Individual and Consolidated Financial Statements

Plascar Participações Industriais S.A.

December 31, 2019
with Independent Auditor’s Report

Plascar Participações Industriais S.A.

Individual and consolidated financial statements

December 31, 2019 and 2018

Summary

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

Independent auditor's report on individual and consolidated financial statements

To the shareholders, Board of Directors and Officers of
Plascar Participações Industriais S.A.
Jundiaí - SP

Opinion

We have audited the individual and consolidated financial statements of Plascar Participações Industriais S.A. (the "Company"), identified as Individual and Consolidated, respectively, which comprise the statement of financial position as at December 31, 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 individual and consolidated financial position of Plascar Participações Industriais S.A. as at December 31, 2019, 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 subsidiary 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the individual and consolidated financial statements, which describes that the Company through its subsidiary has recorded recurring losses in its operations and has presented accumulated losses of R$ 1,004,063 thousand during the year ended December 31, 2019 (R$ 997,435 thousand at December 31, 2018), and, as of that date, the Company's current liabilities exceeded its total assets by R$ 178,940 thousand in the consolidated (R$ 709,480 thousand in December 31, 2018). As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

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

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

Corporate and financial restructuring of the Company and its subsidiary

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

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

How our audit conducted this matter:

Our audit procedures included, among others, confirmation that an external appraiser who was hired to subsidize the Company's management in establishing the issue price of shares in a capital increase. We compared the new shareholding structure and the restructured debt, respectively, with the corporate acts duly approved by the competent bodies, and with the new financial and non-financial position updated with creditors, in the year ended December 31, 2019. We also focused on the adequacy the disclosures made by the Company on the restructuring and accounting impacts on shareholders' equity and current liabilities.

In applying the procedures, we did not identify any relevant inconsistencies, in the context of the individual and consolidated financial statements, between the information we checked and the documentation presented and disclosed by the Company's management and its subsidiary in notes 1 and 27.

Building a better working world

Other matters

Statements of value added

The individual and consolidated statements of value added (SVA) for year ended December 31, 2019, prepared under the responsibility of Company management, and presented as supplementary information for purposes of IFRS, were submitted to audit procedures conducted together with the audit of the Company's financial statements. To form our opinion, we evaluated if these statements are reconciled to the financial statements and accounting records, as applicable, and if their form and content comply with the criteria defined by NBC TG 09 - Statement of Value Added. In our opinion, these statements of value added were prepared fairly, in all material respects, in accordance with the criteria defined in abovementioned accounting pronouncement, and are consistent in relation to the overall individual and consolidated financial statements.

Audit of the corresponding values

The Company's individual and consolidated financial statements for the year ended December 31, 2018 were audited by another independent auditor who issued a report on March 27, 2019, with an unmodified opinion on these financial statements.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Campinas, March 3, 2020

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

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

Management Report

Profile

Plascar S.A.

Plascar Participações Industriais S.A. (Bovespa: PLAS3), through its subsidiary Plascar Ltda, operates in the automobile Market and has as operational activity the industrialization and commercialization of parts and related parts with motor vehicles indoor and outdoor finishing, at the original replacement to vehicles manufacture's Market in Brazil.

Economic performance – Financial

In 2019, an increase of about 2.3% in vehicle production was verified, when compared to the year of 2018, as ANFAVEA data. The Company's net revenue, in 2019, presented an increase of 17.5% comparing with the prior year, mainly due to the recover at the trucks and FCA production volume, our main customer, as well as the arrival of new projects, some already being produced and others with beginning expectation to 2020.

The Company also showed an improvement at its gross margin, surpassing 3.1% to 7.7% from 2018 to 2019, and also an important positive impact at EBITDA, going from a negative 24.5% (R$ 85,090) in 2018 to a positive 16.5% (R$ 67,051) in 2019, especially as a result of the positive effect from the book register of the ICMS exclusion from the PIS/COFINS calculation base amounting net de R$ 85,282 (Nota 1), combined with a recover at the truck production volume and arrival of new business for the Company. Furthermore, the net income of the Company amounted a loss of R$ 6,825 in 2019, with R$ 257,254 in 2018 at the same period, change which is justified by the positive impacts of 2019 before mentioned and the monetary restatement concerning the below mentioned credit amounting net R$ 76,961.

Automotive Scenario	**SOURCE: ANFÁVEA – BRASIL**		
	2018	**2019**	**VAR. %**
VEHICLE PRODUCTION	2,880	2,945	2.3%
VEHICLE SALES	2,566	2,788	8.6%

The Company recorded an improvement when it comes to liquidity and capital structure, mainly due to success at renegotiating certain liabilities.

The year of 2020 must be characterized by restructuring challenges, with the continuous search for increasement of production volume and cash capacity building.

Investments

The Company has been keeping needed investments to serve the current production and the new contracts, celebrated, aiming improve the productivity and reduce the costs, amounting in 2019 R$ 9 million in “CAPEX” (R$ 3 million in 2018).

Human Resources

Concerning the country’s economic adversity, the Company keeps investing in professional development of its employees, with approximately 53.55 hours of learning and training per employee (in the last 12 months), focused in SENAI learning, internships, besides training with operational and technical development.

The Company ended the year of 2019 with a scenario of 1,801 employees (1,793 in 2018).

Relationship with Independent External Auditors

The audit jobs of financial statements were elaborated in accordance with the accounting practices established in Brazil by ERNEST & YOUNG Independent Auditors S.S.

We report that at the period of 2019, the Company hired, with its internal auditors, non-related external audit services amounting R$ 136.The Company policy and its controlled at hiring non-related external audit services is based on principles that preserve the independence of the external auditor, which are: the auditor must not audit its own work; the auditor must not exercise the role of managements of its client and the auditor must not advocate for its client.

The qualified directors declare that:

a) Revised, discussed and agreed with the expressed opinions at auditor’s opinion
b) Revised, discussed and agreed with the financial statements

Thanks

Once more we thank all of those who were present and supported us through the period of 2019, including our Employees, Customers, Suppliers, Shareholders, Financial Institutions, Members of the Management and Fiscal Board of the Company.

EBITDA and non-financial information included in this report, as well as resulting percentages, were not audited by our independent auditors.

Jundiaí, Mach 3, 2020

Management

Plascar Participações Industriais S.A.

Balance sheets
December 31, 2019 and 2018
(In thousands of reais)

	Company		Consolidated	
	2019	**2018**	**2019**	**2018**
Assets				
Current				
Cash and Equivalents	**29**	-	**17,383**	303
Accounts Receivable (Note 6)	**-**	-	**26,062**	12,326
Inventory (Note 7)	**-**	-	**44,439**	34,497
Taxes to Recover (Note 8)	**-**	-	**51,844**	807
Other Assets	**17**	16	**2,389**	6,906
	46	16	**142,117**	54,839
Non-Current Assets				
Receivable taxes (Note 8)	**-**	-	**132,957**	2,800
Judicial deposits	**-**	-	**4,792**	4,778
Investment property	**-**	-	**8,542**	-
Property, plant and equipment (Note 12)	**7**	7	**307,193**	358,154
Right of using assets (Note 13)	**-**	-	**35,766**	-
Other assets	**-**	-	**115**	12,685
	7	7	**489,365**	378,417
Total Assets	**53**	23	**631,482**	433,256

	Company		Consolidated	
	2019	**2018**	**2019**	**2018**
Liabilities and Equity				
Current				
Loans and financing (Note 14)	**-**	-	**35,296**	444,485
Lease liabilities (Note 13)	**-**	-	**17,562**	-
Suppliers	**-**	-	**22,313**	23,730
Taxes payables (Note 24)	**35**	17	**47,145**	42,721
Payroll and social charges (Notes 15 e 24)	**-**	-	**56,932**	42,077
Advanced from customers (Note 16)	**-**	-	**20,785**	96,348
Related parties (Note 10.b)	**-**	-	**6,160**	2,232
Provision for investment in controlled entities (Note 11)	**-**	504,388		
Other liabilities (Note 18)			**114,864**	112,726
	35	504,405	**321,057**	764,319
Non-Current				
Loans and financing (Note 14)	**-**	-	**100,162**	-
Lease liabilities (Note 13)	**-**	-	**42,736**	-
Related parties (Note 10.b)	**11,554**	9,923	**-**	-
Payroll obligations and social charges, payable (Notes 15 e 24)	**-**	-	**15,017**	5,047
Taxes payable (Note 24)	**-**	-	**116,286**	110,346
Deferred income tax and social contribution taxes (Note 9.a)	**-**	-	**18,501**	16,827
Provision for contingencies (Note 17.b)	**-**	-	**7,395**	5,940
Provision for investment's losses in subsidiary (Note 11)	**60,667**	-		
Other liabilities (Note 18)			**82,531**	45,638
	72,221	9,923	**382,628**	183,798
Total of liabilities	**72,256**	514,328	**703,685**	948,117
Shareholder's Equity (Note 19)				
Capital	**931,455**	481,972	**931,455**	481,972
Equity adjustments	**405**	1,158	**405**	1,158
Accumulated losses	**(1,004,063)**	(997,435)	**(1,004,063)**	(997,435)
	(72,203)	(514,305)	**(72,203)**	(514,305)
Non-controlling interest	**-**	-	**-**	(556)
Total of Shareholder's Equity	**(72,203)**	(514,305)	**(72,203)**	(514,861)
Total of liabilities and shareholder's equity	**53**	23	**631,482**	433,256

See accompanying notes.

Plascar Participações Industriais S.A.

Statements of income
Years ended in December 31, 2019 and 2018
(In thousand of reais, unless losses per share)

	Company		Consolidated	
	2019	**2018**	**2019**	**2018**
Operating net revenue (Note 21)	**-**	-	**407,550**	346,821
Cost of goods sold (Note 22)	**-**	-	**(376,247)**	(335,938)
Gross profit	**-**	-	**31,303**	10,883
Operating (expenses) and income				
Selling expenses (Note 22)			**(19,726)**	(20,353)
General and administrative expenses (Note 22)	**(1,639)**	(1,219)	**(62,989)**	(72,417)
Equity pickupl (Note 11)	**(5,207)**	(256,027)		
Other net operating (expenses) (Note 22)			**57,791**	(43,743)
	(6,846)	(257,246)	**(24,924)**	(136,513)
Income (loss) before finance result	**(6,846)**	(257,246)	**6,379**	(125,630)
Financial result				
Finance expenses (Note 23)	**(18)**	(8)	**(96,391)**	(130,929)
Finance income (Note 23)	**39**	-	**84,861**	2,788
	21	(8)	**(11,530)**	(128,141)
Loss before income and social taxes	**(6,825)**	(257,254)	**(5,151)**	(253,771)
Deferred income and social contribution taxes (Note 9.b)	**-**	-	**(1,674)**	(3,765)
	-	-	**(1,674)**	(3,765)
Loss for the year	**(6,825)**	(257,254)	**(6,825)**	(257,536)
Loss attributed to:				
Controling interest			**(6,825)**	(257,254)
Noncontrolling interest			**-**	(282)
			(6,825)	(257,536)
Loss per share				
Loss per share from operations attributable to the Company's shareholders during the year (in R$ per thousand shares)				
Basic loss per share (Note 20)			**(0.58)**	(51.76)
Diluted loss per share (Note 20)			**(0.37)**	(51.76)

See accompanying notes.

Plascar Participações Industriais S.A.

Statements of comprehensive income
Years ended in December 31, 2019 and 2018
(In thousand of reais)

	Company		Consoldated	
	2019	**2018**	**2019**	**2018**
Loss for the year	**(6,825)**	(257,254)	**(6,825)**	(257,536)
Total of comprehensive income statements of the period	**(6,825)**	(257,254)	**(6,825)**	(257,536)
Loss attributed to:				
Controlling shareholders	**(6,825)**	(257,254)	**(6,825)**	(257,254)
Non-controlling shareholders	**-**	-	**-**	(282)
	(6,825)	(257,254)	**(6,825)**	(257,536)

See accompanying notes.

Plascar Participações Industriais S.A.

Statements of changes in shareholder’s equity
Periods ended in December 31, 2018 and 2019
(In thousands of reais)

	Capital	Capital reserve Recognized options and actions to be granted	Equity adjustment	Accumulated losses	Total	Non-controlling interest	Total
Balance at December 31, 2017	481,972	22,269	7,717	(769,009)	(257,051)	(273)	(257,324)
Realization of cost attributed to the PP&E (Note 19.b.ii)	-	-	(621)	621	-	-	-
Deferred taxes on the realization of cost attributed to PP&E (Note 19.b.ii)	-	-	211	(211)	-	-	-
Realization of capital reserve - options to be grated (Note 19.b.i)	-	(22,269)	-	22,269	-	-	-
Pension plan income/attributed Cost - reclassification	-	-	(6,149)	6,149	-		-
Loss for the year				(257,254)	(257,254)	(282)	(257,536)
Balance at December 31, 2018	481,972	-	1,158	(997,435)	(514,305)	(556)	(514,861)
Capital increase (Note 19.a)	**449,483**	**-**	**-**	**-**	**449,483**	**-**	**449,483**
Realization of cost attributed to the PP&E (Note 19.b.ii)	**-**	**-**	**(298)**	**298**	**-**	**-**	**-**
Deferred taxes on the realization of cost attributed to PP&E (Note 19.b.ii)	**-**	**-**	**101**	**(101)**	**-**		**-**
Capital transactions with shareholders	**-**	**-**	**(556)**	**-**	**(556)**	**556**	**-**
Loss for the year	**-**	**-**	**-**	**(6,825)**	**(6,825)**		**(6,825)**
Balance at December 31, 2019	**931,455**	**-**	**405**	**(1,004,063)**	**(72,203)**	**-**	**(72,203)**

See accompanying notes.

Plascar Participações Industriais S.A.

Statements of cash flow - indirect method
Years ended December 31, 2018 and 2019
(In thousands of reais)

	Company		Consolidated	
	2019	2018	2019	2018
Cash flow from operating activities				
Loss for the year before income and social contribution taxes	**(6,825)**	(257,254)	**(5,151)**	(253,771)
Adjustments to reconcile loss to cash from (used in) operating activities:				
Depreciation (Note 12)	**-**	-	**41,469**	40,348
Amortization (Note 13)	**-**	-	**19,082**	-
Loss on disposal of PP&E	**-**	-	**186**	221
Impairment of PP&E (Note 12)	**-**	-	**17,955**	44,084
Interest and currency changes, net	**-**	-	**61,071**	124,407
Net tax credit recognized (Note 8)	**-**	-	**(168.067)**	-
Provision for contingencies (Note 17.b)	**-**	-	**9,947**	2,334
Equity pick-up (Note 11)	**5,207**	256,027	**-**	-
Constitution (reversal) of inventories reserve to market value and obsolescence (Notes 7)	**-**	-	**(3,485)**	(1,084)
Constitution (reversal) of allowance for doubtful accounts (Notes 6 and 22)	**-**	-	**(5,167)**	789
Other	**-**	-	**-**	(1,840)
	(1,618)	(1,227)	**(32.160)**	(44,512)
(Increase) decrease of asset accounts:				
Accounts receivable	**-**	-	**(8,568)**	13,518
Inventories	**-**	-	**(6,457)**	5,412
Taxes recoverable	**-**	-	**(54)**	(1)
Judicial deposits	**-**	-	**(14)**	-
Other net assets	**-**	-	**8,544**	(84)
Increase (decrease) in liabilities accounts:				
Suppliers	**-**	-	**(969)**	(27,650)
Payroll and social charges	**-**	-	**17,919**	9,579
Advances from customers	**-**	-	**(6,159)**	(4,134)
Taxes payable	**16**	(4)	**5,830**	(15,207)
Provision for contingencies (payments) (Note 17.b)	**-**	-	**(8,492)**	(6.030)
Other net liabilities accounts	**-**	-	**15,880**	68,698
Interest paid	**-**	-	**(13,923)**	-
Net cash used in operating activities	**(1,602)**	(1,231)	**(28,623)**	(411)
Cash flows for investment activities				
Acquisition of PP&E (Note 12.b)	**-**	-	**(8,649)**	(3,117)
Net cash used in investment activities	**-**	-	**(8,649)**	(3,117)
Cash flows for financing activities				
Loans and financing acquired	**-**	-	**66,582**	11,064
Payment of loans and financing (principal)	**-**	-	**(12,561)**	(10,534)
Net increase in loans receivable from related parties	**1,631**	1,220	**331**	2,173
Net cash generated by financing activities	**1,631**	1,220	**54,352**	2,703
Net increase (decrease) in cash and cash equivalents	**29**	(11)	**17,080**	(825)
Cash and cash equivalents at the beginning of the year	**-**	11	**303**	1,128
Cash and cash equivalents at the end of the year	**29**	-	**17,383**	303

See accompanying notes.

Plascar Participações Industriais S.A.

Statements of value added
Years ended in December 31, 2019 and 2018
(In thousands of reais)

	Company		Consolidated	
	2019	2018	2019	2018
Revenue				
Gross operating revenue, reduced form returns and discounts	**-**	-	**488,597**	430,491
Other revenues	**-**	-	**106**	96
Provision for doubtful accounts	**-**	-	**27**	-
	-	-	**488,730**	430,587
Purchases supplies				
Consumed raw materials	**-**	-	**(163,003)**	(139,214)
Materials, energy, third-party services and others	**(704)**	(555)	**(104,127)**	(102,642)
Provision for NRV and obsolence (Note 7)	**-**	-	**3,485**	1,084
	(704)	(555)	**(263,645)**	(240,773)
Gross added value	**(704)**	(555)	**225,085**	189,814
Depreciations and amortization (Note 22)	**-**	-	**(60,551)**	(40,348)
Net added value porduced by the Company	**(704)**	(555)	**164,534**	149,466
Addes value received form transfer				
Equity pickup (Note 11)	**(5,207)**	(256,027)	**-**	-
Finance income	**39**	-	**84,861**	2,788
IR/CS compensation in tax losses	**-**	-	**-**	(1,052)
Other revenues	**-**	-	**85,794**	471
	(5,168)	(256,027)	**170,655**	2,207
Total added value to distribute	**(5,872)**	(256,582)	**335,189**	151,673
Distribution of added value				
Personnel				
Salaries and remunerations	**552**	359	**124,706**	119,543
Social charges	**150**	122	**38,831**	43,089
Tax, charges and contributions				
Federal	**-**	-	**36,479**	43,116
State	**-**	-	**45,619**	43,705
Local	**233**	183	**1,077**	5,126
Remuneration of third-party capital				
Finance expenses	**18**	8	**95,302**	130,591
Rents, leases and others	**-**	-	**-**	24,039
Equity remuneration				
Loss for the year	**(6,825)**	(257,254)	**(6,825)**	(257,254)
Loss attributed to non-controlling shareholders	**-**	-	**-**	(282)
Total added value	**(5,872)**	(256,582)	**335,189**	151,673

See accompanying notes.

1. General information

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

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

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

After the completion of the financial restructuring of the Company and its subsidiary on January 31, 2019, Plascar S.A.'s controlling interest is now held by Pádua IV Participações S,A, with 59.99% interest in its capital; Permali do Brasil Indústria e Comércio Ltda, holds 18.44%, Postalis Instituto de Seguridade Social dos Correios e Telégrafos holds 7.12%, and other individual shareholders own 14.45%.

<u>Financial Situation</u>

In 2019, there was an increase in the production of vehicles of about 2.3%, when compared to the same period of 2018, according to the Brazilian Association of Motor Vehicle Manufactures (ANFAVEA), The Company’s net revenue had an increase of 17.5% when compared to the prior year.

The Company continues to adopt measures to increase revenue from new projects and to reduce its internal operating costs and to improve margin, also conducting constant price negotiations with customers for transferring of cost increases (labor, raw material etc.), proceeding with the Company's restructuring process.

In December 31, 2019, the Company presents excess of current liabilities over current assets amounting R$ 178,940 (R$ 709,480 in 2018) at consolidated, and negative equity in consolidating and individual amounting R$ 72,203, (R$ 514,305 in 2018).

1. General information (Continued)

Financial Situation (Continued)

Additionally, the Company presented a loss in the current period, maintaining an accumulated loss of R$ 1,004,063, in individual and consolidated.

Financial expenses numbers R$ 96,391 in 2019 (R$ 130,929 in 2018), The Company's management is taking actions in order to reduce the impact of this expenses in the Company's statement.

The Company formalized in 2017 the installment of its tax debts due through adherence to tax recovery programs disclosed at the State and Federal level (Note 24).

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

On January 31, 2019, according to Notice to Shareholders and Material Fact disclosed to the market, the company's share capital increase with payment through the use of credits held against Plascar Ltda., by private subscription, in the amount R$ 449,483, through the issuance of 7,455,251 common shares at the unit price of issue of R$ 60.29 per common share. After the capital increase, the Company's share capital, 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 completion of the Company's financial restructuring as of January 31, 2019, the Company's net worth and current liabilities were positively impacted at R$ 449,483, resulting from capital increase.

According to official data from ANFAVEA, vehicle production in 2020 points to an increase of 7.3%. The Company's management revised the projections considering the new projects for the manufacture of injected parts and estimates a recovery in sales volume in 2020 above that carried out in 2019.

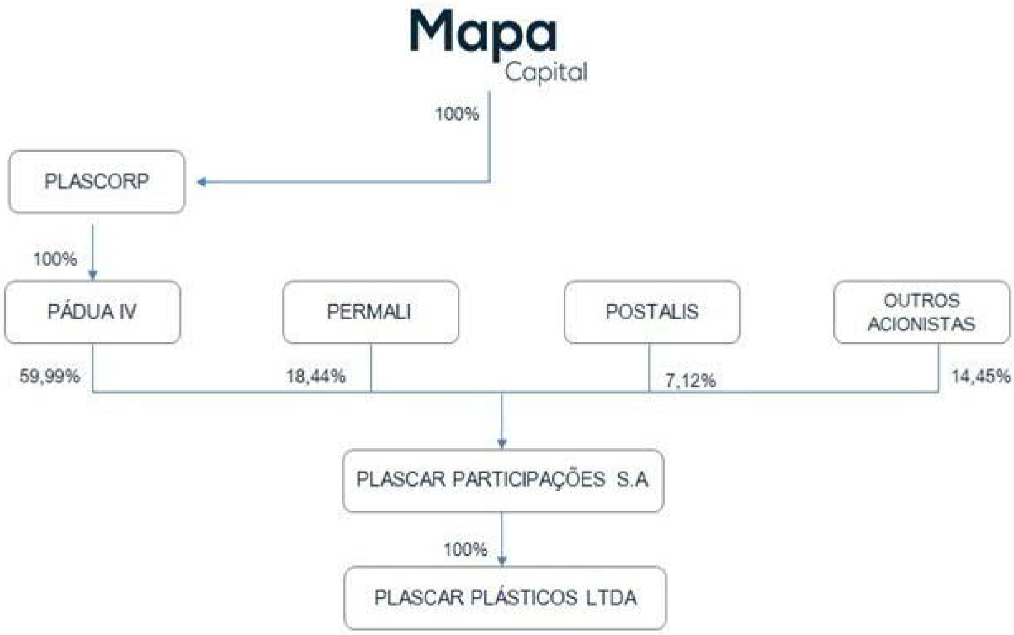
The emission of the accounting statements was authorized by the Board of Directors in March 3, 2020.

The Management continues to negotiate liabilities with various creditors in order to adjust them to the Company's cash generation capacity, in 2019 certain liabilities were renegotiated, which were now reposted as non-current, the reduction of liabilities was also negotiated, which should be reflected in future periods.

1. General information (Continued)

Financial Situation (Continued)

Below is the Corporate Structure, including with emphasis on the company's new controller - Pádua IV Participações S.A., after completion of the Company's restructuring plan and capital subscription.



2. Summary of the significant accounting policies

2.1. Preparation bases

The accounting statements were prepared as the Brazilian accounting rules including the pronouncements made by the Accounting Pronouncements Committee (CPC) and the international rules of financial report (*International Financial Reporting Standards* (IFRS), emited by the *International Accounting Standards Board* (IASB)), [1] and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"), implemented in Brazil through the Accounting Pronouncements Committee ("CPC") and their technical interpretations ("ICPC") and guidelines ("OCPC"), approved by the Securities and Exchange Commission ("CVM").

2. Summary of the significant accounting policies (Continued)

2.1. Basis of preparation (Continued)

The presentation of the Statement of Added Value (DVA), 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 demo. As a consequence, by IFRS, that statement is presented as additional information, without prejudice to all financial statements.

The main accounting policies aplicated to these accounting statements are below expressed. These policies were applied consistenly during the presented periods, unless another disposal.

The accounting statements were prepared considering the historical cost as value base and ajusted to reflect the cost atributted to lands and buildings at the IFRS/CPC transition date.

The prepare of the accounting statements requires using certain critical accounting estimates and also the exercise of judgement by the Company's management when enforcing the Comapny's accounting policies.

2.2. Consolidation

The Company consolidates the entity over wich it has control, in other words, when it is exposed or has rights of variable returns of its involvement with the invested ones and has the capacity to condut its relevant activities.

The following accounting policies are applicated at the elaboration of the consolidatede accounting statements.

a) Subsidiaries

Susidiaries are all the entities (including the structured entities), in which the Company has control, the controlled companies are total consolidated from the date when the control is transferred to the Company. The consolidation is interrupted from the date when the Company stops having control.

Other acquired identifiable assets and liabilities and contingence liabilities assumed for the acquisition of controlled entities in a mix of business are initially measured by the acquisition date's fair values.

2. Summary of the significant accounting policies (Continued)

2.2. Consolidation (Continued)

a) Subsidiaries (Continued)

The Company recognize the non-controlling participation in the acquired one, for its fair value as for the part of non-controlling participation in the fair values of net assets of the acquired one, the measurement of non-controlling is determined in each acquisition made, Acquisition related costs are accounted in the period’s result as incurred.

The Company’s consolidated accounting statements include Plascar Indústria de Componentes Plásticos Ltda’s accounting statements, “Plascar Ltda,”, which has participation of 100% in December 31 of 2019 and 99,89% in 2018.

Transactions, balances and earnings performed between firms of the Group are eliminated, The non-performed losses are also eliminated, unless the operation provides evidence of a loss (*impairment)* of the transferred asset, The accounting policies of the controlled entities are changed when necessary to assure the consistency with the adopted policies by the Company.

b) Transactions with non-controller’s interest

The Company deal with transactions with the participation of non-controllers as transactions with assets proprietaries of the Company. For acquiring non-controller’s holdings, the difference between any paid consideration charge and a acquired parcel of the accounting value of the net assets of the controlled one is registered in the Sharehoder’s Equity. The losses and gains over disposals for non-controller’s holdings are also registered directely in Shareholder’s Equity, at “non-controllers’ interest”.

c) Loss of control of Controlled ones

When the Company stops having control, any participation retained at the entity is remeasured to its fair value, having this change recognized in the result. The previously recognized values in other comprehensive incomes are reclassified to the result.

2.3. Demonstration of information by segments

The information by operational segments are presented consistenly with the intern report provided by the main operational decision maker. The main operational decision maker, responsable for allocating resources and avaliating the performance of the operational segments, is the Executive Board, also responsible for making strategicaly decisions for the Company, The Company concluded that only one segment is report susceptible.

2. Summary of the significant accounting policies (Continued)

2.4. Coverstion to foreign currency

a) Functional and reporting currency

The itens included in the accounting statements of each company of the Group are measured using the currency form the main economic eviorment in which the company operates (“functional currency”), The individual and consolidated accounting statements are presented in Brazilian Reais (R$), that is the Company’s functional currency and, also, the Company’s reporting currency.

b) Transactions and balances

The operations with foreign currecies are converted to the functional currecncy, using the current exhange rates of the transaction’s date or evaluation date, when the itens are remeasured.

The exhange gains and losses related to loans, cash and equivalentes are presented at the income statement as financial revenue or expense. Every other exhange gain or loss is presented at the income statement as “Other “net operating revenues (expenses)”.

2.5. Cash and cash equivalents

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

2.6. Financial Assets

2.6.1. Classification

At the inicial recognition, financial assets are classified and measured at: (i) amortized cost; (ii) fair value through comprehensive incomes; or (iii) fair value through profit or loss.

2. Summary of the significant accounting policies (Continued)

2.6. Financial Assets (Continued)

2.6.1. Classification (Continued)

A financial asse tis measured at the amortized cost if it satisfies both of the following conditions: (i) the asse tis kept inside a busines model with the aim of colecting contractual cash flows; and (ii) the contractual terms of the financial asset generate, at specific fates, cash flows that are just payments of the current principal and interests.

A financial asset is measured at its fair value by other comprehensive incomes it it satisfies both of the following conditions: (i) the asset is kept inside a business model which aim is completed when the colection of contractual cash flows as when financial assets are sold; and (ii) the contractual term of the financial asset generate, at specific dates, cash flows that represent payments of the current principal and interests.

All the other financial assets are classified and valued at the fair value through the income.

Additionally, at inicial recognition, the Company can, irrevocably, designate a financial asset, that satisfies the requirements to be valued at amortization cost, fair value through other comprehensive incomes or even at the same fair value through income. This designation has the aim to eliminate or reduce a possible accounting mismatch due to prodcued income by this asset.

2.6.2. Recognition and evaluation

Purchase and sales of financial assets are recognized at the negociation date. The investments are, inicially, recognized at the fair value, added by transaction’s cost to every financial asset not classified as fair value recognized at the income.

Financial assets at fair value recognized at income are, inicially, recognized at the fair value, and the transaction costs are deducted to the income statement at the period they occure.

The fair value of investments with public quotation is based by the current purchase price. If one financial asset’s market is not active, the Company establishes a fair value through avaliation tecnics. Those tecnics includ the use of recente operations hired form third-parties, the reference to other substancially equal instruments, the analysis of cash flows that are deduced and the precification modelo options, priveleginng Market informations and minimilizing the use of informations form the Management.

2. Summary of the significant accounting policies (Continued)

2.6. Financial Assets (Continued)

2.6.3. Recoverable value (impairment) of financial assets - assets evalued at he amortization cost

The Company measures at each report ending period if there is any objective evidence that a financial xasset or group of financial assets are deteriorating. The criterious used by the Company to determine if there is objective evidence for loss by impairment include: (i) Significant financial hardship from the emitting or borrower; (ii) a breach of contract, as failure to pay or delay in payment of principal or interest (iii) probability of the borrower declair failure or financial recognition; and (iv) extinction of the active market form that financial asset due to financial issues.

2.6.4. Derecognition of financial assets

A financial asset (or, when it’s the occasion, a part of a financial asset or part of a group of similar financional assets) is writte-off almostly when: (i) the rights to receive cash flows expire; and (ii) the Company trasfered its rights to receive cash flows of the asset or took on na obligation to fullfuy pay the received cash flows, without significant delay, to a third-party by a “repassing” agreement, or (b) the Company haven’t transferred or retained substancially every risk and benefits related to the asset, however trasnfered its control over the asset.

When the Company has transfered its rights to receive cash flows form na asset, or has executed na agreement of repassing and hasn’t substantially transfered or retained every related risk and benefit, na asse tis recognized at the continuous extension of this asset with the Company.

2.7. Financial Liabilities

2.7.1. <u>Recognition and evaluation:</u>

A financial asse tis classified and evaluated by its fair value through the income in case it is defined as kept for negociation or designated like that at the moment of the initial recognition. Transaction costs are recognized in the income statement as incurred. These financial liabilities are measured at fair value and any changes in fair value, including gains with interest and dividends, are recognized in the income for the year.

The Company's financial liabilities, which are initially recognized at fair value, include trade accounts payable and other accounts payable, loans and financing.

2. Summary of the significant accounting policies (Continued)

2.7. Financial Liabilities (Continued)

2.7.2. Subsequent measurement:

After initial recognition, loans and financing, suppliers and accounts payable are subsequently measured at amortized cost, using the effective rate method.

2.7.3. Loan costs:

Loan costs attributed to the acquisition, construction or production of an asset that necessarily requires a substantial period of time to be ready for its intended use or sale are capitalized as part of the cost of these assets. Loan costs are interest and other costs which the Company incurs in connection with fundraising.

2.7.4. Desrecognition of financial liabilities

A financial liability is written off when the obligation is revoked, canceled or expires. When an existing financial liability is replaced by another from the same lender with substantially different terms, or the terms of an existing liability are significantly changed, that replacement or change is treated as write-off of the original liability and recognition of a new liability, the difference in the corresponding book values being recognized in the income statement.

2.8. Derivative financial instruments and hedge

The Company does not use derivative financial instruments, nor hedge activities.

2.9. Accounts receivable

Accounts receivable from customers correspond to amounts receivable for the sale of goods in the normal course of the Company's activities. If the receipt period is equivalent to one year or less, accounts receivable is 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 the estimated loss for doubtful accounts (“PECLD” or impairment).

(In thousands of reais, unless otherwise stated)

2. Summary of the significant accounting policies (Continued)

2.10. Inventory

Inventories are stated at cost or net realizable value, whichever is less. The inventory valuation method is the weighted moving average, the cost of finished products, products in preparation and tooling comprises the costs of the project, raw materials raw materials, direct labor, other direct costs and the corresponding direct production expenses (based on normal operating capacity), excluding borrowing costs, when applicable. The net realizable value is the estimated selling price in the course business, minus estimated completion costs and costs required to make the sale.

2.11. Property, plant and equipment

Property, plant and equipment are considered to be the basis of value and have been adjusted to reflect the assigned cost of land and buildings on the date of transition to IFRS and CPC. attributable to the acquisition of the items and also includes financing costs related to the acquisition of qualified assets, when 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 these costs can be reliably measured, the carrying amount of replaced items or parts is written off. All other repairs and maintenance are charged against 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 follows:

	Years
Buildings	25 a 50
Machinery	8 a 25
Moulds	11 a 15
Furniture and fixture	10 a 15
Vehicles	5 a 6
IT equioment	5 a 6

The residual values and useful lives of assets are reviewed and adjusted, if appropriate, at the end of each year.

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 2.12).

2. Summary of the significant accounting policies (Continued)

2.11. Property, plant and equipment (Continued)

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

2.12. Impairment of non-financial assets

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 carrying amount of the asset exceeds its recoverable amount, which represents the highest value between the fair value of an asset less its costs of sale and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (Generating Units (UGCs)), Non-financial assets, except goodwill (Goodwill), which have been adjusted for impairment are subsequently reviewed for the analysis of a possible reversal of impairment on the balance sheet date.

2.13. Accounts payable to suppliers

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.

2.14. 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 raised (net of transaction costs) and the total amount payable is recognized in income statement during the period when the loans are open, using the effective interest rate method.

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

2. Summary of the significant accounting policies (Continued)

2.14. Loans and financing (Continued)

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

2.15. Provisions

Provisions for lawsuits (labor, civil and tax) are recognized when: (i) the Company has a present or non-formalized obligation (constructive obligation) as a result of events that have already occurred; (ii) it is probable that an outflow of funds will be necessary 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 expenses that must be required to settle the obligation, using a rate before tax effects, which reflects current market assessments of the value of money over time and the specific risks of the obligation. obligation due to the passage of time is recognized as a financial expense.

2.16. Deffered Income and social contribution taxes

Income tax and social contribution expenses for the period comprise current and deferred taxes. Income taxes are recognized in the income statement, except to the extent that they relate to items recognized directly in equity or comprehensive income. In this case, the tax is also recognized in equity or comprehensive income.

Current and deferred income tax and social contribution charges are calculated based on tax laws enacted, or substantially enacted, on the balance sheet date of the countries in which the Company's entities operate and generate taxable income. Management periodically evaluates the positions taken by the Company in calculating income taxes in relation to situations in which the applicable tax regulations give rise to interpretations; and establishes provisions, when appropriate, based on estimated amounts of payment to tax authorities.

Income tax and current social contribution are shown net, by taxpayer entity, in liabilities when there are amounts to be paid, or in assets when the amounts paid in advance exceed the total due on the reporting date.

2. Summary of the significant accounting policies (Continued)

2.16. Deffered Income and social contribution taxes (Continued)

Deferred income tax and social contribution are recognized using the liability method on temporary differences arising from differences between the tax bases of assets and liabilities and their book values in the financial statements. However, income tax and contribution Deferred social charges are not accounted for if they result from the initial recognition of an asset or liability in an operation that is not a business combination, which, at the time of the transaction, does not affect the accounting result, nor the taxable profit (tax loss).

Deferred income tax and social contribution assets are recognized only to the extent that it is probable that future taxable income will be available and against which temporary differences can be used.

Deferred income taxes are recognized on temporary differences arising from investments in subsidiaries, except when the timing of the reversal of temporary differences is controlled by the Company, and provided that it is probable that the temporary difference will not be reversed in the foreseeable future.

Thus, deferred tax assets and liabilities in different entities or in different countries, are generally presented separately, and not net.

2.17. Employees benefits

Profit sharing

The Company recognizes a liability and an expense for profit sharing based on methodology, which takes into account the profit attributed to the Company's shareholders after certain adjustments. The Company recognizes a provision when it is contractually obligated or when there is a previous practice that has generated a contructive obligation.

2.18. Shareholder’s Equity

Common shares are classified in equity.

Incremental costs directly attributable to the issuance of new shares or options are shown in equity as a deduction from the amount raised, net of taxes.

2. Summary of the significant accounting policies (Continued)

2.19. 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 shown net, of taxes, returns, rebates and discounts, as well as eliminations of sales between companies. of the Group.

The Company recognizes revenue when the amount of revenue can be reliably measured, it is likely 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 distinct 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 variable consideration, the existence of significant financing components, non-monetary consideration and consideration due to the customer (if any).

a) Sale of products

The Company manufactures and sells parts and parts related to the internal and external finishing of motor vehicles. Sales of products are recognized whenever a Group company delivers products to the buyer, The Company and its subsidiaries evaluate revenue transactions according to specific criteria to determine whether you are acting as an agent or principal and, in the end, you have concluded that you are acting as principal in all of your revenue contracts.

b) Sale of tooling

The Company develops and sells tooling for the injection of plastic parts according to the technical specification of the order and model of the vehicle, according to the automaker's project. During the development, advances occur by the automakers to support the resources spent, tooling is linked to the supply of parts, sales of tooling are recognized when the project is in production and approved by the assembler. The automaker, in turn, issues a lending contract authorizing the use of the tooling, since it if it belongs to your property.

c) Financial revenue

Financial revenue is recognized by the deadline from the competence regime using the effective rate method.

2. Summary of the significant accounting policies (Continued)

2.20. Investment properties

Properties for investment are measured at cost, including transaction costs. The book value includes the cost of replenishing part of an existing investment property at the time the cost is incurred if the recognition criteria are met, excluding the costs of the daily service of the property for investment.

Properties for investment are downloaded when sold (that is, on the date the recipient gets control) or when the property for investment is no longer permanently used and no future economic benefit of its sale is expected. The difference between the net value obtained from the sale and the book value of the asset is recognized in the income statement in the retirement period.

Transfers are made to the property account for investment, or from this account, only when there is a change of use. If ownership occupied by owner becomes a property for investment, the Company counts that property according to the policy described in the asset item up to the date of change of use.

2.21. Adjustment to present value of assets and liabilities

The adjustment to present value of short-term monetary assets and liabilities is calculated, and only recorded, if considered relevant in relation to the financial statements taken as a whole. For purposes of registration and determination of relevance, the adjustment to present value is calculated taking into account taking into account contractual cash flows and the explicit, and in some cases implicit, interest rate of the respective assets and liabilities. Based on the analyzes carried out and management's best estimate, the Company concluded that the adjustment to present value of assets and liabilities current monetary values is irrelevant in relation to the financial statements taken as a whole and, therefore, did not record any adjustments.

2.22. Earnings per share

The Company calculates profit per Lot of one thousand shares, using the weighted average number of total common shares outstanding during the period corresponding to the result, according to technical pronouncement CPC 41 (IAS 33).

2. Summary of the significant accounting policies (Continued)

2.23. Added value statement ("DVA")

This statement is intended to show the wealth created by the Company and its distribution during a certain period and is presented by the Company, as required by Brazilian corporate law, as part of its individual financial statements and as information supplement to the consolidated financial statements, as it is not a predicted or mandatory statement under IFRS.

2.24. Revised or New Pronouncements applied for the fist time in 2019

The Company first applied CPC 06 (R2)/IFRS 16, Leases, in force for annual periods started on January 1, 2019 or after this date. The nature and impact of changes resulting from the adoption of this new standard is described in Note 13.

Other standards and interpretations apply for the first time in 2019, but do not, however, have any impacts on the Company's individual and consolidated financial statements. The Company has decided not to adopt any other standard, interpretation or alteration so that have been issued in advance, but not yet in force.

2.25. New accounting standards adopted

The new and amended rules and interpretations issued, but not yet in force until the date of issue of the Company's individual and consolidated financial statements, are described below. The Company intends to adopt these new and amended rules and interpretations, if appropriate, when they enter into force.

a) <u>CPC 11 - Insurance Contracts:</u>

In May 2017, the IASB issued IFRS 17 - Insurance Contracts (a standard not yet issued by the CPC in Brazil, but which will be encoded as CPC 50 Insurance Contracts and will replace CPC 11 - Insurance Contracts), a new comprehensive accounting standard for insurance contracts that will be codified as CPC 50 Insurance Contracts and will replace CPC 11 - Insurance Contracts), a new comprehensive accounting standard for insurance contracts that will be codified includes recognition and measurement, presentation and dissemination. Once it comes into force, IFRS 17 will replace IFRS 4 - Insurance Contracts (IFRS 4) issued in 2005. IFRS 17 applies to all types of insurance contract (such as life, elementary branches, direct and reinsurance insurance), regardless of the type of entity that emits them, as well as certain guarantees and financial instruments with characteristics of discretionary participation.

2. Summary of the significant accounting policies (Continued)

2.25. New accounting standards adopted (Continued)

b) Changes to CPC 15 (R1): Business definition:

In October 2018, the IASB issued changes to the business definition in IFRS 3, and these changes are reflected in REVISION 14 of the CPC, changing CPC 15 (R1) to help entities determine whether or not an acquired set of activities and assets consists of a Business. They clarify the minimum requirements for a company, eliminate the assessment of whether market participants are able to replace any missing element, include guidance to help entities assess whether an acquired process is substantive, better delimit business and product definitions and introduce an optional fair value concentration test. New illustrative cases were provided along with the changes. Because the changes apply prospectively to transactions or other events that occur on the date or after the first application, the Company will not be affected by these changes on the date of transition.

c) Changes to CPC 26 (R1) and IAS 8: Definition of material omission:

In October 2018, IASB issued amendments to IAS 1 and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, and these changes reflected in CPC review 14, changing CPC 26 (R1) and CPC 23 to align the default definition across all standards and in training is material if its omission, distortion or obscuring can reasonably influence decisions that the main users of the general purpose financial statements make on the basis of these financial statements, which provide information financial statement on the entity's specific report. These changes are not expected to have a significant impact on the Company's individual and consolidated financial statements.

3. Significant accounting estimates and judgments

Accounting estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.1. Critical accounting estimates and assumptions

Based on assumptions, the Company prepares future estimates. By definition, resulting accounting estimates rarely correspond to actual results. Estimates and assumptions with significant risk and which are likely to cause a significant adjustment to the book values of assets and liabilities for the subsequent fiscal year are as follows:

3. Significant accounting estimates and judgments (Continued)

3.1. Critical accounting estimates and assumptions (Continued)

a) Income and social contribution taxes and other taxes

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

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

b) Impairment of non-financial assets

The assets subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that their carrying value may not be recoverable. An impairment loss is recognized whenever the asset's carrying value exceeds its recoverable amount, i.e. the higher of an asset's fair value less costs to sell and its value in use. For impairment testing purposes, assets are grouped at the lowest levels for which there are separately identifiable cash flows (i.e., Cash Generating Units - CGU) as presented in Note 12.

4. Financial risk management

4.1. Financial risk factors

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

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

(In thousands of reais, unless otherwise stated)

4. Financial risk management (Continued)

4.1. Financial risk factors (Continued)

a) Market risk

i) *Currency risk*

The Company operates globally and is exposed to currency risk arising from exposures to certain currencies, basically in relation to the U.S. dollar. Currency risk arises from trading transactions, assets and liabilities.

At December 31, 2019 and 2018, the Company has assets and liabilities in foreign currency arising from import, export and intercompany loan transactions, as follows:

	Consolidated	
	2019	**2018**
Trade accounts receivable (Note 6)	**6,067**	5,705
Trade accounts payable	**(194)**	(196)
Net exposure	**5,873**	5,509

At December 31, 2019 and 2018, the Company had no derivative financial instrument transactions demanding currency risk management.

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

The Company has no significant interest-bearing assets.

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

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

(In thousands of reais, unless otherwise stated)

4. Financial risk management (Continued)

4.1. Financial risk factors (Continued)

a) Market risk (Continued)

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

	Impact on profit or loss for the period (1)		
Financial liabilities	**Scenario I Probable**	**Scenario II +25%**	**Scenario III +50%**
CDI	4.40%	5.50%	6.60%
Loans and financing	(6,299)	(7,211)	(8,116)

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

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

Sensitivity analyses have been prepared based on net debt and fixed interest rate in relation to floating interest rates at December 31, 2019.

b) Credit risk

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

The possibility of the Company and its subsidiaries incurring losses in view of financial problems with their OEM customers is immaterial, due to such customers' profile (automakers and other companies operating worldwide). At December 31, 2019 and 2018, the Company and its subsidiaries did not have significant balances receivable from customers of the DSH sector.

The Company also works with non-automotive segment, which represents less than 10% of its total revenue. The credit risk for this segment, although managed, is higher comparing with "OEM" and "DSH" clients, for having higher exposition.

4. Financial risk management (Continued)

4.1. Financial risk factors (Continued)

b) Credit risk (Coneinud)

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

c) Liquidity risk

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

The cash surplus kept by operating entities, if any, in addition to the required balance for managing working capital, is transferred to the Company's Treasury. The Treasury department invests the cash surplus in interest-yielding bank accounts, time deposits, short-term deposits and marketable securities, choosing instruments with adequate maturities or enough liquidity to provide sufficient margin as determined by the abovementioned forecasts. At the statement of financial position date, the Company held short-term funds amounting to R$ 3,552, which are expected to readily generate cash inflows to manage liquidity risk.

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

(In thousands of reais, unless otherwise stated)

4. Financial risk management (Continued)

4.1. Financial risk factors (Continued)

c) Liquidity risk (Continued)

	Consolidated				
	Within 3 months	**From 4 to 12 months**	**From 1 to 5 years**	**Over 5 years**	**Total**
at December 31, 2019					
Loans and financing	**18,981**	**16,315**	**64,453**	**35,709**	**135,458**
Lease of Liabilities	**4,391**	**13,171**	**42,736**	**-**	**60,298**
Trade accounts payable	**22,313**	**-**	**-**	**-**	**22,313**
Payables to related parties	**6,160**	**-**	**-**	**-**	**6,160**
Other liabilities	**112,482**	**5,947**	**75,140**	**3,826**	**197,395**
	164,327	**31,868**	**185,894**	**39,535**	**421,624**

	Within 3 months	**From 4 to 12 months**	**From 1 to 5 years**	**Over 5 years**	**Total**
at December 31, 2018					
Loans and financing	373,917	24,073	45,574	921	444,485
Trade accounts payable	23,689	41	-	-	23,730
Payables to related parties	2,232	-	-	-	2,232
Other liabilities	100,473	12,453	44,538	900	158,364
	500,311	36,567	90,112	1,821	628,811

4.2. Capital management

The primary objective of the Company's capital management is to ensure its ability to continue as a going concern, in order to generate returns to shareholders and benefits to other stakeholders, in addition to maintaining an ideal capital structure to reduce such cost.

	Consolidated	
	2019	**2018**
Total loans (Note 14)	**135,458**	444,485
Less: Cash and cash equivalents	**(17,383)**	(303)
Net debt	**118,075**	444,182
Total equity	**(72,203)**	(514,861)
Total capital	**45,872**	(70,679)
Financial leverage ratio - %	**-**	-

Capital is not managed at the level of the Parent Company, only at the consolidated level.

(In thousands of reais, unless otherwise stated)

4. Financial risk management (Continued)

4.3. Fair value estimation

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

	2019		2018	
	Book value	**Fair value**	**Book value**	**Fair value**
Loans and financing (Note 14)				
Working capital - local currency	**135,458**	**135,458**	321,800	306,173
Finame	**-**	**-**	122,685	122,685
	135,458	**135,458**	444,485	428,858

5. Financial instruments by category

The classification of the Company's consolidated financial instruments by category at each date below is as follows:

a) Amortized cost

	2019	2018
Assets as reported in the statement of financial position		
Cash and cash equivalents	**17,383**	303
Trade accounts receivable	**26,062**	12,326
Judicial deposits	**4,792**	4,778
Other assets	**2,389**	6,906
	50,626	24,313

b) Fair value through profit or loss

	2019	2018
Liabilities as per statement of financial position		
Trade accounts payable	**22,313**	23,730
Loans	**135,458**	444,485
Lease of Liabilities	**60,298**	
Related parties	**6,160**	2,232
Other liabilities	**197,395**	158,364
	421,624	628,811

(In thousands of reais, unless otherwise stated)

5. Financial instruments by category (Continued)

Parent Company

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

6. Trade accounts recceivable

	Consolidated	
	2019	**2018**
Third parties - domestic	**25,173**	17,272
Third parties - foreign (Note 4.1)	**6,067**	5,705
Accounts receivable - tooling (domestic)	**851**	545
Provision for impairment - doubtful accounts	**(6,029)**	(11,196)
	26,062	12,326

For the periods ended December 31, 2019 and 2018, the changes in the allowance for estimated credit losses were as follows:

	2019	**2018**
Opening balance	**(11,196)**	(10,407)
(Increase) decrease in the allowance	**5,167**	(789)
Closing balance	**(6,029)**	(11,196)

At December 31, 2019 and 2018, the aging list of accounts receivable was as follows:

	2019	**2018**
Falling due	**23,882**	10,640
Overdue:		
From 1 to 30 days	**1,647**	1,466
From 31 to 60 days	**189**	90
From 61 to 90 days	**43**	36
Over 90 days	**6,330**	11,290
	8,209	12,882
Total	**32,091**	23,522

(In thousands of reais, unless otherwise stated)

6. Trade accounts recceivable (Continued)

The Company's policy for allowance for doubtful accounts considers balance outstanding for over 90 days. Balance overdue for more than 90 days, not accrued at December 31, 2019, net of allowance for estimated credit losses, refers to sales of tools, for which management does not expect to record losses.

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

7. Inventory

	2019	2018
Finished goods	**3,446**	4,654
Work in process	**8,307**	8,770
Raw materials	**16,240**	19,737
Import in transit	**1,690**	1,632
Maintenance and auxiliary materials	**1,396**	1,909
Tools and molds in progress intended for sale	**15,489**	3,302
Advances to suppliers	**80**	187
Provision for market value adjustment and inventory obsolescence	**(2,209)**	(5,694)
	44,439	34,497

For the periods ended December 31, 2019 and 2018, the changes in provision for market value adjustment and inventory obsolescence were as follows:

	2019	2018
Opening balance	**(5,694)**	(6,778)
Reversal of provision	**5,439**	5,419
Increase in provision	**(1,954)**	(4,335)
Net decrease (Note 22)	**3,485**	1,084
Closing balance	**(2,209)**	(5,694)

(In thousands of reais, unless otherwise stated)

8. Taxes recoverable

	2019	2018
Tax credit exclusion of ICMS over PIS/COFINS tax basis (1)	**181,140**	-
State VAT (ICMS) on PP&E – CIAP	**865**	887
RURALI (Note 17)	**2,237**	2,237
Other	**559**	483
	184,801	3,607
Current	**51,844**	807
Noncurrent	**132,957**	2,800
	184,801	3,607

(1) Credit Exclusion of ICMS from the calculation basis of PIS / COFINS - Accounting record transit on trial.

The Company informs that, in 2010, it distributed A Warrant of Security aiming at the exclusion of ICMS from the calculation bases of PIS and COFINS. In September 2017, the Company obtained a favorable decision at first instance and, in October 2019, obtained a new favorable sentence in a recursal degree (STF). In the same act, the trial of the proceedings occurred. In view of this, the Company initiated a procedure for surveying amounts unduly paid from 2005 onwards and claiming its respective reimbursement. The Company reliably found and measured its values.

On August 19, 2019, the Company obtained a favorable judgment for the use of ICMS highlighted in invoices for the calculation of 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 the tax collection to be recovered in the balance sheet to compensate with current taxes administered by the Brazilian Federal Revenue Service in future periods. The main value of the credits, net of the successful fees of lawyers, was recognized as other operating revenues and the value of the monetary update was recognized under the financial revenue item in the statement of the result of the year.

The approval and qualification of R$ 123,396 related to the part of said credit with the Brazilian Federal Revenue Service for future tax compensation, occurred on January 3, 2020, and the remaining amount of the credit in the amount of R$ 55,673 will be the subject of analysis by the Brazilian Federal Revenue Service for restitution or future compensation of previously installment taxes.

From the informed balance of Tax obligations (note 24), the Company compensated in January 2020 the approximate amount of R$ 22,959.

(In thousands of reais, unless otherwise stated)

9. Income and social contribution taxes

The income and differed social taxes are valued by the tax losses of the Income Tax. The negative base of social charges and the temporary corresponded diferences between the evaluaton basis over assets and liabilities and the accounting statements values. The tax rates, currently being defined to differed taxes, are 25% to Income tax and 9% for social charges.

Deferred tax assets, when applicable, are recognized to the extent that it is probable that future taxable profit will be available to be used to offset temporary differences / tax losses, based on projections of future results prepared and based on internal assumptions and scenarios. future economic conditions that may therefore change.

a) Composition of deferred income tax and social contribution

	Consolidated	
	2019	**2018**
Liabilities:		
PP&E - deemed cost (1)	**(495)**	(597)
Depreciation - economic useful life review (2)	**(18,006)**	(16,230)
	(18,501)	(16,827)

(1) Refers to deferred taxes calculated on the cost attributed to property, plant and equipment resulting from the accounting of their fair value in the initial adoption of CPC 27 (IAS 16).

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

Plascar S.A., parent company of Plascar Ltda., has income and social contribution tax losses of R$ 55,705 and R$ 66,707, respectively (R$ 54,524 and R$ 65,526 at December 31, 2018, respectively). Plascar Ltda. has income and social contribution tax losses amounting to R$ 853,202 and R$ 848,146, respectively (R$ 728,880 and R$ 723,824 at December 31, 2018, respectively) on which deferred tax assets were not recognized in full, as determined by CVM Rule No. 371.

b) Reconciliation of income tax and social contribution expenses

	Consolidated	
	2019	**2018**
Loss before income tax and social contribution	**(5,151)**	(253,771)
Income tax and social contribution at current rates (34%)	**1,751**	86,282
Adjustments for the effective rate statement:		
Tax effect on tax loss and negative basis for the year not recognized (1)	**(3,425)**	(88,758)
Use of tax loss carryforwards and CSLL negative basis Law 13,496 / 17 (Note 24)	**-**	(1,289)
Deferred income tax and social contribution expense,	**(1,674)**	(3,765)

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

(In thousands of reais, unless otherwise stated)

9. Income and social contribution taxes (Continued)

c) Changes in deferred tax liabilities

	Consolidated
	Liability
Balance in December 31, 2018	(16,827)
Deferred taxes on realization of the cost attributed to property, plant and equipment resulting from the depreciation and write-off of these assets	102
Deferred taxes on difference in depreciation	(1,776)
Balance in December 31, 2019	(18,501)

10. Related parties

a) Key management personnel compensation

The compensation of the Board of Directors and Supervisory Board members comprises fixed compensation defined at Annual General Meeting, which is paid on a monthly basis.

The compensation of the Company's and its subsidiaries' senior management consists of fixed compensation, variable compensation based on goals and fringe benefits.

For the periods ended in December 31, 2019 and 2018, total key management personnel compensation was as follows:

	2019	**2018**
Fixed compensation (1)	**(6,289)**	(18,870)
Management fees	**(6,289)**	(18,870)

(1) It refers to salaries and compensation to management, in addition to vacation pay, 13th monthly salary, private pension and social charges (contribution to social security - INSS, FGTS and others), including rescission of ex management members of 2018

b) Related parties

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

(In thousands of reais, unless otherwise stated)

10. Related parties (Continued)

b) Related parties (Continued)

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

Significant balances of assets and liabilities at December 31, 2018 and 2019, as well as transactions that had an impact on profit or loss, are as follows:

	Individual		Consolidated	
	2019	2018	2019	2018
Current liabilities				
Intercompany loan agreement:				
W&L Ross & Co., LLC	-	-	3,742	-
Permali do Brasil Ind. e Com. Ltda.	-	-	2,418	2,232
	-	-	6,160	2,232
Non-current liabilities				
Loan agreement				
Plascar Ltda.	11,554	9,923	-	-
	11,554	9,923	-	-

The intercompany loan agreement between the Company (lender) and Plascar Ltda. (borrower) is exceptionally not subject to finance charges, as the Company is the direct owner of 100% of Plascar Ltda. capital. This is the only intercompany loan agreement in which the lender is a non-operating company that holds direct interest of approximately 100% of the borrower's capital, a circumstance that justifies not charging interest. This agreement was entered into on May 31, 2000 for an indefinite period of time to adjust the cash flow of Plascar Ltda.

The intercompany loan agreement between Permali do Brasil Indústria e Comércio Ltda. (lender) and Plascar Ltda. (borrower) bears monthly interest of 0.8% and has an indefinite maturity date. This agreement was entered into on March 31, 2009 to adjust the cash flow of Plascar Ltda.

(In thousands of reais, unless otherwise stated)

11. Provision for investment losses in subsidiary

Changes in investments are as follows:

	2019	2018
Opening balance	**(504,388)**	(248,361)
Noncontrolling interests (absorption)	**(555)**	-
Capital subscription in January 2019 (Note 1)	**449,483**	-
Interest in the losses of subsidiaries	**(5,207)**	(256,027)
Closing balance	**(60,667)**	(504,388)

Relevant information referring to Plascar Ltda. is as follows:

	2019	2018
Capital	**838,565**	389,082
Total units of interest	**838,565,144**	389,082,159
Units of interest owned	**838,565,144**	388,654,169
Ownership interest	**100%**	99.89%
Subsidiary’s equity	**(60,667)**	(504,944)
Equity interest in Plascar S.A.	**(60,667)**	(504,388)
Net loss for the period/year	**(5,207)**	(256,309)
Equity pickup	**(5,207)**	(256,027)

12. Property, plant and equipment

a) <u>Breakdown</u>

		Consolidated			
	Annual depreciation rate (%)	2019			2018
		Cost	Depreciation	Net	Net
Buildings	2 a 4	**10,666**	**(2,305)**	**8,361**	7,305
Machinery and equipment	4 a 13,79 (1)	**839,136**	**(529,379)**	**309,757**	341,952
Provision for impairment machinery and equipment		**(23,611)**	**5,656**	**(17,955)**	-
Moulds	6 a 21	**46,852**	**(46,215)**	**637**	1,952
Furniture and fixtures	6 a 10	**12,681**	**(11,403)**	**1,278**	1,674
Vehicles	18,57 a 20	**4,437**	**(3,936)**	**501**	544
IT equipments	15 a 33	**3,526**	**(3,000)**	**526**	416
Replacement parts and materials		**4,006**	**-**	**4,006**	4,235
Advances to suppliers		**44,166**	**-**	**44,166**	44,160
Provision for impairment advances (2)		**(44,084)**	**-**	**(44,084)**	(44,084)
		897,775	**(590,582)**	**307,193**	358,154

(In thousands of reais, unless otherwise stated)

12. Property, plant and equipment (Contiued)

a) Breakdown (Continued)

(1) Weight avarege rate of 7.82%

The amount of R$ 40,762 (2018 - R$ 39,763) referring to depreciation expenses was recognized in profit or loss in "Cost of sales", R$ 138 (2018 - R$ 189) in "Selling Expenses" and R$ 569 (2018 - R$ 396) in "Administrative Expenses".

(2) Suppliers are referring to advances to suppliers for the acquisition of machinery and equipment to expand the operational and productive capacity of the Company's industrial units, carried out between 2010 and 2011 for sandretto and financed from BNDES through the FINAME/PSI program in the amount of R$ 44,084. Of the amount recorded as of December 31, 2018, R$ 36,548 was anticipated by financial institutions and R$ 7,536 in advance to the supplier with own resources. The Company, after being held analysis with its legal advisors, decided to record a loss on the total open amount, in the amount of R$ 44,084, in 2018. The Company has adopted all possible legal measures and will continue to seek its rights through legal law. However, the Company considers it unlikely to receive these assets in the short term, although the lawsuit remains ongoing.

In 2019 the Company recorded impairment of R$ 17,955 for machines and equipment identified as non-operational in the period. The Company is raising with its technical staff the necessary investments and feasibility to adapt part of these equipment to production.

b) Changes in cost

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

(In thousands of reais, unless otherwise stated)

12. Property, plant and equipment (Contiued)

b) Changes in cost--Continuação

	Consolidated				
		Period ended in December 31, 2019			
	Opening balance	Additions	Write-offs	Transfers	Closing balance
Buildingd	9,352	189	-	(179)	9,362
Machinery and equipment	834,108	2,783	(449)	(1,037)	835,405
Moulds	49,355	-	(989)	1,079	49,445
Furniture and fixtures	13,274	13	(93)	238	13,432
Vehicles	4,475	71	(93)	(3)	4,450
IT equipment	5,984	255	(2,897)	(107)	3,235
Replacement parts and materials	4,191	43	(8)	9	4,235
Advances to suppliers	44,397	(237)	-	-	44,160
Provison for impairment Advances	-	-	(44,084)	-	(44,084)
	965,136	3,117	(48,613)	-	919,640

c) Changes in depreciation

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

(In thousands of reais, unless otherwise stated)

12. Property, plant and equipment (Contiued)

c) Changes in depreciation (Continued)

	Consolidated				
		Period ended in December 31, 2019			
	Opening balance	Additions	Write-offs	Transfers	Closing balance
Buildings	(1,173)	(228)	-	(656)	(2,057)
Machinery and equipment	(458,725)	(37,482)	292	2,462	(493,453)
Molds	(45,450)	(1,622)	989	(1,410)	(47,493)
Furniture and fixtures	(10,892)	(577)	88	(377)	(11,758)
Vehicles	(3,673)	(162)	42	(113)	(3,906)
IT equipment	(5,533)	(277)	2,897	94	(2,819)
	(525,446)	(40,348)	4,308	-	(561,486)

d) Impairment test of nonfinancial assets

The Company values at least for the occasion's anual accounting statemetns elaboration. If there is any indication that its assets or na amount of assets haply lost their economic value, considered relevant. The impairment tests are prepared by na independent perit to find out the Market value of the main assets of each UGC. The job's scope comprehended the asset evaluation of the Jundiaí, Betim and Varginha units.

	2019	
	Accounting value of assets	Net sale value
Jundiaí	133,623	145,278
Betim	108,713	111,680
Varginha	64,857	68,188
Total	307,193	325,146

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

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

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

13. Right of use of lease assets and liabilities

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

a) Recognition assumptions

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

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

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

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

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

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

(vi) The discount rate used for the nine-month period ended December 31, 2019 was 9.5% per annum for administrative properties and industrial warehouses. The rates were obtained through financing of assets of those categories.

The Company's lease transactions effective at December 31, 2019 do not have any covenants that require financial ratios, nor do they have any variable payment clauses that must be considered, or residual value guarantee clauses and option to acquire the leased assets upon expiration of contracts.

(In thousands of reais, unless otherwise stated)

13. Right of use of lease assets and liabilities (Continued)

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

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

	01/01/2019	Juros	IGPM adjustment	Trans, CP/LP	31/12/2019
Lease liabilities					
Current Liabilities	**8,584**	**5,450**	**1,783**	**1,745**	**17,562**
Non-Current Liabilities	**44,481**	**-**	**-**	**(1,745)**	**42,736**
Total liabilities	**53,065**	**5,450**	**1,783**	**-**	**60,298**

In the period ended December 31, 2019 no new contracts were added, nor existing contracts were written off.

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

c) Aging list of leases

	Consolidated
	31/12/2019
	Edifícios
2020	41,200
2021	19,098
	60,298

14. Loans and financing

a) Summary of loans:

Type/purpose	Finance charges at 09/30/2019	Consolidated 31/12/2019	31/12/2018
Working capital - local currency	CDI + juros de 0.68% a.m, e juros de 1.12% a 1.37% a.m	**135,458**	321,800
FINAME	Juros de 0.21% a.m, a 0.45% a.m	**-**	122,685
		135,458	444,485
Current		**35,296**	444,485
Non-Current		**100,162**	-
		135,458	444,485

(In thousands of reais, unless otherwise stated)

14. Loans and financing (Continued)

a) Summary of loans: (Continued)

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

	Value
2021	11,963
2022	19,715
2023	17,192
2024 em diante	51,292
	100,162

b) Breakdown of loans by financial institution

Summary of financial transactions - type/ purpose	BRASIL	FIBRA	BDMG	ITAÚ	BRADESCO	CEF	FIDIS	DAYCOVAL	SOFISA	UNION	ALFA	Total
Working capital - local currency	**21,426**	**15,046**	**23,173**	**14,654**	**17,549**	**14,723**	**6,451**	**7,292**	**5,904**	**1,450**	**7,790**	**135,458**
% in relation to total loans	**15.82%**	**11.10%**	**17.11%**	**10.82%**	**12.96%**	**10.87%**	**4.76%**	**5.38%**	**4.36%**	**1.07%**	**5.75%**	**100%**

Part of the loan balance, R$ 27,997, is due to the new debt with BNDES relating to prior periods.

Loans for working capital requirements taken out by Plascar Ltda. are guaranteed by machinery and equipment (CAPEX) and the remaining balances, by receivables and sureties.

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

As a result of this restructuring, the Company now classifies the provision for losses on investments in subsidiaries in current liabilities.

(In thousands of reais, unless otherwise stated)

15. Payroll and social charges

	Consolidado	
	2019	**2018**
Social charges	**46,335**	26,759
Labor indemnification	**600**	2,145
Accrued vacation	**14,370**	11,206
Profit sharing plan - provision	**10,601**	6,971
Other	**43**	43
	71,949	47,124
Current	**56,932**	42,077
Non-Current	**15,017**	5,047

16. Advances from customers

	Consolidated	
	2019	**2018**
Fiat Automóveis (1)	**14,755**	95,312
MAN	**5,607**	50
Calsonic Kansei	**59**	333
Mercedes Benz	**229**	446
Other	**135**	207
	20,785	96,348

(1) Balance in 2018 refers to advance contracts concluded with the FCA which part of the term sheet debt renegotiation are substantially concluded in January 2019.

17. Commitments and provision for contingencies

a) Operating lease (Sale & Leaseback transaction)

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

As from January 1, 2019, with the adoption of CPC 06 R2 (IFRS 16) - Leases, the Company records future rents discounted at present value as finance lease. The impact on PP&E and liabilities was R$ 53,065 (Note 13).

17. Commitments and provision for contingencies (Continued)

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

The Company is a party to several labor (and social security), civil and tax claims that are currently in progress. The criterion adopted by the Company for classification of the loss risk estimates such loss risk as "remote", "possible" and "probable": "remote" indicates minimum loss risk, "possible" indicates moderate loss risk, and "probable" indicates high loss risk. The external legal advisors, with the assistance of the Company's legal Department, examine in detail each lawsuit, either new or ongoing, classifying them according to their best outcome estimates.

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

For all cases for which external and internal legal advisors identify a "probable" risk of loss, the Company sets up an individual provision in an amount sufficient to face the estimated amount of this loss, which is duly calculated and determined by the court expert (for the court) or an accounting expert (for the Company), based on convictions and/or any other decisions arising from higher courts (appeals) handed down by courts and that indicate, without a doubt, that the Company must make the payment in the short term, due to the advanced stage of the proceedings.

Considering the proceedings with "probable" risk of loss, the Company recognized the following total provision:

	Consolidated	
	2019	**2018**
Provisions for social security and labor contingencies	**7,395**	5,940
	7,395	5,940

(In thousands of reais, unless otherwise stated)

17. Commitments and provision for contingencies (Continued)

b) Legal proceedings Amounts involved and accounting provision criteria for probable loss cases (Continued)

Changes in the provision for contingences with “probable” risk of loss, for the years 2019 and 2018, are as follows:

	December 31, 2019			
	Opening Balance	Addition	Payments	Closing balance
Labor	**5,940**	**9,947**	**(8,492)**	**7,395**
	5,940	**9,947**	**(8,492)**	**7,395**

	December 31, 2018			
	Opening Balance	Addition	Payments	Closing balance
Labor	9,636	2,334	(6,030)	5,940
	9,636	2,334	(6,030)	5,940

Estimated "possible" losses, not accrued in the statement of financial position

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

The amounts referring to proceedings with "possible" risk of loss are as follows:

	Consolidated	
	2019	2018
Tax	**7,702**	5,540
Labor	**27,557**	46,610
Civil	**4,256**	44,623
	39,515	96,773

(In thousands of reais, unless otherwise stated)

17. Commitments and provision for contingencies (Continued)

Relevant contingent assets

Atualmente, a Plascar Ltda, figura como parte ativa em dois processos considerados relevantes contra FUNRURAL e ELETROBRÁS, cujos montantes envolvidos são de R$ 8,585 e R$ 19,249, respectivamente.

(i) O processo contra ELETROBRÁS, cuja sentença também foi favorável à Companhia, se encontra em avançado estágio processual, sendo que a Companhia já deu início ao processo de execução provisória da sentença, requerendo o pagamento do valor devido, O caso, atualmente, aguarda manifestação judicial quanto ao início da referida execução pleiteada pela Companhia.

(ii) O processo contra o FUNRURAL foi tramitado e julgado na data de 04 de setembro de 2001, sendo concedido à Plascar o direito líquido e certo de recebimento do valor de R$ 2,237 (Note 8), Referido valor, contudo, foi objeto de questionamento pela Companhia no que se refere à sua atualização monetária, não considerada pelo tribunal, Pende ainda definição sobre referida atualização e, por consequência, o valor correto a ser liquidado em favor da Companhia, cuja estimativa dos assessores legais indica a importância R$ 8,585.

(iii) With regard to civil processes, the relevant drop presented in 2019 compared to 2018, is based on the Company's new management model, by which the board, in support to the legal team, has been supporting and directly engaging in strategic negotiations to enable reasonable and financially feasible agreements to current cash conditions, some important agreements have been made and others are already in advanced negotiating stages. The board believes that success in closing such demands, in addition to significantly minimizing the risk of future financial loss, could enable the resumption of commercial partnerships and strategic relationships that could bring direct benefit to company's business.

18. Other liabilities

	Consolidated	
	2019	**2018**
Rents payable	**109,057**	99,233
Diverse creditors - agreements signed	**73,381**	46,563
Other liabilities	**14,957**	12,568
	197,395	158,364
Current	**114,864**	112,726
Non-Current	**82,531**	45,638
	197,395	158,364

19. Sahreholder's Equity

a) Capital

Capital increase and issue of shares

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

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

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

Subscription bonus

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

Jointly, this grant to its holders transfers the right to subscribe shares of the Company representing 5% of Company's capital after the issue of such shares. The price for the subscription of 1 share issued after exercising Subscription Bonus will be R$ 0.01 "Exercise Price". The shares resulting from the exercise of Subscription Warrants will be subscribed upon the exercise of the Subscription Right, and the shares then subscribed shall be paid in cash at the Exercise Price in local currency upon subscription of such shares.

19. Sahreholder’s Equity (Continued)

b) Reserves

(i) Capital reserve - Options and shares granted recognized

Constituted by the accounting record of the share-based payment plan, which was fully realized in 2018.

(ii) Equity adjustments

Constituted by the accounting record of the realization of the cost attributed to the fixed assets and respective taxes. Under this heading, the impacts on the change of participation of the controlling company in the subsidiary are also recorded from 99.89% to 100% after financial restructuring occurred on January 31, 2019.

c) Stockholder’s remuneration

According to the Company's Statute, stockholders are entitled to receive a minimum annual dividend of 25% of the net income for the year adjusted in accordance with Articles 189 and 202 of Law No. 6.404/76

20. Earnings per share

Basic earnings (loss) per share are calculated by dividing the net income or loss for the year attributed to the Company’s common shareholders by the weighted average number of common shares outstanding for the year.

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

The table below presents profit or loss and share information used to calculate basic and diluted earnings (loss) per share for the quarters and the nine-month periods ended December 31, 2019 and 2018 (in thousands, except earnings (loss) per share):

Basic earnings per share:	2019	2018
Numerator:		
Loss for the period	**(6,825)**	(257,254)
Denominator:		
Weighted average number of shares	**11,810,974**	4,970,167
Basic loss per share - R$	**(0.58)**	(51.76)

(In thousands of reais, unless otherwise stated)

20. Earnings per share (Continued)

Diluted earnings per share: (*)	2019	2018
Numerator:		
Net loss for the period	**(6,825)**	(257,254)
Denominator:		
Weighted average number of shares	**18,651,781**	4,970,167
Diluted loss per share - R$	**(0.37)**	(51.76)

(*) It considers the potential shares to be issued upon exercise of the subscription right (Note 19.a).

21. Net operating revenue

	Consolidated	
	2019	2018
Gross sales revenue	**492,084**	433,046
Taxes on sales	**(81,047)**	(83,671)
Returns and rebates on sales	**(3,487)**	(2,554)
	407,550	346,821

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

(In thousands of reais, unless otherwise stated)

22. Costs and expenses by nature

The Company decided to present the statement of profit or loss by function, and presents it below by nature:

	Consolidated	
	2019	**2018**
Raw material, inputs and materials for use and consumption and personnel expenses	**(332,829)**	(291,484)
Depreciation and amortization	**(60,551)**	(40,348)
Third-party services	**(14,481)**	(11,708)
Rents of properties	**(29)**	(22,435)
Provision for doubtful accounts	**5.167**	(789)
Provision for adjustment to market value and obsolescence in inventories (Note 7)	**3,485**	1,084
ICMS exclusion credit based on PIS-COFINS calculation (Note 8)	**85,282**	-
Write-off of fixed assets (Note 12a)	**(17,955)**	(44,084)
Others	**(69,260)**	(62,687)
	(401,171)	(472,451)
Classified as		
Cost of goods sold	**(376,247)**	(335,938)
Selling expenses	**(19,726)**	(20,353)
General and administrative expenses	**(62,989)**	(72,417)
Other operational revenues/(expenses), Net	**57,791**	(43,743)
	(401,171)	(472,451)

23. Finance result

	Consolidated	
	2019	**2018**
Finance expense		
Interest	**(63,513)**	(113,910)
Charges on overdue taxes/tax installments (1)	**(18,760)**	(13,526)
Present value adjustment of leases (Note 13)	**(5,450)**	-
Foreign exchange losses	**(3,451)**	(2,833)
Tax on Financial Transactions IOF	**(1,089)**	(338)
Other	**(4,128)**	(322)
Finance income	**(96,391)**	(130,929)
Monetary gains (2)	**81,619**	184
Foreign exchange gains	**9**	13
Other	**3,223**	2,554
Finance costs	**10**	37
	84,861	2,788
Financial Result	**(11,530)**	(128,141)

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

(2) The positive impact is mainly due to monetary currency updating record of the ICMS exclusion credit of the evaluation basis of PIS-COFINS at the net amount of R$ 76,961 (Note 8).

(In thousands of reais, unless otherwise stated)

24. Tax obligations and social charges

The outstanding tax balance at December 31, 2019 is R$ 163,431 and R$ 46,336 in payroll charges, of which R$ 11,574 in current taxes falling due, R$ 37,251 in current taxes overdue and R$ 160,942 in tax installments.

	2019					
				Installments		
				Current		
	Outstanding	Falling due	Overdue	Falling due	Overdue	Non-curent
REFIS (PERT MP 783/17)	**54,910**	**-**	**-**	**4,523**	**754**	**49,633**
Common payment in installments PIS/COF/IPI	**26,162**	**-**	**-**	**7,367**	**-**	**18,795**
PIS	**2,928**	**706**	**2,222**	**-**	**-**	**-**
COFINS	**14,165**	**4,050**	**10,115**	**-**	**-**	**-**
ICMS (Regularize - MG)	**48,969**	**-**	**-**	**6,458**	**-**	**42,511**
ICMS	**11,817**	**934**	**1,748**	**4,774**	**168**	**4,193**
IPI (Tax in installments - MG)	**1,328**	**-**	**-**	**316**	**26**	**986**
IPI	**2,671**	**199**	**2,472**	**-**	**-**	**-**
Other (Service Tax - ISS, IPTU)	**481**	**289**	**-**	**24**	**-**	**168**
	163,431	**6,178**	**16,557**	**23,462**	**948**	**116,286**
IRRF (Employees)	**2,951**	**1,353**	**1,598**			
Common payment in installments - Social Security Tax (INSS)	**13,968**	**-**	**-**	**3,215**	**268**	**10,485**
Unemployment Compensation Fund (FGTS)	**959**	**959**	**-**	**-**	**-**	**-**
INSS (Company)	**20,970**	**2,457**	**18,513**	**-**	**-**	**-**
INSS (Employees)	**1,210**	**627**	**583**	**-**	**-**	**-**
INSS in installments Sesi Senai (Company)	**6,278**	**-**	**-**	**1,745**	**-**	**4,533**
	46,336	**5,396**	**20,694**	**4,960**	**268**	**15,018**
Sum (Company)	**205,606**	**9,594**	**35,070**	**28,422**	**1,216**	**131,304**
Sum (Employees)	**4,161**	**1,980**	**2,181**	**-**	**-**	**-**
Total	**209,767**	**11,574**	**37,251**	**28,422**	**1,216**	**131,304**

As mentioned in Note 8, the outstanding balance of current tax liabilities due and due on December 31, 2019, managed by the Federal Revenue of Brazil (IRRF, PIS, COFINS and IPI) in the amount of R$ 22,959, was offset against credit related to the exclusion of ICMS in the PIS-COFINS calculation base in January 2020, The approval of said credit by the Federal Revenue occurred on January 3, 2020.

The outstanding balance of taxes as of December 31, 2018 is R$ 153,067 and R$ 26,759 of payroll charges, of which, R$ 5,271 current taxes due, R$ 23,181 current taxes overdue and R$ 151,374 in installments.

(In thousands of reais, unless otherwise stated)

24. Tax obligations and social charges (Continued)

2018						
				Installments		
				Current		
	Open	To Overcome	Overdue	To Overcome	Overdue	Non-Current
REFIS (PERT MP 783/17)						
Parcel, PIS / COF / IPI Ordinary	63,483	-	-	11,217	595	51,671
PIS	14,853	-	-	3,984	-	10,869
COFINS	1,585	173	1,412	-	-	-
ICMS (Regularize - MG)	7,239	785	6,454	-	-	-
ICMS	53,901	-	-	6,280	-	47,621
IPI	10,363	334	1,528	7,922	579	-
Others (ISS IPTU)	1,106	196	910	-	-	-
REFIS (PERT MP 783/17)	537	329	-	23	-	185
	153,067	1,817	10,304	29,426	1,174	110,346
RRF (Employees)	1,290	1,290				
INSS REFISES (PERT MP 783/17)	3,241	-	-	2,652	589	-
Parcel, Ordinary INSS	2,562	-	-	683	-	1,879
Exemption Leaf	6,880	557	6,323	-	-	-
INSS (Company)	7,536	982	6,554	-	-	-
INSS (Employees)	625	625	-	-	-	-
INSS in installments Sesi Senai (Compnay)	4,625	-	-	1,250	207	3,168
	26,759	3,454	12,877	4,585	796	5,047
Balance (Company)	177,911	3,356	23,181	34,011	1,970	115,393
Balance (Employees)	1,915	1,915	-	-	-	-
Total	179,826	5,271	23,181	34,011	1,970	115,393

About the past due amounts, the Company records a fine of 20% in addition to the correction based on the indices provided for by law

Special Tax Settlement Program (PERT)

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

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

(In thousands of reais, unless otherwise stated)

24. Tax obligations and social charges (Continued)

Special Tax Settlement Program (PERT) (Continued)

The installments within the scope of the Attorney General's Office and Brazilian IRS were fully consolidated in 2018.

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

	Attorney General's Office of the Department of Treasury	Brazilian Internal Revenue Service tax	Brazilian Internal Revenue Service non-tax	Total
Original balance (a)	54,607	76,649	27,555	158,811
Use of income and social contribution tax losses - Law No. 13496/17 (b) (Note 9.b)	-	(59,110)	(20,760)	(79,870)
Debt amortization through December 31, 2019	(7,479)	(20,197)	(7,013)	(34,689)
Restatement of installments	7,782	2,658	218	10,658
Total (Note 22)	**54,910**	**-**	**-**	**54,910**

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

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

25. Employee benefits

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

	Consolidado	
	2019	**2018**
Salaries and social charges (1)	**144,241**	103,025
Profit sharing plan	**6,817**	7,163
Dismissals	**1,680**	14,754
Benefits established by law	**10,608**	8,310
Fringe benefits	**191**	193
	163,537	133,445

(1) The amount of R$ 21,043 that makes up this heading refers to the burden of 20% of the payroll, the validity of which became from January 2019.

25. Employee benefits (Continued)

Fringe Benefits

In addition to usual benefits provided for by the labor legislation, the Company and its subsidiaries usually grant fringe benefits to its employees taken out from third parties, such as: commuting vouchers, meal, basket of food staples and child day care allowance.

Profit sharing plan

The Company and its subsidiary have supplementary variable compensation plans that consider whether goals established have been met:

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

(ii) Additional profit sharing bonus plan (short-term PPR): the Company grants differentiated bonuses to the Company's senior management. Profit sharing payable to employees holding those positions is based on the individual and Company's performance, in accordance with previously defined goals.

26. Insurance

The Company and its controlled entities keep insurance policies from various natures, hired with one of he country's main insurance company. These policies were defined according to the group's program and considered the nature and degree of the concerned risk.

In December 31 of 2019, the insuran Segurosce coverage against operational risks combined with ceasing profits was R$ 629,300 (R$ 517,685 in December 31, 2018), and R$ 2,170 (R$ 2,170 in December 31, 2018) for civil liability.

The Company is not foreseeing any difficulty to renovate any of the insurance policies and believes that the coverage is reasenable in terms of amount and compatible with the market sector in Brazil.

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

27. Subsequent Events

The Company completed in January 2020, the renegotiation of its late rent debt, the balance of which of December 31, 2019 was R$ 126 milion, recorded under the heading "other liabilities" in the current company.

With the conclusion of this negotiation, the updated debt was split, with a shortage of more than one year to start payments. The balance was transferred to non-current liabilities in January 2020 and will be disclosed in the first quarter of 2020.