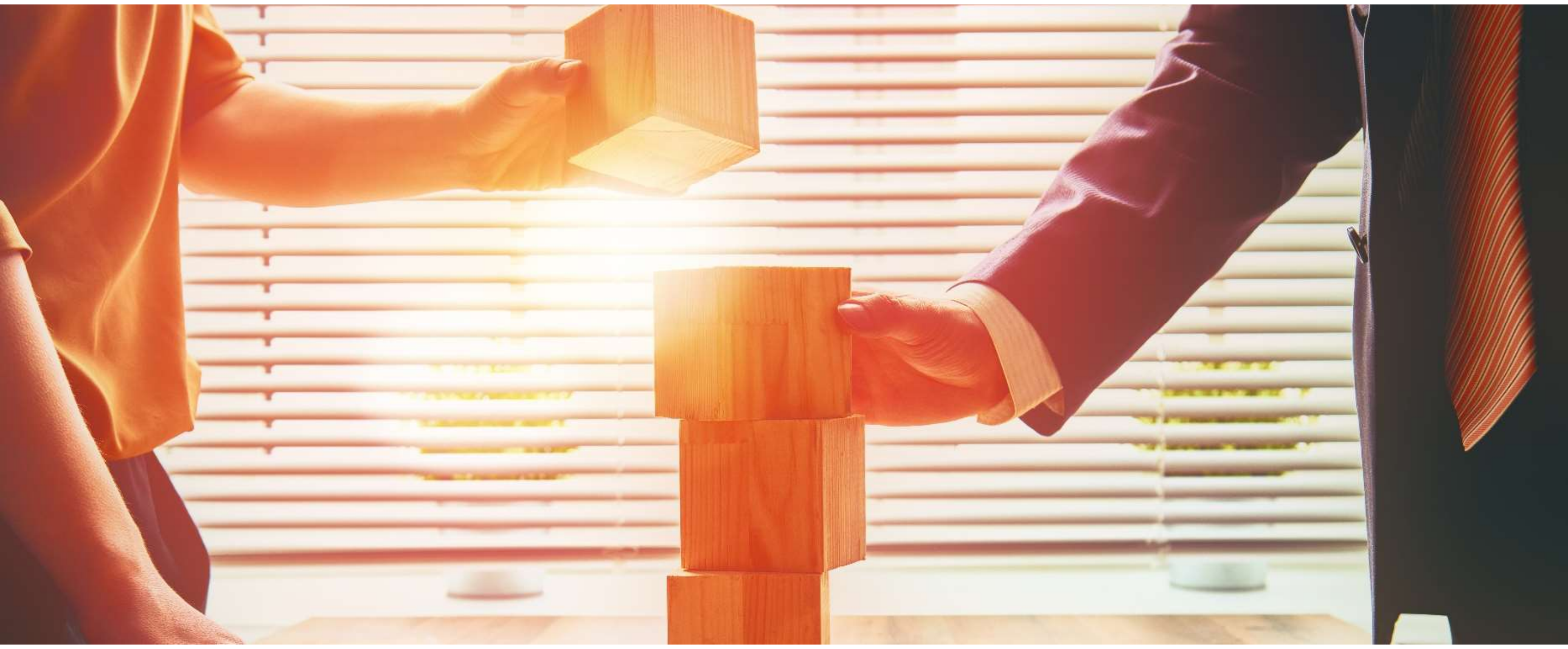

Pulvitec do Brasil Indústria e Comércio de Colas e Adesivos Ltda.

FINANCIAL STATEMENTS
MARCH 31, 2020
And independent auditor’s report

PULVITEC DO BRASIL INDÚSTRIA E COMÉRCIO DE COLAS E ADESIVOS LTDA.

FINANCIAL STATEMENTS

March 31, 2020

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Independent auditors' report

To the
Management and Shareholders of
Pulvitec do Brasil Indústria e Comércio de Colas e Adesivos Ltda.
São Paulo - SP

Opinion

We have audited the financial statements of Pulvitec do Brasil Indústria e Comércio de Colas e Adesivos Ltda. ("Company"), which comprise the statement of financial position as at March 31, 2020, and the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Pulvitec do Brasil Indústria e Comércio de Colas e Adesivos Ltda. as at March 31, 2020, its financial performance and its cash flows for the year then ended in accordance with 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 requirements in the Code of Ethics for Professional Accountants and the professional standards issued by the Brazilian Federal Accounting Council ("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 audit opinion.

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 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 from 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.

Crowe

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 from 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 conducted in accordance with Brazilian and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit 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.

- Obtain 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.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude 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.

- Evaluate 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 planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

São Paulo, May 29, 2020.

Crowe Macro Auditores Independentes
CRC 2SP031004/O-1

Dalton Frias Herculano
Accountant – CRC1SP292951/O-0

Sérgio Ricardo de Oliveira
Accountant – CRC1SP186.070/O-8

In thousands of reais (R$)

Assets	Note	2020	2019	Liabilities and equity	Note	2020	2019
Current assets				**Current liabilities**			
Cash and cash equivalents	**4**	2,462	310	Borrowings	**11**	10,953	5,357
Trade receivables	**5**	9,865	9,918	Trade payables	**12**	2,012	1,501
Inventories	**6**	9,007	5,938	Taxes payable		80	280
Other receivables	**7**	938	1,050	Payroll and related taxes	**13**	1,293	1,179
Taxes recoverable	**8**	1,407	599	Sales commissions payable		530	558
Prepaid expenses		187	230	Other payables	**14**	1,763	2,022
		23,866	**18,045**	Lease liabilities	**15**	976	-
						17,607	**10,897**
Noncurrent assets							
Other noncurrent assets	**7**	3,207	5,162	**Noncurrent liabilities**			
Property, plant and equipment	**9**	2,444	2,514	Lease liabilities	**15**	712	-
Intangible assets	**10**	6,933	5,345	Provision for contingencies	**16**	85	460
		12,584	**13,021**	Taxes in installments	**17**	1,969	2,997
						2,766	**3,457**
				Equity			
				Capital	**18**	74,303	74,303
				Accumulated losses		(58,226)	(57,591)
						16,077	**16,712**
Total assets		**36,450**	**31,066**	**Total liabilities and equity**		**36,450**	**31,066**

The accompanying notes are an integral part of these financial statements.

Pulvitec do Brasil Indústria e Comércio de Colas e Adesivos Ltda.
Statements of profit or loss for the years ended March 31
In thousands of reais (R$)

	Note	2020	2019
Net operating revenue	**19**	**52,657**	**48,324**
Cost of sales and services	**20**	(33,233)	(32,294)
Gross profit		**19,424**	**16,030**
General and administrative expenses	**20**	(18,402)	(17,022)
Other income, net	**20**	3	793
		(18,399)	**(16,229)**
Profit (loss) before finance income (costs)		**1,025**	**(199)**
Finance income (costs), net	**21**	(1,502)	(741)
Loss before taxes		**(477)**	**(940)**
Current income tax and social contribution	**22**	(158)	-
Loss for the year		**(635)**	**(940)**

The accompanying notes are an integral part of these financial statements.

Pulvitec do Brasil Indústria e Comércio de Colas e Adesivos Ltda.
Statements of comprehensive income for the years ended March 31
In thousands of reais (R$)

	2020	2019
Loss for the year	**(635)**	**(940)**
Other comprehensive income	-	-
Total comprehensive income for the year	**(635)**	**(940)**

The accompanying notes are an integral part of these financial statements.

In thousands of reais (R$)

	Capital	Accumulated losses	Total assets
Balance at March 31, 2018	**69,461**	**(56,651)**	**12,810**
Capital increase	4,842	-	4,842
Loss for the year	-	(940)	(940)
Balance at March 31, 2019	**74,303**	**(57,591)**	**16,712**
Loss for the year	-	(635)	(635)
Balance at March 31, 2020	**74,303**	**(58,226)**	**16,077**

The accompanying notes are an integral part of these financial statements.

In thousands of reais (R$)

	2020	2019
Cash flows from operating activities		
Loss for the year	(635)	(940)
Adjustments to reconcile loss for the year to net cash generated by operating activities		
Depreciation and amortization	1,647	700
Interest on borrowings	300	-
Exchange gains and losses on other assets and liabilities	13	-
Residual value on disposal of property, plant and equipment	65	5
Expected credit losses on trade receivables	95	226
Provision for goods billed but not shipped	(156)	(205)
Provision for impairment of inventories	147	200
Provision for contingencies	(375)	(445)
	1,101	**(459)**
Changes in assets and liabilities		
Trade receivables	158	3,022
Inventories	(3,216)	(238)
Other receivables	112	(39)
Taxes recoverable	(808)	275
Prepaid expenses	43	100
Other noncurrent assets	1,955	(1,095)
Trade payables	454	(1,024)
Taxes payable and taxes in installments	(1,228)	(180)
Lease liabilities	1,688	-
Payroll and related taxes	114	229
Other payables	(287)	(227)
Net cash generated by operating activities	**86**	**364**
Cash flows from investing activities		
Additions to property, plant and equipment and intangible assets	(3,230)	(537)
Net cash used in investing activities	**(3,230)**	**(537)**
Cash flows from financing activities		
Borrowings	5,296	(4,400)
Capital contribution	-	4,842
Net cash generated by financing activities	**5,296**	**442**
Increase in cash and cash equivalents	**2,152**	**269**
Cash and cash equivalents at the beginning of the year	310	41
Cash and cash equivalents at the end of the year	2,462	310
Increase in cash and cash equivalents	**2,152**	**269**

The accompanying notes are an integral part of these financial statements.

1. General information

Pulvitec do Brasil Indústria e Comércio de Colas e Adesivos Ltda., with its registered office in Brazil, at Av. Presidente Altino, 2468 and 2600, Jaguaré - City of São Paulo, State of São Paulo (SP), is engaged in the manufacture, sale, representation, import, export, technical assistance and projects in the segments of glues and adhesives, resins, chemicals, plastic and plastic-related materials, plastic and chemical materials for sealing and insulating crepe tape; sale, import and export of cleaning and metal polishing products in general and holding of direct or indirect equity interests in other companies, as partner or shareholder.

2 Basis of preparation

2.1. Statement of compliance in respect of accounting practices

The financial statements have been prepared and are presented in accordance with accounting practices adopted in Brazil, which comprise the Brazilian corporate legislation and the standards issued by the Federal Accounting Council (CFC).

The financial statements were approved by Management on May 29, 2020.

2.2. Functional and presentation currency

The financial statements have been prepared and are presented in reais (R$), which is the Company's functional currency. The functional currency was determined according to the primary economic environment of its operations. All financial information is presented in thousands of reais, unless otherwise stated.

2.3. Use of estimates and judgments

The preparation of financial statements in accordance with accounting practices adopted in Brazil requires Management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

3 Significant accounting policies

3.1. Financial instruments

<u>**Classification and measurement of financial assets and financial liabilities**</u>

Pursuant to IFRS 9 / NBC TG 48, upon initial recognition, a financial asset is classified as: at amortized cost; at fair value through other comprehensive income ("FVTOCI") – debt instrument; at FVTOCI – equity instrument; and fat air value through profit or loss ("FVTPL"). The classification of financial assets is mainly established based on the business model under which a financial asset is managed as well as on the characteristics of its contractual cash flows. The new significant accounting policies are described below:

Financial assets at amortized cost - These assets are subsequently measured at amortized cost using the effective interest method. Amortized cost is reduced by impairment losses. Interest income and exchange gains and losses are recognized in the statement of profit or loss. Any gain or loss on the derecognition is recognized in the statement of profit or loss.

A financial asset is measured at amortized cost if it meets both of the following conditions and it is not designated as at FVTPL:

• it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

• its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at FVOCI if it meets both the following conditions and is not designated as measured at FVTPL:

• it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

• its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company's financial assets are mainly represented by cash and cash equivalents (Note 4) classified as at FVTPL, as well as trade receivables (Note 5) and other receivables (Note 7), which are classified as subsequently measured at amortized cost. The adoption of IFRS 9/NBC TG 48 did not result in changes in the financial statements.

Financial liabilities were classified as measured at amortized cost or at FVTPL. A financial liability is classified as measured at fair value through profit or loss if it is classified as held for trading, is a derivative or is designated for such purpose upon initial recognition. Financial liabilities measured at FVTPL are measured at fair value and the net result, including interest, is recognized in the statement of profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and exchange gains and losses are recognized in the statement of profit or loss. Any gain or loss on the derecognition is also recognized in the statement of profit or loss.

The Company’s financial liabilities are mainly represented by borrowings (Note 11) classified as at FVTPL, as well as trade payables (Note 12), other payables (Note 14) and lease liabilities (Note 15), which are classified as subsequently measured at amortized cost. The adoption of IFRS 9/NBC TG 48 did not result in changes in the financial statements.

Impairment

Expected credit losses are estimates weighted by the probability of credit losses based on the history of losses and projections of associated assumptions. Credit losses are measured at present value based on all cash shortfalls (that is, the difference between the cash flows due to the Company according to the contract and the cash flows the Company expects to receive). Expected credit losses are discounted at the effective interest rate of the financial asset.

In conformity with the replacement of the incurred credit loss model by the expected credit loss model, Management concluded that the methodology already adopted is compliant with the expected credit loss model and, therefore, the initial adoption of IFRS 9/NBC TG 48 as from January 1, 2018 had no material impact on the measurement of the expected credit losses on trade receivables.

3.2. Cash and cash equivalents

Cash and cash equivalents include the available funds, bank deposits and financial investments readily convertible into a known cash amount and subject to an insignificant risk of change in value. They are stated at cost, plus yield accrued that does not exceed their fair value.

3.3. Trade receivables

Trade receivables comprise the amounts receivable from customers related to sales until the end of the reporting period.

Management uses the individual analysis of receivables as a criterion for assessing the expected credit losses on trade receivables.

3.4. Present value adjustment

Monetary assets and liabilities are adjusted to present value based on the effective interest method when arising from short-term transactions, if material, and when arising from long-term transactions they are not subject to interest or are subject to: (i) fixed interest rates; (ii) interest rates that are clearly below the market for similar transactions; and (iii) adjustment only for inflation, not subject to interest. The Company periodically evaluates the effect from this procedure. At March 31, 2020 and 2019, no adjustments of this nature were identified.

3.5. Inventories

Inventories are stated at net acquisition cost plus products manufacturing costs, which is lower than their realizable value net of selling costs. Inventory costs are determined by the average cost method. The net realizable value corresponds to the estimated selling price of inventories, less all estimated and necessary costs to complete the sale.

Inventories are reduced by a provision for impairment of inventories established when there is objective evidence that the Company will not be able to realize inventories for an amount that is higher than their average cost. The amount of expected losses is the difference between the carrying amount and the recoverable amount.

3.6. Property, plant and equipment

Property, plant and equipment are stated at acquisition cost and subject to impairment testing. Accumulated depreciation was calculated under the straight-line method and recognized in profit or loss for the year at the rates mentioned in note 9.

Assets acquired under finance leases are stated at their cash amount or adjusted to the present value of the respective obligation.

Impairment of assets

Noncurrent assets are reviewed to identify evidence of impairment on an annual basis or whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. When this is the case, the recoverable amount is calculated to determine if there is any impairment loss. Whenever an impairment loss is identified, it is recognized by the amount in which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the net selling price and the value in use of an asset. For assessment purposes, assets are grouped into the smallest group of assets for which there are separately identifiable cash flows.

3.7. Income tax and social contribution

Income tax and social contribution are calculated in accordance with the Brazilian tax laws (taxable profit), at the rate of 15% for income tax, plus a 10% surcharge on profit exceeding R$ 240 and 9% for social contribution.

3.8. Provision for contingencies

A provision is recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

3.9. Other current and noncurrent assets and liabilities

Current and noncurrent liabilities are stated at known or estimated amounts, plus, when applicable, the corresponding charges, inflation adjustments and/or exchange rate changes incurred through the end of the reporting period. When applicable, current and noncurrent liabilities are stated at present value, transaction by transaction, based on interest rates that reflect the term, currency and risk of each transaction. The balancing item to present value adjustments is recognized in the profit or loss accounts that originated the liability. The difference between the present value of the transaction and the face value of the liability is recognized in profit or loss over the contract term based on the amortized cost and the effective interest method.

3.10. Revenue recognition

Revenue from contracts with customers is recognized by the Company as control of the products is transferred to customers, such control being represented by the capacity to determine the use of the products and to obtain substantially all the remaining benefits from the products.

For this, the Company follows the conceptual framework of the standard, based on the five-step model: (1) identification of contracts with customers; (2) identification of performance obligations under the contracts; (3) determination of the transaction price; (4) allocation of the transaction price to the performance obligation provided for in the contracts, and (5) recognition of revenue when the performance obligation is satisfied.

3.11. Revenues and expenses

Revenues and expenses are recorded on the accrual basis.

3.12. New and revised standards, pronouncements and interpretations

Standards with first time adoption for years started on or after January 1, 2018:

• **IFRS 15 - Revenue from Contracts with Customers (NBC TG 47)** – The standard sets forth the principles that a company should apply to determine the measurement of revenue and how and when it should be recognized. The amendments establish the criteria for the measurement and recording of revenues, in the manner they were effectively realized with their due disclosure, as well as their recording for the amounts to which the Company is entitled in the operation, considering any estimated impairment. The Company's Management has assessed the effects from adoption of the standard and has not identified any changes or impacts on the recognition of its revenues.

• **IFRS 9 - Financial Instruments (NBC TG 48)** – The standard addresses the classification, measurement and recognition of financial assets and liabilities. The main changes are the new criteria for the classification of financial assets in two categories (measured at fair value and measured at amortized cost) depending on the characteristics of each instrument, which may be classified in finance income (costs) or comprehensive income, also the new impairment model for financial assets is a hybrid of expected and incurred losses, replaces the current model of incurred losses, and introduces relaxation of the requirements for adoption of hedge accounting. The Company's Management has assessed the new standard and, considering its current transactions, has not identified changes that could have a material impact on its financial statements, since the financial instruments it holds are not complex, do not present risk of impact on their revaluation, and do not present risk of impairment or significant impairment due to expected future losses.

Amendments to standards with first time adoption for years started on or after January 1, 2019:

• **IFRS 16 – Leases (NBC TG 06 (R3))** – Establishes aspects of recognition, measurement and disclosure of leases for both lessors and lessees. This standard is effective for annual periods beginning on or after January 1, 2019. Management has assessed the new standard and, considering its current transactions, has identified impact on the Company's financial statements as from its effective date (Notes 10 and 15).

In thousands of reais (R$)

- **IFRIC 23 - Uncertainty over Income Tax Treatments (ITG 22)** – This interpretation clarifies how to apply the recognition and measurement requirements of ITG 32 (IAS 12 Income Taxes) when there is uncertainty over income tax treatments. In these circumstances, the Company shall recognize and measure its current or deferred tax assets or liabilities applying the requirements of NBC TG 32 (R4)/IAS 12 based on taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates determined on the basis of this interpretation. Management has assessed the interpretation and, considering its current transactions, has not identified changes that could have a material impact on its financial statements.

4. Cash and cash equivalents

Description	2020	2019
Cash	1	3
Banks	1,908	304
Short-term investments	553	3
Total	**2,462**	**310**

4.1. Short-term investments

Description	Investment type	Maturity	2020	2019
Banco Bradesco	Bank Certificates of Deposit (CDB)	D+1	72	3
Banco Santander	Bank Certificates of Deposit (CDB)	D+1	481	-
Total			**553**	**3**

Short-term investments include bank certificates of deposit and restricted securities issued by prime financial institutions, whose yield is pegged to Interbank Deposit Certificate ("CDI") variation. They are being classified in cash and cash equivalents for being redeemable within less than three months from the investment date, and there is no risk of loss in case of early redemption.

5. Trade receivables

Description	2020	2019
Domestic customers	11,121	11,341
Foreign customers	288	182
Provision for impairment of receivables	(651)	(556)
Reversal of receivables related to unshipped goods	(893)	(1,049)
Total	**9,865**	**9,918**

In thousands of reais (R$)

5.1. Aging list

Description	2020	%	2019	%
Falling due	9,906	87%	10,528	91%
Past due				
Past due from 1 to 30 days	394	3%	195	2%
Past due from 31 to 60 days	78	1%	76	1%
Past due from 61 to 180 days	312	3%	120	1%
Past due over 180 days	719	6%	604	5%
Total	**11,409**	**100%**	**11,523**	**100%**

The Company hires a receivables recovery company that periodically assesses the likelihood of recovery of past-due receivables, when all collection efforts have been exhausted.

The changes in the provision for impairment of receivables are as follows:

Description	2020	2019
Opening balance	(556)	(330)
Additions	(95)	(261)
Write-offs	-	35
Total	**(651)**	**(556)**

6. Inventories

Description	2020	2019
Finished goods	4,950	1,906
Work in progress	197	174
Raw materials	1,145	1,279
Packaging materials	1,594	1,710
Consignment materials	20	-
Materials held by third parties	984	554
Provision for impairment of inventories	(347)	(200)
Provision for goods billed but not shipped	464	515
Total	**9,007**	**5,938**

The changes in the provision for impairment of inventories are as follows:

Description	2020	2019
Opening balance	(200)	-
Additions	(608)	(480)
Write-offs	461	280
Total	**(347)**	**(200)**

In thousands of reais (R$)

7. Other receivables

Description	**2020**	**2019**
REFIS (tax installment payment) – credit recoverable	1,512	1,512
Escrow deposit – ICMS (State VAT) lawsuit	1,410	2,088
Advances	893	475
Taxes recoverable	285	451
PERT (tax installment payment) – credit recoverable	-	1,111
Other receivables	45	575
Total	**4,145**	**6,212**
Current	**938**	**1,050**
Noncurrent	**3,207**	**5,162**

8. Taxes recoverable

Description	**2020**	**2019**
ICMS (State VAT) recoverable	878	59
INSS (Social Security Contribution) to be offset	175	-
IPI (Tax on Revenue) to be offset	164	150
Reversal of taxes recoverable - Cut-off	143	212
COFINS (Tax on Revenue)	6	-
Others	41	178
Total	**1,407**	**599**

9. Property, plant and equipment

			2020		**2019**
Description	**Rate**	**Cost**	**Depreciation**	**Net**	**Net**
Machinery and equipment	10%	7,638	(6,365)	1,273	1,270
Industrial facilities	10%	1,331	(793)	538	582
Administrative facilities	10%	464	(365)	99	118
Laboratory equipment	10%	113	(101)	12	9
Plant furniture and fixtures	10%	188	(177)	11	12
Office furniture and fixtures	10%	273	(231)	42	41
Tools and accessories	10%	67	(61)	6	7
Computers and peripherals	20%	505	(259)	246	143
Assets under commodatum	10%	736	(625)	111	280
Safety equipment	10%	53	(9)	44	52
Construction in progress	-	62	-	62	-
Total		**11,430**	**(8,986)**	**2,444**	**2,514**

In thousands of reais (R$)

9.1 Changes in property, plant and equipment in 2020

Description – cost	2019	Additions	Write-offs	Transfers	2020
Machinery and equipment	7,032	9	(116)	713	7,638
Industrial facilities	1,292	55	(16)	-	1,331
Administrative facilities	475	7	(18)	-	464
Laboratory equipment	107	7	(1)	-	113
Plant furniture and fixtures	186	2	-	-	188
Office furniture and fixtures	268	9	(4)	-	273
Tools and accessories	67	-	-	-	67
Computers and peripherals	370	170	(35)	-	505
Assets under commodatum	1,203	-	-	(467)	736
Safety equipment	58	10	(15)	-	53
Construction in progress	-	308	-	(246)	62
	11,058	**577**	**(205)**	**-**	**11,430**
Accumulated depreciation	(8,544)	(582)	140	-	(8,986)
Total	**2,514**	**(5)**	**(65)**	**-**	**2,444**

9.2 Changes in property, plant and equipment in 2019

Description – cost	2018	Additions	Write-offs	Transfers	2019
Machinery and equipment	6,410	274	(10)	358	7,032
Industrial facilities	1,271	29	(1)	(7)	1,292
Administrative facilities	451	40	(18)	2	475
Laboratory equipment	107	-	-	-	107
Plant furniture and fixtures	185	2	(1)	-	186
Office furniture and fixtures	244	24	(4)	4	268
Tools and accessories	67	-	-	-	67
Computers and peripherals	326	54	(10)	-	370
Assets under commodatum	1,479	4	-	(280)	1,203
Safety equipment	33	25	-	-	58
Solvent piping project	-	3	-	(3)	-
Business community project	-	3	-	(3)	-
Industrial school glue project	-	5	-	(5)	-
Construction in progress	-	62	-	(62)	-
Office project	-	4	-	(4)	-
	10,573	**529**	**(44)**	**-**	**11,058**
Accumulated depreciation	(7,939)	(647)	42	-	(8,544)
Total	**2,634**	**(118)**	**(2)**	**-**	**2,514**

In thousands of reais (R$)

10. Intangible assets

		2020			2019
Description	**Rate**	**Cost**	**Amortization**	**Net**	**Net**
Software license	20%	451	(392)	59	86
Goodwill	-	22,612	(17,353)	5,259	5,259
Property right-of-use	9.5%	2,636	(1,021)	1,615	-
Total		**25,699**	**(18,766)**	**6,933**	**5,345**

10.1. Changes in intangible assets in 2020

Description – cost	**2019**	**Additions**	**Write-offs**	**Transfers**	**2020**
Software license	445	17	(11)	-	451
Goodwill	22,612	-	-	-	22,612
Property right-of-use	-	2,636	-	-	2,636
	23,057	**2,653**	**(11)**	**-**	**25,699**
Accumulated amortization	(17,712)	(1,065)	11	-	(18,766)
Total	**5,345**	**1,588**	**-**	**-**	**6,933**

10.2. Changes in intangible assets in 2019

Description – cost	**2018**	**Additions**	**Write-offs**	**Transfers**	**2019**
Software license	446	8	(9)	-	445
Goodwill	22,612	-	-	-	22,612
	23,058	**8**	**(9)**	**-**	**23,057**
Accumulated amortization	(17,665)	(53)	6	-	(17,712)
Total	**5,393**	**(45)**	**(3)**	**-**	**5,345**

11. Borrowings

Description	**Conditions**	**2020**	**2019**
Citibank borrowing – Swap	9.95% p.a.	5,679	5,357
Itaú – Swap	12.43% p.a.	2,060	-
FINIMP (Import financing) Shandong	9.95% p.a.	1,734	-
Santander – FINIMP	11.50% p.a.	1,243	-
FINIMP Ningbo	9.95% p.a.	193	-
FINIMP Mrk	9.95% p.a.	92	-
Santander – FINIMP	11.50% p.a.	1,243	-
Total		**10,953**	**5,357**

In thousands of reais (R$)

12. Trade payables

Description	2020	2019
Domestic suppliers	1,558	1,523
Foreign suppliers	489	-
Reversal of unshipped goods	(35)	(22)
Total	**2,012**	**1,501**

13. Payroll and related taxes

Description	2020	2019
Provision for vacation pay	696	643
Salaries payable	445	411
Provision for 13th month salary	152	125
Total	**1,293**	**1,179**

14. Other payables

Description	2020	2019
Accounts payable	803	1,144
Provision for bonus	222	18
Provision for commercial discount	192	281
Sundry provisions	183	55
Provision for internal audit	127	11
Advances from customers	73	97
Provision for freight	66	311
Freight payable	48	60
Provision for profit sharing	33	29
Provision for legal expenses	16	16
Total	**1,763**	**2,022**

15. Lease liabilities

Description	2020	2019
Lease liabilities	1,688	-
Total	**1,688**	**-**
Current	**976**	**-**
Noncurrent	**712**	**-**

In thousands of reais (R$)

Lease liabilities

As mentioned in Note 3.12, the Company adopted the standard NBC TG 06 (R3) “Leases”, choosing to apply it retrospectively with the cumulative effect of the adoption recognized at the date of initial application. Therefore, the comparative periods were not restated.

At January 1, 2019, the amounts corresponding to the right of use of lease agreements in effect were represented by the lease of the Company’s plant located in the city of São Paulo – SP in amounts equivalent to the present value of the obligations undertaken with counterparties. These balances will be amortized over the lease terms. Changes and breakdown of lease liabilities:

Description	**2019**
Initial adoption – April 1, 2019	2,978
New agreements / adjustments	-
Accrued interest	(140)
Payments	(1,150)
Closing balance at March 31, 2020	**1,688**

16. Provision for contingencies

Description	**2020**	**2019**
Labor contingencies	85	460
Total	**85**	**460**

The Company is a party to labor, civil and tax lawsuits and is discussing these issues in both the administrative and judicial spheres, which when applicable, are supported by escrow deposits. The respective provisions were recorded according to the estimates of their legal counselors for the lawsuits whose probability of loss in the respective outcomes was assessed as probable. Management believes that the outcomes of these issues will not have a significantly different effect from the provisioned amount.

(a) Not recorded contingencies (whose likelihood of loss is considered possible)

As at March 31, 2020, in addition to the aforementioned provision, the amount of R$ 1,004 (R$ 787 at March 31, 2019) arising from tax, labor and civil lawsuits, whose likelihood of loss is considered possible by the Company’s legal counselors and for which Management does not consider necessary to set up a provision in the financial statements, was not computed.

In thousands of reais (R$)

17. Taxes in installments

Description	2020	2019
REFIS Law 12,996/14	1,512	1,512
REFIS PERT - Law 13,496/17	-	1,111
REFIS INSS "Pulvitec S.A."	-	374
Obligations linked to third parties	457	-
Total	**1,969**	**2,997**

18. Capital

The Company's capital at March 31, 2020 and 2019 amounted to R$ 74,302,868.00, comprising 74,302,868 share units with par value of R$ 1.00 each, held as follows:

Description	%	Share units	Amount
Pidilite Industries Limited	99.99	74,302	74,302
Pidilite International Pte. Ltda.	0.001	1	1
Total	**100.00**	**74,303**	**74,303**

On February 28, 2019, pursuant to the 15th amendment to its articles of organization, Company capital was increased by R$ 4,842,091.00, through the issue of 4,842,091 new share units, with par value of R$ 1.00 each, fully subscribed and paid up.

19. Net operating revenue

Description	2020	2019
Sales of goods - domestic market	55,237	56,218
Resale of goods - domestic market	11,234	4,847
Sale of goods - Manaus Free Trade Zone (ZFM) or Free Trade Area (ALC)	2020	2,258
Exports	668	594
Manufacturing in other companies	75	218
Resale of goods - ZFM or ALC	542	227
Sales treated alike export sales	9	5
Reversal of goods not shipped - cut-off	156	205
Sale for future delivery	55	-
Gross revenue	**69,996**	**64,572**
Taxes on revenue	(14,473)	(13,748)
Sales returns – net	(2,410)	(1,963)
Prepaid taxes	(456)	(537)
Total	**52,657**	**48,324**

In thousands of reais (R$)

20. Costs and expenses by nature

Description	2020	2019
Cost of sales	(26,294)	(25,754)
Payroll and related taxes	(11,583)	(10,463)
Selling expenses	(1,989)	(1,411)
Sales commissions	(1,983)	(1,873)
Freight expenses	(1,792)	(2,254)
Depreciation and amortization	(1,647)	(634)
Services provided by third parties	(1,344)	(941)
Travel expenses	(783)	(463)
Inventory adjustments	(610)	(733)
Electric energy	(378)	(351)
Consumables	(274)	(283)
Rebates and taxes	(291)	(202)
Termination of representatives	(243)	(69)
Rental and Municipal Real Estate Tax (IPTU)	(146)	(1,257)
Contingencies expenses	(126)	(28)
Equipment rental	(105)	(35)
Telephone and Internet	(92)	(74)
Disposal - property, plant and equipment / Control of Tax Credits on Permanent Assets (CIAP)	(65)	10
Reversal of inventories sold and not delivered	(51)	(30)
Tax expenses	(26)	(107)
Income from refund of taxes	619	619
Revenue from property, plant and equipment	33	-
Other expenses	(2,462)	(2,190)
Total	**(51,632)**	**(48,523)**
Cost of sales and services	**(33,233)**	**(32,294)**
General and administrative expenses	**(18,402)**	**(17,022)**
Other income (expenses), net	**3**	**793**

In thousands of reais (R$)

21. Finance income (costs), net

Description	2020	2019
Finance income		
Discount obtained	28	56
Interest income from customers	47	51
Income from financial investments	3	21
Exchange gains	126	120
	204	**248**
Finance costs		
Exchange losses	(255)	(98)
Interest on borrowings	(11)	-
Interest and fines on taxes	(2)	(10)
Interest and fines	(56)	(23)
Other finance costs	(479)	(102)
Banking expenses	(171)	(164)
SWAP costs	(732)	(592)
	(1,706)	**(989)**
Total	**(1,502)**	**(741)**

22. Income tax and social contribution

Description	2020
Profit (loss) before income tax and social contribution	(477)
Additions	1,186
Deductions	(12)
Offset of tax loss	(232)
Calculation basis	**465**
Income tax	(110)
Social contribution	(48)
Total	**(158)**
Effective rate	33.98%

23. Risk management

Management understands that the Company is exposed to the following risks arising from financial instruments:

- Credit risk
- Currency risk; and
- Liquidity risk.

This explanatory note discloses information on the Company’s exposure to each of the above risks, the risk policy objectives and the risk assessment, risk management and capital management processes.

The Company’s Management is held responsible for the establishment and supervision of the risk management structure. The risk management policies have been established to identify and assess the risks to which it is exposed, to define appropriate risk exposure limits and risk controls, and to monitor risks and compliance with the limits of exposure to risk established. The risk policies and systems are reviewed periodically to respond to changes in market conditions and in the activities of the Company.

Credit risk

This risk arises from the possibility of the Company incurring losses resulting from difficulty in receiving amounts billed to its customers and distributors. In order to mitigate this type of risk, the Company carries out individual credit analysis of its customers, based on the analysis of potential sales, risk and default history, data from risk rating agencies and market data.

Currency risk

Currency risk arises from current and future commercial operations, generated mainly by borrowings in foreign currency.

The currency risk management policy defined by the Company's Management is to hedge up to 100% of the amount of the borrowing taken out in foreign currency through foreign exchange swap.

It is important to highlight that the effective net exposure is mainly related to the estimated future cash flows, for which there is the possibility of adjustment in the composition of prices to be practiced in the retail market, as a way of offsetting any variations in costs due to appreciation in the US dollar. Actual results may only be determined upon settlement of foreign currency borrowings and swaps.

Liquidity risk

This risk arises from the possibility of reduction in resources destined to the payment of debts. Management monitors ongoing forecasts of the Company’s liquidity requirements to ensure sufficient cash to meet its operating needs.

24. Insurance coverage

The Company has insurance coverage in amounts considered sufficient by the technical and operational departments (DTO) to cover any risks on its assets and/or liabilities.

The scope of work of our auditors does not include the issuance of an opinion on the sufficiency of the insurance coverage, which was determined by the Company’s Management, which considers it sufficient to cover any losses.

25. Events after the reporting period

COVID-19

The Company has been closely monitoring the economic impacts with respect to Coronavirus (COVID-19) on Pulvitec's business, maintaining contact with our main customers to build an understanding of the level of trade activities and the market in general.

In this respect, the hardware and materials for civil construction sector has benefited from the reopening of construction and hardware stores, although with several restrictions, in most states.

We have seen a fall in the number of orders; and based on this perception, we revised our Budget for the year 2020-2021.

With regard to supplies, our suppliers in China are currently operating normally, although with some logistical problems due to the low supply of ships that make routes to Brazil.

Some raw materials have undergone adjustments, at the same time we have revised our cost breakdown and revised our prices according to the strategies defined by management and the Sales Officer.

The Company has used the benefits of Provisional Executive Act (MP) 986 to reduce costs and maintain employees in order to maintain the know-how of our workforce to the maximum, which will be very important when business in Brazil resumes.

In addition to the economic aspects that affect our operation, preventive measures have been taken, observing the financial impacts for the Company, while maintaining our responsibility to avoid contributing to a possible increase in unemployment in Brazil.

Among the main activities taken to date, we can highlight:

- Reduction in the salaries of officers, managers, supervisors and team leaders by 25% for 3 months;
- Suspension of employment contracts for teams, to avoid the immediate dismissal of personnel;
- Reduction of outsourced staff;
- Review of credit policies with customers;
- Increase in the Company's account collection efforts;
- Review of the doubtful debts policy as from March 2020;
- Reassessment of the competitive scenario, in order to measure the economic competitiveness of the production of some items that are now imported into Brazil, in light of the new economic reality;
- Launch of the Superstorm alcohol gel line; and
- An evaluation of the increase in products in our sanitizing line.

In order to protect the Company's cash flow, the Pidilite Group approved a Standy Letter of Credit (SBLC) with Citibank Brasil at a total amount of USD 1,000,000.00 to be used to cover a possible lack of Company cash liquidity.

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