

Financial Statements

Sipcam Nichino Brasil S.A.

December 31, 2020
with Independent Auditor's Report

Sipcam Nichino Brasil S.A.

Financial statements

December 31, 2020

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

Independent auditor's report on financial statements

To the Management, Directors and Shareholders of
Sipcam Nichino Brasil S.A.
Uberaba- MG

Opinion

We have audited the financial statements of Sipcam Nichino Brasil S.A. (the "Company"), which comprise the statement of financial position as at December 31, 2020, and the statements of profit or loss, of comprehensive income, of changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020, and its financial performance and cash flows for the year then ended in accordance with the accounting practices adopted in Brazil.

Basis for opinion

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

Emphasis of matter

Change in fiscal year

We draw attention to Note 2, which describes that, on October 23, 2019, the change in the Company's fiscal year from July 01 to June 30 of each year to January 01 to December 31 of each year was approved. Accordingly, the amounts in the statements of profit or loss, of comprehensive income, of changes in equity and of cash flows for the year ended December 31, 2019, presented for comparison purposes, correspond to a 6-month period. Our opinion is not qualified 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 financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter, including any commentary on the findings or outcome of our procedures, is provided in that context.

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

Revenue recognition from goods sold

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

How our audit addressed this matter

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

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

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



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- 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 financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Goiânia, March 2, 2021.

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

A handwritten signature in blue ink that reads 'Eric Piantino'.

Eric Horta Piantino
Accountant CRC-MG-107829/O-8

A handwritten signature in blue ink that reads 'Wagner dos Santos Junior'.

Wagner dos Santos Junior
Accountant CRC-1SP216386/O-T

Sipcam Nichino Brasil S.A.

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

	Note	12/31/2020	12/31/2019
Assets			
Current assets			
Cash and cash equivalents	3	235,057	91,240
Trade accounts receivable	4	254,945	200,050
Inventories	5	86,039	108,517
Taxes recoverable	6	42	23
Derivative financial instruments		9,848	-
Other receivables		864	1,612
Total current assets		586,795	401,442
Noncurrent assets			
Trade accounts receivable	4	6,070	11,397
Taxes recoverable	6	38,260	44,062
Assets held for Sale	7	8,600	8,600
Deferred income and social contribution taxes	8	26,576	32,062
Judicial deposits	14	908	908
Investments	9	1,238	1,209
Property, plant and equipment	10	36,234	34,780
Intangible assets	11	20,214	22,496
Total noncurrent assets		138,100	155,514
Total assets		724,895	556,956

	Notas	12/31/2020	12/31/2019
Liabilities and equity			
Current liabilities			
Loans, financing and debentures	12	190,615	40,952
Transactions with related parties	22	415	71,666
Domestic trade accounts payable – third parties		13,076	13,358
Foreign trade accounts payable – third parties	13	106,567	54,362
Foreign trade accounts payable - related parties	22	77,020	76,518
Payroll and related charges		3,515	3,065
Taxes payable		1,961	1,166
Derivative financial instruments		-	43
Other provisions		8,784	4,439
Total current liabilities		401,953	265,569
Noncurrent liabilities			
Loans, financing and debentures	12	132,495	159,942
Transactions with related parties	22	96,686	-
Provision for legal proceedings	14	347	397
Total noncurrent liabilities		229,528	160,339
Equity			
Capital stock	15	223,897	223,897
Accumulated losses		(130,483)	(92,849)
Total equity		93,414	131,048
Total liabilities and equity		724,895	556,956

See accompanying notes.

Sipcam Nichino Brasil S.A.

Statements of profit or loss

Year ended December 31, 2020 and Six-month period from July 01 to December 31, 2019

(In thousands of reais, except earnings per share, in reais)

	Note	12/31/2020	12/31/2019
Operating revenue, net	2.1	458,093	215,338
Cost of goods sold and services	17	(383,029)	(182,820)
Gross profit		75,064	32,518
Operating income (expenses)			
Selling expenses	18.a	(27,654)	(13,426)
General and administrative expenses	18.a	(20,451)	(10,310)
Equity pickup	9	29	183
Other operating income (expenses), net	18.b	(7,784)	(3,620)
		(55,860)	(27,173)
Income before finance income and costs and income and social contribution taxes		19,204	5,345
Finance expenses	19	(295,232)	(59,179)
Finance income	19	243,880	47,107
		(51,352)	(12,072)
Profit before income and social contribution taxes		(32,148)	(6,727)
Income and social contribution taxes			
Current		-	-
Deferred	8	(5,486)	(2,705)
		(5,486)	(2,705)
Net income (loss) for the year		(37,634)	(9,432)
Number of shares	15	2,471,492,952	2,471,492,952
Earnings per thousand shares - in reais		(15.23)	(3.82)

See accompanying notes.

Sipcam Nichino Brasil S.A.

Statements of comprehensive income

Year ended December 31, 2020 and Six-month period from July 01 to December 31, 2019

(In thousands of reais)

	<u>12/31/2020</u>	<u>12/31/2019</u>
Net income (loss) for the year	(37,634)	(9,432)
Other comprehensive income (loss)	-	-
Comprehensive income (loss)	<u>(37,634)</u>	<u>(9,432)</u>

See accompanying notes.

Sipcam Nichino Brasil S.A.

Statements of changes in equity

Year ended December 31, 2020 and Six-month period from July 01 to December 31, 2019
(In thousands of reais)

	Capital stock	Accumulated losses	Total
Balances at July 1, 2019	223,897	(83,417)	140,480
Loss for the year	-	(9,432)	(9,432)
Balances at December 31, 2019	223,897	(92,849)	131,048
Loss for the year	-	(37,634)	(37,634)
Balances at December 31, 2020	223,897	(130,483)	93,414

See accompanying notes.

Sipcam Nichino Brasil S.A.

Statements of cash flows – indirect method

Year ended December 31, 2020 and Six-month period from July 01 to December 31, 2019

(In thousands of reais)

	12/31/2020	12/31/2019
Operating activities		
Profit (loss) before income and social contribution taxes	(32,148)	(6,727)
Noncash expenses (income)		
Write-off of property, plant and equipment and intangible assets	113	36
Equity pickup	(29)	(183)
Restated balances – customers	1,358	(310)
Customer discounts	(400)	614
Allowance for (reversal of) expected credit losses	4,326	1,487
Provision for inventory obsolescence and realization	(129)	2,150
Depreciation and amortization	10,021	5,128
Provision (reversal) for losses on derivative financial instruments	(9,891)	(311)
Other provisions	4,781	386
Provision (reversal) for legal proceedings	48	61
Interest on loans, financing and debentures	11,452	6,507
Borrowing and financing costs	282	142
Monetary and exchange difference, net	56,224	7,544
Debt modification	121	429
Provision for sales returns	724	857
Decrease (increase) in operating assets		
Trade accounts receivable	(58,397)	28,646
Trade accounts receivable with related parties	-	-
Inventories	25,411	(21,932)
Taxes recoverable	5,783	(431)
Transactions with related parties	-	82
Judicial deposits	-	39
Other receivables	748	3,238
Increase (decrease) in operating liabilities		
Domestic trade accounts payable	(282)	1,421
Foreign trade accounts payable	33,178	30,990
Payroll and related charges	450	(654)
Taxes paid	795	387
Other paid obligations	(435)	(805)
Legal proceedings paid	(98)	(20)
Agricultural Credit / Funcafé / Free Funds	24,844	(5,245)
Payment of interest + Payment charges CPC 06 (R2)	(8,150)	(3,795)
Cash used (applied) in operating activities	<u>70,700</u>	<u>49,731</u>
Investing activities		
Write-off if Property and Intangible assets	(5,226)	(1,137)
Cash used in investing activities	<u>(5,226)</u>	<u>(1,137)</u>
Financing activities		
Borrowings	89,670	78,944
Related-party borrowings	98,880	-
Payment of borrowings	(11,327)	(81,131)
Payment of related-party borrowings	(98,880)	-
Cash used (applied) in financing activities	<u>78,343</u>	<u>(2,187)</u>
Net increase in cash and cash equivalents	<u>143,817</u>	<u>46,407</u>
Cash and cash equivalents at beginning of year	91,240	44,833
Cash and cash equivalents at end of year	<u>235,057</u>	<u>91,240</u>
Net decrease in cash and cash equivalents	<u>143,817</u>	<u>46,407</u>

See accompanying notes.

Sipcam Nichino Brasil S.A.

Notes to the financial statements

December 31, 2020

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

1. Operations

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

Impacts of COVID 19

In March 2020, the Company migrated certain functions to the home-office model, having provided the equipment and support necessary for all employees to appropriately perform their duties in compliance with safety and health standards. For the other employees who needed to be physically in their posts, protocols were established in order to comply with COVID-19-related rules and legislation. By adopting these measures, management was able to keep the Company fully operational with no impact on the industrial and administrative areas. Since the commercial area serves practically 100% of the Brazilian territory, these employees were required to follow the rules established in the cities and states in which they operate, in addition to the protocols defined by the Company. In the beginning, this area faced difficulties for visiting customers and demonstrating SNB products, but gradually, the Company began to identify technology alternatives to continue serving customers.

Concerning the supply of products and services, no matters were identified relating to the receipt of inputs and products for resale or any difficulties in distribution of the products sold to Company customers.

In terms of financial impacts, the pandemic generated market uncertainties and significant exchange rate fluctuations. Brazil was one of the countries that had the largest exchange devaluation. Although management contracts derivative financial instruments (swaps and NDFs) to hedge against exposure, this scenario had significant impacts on the Company’s P&L. A large part of these impacts generated no cash effect for base date 12/31/2020.

The Company takes all measures necessary for safekeeping its employees and, within these parameters, minimize the pandemic effects on customers and suppliers, always following the guidance of the relevant authorities.

Management is of the understanding that the projections used in analyzing realization of the Company’s assets will not change significantly due to the pandemic and maintains the assumptions adopted in the accounting estimates.

Sipcam Nichino Brasil S.A.

Notes to the financial statements

December 31, 2020

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

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

The Company's financial statements for the year ended December 31, 2019 were prepared in accordance with the accounting practices adopted in Brazil. The Company took into consideration Technical Guidance OCPC 07, issued by the CPC in November 2014, in the preparation of these financial statements. As such, all significant information that is consistent with the information used to manage the Company's operations is evidenced.

On October 23, 2019, by means of the Annual and Special Meeting minutes, the shareholders approved the change in the Company's fiscal year from July 01 to June 30 of each year to January 01 to December 31 of each year. Due to the change in the Company's fiscal year in the course of 2019, the fiscal year ended December 31, 2019 was comprised of six months only. As such, the amounts in the statements of profit or loss, of comprehensive income, of changes in equity and of cash flows for the year ended December 31, 2019, presented for comparison purposes, correspond to a 6-month period.

The Company's executive board authorized conclusion of the financial statements on March 2, 2021.

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

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

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

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

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Notes to the financial statements

December 31, 2020

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

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

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

2.1. Determination of profit or loss

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

	12/31/2020	12/31/2019(*)
Gross revenue from sale of goods	474,583	231,255
Provision for sales returns	(3,528)	(6,869)
Gross service revenue	9,105	7,110
Gross revenue	480,160	231,496
Sales taxes	(6,227)	(2,965)
Sales returns	(15,840)	(13,193)
Taxes on sales and services and sales returns	(22,067)	(16,158)
Net revenue	458,093	215,338

(*) Six-month period from July 01 to December 31, 2019.

Sales revenue is recognized in the statement of profit or loss when its amount can be reliably measured, when all risks and rewards of ownership of the products are transferred to the buyer, when the Company no longer holds control over or responsibility for the goods sold and when economic benefits are likely to flow to the Company. Revenue is not recognized if there is a significant uncertainty about its realization. In compliance with CPC 47, the Company conducts analyses based on the history of goods returned in the past two years and applies the percentage prospectively on current year sales not converted into cash.

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

2.2. Foreign currency-denominated transactions

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

Sipcam Nichino Brasil S.A.

Notes to the financial statements

December 31, 2020

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

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

2.3. Cash and cash equivalents

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

2.4. Trade accounts receivable

Trade accounts receivable are recorded and maintained in the statements of financial position at the nominal value of the notes representing these receivables, which does not significantly differ from present value.

Allowance for doubtful accounts is recorded by management for receivables whose recovery is considered doubtful when there is significant doubt as to collection of overdue notes.

Based on the aging list of the immediately prior period, we calculated these amounts taking into consideration accounts receivable and amounts effectively converted into cash. As such, we obtained the historical percentages per maturity bracket that are applied on accounts receivable for the current period, pursuant to CPC 48.

2.5. Inventories

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

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

Sipcam Nichino Brasil S.A.

Notes to the financial statements

December 31, 2020

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

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

2.6. Property, plant and equipment

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

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

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

2.7. Intangible assets

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

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

2.8. Provision for impairment of nonfinancial assets

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

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

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Notes to the financial statements

December 31, 2020

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

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

2.8. Provision for impairment of nonfinancial assets (Continued)

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

2.9. Other assets and liabilities

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

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

2.10. Taxation

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

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

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

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Notes to the financial statements

December 31, 2020

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

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

2.10. Taxation (Continued)

The Company has been granted a 60% reduction in the ICMS base, as established by Agreement No. 100/97 and amended and extended by ICMS Agreement No. 133/2020 up to March 31, 2021. Some of its goods in accordance with Brazil's federal Senate Resolution No. 13 of 2013 are subject to a 4% tax rate. As from January 2020, in detriment to Decree 64213 of April 30, 2019, in state of São Paulo intrastate operations, ICMS credits are mandatorily reversed in receipts of inputs and/or products for sale. On October 15, 2020, Decree 65254 was published, in effect as from 2021, which increased the tax burden in interstate operations originated in the state of São Paulo from 2.8% to 3.70% and from 4.8% to 6.34%.

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

Current income and social contribution taxes

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

Deferred income and social contribution taxes

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

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

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Notes to the financial statements

December 31, 2020

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

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

2.10. Taxation (Continued)

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

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

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

2.11. Other employee benefits

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

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Notes to the financial statements

December 31, 2020

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

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

2.12. Significant accounting judgments, estimates and assumptions

Judgments

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

Accounting estimates and assumptions

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

Impairment of nonfinancial assets

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

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

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

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Notes to the financial statements

December 31, 2020

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

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

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

Accounting estimates and assumptions (Continued)

Taxes

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

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

Provision for legal proceedings

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

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

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

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

2.13. Cash flows statements

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

2.14. Financial instruments

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

a) Financial assets

i) *Initial recognition and measurement*

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

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

For a financial asset to be classified and measured at amortized cost or fair value through other comprehensive income, this asset must generate cash flows that are “solely payments of principal and interest” on the outstanding principal amount. This assessment is performed at instrument level.

Financial assets whose cash flows are not solely payments of principal and interest are classified and measured at fair value through profit or loss, regardless of the business model adopted.

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

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

2.14. Financial instruments (Continued)

a) Financial assets (Continued)

i) *Initial recognition and measurement* (Continued)

The Company's business model for managing financial assets refers to how the Company manages its financial assets to generate cash flows. This model establishes whether the cash flows will result in collection of contractual cash flows, sale of financial assets or both.

Financial assets classified and measured at amortized cost are held in a business plan for the purpose of maintaining financial assets to obtain contractual cash flows whereas financial assets classified and measured at fair value matched against other comprehensive income are held in a business model aimed at obtaining contractual cash flows and also for the purpose of sale.

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

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

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

2.14. Financial instruments (Continued)

a) Financial assets (Continued)

i) *Initial recognition and measurement* (Continued)

Subsequent measurement

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

- (i) Financial assets at amortized cost (debt instruments);
- (ii) Financial assets at fair value through other comprehensive income and reclassification of accumulated gains and losses (debt instruments);
- (iii) Financial assets designated at fair value through other comprehensive income with no reclassification of accumulated gains and losses upon derecognition (equity instruments); and
- (iv) Financial assets at fair value through profit or loss.

Financial assets at amortized cost (debt instruments)

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

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

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

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December 31, 2020

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

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

2.14. Financial instruments (Continued)

a) Financial assets (Continued)

i) *Initial recognition and measurement* (Continued)

Subsequent measurement (Continued)

Financial assets at fair value through profit or loss

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

Derecognition

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

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

Impairment of financial assets

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

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

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

2.14. Financial instruments (Continued)

b) Financial liabilities

Initial recognition and measurement

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

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

Subsequent measurement

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

- (i) Financial liabilities at fair value through profit or loss; and
- (ii) Financial liabilities at amortized cost.

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

Financial liabilities at fair value through profit or loss

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

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

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

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

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

2.14. Financial instruments (Continued)

b) Financial liabilities (Continued)

Subsequent measurement (Continued)

Financial liabilities at fair value through profit or loss (Continued)

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

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

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

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

Derecognition

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

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Notes to the financial statements

December 31, 2020

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

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

2.14. Financial instruments (Continued)

c) Net presentation of financial instruments

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

2.15. New accounting standards and interpretations

At the date of preparation of the financial statements, there were no standards or interpretations issued or changed, which could have an impact on the financial statements.

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

- (a) CPC 06 (R2) - Leases. The Company presents in Note 10.1, for comparison purposes, a brief description and the amounts corresponding to the impacts generated in the consolidated statement of financial position at July 01, 2019.
- (b) ICPC 22 – Uncertainty over income tax treatments. In management’s assessment, at December 31, 2019, there were no impacts on Company financial statements deriving from adoption of this interpretation.

3. Cash and cash equivalents

	<u>12/31/2020</u>	<u>12/31/2019</u>
Cash and banks	247	24,332
Short-term investments (a)	230,098	66,908
Restricted accounts	4,712	-
Total cash and cash equivalents	<u>235,057</u>	<u>91,240</u>

- (a) These refer to floating-rate Bank Deposit Certificates (CDBs) that reflect the usual market conditions, whose maturity at the statement of financial position date is within 90 days. They have immediate liquidity and no risk of significant changes due to interest rate fluctuation, bearing interest ranging from 97% to 103% of CDI in December 2020 (97.5% to 105% of CDI in December 2019 and measured at fair value in a contra account of profit or loss.

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Notes to the financial statements

December 31, 2020

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

4. Trade accounts receivable

	<u>12/31/2020</u>	<u>12/31/2019</u>
Trade notes receivable	282,669	227,817
Customer discounts	(2,431)	(1,473)
Allowance for expected credit losses	(19,223)	(14,897)
	<u>261,015</u>	<u>211,447</u>
Less current portion	<u>254,945</u>	<u>200,050</u>
Noncurrent	<u>6,070</u>	<u>11,397</u>

At December 31, 2020, trade notes receivable had also been offered as guarantee for loans and financing in the amount off R\$73,632 (R\$63,951 at December 31, 2019).

Allowance for expected credit losses

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

	<u>12/31/2019</u>	<u>Additions/ Reversals</u>	<u>12/31/2020</u>
Allowance for expected credit losses	14,897	4,326	19,223
Less current portion	(1,657)	(435)	(2,092)
Noncurrent assets	<u>13,240</u>	<u>3,891</u>	<u>17,131</u>

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

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

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4. Trade accounts receivable (Continued)

Allowance for expected credit losses (Continued)

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

	%	
	<u>12/31/2020</u>	<u>12/31/2019</u>
Falling due	0.76%	0.66%
Overdue within 90 days	0.08%	0.00%
Overdue from 91 to 180 days	0.08%	0.86%
Overdue over 180 days	100.00%	100.00%

5. Inventories

	<u>12/31/2020</u>	<u>12/31/2019</u>
Finished goods	53,151	74,852
Raw, packaging and auxiliary materials	14,200	14,979
Import in transit	14,920	17,852
Provision for returns	8,816	6,011
Provision for obsolete inventories	(518)	(524)
Provision for inventory realization, net	(4,530)	(4,653)
	<u>86,039</u>	<u>108,517</u>

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

	<u>12/31/2019</u>	<u>Reversals</u>	<u>12/31/2020</u>
Provision for obsolescence	(524)	6	(518)
Provision for inventory realization, net	(4,653)	123	(4,530)
	<u>(5,177)</u>	<u>129</u>	<u>(5,048)</u>

	<u>01/01/2019</u>	<u>Additions</u>	<u>12/31/2019</u>
Provision for obsolescence	(364)	(160)	(524)
Provision for inventory realization, net	(2,663)	(1,990)	(4,653)
	<u>(3,027)</u>	<u>(2,150)</u>	<u>5,177</u>

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6. Taxes recoverable

	<u>12/31/2020</u>	<u>12/31/2019</u>
State value-added tax (ICMS)	29,138	29,417
Federal VAT Tax (IPI)	4,030	6,551
PIS and COFINS	1,918	2,454
Income and social contribution taxes	3,216	5,663
	38,302	44,085
Current	42	23
Noncurrent	38,260	44,062

The Company intends to realize the ICMS, IPI, PIS and COFINS balances through its transactions and requests for tax refund. Income and social contribution taxes will be realized through generation of future taxable profits. From 2020 the Company received a refund from the Brazilian Tax Authorities, a total refund of R\$1,480, of which R\$75 relates to IPI and R\$1,405 to PIS and COFINS (At 2019 the amount was of R\$1,931, of which R\$24 relates to IPI and R\$1,907 to PIS e COFINS)

7. Assets held for sale

The group of Assets held for sale is measured based on the lowest of book and fair value. Originated from accounts receivable from customers, the amounts are net of any expenses for their realization in accordance with CPC 31.

The amount of R\$ 8,600 at December 31, 2020 (R\$ 8,600 at December 31, 2019) refers to property received in payment for customer debts, which are under negotiation.

8. Current and deferred income and social contribution taxes

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

	<u>12/31/2020</u>	<u>12/31/2019</u>
Deferred income tax assets on:		
Temporarily nondeductible provisions	6,752	6,223
Income and social contribution tax losses	51,632	44,316
Deferred social contribution tax assets on:		
Temporarily nondeductible provisions	2,431	2,240
Income and social contribution tax losses	17,902	15,269
	78,717	68,048
Less write-off due to no expectation of realization	(52,141)	(35,986)
Noncurrent assets	26,576	32,062

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

Main provisions are as follows:

	<u>12/31/2020</u>	<u>12/31/2019</u>
Allowance for expected credit losses	19,223	14,897
Provision for customer discounts	2,431	1,473
Audit and advisory services	29	42
Sales commissions	3,010	748
Incineration	751	694
Legal proceedings	347	397
Provision for inventory obsolescence/realization of losses	5,048	5,177
Provision for derivative losses	(9,848)	43
Customer campaign	3,533	1,746
Debt modification	(1,583)	(1,704)
Revenue Realization	1,581	857
Other	2,484	522
	<u>27,006</u>	<u>24,892</u>
Current rate of 25% for income tax	6,752	6,223
Current rate of 9% for social contribution tax	2,431	2,240
	<u>9,183</u>	<u>8,463</u>

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

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

	<u>R\$</u>	<u>%</u>
2021	2,651	10
2022	2,381	9
2023	6,080	23
2024	7,713	29
2025	7,750	29
	<u>26,576</u>	<u>100</u>

The recovery of tax credits was estimated based on projections of taxable profit taking into consideration various financial and business assumptions for the year ended December 31, 2020. Consequently, these estimates may not materialize in the future considering uncertainties inherent in these forecasts.

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Notes to the financial statements

December 31, 2020

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

Reconciliation of income and social contribution tax expenses

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

	<u>12/31/2020</u>	<u>12/31/2019</u>
Income before taxes	(32,148)	(6,727)
Tax expenses at statutory rate of 34%	10,930	2,287
Effective rate adjustments:		
Permanent differences	(262)	(848)
Constitution (reversal) of tax credits on tax loss	(5,486)	-
Tax credits set up on tax losses	(10,668)	(4,144)
Net tax charges recorded in statement of profit or loss	(5,486)	(2,705)
Effective rate	17.06%	9.89%

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

	<u>12/31/2020</u>	<u>12/31/2019</u>
Income tax losses	206,528	177,264
Social contribution tax losses	198,911	169,646

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

9. Investments

	<u>Interest held %</u>	<u>12/31/2019</u>	<u>Equity Pickup</u>	<u>12/31/2020</u>
Campo Limpo Reciclagem e Transformação de Plásticos S/A.	1.5013%	981	24	1,005
SICOB - Sistema de Cooperativas de Crédito do Brasil - Credicitrus	0.019%	228	5	233
		<u>1,209</u>	<u>29</u>	<u>1,238</u>

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9. Investments (Continued)

	<u>Interest held %</u>	<u>07/01/2019</u>	<u>Equity Pickup</u>	<u>12/31/2019</u>
Campo Limpo Reciclagem e Transformação de Plásticos S/A.	1.5013%	805	176	981
SICOB - Sistema de Cooperativas de Crédito do Brasil - Credicitrus	0.019%	221	7	228
		<u>1,026</u>	<u>183</u>	<u>1,209</u>

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10. Property, plant and equipment

	12/31/2020										
	Land	Buildings and improvements	Machinery	Tools, presses and molds	Facilities	Furniture and fixtures	Vehicles	Hardware	Leases - Right of use	Construction in progress	Total
Acquisition cost											
Balance at beginning of year	1,375	22,099	29,736	190	23,606	5,661	119	1,925	1,399	1,681	87,789
Additions	-	-	-	-	-	-	-	-	4,542	4,279	8,821
Write-offs	-	(73)	(194)	-	(12)	(12)	-	(394)	(1,465)	-	(2,148)
Transfers	-	213	2,056	37	2,427	56	-	20	-	(4,809)	-
Balance at end of year	1,375	22,239	31,598	227	26,021	5,705	119	1,551	4,476	1,151	94,462
Depreciation											
Balance at beginning of year	-	(12,652)	(17,913)	(144)	(15,988)	(4,100)	(52)	(1,356)	(804)	-	(53,009)
Additions	-	(818)	(1,707)	(21)	(2,389)	(287)	(7)	(201)	(1,824)	-	(7,254)
Write-offs	-	60	194	-	12	12	-	374	1,383	-	2,035
Transfer	-	-	-	-	-	-	-	-	-	-	-
Balance at end of year	-	(13,410)	(19,426)	(165)	(18,365)	(4,375)	(59)	(1,183)	(1,245)	-	(58,228)
Net Balance	1,375	8,829	12,172	62	7,656	1,330	60	368	3,231	1,151	36,234
Average annual depreciation rates	0%	4%	10% and 20%	10%	10% and 20%	10% and 20%	20%	20%	28%		

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10. Imobilizado--Continuação

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

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

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11. Intangible assets

	12/31/2020					Total
	Trademarks and patents	Software	Products under registration	Products being sold	Intangible assets in progress	
Acquisition cost						
Balance at beginning of year	138	4,502	13,784	14,526	17	32,967
Additions	-	-	88	-	397	485
Write-offs	-	-	-	-	-	-
Transfers	-	304	(1,952)	1,952	(304)	-
Balance at end of year	138	4,806	11,920	16,478	110	33,452
Amortization						
Balance at beginning of year	-	(3,186)	-	(7,285)	-	(10,471)
Additions	-	(421)	-	(2,346)	-	(2,767)
Write-offs	-	-	-	-	-	-
Balance at end of year	-	(3,607)	-	(9,631)	-	(13,238)
Net balance	138	1,199	11,920	6,847	110	20,214
Average annual amortization rates	-	20%	-	20%	-	-
	Six-month period from July 01 to December 31, 2019					
	Trademarks and patents	Software	Products under registration	Products being sold	Intangible assets in progress	Total
Acquisition cost						
Balance at beginning of year	138	3.895	13.739	14.526	341	32.639
Additions	-	-	45	-	283	328
Write-offs	-	-	-	-	-	-
Transfers	-	607	-	-	(607)	-
Balance at end of year	138	4.502	13.784	14.526	17	32.967
Amortization						
Balance at beginning of year	-	(2.981)	-	(6.093)	-	(9.074)
Additions	-	(205)	-	(1.192)	-	(1.397)
Write-offs	-	-	-	-	-	-
Balance at end of year	-	(3.186)	-	(7.285)	-	(10.471)
Net balance	138	1.316	13.784	7.241	17	22.496
Average annual amortization rates	-	20%	-	20%	-	-

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

11. Intangible assets (Continued)

Out of the total intangible assets at December 31, 2020, R\$ 11,920 refer to products under registration (R\$ 13,786 at December 31, 2019). Once these registrations are obtained from the relevant bodies, the products will start to be sold and the amounts recorded under intangible assets will be amortized over a period of 5 (five) years.

12. Loans, financing and debentures

	Interest Rate	12/31/2020	12/31/2019
Foreign currency			
Law 4131(USD) – Brasil	FX + 3.8% p.a.	25,371	18,946
Law 4131(USD) – MUFG	FX + 4.35 p.a.	31,184	-
Law 4131(EUR) – Mizuho	FX + 0.51 p.a.	35,180	-
FINIMP (USD) – CCB	FX + 2.71 p.a.	1,074	-
FINIMP (USD) – Itaú	FX + 3.32 p.a.	8,001	-
Local currency			
Working capital	CDI + 1.88% p.a.	60,537	60,162
Debt modification	-	(1,405)	(1,704)
Working capital	6.4762% p.a.	20,256	-
Debentures 3 rd issue – series 1	CDI+ 1.55% p.a.	66,124	63,372
Debentures 3 rd issue – series 2	CDI + 1.75% p.a.	20,619	31,733
Debenture raising costs	-	(911)	(1,193)
Lease, Right of use – CPC 06 (R2)	-	3,364	613
Finance charges – lease – CPC 06 (R2)	-	(112)	(19)
Agricultural credit – Free funds (a)	-	53,828	28,984
		323,110	200,894
Less portion classified under current liabilities		(190,615)	(40,952)
Noncurrent liabilities		132,495	159,942

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

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

	12/31/2020	12/31/2019
2021	-	47,187
2022	35,885	29,733
2023	25,555	19,719
2024	71,055	63,303
	132,495	159,942

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12. Loans, financing and debentures (Continued)

At December 31, 2020, the Company granted as guarantees for loans trade notes receivable amounting to R\$73,632 (R\$63,951 at December, 31 2019).

Debentures

<u>Issue</u>	<u>Principal</u>	<u>Annual yield</u>	<u>Final maturity</u>	<u>12/31/2020</u>	<u>12/31/2019</u>
3 rd issue - series 1	60,000	100% of CDI + 1.55% p.a.	March 28, 2024	66,124	63,372
3 rd issue - series 2	30,000	100% of CDI + 1.75% p.a.	March 29, 2022	20,619	31,733
Less current portion				(10,619)	(11,733)
Noncurrent liabilities				76,124	83,372

The Company obtained approval for the 3rd issue of unsecured nonconvertible debentures amounting to R\$90,000, in two series, in which series 1 matures at March 28, 2024 and series 2 matures at March 29, 2022. Interest of this transaction has been paid for the year in which it is incurred. No guarantees were given. The first installment of the 2nd series was paid in the amount of R \$ 10,000 in March 2020.

13. Foreign trade accounts payable – third parties

	<u>12/31/2020</u>	<u>12/31/2019</u>
Raw material	85,725	36,024
Packaging material	-	148
Material for resale	20,842	18,190
	106,567	54,362

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14. Provision for legal proceedings

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

Changes in provision for legal proceedings, by nature, are as follows:

	12/31/2019	Provision / (Reversal)	Payments	12/31/2020
Tax	273	44	(95)	222
Civil	91	18	(3)	106
Labor	33	(14)	-	19
Total provision	397	48	(98)	347
Judicial deposits	(908)			(908)

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

Cases with likelihood of success:

	12/31/2020	12/31/2019
Tax	3,806	3,705
Labor	-	-
Total	3,806	3,705

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December 31, 2020

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

15. Equity

a) Capital stock

At December 31, 2020 and December 31, 2019 the Company capital stock totals R\$ 223,897 and is divided into 2,471,492,952 common shares.

The Company's shareholding structure at December 31, 2020 and 2019 is as follows:

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

b) Income reserve and dividends

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

16. Risk considerations

a) Credit risk

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

b) Liquidity risk

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

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

16. Risk considerations (Continued)

b) Liquidity risk (Continued)

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

	<u>12/31/2020</u>	<u>12/31/2019</u>
2020	-	40,952
2021	190,615	8,079
2022	35,885	48,841
2023	25,555	19,719
2024	71,055	83,303
	<u>323,110</u>	<u>200,894</u>

c) Interest rate risk

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

d) Currency risk

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

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

	<u>12/31/2020</u>	<u>12/31/2019</u>
Forward/swap contracts:		
Original amount taken out	US\$30,452	US\$1,582
Equivalent in local currency	157,796	6,452
Provision for gain (loss) on <i>NDF transactions</i>	5,652	(43)
Provision for gain (loss) on swap transactions	4,196	-
	<u>9,848</u>	<u>(43)</u>

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17. Cost of goods sold and services, by type

	<u>12/31/2020</u>	<u>12/31/2019(*)</u>
General Manufacturing Costs (GMC)		
Direct labor costs – own	(4,544)	(2,333)
Direct labor costs - third parties	(558)	(773)
Electricity	(1,557)	(1,035)
Depreciation and amortization	(1,664)	(1,118)
Maintenance of property, plant and equipment	(340)	(375)
Other direct costs	(614)	(505)
Indirect costs		
Indirect labor costs – own	(4,712)	(2,583)
Indirect labor costs - third parties	-	(45)
Electricity	(143)	(65)
Depreciation and amortization	(1,048)	(637)
Maintenance of property, plant and equipment	(352)	(236)
Incineration	(854)	(712)
Other indirect costs	(591)	(423)
	<u>(16,977)</u>	<u>(10,840)</u>
Inputs		
Raw and packaging materials	(311,216)	(148,040)
Provision for returns of goods	2,804	6,011
Goods for resale	(28,130)	(14,592)
	<u>(336,542)</u>	<u>(156,621)</u>
Other costs		
Freight on sales	(8,226)	(6,125)
Insurance on sales	(432)	(205)
Storage	(3,956)	(1,517)
Taxes on transfers	(7,341)	(1,537)
Inpev	(1,035)	(416)
Provision for (reversal of provision for) inventories	129	(2,150)
Promotional campaign	(3,193)	(593)
Equalization	(121)	(922)
Write-off of inventories	(448)	(257)
Sales discounts	(896)	(450)
Sales commissions	(3,839)	(649)
Other	(152)	(538)
	<u>(29,510)</u>	<u>(15,359)</u>
	<u>(383,029)</u>	<u>(182,820)</u>

(*) Six-month period from July 01 to December 31, 2019.

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18. Operating income (expenses)

a) Selling, general and administrative expenses

	12/31/2020		12/31/2019(*)	
	Selling	General and administrative	Selling	General and administrative
Payroll and related charges	(12,304)	(8,619)	(6,193)	(4,296)
Fees and labor engaged	(753)	(3,309)	(323)	(1,437)
Travel	(353)	(55)	(637)	(160)
Vehicles	(379)	(17)	(301)	(23)
Meetings	(613)	(65)	(691)	(112)
Associations	(21)	(201)	-	(70)
Third-party services	(2,967)	(4,014)	(727)	(2,092)
Communication	(149)	(170)	(55)	(151)
Cleaning supplies	(65)	(604)	(30)	(236)
Insurance	(51)	(131)	(24)	(56)
Safety equipment	(1)	(977)	-	(496)
Amortization and depreciation	(3,419)	(1,569)	(1,720)	(721)
Reversal of provision (provision) for expected credit losses	(4,326)	-	(1,487)	-
Other	(2,253)	(720)	(1,238)	(460)
	(27,654)	(20,451)	(13,426)	(10,310)

(*) Six-month period from July 01 to December 31, 2019.

b) Other operation income (expenses), net

	12/31/2020	12/31/2019(*)
General manufacturing costs	(2,844)	(1,195)
Depreciation	(2,269)	(906)
Maintenance of property, plant and equipment	(539)	(272)
Other production costs	(1,279)	(690)
Reversal of provision (provision) for legal proceedings	14	(31)
Tax legal proceedings	(11)	-
Income from tax restatement	168	81
Other revenue (expense)	(1,024)	(607)
	(7,784)	(3,620)

(*) Six-month period from July 01 to December 31, 2019.

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

19. Finance income (costs)

	<u>12/31/2020</u>	<u>12/31/2019(*)</u>
<u>Finance expenses</u>		
Interest on financial transactions	(7,623)	(3,148)
Debt modification	(1,478)	(429)
Losses on financial instruments, realized	(2,638)	(469)
Losses on financial instruments, accrued	-	-
Discounts given to customers	(821)	(727)
Trade receivables difference, realized	(887)	(146)
Trade receivables difference, accrued	(1,358)	-
Exchange difference, realized	(21,930)	(5,990)
Exchange difference, accrued	(250,193)	(42,854)
Tax on Financial Transactions (IOF)	(403)	(42)
Interest on debentures	(3,829)	(3,359)
Finance charges, lease and right of use	(80)	(33)
Other finance expenses	(3,992)	(1,982)
	<u>(295,232)</u>	<u>(59,179)</u>
<u>Finance income</u>		
Gains on financial instruments, realized	6,571	2,172
Gains on financial instruments, accrued	9,891	311
Trade receivables difference, realized	6,758	1,500
Trade receivables difference, accrued	-	310
Exchange difference, realized	583	148
Exchange difference, accrued	215,376	41,152
Short-term investment yield	2,918	1,095
Interest income	238	127
Debt modification	1,357	-
Other finance income	188	292
	<u>243,880</u>	<u>47,107</u>

(*) Six-month period from July 01 to December 31, 2019.

20. Key management personnel compensation

On April 30, 2020, the Annual and Special General Meeting approved the management compensation for the period from November 2019 to April 2020, amounting to R\$2,318 for fixed and variable compensation. It also approved, for the period from May 2020 to April 2021 the fixed and variable compensation of the members of the Board of Directors and the Executive Board amounting to the limit of R\$4,500.

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21. Insurance coverage

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

Insurance taken out as of December 31, 2020 is considered sufficient, based on the opinion of the Company's insurance advisors, to cover losses, if any.

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

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22. Transactions with related parties

	Oxon Brasil Defensivos Agrícolas Ltda.		Oxon-Oxon S.p.A.		Nihon Nohyaku CO.Ltd.		Sofbay S.A		Total	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019	12/31/2020	12/31/2019	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Balances										
Current liabilities:										
Trade accounts payable	-	-	57,688	76,517	18,930	1	402	-	77,020	76.518
Intercompany loan (*)	-	-	-	-	415	71,666	-	-	415	71.666
Noncurrent liabilities										
Intercompany loan (*)	-	-	-	-	96,686	-	-	-	96,686	-
Transactions										
Purchases		-	111,972	84,552	21,428	2	817	-	134,217	84.554
Other expenses	(883)	(385)	-	-	-	-	-	-	(883)	(385)
Finance income (expenses)		-	(10,642)	(4,067)	(26,634)	(3,794)	(70)	-	(37,346)	(7,861)

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

(*) This balance refers to an intercompany loan agreement entered into with Nihon Nohyaku CO., Ltd in August 2015, amounting to R\$98,880 (JPY1,920,000,000), subject to interest of 1.38% p.a. and with maturity on August 31, 2025.

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23. Financial instruments

(a) Accounting classification and fair value

Financial instruments recorded at fair value using a valuation method in accordance with CPC 40 – Financial Instruments are presented according to the table below. The different levels were defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2: Inputs, except quoted prices, included in Level 1, observable for assets or liabilities, either directly (that is, based on prices) or indirectly (that is, deriving from prices);
- Level 3: Assumptions for assets and liabilities not based on market observable data (that is, unobservable inputs).

Book values of financial instruments presented in the statement of financial position, when compared to the amounts that could be obtained in trading them in an active market or, in the absence thereof, the net present value adjusted based on the ruling market interest rate, approximate substantially the related market value.

As at December 31, 2020, there were no transfers between levels to be considered, as compared with December 31, 2019.

Book and fair value of financial assets and liabilities, including fair value hierarchy are presented below. Information on fair value of assets and liabilities not measured at fair value is not included if book value reasonably approximates fair value.

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December 31, 2020

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23. Financial instruments (Continued)

(a) Accounting classification and fair value (Continued)

December 31, 2020	Book value			Fair value			
	Fair value through profit or loss	Amortized cost	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value							
Cash and cash equivalents	247	-	247	247	-	-	247
Short-term investments	230,098	-	230,098	-	230,098	-	230,098
Restricted accounts	4,712	-	4,712	-	4,712	-	4,712
Derivative financial instruments	9,848	-	9,848	-	9,848	-	9,848
Total	244,905	-	244,905	247	244,658	-	244,905
Financial assets not measured at fair value							
Accounts receivable and other accounts receivable	-	261,015	261,015				
Total	-	261,015	261,015				

December 31, 2020	Book value			Fair value			
	Fair value through profit or loss	Amortized cost	Total	Level 1	Level 2	Level 3	Total
Financial liabilities measured at fair value							
Loans, financing and debentures	-	323,110	323,110	-	323,110	-	323,110
Intercompany loans	-	97,101	97,101	-	97,101	-	97,101
Derivative financial instruments	43	-	43	-	43	-	43
Total	43	420,211	420,254	-	420,254	-	420,254
Financial liabilities not measured at fair value							
Trade accounts payable	-	119,643	119,643				
Trade accounts payable – related parties	-	77,020	77,020				
Total	-	196,663	196,663				

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23. Financial instruments (Continued)

(a) Accounting classification and fair value (Continued)

December 31, 2019	Book value			Fair value			
	Fair value through profit or loss	Amortized cost	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value							
Cash and cash equivalents	24,332	-	24,332	24,332	-	-	24,332
Short-term investments	66,908	-	66,908	-	66,908	-	66,908
Total	91,240	-	91,240	24,332	66,908	-	91,240
Financial assets not measured at fair value							
Accounts receivable and other accounts receivable	-	211,447	211,447				
Total	-	211,447	211,447				

December 31, 2019	Book value			Fair value			
	Fair value through profit or loss	Amortized cost	Total	Level 1	Level 2	Level 3	Total
Financial liabilities measured at fair value							
Loans, financing and debentures	-	200,894	200,894	-	200,894	-	200,894
Intercompany loans	-	71,666	71,666	-	71,666	-	71,666
Derivative financial instruments	43	-	43	-	43	-	43
Total	43	272,560	272,603	-	272,603	-	272,603
Financial liabilities not measured at fair value							
Trade accounts payable	-	67,720	67,720				
Trade accounts payable – related parties	-	76,518	76,518				
Total	-	144,238	144,238				

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23. Financial instruments (Continued)

(b) Credit risk exposure

The book value of financial assets represents maximum credit risk exposure. Maximum risk exposure as at the date of the financial statements was as follows:

	<u>12/31/2020</u>	<u>12/31/2019</u>
Cash and cash equivalents	247	24,332
Short-term investments	230,098	66,908
Restricted accounts	4,712	-
Trade accounts receivable and other receivables	261,015	211,447
Derivative financial instruments	9,848	-
Total	505,920	302,687
Current assets	499,850	291,290
Noncurrent assets	6,070	11,397

(c) Liquidity risk exposure

Book value of financial liabilities subject to liquidity risk is as follows:

	<u>12/31/2020</u>	<u>12/31/2019</u>
Loans, financing and debentures	323,110	200,894
Intercompany loans	97,101	71,666
Trade accounts payable	119,643	67,720
Trade accounts payable – related parties	77,020	76,518
Derivative financial instruments	-	43
Total	616,874	416,841
Current liabilities	387,693	256,899
Noncurrent liabilities	229,181	159,942

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23. Financial instruments (Continued)

(d) Currency risk exposure

Net exposure in foreign currency is presented below, for the principal amounts.

	<u>Curren cy</u>	<u>12/31/2020</u>	<u>12/31/2019</u>
Loans	USD	12,630	4,611
Loans	EUR	5,516	-
Intercompany loans	IEN	1.928.562	1,911,093
Trade accounts payable	USD	20,507	13,489
Trade accounts payable – related parties	USD	14,821	18,984
Swap	EUR	5,494	-
NDF	USD	30,452	-

(e) Sensitivity analysis of financial assets and liabilities

Sensitivity analysis is established based on exposure to interest rates and other indices of nonderivative financial instruments at the end of the period ended December 31, 2020. Two scenarios are presented, including variations of 25% and 50% of the risk variable considered. Potential impacts of increases(decreases) in equity and P&L for the period are presented below. These scenarios may have impacts on the Company's P&L and future cash flows, as follows:

- Scenario I: Scenario 1 is considered more probable for interest rates, at reporting date.
- Scenario II: Decrease of 25% in the main risk factor of the financial instrument as compared with the level identified in the probable scenario; and
- Scenario III: Decrease of 50% in the main risk factor of the financial instrument as compared with the level identified in the probable scenario.

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23. Financial instruments (Continued)

(e) Sensitivity analysis of financial assets and liabilities (Continued)

Instruments	Exposure at 12/31/2020	Risk	Scenarios					
			Probable		Variation by 25%		Variation by 50%	
			Projection	Amount	%	Amount	%	Amount
Financial assets								
Short-term investments	230,098	CDI	1.90%	234,470	2.38%	1,093	2.85%	2,186
Restricted short-term investments	4,712	CDI	1.90%	4,802	2.38%	22	2.85%	45
Financial liabilities								
Working capital	(60,537)	CDI	1.90%	(61,687)	2.38%	(288)	2.85%	(575)
Debentures	(86,743)	CDI	1.90%	(88,391)	2.38%	(412)	2.85%	(824)
Law 4131 - Banco do Brasil	(25,371)	USD	5.19	(31,140)	6.49	(7,785)	7.79	(15,570)
Law 4131 - MUFG	(31,184)	USD	5.19	(25,343)	6.49	(6,336)	7.79	(12,671)
Law 4131 - Mizuho	(35,180)	EUR	6.37	(35,137)	7.96	(8,784)	9.56	(17,568)
FINIMP CCB	(1,074)	USD	5.19	(1,074)	6.49	(269)	7.79	(537)
FINIMP Itaú	(8,001)	USD	5.19	(7,993)	6.49	(1,998)	7.79	(3,996)
Intercompany loans	(97,101)	IEN	0.05	(97,101)	0.06	(24,423)	0.08	(48,727)
Trade accounts payable	(106,567)	USD	5.19	(106,431)	6.49	(26,608)	7.79	(53,216)
Trade accounts payable – related parties	(77,020)	USD	5.19	(76,921)	6.49	(19,230)	7.79	(38,460)
Swap	30,000	EUR	6.37	34,997	7.96	8,749	9.56	17,498
NDF	152,506	USD	5.19	158,046	6.49	39,511	7.79	79,023
Impact on P&L and equity						(46,758)		(93,392)

Sipcam Nichino Brasil S.A.

Notes to the financial statements

December 31, 2020

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

24. Subsequent events

The Company incurred the breach of Covenants in one of its contracts, as a result of this occurrence it reclassified the transaction that was recorded in the long term to the short term. The creditor did not demand the advance payment of the transaction, nor did it grant the waiver prior to the finalization and presentation of the financial statements, maintaining the original values and maturities of the contract.