Individual and Consolidated Financial Statements

Plascar Participações Industriais S.A.

December 31, 2021
with Independent Auditor's Report

Management Report

Profile

<u>Plascar S.A.</u>

Plascar Participações Industriais S.A. (Bovespa: PLAS3), through its subsidiary Plascar Ltda., operates in the automotive sector and its operational activity is the industrialization and sale of parts and parts related to the internal and external finishing of automotive vehicles, in the original and replacement markets for automakers in Brazil.

Economic and Financial Performance

(In thousand of R$)	2021	AH%	2020
Net Revenue	612,684	66%	369,188
Gross Result	46,297	1.086.7%	(4,692)
Financial Expenses	(81,282)	148.9%	(32,663)
Net Loss	(122,230)	4.5%	(117,013)
EBITDA	17,415	178.2%	(22,277)
Net Debt [2]	126,506	21.0%	104,556

(1) Gross debt is represented by the sum of loans, financing and derivatives (current and non-current), debentures (current and non-current) and lease liabilities (current and non-current). Net Debt corresponds to Gross Debt less cash and cash equivalents, restricted cash and related securities. Gross Debt and Net Debt are not measures of financial performance, liquidity or indebtedness recognized by accounting practices adopted in Brazil, nor by International Financial Reporting Standards (IFRS), issued by the International Accounting Standard Board (IASB) and have no standard meaning. Other companies may calculate Gross Debt and Net Debt differently than the Company calculates. Below we present the reconciliation of Gross Debt and Net Debt with the Company's consolidated financial statements.:

(In thousands of R$)	2021	AH%	2020
Loans, financing (current and non-current)	138,993	0.5%	138,237
(=) Gross Debt	**138,993**	**0.5%**	**138,237**
(-) cash and cash equivalent	(12,487)	(62.9) %	(33,681)
Net Debt (2)	**126,506**	21.0%	**104,556**

The year 2021 was marked by a challenging scenario for the entire automotive sector, with a shortage of particularly semiconductor components and significant increases in raw material prices, resulting from the crisis generated by COVID-19 and its consequences throughout the global supply chain, notably the price imbalance between finished products and raw materials and their components in the automotive sector.

The stoppages of the automakers due to the lack of electronic components, demanded that the Company spend a great effort to adapt the production capacity and production planning. The period also brought challenges related to increases in raw material costs and the current inflationary environment. This situation has been fought by the company through an intense process of rebalancing prices to customers, engineering developments and the search for operational efficiency in order to mitigate the impact of such factors.

Despite this challenging scenario, Plascar presented a significant increase in volume and, consequently, in its net revenue, which reached R$ 612,684 in 2021, an increase of 66% compared to 2020 (R$ 369,188) and 50.3% in compared to 2019 (R$ 407,550), mainly driven by the entry into production of new projects. Another factor that impacted the growth in volumes compared to 2020 was the resumption of production by the Company's customers after the stoppages resulting from COVID-19.

In comparison with 3Q21, 4Q21 maintained its growth pace and presented an improvement of 1.8% in its billing in the compared quarters.

The Company's net income, in turn, added up to a loss of R$ 122,230 in 2021. Excluding the non-recurring items recorded in the year, i) R$ 20,629 – Impairment on tax credits and ii) R$ 25,137 – provision for charges, tax debts within the scope of the Attorney's Office, which are under negotiation - installments), the adjusted loss in 2021 totals R$ 76,464, while in the year ended December 31, 2020 there was a loss of R$ 117,013. This result is still below the Management's expectations, since the reversal of this situation will be due to the increase in EBITDA, in future periods, through the growth of the Company's revenue arising from the start of production of new projects, which should be sufficient to offset the volumes of current depreciation and financial expenses. It is also worth noting that such non-recurring events were recorded in the financial result accounts, leading to an even worse impact than the one presented in 2020 under this heading.

(In thousands R$)	2021	2020
Net debt	(122,230)	(117,013)
Elimination of non-recurring items		
(+) Impairment on tax credits	20,629	-
(+) Provision of charges Debits Attorney	25,137	-
(=) Adjusted net loss	(76,464)	(117,013)

Below is a reconciliation of the loss for the year to EBITDA with the Company's financial statements:

(In thousands of R$)	**2021**	**2020**
Period loss	**(122,230)**	**(117,013)**
Financial result	81,282	32,663
Income tax and social contribution	92	703
Depreciation and amortization	58,271	61,370
EBITDA (1)	**17,415**	**(22,277)**

(1) EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) or EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) is a non-accounting measure disclosed by the Company, reconciled with its consolidated financial statements, in accordance with the Instruction CVM No. 527/12, of October 4, 2012 (“CVM 527”), and consists of the net income (loss) for the year adjusted by the net financial result, current and deferred income tax and social contribution, and depreciation and amortization . The EBITDA is not a measure defined by the accounting practices adopted in Brazil, nor by the International Financial Reporting Standards - International Financial Reporting Standards (IFRS), issued by the International Accounting Standard Board (IASB), it does not represent the cash flow for the years presented and it should not be considered as a substitute for net income (loss), as an indicator of operating performance, as a substitute for cash flow, as an indicator of liquidity or as a basis for the distribution of dividends. Although EBITDA has a standard meaning, pursuant to article 3, item I, of ICVM 527, the Company cannot guarantee that other companies, including closely held companies, will adopt the same meaning.

Regarding profitability, Plascar showed an improvement in EBITDA. In 2021, EBITDA was 2.8% or R$ 17,415, against a negative EBITDA of 6.0% or negative R$ 22,277. In comparison with 4Q21, EBITDA went from 2.3% or R$ 3,135 in 4Q20 to 3.0% or R$ 4,884 in 4Q21. This improvement in profitability is mainly explained by the effect of the increase in the Company's volumes and billing, and the consequent greater absorption of fixed costs. In comparison with 3Q21, Plascar's EBITDA had a substantial recovery of 3.8 p.p. or BRL 6,132.

The year 2022 will also be marked by the challenges of Plascar's recovery, with the continued maintenance of production volume, start of production of new projects, recovery of margins and strengthening of cash generation. In this scenario, it is worth noting that, since the beginning of the pandemic, the Company has made it a priority to protect the health and safety of its employees and their families, through the implementation of strict safety protocols. Such protocols were implemented upon the return of production in 2020 and have been strictly maintained to ensure safety and health for its employees, with consequences such as loss of production efficiency, in addition to increased costs and expenses.

Automotive Market

According to data from ANFAVEA, vehicle production in 2021 increased by 11.6% over the same period in 2020, totaling 2.248 million units in the country:

Automotive Scenario	SOURCE: ANFÁVEA – BRAZIL		
	2020	2021	VAR. %
VEHICLE PRODUCTION	2,014	2,248	11.6%
VEHICLE SALES	2,058	2,120	3.0%

Despite the result below expectations, which was 25%, the volume presented is seen by ANFAVEA as a scenario consistent with other markets such as the United States, for example, although there is a concern about the supply of components, whose imbalance that persists in chain has affected the lines of many automakers, which have started to stop production on a regular basis.

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

Investments

The year 2021 was also highlighted by large investments by Plascar, the development of new projects and their respective molds caused an increase in inventories, in addition to “CAPEX” investments 1 for equipment maintenance and the construction of a new manufacturing unit in Caçapava-SP.

Such investments were necessary to meet current production and new projects, seeking to improve productivity and reduce costs, totaling “CAPEX” 1 in 2021 of R$ 63 million (R$ 7 million in 2020).

(1) Capital Expenditure – consists of capital expenditures, such as investment in fixed assets such as machinery, equipment and other improvements to the Company's facilities.

Human Resources

Despite the economic adversities in the country, the Company continues to invest in the professional development of its employees, with approximately 30.81 hours of teaching and training per employee (in the last 12 months), focused on learning from SENAI, internships, in addition to training with technical and operational development.

The Company ended 2021 with a workforce of 1,872 employees (1,728 in 2020).

Relationship with independent auditors

In accordance with CVM Instruction 381/03, we inform that the Company adopts as a formal procedure when hiring independent auditors, to ensure that the provision of other services does not affect its independence and objectivity necessary for the performance of services independent audit. The audit work of the financial statements prepared in accordance with accounting practices adopted in Brazil and with international financial reporting standards (IFRS) issued by the International Accounting Standards Board (IASB) were performed by ERNST & YOUNG Auditores Independentes S.S.

We inform that in 2021, the Company contracted, with its auditors, a service not related to the external audit in the amount of R$ 22 (R$ 22 in 2020), not exceeding 5% of the remuneration for the external audit services. The policy of the Company and its subsidiary in contracting services not related to the external audit with the independent auditors is based on the principles that preserve the independence of the independent auditor, which are: auditors must not audit their own work; the auditor should not exercise a management role for his client and the auditor should not advocate for his client.

Acknowledgments

Once again, we would like to thank all those who were present and supported us during the 2021 financial year, including our Employees, Customers, Suppliers, Shareholders, Financial Institutions, Members of the Board of Directors and the Company's Supervisory Board.

Jundiaí, March 14, 2022.

The Management

Plascar Participações Industriais S.A.

Individual and consolidated financial statements.

December 31, 2021 e 2020

Contents

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Independent auditor's report on the 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 of December 31, 2021 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 of December 31, 2021, 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$ 1,243,222 thousand (individual and consolidated) and excessive current liabilities in relation to current assets at the end of the period ended December 31, 2021, in the amount of R$ 257,498 thousand in Consolidated. 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

A primary audit matter is that which, in our professional judgment, was the most significant in our current year audit. This matter was addressed in the context of our audit of the individual and consolidated financial statements as a whole and in forming our opinion on these individual and consolidated financial statements and, therefore, we do not express a separate opinion on this matter. In addition to the matter described in the "Material uncertainty relating to going concern" section, we determined that the matter described below is the primary audit matter to be communicated in our report. For the matter below, a description of how our audit addressed the matter, including any comments on the results of our procedures are presented in the context of the financial statements taken as a whole.

We have discharged the responsibilities described in the section entitled "Auditor's Responsibilities for the Audit of the Individual and Consolidated Financial Statements", including those relating to these key audit matters. Accordingly, our audit included conducting planned procedures to respond to our assessment of the risks of material misstatements in the financial statements. The results of our procedures, including those performed to address the matters below, provide the basis for our audit opinion on the Company's financial statements.

Analysis of recoverability of tax credits

As described in Note 9, the Company has recorded R$ 119,005 thousand of ICMS exclusion credits based on PIS and COFINS calculations under the heading of recoverable taxes in the Consolidated, corresponding to 19% of the total consolidated assets. At least once a year, the Company tests the recoverable amount of these credits based on sales projections based on the business plans and annual budget, adopted by the Executive Board and approved by the Board of Directors. The methodology and modeling used to determine the recoverable value of these assets were based on the projections of the result of its subsidiary, estimates for which subjective assumptions were used, which involve a reasonable degree of judgment, information and economic and market conditions, among others. indicators.

The monitoring of this matter was considered significant for our audit due to the relevance of the amounts involved in relation to the total assets and the potential risks to the result for the year in the event of identification of losses to the recoverable value of these credits, in addition to the uncertainties inherent in the determination of the estimate of the expected recovery values, given the use of market information and a high degree of judgment exercised by the Executive Board, in determining the assumptions for its calculation. A change in any of these assumptions could have a significant impact on the Company's individual and consolidated financial statements.

How our audit handled this matter:

Our audit procedures included, among others, the analysis and review of the methodologies and models used by the Executive Board, in the evaluation of the assumptions that supported the projections that determined the business plan, budget and analysis of the recoverable amount of the ICMS deduction credit. Our procedures also included the assessment of the reasonableness and consistency of the data and assumptions used in the preparation of these documents, including projections of results, among others, as provided by the Company's Executive Board, and we also analyzed the accuracy of the arithmetic calculations. We analyzed information that could contradict the most significant assumptions and selected methodologies.

Additionally, we compared the recoverable amount determined by the Company's Executive Board with the book value of the recorded credit, as well as evaluating the adequacy of the disclosures in Note 9 to the individual and consolidated financial statements of December 31, 2021.

Based on the result of the audit procedures carried out on the test of the recoverable amount of ICMS exclusion credits from the PIS and COFINS calculation bases, we concluded that the Executive Board's assessment is consistent with our procedures, as well as the respective disclosures in explanatory note 9, are acceptable, in the context of the individual and consolidated financial statements taken as a whole.

Other matters

Statements of added value

The individual and consolidated statements of value added (DVA) for the year ended December 31, 2021, prepared under the responsibility of the Company's management, and presented as supplementary information for IFRS purposes, were submitted to audit procedures performed together with the audit of the Company's financial statements. In orde Ir to form our opinion, we evaluated whether these statements are reconciled with the financial statements and accounting records, as applicable, and whether their form and content are in accordance with the criteria defined in Technical Pronouncement NBC TG 09 - Statement of Added Value. In our opinion, these statements of added value have been properly prepared, in all material respects, in accordance with the criteria defined in this Technical Pronouncement and are consistent with the individual and consolidated financial statements taken as a whole.

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

The Company's management is responsible for this other information that 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 audit conclusion on this report.

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

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

The executive board is responsible for the preparation and adequate presentation of the individual and consolidated financial statements in accordance with accounting practices adopted in Brazil and with international financial reporting standards (IFRS), issued by the International Accounting Standards Board (IASB), and internal controls that it has determined to be necessary to enable the preparation of financial statements free from material misstatement, whether caused by fraud or error.

In preparing the individual and consolidated financial statements, the executive board is responsible for evaluating the Company's ability to continue operating, disclosing, when applicable, matters related to its going concern and the use of this accounting basis in the preparation of the financial statements, unless the management intends to liquidate the Company or cease its operations, or has no realistic alternative to avoid the closure of operations.

Those responsible for the governance of the Company and its subsidiaries are those responsible for supervising the process of preparing the financial statements.

Auditor's responsibilities for auditing individual and consolidated financial statements

Our objectives are to obtain reasonable assurance that the individual and consolidated financial statements, taken as a whole, are free from material misstatement, whether caused by fraud or error, and to issue an audit report containing our opinion. Reasonable assurance is a high level of assurance, but not a guarantee that the audit performed in accordance with Brazilian and international auditing standards always detects any material misstatements that exist. Misstatements may result from fraud or error and are considered material when, individually or in the aggregate, they may influence, within a reasonable perspective, the economic decisions of users taken based on the aforementioned financial statements.

As part of the audit performed in accordance with Brazilian and international auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. Furthermore:

- Identified and evaluated the risks of material misstatement in the individual and consolidated financial statements, whether caused by fraud or error, planned, and performed audit procedures in response to such risks, and obtained sufficient appropriate audit evidence on which to base our opinion. The risk of not detecting material misstatement resulting from fraud is greater than that arising from error, as fraud may involve the act of circumventing internal controls, collusion, falsification, omission, or intentional misrepresentation.
- Obtained an understanding of the internal controls relevant to the audit in order to design audit procedures appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls of the Company and its subsidiaries.
- Evaluated the adequacy of the accounting policies used and the reasonableness of the accounting estimates and respective disclosures made by the executive board.

- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether there is material uncertainty regarding events or conditions that may raise significant doubt regarding the company's ability to continue as a going concern. Company. If we conclude that material uncertainty exists, we must draw attention in our audit report to the related disclosures in the individual and consolidated financial statements or include a modification of our opinion if the disclosures are inadequate. Our conclusions are based on the audit evidence obtained up to the date of our 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 corresponding transactions and events in a manner consistent with the objective of fair presentation.

We communicate with those charged with governance regarding, among other things, the scope and timing of planned audit engagements and significant audit findings, including significant deficiencies in internal controls that may have been identified during our engagements.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements, including applicable independence requirements, and communicate all possible relationships or matters that could materially affect our independence, including, where applicable, related safeguards.

Of the matters that were the subject of communication with those charged with governance, we determined those that were considered to be most significant in the audit of the individual and consolidated financial statements for the current year and which, therefore, constitute the main audit matters. We describe these matters in our audit report unless law or regulation prohibits public disclosure of the matter, or when, in extremely rare circumstances, we determine that the matter should not be communicated in our report because the adverse consequences of such communication could, within a reasonable perspective, outweigh the benefits of communication for the public interest.

Campinas, March 14, 2022.

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

Cristiane Cléria S. Hilario
Sócia-Contadora
CRC-1SP243766/O-8

Plascar Participações Industriais S.A.

Statements of financial position
December 31, 2021 e 2020
(In thousands of reais)

	Individual		Consolidated	
	2021	**2020**	**2021**	**2020**
Assets				
Current assets				
Cash and cash equivalents (Note 6)	**7,384**	31,444	**12,487**	33,681
Trade accounts receivables (Note 7)	**-**	-	**31,509**	58,774
Inventories (Note 8)	**-**	-	**118,357**	43,008
Taxes recoverable (Note 9)	**-**	-	**34,746**	30,406
Other assets	**17**	17	**2,836**	2,414
	7,401	31,461	**199,935**	168,283
Noncurrent assets				
Taxes recoverable (Note 9)	**-**	-	**88,959**	126,601
Judicial deposits	**-**	-	**2,317**	4,103
Other assets	**-**	-	**150**	158
Investment property	**-**	-	**8,362**	8,452
Property, plant and equipment (Note 13)	**7**	7	**303,338**	275,848
Right-of-use assets (Note 14)	**-**	-	**15,604**	21,672
	7	7	**418,730**	436,834
Total assets	**7,408**	31,468	**618,665**	605,117

	Individual		Consolidated	
	2021	**2020**	**2021**	**2020**
Liabilities and Equity				
Current liabilities				
Loans and financing (Note 15)	**-**	-	**51,531**	19,864
Lease liabilities (Note 14)	**-**	-	**1,546**	23,175
Trade account payable (Note 16)	**-**	-	**72,830**	36,886
Taxes payable (Note 26)	**27**	32	**78,896**	46,848
Payroll, vacations pay and related charges payable (Note 17)	**-**	-	**160,757**	101,168
Advance from customers (Note 18)	**-**	-	**51,608**	15,184
Other liabilities (Note 20)	**-**	-	**40,265**	30,919
	27	32	**457,433**	274,044
Noncurrent				
Loans and financing (Note 15)	**-**	-	**87,462**	118,373
Lease liabilities (Note 14)	**-**	-	**53,988**	22,377
Related parties (Note 11.b)	**22,148**	44,460	**8,132**	7,450
Payroll, vacations pay and related charges payable (Notes 17 and 26).	**-**	-	**9,265**	10,366
Taxes payable (Note 26).		-	**94,333**	110,592
Deferred income and social contribution taxes (Note 10.a).	**-**	-	**19,297**	19,205
Provision for contingencies (Note 19.c)	**-**	-	**6,502**	11,550
Provision for losses on investment in subsidiary (Note 12)	**296,679**	176,192	**-**	-
Other liabilities (Note 20)	**-**	-	**193,699**	220,376
	318,827	220,652	**472,678**	520,289
Total liabilities	**318,854**	220,684	**930,111**	794,333
Equity (Note 21)				
Capital	**931,455**	931,455	**931,455**	931,455
Equity adjustments	**321**	335	**321**	335
Accumulated losses	**(1,243,222)**	(1,121,006)	**(1,243,222)**	(1,121,006)
	(311,446)	(189,216)	**(311,446)**	(189,216)
Total Equity	**(311,446)**	(189,216)	**(311,446)**	(189,216)
Total liabilities and equity	**7,408**	31,468	**618,665**	605,117

The explanatory notes are an integral part of the individual and consolidated financial statements.

Plascar Participações Industriais S.A.

Statements of profit or loss
Years ended December 31, 2021 e 2020
(In thouands of reais, except earnings per share)

	Individual		Consolidated	
	2021	**2020**	**2021**	**2020**
Net operating revenue (Note 23)	**-**	-	**612,684**	369,188
Cost of products sold (Note 24)	**-**	-	**(566,387)**	(373,880)
Gross profit (loss)	**-**	-	**46,297**	(4,692)
Operating income (expenses)				
Selling expenses (Note 24)	**-**	-	**(28,887)**	(22,603)
General and administrative expenses (Note 24)	**(1,808)**	(1,549)	**(55,883)**	(52,411)
Equity pickup (Note 12)	**(120,487)**	(115,525)	**-**	-
Other operating income (expenses), net (Note 24)	**-**	-	**(2,383)**	(3,941)
	(122,295)	(117,074)	**(87,153)**	(78,955)
Operating income before finance income (expenses)	**(122,295)**	(117,074)	**(40,856)**	(83,647)
Financial income (expenses)				
Financial costs (Note 25)	**(22)**	(22)	**(95,893)**	(53,065)
Financial income (Note 25)	**87**	83	**14,611**	20,402
	65	61	**(81,282)**	(32,663)
Loss before income and social contribution taxes	**(122,230)**	(117,013)	**(122,138)**	(116,310)
Deferred income and social contribution taxes (Note 10.c)	**-**	-	**(92)**	(703)
	-	-	**(92)**	(703)
Loss for the period	**(122,230)**	(117,013)	**(122,230)**	(117,013)
Loss per share from operations attributable to Company's shareholders for the year (in R$ per thousand shares)				
Basic loss per share (Note 22)			**(9,84)**	(9,42)
Diluted loss per share (Note 22)			**(6,15)**	(5,89)

The explanatory notes are an integral part of the individual and consolidated financial statements.

Plascar Participações Industriais S.A.

Statements of comprehensive income
Years ended December 31, 2021 and 2020
(In thousands of reais)

	Individual and consolidated	
	2021	**2020**
Loss for the year	**(122,230)**	(117,013)
Total comprehensive income for the year	**(122,230)**	(117,013)

The explanatory notes are an integral part of the individual and consolidated financial statements.

Plascar Participações Industriais S.A.

Statements of changes in equity
Years ended December 31, 2021 and 2020
(In thousands of reais)

	Capital	Equity adjustment	Accumulated losses	Total
Balances at December 31, 2019	931,455	405	(1,004,063)	(72,203)
Realization of property, plant and equipment deemed cost	-	(106)	106	-
Deferred taxes on realization of property, plant and equipment deemed cost	-	36	(36)	-
Loss for the year	-	-	(117,013)	(117,013)
Balances at December 31, 2020	931,455	335	(1,121,006)	(189,216)
Realization of property, plant and equipment deemed cost	**-**	**(21)**	**21**	**-**
Deferred taxes on realization of cost attributed to property, plant and equipment deemed cost	**-**	**7**	**(7)**	**-**
Loss for the year	**-**	**-**	**(122,230)**	**(122,230)**
Balances at December 31, 2021	**931,455**	**321**	**(1,243,222)**	**(311,446)**

The explanatory notes are an integral part of the individual and consolidated financial statements.

Plascar Participações Industriais S.A.

Statements of cash flows - indirect method
Years ended December 31, 2021 and 2020
(In thousands of reais)

	Individual		Consolidated	
	2021	**2020**	**2021**	**2020**
Cash flows from operating activities				
Loss for the year before taxes	**(122,230)**	(117,013)	**(122,138)**	(116,310)
Adjustments to reconcile loss to cash from (used in) operational activities:				
Depreciation (Note 13)	**-**	-	**34,983**	37,774
Amortization (Note 14)	**-**	-	**23,122**	23,443
Loss on disposal of property, plant and equipment	**-**	-	**182**	160
Interest and monetary variation, net	**-**	-	**89,149**	45,346
Provision for contingencies (Note 19.b)	**-**	-	**6,061**	11,052
Equity pickup (Note 12)	**120,487**	115,525	**-**	-
Set-up (reversal) of provision for market value adjustamment and inventory obsolescence (Note 8 and 24)	**-**	-	**23**	47
Set-up (decrease in) allowance for doubtful accounts (Notes 7 and 24)	**-**	-	**984**	1,747
	(1,743)	(1,488)	**32,366**	3,259
(Increase) decrease in asset:				
Trade accounts receivable	**-**	-	**26,281**	(34,461)
Inventories	**-**	-	**(75,372)**	1,384
Taxes recoverable	**-**	-	**12,673**	27,794
Judicial deposits	**-**	-	**1,786**	689
Other asset, net	**-**	-	**(325)**	25
Increase (decrease) in liability:				
Trade account payable	**-**	-	**35,779**	14,044
Payroll, vacation pay and social charges payable	**-**	-	**47,218**	31,589
Advances from customers	**-**	-	**30,521**	(8,456)
Taxes and social contributions payable	**(5)**	(3)	**(6,136)**	(17,082)
Provision for contingencies (payments) (Note 19.b)	**-**	-	**(11,109)**	(6,897)
Other liability accounts, net	**-**	-	**(24,196)**	23,957
Interest paid	**-**	-	**(17,352)**	(12,028)
Net cash used in operating activities	**(1,748)**	(1,491)	**52,134**	23,817
Cash flows from investing activities				
Acquisition of property, plant and equipment (Note 13.b)	**-**	-	**(62,655)**	(6,589)
Net cash used in investing activities	**-**	-	**(62,655)**	(6,589)
Cash flows from financing activities				
Loans raised (Note 15)	**-**	-	**19,699**	21,547
Payment of loans and financing (principal) (Note 14 and 15)	**-**	-	**(31,054)**	(23,767)
Net increase in loans receivable from related parties	**(22,312)**	32,906	**682**	1,290
Net cash generated by (applied in) financing activities	**(22,312)**	32,906	**(10,673)**	(930)
Net increase in cash and cash equivalents	**(24,060)**	31,415	**(21,194)**	16,298
Cash and cash equivalents at beginning of year	**31,444**	29	**33,681**	17,383
Cash and cash equivalents at end of year	**7,384**	31,444	**12,487**	33,681

The explanatory notes are an integral part of the individual and consolidated financial statements.

Plascar Participações Industriais S.A.

Statements of added value
Years ended December 31, 2021 and 2020
(In thousands of reais)

	Individual		Consolidated	
	2021	2020	2021	2020
Revenue				
Gross operating revenue, less returns and rebates	**-**	-	**742,539**	447,910
Other revenues	**-**	-	**-**	19
Allowance for doubtful debts	**-**	-	**-**	-
	-	-	**742,539**	447,929
Bought-in inputs				
Raw materials consumed	**-**	-	**(283,047)**	(169,554)
Bought-in materials, energy, services and others	**(756)**	(709)	**(121,683)**	(64,906)
Provision for inventory adjustment to market value and obsolescence (Note 8)	**-**	-	**(23)**	(47)
	(756)	(709)	**(404,753)**	(234,507)
Gross value added	**(756)**	(709)	**337,786**	213,422
Depreciation and amortization (Note 24)	**-**	-	**(58,105)**	(61,217)
Net value added generated by the Company	**(756)**	(709)	**279,681**	152,205
Value added received in transfer				
Equity pickup (Note 12)	**(120,487)**	(115,525)	**-**	-
Finance income	**87**	83	**14,611**	20,402
Other income	**-**	-	**91**	937
	(120,400)	(115,442)	**14,702**	21,339
Total added value to be distributed	**(121,156)**	(116,151)	**294,383**	173,544
Payment of value added				
Personnel				
Salaries and wages	**618**	475	**148,361**	124,722
Social charges	**174**	141	**40,721**	32,321
Taxes, charges and contributions				
Federal	**-**	-	**58,534**	38,028
State	**-**	-	**71,275**	41,407
Local	**260**	223	**1,829**	1,014
Debt remuneration				
Finance costs	**22**	23	**95,893**	53,065
Equity remuneration				
Loss for the year attributable to controlling shareholders	**(122,230)**	(117,013)	**(122,230)**	(117,013)
Total distributed	**(121,156)**	(116,151)	**294,383**	173,544

The explanatory notes are an integral part of the individual and consolidated financial statements..

1. Operations

Plascar Participações Industriais S.A. ("Plascar S.A." or "Company"), headquartered in the city of Jundiaí, in the State of São Paulo, is a publicly traded corporation whose shares are traded on the BM&FBOVESPA (PLAS3). The Company's activity is represented by its interest in the subsidiary Plascar Indústria de Componentes Plásticos Ltda. ("Plascar Ltda." or "Plascar"), which operates in the automotive sector and is engaged in the industrialization and sale of parts and components related to the internal and external finishing of motor vehicles.

Plascar Ltd. has industrial plants located in the cities of Jundiaí/SP, Varginha/MG and Betim/MG.

On September 24, 2021, the Company informed the market about the installation of a new industrial unit in the city of Caçapava/SP. The start of activities is scheduled for the 3rd quarter of 2022 and, at first, the new unit will serve automakers installed in the Vale do Paraíba region.

The plants operate mainly in the automotive sector, focusing on serving vehicle manufacturers, supplying bumpers, instrument panels, air diffusers, cup holders, door sides, package holders, among other components. Plascar also operates in the industrialization of non-automotive products, such as injection and assembly of supermarket trolleys, multipurpose boxes, pallets and ecological furniture, an activity that represents less than 7% of total assets, net revenue and consolidated net income in the Company.

After the conclusion of the financial restructuring of the Company and its subsidiary on January 31, 2019, the shareholding control of Plascar S.A. became the property of Pádua IV Participações SA, with a 59.99% interest in its capital, which is also composed of Permali do Brasil Indústria e Comércio Ltda., with 18.44%, by Postalis Instituto de Seguridade Social dos Correios e Telégrafos with 7.12% and by other individual shareholders who jointly own 14.45%, Note 21.

The issue of these individual and consolidated Financial Statements was authorized by the Board of Directors on March 14, 2022.
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<u>Financial situation</u>

As of December 31, 2021, the Company has an excess of current liabilities over current assets in the amount of R$ 257,498 (R$ 105,761 in 2020) in the consolidated and negative shareholders' equity in the parent company and consolidated the amount of R$ 311,446 (R$ 189,216 in 2020).

1. General Information—Continued

Financial situation--Continued

Additionally, the Company presented a loss in the current and comparative year, as well as maintaining an accumulated loss of R$ 1,243,222, in the parent company and consolidated (R$ 1,121,006 in 2020).

Financial expenses amount to R$ 95,893 in 2021 (R$ 53,065 in 2020). Management is taking measures to reduce the impact of these expenses on the Company's results, mainly through management, with plans to improve efficiency and renegotiate its tax and banking liabilities. Such measures are necessary for the Company, since the impacts caused by Covid, with a drop in margins and consequent decrease in cash availability, continued to impact the day to day of management during 2021.

In 2021, there was an increase in vehicle production by 11.6%, when compared to 2020, according to ANFAVEA data. The Company's net revenue, in turn, in 2021, showed an increase of 66% when compared to the previous year, thus showing the maintenance of a gradual and consistent recovery in volumes.

The Company continues to adopt measures to increase the revenue obtained from new projects, reduce its internal operating costs and improve the margin, also promoting constant price negotiations with customers to pass on the increases in costs (labor, raw material etc.), continuing the Company's restructuring process, as well as facing the crisis that began in March 2020 resulting from the COVID-19 pandemic.

According to official data from ANFAVEA, vehicle production in 2022 points to an increase of 9.4%.

The Company's Management is in the process of reviewing the projections, considering new projects and volume fluctuation in view of the current scenario (COVID-19).

Impacts of COVID-19 (Coronavirus) on the Company's business

On March 11, 2020, the World Health Organization (WHO) declared the outbreak of the COVID-19 Coronavirus as a global-scale pandemic. 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 generated impacts on financial statements. The main economies of the world and the main economic blocks implemented significant economic stimulus packages to overcome the potential economic recession that these measures to mitigate the spread of COVID -19 effectively caused.

1. **Operation**--Continued

Impacts of COVID-19 (Coronavirus) on the Company's Business--Continued

In Brazil, the Executive and Legislative Powers of the Union published several normative acts to prevent and contain the pandemic, as well as to mitigate the respective impacts on the economy, with emphasis on Legislative Decree nº 6, published on March 20, 2020, which declared the state of public calamity. State and municipal governments 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. The suspensions of automotive production affected almost the entire sector in the country, with 123,000 workers stopped in 63 factories located in 40 cities in 10 states.

During the crisis, Management constantly evaluated the impact of the outbreak on the operations and on the equity and financial position of the Company and its subsidiary, with the objective of implementing appropriate measures to mitigate the impacts on operations. Management immediately activated its Crisis Committee to ensure the safety of its employees, service providers and clients served.

The Company implemented the following measures to combat the crisis:

- Implementation of a Crisis Management Committee;
- Restrictions on the movement and agglomeration of people on its premises, as a way of preventing the spread of the virus;
- Suspension of travel, face-to-face training and participation in events for all employees;
- Guidance on a home office regime for employees whose role allows this type of work and isolation of all employees classified as at greater risk (over 60 years and with chronic diseases, as directed by public entities);
- Intensification of internal communications on preventive measures, availability of 24-hour medical assistance channels to support employees and their families and availability of internal communication channels for employees, focused on assistance related to the pandemic; and
- Optimization of the use of technology to ensure virtual service to its customers, impacting as little as possible their administrative and operational activities

1. **Operation**--Continued

Impacts of COVID-19 (Coronavirus) on the Company's Business--Continued

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

- Anticipation of collective vacations for its employees and on April 1, 2020, in line with the union responsible for the category, it implemented a 50% reduced working day for all employees, a measure that was gradually reversed in the third quarter;
- Renegotiation of terms of certain liabilities with banks, suppliers and other accounts payable;
- Expansion of stock controls to keep them at the minimum necessary level; and
- Benchmarking with other auto parts and automakers to exchange information and measures for application in the Company.

Despite the total shutdown of the automakers, which took place in different periods between March and July 2020, the three plants continued to operate. However, the pace of work was greatly reduced, focusing on specific projects and preventive maintenance activities. The costs related to the idle capacity of the plants during this period and for the entire year were measured by Management and recorded directly in the income statement for the respective years, according to CVM guidance opinion 24/92.

Due to this potential recovery in the market, the Company has already adopted some measures of flexibility and resumption of its production capacity, in which the following stand out::

- Resumption of full-time work;
- Flexibility of the home office regime;
- Resumption of third-party visits to the Company's facilities, upon 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.

Despite the demobilization of the Crisis Committee implemented at the beginning of the pandemic, the committee can be activated immediately, if necessary. The Company continues to monitor the situation, always ready to intervene in the event of a worsening of the pandemic situation. It is important to highlight that all these measures adopted by Management had an impact on a loss of efficiency and an increase in costs, which has been fought daily with a view to maintaining margins for the Company.

1. **Operation**--Continued

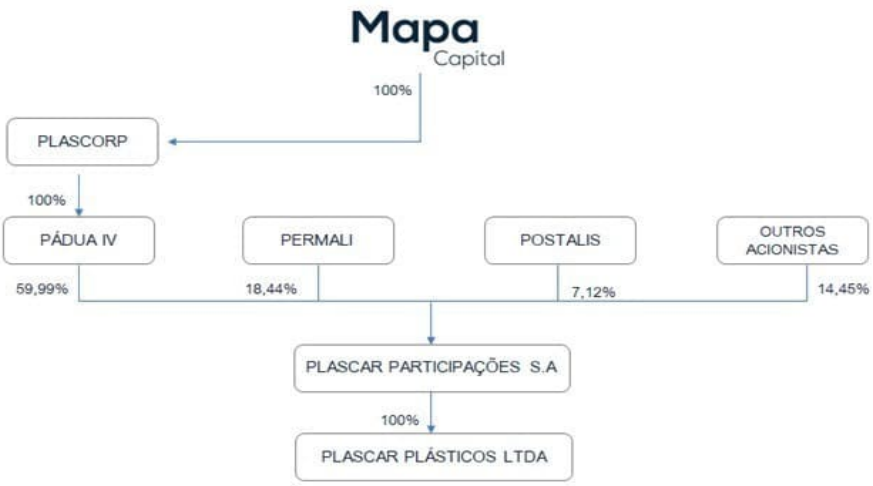
Corporate and financial restructuring

At the Extraordinary General Meeting held on December 13, 2018, the final plan for restructuring the Company's debt was unanimously approved, which, in general terms, involves the assignment of approximately 90% of the Company's existing debt. Plascar by the Company's main creditors for the current parent company “Pádua IV Participações SA”.

On January 31, 2019, as per the Notice to Shareholders and Material Fact disclosed to the market, the Company's capital stock was increased with payment through the use of credits held against Plascar Ltda., by private subscription, in the amount of R$ 449,483, through the issuance of 7,455,251 common shares at the unit issue price of R$ 60.29 per common share. After the execution of the Capital Increase, the Company's capital stock, previously in the amount of R$ 481,972, divided into 4,970,167 common shares, became R$ 931,455, divided into 12,425,418 common shares.

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

Below is the Corporate Structure:



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 the pronouncements issued by the Accounting Pronouncements Committee (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 the Accounting Pronouncements Committee ("CPC") and its technical interpretations ("ICPC") and guidelines ("OCPC "), approved by the Brazilian Securities and Exchange Commission ("CVM").

The individual financial statements of the Company, herein referred to as the parent company, are being disclosed together with the consolidated financial statements and presented side-by-side in a single set of financial statements.

All relevant information pertaining to the financial statements, and only these, are being evidenced and correspond to those used by Management in its management of the Company's activities, according to Technical Guideline OCPC 07 - Evidence in the Disclosure of General Purpose Accounting and Financial Reports.

The presentation of the Statement of Added Value (SAV), individual and consolidated, is required by Brazilian corporate law and accounting practices adopted in Brazil applicable to publicly held companies. IFRS do not require the presentation of this statement. As a result, under IFRS, this statement is presented as supplementary information, without prejudice to the set of financial statements.

The main accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently in the years presented, unless otherwise stated.

The financial statements were prepared considering the historical cost as the basis of value and adjusted to reflect the deemed cost of land and buildings on the date of transition to IFRS/CPC. Historical cost is generally based on the fair value of consideration paid in exchange for goods and services.

The preparation of financial statements requires the use of certain critical accounting estimates and also the exercise of judgment by the Company's management in the process of applying the Company's accounting policies, Note 3.

2. Summary of significant accounting policies --Continued

2.2. Consolidation basis

The Company consolidates the entity over which it has control, that is, when it is exposed or has rights to variable returns from its involvement with the investee and has the ability to direct the relevant activities of the investee.

The consolidated financial statements comprise the financial statements of the Company and its subsidiary as of December 31, 2021, whose accounting policies are the same as those of the Company, as well as the end of its fiscal year. Control obtained when the Company is exposed or entitled to variable returns based on its involvement with the investee and has the ability to affect those returns through the power exercised in relation to the investee.

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

- Power in relation to the investee (ie, existing rights that grant it the current ability to direct the relevant activities of the investee);
- Exposure or right to variable returns arising from its involvement with the investee; and
- The ability to use its power in relation to the investee to affect the value of its returns.

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

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

The Company assesses whether or not it exercises control over an investee if facts and circumstances indicate that there are changes in one or more of the three previously mentioned control elements. The consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ends when the Company ceases to exercise said control. Assets, liabilities and results of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date on which the Company obtains control until the date on which the Company ceases to exercise control over the subsidiary.

2. Summary of significant accounting policies --Continued

2.2. Basis of consolidation--Continued

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

The change in the subsidiary's equity interest, without loss of control, is accounted for as an equity transaction.

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

In the individual financial statements, the Company's investments in its subsidiaries are accounted for using the equity method. For negative investment amounts, the Company records under “Provision for losses on investment in subsidiary” in non-current liabilities.

The Company's consolidated financial statements include the financial statements of Plascar Indústria de Componentes Plásticos Ltda. “Plascar Ltd.” which has a 100% interest on December 31, 2021 and 2020.

a) Transactions with non-controlling interests

The Company does not have non-controlling interests as of December 31, 2021 and 2020.

b) Loss of control in subsidiaries

When the Company ceases to have control, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognized in profit or loss. Amounts previously recognized in other comprehensive income are reclassified to income.

2. Summary of Significant Accounting Policies--Continued

2.3. Operating segments

Information by operating segments is presented in a manner consistent with the internal report provided to the main operating decision maker. The main operating decision maker, responsible for allocating resources and evaluating the performance of operating segments, is the Executive Board, also responsible for making the Company's strategic decisions. The Company concluded that it has only one reportable segment, which is the auto parts sector (automotive).

2.4. Foreign currency translation

a) Functional and presentation currency

These financial statements are presented in Brazilian reais, which is the functional and presentation currency of the Company and its subsidiaries. All financial information is presented in thousands of reais, unless otherwise stated..

b) Transactions and balances

Transactions with foreign currencies are converted into the functional currency, using the exchange rates prevailing on the transaction dates or on the valuation dates, when the items are remeasured.

Exchange gains and losses relating to loans, cash and cash equivalents are presented in the income statement as finance income or expense. All other foreign exchange gains and losses are presented in the income statement as “financial result”.

2.5. Financial instruments

CPC 48 (IFRS 09) Financial Instruments is effective for years ended as of January 1, 2018. This standard contains three main categories for classifying and measuring financial assets: (i) amortized cost; (ii) fair value recorded through other comprehensive income; and (iii) fair value recorded through profit or loss for the year (residual category).

The Company carried out a detailed impact assessment on the adoption of the new standard and identified the following aspects:

2. Resumo das principais políticas contábeis--Continuação

2.5. Financial instruments--Continued

CPC 48 (IFRS 09) presents an approach for classifying and measuring financial assets that reflects the business model in which the assets are managed and their cash flow characteristics. With respect to financial liabilities, it requires that the change in the fair value of the financial liability designated at fair value through profit or loss, which is attributable to changes in the credit risk of that liability, be presented in other comprehensive income and not in the income statement, unless such recognition results in a mismatch in the income statement.

2.5.1. Measurement

Financial assets and liabilities must initially be valued at their fair value. The criteria to determine the fair value of financial assets and liabilities were (i) the quoted price in an active market or, in the absence thereof, and (ii) the use of valuation techniques that allow estimating the fair value on the transaction date, taking taking into account the value that would be negotiated between independent parties, aware of the transaction and interested in carrying it out.

Subsequent measurement of financial assets and liabilities follows the fair value or amortized cost method, depending on the category. The amortized cost corresponds to:

- At the amount initially recognized for the financial asset or liability;
- Less principal amortizations; and
- Plus/minus accrued interest using the effective interest rate method.

The effects of subsequent measurement of financial assets and liabilities are allocated directly to income for the period. Long-term assets and liabilities with characteristics of financial instruments are initially recorded at their present value..

2.5.2. Recognition

Regular purchases and sales of financial assets are recognized on the trade date, that is, on the date on which the Company commits to buy or sell the asset. Financial assets at fair value through profit or loss are initially recognized at fair value, and transaction costs are charged to the income statement. Loans and receivables are accounted for at amortized cost.

2. Summary of significant accounting policies--Continued

2.5. Financial Instruments--Continued

2.5.2. Recognition--Continued

Gains or losses arising from changes in the value of other financial assets measured at fair value through profit or loss are recorded in the income statement under “Revenues” or “Costs”, respectively, in the period in which they occur.

2.5.3. Derecognition

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

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or assumed an obligation to pay in full the cash flows received without significant delay to a third party pursuant to a pass-through agreement and (a) the Company has transferred substantially all the risks and benefits of the asset, or (b) the Company has neither transferred nor retained substantially all of the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognized when the obligation under the liability is extinguished, that is, when the obligation specified in the contract is settled, canceled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the income statement.

The financial assets of the Company and its subsidiary mainly include cash and cash equivalents, trade accounts receivable and related parties.

The Company's financial liabilities include, mainly, suppliers, loans and financing, lease liabilities, advances from customers and related parties.

The Company does not use derivative financial instruments and does not have Hedge Accounting transactions as of December 31, 2021 and 2020.

2. Summary of significant accounting policies--Continued

2.5. Financial instruments--Continued

2.5.4. Other financial liabilities

Other financial liabilities are measured at amortized cost using the effective interest method.

The effective interest method is used to calculate the amortized cost of a financial liability and allocate its interest expense over the respective period. The effective interest rate is the rate that exactly discounts estimated future cash flows (including fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) over the estimated life of the liability. or, where appropriate, for a shorter period, for the initial recognition of the net carrying amount.

2.5.5. Impairment of financial assets (impairment)

CPC 48 (IFRS 09) replaced the model of incurred losses with a prospective model of expected losses. This new approach requires relevant judgment on how changes in economic factors affect expected credit losses, which will be determined based on weighted probabilities.

The “provision for expected credit losses” is constituted in an amount considered sufficient by Management to cover possible risks on the customer portfolio and other receivables existing on the balance sheet date. The criterion for setting up the provision takes into account the assessment of the risk associated with operations and securities overdue for more than 90 days, and also based on the historical experience of losses on receivables, adjusted for prospective factors specific to debtors and the economic environment.

The Company's policy also considers the expected credit losses for its receivables, which are the present value of the difference between the contractual cash flows due to the Company in accordance with the contract entered into with customers and the cash flows that the Company expect to receive.

2.5.6. Cash and cash equivalent

Cash and cash equivalents include cash, bank deposits and other short-term highly liquid investments with original maturities of up to three months and with an insignificant risk of change in value. Overdraft accounts are shown in the balance sheet under "Loans and financing", in current liabilities.

2. Summary of significant accounting policies--Continued

2.5. Financial Instruments--Continued

2.5.7. Trade accounts receivable

Accounts receivable from customers correspond to amounts receivable from the sale of goods in the normal course of the Company's activities. If the collection period is equivalent to one year or less, the accounts receivable are classified in current assets. Otherwise, they are presented in non-current assets. Accounts receivable from customers are initially recognized at fair value and subsequently measured at amortized cost using the effective interest rate method less provision for expected credit losses (“impairment”).

2.5.8. Advance from customers

The client (assembler) advances funds to the Company, according to the progress of the tooling construction project. These resources are released as each phase of the project is completed and is provided for in the purchase order. In general, these advances do not coincide with the respective disbursements for the development of projects by the Company, which causes cash stress, especially at a time of accelerated growth such as the current.

2.5.9. Trade account payable

Accounts payable to suppliers are obligations to pay for goods or services that were acquired in the normal course of business, being classified as current liabilities if payment is due within a period of up to one year. Otherwise, accounts payable are presented as non-current liabilities.
They are initially recognized at fair value and subsequently measured at amortized cost using the effective interest rate method.
The terms and conditions of financial liabilities reflect the outstanding balance of accounts payable with suppliers, with an average payment term of 35 days.

2.5.10. Loans and financing

Loans and financing are initially recognized at fair value, net of costs incurred in the transaction and are subsequently stated at amortized cost. Any difference between the amounts borrowed (net of transaction costs) and the total amount payable is recognized in the income statement during the period in which the loans are outstanding, using the effective interest rate method.

2. Summary of significant accounting policies--Continued

2.5. Financial instruments--Continued

2.5.10. Loan and financing--Continued

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 balance sheet date.

Borrowing and financing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, which is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, are capitalized as part of the cost. of the asset, when applicable and when it is probable that they will result in future economic benefits for the entity and that such costs can be measured reliably. Other borrowing and financing costs are recognized as an expense in the period in which they are incurred.

2.6. Inventories

Inventories are stated at cost or net realizable value, whichever is lower. The method of valuation of inventories is the weighted moving average. The cost of finished goods, work in process and tooling comprises project costs, raw materials, direct labor, other direct costs and the related direct production expenses (based on normal operating capacity), excluding borrowing costs, where applicable. The net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and costs necessary to affect the sale. The inventory provision process is divided into two types of provision, namely provision for inventory obsolescence and provision for the realization of finished products.

Provision for obsolescence

The criterion for constituting this provision considers obsolete items without movement for more than 180 (one hundred and eighty) days, for the productive stock groups, and is the same adopted in all the Company's units.

(In thousands of reais, unless otherwise stated)

2. Summary of significant accounting policies--Continued

2.6. Inventories--Continued

Provision for realization

To calculate the amount to be provisioned, a specific report is generated, where it compares the average cost of the product stocked x the current sales price practiced. For items for which the average cost of inventory is higher than the selling price, the margin value is multiplied with the total quantity in stock to arrive at the amount to be provisioned, the calculations are reviewed on a quarterly basis by the Company.

2.7. Property, plant and equipment

Property, plant and equipment is considered as a basis of value and was adjusted to reflect the deemed cost of land and buildings on the date of transition to IFRS and CPC. Other property, plant and equipment items are measured at historical cost, less accumulated depreciation. Historical cost includes expenses directly attributable to the acquisition of the items and also includes financing costs related to the acquisition of qualifying assets, where applicable.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with those costs will flow that can be reliably measured. The book value of replaced items or parts is written off. All other repairs and maintenance are charged to the year when incurred.

Land is not depreciated. Depreciation of other assets is calculated using the straight-line method considering their costs and residual values over their estimated useful lives, as of December 31, 2021 and 2020, as follows:

	Lifespan (years)
Buildings	25 to 50
Machines	8 to 25
Molds	11 to 15
Forniture and utensils	10 to 15
Vehicle	5 to 6
Computer equipment	5 to 6

Residual values and useful lives of assets have been reviewed and adequately represent the position at the end of the year.

(In thousands of reais, unless otherwise stated)

2. Summary of significant accounting policies--Continued

2.7. Property, plant and equipment--Continued

An asset's carrying amount is written down immediately to its recoverable amount when the asset's carrying amount is greater than its estimated recoverable amount, Note 2.8.

Gains and losses on disposals are determined by comparing the results with their book value and are recognized under "Other operating income (expenses), net" in the income statement.

2.8. Valuation of the recoverable value of non-financial assets (impairment)

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized when the asset's carrying amount exceeds its recoverable amount, which represents the higher of an asset's fair value less costs to sell and its value in use.

For 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, other than goodwill, that have been adjusted for impairment are subsequently reviewed for possible reversal of the impairment at the balance sheet date.

The Company assesses, at least when preparing the annual financial statements, if there is any indication that its assets or set of assets may have lost economic representativeness, considered relevant. Impairment tests are prepared by an independent expert to determine the market value of the main assets for each CGU. The scope of the work comprised the equity valuation of the assets located in the Jundiaí, Betim, Varginha and Caçapava units and are presented below:

	2021		**2020**	
	Book value of assets	**Net sale value**	**Book value of assets**	**Net sale value**
Jundiaí	**126,595**	**175,968**	119,935	163,516
Betim	**93,694**	**145,074**	99,130	118,456
Varginha	**54,056**	**82,262**	56,783	73,610
Caçapava	**28,993**	**36,355**	-	-
Total	**303,338**	**439,659**	275,848	355,582

2. Summary of significant accounting policies--Continued

2.8. Evaluation of the recoverable value of non-financial assets (impairment)--Continued

The recoverable amount is the fair value net of disposal costs and the description of the technique is described below:

- The assets owned by the Company were valued according to the market value of each asset, obtained by the product between the replacement value and the depreciation coefficient, taking into account the useful life, age, remaining useful life, residual value and depreciation, resulting in a net sales value higher than their carrying amount, thus not indicating the need for impairment.

As a result of the test applied, no impairment adjustment was necessary as of December 31, 2021 and 2020.

2.9. Leases

As of January 1, 2019, with the adoption of CPC 06 (R2)/(IFRS16) - Leases, the Company began to record future leases discounted to present value as a lease liability.

CPC 06(R2)/IFRS 16, which determines that at the commencement date of a lease, the lessee recognizes a liability related to lease payments and an asset that represents the right to use the underlying asset during the lease term. lease (ie the right-of-use asset). Lessees separately recognize interest expense on the liability over the lease period and amortization expense on the right-of-use asset.

Lessees must also reassess the lease liability upon the occurrence of certain events (eg, a change in the lease term, a change in future lease payments as a result of a change in an index or rate used to determine such payments). In general, the lessee recognizes the revaluation amount of the lease liability as an adjustment to the right-of-use asset. Lessors continue to classify all leases into two types: operating and finance leases.

The Company selected the modified retrospective approach as the method for first-time adoption, with the cumulative effect of the first-time application on assets and liabilities, without the restatement of comparative periods. The Company applied the practical expedient in relation to the definition of the lease agreement in the transition. This means that it applied IFRS 16/CPC 06 (R2) to all contracts entered into before January 1, 2019 that were identified as leases in accordance with IAS 17/CPC 06 (R1) and IFRIC 4/ICPC 03.

2. Summary of significant policies--Continued

2.9. Leases--Continued

The initial impact on assets, under the headings “Right to use assets” and “Lease liabilities” was R$ 53,065. The value was calculated considering the total term of the contract. Management considered an incremental rate of 9.5% for discounting the debt to present value (AVP), which is the same rate considered in the renewal of loans with banks.

a) Premises for recognition

The Company has several lease agreements that include renewal and termination options. The Company applies judgment in assessing whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease.

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

(i) Inclusion of contracts in the base at the beginning of their term, with their right-of-use asset value defined at this time.

(ii) Operations with contracts signed for more than 12 months are included in the scope of the standard. The Company does not consider renewal aspects in its methodology, given that the assets involved in its operation are not essential for the conduct of its business, and may be replaced at the end of the contract by new acquired assets or by other operations other than those agreed upon.

(iii) Contracts that involve the use of intangible and low-value assets are not considered.

(iv) Only operations involving specific assets defined in the contract or for exclusive use throughout the contract period are considered.

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

(vi) The discount rate used was 6.5% per year for operations in administrative properties and industrial warehouses in 2021 and 9.5% in 2020. The rate was obtained by financing operations for assets of these classes.

2. Summary of significant accounting policies--Continued

2.9. Leases--Continued

a) Premisses for recognition--Continued

The Company's leasing operations in effect on December 31, 2021 and 2020 do not have restriction clauses that impose the maintenance of financial indices, nor do they present variable payment clauses that must be considered, or residual value guarantee clauses and purchase options at the end of contracts.

The lease liability is measured at amortized cost, using the effective interest method. It is remeasured when there is a change in future lease payments resulting from a change in index or rate, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option, or if there is a revised lease payment fixed in substance.

Lease agreement obligations with substantial transfer of benefits, risks and control of assets are recognized in liabilities under the heading of lease liabilities. The liability is initially recognized at the lower of the fair value of the leased asset and the present value of the minimum lease payments. The discount rate used is the interest rate implicit in the contracts.

Financial charges are recognized over the lease term, producing a constant periodic interest rate on the remaining balance of the liability. Payments made under operating leases were recognized in profit or loss on a straight-line basis over the lease term.

The Company and its subsidiary do not act as lessors as of December 31, 2021 and 2020.

In the year ended December 31, 2021, a new contract was added. The initial impact on assets and liabilities was R$ 17,054. Management considered an incremental rate of 6.5% for discounting the debt to present value (PV).

2. Summary of significant accounting policies--Continued

2.10. Provisions for contingencies

Provisions for legal claims (labor, civil and tax) are recognized when: (i) the Company has a present or constructive obligation as a result of events that have already occurred; (ii) it is probable that an outflow of resources will be required to settle the obligation; and (iii) the amount can be reliably estimated. Restructuring provisions comprise fines for termination of rental contracts and payments for termination of employment. Provisions do not include future operating losses.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation, using a pre-tax rate that reflects current market assessments of the time value of money and the specific risks of the obligation. The increase in the obligation as a result of the passage of time is recognized as a financial expense.

The Company applied IFRIC Interpretation 23/ICPC 22 - Uncertainty about the treatment of income tax, as of 1st. January 2019 and had no impact on its individual and consolidated financial statements.

2.11. Current and deferred income tax and social contribution

Income tax and social contribution – current

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

Current income tax and social contribution related to items recognized directly in equity are recognized in equity.

In the Company and its subsidiary, which adopt the tax system based on taxable income, income tax and social contribution are calculated in accordance with the criteria established by current tax legislation, calculated at the regular rates of 15%, plus a surcharge of 10% for income tax and 9% for social contribution.

Management periodically assesses the tax position of situations in which tax regulations require interpretation and establishes provisions when appropriate.

2. Summary of significant accounting policies--Continued

2.11. Current and deferred income tax and social contribution --Continued

Income tax and social contribution – deferred

Deferred tax is generated by temporary differences on the balance sheet date between the tax bases of assets and liabilities and their book values, applicable to companies that adopt the tax regime based on taxable income.

Deferred tax assets and liabilities are measured at the tax rate that is expected to be applicable in the year in which the asset will be realized or the liability settled, based on the tax rates (and tax law) that have been enacted at the balance sheet date.

Deferred tax assets are recognized for all deductible temporary differences, to the extent that it is probable that taxable profit will be available for the deductible temporary differences to be realized. As of December 31, 2021, and 2020, the Company and its subsidiary did not meet the above criteria and, therefore, no amount was recorded as deferred tax assets.

The Company records deferred tax liability on the deemed cost of property, plant and equipment, Note 10.

Sales tax

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

When sales taxes incurred on the purchase of goods or services are not recoverable from the tax authorities, in which case the sales tax is recognized as part of the acquisition cost of the asset or the expense item, as the case may be;

When amounts receivable and payable are presented together with the amount of sales taxes; and

When the net amount of sales taxes, recoverable or payable, is included as a component of amounts receivable or payable on the balance sheet.

2. Summary of significant accounting policies--Continued

2.12. Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of products in the normal course of the Company's activities. Revenue is presented net of taxes, returns, rebates and discounts, as well as the elimination of sales between the Company and its subsidiary, when applicable.

The Company recognizes revenue when the amount of revenue can be reliably measured, it is probable that economic benefits will flow to the Company and its subsidiaries and when specific criteria have been met for each of the Company's activities, as described below.

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

a) Product sales

The Company manufactures and sells parts and plastic parts 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 evaluate revenue transactions according to specific criteria to determine whether it is acting as an agent or a principal and, in the end, has concluded that it is acting as a 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 vehicle model according to the automaker's project and during the development, advances are made by the automakers to support the resources spent. Usually, the development and sale of tooling is linked to the supply of parts. Tooling sales are recognized when the project is approved by the assembler and in production. The automaker, in turn, issues a loan agreement authorizing the use of the tooling, since it is an asset that it owns.

2. Summary of significant accounting policies--Continued

2.12. Revenue recognition--Continued

c) Financial income

Financial income is recognized on an accrual basis using the effective interest rate method.

2.13. Investment properties

Investment properties are measured at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time the cost is incurred if the recognition criteria are met, excluding the costs of day-to-day servicing of the investment property.

Investment property is derecognized when sold (that is, on the date the recipient obtains control) or when the investment property is no longer permanently used, and no future economic benefit is expected from its sale. The difference between the net amount obtained from the sale and the carrying amount of the asset is recognized in the income statement in the period of write-off.

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

2.14. Statement of cash flow

The cash flow statements were prepared and are being presented in accordance with Pronouncement CPC 03 (IAS 7) - Statement of cash flows, issued by the Accounting Pronouncements Committee (CPC) and reflects the changes in cash and cash equivalents that occurred in the years presented.

2.15. New or revised pronouncements first applied in 2021

The Company has applied for the first time, certain standards and amendments, which are valid for annual periods beginning on or after January 1, 2021 (unless otherwise indicated). The Company has decided not to early adopt any other standard, interpretation or amendment that has been issued but is not yet effective.

2. Summary of significant accounting policies--Continued

2.15. New or revised pronouncements first applied in 2021--Continued

Amendments to CPC 06 (R2), CPC 11, CPC 38, CPC 40 (R1) and CPC 48: Reform of the Reference Interest Rate

The amendments to CPC Pronouncements 38 and 48 provide temporary exceptions that address the financial statement effects when an interbank certificate of deposit rate is replaced with an alternative to an almost risk-free rate. The changes include the following practical expedients:

- A practical expedient that requires contractual changes, or changes in cash flows that are directly required by the reform, to be treated as changes in a floating interest rate, equivalent to a movement in a market rate.
- Allows reform-required changes to be made to hedging designations and documentation, without the hedging relationship being discontinued.
- Provides a temporary exception for entities to comply with the separately identifiable requirement when a risk-free rate instrument is designated as a hedge of a risk component.

These changes did not impact the Company's individual and consolidated financial statements. The Company intends to use the practical expedients in future periods if they become applicable.

Amendments to CPC 06 (R2): Covid-19-Related Benefits Granted to Lessees in Lease Agreements that go beyond June 30, 2021

The amendments provide for granting to lessees in the application of the guidelines of CPC 06 (R2) on the modification of the lease agreement, when accounting for the related benefits as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may choose not to assess whether a Covid-19-related benefit provided by the lessor is a modification of the lease. A lessee making this choice must account for any change in the lease payment resulting from the benefit granted in the lease agreement related to Covid-19 in the same way that it would account for the change applying CPC 06 (R2) if the change were not a contract modification of lease.

2. Summary of significant accounting policies--Continued

2.15. New or revised pronouncements first applied in 2021--Continued

Amendments to CPC 06 (R2): Covid-19-Related Benefits Granted to Lessees in Lease Agreements that go beyond June 30, 2021--Continued

The change was intended to apply until June 30, 2021, but as the impact of the Covid-19 pandemic may continue, on March 31, 2021, the CPC extended the period of application of this practical file to June 30, 2022. This amendment is effective for fiscal years beginning on or after January 1, 2021. However, the Company has not yet received benefits granted to lessees related to Covid-19 but plans to apply the practical expedient when available within the period of the rule.

2.16. Standards issued but not yet in force

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

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

IFRS 17 and CPC 50 are effective for periods beginning on or after January 1, 2023, requiring the presentation of comparative values. Early adoption is permitted if the entity also adopts IFRS 9 and IFRS 15 on the same date or before the first-time adoption of IFRS 17. This standard does not apply to the Company.

2. Summary of significant accounting policies--Continued

2.16. Standards issued but not yet in force--Continued

Amendments to IAS 1: Classification of liabilities as current or non-current: in January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1, related to CPC 26, in order to specify the requirements for classifying the liability as current or non-current. The changes clarify:

- What does a right to defer settlement mean;
- that the right to defer must exist on the reporting date;
- That this classification is not affected by the probability that an entity will exercise its right to defer.
- That only if a derivative embedded in a convertible liability is itself an equity instrument would the terms of a liability not affect its classification.

Changes are effective for periods beginning on or after January 1, 2023 and must be applied retrospectively. The Company is currently evaluating the impact that the changes will have on current practice and whether existing loan agreements may require renegotiation.

Amendments to IAS 8: Definition of accounting estimates: in February 2021, the IASB issued amendments to IAS 8 (standard related to CPC 23), in which it introduces the definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and correction of errors. In addition, they clarify how entities use measurement and input techniques to develop accounting estimates. The amendments will be effective for periods beginning on or after January 1, 2023 and will apply to changes in accounting policies and estimates that occur on or after the beginning of that period. Early adoption is allowed if disclosed.

The changes are not expected to have a significant impact on the Company's financial statements.

Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies: in February 2021, the IASB issued amendments to IAS 1 (standard related to CPC 26 (R1)) and IFRS Practice Statement 2 Making Materiality Judgments, in which it provides guides and examples to help entities apply materiality judgment to the disclosure of accounting policies. The amendments are to assist entities in disclosing accounting policies that are most useful by replacing the requirement for disclosure of significant accounting policies to material accounting policies and adding guidance for how entities should apply the concept of materiality in making decisions about disclosure of policies accounting.

2. Summary of significant accounting policies--Continued

2.16. Standards issued but not yet in force --Continued

Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies--Continued

The amendments to IAS 1 are applicable for periods beginning on or after January 1, 2023 with early adoption permitted. Since the amendments to Practice Statement 2 provide non-mandatory guidance in applying the material definition to accounting policy information, an adoption date for this amendment is not required. The Company is currently evaluating the impacts of these changes in the accounting policies disclosed.

3. Critical accounting estimates and judgments

The preparation of financial statements requires Management to make judgments and estimates and establish assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimatest.

The estimates and assumptions described below are continually reviewed. The effects arising from revisions made to accounting estimates are recognized in the year or period in which the estimates are revised if the revision affects only that year or period, or also in subsequent years or periods if the revision affects future results.

In order to provide an understanding of how the Company and its subsidiaries make their judgments about future events, including the variables and assumptions used in the estimates, comments on certain matters are included, as follows:

(a) Provision for expected credit losses: Note 2.5.5

(b) Impairment of non-financial assets: Note 2.8

(c) Contingencies provisions: Note 2.10

(d) Leases - Estimate of the incremental rate on loans: Note 2.9

(In thousands of reais, unless otherwise stated)

4. Financial risk management

4.1. Financial risk factors

The Company's activities expose it to various financial risks: market risk (including currency risk and fair value risk associated with interest rates), credit risk and liquidity risk. The Company's risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

The Company's treasury identifies, evaluates and protects the Company against possible financial risks in cooperation with the Company's operating units.

a) Market Risk

i) *Currency risk*

The Company operates internationally and is exposed to foreign exchange risk arising from exposure to certain currencies, basically in relation to the US dollar. Exchange risk arises from commercial operations, assets and liabilities.

As of December 31, 2021, and 2020, the Company has assets and liabilities in foreign currency arising from import, export and intercompany transactions with related parties, in the amounts shown below:

	Consolidated	
	2021	**2020**
Trade accounts receivable (Note 7)	**9,264**	7,648
Trade account payable (Note 16)	**(1,298)**	(1,139)
Net exposure	**7,966**	6,509

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

The Company does not have significant interest-bearing assets.

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

(In thousands of reais, unless otherwise stated)

4. Financial risk management--Continued

4.1. Financial risk factors--Continued

a) Market risk--Continued

ii) *Cash flow or fair value risk associated with interest rate* --Continued

The table below demonstrates the sensitivity to a possible change in interest rates, holding all other variables constant, in the Company's earnings before taxes (it is affected by the impact of loans payable subject to variable rates).

	Impact on income for the year (1)		
Financial liability	**Scenario I likely**	**Scenario II +25%**	**Scenario III +50%**
CDI	10.90%	13.63%	16.35%
Loans and financing	(14,042)	(16,693)	(19,329)

(1) Refers to the hypothetical scenario of interest to be incurred for the next 12 months or until the contract maturity date, whichever is less.

In the sensitivity analysis, the interest rate is based on the rates currently practiced in the market environment.

Sensitivity analyzes were prepared based on the amount of net debt and the index of fixed interest rates in relation to variable interest rates on debt as of December 31, 2021.

b) Credit risk

Credit risk is managed corporately. Credit risk arises from credit exposures to original equipment customers (“OEM”) and replacement/dealers (“DSH”), including outstanding accounts receivable and repurchase agreements. For banks and other financial institutions, only bonds from top-tier entities are accepted. Individual risk limits are determined based on internal or external ratings in accordance with the limits determined by the Board of Directors. The use of credit limits is regularly monitored.

4. Financial risk management--Continued

4.1. Financial risk factors--Continued

b) Credit risk--Continued

The possibility of the Company and its subsidiaries incurring losses due to financial problems with their OEM customers is reduced due to the profile of these customers (vehicle manufacturers and other companies operating worldwide). As of December 31, 2021, and 2020, the Company and its subsidiary do not have significant balances receivable from customers in the DSH category.

No credit limit was exceeded during the year, and management does not expect any loss from default by these counterparties to exceed the amount already provisioned.

c) Liquidity risk

The cash flow forecast is carried out in the Company's operating entities 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 operational needs. This forecast takes into account the Company's debt financing plans, compliance with covenants, compliance with internal balance sheet ratio targets and, if applicable, external regulatory or legal requirements - for example, currency restrictions.

The Treasury invests any excess cash in interest-bearing bank accounts, time deposits, short-term deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to meet the aforementioned forecasts. At the balance sheet date, the Company held short-term funds in the amount of R$2,395, which are expected to promptly generate cash inflows to manage liquidity risk.

The following table analyzes the Company's financial liabilities by maturity, corresponding to the remaining period between the balance sheet date and the contractual maturity date. The amounts disclosed in the table are the contracted discounted cash flows and represent the expected flows of effective disbursement (not discounted), disregarding any bank requirements for early maturities.

(In thousands of reais, unless otherwise stated)

4. Financial risk management--Continued

4.1. Financial risk factors--Continued

c) Liquidity risk--Continued

	Consolidated				
	Up to three months	From four to 12 months	Between 1 and 5 years	Over five years	Total
On December 31, 2021					
Loans and financings	**15,910**	**35,621**	**67,595**	**19,867**	**138,993**
Lease liabilities	**387**	**1,159**	**12,670**	**41,318**	**55,534**
Trade account payable	**72,830**	**-**	**-**	**-**	**72,830**
Related parts	**-**	**-**	**8,132**	**-**	**8,132**
Other liabilities	**14,558**	**25,707**	**95,305**	**98,394**	**233,964**
	103,685	**62,487**	**183,702**	**159,579**	**509,453**

	Up to three months	From four to 12 months	Between 1 and 5 years	Over five years	Total
On December 31, 2020					
Loans and financings	8,270	11,594	88,820	29,553	138,237
Lease liabilities	7,216	15,959	22,377	-	45,552
Trade account payable	36,886	-	-	-	36,886
Related parts	-	-	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

4.2. Capital management

The Company's objectives when managing its capital are to safeguard the Company's ability to continue as a going concern to provide returns to shareholders and benefits to other stakeholders, in addition to maintaining an optimal capital structure to reduce this cost.

	Consolidated	
	2021	2020
Total loans (Note 15)	**138,993**	138,237
Minus: cash and cash equivalents (Note 6)	**(12,487)**	(33,681)
Net debt	**126,506**	104,556
Total Equity	**(311,446)**	(189,216)
	(184,940)	(84,660)
Financial leverage ratio - %	**-**	-

(In thousands of reais, unless otherwise stated)

5. Financial instruments by category

The book value of the main financial instruments does not differ from their respective fair values, and they are classified below:

Consolidated	2021 Book value	2021 Fair value	2020 Book value	2020 Fair value	Fair value measurement
Financial Assets					
Fair value through profit or loss					
Cash and cash equivalents (Note 6)	**12,487**	**12,487**	33,681	33,681	Level 2
Amortized cost					
Trade accounts receivable (Note 7)	**31,509**	**31,509**	58,774	58,774	Level 2
Financial liabilities					Level 2
Ammortized cost					
Trade account payable (Note 16)	**72,830**	**72,830**	36,886	36,886	Level 2
Loans and financings (Note 15)	**138,993**	**138,993**	138,237	138,237	Level 2
Lease liabilities (Note 14)	**55,534**	**55,534**	45,552	45,552	Level 2
Advance from customers (Note 18)	**51,608**	**51,608**	15,184	15,184	Level 2
Related parts (Note 10)	**8,132**	**8,132**	7,450	7,450	Level 2
Other liabilities (Note 20)	**233,964**	**233,964**	251,295	251,295	Level 2

Hierarchy

The classification of financial assets and liabilities at amortized cost or at fair value through profit or loss is based on the business model and the cash flow characteristics expected by the Company for each instrument.

The fair value of a security corresponds to its maturity value (redemption value) brought to present value by the discount factor (referring to the security's maturity date) obtained from the market yield curve in reais. The three levels of the fair value hierarchy are:

- Level 1: prices quoted in an active market for identical instruments;
- Level 2: observable information other than quoted prices in an active market that are observable for the asset or liability, directly (such as prices) or indirectly (derived from prices); and
- Level 3: instruments whose relevant factors are not observable market data.

(In thousands of reais, unless otherwise stated)

6. Cash and cash equivalents

	Individual		Consolidated	
	2021	**2020**	**2021**	**2020**
Cash and banks	**7,384**	31,444	**10,092**	32,430
Financial investments	**-**	-	**2,395**	1,251
	7,384	31,444	**12,487**	33,681

Banks and available earn interest at floating rates based on daily short-term bank deposit rates. The funds are used depending on the Company's immediate cash needs.

7. Trade accounts receivable

	Consolidated	
	2021	**2020**
Third parties in the country	**20,629**	50,468
Third parties abroad (Note 4.1)	**9,264**	7,648
Accounts receivable from tooling (domestic)	**10,376**	8,434
	40,269	66,550
Provision for impairment - doubtful accounts	**(8,760)**	(7,776)
	31,509	58,774

During the year ended December 31, 2021 and 2020, the movement in the allowance for expected credit losses was as follows:

	2021	**2020**
Opening balance	**(7,776)**	(6,029)
(Increase) decrease in the allowance	**(984)**	(1,747)
Closing balance	**(8,760)**	(7,776)

As of December 31, 2021, and December 31, 2020, the breakdown of accounts receivable by age of maturity was as follows:

	2021	**2020**
Due	**24,878**	49,179
Overdue:		
From 1 to 30 days	**3,296**	7,271
From 31 to 60 days	**1,799**	859
From 61 to 90 days	**335**	119
More than 90 days ago	**9,961**	9,122
	15,391	17,371
Total	**40,269**	66,550

(In thousands of reais, unless otherwise stated)

7. Trade accounts receivable --Continued

The balance overdue for more than 90 days not provisioned on December 31, 2021, net of the provision for expected credit losses, refers to the sale of tooling in the amount of R$ 1,082, for which management does not expect to record losses.

8. Inventories

	2021	2020
Finished products	**4,651**	4,361
Work-in-process	**10,826**	9,001
Raw materials	**23,146**	17,786
Import in transit	**2,247**	743
Maintenance and auxiliary materials	**3,278**	2,437
Tools and molds under development intended for sale	**76,275**	10,072
Advances to suppliers	**213**	864
Provision for market value adjustment and inventory obsolescence	**(2,279)**	(2,256)
	118,357	43,008

During the years ended December 31, 2021 and 2020, the movement in the provision for adjustment to market value and obsolescence was as follows:

	2021	2020
Opening balance	**(2,256)**	(2,209)
Reversal of provision	**806**	1,719
Increase in provision	**(829)**	(1,766)
Net Reduction (Note 24)	**(23)**	(47)
Closing balances	**(2,279)**	(2,256)

(In thousands of reais, unless otherwise stated)

9. Taxes recoverable

	2021	2020
Credit exclusion of ICMS PIS/COFINS calculation base (1)	**119,005**	153,297
Funrural Process (Note 19)	**2,237**	2,237
ICMS on fixed assets - CIAP	**1,722**	732
Others	**741**	741
	123,705	157,007
Current	**34,746**	30,406
Noncurrent	**88,959**	126,601
	123,705	157,007

(1) Credit Exclusion of ICMS from the PIS/COFINS calculation base - Accounting record final and unappealable.

The Company informs that, in 2010, it issued a Writ of Mandamus aimed at excluding ICMS from the PIS and COFINS calculation bases. In September 2017, the Company obtained a favorable decision in the lower court and, in October 2019, obtained a new favorable decision in the appeal level (STF). In the same act, the process became res judicata. In view of this, the Company initiated a procedure to collect amounts unduly paid as of 2005 and claim their respective reimbursement. The Company calculated and measured the respective amounts reliably. On August 19, 2019, the Company obtained a favorable decision for the use of ICMS highlighted in the invoices to calculate the credit. 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 under recoverable taxes in the balance sheet to offset current taxes administered by the Brazilian Federal Revenue Service in future periods. The principal amount of the credits, net of attorneys' fees, was recognized as other operating income and the monetary restatement amount was recognized under financial income in the income statement for the year.

The approval and authorization of R$ 123,396 related to the part of said credit with the Federal Revenue Service of Brazil for future tax compensation, took place on January 3, 2020, and the remaining amount of the credit in the amount of R$ 55,673 will be subject to analysis by the Federal Revenue Service of Brazil for refund or future compensation of taxes previously paid in installments.

In the 3rd quarter of 2021, the Company revisited its financial projections for the years 2022 to 2024 and, considering the opening balance of R$ 179,069, less the offsets made until the 3rd quarter of 2021 of R$ 63,469 (R$ 68,122 up to December 31 2021) and adding the monthly monetary restatement of the accumulated credit of R$ 27,694, the Company concluded that it will not be possible to offset 100% of the current balance during the 5-year statute of limitations, starting in October 2019 and ending in October 2021. 2024. Accordingly, a provision (impairment) in the amount of R$ 20,629 was recorded in the income for the year. The Company expects to offset all credits within the statute of limitations.

(In thousands of reais, unless otherwise stated)

10. Income and social contribution taxes

a) Deferred Income tax and social contribution

	Consolidated	
	2021	**2020**
Liabilities:		
Property, plant and equipment – deemed cost (1)	**(452)**	(460)
Depreciation – economic useful life review (2)	**(18,845)**	(18,745)
	(19,297)	(19,205)

(1) Refers to deferred taxes calculated on the cost attributed to property, plant and equipment arising from the accounting of its fair value in the first-time adoption of CPC 27 (IAS 16).

(2) Refers to deferred taxes calculated on the difference in depreciation of property, plant and equipment generated after review of the economic useful life of the assets. Until December 31, 2010, the Company, as permitted by tax legislation, also considered for tax purposes the depreciation calculated based on the new economic useful lives of the assets. Since September 2011, the Company has used the depreciation calculated based on the useful life allowed by tax legislation for tax purposes and, consequently, recognized the corresponding deferred tax effects.

The Company has tax loss carryforwards and negative basis of social contribution of R$ 55,886 and R$ 66,888, respectively, as of December 31, 2021 (R$ 57,630 and R$ 68,632 as of December 31, 2020, respectively), the subsidiary Plascar Ltd. has tax loss carryforwards and negative basis of social contribution of R$ 960,587 and R$ 955,531, respectively, as of December 31, 2021 (R$ 838,499 and R$ 833,443 as of December 31, 2020, respectively) on which they were not recorded deferred tax assets in their entirety, as determined by CVM Instruction 371, since the Company does not expect to generate future taxable income.

b) Movement of deferred tax liability

	Consolidated	
	2021	**2020**
Opening balance	**(19,205)**	(18,501)
Deferred taxes on the realization of the cost attributed to the property, plant and equipment arising from	**-**	-
Depreciation and write-off of these assets	**7**	36
Deferred taxes on depreciation difference	**(99)**	(740)
Close balance	**(19,297)**	(19,205)

(In thousands of reais, unless otherwise stated)

10. Income tax and social contribution--Continued

c) Reconciliation of income tax and social contribution expenses

	Consolidated	
	2021	**2020**
Loss before income tax and social contribution	**(122,138)**	(116,310)
Income tax and social contribution at current rates (34%)	**41,527**	39,545
Adjustments for effective rate statement:		
Tax effect on tax loss carryforwards and negative basis for the unrecognized year (1)	**(41,619)**	(40,248)
Deferred income tax and social contribution expense	**(92)**	(703)

(1) Tax effect on tax loss carryforwards and negative basis of social contribution of Plascar S.A., which is not recorded as there is no expectation of future taxable income.

11. Related parties

a) Remuneration to administrators

The remuneration of the Board of Directors and the Fiscal Council is composed of fixed remuneration approved at the General Meeting, paid monthly.

The compensation of the main executives and managers of the Company and its subsidiaries is composed of fixed and variable compensation based on established goals and complementary benefits.

In the year ended December 31, 2021 and 2020, the total remuneration of the Directors was as follows:

	2021	**2020**
Annual fixed compensation (1)	**(6,030)**	(5,196)
Variable compensation (2)	**(486)**	(979)
Management fees	**(6,516)**	(6,175)

(1) Refers to salaries and management fees, vacations, 13th salary, private pension and social charges (social security contributions - INSS, FGTS and others).

(2) Refers to profit sharing and bonus.

(In thousands of reais, unless otherwise stated)

11. Related parties--Continued

b) Balance and transactions

The Company and its subsidiary enter into loan agreements with related parties, so that cash needs are met immediately, waiving the approval processes required by financial institutions. Such contracts are subject to the availability of funds and the non-commitment of the lender's cash flow. Said loan agreements are signed in accordance with rates agreed between the parties.

Below are the main balances of assets and liabilities as of December 31, 2021 and 2020, as well as the transactions that influenced the results for the years:

	Individual		Consolidated	
	2021	**2020**	**2021**	**2020**
Noncurrent liabilities				
Intercompany Loan agreement:				
W&L Ross & Co., LLC	**-**	-	**5,254**	4,824
Permali do Brasil Ind. E Com. Ltda.	**-**	-	**2,878**	2,626
Plascar Ltda.	**22,148**	44,460	**-**	-
	22,148	44,460	**8,132**	7,450

The effects of the transactions on the result correspond to the monetary restatement and exchange variation recorded in the financial result.

The loan agreement between the Company (lender) and Plascar Ltda. (borrower) is not subject, exceptionally, to financial charges, as the Company directly holds 100% of the capital stock of Plascar Ltda. This agreement was signed on May 31, 2000, to adjust the cash flow of Plascar Ltda., with an indefinite maturity.

The loan agreement between Permali do Brasil Indústria e Comércio Ltda. (lender) and Plascar Ltda. (borrower) is subject to monthly interest of 0.80% and has an indefinite maturity. Said agreement was entered into on March 31, 2009 to adjust the cash flow of Plascar Ltda.

12. Provision for losses on investment in subsidiary

The movement of the investment is shown below:

	2021	**2020**
Opening balance	**(176,192)**	(60,667)
Participation in the subsidiary's losses	**(120,487)**	(115,525)
Close balance	**(296,679)**	(176,192)

(In thousands of reais, unless otherwise stated)

12. Provision for losses on investment in subsidiary--Continued

The relevant information regarding Plascar Ltda. are presented below:

	2021	2020
Share capital	**838,565**	838,565
Total shares	**838,565,144**	838,565,144
Shares owned	**838,565,144**	838,565,144
Participation	**100%**	100%
Subsidiary's equity	**(296,679)**	(176,192)
Participation in Plascar S.A.	**(296,679)**	(176,192)
Net loss for the year	**(120,487)**	(115,525)
Equity income	**(120,487)**	(115,525)

13. Property, plant and equipment

a) Composition

	Consolidated			
	2021			2020
	Cost	Depreciation	Net	Net
Buildings	**17,208**	**(2,860)**	**14,348**	8,300
Machinery and equipment	**880,302**	**(585,400)**	**294,902**	278,965
Molds	**47,838**	**(47,057)**	**781**	569
Furniture and utensils	**12,626**	**(12,037)**	**589**	864
Vehicles	**4,302**	**(4,104)**	**198**	316
Computer equipment	**4,040**	**(3,515)**	**525**	386
Spare parts and materials	**4,270**	**-**	**4,270**	3,906
Advance to suppliers	**49,764**	**-**	**49,764**	44,581
Provision for impairment of advances and machinery and equipment (2)	**(62,039)**	**-**	**(62,039)**	(62,039)
	958,311	**(654,973)**	**303,338**	275,848

(1) Weighted average rate of 7.82%.

(2) Refers to advances to suppliers for the acquisition of machinery and equipment to expand the operational and productive capacity of the Company's industrial units, made between 2010 and 2011 for the company Sandretto and financed with BNDES through the FINAME/PSI program in the amount of R$ 44,084. Of the amount recorded on December 31, 2018 and 2019, R$ 36,548 was advanced by financial institutions and R$ 7,536 was advanced to the supplier with its own resources. The Company, after careful analysis with its legal advisors, decided to record a loss on the total amount outstanding, in the total amount of R$ 44,084 still in 2018. The Company adopted all possible legal measures and will continue to seek its rights through legal. However, the Company considers it unlikely the possibility of receiving these assets in the short term, although the lawsuit remains in progress.

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

(In thousands of reais, unless otherwise stated)

13. Property, plant and equipment--Continued

b) Cost movement

		Consolidated			
		Year ended December 31, 2021			
	Opening Balance	Additions	Write-offs	Transfers	Close Balance
Buildings	10,882	**4,932**	**(21)**	**1,415**	**17,208**
Machinery and equipment	843,545	**51,258**	**(7,400)**	**(1,445)**	**885,958**
Molds	47,333	**528**	**(9)**	**(14)**	**47,838**
Furniture and utensils	12,611	**20**	**(39)**	**34**	**12,626**
Vehicles	4,302	**-**	**-**	**-**	**4,302**
Computer equipment	3,660	**363**	**-**	**17**	**4,040**
Spare parts and materials	3,906	**371**	**-**	**(7)**	**4,270**
Advance to suppliers	44,581	**5,183**	**-**	**-**	**49,764**
Provision for impairment Advances and machinery and equipment	(67,695)	**-**	**-**	**-**	**(67,695)**
	903,125	**62,655**	**(7,469)**	**-**	**958,311**

		Consolidated			
		Year ended December 31, 2020			
	Opening Balance	Additions	Write-offs	Transfers	Close 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 utensils	12,681	7	(84)	7	12,611
Vehicles	4,437	-	(135)	-	4,302
Computer equipment	3,526	126	(12)	20	3,660
Spare parts and materials	4,006	-	(100)	-	3,906
Advance 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

(In thousands of reais, unless otherwise stated)

13. Property, plant and equipment--Continued

c) Depreciation movement

		Consolidated			
		Year ended December 31, 2021			
	Opening Balance	Additions	Write-offs	Transfers	Close Balance
Buildings	(2,582)	**(302)**	**6**	**18**	**(2,860)**
Machinery and equipment	(564,580)	**(33,693)**	**7,233**	**(16)**	**(591,056)**
Molds	(46,764)	**(283)**	**9**	**(19)**	**(47,057)**
Furniture and utensils	(11,747)	**(330)**	**39**	**1**	**(12,037)**
Vehicles	(3,986)	**(125)**	**-**	**7**	**(4,104)**
Computer equipment	(3,274)	**(250)**	**-**	**9**	**(3,515)**
Provision for impairment machinery and equipment	5,656	**-**	**-**	**-**	**5,656**
	(627,277)	**(34,983)**	**7,287**	**-**	**(654,973)**

		Consolidated			
		Year ended December 31, 2020			
	Opening Balance	Additions	Write-offs	Transfers	Close 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 utensils	(11,403)	(419)	83	(8)	(11,747)
Vehicles	(3,936)	(177)	134	(7)	(3,986)
Computer 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)

The amount of BRL 34,245 (2020 - BRL 37,244) referring to depreciation expense was recognized in income under "Cost of sales", BRL 340 (2020 - BRL 91) in "Selling expenses" and BRL 398 (2020 - BRL 439) in "Administrative expenses".

Despite the scenario reflecting the COVID-19 pandemic, as well as the Company's financial situation, described in Note 1, Management concluded that there was no need to record a provision for impairment of the assets of the Company and its subsidiaries, as detailed in Note 2.8.

(In thousands of reais, unless otherwise stated)

14. Right-of-use assets and lease liabilities

a) Composition and summary movement of the right to use lease assets and liabilities

Right to use assets

	Buildings	
	2021	**2020**
Opening balance on January 1	**21,672**	35,766
Additions (1)	**17,054**	-
Readjustments	**-**	9,349
Amortization	**(23,122)**	(23,443)
Close balance on December 31	**15,604**	21,672

Lease liabilities

	2021	**2020**
Opening balance on January 1	**45,552**	60,298
Additions (1)	**17,054**	-
Readjustments	**-**	9,349
Repricing (2)	**-**	(24,532)
Interest	**4,160**	4,038
Payments	**(11,232)**	(3,601)
Close balance on December 31	**55,534**	45,552
Current	**1,546**	23,175
Noncurrent	**53,988**	22,377
	55,534	45,552

(1) n the year ended December 31, 2021, a new contract was added. The initial impact on assets and liabilities was R$ 17,054. Management considered an incremental rate of 6.5% for discounting the debt to present value (PV).

(2) After the renegotiation of the debt for leases overdue in January 2020, the Company reclassified part of the amount to Other Liabilities in non-current, see Note 19.b.

In the year ended December 31, 2021, the Company recorded an expense of R$ 225 (R$ 147 in 2020) referring to short-term leases (less than 12 months of contract) or operations with low value assets involved in the contracts.

b) Lease maturity schedule

	Consolidated	
	2021	**2020**
2021	**-**	23,175
2022	**1,546**	22,377
2023 onwards	**53,988**	-
	55,534	45,552

(In thousands of reais, unless otherwise stated)

14. Right-of-use assets and lease liabilities—Continued

c) Additional information – Circular Letter CVM/SNC/SEP no. 2.2019

In accordance with CIRCULAR LETTER/CVM/SNC/SEP/No. 02/2019, the Company adopted as an accounting policy the requirements of CPC 06 (R2) / IFRS 16 in the measurement and remeasurement of its right of use, using the discounted cash flow technique without considering inflation.

In order to protect the reliable representation of the information against the requirements of CPC 06 (R2) and to meet the guidelines of the technical areas of the CVM, the liability balances without inflation, effectively accounted for (real flow x nominal rate), and the estimated balances are provided inflated in the comparison periods (nominal flow x nominal rate).

Other assumptions, such as the maturity schedule of liabilities and interest rates used in the calculation are disclosed in other items of this same explanatory note, as well as the inflation indices are observable in the market, so that the nominal flows can be prepared by the users of the financial statements.

The comparison of the balances of lease flows, with and without the inflation projection, is shown below:

	2022	2023	2024	2025 onwards
Lease liabilities				
Actual projection and nominal rate (accounted)	**(55,534)**	(15,891)	(13,675)	(11,311)
Nominal projection and nominal rate	**(62,959)**	(17,481)	(14,470)	(11,763)
Right to use assets				
Actual projection and nominal rate (accounted)	**15,604**	13,427	11,249	9,072
Nominal projection and nominal rate	**22,365**	14,770	11,903	9,435
Financial charges				
Actual projection and nominal rate (accounted)	**4,160**	1,129	994	845
Nominal projection and nominal rate	**4,475**	1,242	1,052	879
Amortization expense of the right to use				
Actual projection and nominal rate (accounted)	**23,123**	2,177	2,177	2,177
Nominal projection and nominal rate	**23,728**	2,395	2,304	2,264

(In thousands of reais, unless otherwise stated)

15. Loans and financings

a) Loan summary

		Consolidated	
Modality/purpose	**Financial charges on 12/31/2021**	**2021**	**2020**
Working capital - national currency	Market charges	**138,993**	138,237
		138,993	138,237
Current		**51,531**	19,864
Noncurrent		**87,462**	118,373
		138,993	138,237

Part of the composition of the loan balance, R$ 26,525, is due to the debt with BNDES related to previous periods that was renegotiated by the Company at the time. During the 1-year period, the Company raised an amount of R$ 19,699 in new loans.

b) Movement

	2021	**2020**
As of January 1, total working capital	**138,237**	135,458
(+) Captation	**19,699**	21,547
(-) Principal payment	**(19,821)**	(20,207)
(-) Interest payment	**(14,737)**	(10,706)
(+) Interest provision	**15,615**	12,145
As of December 31, total working capital	**138,993**	138,237

The maturity schedule of the non-current balance is presented below:

	Value
2022	26,711
2023	21,178
2024	10,957
2025 onwards	28,616
	87,462

(In thousands of reais, unless otherwise stated)

15. Loans and financing--Continued

c) Details of loans by financial institution

Loan summary	BRASIL	FIBRA	BDMG	ALFA	ITAÚ	BRADESCO	CEF	DAYCOVAL	SOFISA	Others	Total
Working capital - national currency	20,258	15,439	24,778	7,087	15,106	17,083	11,103	6,863	9,846	11,430	138,993
% In relation to the total	14.5%	11.1%	17.8%	5.1%	10.9%	12.3%	8.0%	4.9%	7.1%	8.3%	100%

The working capital loans contracted by Plascar Ltda. are guaranteed by machinery and equipment (CAPEX) and the remaining balances are guaranteed by receivables and guarantees.

The Company does not have restrictive clauses in its loans with financial institutions during the period between December 31, 2021 and 2020.

16. Trade accounts payable

	Consolidated	
	2021	2020
National suppliers	**71,532**	35,747
Internacional suppliers (Note. 4.1)	**1,298**	1,139
	72,830	36,886

The terms and conditions of the financial liabilities referred to above reflect the outstanding balance of accounts payable with suppliers, with an average payment term of 35 days.

17. Payroll, vacation pay and social charges payable

	Consolidated	
	2021	2020
Social charges	**136,922**	81,953
Workers compensation	**419**	1,129
Vacation provision	**19,150**	17,109
Provision for profit sharing	**12,789**	11,300
Others	**742**	43
	170,022	111,534
Current	**160,757**	101,168
Noncurrent	**9,265**	10,366

(In thousands of reais, unless otherwise stated)

17. Payroll, vacation pay and social charges payable--Continued

In June 2021, the Company was notified by the Federal Revenue, through a notice of infraction and imposition of a fine, in which it demanded the collection of social security and third-party contributions on amounts paid as profits (PLR) to employees in the year 2017, in disagreement with Law 10.101/2000. The corrected amount of the tax assessment notice as of December 31, 2021 is R$ 5,081 and, after the discussion at the administrative level has been exhausted, the Company chose to settle the liability by adhering to the tax transaction program authorized by ordinance PGFN 11/ 2021, in installments and with discounts to be applied after approval of the transaction. The Company recorded a provision for this amount, which is duly entered in the line “Social Charges” as a contra entry to Other operating expenses (Original value) and Financial expenses (Charges).

18. Advances from customers

	Consolidated	
	2021	**2020**
Fiat Automóveis	**3,268**	4,800
Man	**23,344**	3,025
VW	**17,672**	2,557
Calsonic Kansei	**-**	1,429
Scania	**-**	2,121
Mercedes Benz	**1,077**	597
Volvo	**2,432**	330
DAF	**2,000**	-
Others	**1,815**	325
	51,608	15,184

19. Commitments and provision for contingencies

a) Renegotiation of the rent debt

In January 2020, the Company concluded the renegotiation of its overdue rent debt, whose balance on December 31, 2019 was R$137,754, recorded under “Other liabilities” and “Lease liabilities” in current.

With the conclusion of this negotiation, the updated debt was paid in installments, with a grace period of over one year for the beginning of payments. The balance was transferred to the item Other Liabilities in non-current in January 2020.

19. Commitments and provision for contingencies--Continued

b) Legal proceedings - amounts involved and accounting provision criteria for cases of probable loss

The Company is a party to several labor (and social security), civil and tax proceedings that are currently in progress. The criteria adopted by the Company to classify the risk of loss is estimated as “remote”, “possible” and “probable”, with “remote” indicating minimal risk of loss, “possible” indicating moderate risk of loss and “probable” indicating high risk of judicial loss, and it is up to external legal advisors, with the help of the Company's legal department, to analyze in detail each legal process, new or in progress, classifying them according to their best results estimates.

These risk ratings are evaluated monthly and may be changed whenever the legal advisor's understanding indicates this need. In addition, all cases also receive monthly monetary restatement, according to the legal indices adopted by the courts, in order to accurately reflect the current economic situation of each case.

For all cases in which the external and internal legal advisors indicate the risk of loss as "probable", the Company sets up an individual provision in an amount sufficient to cover the estimated value of this loss, which is duly calculated and determined through judicial accounting (in the case of the court) or assistant accounting expert (in the case of the Company), based on the convictions and/or any other decisions coming from higher courts (appeal degree) that are issued by the courts and that indicate, without a doubt, that the Company is obliged to make the payment in the short term, due to the advanced stage of the process. In addition, the Company adopts a policy of making a monthly provision for labor lawsuits classified as a “possible” risk of loss, for which the Company estimates that legal agreements will be entered into to settle and close the claims before the execution stages begin. After an analysis carried out by its legal advisors, the Company reviewed the percentages of historic agreements entered and decided to supplement these provisions by R$3,142. The impacts of this review were recorded in their entirety in the 3rd Quarter of 2020.

Considering the lawsuits with risk of loss, the Company has a total provision set up as indicated below:

	Consolidated	
	2021	**2020**
Social security and labor provisions	**6,502**	11,550
	6,502	11,550

(In thousands of reais, unless otherwise stated)

19. Commitments and provision for contingencies--Continued

b) Lawsuits - amounts involved and accounting provision criteria for cases of probable loss--Continued

The movement in the provision for lawsuits in 2021 and 2020 is represented as follows:

Social Security and Labor

	2021	2020
Opening balance	**11,550**	7,395
Additions	**6,061**	11,052
Payments	**(11,109)**	(6,897)
Close balance	**6,502**	11,550

c) Estimate of “possible” losses, not provisioned in the balance sheet

For the Company's other lawsuits, which have their risk of loss classified by external and internal legal advisors as “possible” or “remote”, no accounting provision is recorded. Despite this, the Company recognizes the importance of informing the amounts involved in these processes, as a way of providing the market with sufficient knowledge and information about all the actions in which the Company is a party. For new shares, the value informed by the Company takes into account the value given to the case (initial value). As the process progresses, the legal advisors determine the amounts involved in each case with greater criteria, valuing each one of them more precisely in terms of the amounts actually involved, as well as their effective risk of loss.

Considering the processes with a risk of “possible” loss, not provisioned, the Company informs that the amounts involved are thus constituted:

	Consolidated	
	2021	2020
Tributary (1)	**151,653**	4,340
Labor	**10,971**	13,537
Civil	**4,185**	4,257
	166,809	22,134

(1) It is mainly due to tax debts which are under negotiation with the Attorney General's Office.

(In thousands of reais, unless otherwise stated)

19. Commitments and provision for contingencies--Continued

d) Relevant contingent assets

Currently, Plascar Ltd. figure as an active party in two proceedings considered relevant against FUNRURAL and ELETROBRÁS, whose amounts involved are R$ 8,585 and R$ 19,249, respectively.

(i) The lawsuit against ELETROBRÁS, whose ruling was favorable to the Company, is at an advanced procedural stage, and the Company had already started the process of provisional execution of the ruling, requesting the payment of the amount due. In July 2020, however, through its external advisors, the Company became aware of an alleged assignment of rights, which would have been carried out in May 2003, by which the title and economic benefits arising from this process would be assigned to third parties. . Not having internally identified elements that would confirm such assignment of rights, the Company manifested itself in the records, requesting more information on the matter and, at this moment, awaits a manifestation of the court.

(ii) The lawsuit against FUNRURAL was processed and judged on September 4, 2001, and Plascar was granted the net and certain right to receive the amount of R$ 2,237 (Note 9). This amount, however, was questioned by the Company regarding its monetary restatement, which was not considered by the court. The definition of the aforementioned update is still pending and, consequently, the correct amount to be settled in favor of the Company, whose estimate of the legal advisors indicates the amount of R$ 8,585.

20. Other liabilities

	Consolidated	
	2021	**2020**
Rent payable (Note 19.a)	**137,754**	137,754
Miscellaneous creditors - signed agreements	**82,018**	97,814
Other liabilities	**14,192**	15,727
	233,964	251,295
Current	**40,265**	30,919
Noncurrent	**193,699**	220,376
	233,964	251,295

(In thousands of reais, unless otherwise stated)

21. Equity

a) Capital

As of December 31, 2021, and 2020, the Company's capital stock is R$931,455, divided into 12,425,418 registered common shares, with no par value.

	2021 e 2020	
Shareholders	Number of shares	Participation
Pádua IV Participações	7,454,491	60.0%
Permali do Brasil	2,290,953	18.4%
Postalis	884,712	7.1%
Other shareholders	1,795,262	14.5%
	12,425,418	100%

The Issue price of the shares was fixed, without undue dilution for the current shareholders of the Company, considering the methodologies allowed by article 170, § 1, of the Brazilian Corporation Law, in view of the Company's financial situation at that time, with high indebtedness and negative equity.

Subscription warrant

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

The grant to its holders, jointly, grants the right to subscribe to Company shares representing 5% of the Company's capital after the issuance of such shares. The subscription price for 1 share issued in connection with the exercise of the Subscription Warrants will be R$ 0.01 “Exercise Price”. The subscription of shares resulting from the exercise of the Subscription Bonus will be given in a private way, in the act of exercising the Subscription Right, and the payment of the shares then subscribed must be carried out upon payment in cash of the Exercise Price, in currency national current, in the act of subscription of such shares.

b) Reserves

Equity adjustments

Consisting of the accounting record of the realization of the cost attributed to the fixed assets and respective taxes. This item also records the impacts of the change in the parent company's interest in the subsidiary from 99.89% to 100% after the financial restructuring that took place on January 31, 2019.

21. Equity--Continued

c) Shareholder's compensation

According to the Company's Bylaws, shareholders are entitled to receive a minimum annual dividend of 25% of the net income for the year, adjusted pursuant to articles 189 and 202 of Law 6,404/76. Due to the losses calculated, no distribution of dividends was made on December 31, 2021 and 2020.

22. Earnings (loss) per share

The basic calculation of earnings or loss per share is made by dividing the net profit or loss for the year, attributed to holders of common shares of the parent company, by the weighted average number of common shares available during the year.

Diluted earnings or loss per share is calculated by dividing the net profit or loss attributable to holders of the parent's common shares by the weighted average number of common shares available during the year, plus the weighted average number of common shares that would be issued on conversion. of all potential common shares diluted in common shares.

The table below presents the results and shares data used in the calculation of profit or loss, basic and diluted per share for the years ended December 31, 2021 and 2020 (in thousands, except amounts per share):

	2021	2020
Basic loss per share:		
Numerator:		
Loss for the year	**(122,230)**	(117,013)
Denominator:		
Weighted average number of shares	**12,425,418**	12,425,418
Basic loss per shares - R$	**(9.84)**	(9.42)

	2021	2020
Diluted loss per share: (*)		
Numerator:		
Loss for the year	**(122,230)**	(117,013)
Denominator:		
Weighted average number of shares	**19,880,669**	19,880,669
Loss diluted by shares - R$	**(6.15)**	(5.89)

(*) 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	
	2021	**2020**
Gross sales revenue	**757,842**	452,530
Sales taxes	**(129,855)**	(78,722)
Sales returns and rebates	**(15,303)**	(4,620)
	612,684	369,188

Taxes levied on sales mainly consist of Tax on the circulation of goods and services - ICMS (rates of 7%, 12% and 18%), Tax on industrialized products - IPI (rates of 5% and 15%), Social Integration Program - PIS (rates of 1.65% and 2.30%), Contribution to social security financing - COFINS (rates of 7.60% and 10.80%).

24. Costs and expenses by nature

The Company chose to present the income statement by function and presents, below, the details by nature:

	Consolidated	
	2021	**2020**
Raw materials, inputs, consumer and in-use materials, and personnel	**(498,205)**	(326,596)
Depreciation and amortization	**(58,105)**	(61,217)
Third-party services	**(33,369)**	(16,267)
Allowance for doubtful accounts (Note 7)	**(984)**	(1,747)
Provision for market value adjustment and inventory obsolescence (Note 8)	**(23)**	(47)
Others	**(62,854)**	(46,961)
	(653,540)	(452,835)
Classified as		
Cost of products sold	**(566,387)**	(373,880)
Selling expenses	**(28,887)**	(22,603)
General and Administrative Expenses	**(55,883)**	(52,411)
Other operating income/ (expenses), net	**(2,383)**	(3,941)
	(653,540)	(452,835)

(In thousands of reais, unless otherwise stated)

25. Financial income (costs)

	Consolidated	
	2021	**2020**
Finance costs		
Interest and fines (2)	**(49,445)**	(21,141)
Charges on overdue taxes/tax installments (1)	**(35,811)**	(20,409)
Present value adjustment of leases (Note 14)	**(4,160)**	(4,038)
Foreign exchange losses	**(4,195)**	(5,817)
Tax on Financial Transactions (IOF)	**(835)**	(729)
Others	**(1,447)**	(931)
	(95,893)	(53,065)
Financial income		
Interest and monetary restatement (2)	**11,103**	15,008
Foreign exchange gains	**3,438**	5,298
Others	**70**	96
	14,611	20,402
Financial income (costs)	**(81,282)**	(32,663)

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

(2) Mainly due to the accounting record of the monetary restatement referring to the ICMS exclusion credit in the PIS-COFINS calculation basis.

26. Tax obligations and social charges

The outstanding balance of taxes on December 31, 2021 is BRL 173,229 and BRL 131,562 of payroll charges (BRL 157,440 and BRL 81,953 in 2020), of which BRL 9,391 current taxes due, BRL BRL 101,587 overdue current taxes and BRL 193,813 in installments (BRL 11,411, BRL 55,236 and BRL 172,746 respectively in 2020).

(In thousands of reais, unless otherwise stated)

26. Tax obligations and social charges--Continued

	2021					
				Tax Installments		
				Current		Non
	Outstanding	Falling Due	Overdue	Falling Due	Overdue	current
REFIS (PERT MP 783/17)	**57,588**	**-**	**-**	**4,553**	**9,106**	**43,929**
Common payment in installments PIS/COF/IPI	**26,702**	**-**	**-**	**7,282**	**13,958**	**5,462**
PIS	**104**	**104**	**-**	**-**	**-**	**-**
COFINS	**444**	**444**	**-**	**-**	**-**	**-**
ICMS (Regularize - MG)	**43,143**	**-**	**-**	**6,637**	**-**	**36,506**
ICMS	**18,572**	**1,173**	**-**	**1,005**	**8,468**	**7,926**
IPI (Tax in Installment - MG)	**716**	**-**	**-**	**330**	**-**	**386**
IPI	**72**	**72**	**-**	**-**	**-**	**-**
Charges Attorney - active debt	**25,137**	**-**	**-**	**-**	**25,137**	**-**
Others (Service Tax – ISS, Property Tax - IPTU)	**751**	**602**	**-**	**25**	**-**	**124**
	173,229	**2,395**	**-**	**19,832**	**56,669**	**94,333**
Withholding Income Tax (IRRF) (Employees)	**1,770**	**1,770**	**-**	**-**	**-**	**-**
Common payments in installment – Social Security Tax (INSS)	**14,197**	**-**	**-**	**3,419**	**6,383**	**4,395**
FGTS	**5,490**	**1,113**	**2,878**	**-**	**1,499**	**-**
INSS (Company)	**91,011**	**3,344**	**87,667**	**-**	**-**	**-**
INSS (Employees)	**11,811**	**769**	**11,042**	**-**	**-**	**-**
INSS in installments Sesi Senai (Company)	**7,283**	**-**	**-**	**2,064**	**349**	**4,870**
	131,562	**6,996**	**101,587**	**5,483**	**8,231**	**9,265**
Sum (Company)	**291,210**	**6,852**	**90,545**	**25,315**	**64,900**	**103,598**
Sum (Employees)	**13,581**	**2,539**	**11,042**	**-**	**-**	**-**
Total	**304,791**	**9,391**	**101,587**	**25,315**	**64,900**	**103,598**

(In thousands of reais, unless otherwise stated)

26. Tax obligations and social charges--Continued

	2020					
				Tax Installments		
				Current		Non
	Outstanding	Falling Due	Overdue	Falling Due	Overdue	current
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 Installment - MG)	1,012	-	-	319	-	693
IPI	54	54	-	-	-	-
Others (ISS 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 payments 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 (Employee)	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

On overdue amounts, the Company records a 20% fine in addition to correction by the indices provided for by legislation.

Special Tax Regularization Program (STRP)

Plascar Ltd. joined the PERT on August 29, 2017. The balance of taxes due until April 2017, within the scope of the Attorney's Office, was paid 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 remaining balance in 84 installments. The installment correction index is the Selic.

Additionally, MP 783/17 was converted into Law 13,496/17 on October 25, 2017, including a new installment method, where there is the possibility of using tax losses and negative basis of CSLL to deduct the consolidated debt within the scope of the Brazil's federal revenue.

(In thousands of reais, unless otherwise stated)

26. Tax obligations and social charges--Continued

Special Tax Regularization Program (STRP)--Continued

The installments within the scope of the Attorney General's Office and RFB were fully consolidated during 2018.

Below we briefly present the accounting effects of this transaction:

	Attorney General of the National Treasury	Brazil's federal revenue -TAX	Brazil's federal revenue - non-taxable	Total
Original balance (a)	54,607	76,649	27,555	158,811
Use of income and social contribution tax losses - Law 13496/17 (b) (Note 9.b)	-	(59,110)	(20,760)	(79,870)
Debt amortization until December 31 from 2019	(8,236)	(20,197)	(7,013)	(35,446)
Installment restatement	11,217	2,658	218	14,093
Total	**57,588**	**-**	**-**	**57,588**

(a) Total tax and non-tax debt updated on the date of adhesion to the PERT, including the Social Integration Program - PIS, Contribution to Social Security Financing - COFINS, Tax on Industrialized Products - IPI, and National Institute of Social Security - INSS (Payroll exemption).

(b) The Company migrated to this new modality. The amount involved for deduction of the balance with tax losses and negative basis is R$ 79,870. In November 2019, the Company settled the balance of this installment.

27. Employee benefits

Expenses with salaries, benefits and social charges are shown below:

	Consolidated	
	2021	**2020**
Payroll and social charges	**159,526**	134,411
Profit sharing plan	**6,545**	5,573
Dismissals	**3,327**	3,016
Benefits established by law	**19,207**	13,955
Additional benefits	**477**	87
	189,082	157,042

Additional benefits

In addition to the usual benefits provided for by labor legislation, the Company and its subsidiary have the practice of granting their employees additional benefits contracted from third parties, such as: medical assistance, collective transportation, food and day care assistance.

27. Employee benefits--Continued

Profit sharing plan

The Company and its subsidiaries have supplementary variable compensation plans that consider meeting the established targets:

(i) Profit sharing plan (PPR): The Company pays its employees through profit sharing according to the collective agreement established between the Company, the employees' committee and the union of the category, which establishes targets that are measured and disclosed monthly. This plan aims to stimulate development and productivity, providing opportunities for financial gains and conditions for effective participation in the Company's results.

(ii) Additional profit-sharing bonus plan (short-term PPR): The Company also provides a differentiated amount of salary bonus to the Company's managers and directors. The profit sharing due to the employees occupying these functions is based on performance (individual and the Company), in accordance with pre-established goals.

28. Insurance coverage

The Company and its subsidiary maintain insurance policies of various types, contracted with the main insurance companies in the country. These policies were defined according to the group's program and considered the nature and degree of risk involved.

As of December 31, 2021, insurance coverage against operational risks combined with loss of profits was R$ 629,300 (R$ 629,300 as of December 31, 2020) and R$ 10,000 (R$ 3,000 as of December 31, 2020) for civil liability.

The Company does not anticipate having any difficulties renewing any of the insurance policies and believes that the coverage is reasonable in terms of value and consistent with industry standards in Brazil.

The risk assumptions adopted, given their nature, are not part of the scope of an audit of financial statements, therefore, they were not examined by our independent auditors.

29. Subsequent events

The lease contracts for the properties located in Jundiaí-SP, Varginha-MG and Betim-MG, signed in 2011, ended in December 2021. The Company is in the process of signing the renewal of these contracts, expected to be completed in the 1st quarter of 2022. The remaining overdue balance of leases ended in 2021 will be renegotiated and included in the current debt confession agreement.