# Individual and Consolidated Financial Statements

## Plascar Participações Industriais S.A.

December 31, 2020
with Independent Auditor's Report

**Plascar Participações Industriais S.A.**

Individual and consolidated financial statements

December 31, 2020 and 2019

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Edifício Trade Tower
Av. José de Souza Campos, 900
1º e 3º andares - Nova Campinas
13092-123 - Campinas - SP - Brasil
Tel: +55 19 3322-0500
Fax: +55 19 3322-0559
ey.com.br

**A free translation from Portuguese into English of Independent Auditor's Report on Individual and Consolidated Financial Statements prepared in Brazilian currency in accordance with accounting practices adopted in Brazil and International Financial Reporting Standards (IFRS), issued by International Accounting Standards Board – IASB**

# Independent auditor's report on individual and consolidated financial statements

The Shareholders, Board of Directors and Officers
**Plascar Participações Industriais S.A.**
Jundiaí – SP

## Opinion

We have audited the individual and consolidated financial statements of Plascar Participações Industriais S.A. (the "Company"), identified as Individual and Consolidated, respectively, which comprise the statement of financial position as at December 31, 2020 and the statements of profit or loss, of comprehensive income, of changes in equity and of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the Company's individual and consolidated financial position as at December 31, 2020, and its individual and consolidated financial performance and cash flows for the year then ended, in accordance with the accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

## Basis for opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the individual and consolidated financial statements" section of our report. We are independent of the Company and its subsidiaries in accordance with the relevant ethical principles set forth in the Code of Professional Ethics for Accountants, the professional standards issued by Brazil's National Association of State Boards of Accountancy (CFC), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Material uncertainty about the Company's and its subsidiary's ability to continue as a going concern**

We draw attention to Note 1 to the individual and consolidated financial statements, which describes that the Company, through its subsidiary, has recorded recurring losses in its operations, and accumulated losses in equity, in the amount of R$ 1,121,006 thousand (R$ 1,004,063 thousand at December 31, 2019), in Individual and Consolidated, and excessive current liabilities in relation to current assets at December 31, 2019, in the amount of R$ 105,761 thousand in Consolidated (R$ 178,940 thousand at December 31, 2019). As presented in Note 1, these events or conditions, together with other matters described in the same Note, indicate that there is a material uncertainty that could raise significant doubt as to the Company's ability to continue as a going concern. We did not express any qualified opinion with respect to this matter.

**Key audit matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the individual and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter, including any commentary on the findings or outcome of our procedures, is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the individual and consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

*Corporate and financial restructuring of the Company and its subsidiary*

On January 31, 2019, the Company concluded the financial restructuring plan of the Company and its subsidiary through the entry of a new controller and the consequent increase in capital by R$ 449,483 thousand and issue of shares, upon the payment of approximately 90% of the existing debt of the subsidiary Plascar. The remaining debt with its creditors has been refinanced. Throughout 2019, certain liabilities were also renegotiated with the Company's main creditors, which started to be disclosed in non-current.

The monitoring of this matter was considered significant for our audit due to the relevance of the amounts recorded by the Company, the substantial change in the Company's shareholding control, as well as the impact of the restructuring, refinancing of its debts and the measurement of financial and equity instruments, in addition to the financial and operating situation of the Company and its subsidiary.

How our audit conducted this matter:

Our audit procedures included, among others, confirmation that an external appraiser who was hired to subsidize the Company's management in establishing the issue price of shares in a capital increase. We compared the new shareholding structure and the restructured debt, respectively, with the corporate acts duly approved by the competent bodies, and with the new financial and non-financial position updated with creditors, in the year ended December 31, 2020. We also focused on the adequacy the disclosures made by the Company on the restructuring and accounting impacts on shareholders' equity and current liabilities.

Based on the result of the audit procedures carried out, which is consistent with Management's assessment, we consider the measurement policies of the Company's financial and equity instruments derived from the corporate and financial restructuring to support the judgments, estimates and information included in the context of the statements to be acceptable taken together.

## Other matters

*Statements of value added*

The individual and consolidated statements of value added (SVA) for the year ended December 31, 2020, prepared under the responsibility of Company management and presented as supplementary information for IFRS purposes, have been submitted to audit procedures conducted together with audit of the Company's financial statements. To form our opinion, we evaluated if these statements are reconciled to the financial statements and accounting records, as applicable, and if their form and content comply with the criteria defined by NBC TG 09 – Statement of Value Added. In our opinion, these statements of value added were prepared fairly, in all material respects, in accordance with the criteria defined in abovementioned accounting pronouncement and are consistent in relation to the overall individual and consolidated financial statements.

## Other information accompanying the individual and consolidated financial statements and the auditor's report

Management is responsible for such other information, which comprises the Management Report.

Our opinion on the individual and consolidated financial statements does not cover the Management Report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the individual and consolidated financial statements, our responsibility is to read the Management Report and, in doing so, consider whether this report is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the Management Report, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of management and those charged with governance for the individual and consolidated financial statements**

Management is responsible for the preparation and fair presentation of the individual and consolidated financial statements in accordance with the accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the individual and consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and its subsidiaries' financial reporting process.

**Auditor's responsibilities for audit of the individual and consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the individual and consolidated financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Brazilian and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identified and assessed the risks of material misstatement of the individual and consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained 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.

- Obtained 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 and its subsidiaries' internal control.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluded 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, we are required to draw attention in our auditor's report to the related disclosures in the individual and consolidated 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the individual and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the scope and timing of the planned audit procedures and significant audit findings, including deficiencies in internal control that we may have identified during our audit.

We also provided those charged with governance with a statement that we have complied with relevant ethical requirements, including applicable independence requirements, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Campinas, March 3, 2021

ERNST & YOUNG
Auditores Independentes S.S.
CRC-2SP034519/O-6

Cristiane Cléria S. Hilario
Partner-Accountant
CRC-1SP243766/O-8

**Management report**

Profile

Plascar S.A.

Plascar Participações Industriais S.A. (Bovespa: PLAS3), through its subsidiary Plascar Ltda., operates in the automotive industry and its main business purpose is to industrially process and sell parts and pieces related to the interior and exterior finishes of motor vehicles, supplying automakers in Brazil.

## Economic and financial performance

2020 was marked by the COVID-19 pandemic and its effects on the industry. In an unprecedented event, all Plascar automotive customers stopped their activities at the end of March. This situation caused significant negative impacts at Plascar, notably the very high idleness for approximately 04 months.

Since the beginning of the pandemic, the Company has defined as a priority to protect the health and safety of its employees and their families, through the implementation of strict protocols. Upon resuming production, meeting the schedules of its customers, the Company was faced with the need to adapt its operations to these new safety and health demands.

According to ANFAVEA data, in 2020 there was a drop in vehicle production of 31.6%, when compared to 2019. The Company, however, performed better than the market, notably in the last two quarters of the year. The Company's net revenue for the 4th Quarter of 2020 was 16.8% higher than in the same period of 2019 and 39.1% higher in relation to the 3rd Quarter of 2020, thus showing a gradual and consistent recovery in volumes. For the full year 2020, the Company's net revenue decreased by 9.4%, when compared to the previous year.

Events related to the pandemic led the Company to record a drop in gross margin, from 7.7% in 2019 to a negative 1.3% in 2020, as well as a drop in adjusted EBITDA, from 1.5% or R$ 6,066 positive in 2019 to 4.8% or R$ 17,570 negative in 2020, These results are mainly explained by the effect of idleness, but also due to inefficiencies generated with the adoption of strict health and safety protocols. Equally, increases in the price of raw materials contributed to the loss of margin in the year. The Company's adjusted net income, in turn, amounted to a loss of R$ 112,306 in 2020, and in the exercise of 2019 it added a loss of R$ 144,771.

The year 2021 should also be marked by the challenges of recovery, with the continued search for increase in production volume, recovery of margins and strengthening of cash generation.

| **Automotive industry scenario** | **SOURCE: ANFAVEA – BRAZIL** | | |
|---|---|---|---|
| | **2019** | **2020** | **VAR. %** |
| VEHICLE PRODUCTION | 2,945 | 2,014 | -31.6% |
| VEHICLE SALES | 2,788 | 2,058 | -26.2% |

The Company has recorded a significant improvement in terms of liquidity and capital structure, mainly due to the successful renegotiation of certain liabilities.

**Investments**

The Company has maintained the necessary investments to meet current production and new contracts entered into, seeking to improve productivity and reduce costs, with total "CAPEX" of R$ 7 million in 2020 (R$ 9 million in 2019).

**Human Resources**

Despite the economic adversities in the country, the Company continued to invest in the professional development of its employees, with approximately 22,15 hours of teaching and training per employee (in the last 12 months), focused on SENAI learning courses, internships, in addition to internal training, with technical and operational development.

The Company ended 2020 with 1,728 employees (1,801 in 2019).

**Relationship with independent auditors**

The financial statements, prepared in accordance with accounting practices adopted in Brazil, were audited by ERNST & YOUNG Auditores Independentes S.S.
We inform that, in 2020, the Company purchased, from its auditor, non-audit services amounting to R$ 22. The policy of the Company and its subsidiary to purchase non-audit services from their independent auditors it is based on principles that preserve the independence of the independent auditor, which are: the auditor should not audit their own work; the auditor must not exercise a management role in their client, and the auditor must not act as a lawyer for their client.

The qualified Officers state that they have:

a) Reviewed, discussed and agreed with the opinions contained in the independent auditor's report.
b) Reviewed, discussed and agreed with the financial statements.

**Acknowledgments**

Once again, we would like to thank all those who were present and supported us during 2020, including our Employees, Customers, Suppliers, Shareholders, Financial Institutions, Members of the Company's Board of Directors and Supervisory Office.

**EBITDA and non-financial information included in this report and the respective percentages were not reviewed by our independent auditor.**

Jundiaí, March 3, 2021

The Management

# Plascar Participações Industriais S.A.

Statements of financial position
December 31, 2020 and 2019
(In thousands of reais)

| | Individual | | Consolidated | |
|---|---|---|---|---|
| | **2020** | **2019** | **2020** | **2019** |
| Assets | | | | |
| Current assets | | | | |
| Cash and cash equivalents (Note 6) | **31,444** | 29 | **33,681** | 17,383 |
| Trade accounts receivable (Note 7) | **-** | - | **58,774** | 26,062 |
| Inventories (Note 8) | **-** | - | **43,008** | 44,439 |
| Taxes recoverable (Note 9) | **-** | - | **30,406** | 51,844 |
| Other assets | **17** | 17 | **2,414** | 2,389 |
| | **31,461** | 46 | **168,283** | 142,117 |
| Noncurrent assets | | | | |
| Taxes recoverable (Note 9) | **-** | - | **126,601** | 132,957 |
| Judicial deposits | **-** | - | **4,103** | 4,792 |
| Other assets | **-** | - | **158** | 115 |
| Investment property | **-** | - | **8,452** | 8,542 |
| Property, plant and equipment (Note 13) | **7** | 7 | **275,848** | 307,193 |
| Right-of-use assets (Note 14) | **-** | - | **21,672** | 35,766 |
| | **7** | 7 | **436,834** | 489,365 |
| Total assets | **31,468** | 53 | **605,117** | 631,482 |

| | Individual | | Consolidated | |
|---|---|---|---|---|
| | **2020** | **2019** | **2020** | **2019** |
| Liabilities and equity | | | | |
| Current liabilities | | | | |
| Loans and financing (Note 15) | **-** | - | **19,864** | 35,296 |
| Lease liabilities (Note 14) | **-** | - | **23,175** | 17,562 |
| Trade accounts payable (Note 16) | **-** | - | **36,886** | 22,313 |
| Taxes payable (Note 26) | **32** | 35 | **46,848** | 47,145 |
| Payroll, vacation pay and related charges payable (Note 17) | **-** | - | **101,168** | 56,932 |
| Advances from customers (Note 18) | **-** | - | **15,184** | 20,785 |
| Related parties (Note 11.b) | **-** | - | **-** | 6,160 |
| Other liabilities (Note 20) | **-** | - | **30,919** | 114,864 |
| | **32** | 35 | **274,044** | 321,057 |
| Noncurrent liabilities | | | | |
| Loans and financing (Note 15) | **-** | - | **118,373** | 100,162 |
| Lease liabilities (Note 14) | **-** | - | **22,377** | 42,736 |
| Related parties (Note 11.b) | **44,460** | 11,554 | **7,450** | - |
| Payroll, vacation pay and related charges payable (Notes 17 and 26) | **-** | - | **10,366** | 15,017 |
| Taxes payable (Note 26) | **-** | - | **110,592** | 116,286 |
| Deferred income and social contribution taxes (Note 10.a) | **-** | - | **19,205** | 18,501 |
| Provision for contingencies (Note 19.c) | **-** | - | **11,550** | 7,395 |
| Provision for losses on investment in subsidiary (Note 12) | **176,192** | 60,667 | **-** | - |
| Other liabilities (Note 20) | **-** | - | **220,376** | 82,531 |
| | **220,652** | 72,221 | **520,289** | 382,628 |
| Total liabilities | **220,684** | 72,256 | **794,333** | 703,685 |
| Equity (Note 21) | | | | |
| Capital | **931,455** | 931,455 | **931,455** | 931,455 |
| Equity adjustments | **335** | 405 | **335** | 405 |
| Accumulated losses | **(1,121,006)** | (1,004,063) | **(1,121,006)** | (1,004,063) |
| | **(189,216)** | (72,203) | **(189,216)** | (72,203) |
| Total equity | **(189,216)** | (72,203) | **(189,216)** | (72,203) |
| Total liabilities and equity | **31,468** | 53 | **605,117** | 631,482 |

See accompanying notes.

## Plascar Participações Industriais S.A.

Statements of profit or loss
Years ended December 31, 2020 and 2019
(In thousands of reais, except for earnings per share)

| | Individual | | Consolidated | |
|---|---|---|---|---|
| | **2020** | **2019** | **2020** | **2019** |
| Net operating revenue (Note 23) | **-** | - | **369,188** | 407,550 |
| Cost of products sold (Note 24) | **-** | - | **(373,880)** | (376,247) |
| Gross profit (loss) | **-** | - | **(4,692)** | 31,303 |
| Operating income (expenses) | | | | |
| Selling expenses (Note 24) | **-** | - | **(22,603)** | (19,726) |
| General and administrative expenses (Note 24) | **(1,549)** | (1,639) | **(52,411)** | (62,989) |
| Equity pickup (Note 12) | **(115,525)** | (5,207) | **-** | - |
| Other operating income (expenses), net (Note 24) | **-** | - | **(3,941)** | 57,791 |
| | **(117,074)** | (6,846) | **(78,955)** | (24,924) |
| Income (loss) before finance income (costs) | **(117,074)** | (6,846) | **(83,647)** | 6,379 |
| Finance income (costs) | | | | |
| Finance costs (Note 25) | **(22)** | (18) | **(53,065)** | (96,391) |
| Finance income (Note 25) | **83** | 39 | **20,402** | 84,861 |
| | **61** | 21 | **(32,663)** | (11,530) |
| Loss before income and social contribution taxes | **(117,013)** | (6,825) | **(116,310)** | (5,151) |
| Deferred income and social contribution taxes (Note 10.c) | **-** | - | **(703)** | (1,674) |
| | **-** | - | **(703)** | (1,674) |
| Loss for the year | **(117,013)** | (6,825) | **(117,013)** | (6,825) |
| Loss per share from operations attributable to Company's shareholders for the year (in R$ per thousand shares) | | | | |
| Basic loss per share (Note 22) | | | **(9.42)** | (0.58) |
| Diluted loss per share (Note 22) | | | **(5.89)** | (0.37) |

See accompanying notes.

## Plascar Participações Industriais S.A.

Statements of comprehensive income
Years ended December 31, 2020 and 2019
(In thousands of reais)

| | Individual | | Consolidated | |
|---|---|---|---|---|
| | **2020** | **2019** | **2020** | **2019** |
| Loss for the year | **(117,013)** | (6,825) | **(117,013)** | (6,825) |
| Total comprehensive income for the year | **(117,013)** | (6,825) | **(117,013)** | (6,825) |

Total comprehensive income for 2019 and 2020 is stated net of tax effects.

See accompanying notes.

## Plascar Participações Industriais S.A.

Statements of changes in equity
Years ended December 31, 2020 and 2019
(In thousands of reais)

| | Capital | Equity adjustments | Accumulated losses | Total | Non-controlling interests | Total |
|---|---|---|---|---|---|---|
| Balances at December 31, 2018 | 481,972 | 1,158 | (997,435) | (514,305) | (556) | (514,861) |
| Capital increase (Note 21.a) | 449,483 | - | - | 449,483 | - | 449,483 |
| Realization of property, plant and equipment deemed cost | - | (298) | 298 | - | - | - |
| Deferred tax on realization of property, plant and equipment deemed cost | - | 101 | (101) | - | - | - |
| Capital transactions with owners | - | (556) | - | (556) | 556 | - |
| Loss for the year | - | - | (6,825) | (6,825) | - | (6,825) |
| Balances at December 31, 2019 | 931,455 | 405 | (1,004,063) | (72,203) | - | (72,203) |
| Realization of property, plant and equipment deemed cost | **-** | **(106)** | **106** | **-** | **-** | **-** |
| Deferred tax on realization of property, plant and equipment deemed cost | **-** | **36** | **(36)** | **-** | **-** | **-** |
| Loss for the year | **-** | **-** | **(117,013)** | **(117,013)** | **-** | **(117,013)** |
| Balances at December 31, 2020 | **931,455** | **335** | **(1,121,006)** | **(189,216)** | **-** | **(189,216)** |

See accompanying notes.

## Plascar Participações Industriais S.A.

Statements of cash flows – indirect method
Years ended December 31, 2020 and 2019
(In thousands of reais)

| | Individual | | Consolidated | |
|---|---|---|---|---|
| | **2020** | **2019** | **2020** | **2019** |
| Cash flows from operating activities | | | | |
| Loss for the year before taxes | **(117,013)** | (6,825) | **(116,310)** | (5,151) |
| Adjustments to reconcile loss to cash from (used in) operating activities: | | | | |
| Depreciation (Note 13) | **-** | - | **37,774** | 41,469 |
| Amortization (Note 14) | **-** | - | **23,443** | 19,082 |
| Loss on disposal of property, plant and equipment | **-** | - | **160** | 186 |
| Set-up of provision for loss on property, plant and equipment (Note 31) | **-** | - | **-** | 17,955 |
| Interest and monetary variation, net | **-** | - | **45,346** | 61,071 |
| Net tax credit recognized | **-** | - | **-** | (168,067) |
| Provision for contingencies (Note 19.b) | **-** | - | **11,052** | 9,947 |
| Equity pickup (Note 12) | **115,525** | 5,207 | **-** | - |
| Set-up (reversal) of provision for market value adjustment and inventory obsolescence (Note 7) | **-** | - | **47** | (3,485) |
| Set-up (decrease in) allowance for doubtful accounts (Notes 7 and 24) | **-** | - | **1,747** | (5,167) |
| Other | **-** | - | | - |
| | **(1,488)** | (1,618) | **3,259** | (32,160) |
| (Increase) decrease in assets: | | | | |
| Trade accounts receivable | **-** | - | **(34,461)** | (8,568) |
| Inventories | **-** | - | **1,384** | (6,457) |
| Taxes recoverable | **-** | - | **27,794** | (54) |
| Judicial deposits | **-** | - | **689** | (14) |
| Other assets, net | **-** | - | **25** | 8,544 |
| Increase (decrease) in liabilities: | | | | |
| Trade accounts payable | **-** | - | **14,044** | (969) |
| Payroll, vacation pay and social charges payable | **-** | - | **31,589** | 17,919 |
| Advances from customers | **-** | - | **(8,456)** | (6,159) |
| Taxes and social contributions payable | **(3)** | 16 | **(17,082)** | 5,830 |
| Provision for contingencies (payment) (Note 19.b) | **-** | - | **(6,897)** | (8,492) |
| Other liabilities, net | **-** | - | **23,957** | 15,880 |
| Interest paid | **-** | - | **(12,028)** | (13,923) |
| Net cash used in operating activities | **(1,491)** | (1,602) | **23,817** | (28,623) |
| Cash flows from investing activities | | | | |
| Acquisition of property, plant and equipment (Note 13.b) | **-** | - | **(6,589)** | (8,649) |
| Net cash used in investing activities | **-** | - | **(6,589)** | (8,649) |
| Cash flows from financing activities | | | | |
| Loans raised | **-** | - | **21,547** | 66,582 |
| Payment of loans and financing (principal) | **-** | - | **(23,767)** | (12,561) |
| Net increase in loans receivable from related parties | **32,906** | 1,631 | **1,290** | 331 |
| Net cash from (used in) financing activities | **32,906** | 1,631 | **(930)** | 54,352 |
| Net increase in cash and cash equivalents | **31,415** | 29 | **16,298** | 17,080 |
| Cash and cash equivalents at beginning of year | **29** | - | **17,383** | 303 |
| Cash and cash equivalents at end of year | **31,444** | 29 | **33,681** | 17,383 |

See accompanying notes.

## Plascar Participações Industriais S.A.

Statements of value added
Years ended December 31, 2020 and 2019
(In thousands of reais)

| | Individual | | Consolidated | |
|---|---|---|---|---|
| | **2020** | **2019** | **2020** | **2019** |
| Revenues | | | | |
| Gross operating revenue, less returns and rebates | **-** | - | **447,910** | 488,597 |
| Other revenues | **-** | - | **19** | 106 |
| Allowance for doubtful accounts | **-** | - | **-** | 27 |
| | **-** | - | **447,929** | 488,730 |
| Bought-in inputs | | | | |
| Raw materials consumed | **-** | - | **(169,554)** | (163,003) |
| Bought-in materials, energy and services and others | **(709)** | (704) | **(64,906)** | (104,127) |
| Provision for inventory adjustment to market value and obsolescence (Note 8) | **-** | - | **(47)** | 3,485 |
| | **(709)** | (704) | **(234,507)** | (263,645) |
| Gross value added | **(709)** | (704) | **213,422** | 225,085 |
| Depreciation and amortization (Note 24) | **-** | - | **(61,217)** | (60,551) |
| Net value added generated by the Company | **(709)** | (704) | **152,205** | 164,534 |
| Value added received in transfer | | | | |
| Equity pickup (Note 12) | **(115,525)** | (5,207) | **-** | - |
| Finance income | **83** | 39 | **20,402** | 84,861 |
| Other income | **-** | - | **937** | 85,794 |
| | **(115,442)** | (5,168) | **21,339** | 170,655 |
| Total value added to be distributed | **(116,151)** | (5,872) | **173,544** | 335,189 |
| Payment of value added | | | | |
| Personnel | | | | |
| Salaries and wages | **475** | 552 | **124,722** | 124,706 |
| Social charges | **141** | 150 | **32,321** | 38,831 |
| Taxes, charges and contributions | | | | |
| Federal | **-** | - | **38,028** | 36,479 |
| State | **-** | - | **41,407** | 45,619 |
| Local | **223** | 233 | **1,014** | 1,077 |
| Debt remuneration | | | | |
| Finance costs | **23** | 18 | **53,065** | 95,302 |
| Equity remuneration | | | | |
| Loss for the year attributable to controlling interests | **(117,013)** | (6,825) | **(117,013)** | (6,825) |
| Total distributed | **(116,151)** | (5,872) | **173,544** | 335,189 |

See accompanying notes.

## 1. Operations

Plascar Participações Industriais S.A. ("Plascar S.A." or the "Company"), with headquarters in the city of Jundiaí (since February 11, 2019 - previously headquartered in the city of Campinas), state of São Paulo, is a publicly-held corporation with shares traded on the São Paulo Commodities, Futures and Stock Exchange (BM&FBOVESPA) under the ticker symbol PLAS3. The Company's activities consist of controlling its subsidiary Plascar Indústria de Componentes Plásticos Ltda. ("Plascar Ltda."), which operates in the automotive industry and whose business activity is the manufacturing and selling of interior and exterior finishing auto parts.

Plascar Ltda. has manufacturing plants in the cities of Jundiaí, state of São Paulo, and Varginha and Betim, state of Minas Gerais.

The plants operate mainly in the automotive industry, focused on meeting the needs of automakers, supplying bumpers, dashboards, air diffusers, cup holders, door trim panels, parcel racks and other components. The manufacture of non-automotive products, focused on injection and assembly of supermarket trolleys, multi-use boxes, pallets and ecological furniture, represents less than 10% of the Company's total consolidated assets, net revenue and net income.

Following the completion of the Company's financial restructuring on January 31, 2019, the controlling entity of Plascar S.A. became Padua IV S.A., with a 59.99% stake in its capital, which is also composed of Permali do Brasil Indústria e Comércio Ltda., with 18.44%, by Postalis Instituto de Seguridade dos Correios e Telégrafos, with 7.12%, and by other individual shareholders who hold, together, 14.45%.

The Board of Directors authorized the issue of these financial statements on March 03, 2021.

<u>Financial situation</u>

At December 31, 2020, the Company has an excess of current liabilities over current assets in the amount of R$ 105,761 (R$ 178,940 in 2019) in the consolidated and capital deficiency in Consolidated and Individual in the amount of R$ 189,216 (R$ 72,203 in 2019).
Additionally, the Company presented loss for the current and comparative years, and maintained accumulated losses of R$ 1,121,006 in individual and consolidated (R$ 1,004,063 in 2019).

Finance costs total R$ 53,065 in 2020 (R$ 96,391 in 2019). Management is taking measures to reduce the impact of these costs on the Company's profit or loss, mainly managing and renegotiating its tax and bank liabilities.

According to official data from ANFAVEA (National Automaker Association), the production of vehicles in 2021 is expected to increase by 25.0%.

In 2020, there was a drop in the production of vehicles of about 31.6%, when compared to 2019, according to ANFAVEA data. The Company's net revenue, in turn, in 2020, had decreased by 9.4% when compared to the previous year.

The Company continues to adopt measures to increase revenue from new projects, reduce its internal operating costs, and improve margin. It is also constantly negotiating prices with customers to transfer increase in costs (labor, raw material, among others), continuing the Company's restructuring process, and coping with the crisis that started in March 2020 due to the COVID-19 pandemic.

Company management is in the process of reviewing projections, considering new projects and fluctuations in volumes in view of the current scenario (COVID-19).

<u>COVID-19 (Coronavirus) impacts on Company's business</u>

On March 11, 2020, the World Health Organization (WHO) declared the Coronavirus outbreak (COVID-19) as a pandemic on a global scale. The outbreak triggered significant decisions by governments and private sector entities, which added to the potential impact of the outbreak, increased the degree of uncertainty for economic agents and could generate impacts on financial statements. The world's main economies and major economic blocs have implemented e support packages of significant economic stimulus to overcome the potential recession caused by the measures to mitigate the spread of COVID-19.

In Brazil, the Executive and Legislative Branches of the Union published several normative acts to prevent and contain the pandemic, as well as mitigate the respective impacts on the economy, especially Legislative Decree No, 6, published on March 20, 2020, which declares the state of public calamity. State and municipal governments have also published several normative acts seeking to restrict the free movement of people and commercial and service activities, in addition to enabling emergency investments in the health area.

Automotive production suspensions have reached almost the entire sector in the country, with 123,000 workers stopped at 63 factories located in 40 cities in 10 states.

During the crisis, Management constantly assessed the impact of the outbreak on the operations and on the equity and financial position of the Company and its subsidiary, in order to implement appropriate measures to mitigate impacts on operations. Management immediately called its Crisis Committee to ensure the safety of its employees, service providers and customers served.

The Company implemented the following measures during the first and second quarters:

- Implementation of a Crisis Management committee;
- Restrictions on the movement and agglomeration of people in their facilities, as a way to prevent the spread of the virus;
- Suspension of trips, face-to-face training and participation in events for all employees;

- Guidance of home office regime for employees whose function enables this modality of work and isolation of all employees classified as at higher risk (over 60 years and with chronic diseases, according to the guidance of public entities);
- Intensification of internal communications of preventive measures, availability of 24-hour medical care channels to support employees and family members and availability of internal communication channels to employees, focused on pandemic care; And
- Optimization of the use of technology to ensure virtual service to its customers, impacting as little as possible its administrative and operational activities.

In order to reduce the financial impacts, the Administration also adopted the following measures:

- Acceleration of collective vacations for its employees and, on April 1, 2020, aligned with the unions responsible for the category, implemented reduced working hours, at 50% for all employees, a measure which was reversed in the third quarter;
- Renegotiation of maturities of certain liabilities with banks, suppliers and other creditors;
- From the end of February through early March 2020, the Company implemented an even greater control of its inventories to keep them at the minimum level;
- The Administration benchmarked with other auto parts makers and also with selected OEMs to exchange covid related information and measures for application in the Company.

Despite the total shutdown of the automakers, which occurred in different periods between the months of March and June 2020, the three plants continued to operate. However, the pace of work was very reduced, focusing on specific projects and preventive maintenance activities. The costs related to the idle capacity of the plants for the entire period of reporting were measured by Management and recorded directly against the income for the period, in accordance with CVM guidance 24/92.

The Company's operations in 2020 were significantly impacted by the pandemic, recording a total drop in revenues of 9.4% when compared to 2019.

Management continues to monitor the effects of the crisis. After a period of recovery in the Brazilian vehicle market, which in September, October, November and December 2020 registered higher volumes than those recorded before the Coronavirus pandemic hit the country, ANFAVEA presented new and improved sales projections for production, foreseeing a 25% increase in vehicle production for 2021. However, the manufacturers' association places a number of caveats to the new estimates, pointing out that there are still uncertainties on the horizon of the coming months that may change the numbers down or upwards, starting with the development of Covid-19 itself, which continues to be a major threat to the economy. Also, according to ANFAVEA, there was an increase in vehicle production in December 2020 of the order of 22.8% compared to December 2019.

In view of this potential market recovery, the Company has already adopted some flexibility measures and a gradual resumption of its production capacity, including:

- Resumption of full working hours gradually from August 2020 (from September 2020, all employees of the Company had full working hours);
- Flexibilization of the home office rules;

- Resumption of visits by third parties to the Company's facilities, by prior appointment and following security protocols;
- Intensification of hygiene and health protocols to ensure the health of all employees, customers and partners of the Company.

- The Crisis Committee implemented at the beginning of the pandemic has been demobilized. However, the committee can be summoned again immediately, if necessary. It should be noted that in December, with the worsening of the pandemic rates in the general population, the Company decided to reinstate the home-office program for the administrative areas, in addition to limiting travel and visits. Guidance and alert initiatives to employees regarding the risks of the pandemic and preventive measures were intensified.

<u>Corporate and financial restructuring</u>

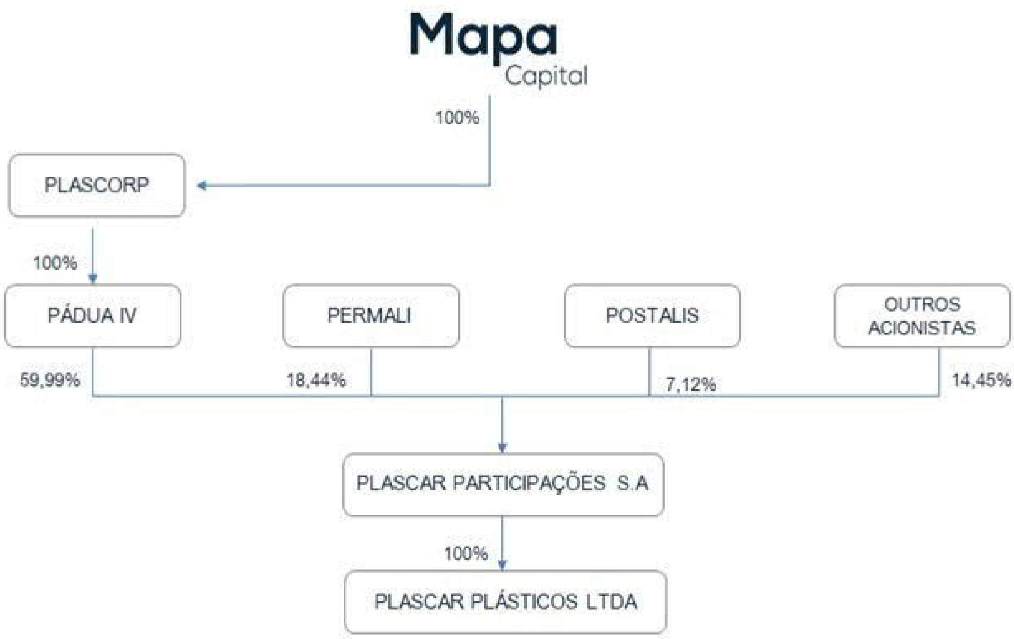
At the General Special Shareholders' Meeting held on December 13, 2018, shareholders present unanimously approved the final plan for restructuring the Company's debt that, in general, involved the transfer of approximately 90% of Plascar's existing debt by the Company's main creditors to the current parent company "Pádua IV Participações S.A."

On January 31, 2019, according to the Notice to Shareholders and Material Fact disclosed to the market, the Company's capital increased with payment through the use of credits held against Plascar Ltda. for private subscription, amounting to R$ 449,483, through the issue of 7,455,251 common shares at the par value of R$60.29 per common share. After capital increase, Company's capital, previously amounting to R$ 481,972, divided into 4,970,167 common shares, increased to R$931,455, divided into 12,425,418 common shares.

With the completion of the Company's financial restructuring on January 31, 2019, Company's equity and current liabilities were positively impacted by R$ 449,483, resulting from capital increase.

Management continues negotiating liabilities with several creditors, in order to adjust them to the Company's cash generation capacity. In 2019 and early 2020, certain liabilities were renegotiated, and are now reported in noncurrent liabilities.

The new corporate structure, with emphasis on the Company's new parent (Pádua IV Participações S.A.), after completion of the Company's restructuring plan and capital subscription, is as follows.



## 2. Summary of significant accounting policies

### 2.1. Basis of preparation

The Company's individual and consolidated financial statements were prepared in accordance with accounting practices adopted in Brazil, including pronouncements issued by the Brazilian FASB (CPC) and the *International Financial Reporting Standards* (IFRS), issued by the *International Accounting Standards Board* (IASB), and interpretations issued by the *International Financial Reporting Interpretations Committee* (IFRIC), implemented in Brazil through CPC, its technical interpretations (ICPC) and guidance (OCPC), approved by the Brazilian SEC (CVM).

Presentation of the individual and consolidated Statements of Value Added (SVA) is required by the Brazilian Corporation Law and by accounting practices adopted in Brazil applicable to publicly-held companies. Such statement is not required for IFRS purposes. As a result, under the IFRS, said statement is presented as supplementary information, without prejudice to the overall financial statements.

Significant accounting policies adopted in the preparation of these financial statements are defined below. These practices have been consistently applied in all years presented, unless otherwise stated.

The financial statements were prepared on a historical cost basis and adjusted to reflect the deemed cost of land and buildings at the date of transition to IFRS/CPC.

Preparation of the financial statements requires the use of certain critical accounting estimates and Company management judgment in the process to apply the accounting policies.

### 2.2. Basis of consolidation

The Company consolidates the entity over which it holds control, i.e., when it is exposed to or has variable return rights from its involvement with the investee and has the ability to direct the investee's significant activities.

The following accounting policies are applied in the preparation of the consolidated financial statements.

The consolidated financial statements comprise the financial statements of the Company and its subsidiary at December 31, 2020. Control is obtained when the Company is exposed or entitled to variable returns based on its involvement with the investee, and has the ability to affect such returns by exercising power in relation to the investee.

Specifically, the Company controls an investee if, and only if, it has:

• Power in relation to the investee (i.e., existing rights that guarantee the current ability to govern the relevant activities of the investee);
• Exposure or right to variable returns based on its involvement with the investee; and
• The ability to use its power in relation to the investee to affect the value of its returns.

Generally, it is assumed that the majority of voting rights results in control. To support this assumption, and when the Company has less than the majority of voting rights of an investee, the Company considers all relevant facts and circumstances when assessing whether it has power over an investee, including:

• The contractual agreement between the investor and other holders of voting rights;
• Rights arising from other contractual agreements; and
• The voting rights and potential voting rights of the Company (investor).

The Company evaluates whether it exercises control over an investee if facts and circumstances indicate changes in one or more of the three aforementioned control elements. Consolidation of a subsidiary begins when the Company obtains control over that subsidiary, and ends when such control ceases to exist. Assets, liabilities and profit or loss of a subsidiary acquired or disposed of over the year are included in the consolidated financial statements from the date the Company obtains control to the date such control over the subsidiary ceases to exist.

Profit or loss and each component of other comprehensive income is attributed to the Company's controlling and non-controlling shareholders, even if this results in loss to non-controlling shareholders. All assets and liabilities, profit or loss, revenues, expenses and cash flows of the same Company, related to operations between Company members, are fully eliminated in the consolidation. Unrealized losses are also eliminated, unless the transaction provides evidence of an impairment loss of the asset transferred.

Changes in equity interest held in subsidiary, without losing control, are accounted for as equity transactions.

If the control exercised over a subsidiary ceases to exist, the corresponding assets (including any goodwill) and liabilities of the subsidiary are written off at their carrying amount on the date the control is lost, and the carrying amount of any non-controlling interests is written off on the date the control is lost (including any components of other comprehensive income attributed to them). Any resulting difference as a gain or loss is recorded in profit or loss. Any retained investment is recognized at its fair value on the date the control ceases to exist.

Investments of the Company and its subsidiaries are recorded under the equity method in the individual financial statements.

The Company's consolidated financial statements include the financial statements of Plascar Indústria de Componentes Plásticos Ltda. ("Plascar Ltda."), in which it holds 100% equity interest at December 31, 2020 and 2019.

a) Transactions with non-controlling interests

The Company addresses transactions involving non-controlling interests as transactions with asset owners. For purchases from non-controlling interest, the difference between any consideration paid and the acquired portion of the carrying amount of subsidiary's net assets is recorded in equity. Gains or losses on sales to non-controlling interests are also recorded directly in equity, in "Non-controlling interests".

b) Loss of control over subsidiaries

When the Company no longer holds such control, any ownership interest in the entity is remeasured at fair value, and any change in the carrying amount is recognized in profit or loss. Amounts previously recognized in other comprehensive income are reclassified to profit or loss.

### 2.3. Operating segments

Operating segment information is stated consistently with the internal report provided for by the chief operating decision-maker. The chief operating decision maker, responsible for allocating resources and assessing performance of the operating segments, is the C-suite, also responsible for making the strategic decisions for the Company. The Company concluded that it has only one segment subject to reporting requirements.

### 2.4. Foreign currency translation

a) Functional and presentation currency

Items included in the financial statements of the Company and its subsidiary are measured using the currency of the principal economic environment where they operate (the "functional currency"). The individual and consolidated financial statements are presented in Reais (R$), which is the Company's functional and presentation currency.

b) Transactions and balances

Transactions in foreign currency are translated into the functional currency at the exchange rates in force at the transaction or assessment dates when items are remeasured.

Foreign exchange differences related to loans, cash and cash equivalents are stated in profit or loss, as finance income (costs). All other foreign exchange differences are presented in the statement of profit or loss as “Other operating income (expenses), net”.

### 2.5. Cash and cash equivalents

Cash and cash equivalents include cash, bank deposits and other short-term highly-liquid investments, originally redeemable within three months, and with insignificant risk of change in value. Secured accounts are stated in the statement of financial position as “loans and financing,” in current liabilities.

### 2.6. Financial assets

2.6.1. Classification

The classification of financial assets at initial recognition depends on the characteristics of the contractual cash flows of the financial asset and the Company’s business model for the management of these financial assets. Except for trade accounts receivable that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus transaction costs, in the case of a financial asset not measured at fair value through profit or loss.

Trade accounts receivable that do not contain a significant financing component or for which the Company has applied the practical expedient.

For a financial asset to be classified and measured at amortized cost or at fair value through other comprehensive income, it needs to generate cash flows that are “solely payments of principal and interest” (also referred to as the “SPPI” test) on the principal amount outstanding. This is assessed at the instrument level. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, regardless of the business model adopted.

The Company's business model for managing financial assets refers to how it manages its financial assets to generate cash flows. The business model determines whether cash flows will result from the collection of contractual cash flows, the sale of financial assets or both. Financial assets classified and measured at amortized cost are maintained a business plan in order to maintain financial assets to obtain contractual cash flows, whereas financial assets classified as and measured at fair value through other comprehensive income are maintained in a business model in order to obtain contractual cash flows and also for the purpose of sale.

Purchases and sales of financial assets which require delivery of assets within the time frame established by regulation or market convention (negotiated under normal conditions) are recognized on the trade date, which is the date when Company commits to purchase or sell the asset.

2.6.2. Recognition and measurement

Purchase and sale of financial assets are recognized at transaction date. Investments are initially recognized at fair value, plus transaction costs for all financial assets not classified as at fair value through profit or loss.

Financial assets measured at fair value through profit or loss are initially recognized at fair value; transaction costs are charged to profit or loss for the period in which they are incurred.

The fair value of publicly-traded investments is based on the current purchase price. If the market for a financial asset is not active, the Company establishes fair value through valuation techniques. These techniques include the use of recently contracted operations with third parties, reference to other substantially similar instruments, analysis of discounted cash flows and options pricing models that privilege market information and minimize the use of information generated by management.

For subsequent measurement purposes, financial assets are classified in four categories:

• Financial assets at amortized cost (debt instruments);
• Financial assets at fair value through other comprehensive income with reclassification of accumulated gains and losses (debt instruments);
• Financial assets designated at fair value through other comprehensive income without reclassification of accumulated gains and losses on derecognition (equity instruments); and
• Financial assets at fair value through profit or loss.

2.6.3. Impairment of financial assets – assets measured at amortized cost

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Company's financial assets at amortized cost include trade accounts receivable, loans to associates.

At the end of each reporting year, the Company assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired. The criteria used by the Company to determine whether there is objective evidence of an impairment loss include: (i) significant financial difficulty of the issuer or borrower; (ii) a breach of contract, such as default or delay in payment of interest or principal; (iii) likelihood that the debtor will declare bankruptcy or financial reorganization; and (iv) the active market for that financial asset ceases to exist due to financial problems.

2.6.4. Derecognition of financial assets

A financial asset (or, where applicable, part of a financial asset or part of a group of similar financial assets) is derecognized when:

• The rights to receive cash flows from the asset expire; or
• The Company has transferred its rights to receive cash flows from the asset or assumed an obligation to fully pay cash flows received, without any significant delay, to a third party through a "pass-through" agreement, and (a) the Company substantially has transferred all risks and benefits of the asset or (b) the Company has neither substantially transferred nor maintained all risks and benefits relating to the asset, but has transferred the control over it.

When the Company transfers its rights to receive cash flows from an asset or enters into a pass-through agreement, it assesses whether, and to what extent, it retained the risks and benefits of ownership. When it has not transferred or retained substantially all the risks and benefits of the asset, nor has it transferred control of the asset, the Company continues to recognize the transferred asset to the extent of its continued involvement.

In this case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations of the Company.

The continued involvement in the form of a guarantee on the transferred asset is measured at the lower of: (i) the value of the asset; and (ii) the maximum amount of the consideration received that the entity may be required to repay (value of the guarantee).

## 2.7. Financial liabilities

### 2.7.1. Recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, financial liabilities at amortized cost, or as derivatives designated as hedging instruments in an effective hedge, as applicable.

All financial liabilities are initially measured at fair value, plus or less, in the case of a financial liability other than fair value through profit or loss, transaction costs that are directly attributable to the issue of the financial liability.

The Company’s financial liabilities include: trade accounts payable, other accounts payable, loans and financing, bank overdraft, and derivative financial instruments.

### 2.7.2. Subsequent measurement

For subsequent measurement purposes, financial liabilities are classified in two categories:

• Financial liabilities at fair value through profit or loss; and
• Financial liabilities at amortized cost.

Measurement of financial liabilities depends on their classification, as described below:

### 2.7.3. Financial liabilities at fair value through profit or loss

These include financial liabilities held for trading and financial liabilities initially recognized at fair value through profit or loss.

Financial liabilities are classified as held for trading if incurred for the purpose repurchase in the short term. This category also includes derivative financial instruments contracted by the Company that are not designated as hedging instruments in the hedge relationships defined by CPC 48/IFRS 9. Separate embedded derivatives are also classified as for trading, unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the statement of profit or loss.

Financial liabilities are designated at fair value through profit or loss on initial recognition only if the criteria of CPC 48/IFRS 9 are met. The Company designated no financial liabilities at fair value through profit or loss.

2.7.4. Financial liabilities at amortized cost (loans and financing)

This is the most significant category for the Company. After initially recognized, loans and financing taken out and granted subject to interest are subsequently measured at amortized cost, under the effective interest method. Gains and losses are recognized in profit or loss when liabilities are derecognized and during the amortization process according to the effective interest method.

The amortized cost is calculated taking into account any goodwill or negative goodwill on the acquisition and charges or costs that are an integral part of the effective interest rate method. Amortization using the effective interest method is included as finance costs in the statement of profit or loss.

This category generally applies to loans and financing granted and contracted, subject to interest. For more information, see n bote 15.

2.7.5. Derecognition

A financial liability is derecognized when the obligation under the liability is extinguished, i.e., when the obligation specified in the contract is settled, canceled or expires. When an existing financial liability is replaced with another one from the same creditor, under substantially different terms, or the terms of an existing financial liability are substantially modified, such replacement or modification is addressed as a derecognition of the original liability and recognition of a new liability. The difference between both carrying amounts is recognized in profit or loss.

2.7.6. Offsetting of financial instruments

Financial assets and liabilities are offset, and net value is reported in the individual and consolidated statements of financial position if there is a currently enforceable right to offset the recognized amounts and the Company intends to settle them on a net basis, or realize the asset and settle the liability simultaneously.

### 2.8. Derivative financial instruments and hedge activities

The Company does not use derivative financial instruments or hedge activities in 2020 and 2019.

### 2.9. Trade accounts receivable

Trade accounts receivable correspond to receivables from customers for goods sold or services rendered in the normal course of the Company’s activities. If amounts are expected to be received within one year, trade accounts receivable are classified as current assets. Otherwise, they are stated as noncurrent assets.

Trade accounts receivable are initially recognized at fair value and subsequently measured at amortized cost using the effective interest rate method less allowance for doubtful accounts (ADA or impairment).

### 2.10. Inventories

Inventories are stated at the lower of cost and net realizable value. Inventories are valued under the weighted average method. The cost of finished products, products in preparation and tooling comprises project costs, raw materials, direct labor, other direct costs and the respective direct production costs (based on normal operating capacity), less borrowing costs, where applicable. Net realizable value is the estimated selling price in the normal course of business, less estimated costs to complete and sell the items.

### 2.11. Property, plant and equipment

Property, plant and equipment value considers, and was adjusted to reflect, the deemed cost of land and buildings at the date of transition to IFRS and CPC. Other property, plant and equipment items are measured at historical cost, less accumulated depreciation. The historical cost also includes expenditures directly attributable to the acquisition of items and financing costs related to the acquisition of qualifying assets, where applicable.

Costs subsequently incurred are included in the carrying amount of the asset or recognized as a separate asset, as appropriate, if, and only if it is probable that future economic benefits associated with the cost will flow to the company and the cost can be measured reliably. The carrying amount of those items or pieces that are replaced is written off. All other repair and maintenance costs are posted against profit or loss for the year, as incurred.

Land is not depreciated. Depreciation of other assets is calculated using the straight-line method, considering costs and residual values, over their estimated useful lives, as follows:

(In thousands of reais, unless otherwise stated)

| | Years |
|---|---|
| Buildings | 25 to 50 |
| Machinery | 8 to 25 |
| Molds | 11 to 15 |
| Furniture and fixtures | 10 to 15 |
| Vehicles | 5 to 6 |
| IT equipment | 5 to 6 |

The residual values and useful lives of assets have been reviewed and adjusted, and fairly represent the position at year end.

The carrying amount of an asset is immediately discounted to its recoverable amount when the carrying amount exceeds the estimated recoverable amount (Note 2.12).

Gains and losses on disposal are determined by comparing the resulting amount to the carrying amount, and are recognized as “Other operating income (expenses), net” in the statement of profit or loss.

### 2.12. Impairment of non-financial assets

Assets subject to amortization are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment loss exists when the carrying amount of an asset exceeds its recoverable amount, which is the higher of fair value less cost to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (Cash-Generating Units - CGUs). Non-financial assets, except for goodwill, which have been adjusted for impairment, are subsequently reviewed for potential impairment reversal at the statement of financial position date.

### 2.13. Trade accounts payable

Trade accounts payable are liabilities for goods acquired or services received in the normal course of business, and are classified as current liabilities if payment is due within one year. Otherwise, trade accounts payable are stated as noncurrent liabilities.

They are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method.

### 2.14. Loans and financing

Loans and financing are initially recognized at fair value, net of transaction costs incurred, and are subsequently stated at amortized cost. Any difference between the proceeds received (net of transaction costs) and total payable is recognized in the statement of profit or loss during the period loans are outstanding, under the effective interest method.

Loans and financing are classified as current liabilities, unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

Loan and financing costs directly attributable to the acquisition, construction or production of a qualifying asset, i.e., an asset that necessarily takes a significant period of time to get ready for its intended use or sale, form part of the cost of that asset whenever future economic benefits are likely to flow to the entity, and such costs can be reliably measured. Other borrowing costs are recognized as expenses for the period they are incurred.

### 2.15. Provisions

Provisions for legal claims (labor, civil and tax) are recognized when: (i) the Company has a present or constructive obligation arising from past events; (ii) the settlement of this obligation is expected to result in an outflow of resources; and (iii) the amount involved can reliably estimated. The provisions for restructuring comprise penalties for termination of lease agreements and payments for termination of employment contracts. The provisions do not include future operating losses.

Provisions are measured by the present value of expenditures required to settle the obligation at a pre-tax rate, which reflects the current market evaluations of the time value of money and of the specific risks of the obligation. The increase in obligation due to passage of time is recognized as finance costs.

### 2.16. Current and deferred income and social contribution taxes

<u>Current income and social contribution taxes</u>

Current tax assets and liabilities for the current and previous years are measured at the expected amount to be recovered from or paid to the tax authorities, using the tax rates that are approved at year end.

Current income and social contribution taxes related to items recognized directly in equity are stated in equity. Management periodically assesses the tax position of events in which tax regulations require interpretation and establishes provisions when necessary.

Deferred income and social contribution taxes

Deferred taxes arise from temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts. Deferred tax liabilities are recognized for all temporary tax differences, except:

When the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

In respect of temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, unused tax credits and losses, to the extent that taxable profit is likely to be available for realization of deductible temporary differences and unused tax credits and losses are likely to be used, except:

When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Written-off deferred tax assets are reviewed at each reporting date and recognized to the extent that it has become probable that future taxable profits will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to be applicable in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred taxes related to items recognized directly in equity are also recognized in equity, rather than in the statement of profit or loss. Deferred tax items are recognized in the statement of comprehensive income or posted directly to equity, according to the transaction from which the deferred tax stems.

Tax benefits acquired as part of a business combination, but which do not meet the criteria for separate recognition on that date, are subsequently recognized in the event of new information about facts and changes in circumstances. The adjustment is treated as a reduction in goodwill (provided it does not exceed goodwill) if incurred during the measurement period or recognized in profit or loss.

The Company records current tax assets and liabilities on a net basis if, and only if, the referred entities have the legally enforceable right to make or receive a single net payment, and the entities intend to make or receive this net payment or recover the asset and settle the liability simultaneously. Net deferred tax assets and liabilities, in turn, are accounted for by the Company if, and only if, the entity has the legally enforceable right to offset current tax assets against current tax liabilities, and if deferred tax assets and deferred tax liabilities are related to income taxes managed by the same tax authority: (i) at the same taxable entity; or (ii) at different taxable entities intending to settle current tax assets and liabilities on a net basis, or realize assets and settle liabilities simultaneously, at each future period for which significant deferred tax assets or liabilities are expected to be recovered or settled.

Sales taxes

Expenses and assets are recognized net of sales taxes, except:

When sales taxes incurred on purchase of assets or services are not recoverable from tax authorities. In this case, sales taxes are recognized as part of the acquisition cost of the asset or expense item, as applicable;

When amounts receivable and payable are stated with taxes on sales, and

Net sales taxes, either recoverable or payable, are included as components in amounts receivable or payable in the statement of financial position.

### 2.17. Employee benefits

Profit sharing

The Company recognizes a liability and an expense for profit sharing based on a methodology that takes into consideration the profit attributed to the Company’s shareholders after certain adjustments. The Company recognizes a provision when it is contractually obligated or when there is a past event that has generated a constructive obligation.

### 2.18. Capital

Common shares are classified in equity.

Incremental costs directly attributable to the issuance of new shares or options are stated in equity and deducted from the amount taken out, net of taxes.

### 2.19. Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of products in the ordinary course of the Company's business. Revenue is presented net of taxes, returns, rebates and discounts, and after the elimination of intercompany sales.

The Company recognizes revenue when the revenue amount can be reliably measured, when future economic benefits are likely to be generated for the Company and its subsidiaries, and when specific criteria have been bet for each Company activity, as follows.

The Company and its subsidiary consider whether there are other promises in the contract that are distinct performance obligations, to which a portion of the transaction price needs to be allocated (for example, guarantees, among others). When determining the transaction price for the sale of products and tools, the Company and its subsidiary consider the effects of variable consideration, the existence of significant financing components, non-monetary consideration and the consideration due to the customer (if any).

a) Sale of products

The Company manufactures and sells parts and pieces related to the interior and exterior finishing of motor vehicles. Sales of products are recognized whenever the subsidiary delivers the products to the buyer. The Company and its subsidiary assess revenue transactions in accordance with specific criteria so as to determine if they are the agent or principal and, in the end, have reached the conclusion that they have been performing as the principal in all its revenue contracts.

b) Sale of tools

The Company develops and sells tooling for injection of plastic parts according to the technical specification of the order and model of the vehicle, according to the automaker's project and, in the course of the development, advances are made by the automakers to support the expended resources. The development and sale of tooling are usually linked to the supply of parts. Tool sales are recognized when the project is in production and approved by the automaker. The automaker, in turn, issues a lending agreement authorizing the use of the tooling, since it owns it.

c) Finance income

Finance income is recognized according to the time elapsed on an accrual basis, using the effective interest method.

### 2.20. Investment properties

Investment properties are initially measured at cost, including transaction costs. The carrying amount includes the cost for replacing part of an investment property existing at the time the cost is incurred if the recognition criteria are met, excluding costs of daily service of investment property.

Investment properties are written off when sold (i.e., on the date the recipient gains control) or when the investment property is no longer permanently used and no future economic benefit is expected from its sale. The difference between net value obtained from the sale and asset carrying amount is recognized in the statement of profit or loss for the period in which write-off takes place.

Transfers are made to or from the investment property account only when there is a change in the use thereof. If the property occupied by the owner becomes an investment property, the Company accounts for said property in accordance with the policy described in property, plant and equipment until the date of change in its use.

### 2.21. Present value adjustment of assets and liabilities

Present value adjustment of current monetary assets and liabilities is calculated, and only recorded, if it is considered significant in relation to the overall financial statements. For the purposes of recording and determining whether it is material, the adjustment to present value is calculated considering contractual cash flows and the explicit interest rate, or implicit rate in some cases, for these assets and liabilities. Based on management analysis and best estimates, the Company concluded that the present value adjustment of current monetary assets and liabilities is immaterial in relation to the overall financial statements; accordingly, no such adjustment was recorded.

### 2.22. Earnings per share

The Company calculates earnings per thousand shares, using the weighted average number of total common shares outstanding during the period corresponding to profit or loss, according to accounting pronouncement CPC 41 (IAS 33).

### 2.23. Statement of Added Value (SVA)

The purpose of this statement is to disclose the wealth created by the Company and its distribution over a given reporting period, and is presented by the Company, as required by the Brazilian Corporation Law as part of its individual financial statements and as supplementary information to the consolidated financial statements, as this statement is not considered or required by the IFRS.

### 2.24. New or revised standards adopted for the first time in 2020

The Company adopted for the first time certain standards and revised standards, effective for annual periods beginning on or after January 1, 2020. The Company elected not to early adopt any other standard, interpretation or revised standard that has been issued, but is not yet effective.

<u>Amendments to CPC 15 (R1): Definition of business – not applicable</u>

<u>Amendments to CPC 38, CPC 40 (R1) and CPC 48: Interest Rate Benchmark Reform.</u>

The amendments to CPC 38 and CPC 48 provide exceptions that apply to all hedging relationships directly affected by the interest rate benchmark reform. A hedging relationship is directly affected if the reform gives rise to uncertainties about the timing or the amount of interest rate benchmark-based cash flows of the hedged item or of the hedging instrument. These amendments have no impact on the Company’s individual and consolidated financial statements, as the Company has no interest rate hedging relationships.

<u>Amendments to CPC 26 (R1) and CPC 23: Definition of material</u>

The amendments provide a new definition of material, according to which “information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments clarify that materiality will depend on the nature or magnitude of the information, individually or in combination with other information, in the context of the financial statements. Misstated information is material if it could reasonably be expected to influence decisions made by primary users. These amendments had no impact on the individual and consolidated financial statements, and no future impact is expected for the Company.

<u>Revision of CPC 00 (R2): Conceptual Framework for Financial Reporting</u>

The revised pronouncement outlines some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

Those amendments had no impacts on the Company’s financial statements.

Amendments to CPC 06 (R2): Benefits Related to Covid-19 Granted to Lessees in Lease Contracts.

The amendments provide for concession to lessees, in the application of CPC 06 (R2) guidance on the modification of the lease contract, when accounting for the related benefits as a direct consequence of the Covid-19 pandemic.

As a practical expedient, a lessee may elect not to assess whether a benefit related to Covid-19 granted by the lessor is a modification of the lease contract. A lessee that elects to do so must account for any change in the lease payment resulting from the benefit granted in the lease contract related to Covid-19 in the same way that it would account for the change applying CPC 06 (R2) if the change was not a modification of the lease contract.

Those amendments had no impacts on the Company’s financial statements.

### 2.25. Standards issued, but not yet in effect

The new and amended standards and interpretations issued but not yet in effect to the date the Company’s financial statements were issued are described below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

IFRS 17 - Insurance contracts: In May 2017, the IASB issued IFRS 17 - Insurance Contracts (a standard not yet issued by CPC in Brazil, but which will be codified as CPC 50 - Insurance Contracts and will supersede CPC 11 - Insurance Contracts), a new comprehensive accounting standard for insurance contracts that includes recognition, measurement, presentation and disclosure. When it becomes effective, IFRS 17 (CPC 50) will supersede IFRS 4 - Insurance Contracts (CPC 11), issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, elementary, direct and reinsurance), regardless of the type of entity issuing them, as well as certain guarantees and financial instruments with characteristics of discretionary participation.

## 3. Critical accounting estimates and judgments

Accounting estimates and judgments are continuously assessed based on historical experience and other factors, including expectations with regard to future events, considered reasonable under the circumstances.

### 3.1. Significant accounting judgments, estimates and assumptions

Judgments

Preparation of the Company's individual and consolidated financial statements requires that management make judgments, estimates and adopt assumptions that affect the stated amounts of revenues, expenses, assets and liabilities, as well as the disclosure of contingent liabilities. When applying the Company's accounting policies, management made the following judgments, with more significant effect on amounts recognized in the financial statements.

Determination of the lease term for contracts that have renewal or termination option clauses (as lessee)

The Company determines the lease term as the non-cancellable contractual term, together with the periods included in any renewal option, to the extent that this renewal is assessed as reasonably certain, and with periods covered by an option to terminate the contract to the extent that it is also assessed as reasonably certain.

The Company has several lease contracts that include renewal and termination options. The Company applies judgment when assessing whether exercising the option to renew or terminate the lease is reasonably certain.

In this assessment, it considers all significant factors that create an economic incentive for the exercise of renewal or termination. After initial measurement, the Company reassesses the lease term if there is a significant event or change in circumstances that is under its control and that will affect its ability to exercise or not the option to renew or terminate the contract (for example, significant improvements or customizations of leased assets).

The Company included the renewal period as part of the lease term for facilities and machinery with a shorter non-cancellable contractual period (which varies from three to five years). Historically, the Company has exercised the option of renewing these leases, since there would be a significant negative effect on the Company's production if an equivalent replacement asset is not readily available. Renewal periods for the lease of facilities and machinery with longer non-cancellable periods (ranging from 10 to 15 years) are not included as part of the lease term, as these are not assessed by management as reasonably certain. In addition, the renewal options for vehicle leases are not included as part of the lease term since the Company normally leases them for no more than five years and, therefore, does not exercise any renewal option. In addition, the periods covered by the termination options are included as part of the lease term only when they are assessed as reasonably certain not to be exercised.

Estimates and assumptions

The Company's financial statements were prepared considering different measurement bases used to prepare accounting estimates. The accounting estimates involved in the preparation of the financial statements are based on objective and subjective factors, considering management's judgment to establish the proper amount to be recorded in the financial statements.

Settlement of transactions involving these estimates may result in amounts significantly different from those recorded in the financial statements due to uncertainties inherent in their estimate process. The Company reviews its estimates at least once a year.

Key assumptions about sources of uncertainty in future estimates and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities in the following financial year are described below:

a) Income and social contribution taxes and other taxes

The Company is subject to income taxes in all countries in which it operates. Significant judgment is required in determining the worldwide provision for income taxes.

In many operations, the final determination of the tax is uncertain. The Company also recognizes provisions for events in which it is probable that additional tax amounts will be due. When the final outcome of these matters is different from the amounts initially estimated and recorded, these differences will have an impact on deferred and current tax assets and liabilities in the period in which the definitive amount is determined.

b) Impairment of nonfinancial assets

Assets subject to amortization are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment loss exists when the carrying amount of an asset exceeds its recoverable amount, which is the higher of fair value less cost to sell and value in use. For the purposes of testing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (i.e., Cash Generating Units - CGU) as presented in Note 13.

(In thousands of reais, unless otherwise stated)

# 4. Financial risk management

## 4.1. Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency and fair value interest rate risks), credit risk and liquidity risk. The Company's global risk management program is concentrated in the unpredictability of the financial markets and aims to minimize potential adverse effects on the Company's financial performance.

The Company's Treasury identifies, evaluates and hedges the Company against any financial risks in cooperation with the Company's operational units.

a) Market risk

i) *Currency risk*

The Company has a global performance and is exposed to currency risk arising from exposures to some currencies, basically in relation to the to the U.S. dollars. Currency risk arises from trading transactions, assets and liabilities.

At December 31, 2020 and 2019, the Company has assets and liabilities in foreign currency arising from import, export and intercompany loan transactions, as follows:

| | **Consolidated** | |
|---|---|---|
| | **2020** | **2019** |
| Trade accounts receivable (Note 7) | **7,648** | 6,067 |
| Trade accounts payable | **(1,139)** | (194) |
| Net exposure | **6,509** | 5,873 |

At December 31, 2020 and 2019, the Company had no derivative financial instrument transactions to manage currency risk.

ii) *Cash flow or fair value interest rate risk*

The Company has no significant interest-bearing assets.

The Company's interest rate risk arises from loans and financing. Loans at variable rates expose the Company to a cash flow interest rate risk. Loans at fixed rates expose the Company to a fair value interest rate risk.

The table below shows the sensitivity analysis on a possible change in interest rates, maintaining all the other variables in the Company's income before taxes (it is affected by the impact of loans payable subject to variable rates).

(In thousands of reais, unless otherwise stated)

| Financial liabilities | Impact on profit or loss for the year (1) Scenario I Probable | Scenario II +25% | Scenario III +50% |
|---|---|---|---|
| CDI | 2.40% | 3.00% | 3.60% |
| Loans and financing | (6,851) | (7,470) | (8,089) |

(1) It refers to the hypothetical scenario of interest over the next 12 months or up to the maturity date of the agreements, whichever is lower.

For sensitivity analysis, interest rates are based on rates currently adopted in the market environment.

Sensitivity analyses were prepared based on net debt and fixed interest rates in relation to floating interest of debt as of December 31, 2020.

b) Credit risk

Credit risk is managed on a corporate basis. Credit risk arises from cash and cash equivalents, deposits in banks and other financial institutions, as well as credit exposures to customers of the Original Equipment Market (OEM) and aftermarket/car dealers (DSH), including outstanding receivables and repurchase agreements. In the case of banks and other financial institutions, only notes from first-tier institutions are accepted. The individual risk limits are determined based on internal or external ratings in accordance with the limits determined by the Credit Committee, created by decision of the Company's Executive Board. The use of credit limits is regularly monitored by the Committee and reported to the Executive Board.

The possibility of the Company and its subsidiaries incurring losses in view of financial problems with their OEM customers is reduced, due to such customers' profile (automakers and other companies operating worldwide). At December 31, 2020 and 2019, the Company and its subsidiary did not have significant balances receivable from customers of the DSH category.

No credit limits were exceeded over the year, and management does not expect any losses from defaulting counterparties other than those already provisioned.

c) Liquidity risk

The projected cash flow is realized in the operating entities of the Company and aggregated by the Finance Department. This department monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet its operating needs. This forecast considers the plans of financing for the Company's debt, compliance with contractual clauses, meeting internal targets of statement of financial position ratio and, if applicable, external or legal requirements, such as currency restrictions.

(In thousands of reais, unless otherwise stated)

The Treasury invests cash surplus, if any, in interest-yielding bank accounts, time deposits, short-term deposits and marketable securities, choosing instruments with adequate maturities or enough liquidity to provide sufficient margin as determined by the abovementioned forecasts. At the statement of financial position date, the Company held short-term funds amounting to R$ 29, which are expected to readily generate cash inflows to manage liquidity risk.

The table below analyzes the Company's financial liabilities by maturity range corresponding to the remaining period between the statement of financial position date and the contractual maturity date. The amounts disclosed in the table are the contractual discounted cash flows and represent the expected effective cash outflows, disregarding any bank requirements of accelerated maturities.

| | **Consolidated** | | | | |
|---|---|---|---|---|---|
| | **Within three months** | **From four to 12 months** | **From one to five years** | **Above five years** | **Total** |
| December 31, 2020 | | | | | |
| Loans and financing | **8,270** | **11,594** | **88,820** | **29,553** | **138,237** |
| Lease liabilities | **7,216** | **15,959** | **22,377** | **-** | **45,552** |
| Trade accounts payable | **36,886** | **-** | **-** | **-** | **36,886** |
| Payables to related parties | **-** | **-** | **7,450** | **-** | **7,450** |
| Other liabilities | **9,909** | **21,010** | **100,991** | **119,385** | **251,295** |
| | **62,281** | **48,563** | **219,638** | **148,938** | **479,420** |

| | **Within three months** | **From four to 12 months** | **From one to five years** | **Above five years** | **Total** |
|---|---|---|---|---|---|
| December 31, 2019 | | | | | |
| Loans and financing | 18,981 | 16,315 | 64,453 | 35,709 | 135,458 |
| Lease liabilities | 4,391 | 13,171 | 42,736 | - | 60,298 |
| Trade accounts payable | 22,313 | - | - | - | 22,313 |
| Payables to related parties | 6,160 | - | - | - | 6,160 |
| Other liabilities | 112,482 | 2,382 | 78,705 | 3,826 | 197,395 |
| | 164,327 | 31,868 | 185,894 | 39,535 | 421,624 |

### 4.2. Capital management

Company's objectives in managing its capital are to safeguard its ability to continue as a going concern in order to provide return to its shareholders and benefits to other stakeholders, as well as to maintain an optimal target capital structure to reduce such cost.

(In thousands of reais, unless otherwise stated)

| | Consolidated | |
|---|---|---|
| | 2020 | 2019 |
| Total loans (Note 16) | **138,237** | 135,458 |
| Less: cash and cash equivalents | **(33,681)** | (17,383) |
| Net debt | **104,556** | 118,075 |
| Total equity | **(189,216)** | (72,203) |
| Total capital | **(84,660)** | 45,872 |
| Financial leverage ratio - % | **-** | 257% |

### 4.3. Fair value estimate

It is assumed that trade accounts receivable and payable balances at carrying amount, less impairment in the case of accounts receivable, are close to their fair values. Currently, the Company does not have liabilities recorded at fair value. However, below are the comparative balances of financial assets recorded at amortized cost and their fair value:

| | 2020 | | 2019 | |
|---|---|---|---|---|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| Loans and financing (Note 15) | | | | |
| Working capital – local currency | **138,237** | **138,237** | 135,458 | 135,458 |
| | **138,237** | **138,237** | 135,458 | 135,458 |

## 5. Financial instruments by category

The classification of the Company’s consolidated financial instruments by category at each of the dates is as follows:

a) <u>Amortized cost</u>

| | 2020 | 2019 |
|---|---|---|
| Assets as per statement of financial position | | |
| Cash and cash equivalents | **33,681** | 17,383 |
| Trade accounts receivable | **58,774** | 26,062 |
| Judicial deposits | **4,103** | 4,792 |
| Other assets | **2,414** | 2,389 |
| | **98,972** | 50,626 |

(In thousands of reais, unless otherwise stated)

b) Fair value through profit or loss

| | 2020 | 2019 |
|---|---|---|
| Liabilities as per statement of financial position | | |
| Trade accounts payable | **36,886** | 22,313 |
| Loans and financing | **138,237** | 135,458 |
| Lease liabilities | **45,552** | 60,298 |
| Related parties | **7,450** | 6,160 |
| Other liabilities | **251,295** | 197,395 |
| | **479,420** | 421,624 |

Cash and cash equivalents and accounts payable to related parties are classified as "Fair value through profit or loss".

## 6. Cash and cash equivalents

| | Individual | | Consolidated | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| Cash and banks | **31,444** | 29 | **33,681** | 17,383 |
| | **31,444** | 29 | **33,681** | 17,383 |

Banks and cash equivalents bear interest at floating rates, based on daily bank deposit rates. Short-term deposits are made for periods ranging from one day to three months, depending on the Company's immediate cash needs.

## 7. Trade accounts receivable

| | Consolidated | |
|---|---|---|
| | 2020 | 2019 |
| Third parties - domestic | **50,468** | 25,173 |
| Third parties - abroad (Note 4.1) | **7,648** | 6,067 |
| Accounts receivable from tooling (domestic) | **8,434** | 851 |
| | **66,550** | 32,091 |
| Provision for impairment - doubtful accounts | **(7,776)** | (6,029) |
| | **58,774** | 26,062 |

For the period ended December 31, 2020 and 2019, changes in allowance for doubtful account were as follows:

(In thousands of reais, unless otherwise stated)

| | 2020 | 2019 |
|---|---|---|
| Opening balance | **(6,029)** | (11,196) |
| (Increase) decrease in the allowance | **(1,747)** | 5,167 |
| Closing balance | **(7,776)** | (6,029) |

At December 31, 2020 and 2019, the aging list of accounts receivable was as follows:

| | 2020 | 2019 |
|---|---|---|
| Falling due | **49,179** | 23,882 |
| Overdue: | | |
| From 1 to 30 days | **7,271** | 1,647 |
| From 31 to 60 days | **859** | 189 |
| From 61 to 90 days | **119** | 43 |
| Above 90 days | **9,122** | 6,330 |
| | **17,371** | 8,209 |
| Total | **66,550** | 32,091 |

The Company's policy for allowance for doubtful accounts considers balance overdue for more than 90 days. Balance overdue for more than 90 days, for which no allowance was set up at December 31, 2020, net of expected credit losses, refers to sales of tools, for which management does not expect to record losses.

In addition, in line with CPC 48 (IFRS 9) Financial Instruments, the Company's policy also considers the expected credit losses of its receivables, i.e. the present value of the difference between contractual cash flows payable to the Company under agreements entered into with customers and cash flows that the Company expects to receive.

## 8. Inventories

| | 2020 | 2019 |
|---|---|---|
| Finished goods | **4,361** | 3,446 |
| Work-in-process | **9,001** | 8,307 |
| Raw materials | **17,786** | 16,240 |
| Import in transit | **743** | 1,690 |
| Maintenance and auxiliary materials | **2,437** | 1,396 |
| Tools and molds in progress intended for sale | **10,072** | 15,489 |
| Advances to suppliers | **864** | 80 |
| Provision for market value adjustment and inventory obsolescence | **(2,256)** | (2,209) |
| | **43,008** | 44,439 |

(In thousands of reais, unless otherwise stated)

For the years ended December 31, 2020 and 2019, changes in provision for adjustment to market value and obsolescence were as follows:

| | **2020** | **2019** |
|---|---|---|
| Opening balances | **(2,209)** | (5,694) |
| Reversal of provision | **1,719** | 5,439 |
| Increase in provision | **(1,766)** | (1,954) |
| Net reduction (Note 22) | **(47)** | 3,485 |
| Closing balances | **(2,256)** | (2,209) |

## 9. Taxes recoverable

| | **2020** | **2019** |
|---|---|---|
| Credit resulting from ICMS exclusion from PIS/COFINS tax base (1) | **153,297** | 181,140 |
| Funrural proceeding (Note 19) | **2,237** | 2,237 |
| State VAT (ICMS) on property, plant and equipment - CIAP | **732** | 865 |
| Other | **741** | 559 |
| | **157,007** | 184,801 |
| Current | **30,406** | 51,844 |
| Noncurrent | **126,601** | 132,957 |
| | **157,007** | 184,801 |

(1) Credit resulting from ICMS exclusion from PIS/COFINS tax base – accounting record – res judicata decision.

The Company informs that, in 2010, it issued a Writ of Mandamus in order to exclude ICMS from the PIS and COFINS calculation base. In September 2017, the Company obtained a favorable decision at first instance and, in October 2019, it obtained a new favorable sentence in appeal (STF). At the same act, the process became final. In view of this, the Company initiated a procedure to collect amounts unduly paid as from 2005 and claim their respective reimbursement. The Company has reliably calculated and measured the respective amounts.

On August 19th, 2019, the Company had a favorable sentence for the use of the ICMS in tax notes for credit calculation.

In the fourth quarter of 2019, based on the opinion and report prepared by its advisors, the Company recorded the amount of R$ 179,069 as tax credits in the balance sheet, to offset against taxes administered by the Brazilian Federal Revenue, in future periods. The principal amount of the credits, net of lawyers' success fees, was recognized as other operating income. The monetary restatement was recognized as financial income in the statement for the period.

The approval and qualification of R$ 123,396, a portion of the referred credit with the Federal Revenue of Brazil for future tax compensation, occurred on January 3, 2020. The remaining amount of the credit in the amount of R $ 55,673, will be subject to analysis by the Federal Revenue of Brazil, for a possible cash refund or for future compensation of taxes which had previously been renegotiated under tax amnesty programs in years past.

(In thousands of reais, unless otherwise stated)

As of December 31, 2020, the Company had compensated the amount of R$ 43,551 in taxes, using the referred tax credits and based on projections, it believes that the balance will be fully realized in the next 4 years, with no need to set up a provision for losses (impairment).

## 10. Income and social contribution taxes

Deferred income and social contribution taxes are calculated on income and social contribution tax losses and temporary differences between the tax base on assets and liabilities and the carrying amount contained in the financial statements. Rates of these taxes, currently defined in order to determine deferred taxes, are 25% for income tax and 9% for social contribution tax.

Deferred tax assets are recognized, where applicable, to the extent future taxable profit is likely to be available to be used in offsetting temporary differences/tax losses, based on future profit projections prepared and grounded on internal assumptions and on future economic scenarios which are, however, subject to changes.

a) Breakdown of deferred income and social contribution taxes

| | Consolidated | |
|---|---|---|
| | **2020** | **2019** |
| Liabilities: | | |
| Property, plant and equipment – deemed cost (1) | **(460)** | (495) |
| Depreciation – economic useful life review (2) | **(18,745)** | (18,006) |
| | **(19,205)** | (18,501) |

(1) This refers to deferred taxes on deemed cost of property, plant and equipment, arising from recognition of fair value upon first-time adoption of CPC 27 (IAS 16).

(2) This refers to deferred taxes on the difference of property, plant and equipment depreciation generated after the review of economic useful lives of assets. Through December 31, 2010, the Company also considered for tax purposes, as allowed by tax legislation, the depreciation calculated based on new economic useful lives of assets. As from September 2011, the Company started to use for tax purposes the depreciation calculated according to the useful life allowed by tax law and, consequently, recognized the corresponding deferred tax effects.

(In thousands of reais, unless otherwise stated)

The Company has income and social contribution tax loss balances amounting to R$57,630 and R$ 68,632, respectively, at December 31, 2020 (R$ 56,142 and R$ 67,144 at December 31, 2019, respectively), and subsidiary Plascar Ltda. has income and social contributions tax loss balances of R$ 838,499 and R$ 833,443, respectively, at December 31, 2020 (R$ 729,406 and R$ 724,350 at December 31, 2019, respectively) on which deferred tax assets were not fully recorded, as determined by CVM Rule No. 371, since the Company does not expect to generate future taxable profits.

b) Changes in deferred tax liabilities

| | Consolidated |
|---|---|
| | **Liabilities** |
| Balances at December 31, 2019 | (18,501) |
| Deferred taxes on realization of deemed cost of property, plant and equipment stemming from the depreciation and disposals of these assets | **35** |
| Deferred taxes on depreciation difference | **(739)** |
| Balances at December 31, 2020 | **(19,205)** |

c) Reconciliation of income and social contribution tax expense

| | Consolidated | |
|---|---|---|
| | **2020** | **2019** |
| Loss before income and social contribution taxes | **(116,310)** | (5,151) |
| Income and social contribution taxes at statutory rates (34%) | **39,545** | 1,751 |
| Adjustments to effective rate statement: | | |
| Tax effect on unrecognized income and social contribution tax losses for the year (1) | **(40,248)** | (3,425) |
| | | - |
| Deferred income and social contribution tax expenses | **(703)** | (1,674) |

(1) Tax effect on income and social contribution tax losses of Plascar S.A., which is not recorded due to the non-expectation of future taxable profits.

## 11. Related parties

a) Key management personnel compensation

Compensation of the Board of Directors and Supervisory Board comprises fixed compensation defined at Shareholders’ Meeting and is paid on a monthly basis.

The compensation of key executives and managers of the Company and its subsidiaries consists of fixed compensation, variable pay based on goals set and additional benefits.

(In thousands of reais, unless otherwise stated)

For the years ended December 31, 2020 and 2019, total key management personnel compensation was:

| | 2020 | 2019 |
|---|---|---|
| Annual fixed compensation (1) | (5,196) | (6,289) |
| Variable compensation (2) | (979) | - |
| Management fees (Note 20) | (6,175) | (6,289) |

(1) It refers to salaries and compensation to management, in addition to vacation pay, 13th monthly salary, private pension and social charges (contribution to social security - INSS, FGTS and others).

(2) It refers to profit sharing and bonus.

b) Balances and transactions

The Company conducts business and intercompany loan transactions with its subsidiaries and other related parties, in accordance with the criteria set out below:

The Company and its subsidiaries enter into intercompany loan agreements with related parties for cash flow needs to be remedied immediately, exempt from approval processes required by financial institutions. These agreements are subject to the availability of funds and not compromising the lender's cash flow. Such intercompany loan agreements are executed in accordance with rates agreed between the parties.

Significant assets and liabilities balances as of December 31, 2020 and 2019, and transactions influencing profit or loss for the year, are as follows:

| | Individual | | Consolidated | |
|---|---|---|---|---|
| | **2020** | **2019** | **2020** | **2019** |
| Current liabilities | | | | |
| Intercompany loan agreement: | | | | |
| W&L Ross & Co. LLC | **-** | - | **-** | 3,742 |
| Permali do Brasil Ind. e Com. Ltda. | **-** | - | **-** | 2,418 |
| | **-** | - | **-** | 6,160 |
| Noncurrent liabilities | | | | |
| Intercompany loan agreement: | | | | |
| W&L Ross & Co. LLC | **-** | - | **4,824** | - |
| Permali do Brasil Ind. e Com. Ltda. | **-** | - | **2,626** | - |
| Plascar Ltda. | **44,460** | 11,554 | **-** | - |
| | **44,460** | 11,554 | **7,450** | - |

The transaction effects on profit or loss correspond to the monetary restatement and foreign exchange difference recorded in finance income (costs).

(In thousands of reais, unless otherwise stated)

The intercompany loan agreement between the Company (lender) and Plascar Ltda. (borrower) is not subject to financial charges, particularly, as the Company directly holds 100% capital of Plascar Ltda. This is the only intercompany loan agreement in which the lender is a non-operational company and holder of direct interest in approximately 100% of the borrower's capital, event which explains why no interest is levied. This agreement was signed on May 31, 2000, for an indefinite period of time, to adjust the cash flow of Plascar Ltda.

The intercompany loan agreement between Permali do Brasil Indústria e Comércio Ltda. (lender) and Plascar Ltda. (borrower) is subject to interest at the rate of 0.80% per month, without maturity. This agreement was entered into on March 31, 2009 to adjust the cash flow of Plascar Ltda.

## 12. Provision for losses on investment in subsidiary

Changes in investment are as follows:

| | **2020** | **2019** |
|---|---|---|
| Opening balance | **(60,667)** | (504,388) |
| Noncontrolling interests (absorption) | **-** | (555) |
| Capital subscription in January 2019 (Note 1) | **-** | 449,483 |
| Participation in subsidiary losses | **(115,525)** | (5,207) |
| Closing balance | **(176,192)** | (60,667) |

Significant information referring to Plascar Ltda. is as follows:

| | **2020** | **2019** |
|---|---|---|
| Capital | **838,565** | 838,565 |
| Total units of interest | **838,565,144** | 838,565,144 |
| Units of interest held | **838,565,144** | 838,565,144 |
| Equity interest | **100%** | 100% |
| Subsidiary's equity | **(176,192)** | (60,667) |
| Equity interest in Plascar S.A. | **(176,192)** | (60,667) |
| Net loss for the year | **(115,525)** | (5,207) |
| Equity pickup | **(115,525)** | (5,207) |

(In thousands of reais, unless otherwise stated)

# 13. Property, plant and equipment

a) Breakdown

| | Annual depreciation rate (%) | Consolidated | | | |
|---|---|---|---|---|---|
| | | 2020 | | | 2019 |
| | | Cost | Depreciation | Net | Net |
| Buildings | 2 to 4 | **10,882** | **(2,582)** | **8,300** | 8,361 |
| Machinery and equipment | 4 to 13.79 (1) | **837,889** | **(558,924)** | **278,965** | 309,757 |
| Molds | 6 to 21 | **47,333** | **(46,764)** | **569** | 637 |
| Furniture and fixtures | 6 to 10 | **12,611** | **(11,747)** | **864** | 1,278 |
| Vehicles | 18.57 to 20 | **4,302** | **(3,986)** | **316** | 501 |
| IT equipment | 15 to 33 | **3,660** | **(3,274)** | **386** | 526 |
| Replacement parts and materials | | **3,906** | **-** | **3,906** | 4,006 |
| Advances to suppliers | | **44,581** | **-** | **44,581** | 44,166 |
| Provision for impairment, advances, and machinery and equipment (2) | | **(62,039)** | **-** | **(62,039)** | (62,039) |
| | | **903,125** | **(627,277)** | **275,848** | 307,193 |

(1) Weighted average rate of 7.82%.

The amount of R$ 37,244 (R$ 40,762 in 2019) refers to depreciation expenses and was carried in profit or loss as “Cost of Sales”, R$ 91 (R$ 138 in 2019) as “Selling expenses”" and R$ 439 (R$ 569 in 2019) as “Administrative expenses”.

(2) These refer substantially to advances to suppliers for acquisition of machinery and equipment to expand the operational and production capacity of the Company’s plants between 2010 and 2011 for Sandretto and financed with BNDES through the FINAME/PSI program in the amount of R$ 44,084. Of the amount recorded at December 31, 2018, R$ 36,548 were prepaid by financial institutions and R$ 7,536 prepaid to the supplier with own funds. The Company, after analysis with its legal advisors, decided to record a loss on the total outstanding amount, totaling R$ 44,084, in 2018. The Company adopted all possible legal measures and will pursue its rights legally. However, the Company considers that the possibility of receiving these assets in the short term is unlikely, notwithstanding the lawsuit is still in progress.

In 2019, the Company recorded impairment of R$ 17,955 related to machinery and equipment identified as non-operating in the year. The Company is identifying, with its technical staff, the necessary investments and feasibility to adapt part of this equipment to production.

(In thousands of reais, unless otherwise stated)

b) Changes in cost

| | | Consolidated | | | |
|---|---|---|---|---|---|
| | | Year ended December 31, 2020 | | | |
| | Opening balance | Additions | Write-offs | Transfers | Closing balance |
| Buildings | 10,666 | **113** | **-** | **103** | **10,882** |
| Machinery and equipment | 839,136 | **5,513** | **(851)** | **(253)** | **843,545** |
| Molds | 46,852 | **414** | **(57)** | **124** | **47,333** |
| Furniture and fixtures | 12,681 | **7** | **(84)** | **7** | **12,611** |
| Vehicles | 4,437 | **-** | **(135)** | **-** | **4,302** |
| IT equipment | 3,526 | **126** | **(12)** | **20** | **3,660** |
| Replacement parts and materials | 4,006 | **-** | **(100)** | **-** | **3,906** |
| Advances to suppliers | 44,166 | **416** | **-** | **(1)** | **44,581** |
| Provision for impairment Advances and machinery and equipment | (67,695) | **-** | **-** | **-** | **(67,695)** |
| | 897,775 | **6,589** | **(1,239)** | **-** | **903,125** |

| | | Consolidated | | | |
|---|---|---|---|---|---|
| | | Year ended December 31, 2019 | | | |
| | Opening balance | Additions | Write-offs | Transfers | Closing balance |
| Buildings | 9,362 | 1,302 | - | 2 | 10,666 |
| Machinery and equipment | 835,405 | 6,758 | (2,973) | (54) | 839,136 |
| Molds | 49,445 | - | (2,593) | - | 46,852 |
| Furniture and fixtures | 13,432 | 84 | (862) | 27 | 12,681 |
| Vehicles | 4,450 | 114 | (127) | - | 4,437 |
| IT equipment | 3,235 | 386 | (119) | 24 | 3,526 |
| Replacement parts and materials | 4,235 | - | (229) | - | 4,006 |
| Advances to suppliers | 44,160 | 5 | - | 1 | 44,166 |
| Provision for impairment Advances and machinery and equipment | (44,084) | - | (23,611) | - | (67,695) |
| | 919,640 | 8,649 | (30,514) | - | 897,775 |

(In thousands of reais, unless otherwise stated)

c) Changes in depreciation

| | | Consolidated | | | |
|---|---|---|---|---|---|
| | | Year ended December 31, 2020 | | | |
| | Opening balance | Additions | Write-offs | Transfers | Closing balance |
| Buildings | (2,305) | **(278)** | **1** | **-** | **(2,582)** |
| Machinery and equipment | (529,379) | **(35,992)** | **791** | **-** | **(564,580)** |
| Molds | (46,215) | **(624)** | **59** | **16** | **(46,764)** |
| Furniture and fixtures | (11,403) | **(419)** | **83** | **(8)** | **(11,747)** |
| Vehicles | (3,936) | **(177)** | **134** | **(7)** | **(3,986)** |
| IT equipment | (3,000) | **(284)** | **11** | **(1)** | **(3,274)** |
| Provision for impairment, machinery and equipment | 5,656 | **-** | **-** | **-** | **5,656** |
| | (590,582) | **(37,774)** | **1,079** | | **(627,277)** |

| | | Consolidated | | | |
|---|---|---|---|---|---|
| | | Year ended December 31, 2019 | | | |
| | Opening balance | Additions | Write-offs | Transfers | Closing balance |
| Buildings | (2,057) | (978) | - | 730 | (2,305) |
| Machinery and equipment | (493,453) | (38,217) | 3,025 | (734) | (529,379) |
| Molds | (47,493) | (1,314) | 2,592 | - | (46,215) |
| Furniture and fixtures | (11,758) | (511) | 861 | 5 | (11,403) |
| Vehicles | (3,906) | (157) | 127 | - | (3,936) |
| IT equipment | (2,819) | (292) | 112 | (1) | (3,000) |
| Provision for impairment, machinery and equipment | - | - | 5,656 | - | 5,656 |
| | (561,486) | (41,469) | 12,373 | - | (590,582) |

(In thousands of reais, unless otherwise stated)

d) Impairment test of non-financial assets

The Company assesses, at least when preparing its annual financial statements, whether there is any indication that its assets or set of assets may have lost economic representativeness, considered material. Impairment tests are prepared by an independent expert to assess the market value of the main assets for each CGU. The scope of work included the Valuation of assets located in the units of Jundiaí, Betim and Varginha.

| | 2020 | |
|---|---|---|
| | **Carrying amount of assets** | **Net selling price** |
| Jundiaí | **119,935** | **163,516** |
| Betim | **99,130** | **118,456** |
| Varginha | **56,783** | **73,610** |
| Total | **275,848** | **355,582** |

The recoverable amount is the fair value less costs to sell, and the technique description is as follows:

- The Company's assets were valued according to the market value of each item, determined by the replacement value and the depreciation coefficient, taking into account the useful life, age, remaining useful life, residual value and depreciation, resulting in the net selling price greater than the residual carrying amount of the assets, not indicating therefore any need to recognize impairment.

As a result of the test conducted, no impairment adjustments were necessary.

## 14. Right-of-use assets and lease liabilities

As from January 1, 2019, with the adoption of CPC 06 R2 (IFRS 16) – Leases, the Company began to record future rents discounted at present value as finance lease. The initial impact on PP&E and liabilities was R$53,065. The amount was calculated based on the total contractual term. Management considered an incremental rate of 9.5% for debt discount to Present Value (AVP), and that is the same rate considered in the renewals of bank loans. In 2020, the Company recorded R$ 23,443 as amortization expenses in profit or loss (R$ 19,082 in 2019).

a) Recognition assumptions

The Company recognizes the right-of-use assets and lease liabilities considering the following assumptions:

(i) Inclusion of contracts at their inception date, with their right-of-use asset value defined on that date.

(ii) Transactions with contracts executed for more than 12 months are in the scope of the standard. The Company does not consider renewal aspects in its methodology, since the assets involved in its transactions are not indispensable for its business, and may be replaced at the end of the contract by new assets acquired or by other transactions other than those agreed upon.

(iii) Contracts involving the use of low-value assets are not considered.

(iv) Only transactions involving specific assets defined in the contract or for exclusive use over the contractual period are considered.

(v) The methodology used to calculate the net present value of contracts corresponds to the cash flow of considerations assumed discounted at the discount rate defined for the respective asset category.

(vi) The discount rate used for the year ended December 31, 2020 was 9.5% per annum for administrative properties and industrial warehouses. The rates were obtained through financing of assets of those categories.

The Company’s lease transactions effective at December 31, 2020 do not have any covenants that require financial ratios, nor do they have any variable payment clauses that must be considered, or residual value guarantee clauses and option to acquire the leased assets upon expiration of contracts.

(In thousands of reais, unless otherwise stated)

b) Breakdown of and changes in right-of-use assets and lease liabilities

| Right-of-use assets | 12/31/2019 | Amortization | Restatement | 12/31/2020 |
|---|---|---|---|---|
| Buildings | 35,766 | (23,443) | 9,349 | 21,672 |
| **Total assets** | **35,766** | **(23,443)** | **9,349** | **21,672** |

| Lease liabilities | 12/31/2019 | Payments | Interest | Renegotiation (1) | Restatement | Transf. Short-term/ Long-term | 12/31/2020 |
|---|---|---|---|---|---|---|---|
| Current liabilities | 17,562 | | | | | 5,613 | 23,175 |
| Noncurrent liabilities | 42,736 | (3,601) | 4,038 | (24,532) | 9,349 | (5,613) | 22,377 |
| **Total liabilities** | **60,298** | **(3,601)** | **4,038** | **(24,532)** | **9,349** | **-** | **45,552** |

| Right-of-use assets | 01/01/2019 | Amortization | Restatement | 12/31/2019 |
|---|---|---|---|---|
| Buildings | 53,065 | (19,082) | 1,783 | 35,766 |
| **Total assets** | **53,065** | **(19,082)** | **1,783** | **35,766** |

| Lease liabilities | 01/01/2019 | Interest | Restatement | Transf. Short-term/ Long-term | 12/31/2019 |
|---|---|---|---|---|---|
| Current liabilities | 8,584 | 5,450 | 1,783 | 1,745 | 17,562 |
| Noncurrent liabilities | 44,481 | - | - | (1,745) | 42,736 |
| **Total liabilities** | **53,065** | **5,450** | **1,783** | **-** | **60,298** |

(1) After renegotiating the lease debt due in January 2020, the Company reclassified part of the amount to Other Liabilities in noncurrent. See Note 19.b.

In the year ended December 31, 2020, no new contracts were added, nor existing contracts were written off.

In year ended December 31, 2020, the Company recorded expenses of R$ 147 (R$ 51 in 2019) relating to short-term leases (contracts of less than 12 months) or contracts involving low-value assets.

c) Aging list of leases

| | Consolidated |
|---|---|
| | **2020** |
| | **Buildings** |
| 2021 | 23,175 |
| 2022 | 22,377 |
| | **45,552** |

(In thousands of reais, unless otherwise stated)

## 15. Loans and financing

a) Summary of loans

| Type/purpose | Financial charges at 12/31/2020 | Consolidated 2020 | Consolidated 2019 |
|---|---|---|---|
| Working capital – local currency | Market charges. | **138,237** | 135,458 |
| | | **138,237** | 135,458 |
| Current | | **19,864** | 35,296 |
| Noncurrent | | **118,373** | 100,162 |
| | | **138,237** | 135,458 |

Maturities of noncurrent balances are as follows:

| | Amount |
|---|---|
| 2022 | 31,864 |
| 2023 | 26,518 |
| 2024 | 22,947 |
| 2025 onwards | 37,044 |
| | **118,373** |

(In thousands of reais, unless otherwise stated)

b) Breakdown of loans by financial institution

| Summary of loans | BRASIL | FIBRA | BDMG | ITAÚ | BRADESCO | CEF | FIDIS | DAYCOVAL | SOFISA | UNION | ALFA | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Working capital – Local currency | 22,692 | 15,970 | 24,521 | 15,548 | 18,584 | 14,436 | 1,213 | 8,061 | 6,241 | 250 | 10,721 | 138,237 |
| % in relation to total | 16.4% | 11.6% | 17.7% | 11.2% | 13.4% | 10.4% | 0.9% | 5.8% | 4.5% | 0.2% | 7.9% | % |

Part of the loan balance, R$ 29,861, is due to the new debt with BNDES relating to prior periods, which was renegotiated by the Company.

Loans for working capital requirements contracted by Plascar Ltda. are secured by machinery and equipment (CAPEX) and the remaining balances by receivables and sureties.

On January 31, 2019, pursuant to the Notice to Shareholders and the Material News Release disclosed to the market, there was an increase in capital paid in by using receivables from Plascar Ltda., through private subscription, in the amount of R$ 449,483, through issue of 7,455,251 common shares at the par value of R$ 60.29 per common share. After this capital increase, the Company's capital, previously amounting to R$ 481,972, divided into 4,970,167 common shares, increased to R$ 931,455, divided into 12,425,418 common shares.

## 16. Trade accounts payable

| | **Consolidated** | |
|---|---|---|
| | **2020** | **2019** |
| Trade accounts payable | **36,886** | 22,313 |
| | **36,886** | 22,313 |

The terms and conditions of the financial liabilities referred to above reflect the following characteristic below:

(In thousands of reais, unless otherwise stated)

## 17. Payroll, vacation pay and social charges payable

| | Consolidated | |
|---|---|---|
| | **2020** | **2019** |
| Social charges | **81,953** | 46,335 |
| Labor indemnification | **1,129** | 600 |
| Vacation accrual | **17,109** | 14,370 |
| Accrued profit sharing | **11,300** | 10,601 |
| Other | **43** | 43 |
| | **111,534** | 71,949 |
| Current | **101,168** | 56,932 |
| Noncurrent | **10,366** | 15,017 |

## 18. Advances from customers

| | Consolidated | |
|---|---|---|
| | **2020** | **2019** |
| Fiat Automóveis | **4,800** | 14,755 |
| Man | **3,025** | 5,607 |
| VW | **2,557** | - |
| Calsonic Kansei | **1,429** | 59 |
| Scania | **2,121** | - |
| Mercedes Benz | **597** | 229 |
| Volvo | **330** | - |
| Chery | **276** | - |
| Other | **49** | 135 |
| | **15,184** | 20,785 |

## 19. Commitments and provision for contingencies

a) Operating lease (Sale & Leaseback transaction)

For the year ended December 31, 2011, Plascar Ltda. carried out Sale & Leaseback transactions of the buildings and plots of land of Varginha, Jundiaí and Betim plants. Property lease agreements are valid for a period of 10 years and may be renewed for an additional 10-year period, after express consent of Plascar Ltda. There is no option to purchase the properties at the end of the agreements.

As from January 1, 2019, with the adoption of CPC 06 R2 (IFRS 16) – Leases, the Company began recording future rents discounted to present value as Right-of-Use Assets against Lease Liabilities. The initial impact on assets and liabilities was R$ 53,065 (Note 14).

b) Renegotiation of lease debt

The Company concluded in January 2020 the renegotiation of its overdue lease, the balance of which at December 31, 2019 was R$ 137 million, recorded under the heading "other liabilities" and "rental liabilities" in the current year.

With the conclusion of this negotiation, the renegotiated debt will be paid in installments, with a grace period over one year. The balance was transferred to other liabilities, noncurrent liabilities in January 2020

c) Legal proceedings - Amounts involved and accounting provision criteria for probable loss cases

The Company is a party to several labor (and social security), civil and tax claims that are currently in progress. The criterion adopted by the Company for classification of the loss risk is estimated as “remote”, “possible” and “probable”. “Remote” indicates minimum loss risk, “possible” indicates moderate loss risk, and “probable” indicates high loss risk, and the outside legal advisors, with the assistance of the Company’s legal Department, examine in detail each lawsuit, either new or pending judgment, and classify them according to their best outcome estimates.

These risk classifications are assessed monthly and can be changed whenever the legal advisor’s understanding indicates this need. In addition, all proceedings also receive monthly monetary restatement, according to the legal rates adopted by the courts, in order to reflect the most accurate and current economic situation of each lawsuit.

For all cases where external and internal legal advisors indicate the loss risk as “probable”, the Company sets up an individual provision in an amount sufficient to face the estimated amount of this loss, which is duly calculated and determined through court bookkeeping (in the case of the court) or accounting expert (in the case of the Company), based on convictions and/or any other decisions arising from higher levels (appeals) handed down by courts and that indicate, without a doubt, that the Company must make the payment in the short term, due to the advanced stage of the proceedings. In addition, the Company adopts a conservative practice and also sets up monthly provisions for labor claims classified as “possible” loss risk, for which the Company estimates that legal agreements will be signed for the settlement and closure of claims before the enforceable process begin. After an analysis carried out by the legal advisors, the Company reviewed the percentages of historical agreements made and decided to complement these provisions by R$ 3,142, which were recorded in full in the 3rd Quarter of 2020.

(In thousands of reais, unless otherwise stated)

Considering the proceedings with loss risk, the Company has a total provision set up as follows:

| | Consolidated | |
|---|---|---|
| | **2020** | **2019** |
| Provisions for social security and labor contingencies | **11,550** | 7,395 |
| | **11,550** | 7,395 |

Changes in the provision for contingencies in 2020 and 2019 are as follows:

| | December 31, 2020 | | | |
|---|---|---|---|---|
| | **Opening balance** | **Addition** | **Payments** | **Closing balance** |
| Social security and labor contingencies | 7,395 | **11,052** | **(6,897)** | **11,550** |
| | 7,395 | **11,052** | **(6,897)** | **11,550** |

| | December 31, 2019 | | | |
|---|---|---|---|---|
| | **Opening balance** | **Addition** | **Payments** | **Closing balance** |
| Social security and labor contingencies | 5 ,940 | **9,947** | **(8,492)** | **7,395** |
| | 5,940 | **9,947** | **(8,492)** | **7,395** |

d) Estimated “possible” losses, with no provision in the statement of financial position

For the Company’s other proceedings whose loss risk is classified by outside and internal legal advisors as “possible” or “remote”, there is no accounting provision. In spite of this, the Company recognizes the importance of reporting the amounts involved in these proceedings as a way of providing sufficient knowledge and information to the market about all the lawsuits to which the Company is a party. For new lawsuits, the amount reported by the Company takes into account the lawsuit amount (initial amount). As the lawsuit progresses, legal advisors better determine the amounts involved in each lawsuit, measuring each of them more accurately as to the amounts actually involved, as well as their effective risk of loss.

Considering the proceedings with loss risk rated as “possible”, with no provision set up, the Company informs that the amounts involved are as follows:

(In thousands of reais, unless otherwise stated)

| | Consolidated | |
|---|---|---|
| | **2020** | **2019** |
| Tax | **4,340** | 7,702 |
| Labor | **13,537** | 27,557 |
| Civil | **4,257** | 4,256 |
| | **22,134** | 39,515 |

e) Significant contingent assets

Currently, Plascar Ltda. is a plaintiff in two lawsuits considered significant against FUNRURAL and ELETROBRÁS, whose involved amounts are R$ 8,585 and R$ 19,249, respectively.

(i) The lawsuit against ELETROBRÁS, which has also been judged in favor of the Company, is now at an advanced stage, and the Company has already initiated the provisory execution of the judgment, requiring the payment of the amount due. In July 2020, however, through its outside advisors, the Company became aware of an alleged assignment of rights, which would have been carried out in May 2003, whereby the ownership and economic benefits arising from this proceeding would be assigned to third parties. . Having not identified elements internally that confirmed this assignment of rights, the Company manifested itself in the records, requesting more information on the matter and, at this moment, is awaiting judgment.

(ii) The lawsuit against FUNRURAL was rendered a res judicata decision on September 4, 2001, and Plascar was granted the unquestionable right to receive R$ 2,237 (Note 8). However, that amount was questioned by the Company as regards its monetary restatement, which was not considered by the court. There is still no definition of this restatement and of the correct amount to be settled in favor of the Company, whose legal advisors' estimate indicates the amount of R$ 8,585.

## 20. Other liabilities

| | Consolidated | |
|---|---|---|
| | **2020** | **2019** |
| Rent payable | **137,754** | 109,057 |
| Sundry creditor – agreements entered into | **97,814** | 73,381 |
| Other liabilities | **15,727** | 14,957 |
| | **251,295** | 197,395 |
| Current | **30,919** | 114,864 |
| Noncurrent | **220,376** | 82,531 |
| | **251,295** | 197,395 |

## 21. Equity

a) Capital

*Capital increase and share issue*

On January 31, 2019, according to the Notice to Shareholders and Material Fact disclosed to the market, the Company's capital increased with payment through the use of credits held against Plascar Ltda. for private subscription, amounting to R$ 449,483, through the issue of 7,455,251 common shares at the par value of R$ 60.29 per common share. After this capital increase, the Company's capital, previously amounting to R$ 481,972, divided into 4,970,167 common shares, increased to R$ 931,455, divided into 12,425,418 common shares.

The issue price of the shares was set, without unjustified dilution for the current shareholders of the Company, considering the methodologies allowed by article 170, paragraph 1, of the Brazilian Corporation Law, considering the financial situation of the Company at that moment, which has high indebtedness and negative equity.

Since the Brazilian Corporation Law does not establish a strict formula for the determination of the issue price, this price was established in view of the criteria of article 170, paragraph 1, of the Brazilian Corporation Law, in that the Company could carry out the restructuring as planned.

*Subscription warrant*

The Company issued in favor of and as an additional advantage to the subscribers of capital increase shares, upon reaching Plascar Plásticos EBITDA targets in the years 2020, 2021 or 2022, 7,455,251 subscription warrants, in a single series and under the book-entry and registered form, with 1 subscription warrant for each share of the subscribed capital increase.

The grant to its holders, jointly, transfers the right to subscribe shares of the Company representing 5% of Company's capital after issuing such shares. The price for the subscription of 1 share issued as a result of the exercise of Subscription Warrants will be R$ 0.01 "Exercise Price". The subscription of the shares resulting from the exercise of Subscription Warrants will be carried out in a particular manner, upon the exercise of the Subscription Right, and the payment of the shares then subscribed should be made through cash payment of the Exercise Price in local currency upon subscription of such shares.

b) Reserves

*Equity adjustments*

Set up by recording, for accounting purposes, the realization of the deemed cost attributed to property, plant and equipment and respective taxes. This account also includes the impacts on the change in parent company's interest in the subsidiary from 99.89% to 100% after the financial restructuring that took place on January 31, 2019.

c) Shareholders' compensation

As provided for in the Company's Articles of Incorporation, shareholders are entitled to minimum annual dividend of 25% of net income for the year, in light of articles 189 and 202 of Law No. 6404/76. At December 31, 2020 and 2019, no dividends were distributed as a result of the losses recorded by the Company.

## 22. Earnings (loss) per share

Basic earnings (loss) per share are reached after dividing the net income or loss for the year, attributed to the Company's common shareholders, by the weighted average number of common shares available during the year.

Diluted earnings (loss) per share are calculated by dividing net income or loss attributed to Company's common shareholders by the weighted average number of common shares outstanding for the year, plus the weighted average number of common shares that would be issued should all potential diluted shares be converted.

The chart below presents profit or loss and share data used in calculating basic or diluted earnings (loss) per share for the years ended December 31, 2020 and 2019 (in thousands, except for earnings/loss per share):

| Basic loss per share: | **2020** | **2019** |
|---|---|---|
| Numerator: | | |
| Loss for the year | **(117,013)** | (6,825) |
| Denominator: | | |
| Weighted average number of shares | **12,425,418** | 11,810,974 |
| Basic loss per share – R$ | **(9.42)** | (0.58) |

| Diluted loss per share: (*) | **2020** | **2019** |
|---|---|---|
| Numerator: | | |
| Loss for the year | **(117,013)** | (6,825) |
| Denominator: | | |
| Weighted average number of shares | **19,880,669** | 18,651,781 |
| Diluted loss per share – R$ | **(5.89)** | (0.37) |

(*) It considers the potential shares to be issued when exercising the subscription right (Note 21.a).

(In thousands of reais, unless otherwise stated)

## 23. Net operating revenue

| | Consolidated | |
|---|---|---|
| | **2020** | **2019** |
| Gross sales revenue | **452,530** | 492,084 |
| Sales taxes | **(78,722)** | (81,047) |
| Returns and rebates on sales | **(4,620)** | (3,487) |
| | **369,188** | 407,550 |

Sales taxes mainly comprise State VAT – ICMS (rates of 7%, 12% and 18%), Federal VAT – IPI (rates of 5% and 15%), Contribution Tax on Gross Revenue for Social Integration Program – PIS (rates of 1.65% and 2.30%), Contribution Tax on Gross Revenue for Social Security Financing – COFINS (rates of 7.60% and 10.80%).

## 24. Costs and expenses by nature

The Company chose to present the statement of profit or loss by function and states below the details by nature:

| | Consolidated | |
|---|---|---|
| | **2020** | **2019** |
| Raw material, inputs, consumer and in-use materials, and personnel | **(326,596)** | (332,829) |
| Depreciation and amortization | **(61,217)** | (60,551) |
| Third-party services | **(16,267)** | (14,481) |
| Allowance for doubtful accounts (Note 7) | **(1,747)** | 5,167 |
| Provision for market value adjustment and inventory obsolescence (Note 8) | **(47)** | 3,485 |
| Credit resulting from ICMS exclusion from PIS-COFINS tax base | **-** | 85,282 |
| Provision for loss on property, plant and equipment (Note 13.a) | **-** | (17,955) |
| Other | **(46,961)** | (69,289) |
| | **(452,835)** | (401,171) |
| Classified as | | |
| Cost of products sold | **(373,880)** | (376,247) |
| Selling expenses | **(22,603)** | (19,726) |
| General and administrative expenses | **(52,411)** | (62,989) |
| Other operating income/(expenses), net | **(3,941)** | 57,791 |
| | **(452,835)** | (401,171) |

(In thousands of reais, unless otherwise stated)

## 25. Finance income (costs)

| | Consolidated | |
|---|---|---|
| | **2020** | **2019** |
| Finance costs | | |
| Interest and fines | **(21,141)** | (63,513) |
| Charges on overdue taxes/tax installments (1) | **(20,409)** | (18,760) |
| Present value adjustment of leases (Note 14) | **(4,038)** | (5,450) |
| Foreign exchange losses | **(5,817)** | (3,451) |
| Tax on Financial Transactions (IOF) | **(729)** | (1,089) |
| Other | **(931)** | (4,128) |
| | **(53,065)** | (96,391) |
| Finance income | | |
| Interest and monetary restatement (2) | **15,008** | 81,628 |
| Foreign exchange gains | **5,298** | 3,223 |
| Other | **96** | 10 |
| | **20,402** | 84,861 |
| Finance income (costs) | **(32,663)** | (11,530) |

(1) Charges on overdue taxes and tax installments of PIS/COFINS and ICMS.

(2) The positive impact is mainly due to the accounting record of the monetary restatement related to the ICMS exclusion from PIS-COFINS tax base (Note 9).

## 26. Tax obligations and social charges

The outstanding tax balance at December 31, 2020 is R$ 157,440 and R$81,953 for payroll charges (R$ 163,431 and R$ 46,336 in 2019), of which R$ 11,411 are current taxes falling due, R$ 55,236 overdue current taxes, and R$ 172,746 tax payment in installments (R$ 11,574, R$ 37,251 and R$ 160,942, respectively, in 2019).

(In thousands of reais, unless otherwise stated)

**2020**

| | | | | Tax installments | | |
|---|---|---|---|---|---|---|
| | | | | Current | | |
| | **Outstanding** | **Falling due** | **Overdue** | **Falling due** | **Overdue** | **Noncurrent** |
| REFIS (PERT MP 783/17) | 55,614 | - | - | 4,553 | 4,553 | 46,508 |
| Common payment in installments PIS/COF/IPI | 25,732 | - | - | 6,874 | 6,577 | 12,281 |
| PIS | 280 | 280 | - | - | - | - |
| COFINS | 1,287 | 1,287 | - | - | - | - |
| ICMS (Regularize - MG) | 55,528 | - | - | 5,600 | - | 49,928 |
| ICMS | 17,428 | 1,615 | 1,166 | 7,853 | 5,758 | 1,036 |
| IPI (Tax in installments – MG) | 1,012 | - | - | 319 | - | 693 |
| IPI | 54 | 54 | - | - | - | - |
| Other (Service Tax – ISS, Property Tax - IPTU) | 505 | 334 | - | 25 | - | 146 |
| | **157,440** | **3,570** | **1,166** | **25,224** | **16,888** | **110,592** |
| Withholding Income Tax (IRRF) (Employees) | 1,438 | 1,438 | - | - | - | - |
| Common payment in installments – Social Security Tax (INSS) | 13,881 | - | - | 3,250 | 3,152 | 7,479 |
| FGTS | 971 | 971 | - | - | - | - |
| INSS (Company) | 50,557 | 4,770 | 45,787 | - | - | - |
| INSS (Employees) | 8,945 | 662 | 8,283 | - | - | - |
| INSS in installments Sesi Senai (Company) | 6,161 | - | - | 1,756 | 1,518 | 2,887 |
| | **81,953** | **7,841** | **54,070** | **5,006** | **4,670** | **10,366** |
| **Sum (Company)** | 229,010 | 9,311 | 46,953 | 30,230 | 21,558 | 120,958 |
| **Sum (Employees)** | 10,383 | 2,100 | 8,283 | - | - | - |
| **Total** | **239,393** | **11,411** | **55,236** | **30,230** | **21,558** | **120,958** |

**2019**

| | | | | Tax installments | | |
|---|---|---|---|---|---|---|
| | | | | Current | | |
| | **Outstanding** | **Falling due** | **Overdue** | **Falling due** | **Overdue** | **Noncurrent** |
| REFIS (PERT MP 783/17) | 54,910 | - | - | 4,523 | 754 | 49,633 |
| Common payment in installments PIS/COF/IPI | 26,162 | - | - | 7,367 | - | 18,795 |
| PIS | 2,928 | 706 | 2,222 | - | - | - |
| COFINS | 14,165 | 4,050 | 10,115 | - | - | - |
| ICMS (Regularize - MG) | 48,969 | - | - | 6,458 | - | 42,511 |
| ICMS | 11,817 | 934 | 1,748 | 4,774 | 168 | 4,193 |
| IPI (Tax in installments – MG) | 1,328 | - | - | 316 | 26 | 986 |
| IPI | 2,671 | 199 | 2,472 | - | - | - |
| Other (ISS, IPTU) | 481 | 289 | - | 24 | - | 168 |
| | **163,431** | **6,178** | **16,557** | **23,462** | **948** | **116,286** |
| Withholding Income Tax (IRRF) (Employees) | 2,951 | 1,353 | 1,598 | | | |
| Common payment in installments – Social Security Tax (INSS) | 13,968 | - | - | 3,215 | 268 | 10,485 |
| FGTS | 959 | 959 | - | - | - | - |
| INSS (Company) | 20,970 | 2,457 | 18,513 | - | - | - |
| INSS (Employees) | 1,210 | 627 | 583 | - | - | - |

(In thousands of reais, unless otherwise stated)

| | | | | | | |
|---|---|---|---|---|---|---|
| INSS in installments Sesi Senai (Company) | 6,278 | - | - | 1,746 | - | 4,532 |
| | **46,336** | **5,396** | **20,694** | **4,961** | **268** | **15,017** |
| **Sum (Company)** | 205,606 | 9,594 | 35,070 | 28,423 | 1,216 | 131,303 |
| **Sum (Employees)** | 4,161 | 1,980 | 2,181 | - | - | - |
| **Total** | **209,767** | **11,574** | **37,251** | **28,423** | **1,216** | **131,303** |

Regarding the overdue amounts, the Company recognizes a 20% fine in addition to adjustment for the indexes established by the legislation.

Special Tax Settlement Program (PERT)

Plascar Ltda. enrolled with PERT on August 29, 2017. The balance of overdue taxes up to April 2017, within the scope of the Attorney General's Office of the Brazilian Department of Treasury, was negotiated in 120 installments, with the value of the installments in the first 12 months corresponding to 0.4% of the debt, 0.5% in the second year, 0.6% in the third year, and the remaining balance in 84 installments. The adjustment index applied to the instalments is the Central Bank's Overnight Rate (Selic).

Additionally, Provisional Executive Order (MP) No. 783/17 was made into Law No. 13496/17 on October 25, 2017 including a new type of installment payment, which allows the use of income and social contribution tax losses to reduce the debt consolidated with the Brazilian IRS (RFB).

The installments in the scope of the Attorney General and RFB were fully consolidated in 2018.

The following is a summary of the accounting effects of this transaction:

| | **National Treasury Attorney General** | **Brazilian Internal Revenue Service - Tax** | **Brazilian Internal Revenue Service - Non-tax** | **Total** |
|---|---|---|---|---|
| Original balance (a) | 54,607 | 76,649 | 27,555 | 158,811 |
| Use of income and social contribution tax losses – Law No. 13496/17 (b) (Note 9.b) | - | (59,110) | (20,760) | (79,870) |
| Debt amortization through December 31, 2019 | (8,236) | (20,197) | (7,013) | (35,446) |
| Installment restatement | 9,243 | 2,658 | 218 | 12,119 |
| **Total** | **55,614** | **-** | **-** | **55,614** |

(a) Total tax and non-tax debt adjusted on the date of PERT adoption, comprising PIS, COFINS, IPI, and Social Security Tax - INSS (payroll exemption).

(b) The Company adopted this new type of program. The amount involved in the discount by means of income and social contribution tax losses is R$ 79,870. In November 2019, the Company settled the balance of this installment payment.

(In thousands of reais, unless otherwise stated)

## 27. Employee benefits

Expenses with salaries, benefits and social charges are stated as follows:

| | Consolidated | |
|---|---|---|
| | **2020** | **2019** |
| Payroll and social charges (1) | **134,411** | 144,241 |
| Profit sharing plan | **5,573** | 6,817 |
| Dismissals | **3,016** | 1,680 |
| Benefits established by law | **13,955** | 10,608 |
| Additional benefits | **87** | 191 |
| | **157,042** | 163,537 |

Additional benefits

In addition to usual benefits provided for by the labor legislation, the Company and its subsidiaries usually grant additional benefits to its employees taken out from third parties, such as: health care plan, chartered transportation, meals and day-care allowance.

Profit sharing plan

The Company and its subsidiaries have supplementary variable compensation plans which consider fulfillment of goals established:

(i) Profit sharing plan: the Company compensates its employees through profit sharing according to the collective bargaining agreement established between the Company, its employees' commission and their trade union, which establishes monthly assessed and disclosed goals. This plan aims at encouraging development and productivity by providing financial gains and effective conditions for profit sharing within the Company.

(ii) Additional profit sharing bonus plan (short-term): the Company grants bonuses with a different number of salaries to the Company's executive and management members. Profit sharing payable to employees holding these functions is based on the individual and Company's performance, in accordance with previously defined goals.

## 28. Insurance coverage

The Company and its subsidiaries have insurance policies for different purposes, taken out from major insurance companies in Brazil. These policies were defined according to the group program and took into consideration the nature and level of the risk involved.

At December 31, 2020, insurance coverage against operational risks combined with loss of profit was R$ 629,300 (R$ 629,300 at December 31, 2019), and R$ 3,000 (R$ 2,170 at December 31, 2019) for civil liability.

The Company does not expect any difficulties to renew insurance policies and considers that such coverage is reasonable in terms of amount and commensurate with industry standards in Brazil.

The risk assumptions adopted, given their nature, are not part of the scope of an audit of financial statements; accordingly, they were not audited by our independent auditor.