Financial statements

Sipcam Nichino Brasil S.A.

December 31, 2019
with Independent Auditor's Report

Sipcam Nichino Brasil S.A.

Financial statements

December 31, 2019

Contents

A free translation from Portuguese into English of independent auditor's report on financial statements prepared in Brazilian currency in accordance with the accounting practices adopted in Brazil.

Independent auditor's report on financial statements

To the
Board of Directors and Shareholders
Sipcam Nichino Brasil S.A.

Opinion

We have audited the financial statements of Sipcam Nichino Brasil S.A. (the "Company"), which comprise the statement of financial position as at December 31, 2019, and the statements of profit or loss, of comprehensive income, of changes in equity and 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 financial position of the Company as at December 31, 2019, and its financial performance and cash flows for the year then ended in accordance with the accounting practices adopted in Brazil.

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 financial statements section of our report. We are independent of the Company in accordance with the relevant ethical principles set forth in the Code of Professional Ethics for Accountants, the professional standards issued by the 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.

Key audit matters

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

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

Revenue recognition from goods sold

As mentioned in Note 2.1, Company revenue is measured at fair value of the consideration received or receivable and only recognized when the goods are delivered, and the customers obtain control over the assets. The volume of transactions occurring in the year, as well as potential risks involved relating to accrual of revenue recognition and potential returns led us to identify this matter as subject to significant risk that requires special audit consideration.

How our audit conducted this matter

Our audit procedures involved, among others: (a) assessment of the controls involved in the revenue recognition process, (b) voucher tests on a sample basis, including the exam of invoices, and evidence of delivery and receipt of the assets, (c) review of subsequent returns and potential returns in future periods, and (d) analytical procedures on changes in revenue in the year, in order to identify changes that are inconsistent with our expectations, obtained based on our previous knowledge of the Company and industry that could indicate out of competence account record.

Based on the result of the audit procedures performed on revenue recognition from sale of products, which is consistent with the policy adopted by management, we believe that the amount of revenue recorded in the financial statements, as well as respective disclosures in explanatory notes, are acceptable in the context of the financial statements taken as a whole.

Other matters

Audit of corresponding figures

The corresponding figures referring to the year ended December 31, 2018, presented for comparative purposes, were not audited by us or by other independent auditors. As such, we performed procedures on the balances as at December 31, 2018 in order to obtain reasonable sufficient assurance and issue an opinion on the statements of profit or loss, of comprehensive income, of changes in equity and of cash flows for the year ended December 31, 2019.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting practices adopted in Brazil and for such internal control as management determines is necessary to enable the preparation of financial statements that are free of material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Company's reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

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

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

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

São Paulo, March 28, 2020.

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

Uilian Dias Castro de Oliveira*
Accountant CRC-1SP223185/O-3

*Originally signed at Portuguese version

Sipcam Nichino Brasil S.A.

Statements of financial position
December 31, 2019 and 2018 (unaudited)
(In thousands of reais)

	Notes	12/31/2019	12/31/2018 (unaudited)
Assets			
Current assets			
Cash and cash equivalents	3	**91,240**	64,397
Trade accounts receivable	4	**200,050**	234,871
Trade accounts receivable with related parties	22	**-**	100
Inventories	5	**108,517**	111,483
Taxes recoverable	6	**23**	-
Derivative financial instruments		**-**	75
Other receivables		**1,612**	5,038
Total current assets		**401,442**	415,964
Noncurrent assets			
Trade accounts receivable	4	**11,397**	10,933
Taxes recoverable	6	**44,062**	39,868
Assets Held for Sale	7	**8,600**	6,964
Deferred income and social contribution taxes	8	**32,062**	30,078
Judicial deposits	14	**908**	947
Transactions with related parties	22	**-**	79
Investments	9	**1,209**	943
Property, plant and equipment	10	**34,780**	32,790
Intangible assets	11	**22,496**	24,708
Total noncurrent assets		**155,514**	147,310
Total assets		**556,956**	563,274

	Notes	12/31/2019	12/31/2018 (unaudited)
Liabilities and equity			
Current liabilities			
Loans, financing and debentures	12	**40,952**	65,040
Transactions with related parties	22	**71,666**	321
Domestic trade accounts payable – third parties		**13,358**	14,880
Foreign trade accounts payable – third parties	13	**54,362**	81,193
Foreign trade accounts payable - related parties	22	**76,518**	73,180
Payroll and related charges		**3,065**	3,064
Taxes payable		**1,166**	2,563
Derivative financial instruments		**43**	2,098
Other provisions		**4,439**	3,818
Total current liabilities		**265,569**	246,157
Noncurrent liabilities			
Loans, financing and debentures	12	**159,942**	99,768
Transactions with related parties	22	**-**	67,718
Provision for contingencies	14	**397**	513
Total noncurrent liabilities		**160,339**	167,999
Equity			
Capital	15	**223,897**	223,897
Accumulated losses		**(92,849)**	(74,779)
Total equity		**131,048**	149,118
Total liabilities and equity		**556,956**	563,274

See accompanying notes.

Sipcam Nichino Brasil S.A.

Statements of profit or loss
Six-month period from July 01 to December 31, 2019 and July 01 to December 31, 2018 (unaudited)
(In thousands of reais)

	Notes	12/31/2019	12/31/2018 (unaudited)
Operating revenue, net	2.1	**215,338**	291,461
Cost of goods sold and services	17	**(182,820)**	(234,567)
Gross profit		**32,518**	56,894
Operating income (expenses)			
Selling expenses	18.a	**(13,426)**	(9,765)
General and administrative expenses	18.a	**(10,310)**	(10,200)
Equity pickup	9	**183**	194
Other operating income (expenses), net	18.b	**(3,620)**	(1,315)
		(27,173)	(21,086)
Income before finance income and costs and income and social contribution taxes		**5,345**	35,808
Finance costs	19	**(59,179)**	(67,057)
Finance income	19	**47,107**	52,174
		(12,072)	(14,883)
Profit before income and social contribution taxes		**(6,727)**	20,925
Income and social contribution taxes			
Current		**-**	(807)
Deferred		**(2,705)**	1,741
	8	**(2,705)**	934
Net income (loss) for the year		**(9,432)**	21,859
Number of shares	15	**2,471,492,952**	2,471,492,952
Earnings per thousand shares - in reais		**(3.82)**	8.84

See accompanying notes.

Sipcam Nichino Brasil S.A.

Statements of comprehensive income
Six-month period from July 01 to December 31, 2019 and July 01 to December 31, 2018 (unaudited)
(In thousands of reais)

	12/31/2019	12/31/2018 (unaudited)
Net income (loss) for the year	**(9,432)**	21,859
Other comprehensive income (loss)	**-**	-
Comprehensive income (loss)	**(9,432)**	21,859

See accompanying notes.

Sipcam Nichino Brasil S.A.

Statements of changes in equity
Six-month period from July 01 to December 31, 2019 and July 01 to December 31, 2018 (unaudited)
(In thousands of reais)

	Capital	Accumulated losses	Total
Balances at July 1, 2018	223,897	(96,638)	127,259
Net income for the year	-	21,859	21,859
Balances at December 31, 2018 (unaudited)	223,897	(74,779)	149,118
Balances at July 1, 2019	223,897	(83,417)	140,480
Net income (loss) for the year	**-**	**(9,432)**	**(9,432)**
Balances at December 31, 2019	**223,897**	**(92,849)**	**131,048**

See accompanying notes.

Sipcam Nichino Brasil S.A.

Statements of cash flows – indirect method
Six-month period from July 01 to December 31, 2019 and July 01 to December 31, 2018 (unaudited)
(In thousands of reais)

	12/31/2019	12/31/2018 (unaudited)
Operating activities		
Profit (loss) before income and social contribution taxes	**(6,727)**	20,925
Noncash expenses (income)		
Write-off of property, plant and equipment and intangible assets	**36**	500
Equity pickup	**(183)**	(194)
Restated balances – customers	**(310)**	5.391
Customer discounts	**614**	119
Allowance for (reversal of) expected credit losses	**1,487**	(1,118)
Provision for inventory obsolescence and realization	**2,150**	2
Depreciation and amortization	**5,128**	3,789
Provision (reversal) for losses on derivative financial instruments	**(311)**	5,012
Other provisions	**386**	1,947
Provision (reversal) for contingencies	**61**	93
Interest on loans, financing and debentures	**6,507**	5,112
Borrowing and financing costs	**142**	94
Monetary and exchange difference, net	**7,544**	3,108
Debt modification	**429**	-
Provision for sales returns	**857**	-
Decrease (increase) in operating assets		
Trade accounts receivable	**28,646**	(77,449)
Trade accounts receivable with related parties	**-**	(100)
Inventories	**(21,932)**	(17,209)
Taxes recoverable	**(431)**	(1,201)
Transactions with related parties	**82**	104
Judicial deposits	**39**	42
Other receivables	**3,238**	4,566
Increase (decrease) in operating liabilities		
Domestic trade accounts payable	**1,421**	4,878
Foreign trade accounts payable	**30,990**	41,188
Payroll and related charges	**(654)**	(3,683)
Taxes paid	**387**	1,205
Other paid obligations	**(805)**	(1,845)
Contingencies paid	**(20)**	(80)
Agricultural Credit / Funcafé / Free Funds	**(5,245)**	2,637
Payment of interest + Payment charges CPC 06 (R2)	**(3,795)**	(7,804)
Cash used (applied) in operating activities	**49,731**	(9,971)
Investing activities		
Write-off if Property and Intangible assets	**(1,137)**	(1,232)
Cash used in investing activities	**(1,137)**	(1,232)
Financing activities		
Borrowings	**78,944**	79,250
Payment of borrowings	**(81,131)**	(49,997)
Cash used (applied) in financing activities	**(2,187)**	29,253
Net increase in cash and cash equivalents	**46,407**	18,050
Cash and cash equivalents at beginning of year	**44,833**	46,347
Cash and cash equivalents at end of year	**91,240**	64,397
Net decrease in cash and cash equivalents	**46,407**	18,050

See accompanying notes.

1. Operations

Sipcam Nichino Brasil S.A. (“Company” or “Sipcam-Nichino”) is joint stock company with head office at Rua Igarapava, 599 – Distrito Industrial III, in the city Uberaba - MG, Brazil, is primarily engaged in the production, formulation, repackaging, import, export, sale and distribution of agrochemicals, e.g. herbicides, insecticides, acaricides, fungicides, fertilizers, plant nutrition products and chemicals for agriculture in general.

2. Presentation of financial statements and summary of significant accounting practices

The Company’s financial statements for the year ended December 31, 2019 were prepared in accordance with the accounting practices adopted in Brazil.

On October 23, 2019, by means of the Minutes of the General and Special Shareholders’ Meeting, the shareholders approved the change in the Company’s financial year, which will begin on January 01 and end on December 31 every year. Due to the change in the Company’s financial year in 2019, the financial year in 2019 will exceptionally comprise only six months, ending on December 31.

The Company’s executive board authorized conclusion of the financial statements on March 28, 2020, considering the subsequent events that occurred until this date and had an impact on the financial statements.

The financial statements were prepared based on different measurement bases used to prepare accounting estimates. Accounting estimates involved in the preparation of the financial statements were based on both objective and subjective factors, and in line with management's judgment for determination of appropriate amounts to be recorded in the financial statements. Significant items subject to these estimates and assumptions include selection of the useful lives and impairment of property, plant and equipment items, measurement of financial assets at fair value, credit risk analysis in determining the allowance for expected credit losses as well as analysis of other risks in determining other provisions, including the provision for contingencies.

The Company’s functional currency is the Brazilian Real, which is also its reporting currency. All financial information presented in thousands of reais was rounded to the nearest value, unless otherwise stated.

The settlement of transactions involving these estimates may result in amounts significantly different from those recorded in the financial statements due to uncertainties inherent in the estimate process.

(Amounts expressed in thousands of reais, unless otherwise stated)

2. Presentation of financial statements and summary of significant accounting practices (Continued)

The Company reviews its estimates and assumptions on an annual basis. See Note 2.12 for further details on estimates.

The financial statements were prepared based on the historical cost, unless otherwise stated, as described in the summary of significant accounting practices. The historical cost is generally based on the fair value of the considerations paid in exchange for assets.

2.1. Determination of profit or loss

Profit or loss from transactions is recorded on an accrual basis. Revenue from sales is recognized net, i.e., less sales taxes and discounts, which are stated as a reduction thereof, as follows:

	12/31/2019	**12/31/2018** (unaudited)
Gross revenue from sale of goods	**231,255**	296,306
Provision for sales returns	**(6,869)**	-
Gross service revenue	**7,110**	5,276
Gross revenue	**231,496**	301,582
Sales taxes	**(2,965)**	(3,974)
Sales returns	**(13,193)**	(6,147)
Taxes on sales and services and sales returns	**(16,158)**	(10,121)
Net revenue	**215,338**	291,461

Sales revenue is recognized in the statement of profit or loss when its amount can be reliably measured, when all risks and rewards of ownership of the products are transferred to the buyer, when the Company no longer holds control over or responsibility for the goods sold and when economic benefits are likely to flow to the Company. Revenue is not recognized if there is a significant uncertainty about its realization.

Interest income and expenses are recognized using the effective interest rate method in “Finance Income/Costs”.

2. Presentation of financial statements and summary of significant accounting practices (Continued)

2.2. Foreign currency-denominated transactions

Foreign currency-denominated monetary assets and liabilities are translated into the functional currency (Brazilian real) at the exchange rate prevailing at the corresponding statement of financial position date. Gains and losses arising from the restatement of these assets and liabilities between the foreign exchange rate of the transaction dates and the reporting period closing dates are recognized in profit or loss as finance income or costs.

2.3. Cash and cash equivalents

Cash and cash equivalents are held to meet short-term cash commitments rather than for investment or other purposes. The Company considers cash and cash equivalents a short-term investment readily convertible into a known cash amount and subject to insignificant risk of change in value. Therefore, an investment normally qualifies as a cash equivalent when it has short-term maturity, for example, three months or less from the investment date.

2.4. Trade accounts receivable

Trade accounts receivable are recorded and maintained in the statements of financial position at the nominal value of the notes representing these receivables, which does not significantly differ from present value.
Allowance for doubtful accounts is recorded by management for receivables whose recovery is considered doubtful when there is significant doubt as to collection of overdue notes.

2.5. Inventories

Inventories are measured at the lower of cost and net realizable value. Cost of inventories is based on the average cost principle and includes expenses incurred upon acquisition of inventories and other costs incurred to bring these items to their location and existing conditions.

Net realizable value is the estimated sale price in the normal course of business, less costs and expenses to sell.

2. Presentation of financial statements and summary of significant accounting practices (Continued)

2.6. Property, plant and equipment

These are recorded at acquisition cost. Depreciation is calculated on a straight-line basis at the rates mentioned in Note 10, which take into consideration the assets' estimated useful lives.

A property, plant and equipment item is derecognized on disposal or when no future economic benefits are expected from its use or disposal. Any gains or losses on derecognition of an asset (measured as the difference between the net disposal proceeds and the book value of the asset) are recognized in the statement of profit or loss for the year in which the asset is derecognized.

The net book value and useful lives of the assets and the depreciation methods are reviewed every year, and adjusted prospectively, when applicable.

2.7. Intangible assets

Intangible assets acquired separately are measured upon their initial recognition at acquisition cost and subsequently deducted from their accumulated amortization and impairment losses, where applicable.

Internally generated intangible assets, excluding capitalized amounts of product development costs, are recognized in profit or loss for the year in which they are generated. Intangible assets with finite useful lives are amortized according to their estimated economic useful lives and, when evidence of impairment losses is found, tested for impairment.

2.8. Provision for impairment of nonfinancial assets

Management annually tests the net book value of the assets to determine whether there are any events or changes in economic, operating or technological circumstances that may indicate impairment. When such evidence is identified, and the net book value exceeds the recoverable amount, a provision for impairment is set up so as to adjust the net book value to the recoverable amount.

The recoverable amount of an asset or a cash-generating unit is defined as the higher of value in use and fair value less costs to sell.

2. Presentation of financial statements and summary of significant accounting practices (Continued)

2.8. Provision for impairment of nonfinancial assets (Continued)

In determining the value in use of assets, the estimated future cash flows are discounted to their present value by using a pre-tax discount rate that reflects the weighted average cost of capital for the industry in which the cash-generating unit operates. Net sales value is determined, where possible, based on firm sales agreements in a transaction carried out on an arm's length basis among knowledgeable and willing parties, adjusted by expenses attributable to the sale of the asset or, when there is no firm sales agreement, based on the market price in an active market or at the most recent transaction price with similar assets.

2.9. Other assets and liabilities

An asset is recognized in the balance sheet when its future economic benefits are likely to flow to the Company, and its cost or value can be reliably measured. A liability is recognized in the statement of financial position when the Company has a legal or constructive obligation arising from past events, the settlement of which is expected to result in an outflow of economic benefits. Provisions are recorded reflecting the best estimates of the risk involved.

Assets and liabilities are classified as current when their realization or settlement will probably occur within the next 12 months. Otherwise, they are stated as noncurrent.

(Amounts expressed in thousands of reais, unless otherwise stated)

2. Presentation of financial statements and summary of significant accounting practices (Continued)

2.10. Taxation

Sales and service revenues are subject to the taxes and contributions below, at the following statutory rates:

State Value-Added Tax - ICMS	ICMS	Between 4% and 18%
Federal Value-Added Tax - IPI	IPI	0%
Contribution Tax on Gross Revenue for Social Security Financing - COFINS	COFINS	0%
Contribution Tax on Gross Revenue for Social Integration Program - PIS	PIS	0%

Pursuant to Decree No. 3777, dated March 23, 2001, amended by Decree No. 6006 of December 28, 2006, sales of agrochemicals are subject to IPI reduced to 0%.

The Company has been granted a 60% reduction in the ICMS base, as established by Agreement No. 100/97 and amended and extended by ICMS Agreement No. 028/2019 up to October 30, 2020. Some of its goods in accordance with Brazil's federal Senate Resolution No. 13 of 2013 are subject to a 4% tax rate.

PIS and COFINS rates were reduced to 0%, pursuant to Law No. 10925/2004, and ratified by Decree No. 5630/2005.

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

Income taxes comprise both income and social contribution taxes. Income tax is calculated at a rate of 15%, plus a 10% surtax on taxable profit exceeding R$ 240 over 12 months, whereas social contribution tax is computed at a rate of 9% on taxable profit, both recognized on an accrual basis; therefore, additions to book income deriving from temporarily nondeductible expenses or exclusions from temporarily nontaxable income upon determination of current taxable profit generate deferred tax assets or liabilities. Tax prepayments or taxes recoverable are stated as current and noncurrent assets, based on their expected realization.

2. Presentation of financial statements and summary of significant accounting practices (Continued)

2.10. Taxation (Continued)

Deferred income and social contribution taxes

Deferred taxes arise from temporary differences and income and social contribution tax losses at the statement of financial position date between the tax bases of assets and liabilities and their book value.

Deferred tax assets are recognized on all unused deductible differences, credits or tax losses to the extent that it is probable that taxable profit will be available to allow realization of temporarily deductible differences, as well as use of unused tax credits and tax losses.

The book value of deferred tax assets is reviewed at each reporting date and written off to the extent that taxable profits will not likely be available so that deferred tax assets can be used in total or in part. Deferred tax assets written off are reviewed at each statement of financial position date and recognized to the extent that future taxable profits are likely to allow deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability settled, based on tax rates (and tax laws) in force at the statement of financial position date.

Deferred tax assets and liabilities are stated at their net amount when the Company has a legal or constructive right to offset deferred tax assets against deferred tax liabilities and when deferred taxes refer to the same taxpayer and are subject to the same tax authorities.

2. Presentation of financial statements and summary of significant accounting practices (Continued)

2.11. Other employee benefits

The Company's employee and management benefits include, in addition to fixed compensation (salaries and social security contributions (INSS), vacation pay and 13th monthly salary), variable compensation, such as profit sharing and bonuses. These benefits are recognized in profit or loss for the year, under "Selling expenses" and "General and administrative expenses", as incurred.

2.12. Significant accounting judgments, estimates and assumptions

Judgments

Preparation of the financial statements by the Company requires that management make professional judgments, estimates and assumptions that impact disclosed revenues, expenses, assets and liabilities, in addition to disclosed contingent liabilities at the financial statement date. Uncertainties about such assumptions and estimates may lead to significant adjustments, in future periods, to the book value of the impacted asset or liability.

Accounting estimates and assumptions

Significant assumptions about sources of uncertainty in future estimates and other important sources of uncertainty in estimates at the statement of financial position date, involving a significant risk of causing a material adjustment to the book value of the assets and liabilities in the following year, are discussed below:

2. Presentation of financial statements and summary of significant accounting practices (Continued)

2.12. Significant accounting judgments, estimates and assumptions (Continued)

Accounting estimates and assumptions (Continued)

Impairment of nonfinancial assets

Impairment loss exists when the book value of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of fair value less cost to sell and value in use. The calculation of fair value less costs to sell is based on information available on sales transactions of similar assets or market prices less additional costs for the disposal of the asset.

Management annually tests the net book value of the assets to determine whether there are any events or changes in economic, operating or technological circumstances that may indicate impairment.

Whenever such evidence is identified, and the net book value exceeds the recoverable amount, a provision for impairment is set up so as to adjust the net book value to the recoverable amount.

Taxes

There are uncertainties about the interpretation of complex tax regulations and the amount and timing of future taxable profit (loss). Given the extensive international trading relationships, in addition to the long-term nature and complexity of existing contractual instruments, the differences between actual results and the assumptions used, or future changes in such assumptions, could lead to future adjustments to tax revenues and expenses already recorded. The Company set up provisions considering reasonable estimates for possible consequences of tax audits by tax authorities to which it is subordinated. The provision amounts are based on various factors, such as experience with prior audits and diverging interpretations of tax legislation by the taxpayer and the relevant tax authority. Such differences in interpretations may involve a number of matters, based on the conditions prevailing in the jurisdiction to which the Company is subject.

A significant level of professional judgment is expected from management in order to determine the deferred tax asset that may be recognized based on the probable term and level of future taxable profits, combined with future tax planning strategies.

2. Presentation of financial statements and summary of significant accounting practices (Continued)

2.12. Significant accounting judgments, estimates and assumptions (Continued)

Accounting estimates and assumptions (Continued)

Taxes (Continued)

The Company recognizes a provision for civil and labor claims. Assessment of the likelihood of loss includes an evaluation of available evidence, hierarchy of laws, available case law, most recent court rulings and their relevance to the legal system, as well as the opinion of external legal advisors. Provisions are reviewed and adjusted considering changes in circumstances, such as applicable statute of limitations, tax audit conclusions or additional exposures identified based on new matters or court decisions.

The settlement of transactions involving these estimates may result in amounts significantly different from those recorded in the financial statements due to uncertainties inherent in the estimate process. The Company reviews its estimates and assumptions at least on an annual basis.

2.13. Cash flows statements

Cash flows statements were prepared by using the indirect method and are presented in accordance with accounting pronouncement CPC 03 (R2) - Statement of Cash Flows, issued by the Brazilian FASB (CPC).

2.14. Financial instruments

A financial instrument is a contract that originates a financial asset for an entity and a financial liability or equity instrument for another entity.

a) Financial instruments

i) *Initial recognition and measurement*

Upon initial recognition, financial assets are classified as subsequently measured at amortized cost, at fair value through other comprehensive income and at fair value through profit or loss.

2. Presentation of financial statements and summary of significant accounting practices (Continued)

2.14. Financial instruments (Continued)

a) **Financial instruments** (Continued)

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

For a financial asset to be classified and measured at amortized cost or fair value through other comprehensive income, this asset must generate cash flows that are "solely payments of principal and interest" on the outstanding principal amount. This assessment is performed at instrument level.
Financial assets whose cash flows are not solely payments of principal and interest are classified and measured at fair value through profit or loss, regardless of the business model adopted.

The Company's business model for managing financial assets refers to how the Company manages its financial assets to generate cash flows. This model establishes whether the cash flows will result in collection of contractual cash flows, sale of financial assets or both.
Financial assets classified and measured at amortized cost are held in a business plan for the purpose of maintaining financial assets to obtain contractual cash flows whereas financial assets classified and measured at fair value matched against other comprehensive income are held in a business model aimed at obtaining contractual cash flows and also for the purpose of sale.

Purchases or sales of financial assets that require delivery within a term established by regulations or market convention are recognized at trade date, i.e. the date on which the Company commits to purchase or sell the asset.

2. Presentation of financial statements and summary of significant accounting practices (Continued)

2.14. Financial instruments (Continued)

a. Financial instruments (Continued)

Subsequent measurement

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

i. Financial assets at amortized cost (debt instruments);

ii. Financial assets at fair value through other comprehensive income and reclassification of accumulated gains and losses (debt instruments);

iii. Financial assets designated at fair value through other comprehensive income with no reclassification of accumulated gains and losses upon derecognition (equity instruments); and

iv. Financial assets at fair value through profit or loss.

Financial assets at amortized cost (debt instruments)

These are subsequently measured using the effective interest rate method and are subject to impairment. Gains and losses are recorded in P&L when the asset is written off, modified or impaired.

Financial assets at fair value through other comprehensive income (debt instruments)

For debt instruments at fair value through other comprehensive income, any interest income, foreign exchange differences and impairment losses or reversals are recorded in the statement of profit or loss and calculated similarly to financial assets measured at amortized cost. Any changes in fair value are recorded under other comprehensive income. Upon derecognition, accumulated changes in fair value recorded under other comprehensive income are reclassified to P&L.

2. Presentation of financial statements and summary of significant accounting practices (Continued)

2.14. Financial instruments (Continued)

a. Financial instruments (Continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are presented in the statement of financial position at fair value, and net fair value variations are recorded in the statement of profit or loss.

Derecognition

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

i. The rights to receive cash flows from the asset expire; or

ii. The Company transferred its rights to receive cash flows from the asset or assumed an obligation to fully pay the cash flows received, without significant delay, to a third party under a pass-through arrangement and (a) the Company substantially transferred all risks and rewards from the asset, or (b) the Company did not substantially transfer or retain all risks and rewards from the asset, but transferred the control over the asset.

Impairment of financial assets

The Company analyzes impairment of its financial assets under the model proposed by CPC 48 / IFRS 9 referring to expected credit losses. Measurement applies to assets classified as amortized cost and fair value through other comprehensive income, and based on the perception of increase in credit risk as from initial recognition of the asset, in which a provision is set up based on the loss expected for the next 12 month or for the entire lifetime of the asset. For the receivables portfolio, which have no significant financing component, the Company applies the simplified approach allowed as a practical expedient by CPC 48/IFRS 9, in which expected losses are recorded over the entire lifetime as from initial recognition of the receivables. Further details on measurement of expected credit losses are provided in Note 4.

2. Presentation of financial statements and summary of significant accounting practices (Continued)

2.14. Financial instruments (Continued)

b) Financial liabilities

Initial recognition and measurement

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

All financial liabilities are initially measured at fair value, plus or less, in the case of financial liabilities not measured at fair value through profit or loss, transaction costs directly attributable to issue of these financial liabilities.

Subsequent measurement

For subsequent measurement purposes, Company financial assets are classified under two categories:

i. Financial liabilities at fair value through profit or loss; and

ii. Financial liabilities at amortized cost.

Measurement of financial liabilities depends on their classification, as follows:

Financial liabilities at fair value through profit or loss

These include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit or loss.

Financial liabilities are classified as held for trading if acquired to be repurchased in the short term.

Gains or losses deriving from liabilities for trading, if any, are recorded in the statement of profit or loss.

2. Presentation of financial statements and summary of significant accounting practices (Continued)

2.14. Financial instruments (Continued)

b. Financial liabilities (Continued)

Any financial liabilities designated upon initial recognition at fair value through profit or loss are designated at initial recognition date, and only if the criteria set out in CPC 48 are met.

Financial liabilities at amortized cost (loans and financing, and debentures)

After initial recognition, interest-bearing loans, financing and debentures are subsequently measured at amortized cost, using the effective interest rate method. Gains and losses are stated in P&L upon write-off of liabilities, and also during the process of amortization by the effective interest rate method.

Amortized cost is calculated taking into account any discount on acquisition and fees or costs that are an integral part of the effective interest rate. Amortization under the effective interest rate method is included as finance costs in the statement of profit or loss.

Derecognition

A financial liability is written off when the obligation on such liability ceases to exist, i.e. when the obligation specified in the agreement is settled, canceled or expires. When an existing financial liability is replaced by another from the same lender, under substantially different terms, or if terms of an existing liability are significantly changed, such replacement or change is treated as a write-off of the original liability and recognition of a new liability. Any differences in the corresponding book values are posted to P&L.

c) Net presentation of financial instruments

Financial assets and financial liabilities are offset, and their net amount is presented in the individual and consolidated statement of financial position if the entity has a legally enforceable right to offset the amounts recognized and intends to settle them on a net basis or realize the asset and settle the liability simultaneously.

(Amounts expressed in thousands of reais, unless otherwise stated)

2. Presentation of financial statements and summary of significant accounting practices (Continued)

2.15. New accounting standards and interpretations

On January 01, 2019, the following pronouncements and interpretations came into effect:

a. CPC 06 (R2) - Leases – correlation with international accounting standards – IFRS 16. This pronouncement refers to definition of and guidance for lease agreements provided for in IAS 17. The Company presents in Note 10.1, for comparison purposes, a brief description and the amounts corresponding to the impacts generated in the consolidated statement of financial position at July 01, 2019.

b. ICPC 22 – Uncertainty over income tax treatments – correlation with international accounting standards – IFRIC 23. In management's assessment, at December 31, 2019, there were no impacts on Company financial statements deriving from adoption of this interpretation.

3. Cash and cash equivalents

	12/31/2019	**12/31/2018** (unaudited)
Cash and banks	**24,332**	367
Short-term investments (a)	**66,908**	64,030
Total cash and cash equivalents	**91,240**	64,397

(a) These refer to floating-rate Bank Deposit Certificates (CDBs) that reflect the usual market conditions, whose maturity at the statement of financial position date is within 90 days. They have immediate liquidity and no risk of significant changes due to interest rate fluctuation, bearing interest ranging from 97.5% to 100.0% of CDI in December 2019 (96.0% to 105% of CDI in December 2018 (unaudited) and measured at fair value in a contra account of profit or loss.

(Amounts expressed in thousands of reais, unless otherwise stated)

4. Trade accounts receivable

	12/31/2019	12/31/2018 (unaudited)
Trade notes receivable	**211,447**	245,804
Related Parties – Note 22	**-**	100
	211,447	245,904
Less current portion	**200,050**	234,871
Noncurrent	**11,397**	10,933

At December 31, 2019, trade notes receivable had also been offered as guarantee for loans and financing in the amount of R$ 63,951 (R$60,118 at December 31, 2018 – unaudited).

Allowance for expected credit losses

Changes in the allowance for expected credit losses are as follows:

	07/01/2019	Additions/ Reversals	12/31/2019
Allowance for expected credit losses	13,410	**1,487**	**14,897**
Less current portion	(2,666)	**1,009**	**(1,657)**
Noncurrent assets	10,744	**2,496**	**13,240**

	07/01/2018	Additions/ Reversals	12/31/2018 (unaudited)
Allowance for expected credit losses	14,517	**(1,118)**	**13,399**
Less current portion	(14,216)	**11,496**	**(2,720)**
Noncurrent assets	301	**10,378**	**10,679**

Management sets up an allowance for expected credit losses at an amount considered sufficient to cover possible accounts receivable realization risks, considering historical losses and collateral for amounts overdue.

(Amounts expressed in thousands of reais, unless otherwise stated)

4. Trade accounts receivable (Continued)

Below is the breakdown of the allowance for expected credit losses in percentage terms:

	%	
	12/31/2019	**12/31/2018** (unaudited)
Falling due	**0.66%**	1.05%
Overdue within 90 days	**0.00%**	1.31%
Overdue from 91 to 180 days	**0.86%**	100.00%
Overdue over 180 days	**100.00%**	100.00%

5. Inventories

	12/31/2019	**12/31/2018** (unaudited)
Finished goods	**74,852**	61,154
Raw, packaging and auxiliary materials	**14,979**	13,761
Import in transit	**17,852**	36,964
Provision for returns	**6,011**	-
Provision for obsolete inventories	**(524)**	(396)
Provision for inventory realization, net	**(4,653)**	-
	108,517	111,483

The Company records provisions for 100% of its inventories not moving for more than 360 days, in addition to analyzing inventory items individually. Changes in provisions are as follows:

	07/01/2019	**Additions**	**12/31/2019**
Provision for obsolescence	364	**160**	**524**
Provision for inventory realization, net	2,663	**1,990**	**4,653**
	3,027	**2,150**	**5,177**

	07/01/2018	**Additions**	**12/31/2018** (unaudited)
Provision for obsolescence	394	**2**	**396**
Provision for inventory realization, net	-	**-**	**-**
	394	**2**	**396**

(Amounts expressed in thousands of reais, unless otherwise stated)

6. Taxes recoverable

	12/31/2019	12/31/2018 (unaudited)
State value-added tax (ICMS)	**29,417**	25,720
Federal VAT Tax (IPI)	**6,551**	7,277
PIS and COFINS	**2,454**	2,940
Income and social contribution taxes	**5,663**	3,931
	44,085	39,868
Current	**23**	-
Noncurrent	**44,062**	39,868

The Company intends to realize the ICMS, IPI, PIS and COFINS balances through its transactions and requests for tax refund. Income and social contribution taxes will be realized through generation of future taxable profits. From 2019 the Company received a refund from the Brazilian Internal Revenue Service, a total refund of R$ 1,931, of which R$ 24 de IPI e R$ 1,907 de PIS e COFINS.

7. Assets held for sale

The group of Assets held for sale is measured based on the lowest of book and fair value.

The amount of R$ 8,600 at December 31, 2019 (R$ 6,976 at December 31, 2018 – unaudited) refers to property received in payment for customer debts, which are under negotiation.

8. Current and deferred income and social contribution taxes

Deferred income and social contribution taxes were set up at the effective rates as under:

	12/31/2019	12/31/2018 (unaudited)
Deferred income tax assets on:		
Temporarily nondeductible provisions	**6,223**	4,764
Income and social contribution tax losses	**44,316**	41,269
Deferred social contribution tax assets on:		
Temporarily nondeductible provisions	**2,240**	1,715
Income and social contribution tax losses	**15,269**	14,171
	68,048	61,919
Less write-off due to no expectation of realization	**(35,986)**	(31,841)
Noncurrent assets	**32,062**	30,078

(Amounts expressed in thousands of reais, unless otherwise stated)

8. Current and deferred income and social contribution taxes (Continued)

Main provisions are as follows:

	12/31/2019	12/31/2018 (unaudited)
Allowance for expected credit losses	**14,897**	13,399
Provision for customer discounts	**1,473**	(360)
Audit and advisory services	**42**	146
Sales commissions	**748**	548
Incineration	**694**	614
Legal proceedings	**397**	512
Provision for inventory obsolescence/realization of losses	**5,177**	396
Provision for derivative losses	**43**	2,023
Customer campaign	**1,746**	1,426
Debt modification	**(1,704)**	-
Revenue Realization	**857**	-
Other	**522**	351
	24,892	19,055
Current rate of 25% for income tax	**6,223**	4,764
Current rate of 9% for social contribution tax	**2,240**	1,715
	8,463	6,479

Based on future taxable profit generation, determined in a technical study approved by the Board of Directors, the Company recognized tax credits on temporary differences and tax losses. The book value and the realization of tax credits are annually reviewed by the Company.

Based on this technical study on future taxable profit generation, the Company expects to recover these tax credits in the next 06 years.

	R$	%
2020	2,996	4
2021	11,260	17
2022	13,398	20
2023	15,527	23
2024	18,032	26
2025	6,835	10
	68,048	100

The recovery of tax credits was estimated based on projections of taxable profit taking into consideration various financial and business assumptions for the period ended June 30, 2019. Consequently, these estimates may not materialize in the future considering uncertainties inherent in these forecasts.

(Amounts expressed in thousands of reais, unless otherwise stated)

8. Current and deferred income and social contribution taxes (Continued)

Reconciliation of income and social contribution tax expenses

Reconciliation of the expense calculated by applying combined statutory tax rates and of the income and social contribution tax expense recorded in profit or loss is as follows:

	12/31/2019	**12/31/2018** (unaudited)
Income before taxes	**(6,727)**	20,925
Tax expenses at statutory rate of 34%	**2.287**	(7,114)
Effective rate adjustments:		
Permanent differences	**(848)**	957
Constitution (reversal) of tax credits on tax loss	**-**	7,091
Tax credits set up on tax losses	**(4,144)**	-
Net tax charges recorded in statement of profit or loss	**(2,705)**	934
Effective rate	**-40.21%**	4.46%

Accumulated income and social contribution tax losses are broken down as follows:

	12/31/2019	**12/31/2018** (unaudited)
Income tax losses	**177,264**	165,077
Social contribution tax losses	**169,646**	157,458

Income and social contribution tax losses may be carried indefinitely, however, their offset is limited to 30% of taxable profit each year.

(Amounts expressed in thousands of reais, unless otherwise stated)

9. Investments

	Interest (%)	07/01/2019	Equity pickup	12/31/2019
Campo Limpo Reciclagem e Transformação de Plásticos S/A.	5%	805	**176**	**981**
SICOB - Sistema de Cooperativas de Crédito do Brasil - Credicitrus	0.019%	221	**7**	**228**
		1,026	**183**	**1,209**

	Interest (%)	07/01/2018	Equity pickup	12/31/2018 (unaudited)
Campo Limpo Reciclagem e Transformação de Plásticos S/A.	5%	536	**186**	**722**
SICOB - Sistema de Cooperativas de Crédito do Brasil – Credicitrus	0.019%	213	**8**	**221**
		749	**194**	**943**

(Amounts expressed in thousands of reais, unless otherwise stated)

10. Property, plant and equipment

	Six-month period from July 1 to December 31, 2019										
	Land	**Buildings and improvements**	**Machinery**	**Tools, presses and molds**	**Facilities**	**Furniture and fixtures**	**Vehicles**	**Hardware**	**Leases - Right of use**	**Construction in progress**	**Total**
Acquisition cost											
Balance at beginning of year	**1,375**	**21,751**	**27,635**	**190**	**23,102**	**5,416**	**119**	**1,835**	**-**	**4,346**	**85,769**
CPC 06 (R2) – note 10.1									**1.426**	**-**	**1,426**
Additions	**-**	**6**	**-**	**-**	**7**	**-**	**-**	**1**	**-**	**796**	**810**
Write-offs	**-**	**-**	**(58)**	**-**	**(65)**	**(45)**	**-**	**(21)**	**(27)**	**-**	**(216)**
Transfers	**-**	**341**	**2,159**	**-**	**562**	**290**	**-**	**109**	**-**	**(3,461)**	**-**
Balance at end of year	**1,375**	**22,098**	**29,736**	**190**	**23,606**	**5,661**	**119**	**1,924**	**1,399**	**1,681**	**87,789**
Depreciation											
Balance at beginning of year	**-**	**(12,237)**	**(17,209)**	**(137)**	**(14,576)**	**(3,998)**	**(48)**	**(1,253)**	**-**	**-**	**(49,458)**
Additions	**-**	**(416)**	**(761)**	**(7)**	**(1,470)**	**(144)**	**(4)**	**(116)**	**(813)**	**-**	**(3,731)**
Write-offs	**-**	**-**	**58**	**-**	**58**	**43**	**-**	**12**	**9**	**-**	**180**
Transfer	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Balance at end of year	**-**	**(12,653)**	**(17,912)**	**(144)**	**(15,988)**	**(4,099)**	**(52)**	**(1,357)**	**(804)**	**-**	**(53,009)**
Net balance	**1,375**	**9,445**	**11,824**	**46**	**7,618**	**1,562**	**67**	**567**	**595**	**1,681**	**34,780**
Average annual depreciation rates	**0%**	**4%**	**10% to 20%**	**10%**	**10% to 20%**	**10% to 20%**	**20%**	**20%**	**50%**	-	

(Amounts expressed in thousands of reais, unless otherwise stated)

10. Property, plant and equipment (Continued)

	Six-month period from July 1 to December 31, 2018 (unaudited)									
	Land	**Buildings and improvements**	**Machinery**	**Tools, presses and molds**	**Facilities**	**Furniture and fixtures**	**Vehicles**	**Hardware**	**Construction in progress**	**Total**
Acquisition cost										
Balance at beginning of year	1,375	18,847	27,153	185	20,524	5,158	82	1,819	5,194	80,337
Additions	-	-	-	-	-	12	-	23	910	945
Write-offs	-	-	(801)	-	(108)	(10)	(41)	(250)	(46)	(1,256)
Transfers	-	1,170	1,028	12	3,218	198	77	158	(5,931)	(70)
Balance at end of year	1,375	20,017	27.380	197	23,634	5,358	118	1,750	127	79,956
Depreciation										
Balance at beginning of year	-	(10,111)	(16,364)	(126)	(13,682)	(3,858)	(82)	(1,233)	-	(45,456)
Additions	-	(372)	(717)	(8)	(1,230)	(114)	(2)	(112)	-	(2,555)
Write-offs	-	-	556	-	3	10	41	235	-	845
Balance at end of year	-	-	-	-	-	-	-	-	-	-
	-	(10,483)	(16,525)	(134)	(14,909)	(3,962)	(43)	(1,110)	-	(47,166)
Net balance	1,375	9,534	10,855	63	8,725	1,396	75	640	127	32,790
Average annual depreciation rates	-	4%	10% to 20%	10%	10% to 20%	10% e 20%	20%	20%	-	

Depreciation is determined on a straight-line basis taking useful lives into consideration.

(Amounts expressed in thousands of reais, unless otherwise stated)

10.1 Lease transactions (first-time adoption of CPC 06 – R2)

This pronouncement allows two transition methods: (i) full retrospective method; and (ii) modified retrospective method, in which the cumulative effect of first-time application is recognized as an adjustment to the opening balance of retained profits at first-time adoption date, the lease liability is measured based on the remaining contractual payments discounted at the incremental loan rate at first-time adoption date, and the asset for the right-of-use equal to this liability, since there are no pre-payments or provisions. The Company elected the modified retrospective method and, as such, is not required to restate comparative balances prior to the year presented.

Management analyzed Company lease agreements to identify changes due to adoption of the new pronouncement on lease recognition relating to the accounting treatment provided in accordance with CPC 06 (R2), having identified the amount recorded in PPE referring to lease of vehicles, forklifts, real properties and IT equipment, of R$1.426. For purposes of comparison, a brief description and the amounts referring to the impacts on the statement of financial position at July 01, 2019 are as follows:

	Balance at 07/01/2019 before adjustments	Adjustments CPC 06 (R2)	Balance at 07/01/2019
Property, plant and equipment	36,311	1,426	37,737
Total assets	530,096	1,426	531,522
Loans and financing – Subject to lease – current	83,082	1,288	84,370
Loans and financing – Subject to lease – noncurrent	118,821	138	118,959
Total liabilities and equity	530,096	1,426	531,522

This calculation took into consideration a nominal rate of 6.5% p.a.

Sipcam Nichino Brasil S.A.

Notes to financial statements
December 31, 2019 and 2018 (unaudited)
(Amounts expressed in thousands of reais, unless otherwise stated)

11. Intangible assets

	Six-month period from July 01 to December 31, 2019					
	Trademarks and patents	**Software**	**Products under registration**	**Products being sold**	**Intangible assets in progress**	**Total**
Acquisition cost						
Balance at beginning of year	**138**	**3,895**	**13,739**	**14,526**	**341**	**32,639**
Additions	**-**	**-**	**45**	**-**	**283**	**328**
Write-offs	**-**	**-**	**-**	**-**	**-**	**-**
Transfers	**-**	**607**	**-**	**-**	**(607)**	**-**
Balance at end of year	**138**	**4,502**	**13,784**	**14,526**	**17**	**32,967**
Amortization						
Balance at beginning of year	**-**	**(2,981)**	**-**	**(6,093)**	**-**	**(9,074)**
Additions	**-**	**(205)**	**-**	**(1,192)**	**-**	**(1,397)**
Write-offs	**-**	**-**	**-**	**-**	**-**	**-**
Balance at end of year	**-**	**(3,186)**	**-**	**(7,285)**	**-**	**(10,471)**
Net balance	**138**	**1,316**	**13,784**	**7,241**	**17**	**22,496**
Average annual amortization rates	-	20%	-	20%	-	-

	Six-month period from July 01 to December 31, 2018 (unaudited)					
Acquisition cost	**Trademarks and patents**	**Software**	**Products under registration**	**Products being sold**	**Intangible assets in progress**	**Total**
Balance at beginning of year						
Additions	138	3,549	16,820	11,364	331	32,202
Write-offs	-	23	125	-	139	287
Transfers	-	(45)	(76)	-	(4)	(125)
Balance at end of year	-	355	(2,948)	2,948	(283)	72
	138	3,882	13,921	14,312	183	32,436
Amortization						
Balance at beginning of year						
Additions	-	(2,723)	-	(3,806)	-	(6,529)
Write-offs	-	(111)	-	(1,124)	-	(1,235)
Balance at end of year	-	36	-	-	-	36
	-	(2,798)	-	(4,930)	-	(7,728)
Net balance						
	138	1,084	13,921	9,382	183	24,708
Average annual amortization rates						
Acquisition cost	-	20%	-	20%	-	-

(Amounts expressed in thousands of reais, unless otherwise stated)

11. Intangible assets (Continued)

Out of the total intangible assets at December 31, 2019, R$ 13,784 refer to products under registration (R$ 13,921 at December 31, 2018 – unaudited). Once these registrations are obtained from the relevant bodies, the products will start to be sold and the amounts recorded under intangible assets will be amortized over a period of 5 (five) years.

12. Loans, financing and debentures

	Interest rate	12/31/2019	12/31/2018 (unaudited)
Foreign currency			
Law 4131(USD)	VC + 4.24% p.a.	**-**	19,437
Law 4131(USD)	VC + 3.8% p.a.	**18,946**	-
Local currency			
Working capital	CDI + 1.88% p.a.	**60,162**	60,118
Debt modification	-	**(1,704)**	-
Debentures – 2nd issue	CDI+ 2.00% p.a.	**-**	61,220
Debentures 3rd issue – series 1	CDI+ 1.55% p.a.	**63,372**	-
Debentures 3rd issue – series 2	CDI + 1.75% p.a.	**31,733**	-
Debenture raising costs	-	**(1,193)**	(231)
Lease, Right of use – CPC 06 (R2)	-	**613**	-
Finance charges – lease – CPC 06 (R2)	-	**(19)**	-
Agricultural credit – Free funds (a)	-	**28,984**	24,264
		200,894	164,808
Less portion classified under current liabilities		**(40,952)**	(65,040)
Noncurrent liabilities		**159,942**	99,768

(a) Line of credit referring to the financing of agricultural activities of our customers, to which Sipcam Nichino is a guarantor.

The aging list of long-term loans is as follows:

	12/31/2019	12/31/2018 (unaudited)
2021	**47,187**	79,768
2022	**29,733**	20,000
2023	**19,719**	-
2024	**63,303**	-
	159,942	99,768

(Amounts expressed in thousands of reais, unless otherwise stated)

12. Loans, financing and debentures (Continued)

At December 31, 2019, the Company granted as guarantees for loans trade notes receivable amounting to R$ 63,951 (R$60,118 at December 31, 2018 – unaudited).

Debentures

Issue	Principal	Annual yield	Final maturity	12/31/2019	12/31/2018 (unaudited)
2nd issue	60,000	100% do CDI + 2.00% p.a.	March 30, 2020	**-**	61,220
3rd issue - series 1	60,000	100% do CDI + 1.55% p.a.	March 28, 2024	**63,372**	-
3rd issue - series 2	30,000	100% do CDI + 1.75% p.a.	March 29, 2022	**31,733**	-
Less portion classified under current liabilities				**(11,733)**	(1,220)
Noncurrent liabilities				**83,372**	60,000

The Company obtained approval for the 3rd issue of unsecured nonconvertible debentures amounting to R$90,000, in two series, in which series 1 matures at March 28, 2024 and series 2 matures at March 29, 2022. Interest of this transaction has been paid for the year in which it is incurred. No guarantees were given.

The loan transactions have no financial covenants.

13. Foreign trade accounts payable – third parties

	12/31/2019	12/31/2018 (unaudited)
Raw material	**36,024**	70,066
Packaging material	**148**	-
Material for resale	**18,190**	11,127
	54,362	81,193

(Amounts expressed in thousands of reais, unless otherwise stated)

14. Provision for contingencies

The Company is a party to tax, civil and labor claims arising from the ordinary course of business. The Company management believes that the provision for contingencies set up is sufficient to cover adventitious losses in lawsuits. The provisions for contingencies were set up for proceedings whose likelihood of loss was assessed as probable, based on the opinion of lawyers and outside legal advisors. The unfavorable outcome of proceedings, whether individually or in aggregate, will not have a material adverse effect on the Company's financial position or business. Judicial deposits were made for some of these proceedings when required by the judicial branch.

Changes in provision for contingencies, by nature, are as follows:

	07/01/2019	Provision	Payments	12/31/2019
Tax	233	**40**	**-**	**273**
Civil	92	**15**	**(16)**	**91**
Labor	31	**6**	**(4)**	**33**
Total provision	356	**61**	**(20)**	**397**
Judicial deposits	(947)		**39**	**(908)**

	07/01/2018	Provision / (Reversal)	Payments	12/31/2018 (unaudited)
Tax	194	**154**	**-**	**348**
Civil	90	**2**	**(5)**	**87**
Labor	215	**(63)**	**(75)**	**77**
Total provision	499	**93**	**(80)**	**512**
Judicial deposits	(989)		**42**	**(947)**

Cases with likelihood of success:

	12/31/2019	12/31/2018 (unaudited)
Tax	**3,705**	3,544
Labor	**-**	44
Total	**3,705**	3,588

(Amounts expressed in thousands of reais, unless otherwise stated)

15. Equity

a) Capital

At December 31, 2019 and 2018 (unaudited), the Company capital totals R$ 223,897 and is divided into 2,471,492,952 common shares.

The Company's shareholding structure at December 31, 2019 and 2018 is as follows:

	Number of shares	%
Sipcam Nederland Holding N.V.	**150,127,424**	**6.08**
Obras Latin América Participações Ltda.	**518,134,294**	**20.96**
Obras S.R.L.	**567,484,758**	**22.96**
Nihon Nohyaku CO. Ltd.	**1,235,746,476**	**50.00**
	2,471,492,952	**100.00**

b) Income reserve and dividends

Due to accumulated losses, the Company does not set up reserves and/or dividends in the year.

16. Risk considerations

a) Credit risk

The Company's sales policies are subordinated to the credit policies established by management and are designed to minimize any problems arising from customer default. This goal is achieved through a careful selection of customer portfolio that takes into consideration their creditworthiness (credit rating) and the diversification of sales (risk dilution).

b) Liquidity risk

The Company prepares cash flow forecasts as a means to monitor its future needs in advance in order to ensure it has enough cash to meet the operational demands. The Company maintains excess cash, if any, in interest bearing short-term investments and by choosing instruments that provide liquidity adequate to its needs.

(Amounts expressed in thousands of reais, unless otherwise stated)

16. Risk considerations (Continued)

b) Liquidity risk (Continued)

The aging list of the Company's major financial liabilities (loans and financing) is as follows:

	12/31/2019	12/31/2018 (unaudited)
December 2020	**40,952**	65,040
December 2021	**8,079**	79,768
December 2022	**48,841**	20,000
December 2023	**19,719**	-
December 2024	**83,303**	-
	200,894	164,808

c) Interest rate risk

The Company's profit or loss is subject to losses arising from changes in floating interest rates, such as: CDI, Long-Term Interest Rate (TJLP) and changes in inflation indices, such as the Extended Consumer Price Index (IPCA), on its financial assets and liabilities. The amounts relating to these transactions are stated in Notes 3 and 12.

d) Currency risk

The Company's income is subject to significant variation since part of inputs used in the production process is impacted by the foreign exchange rate fluctuation, particularly the US dollar and Yen, referring to intercompany loan transactions.

To reduce certain effects of exchange rate fluctuation, the Company hedges against the effects of exchange rate devaluation of local currency on its financial assets and liabilities denominated in dollars and/or euros through Swap transactions and Non Deliverable Forwards – commitment to purchase US currency at previously agreed-upon rates – linked to the US dollar fluctuation. The amounts of such transactions are summarized below:

	12/31/2019	12/31/2018 (unaudited)
Forward/swap contracts:		
Original amount taken out	**US$ 1,582**	US$ 19,128 thousand
Equivalent in local currency	**6,452**	74,523
Provision for gain (loss) on hedging transactions	**(43)**	(1,886)
Original amount taken out	**-**	JPY 1,929.109 thousand
Equivalent in local currency	**-**	68,040
Provision for gain (loss) on hedging transactions	**-**	(212)
Interest rate swap – provision for gain (loss)	**-**	75

Sipcam Nichino Brasil S.A.

Notes to financial statements
December 31, 2019 and 2018 (unaudited)
(Amounts expressed in thousands of reais, unless otherwise stated)

17. Cost of goods sold and services, by type

	12/31/2019	12/31/2018 (unaudited)
General Manufacturing Costs (GMC)		
Direct labor costs – own	**(2,333)**	(2,325)
Direct labor costs - third parties	**(773)**	(1,036)
Electricity	**(1,035)**	(952)
Depreciation and amortization	**(1,118)**	(937)
Maintenance of property, plant and equipment	**(375)**	(387)
Other direct costs	**(505)**	(462)
Indirect costs		
Indirect labor costs – own	**(2,583)**	(2,427)
Indirect labor costs - third parties	**(45)**	(63)
Electricity	**(65)**	(95)
Depreciation and amortization	**(637)**	(518)
Maintenance of property, plant and equipment	**(236)**	(281)
Incineration	**(712)**	(759)
Other indirect costs	**(423)**	(516)
	(10,840)	(10,758)
Inputs		
Raw and packaging materials	**(148,040)**	(193,157)
Provision for returns of goods	**6,011**	-
Goods for resale	**(14,592)**	(17,528)
	(156,621)	(210,685)
Other costs		
Freight on sales	**(6,125)**	(6,575)
Insurance on sales	**(205)**	(208)
Storage	**(1,517)**	(1,326)
Taxes on transfers	**(1,537)**	(1,404)
Inpev	**(416)**	(408)
Provision for (reversal of provision for) inventories	**(2,150)**	(2)
Promotional campaign	**(593)**	(107)
Equalization	**(922)**	(7)
Write-off of inventories	**(257)**	(444)
Sales discounts	**(450)**	(367)
Sales commissions	**(649)**	(1,650)
Other	**(538)**	(626)
	(15,359)	(13,124)
	(182,820)	(234,567)

(Amounts expressed in thousands of reais, unless otherwise stated)

18. Operating income (expenses)

a) Selling, general and administrative expenses

	12/31/2019		**12/31/2018** (unaudited)	
	Selling	**General and administrative**	**Selling**	**General and administrative**
Payroll and related charges	**(6,193)**	**(4,296)**	(5,797)	(4,437)
Fees and labor engaged	**(323)**	**(1,437)**	(350)	(1,368)
Travel	**(637)**	**(160)**	(658)	(236)
Vehicles	**(301)**	**(23)**	(861)	(75)
Meetings	**(691)**	**(112)**	(719)	(83)
Associations	**-**	**(70)**	(20)	(81)
Third-party services	**(727)**	**(2,092)**	(198)	(2,060)
Communication	**(55)**	**(151)**	(57)	(149)
Cleaning supplies	**(30)**	**(236)**	(14)	(276)
Insurance	**(24)**	**(56)**	(24)	(58)
Safety equipment	**-**	**(496)**	-	(434)
Amortization and depreciation	**(1,720)**	**(721)**	(1,171)	(385)
Reversal of provision (provision) for expected credit losses	**(1,487)**	**-**	1,118	-
Other	**(1,238)**	**(460)**	(1,014)	(558)
	(13,426)	**(10,310)**	(9,765)	(10,200)

b) Other operating income (expenses), net

	12/31/2019	**12/31/2018** (unaudited)
General manufacturing costs	**(1,195)**	(1,150)
Depreciation	**(906)**	(778)
Maintenance of property, plant and equipment	**(272)**	(288)
Other production costs	**(690)**	(767)
Reversal of provision (provision) for contingencies	**(31)**	(8)
Income from tax restatement	**81**	355
Other revenue (expense)	**(424)**	1,515
	(3,437)	(1,121)

(Amounts expressed in thousands of reais, unless otherwise stated)

19. Finance income (costs)

	12/31/2019	12/31/2018 (unaudited)
Finance costs		
Interest on financial transactions	**(3,148)**	(2,607)
Debt modification	**(429)**	-
Losses on financial instruments, realized	**(469)**	(1,624)
Losses on financial instruments, accrued	**-**	(5,012)
Discounts given to customers	**(727)**	(1,054)
Trade receivables difference, realized	**(146)**	-
Trade receivables difference, accrued	**-**	(5,391)
Exchange difference, realized	**(5,990)**	(9,005)
Exchange difference, accrued	**(42,854)**	(37,635)
Tax on Financial Transactions (IOF)	**(42)**	(194)
Interest on debentures	**(3,359)**	(2,505)
Finance charges, lease and right of use	**(33)**	-
Other finance costs	**(1,982)**	(2,030)
	(59,179)	(67,057)
Gains on financial instruments, realized	**2,172**	4,718
Gains on financial instruments, accrued	**311**	-
Trade receivables difference, realized	**1,500**	1,333
Trade receivables difference, accrued	**310**	-
Exchange difference, realized	**148**	1,619
Exchange difference, accrued	**41,152**	41,913
Short-term investment yield	**1,095**	1,180
Interest income	**127**	1,041
Other finance income	**292**	370
	47,107	52,174

20. Key management personnel compensation

On October 23, 2019, the Annual and Special General Meeting approved the management compensation for the period from November 2018 to October 2019, amounting to R$ 3,437 for fixed and variable compensation. It also approved, for the period from November 2019 to October 2020, a fixed and variable compensation of up to R$ 3,800.

21. Insurance coverage

The Company maintains insurance coverage for operational risks and other risks to safeguard its property, plant and equipment and inventories.

Insurance taken out as of December 31, 2019 is considered sufficient, based on the opinion of the Company's insurance advisors, to cover losses, if any.

Our auditor's work scope does not include expressing an opinion on the sufficiency of the insurance coverage, the adequacy of which was determined and assessed by the Company management.

(Amounts expressed in thousands of reais, unless otherwise stated)

22. Transactions with related parties

	Oxon Brasil Defensivos Agrícolas Ltda.		Oxon-Oxon S.p.A.		Nihon Nohyaku CO.Ltd.		Total	
	12/31/2019	**12/31/2018** (unaudited)	**12/31/2019**	**12/31/2018** (unaudited)	**12/31/2019**	**12/31/2018** (unaudited)	**12/31/2019**	**12/31/2018** (unaudited)
Balance								
Current assets:								
Trade receivables	**-**	-	**-**	100	**-**	-	**-**	100
Noncurrent assets:								
Other trade receivables	**-**	79	**-**	-	**-**	-	**-**	79
Current liabilities:							**-**	
Domestic trade accounts payable	**-**	-	**76,517**	67,906	**1**	5,274	**76,518**	73,180
Intercompany loan (*)	**-**	-	**-**	-	**71,666**	321	**71,666**	321
Noncurrent liabilities								
Intercompany loan (*)	**-**	-	**-**	-	**-**	67,718	**-**	67,718
Transactions								
Purchases	**-**	-	**84,552**	83,040	**2**	5,241	**84,554**	88,282
Other expenses	**(385)**	(361)	**-**	-	**-**	-	**(385)**	(361)
Finance income (costs)	**-**	-	**(4,067)**	(486)	**(3,794)**	(1,345)	**(7,861)**	(1,830)

Transactions with related parties are carried out at specific prices and conditions agreed-upon between the parties.

(*) This balance refers to an intercompany loan agreement entered into with Nihon Nohyaku CO., Ltd in August 2015, amounting to R$56,774 (JPY1,920,000,000), subject to interest of 1.4% p.a. and with maturity on August 31, 2020.

23. Events after the reporting period

Coronavirus - COVID-19

Until the date of these financial statements, no impacts of the Coronavirus outbreak were identified in Company operations. However, aware of the Company's social duty, management has already taken measures to protect its employees, and to help Brazil address this matter. In addition to awareness campaigns on transmission mitigation actions (frequent hygiene, avoiding contact, reducing the number of face-to-face meetings, among others), our administrative personnel began to work from home (home office). The Company will monitor the actions required by the Ministry of Health and class associations. Management is of the understanding that currently, the projections used for analyzing realization of Company assets will not change significantly due to this event and maintains the assumptions used.