,786
Estimated losses for allowance for doubtful accounts	919	1,911
Estimated losses on recoverable values of inventories	2,472	4,029
Estimated gain from tax credit	-	-
Provision for Profit Sharing	8,429	-
Estimated sundry losses	20,025	21,869
Provision for judicial contingencies	13,542	119,019
Total Provisions (reversals)	42,222	150,615
IR and CS tax rate 25% and 9%	34%	34%
IR/CS on temporary differences	14,355	51,209

The Company, based on expected future taxable income determined through technical studies conducted at the end of 2022 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	**2022**	**2021**
Total balance of tax loss	**103,272**	**291,415**
Deferred assets on tax loss	35,112	99,081
Applied IR and CS tax rate - 25% and 9%	34%	34%

Recovery estimate for the coming years	**2022**	**2021**
2022	-	252,974
2023	103,272	38,441
2024	-	-
	103,272	**291,415**

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$ 214,736 in 2022 (R$ 265,571 in 2021) is as follows:

	2022	2021
Income (loss) before income tax and social contribution	1,242,060	1,099,384
Combined statutory rate	34%	34%
Expense with income tax and social contribution at the combined rate	**(422,300)**	**(373,791)**
Incentives and grants	112,523	105,124
Tax goodwill	-	(64,657)
Changes – Tax loss (*)	(9,340)	(18,440)
Interest on own capital	49,038	30,545
Permanent differences	(1,202)	(1,124)
Timing differences	8,727	38,613
Valuation Adjustment - PPI	-	(36,219)
Other	1,716	5,658
Exemption and reduction – Exploration profit	46,102	48,720
Total current and deferred income tax (IR)	**(214,736)**	**(265,571)**
Effective rate	17%	24%
Current income tax and social contribution	(76,686)	(117,197)
Deferred income tax and social contribution	(138,051)	(148,374)

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

c. Income tax and social contribution, recoverable

	2022	2021
Income tax	236	-
Social contribution	-	-
	236	**-**

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.

d. Income and social contribution tax payable

	2022	2021
Income tax	-	24,351
Social contribution	-	10,400
	-	**34,751**

25 Information on related parties

Company's related parties are: Matsukawa Holding Co LLP.

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$ 7,400, as approved in the Annual Shareholders' Meeting held on March 22, 2022.

Total management's remuneration for the year ended December 31, 2022 was R$ 5,849 (R$ 4,650 in 2021).

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

26 Tax incentives

Incentive	**2022**	**2021**
ICMS tax benefit on shipment of intermediate assets (Note 19);	195,498	192,714
Benefit of FUNDOPEM/RS (note 19)	128,453	108,882
	323,951	**301,596**

27 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:

	2022	**2021**
Cash and cash equivalents	317,538	84,043
Accounts receivable	929,852	875,594
Other accounts receivable	2,319	3,846
	1,249,709	**963,483**

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**	**3–4 years**	**>4 years**
Suppliers	295,694	295,694	295,694	-	-	-
	295,694	**295,694**	**295,694**	**-**	**-**	**-**

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$ 296,952 as of December 31, 2022.

	2022	**2021**
Variable rate instrument		
Interest earning bank deposit	296,952	79,216
	296,952	**79,216**

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, 2022, market expects indicated a CDI/SELIC effective average rate of 12.25% for 2023, against the effective rate of 13.75% verified at the end of 2022.

	Probable scenario	**Scenario I - 25% decrease**	**Scenario II - 50% decrease**
Annual effective rate of CDI in 2022	13.75%	10.31%	6.88%
Interest earning bank deposits	296,952	296,952	296,952
Interbank Deposit Certificate estimated annual rate for 12 months	12.25%	9.19%	6.13%
Effect in the financial instrument			
Increase / (Decrease)	4,454	3,341	2,227

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, 2022 and 2021, which considers the equity values of loans and financing:

		2022		2021	
		Foreign currency nominal value	**R$**	**Foreign currency nominal value**	**R$**
Foreign suppliers	USD	38,202	199,328	43,894	244,952
Foreign suppliers	EUR	278	1,549	14	87
Foreign suppliers	GBP	38	244	-	-

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, 2022. 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, 2022 of R$ 5.21 per US$ 1.00:

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

		Revenue (expense) on exchange rate (in reais)			
	Reference value, USD	**Scenario 1**	**Scenario 2**	**Scenario 3**	**Scenario 4**
USD rate		**3.9133**	**2.6089**	**6.5221**	**7.8266**
Foreign suppliers	38,202	49,832	99,664	(49,832)	(99,664)
Financial income (loss) - revenue/ (expense)		**49,832**	**99,664**	**(49,832)**	**(99,664)**

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, 2022 of R$ 5.56 per EUR 1.00:

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

		Revenue (expense) on exchange rate (in reais)			
	Reference value EUR	Scenario 1	Scenario 2	Scenario 3	Scenario 4
Euro rate		**4.1771**	**2.7847**	**6.9618**	**8.3541**
Foreign suppliers	278	387	774	(387)	(774)
Financial income (loss) - revenue (expense)		**387**	**774**	**(387)**	**(774)**

For foreign exchange transactions subject to POUND STERLING fluctuation, the following effects were estimated for the four scenarios, based on foreign exchange rate as of December 31, 2022 of R$ 6.27 per GBP 1.00:

- **Scenario 1:** (25% of Brazilian real appreciation);
- **Scenario 2:** (50% of Brazilian real appreciation);
- **Scenario 3:** (25% of Brazilian real devaluation); and
- **Scenario 4:** (50% of Brazilian real devaluation).
- **Risk:** Fluctuation of pounds sterling

		Revenue (expense) on exchange rate (in reais)			
	Reference value GBP	Scenario 1	Scenario 2	Scenario 3	Scenario 4
Pound sterling rate		**4.7089**	**3.1393**	**7.8481**	**9.4178**
Foreign suppliers	38	33	94	(89)	(150)
Financial income (loss) - revenue (expense)		**33**	**94**	**(89)**	**(150)**

(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, 2022:

		Book value	**Fair value**	
	Rating	**2022**	**2022**	**Hierarchy**
Financial assets				
Cash and cash equivalents	Amortized cost	20,586	20,586	-
Interest earning bank deposits	Amortized cost	296,952	296,952	-
Accounts receivable	Amortized cost	929,852	929,852	-
Other accounts receivable	Amortized cost	2,319	10,877	-
Total		**1,249,709**	**1,258,267**	
Financial liabilities				
Suppliers	Other financial liabilities	295,694	295,694	-
Total		**295,694**	**295,694**	

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	874,594	875,594	-
Other accounts receivable	Amortized cost	3,846	1,869	-
Total		**963,483**	**961,506**	
Financial liabilities				

		Book value	Fair value	
	Rating	**2021**	**2021**	**Hierarchy**
Suppliers	Other financial liabilities	645,817	645,817	-
Total		**645,817**	**645,817**	

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.

28 Insurance coverage

As of December 31, 2022, operating a civil liability risk insurance coverage was comprised of R$ 2,785,971 for material damage and R$ 750,000 for loss of profits. Regarding Specific Risks, coverage was comprised of R$ 1,529,988 for material damage and R$ 300,000 for loss of profits. For general liability insurance coverage, R$ 100,000, for environmental risk insurance, R$ 150,000 and for D&O insurance, R$ 120,000. Aviation insurance - hull & optional civil liability US$ 159,190, RETA insurance R$ 1,711.

For insurance of domestic cargo transportation, the coverage is R$ 3,000 for terrestrial loading up to R$ 100,000 for aerial and waterway loading. On international transportation import, the coverage is US$ 55,000 exclusively for styrene monomer in bulk and polystyrene in bulk; US$ 15,000 to other goods by vehicle/waterway transportation; US$ 8,000 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
Chief Sales & Operating Officer

Christian Barg
Chief Industrial Officer

José Lemos de Carvalho Junior
Chief Financial Officer

Board of Directors

Lírio Albino Parisotto

Elie Linetzky Waitzberg

Liz Vanin Parisotto

Raphael David Wojdyslawski

Accountant

Marcus Vinicius de Souza
CRC SP 287.155/O-4