



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

FINANCIAL STATEMENTS  
March 31, 2021  
With independent auditor's report

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

FINANCIAL STATEMENTS

MARCH 31, 2021

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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, 2021, 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, 2021, 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.

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, April 30, 2021.

**Crowe Macro Auditores Independentes**  
CRC 2SP031004/O-1



**Laércio Batista de Lima**  
Accountant – CRC1SP209836/O-7



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

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

Statements of financial position as at March 31

In thousands of reais (R\$)

<b>Assets</b>	<b>Note</b>	<b>2021</b>	<b>2020</b>	<b>Liabilities and equity</b>	<b>Note</b>	<b>2021</b>	<b>2020</b>
<b>Current assets</b>				<b>Current liabilities</b>			
Cash and cash equivalents	4	2,324	2,462	Borrowings	11	11,285	10,953
Trade receivables	5	9,347	9,865	Trade payables	12	2,980	2,012
Inventories	6	15,136	9,007	Taxes payable		131	80
Other receivables	7	1,592	938	Payroll and related taxes	13	1,347	1,293
Taxes recoverable	8	12,068	1,407	Sales commissions payable		764	530
Prepaid expenses		318	187	Other payables	14	5,595	1,763
		<b>40,785</b>	<b>23,866</b>	Lease liabilities	15	1,212	976
						<b>23,314</b>	<b>17,607</b>
<b>Noncurrent assets</b>				<b>Noncurrent liabilities</b>			
Other receivables	7	1,694	3,207	Lease liabilities	15	-	712
Property, plant and equipment	9	2,679	2,444	Provision for contingencies	16	82	85
Intangible assets	10	6,385	6,933	Taxes in installments	17	457	1,969
		<b>10,758</b>	<b>12,584</b>	Provision for taxes		1,163	-
						<b>1,702</b>	<b>2,766</b>
				<b>Equity</b>			
				Capital	18	74,303	74,303
				Accumulated losses		(47,776)	(58,226)
						<b>26,527</b>	<b>16,077</b>
<b>Total</b>		<b>51,543</b>	<b>36,450</b>	<b>Total</b>		<b>51,543</b>	<b>36,450</b>

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\$)

	<b>Note</b>	<b>2021</b>	<b>2020</b>
<b>Net operating revenue</b>	<b>19</b>	76,563	<b>52,657</b>
Cost of sales and services	<b>20</b>	(46,364)	(33,233)
<b>Gross profit</b>		<b>30,199</b>	<b>19,424</b>
General and administrative expenses	<b>20</b>	(21,606)	(18,402)
Other income, net	<b>20</b>	7,630	3
		<b>(13,976)</b>	<b>(18,399)</b>
<b>Profit before finance income (costs) and taxes</b>		<b>16,223</b>	<b>1,025</b>
Finance income (costs), net	<b>21</b>	(1,323)	(1,502)
<b>Profit (loss) before taxes</b>		<b>14,900</b>	<b>(477)</b>
Current income tax and social contribution	<b>22</b>	(4,450)	(158)
<b>Profit (loss) for the year</b>		<b>10,450</b>	<b>(635)</b>

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\$)

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	<u>2021</u>	<u>2020</u>
<b>Profit (loss) for the year</b>	<b>10,450</b>	<b>(635)</b>
Other comprehensive income	-	-
<b>Total comprehensive income for the year</b>	<b><u>10,450</u></b>	<b><u>(635)</u></b>

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



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

Statements of changes in equity

In thousands of reais (R\$)

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	<b>Capital</b>	<b>Unpaid capital</b>	<b>Paid-in capital</b>	<b>Accumulated losses</b>	<b>Total</b>
<b>Balance at March 31, 2019</b>	<u>74,303</u>	-	<u>74,303</u>	<u>(57,591)</u>	<u>16,712</u>
Loss for the year	-	-	-	(635)	(635)
<b>Balance at March 31, 2020</b>	<u>74,303</u>	-	<u>74,303</u>	<u>(58,226)</u>	<u>16,077</u>
Profit for the year	-	-	-	10,450	10,450
<b>Balance at March 31, 2021</b>	<u>74,303</u>	-	<u>74,303</u>	<u>(47,776)</u>	<u>26,527</u>

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

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

	<b>2021</b>	<b>2020</b>
<b>Cash flows from operating activities</b>		
Profit (loss) for the year	10,450	(635)
<b>Adjustments to reconcile profit for the year to net cash generated by operating activities</b>		
Depreciation and amortization	1,535	1,647
Interest on borrowings	1,003	300
Exchange gains and losses on other assets and liabilities	-	13
Profit (loss) on the disposal and write-off of property, plant and equipment and intangible assets	90	65
Allowance for expected credit losses	416	95
Provision for goods billed but not shipped	24	(156)
Provision for impairment of inventories	455	147
Provision for taxes	1,163	-
Provision for contingencies	(3)	(375)
	<b>15,133</b>	<b>1,101</b>
<b>Changes in assets and liabilities</b>		
Trade receivables	(53)	158
Inventories	(6,453)	(3,216)
Other receivables	(654)	112
Taxes recoverable	(10,661)	(808)
Prepaid expenses	(131)	43
Other noncurrent assets	1,513	1,955
Trade payables	968	454
Taxes payable and taxes in installments	2,166	(1,228)
Lease liabilities	(476)	1,688
Payroll and related taxes	54	114
Other payables	4,066	(287)
Interest paid on borrowings	(1,080)	-
Payment of income tax and social contribution	(3,627)	-
<b>Net cash generated by operating activities</b>	<b>765</b>	<b>86</b>
<b>Cash flows from investing activities</b>		
Additions to property, plant and equipment and intangible assets	(1,312)	(3,230)
<b>Net cash used in investing activities</b>	<b>(1,312)</b>	<b>(3,230)</b>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	15,595	5,296
Repayment of borrowings	(15,186)	-
<b>Net cash generated by financing activities</b>	<b>409</b>	<b>5,296</b>
<b>(Decrease) increase in cash and cash equivalents</b>	<b>(138)</b>	<b>2,152</b>
Cash and cash equivalents at the beginning of the year	2,462	310
Cash and cash equivalents at the end of the year	2,324	2,462
<b>(Decrease) increase in cash and cash equivalents</b>	<b>(138)</b>	<b>2,152</b>

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

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

Notes to the financial statements for the years ended March 31, 2021 and 2020

In thousands of reais (R\$)

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### **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, 2568 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.

#### **Impacts of the pandemic**

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.

Governmental measures together with seasonal factors brought occasional benefits in 20-21, as follows:

- The emergency aid paid by the federal government to low income population has fostered the construction industry, thus generating a much higher increase in the expectations in number of orders, since part of these funds were directed to the renovation and repair market, which benefited significantly our line of products.
- Middle and upper middle class residents who were or are still working remotely addressed part of their funds to make repairs that had been postponed in their houses, thus once again favoring our line of products.
- People who had funds to purchase a property in view of the opportunity to have a beach or countryside house due to companies that will chose to make the remote work a permanent policy also supported significantly the increase in demand of our line of products.
- In the sanitizers market, the Company launched the alcohol gel line, which had a significant participation in the figures of April and May 2020; however the demand has cooled down due to the excess of products in the market, the Company still has materials in its inventories, and made campaigns to sell the remaining items. In these financial statements, provisions for impairment of 50% of the balance in inventories were made due to slow moving and considering factors such as the expiration date of products.
- Between May and June 2020, the Company adopted the reduction in salary and workload proposed by Provisional Measure (MP) 936 of April 1, 2020, and this reduction was applied to the members of the Company's administrative area in order to preserve the Company's cash position during this time of uncertainties regarding market prospects.

## **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 April 30, 2021.

### **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**

#### **Classification and measurement of financial assets and financial liabilities**

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 fair 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

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

Notes to the financial statements for the years ended March 31, 2021 and 2020

In thousands of reais (R\$)

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- 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 trade receivables (Note 5) and other receivables (Note 7), which are classified as subsequently measured at amortized cost.

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.

### **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.

### **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, 2021 and 2020, 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**

#### **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).

- **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.

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Notes to the financial statements for the years ended March 31, 2021 and 2020

In thousands of reais (R\$)

**4. Cash and cash equivalents**

Description	2021	2020
Cash	1	1
Banks	1,462	1,908
Short-term investments	861	553
<b>Total</b>	<b>2,324</b>	<b>2,462</b>

**4.1. Short-term investments**

Description	Investment type	Maturity	2021	2020
Banco Bradesco	Bank Certificates of Deposit (CDB)	D+1	33	72
Banco Santander	Bank Certificates of Deposit (CDB)	D+1	828	481
<b>Total</b>			<b>861</b>	<b>553</b>

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	2021	2020
Domestic customers	11,142	11,121
Foreign customers	320	288
Provision for impairment of receivables	(1,067)	(651)
Reversal of receivables related to unshipped goods	(1,048)	(893)
<b>Total</b>	<b>9,347</b>	<b>9,865</b>

**5.1. Aging list**

Description	2021	%	2020	%
Falling due	8,908	78%	9,905	87%
<b>Past due</b>				
Past due from 1 to 30 days	813	7%	394	3%
Past due from 31 to 60 days	366	3%	78	1%
Past due from 61 to 180 days	369	3%	312	3%
Past due over 180 days	1,006	9%	720	6%
<b>Total</b>	<b>11,462</b>	<b>100%</b>	<b>11,409</b>	<b>100%</b>

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.



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

Notes to the financial statements for the years ended March 31, 2021 and 2020

In thousands of reais (R\$)

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

<b>Description</b>	<b>2021</b>	<b>2020</b>
Opening balance	(651)	(566)
Additions	(513)	(90)
Write-offs	97	5
Closing balance	<b>(1,067)</b>	<b>(651)</b>

**6. Inventories**

<b>Description</b>	<b>2021</b>	<b>2020</b>
Finished goods	9,925	4,950
Work in progress	209	197
Raw materials	1,708	1,145
Packaging materials	3,039	1,594
Consignment materials	2	20
Materials held by third parties	460	984
Provision for impairment of inventories	(802)	(347)
Provision for goods billed but not shipped	595	464
<b>Total</b>	<b>15,136</b>	<b>9,007</b>

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

<b>Description</b>	<b>2021</b>	<b>2020</b>
Opening balance	(347)	(200)
Additions	(1,635)	(608)
Write-offs	1,180	461
Closing balance	<b>(802)</b>	<b>(347)</b>

**7. Other receivables**

<b>Description</b>	<b>2021</b>	<b>2020</b>
Advances	1,178	893
Escrow deposit – ICMS (State VAT) lawsuit	1,410	1,410
REFIS (tax installment payment) – credit recoverable	-	1,512
Taxes recoverable	-	285
Other receivables	698	44
<b>Total</b>	<b>3,286</b>	<b>4,145</b>
<b>Current</b>	<b>1,592</b>	<b>938</b>
<b>Noncurrent</b>	<b>1,694</b>	<b>3,207</b>

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

Notes to the financial statements for the years ended March 31, 2021 and 2020

In thousands of reais (R\$)

**8. Taxes recoverable**

<b>Description</b>	<b>2021</b>	<b>2020</b>
COFINS (Tax on Revenue)	57	6
Reversal of taxes recoverable - Cut-off	236	143
ICMS (State VAT) recoverable	2,784	878
PIS/COFINS excluded from ICMS tax base	7,709	-
INSS (Social Security Contribution) to be offset	6	175
IPI (Tax on Revenue) to be offset	324	164
Others	939	40
PIS (Social Integration Program) recoverable	13	1
<b>Total</b>	<b>12,068</b>	<b>1,407</b>

**9. Property, plant and equipment**

<b>Description</b>	<b>Rate</b>	<b>2021</b>			<b>2020</b>
		<b>Cost</b>	<b>Depreciation</b>	<b>Net</b>	<b>Net</b>
Machinery and equipment	10%	7,677	(6,642)	1,035	1,271
Industrial facilities	10%	1,334	(890)	444	539
Administrative facilities	10%	467	(380)	87	99
Laboratory equipment	10%	117	(104)	13	12
Plant furniture and fixtures	10%	196	(180)	16	11
Office furniture and fixtures	10%	285	(235)	50	43
Tools and accessories	10%	67	(62)	5	6
Computers and peripherals	10%	677	(348)	329	246
Assets under commodatum	10%	740	(643)	97	111
Safety equipment	10%	61	(14)	47	45
Leasehold improvements	-	18	-	18	-
Construction in progress	-	538	-	538	61
<b>Total</b>		<b>12,177</b>	<b>(9,498)</b>	<b>2,679</b>	<b>2,444</b>

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**9.1 Changes in property, plant and equipment in 2021**

<b>Description – cost</b>	<b>2020</b>	<b>Additions</b>	<b>Write-offs</b>	<b>Transfers</b>	<b>2021</b>
Machinery and equipment	7,638	74	(35)	-	7,677
Industrial facilities	1,331	3	-	-	1,334
Administrative facilities	464	3	-	-	467
Laboratory equipment	113	3	-	-	116
Plant furniture and fixtures	188	8	-	-	196
Office furniture and fixtures	274	14	(3)	-	285
Tools and accessories	67	-	-	-	67
Computers and peripherals	505	167	-	4	676
Assets under commodatum	736	10	(2)	(4)	740
Safety equipment	54	7	-	-	61
Leasehold improvements	-	18	-	-	18
Construction in progress	61	480	-	-	541
	<b>11,431</b>	<b>787</b>	<b>(40)</b>	<b>-</b>	<b>12,178</b>
Accumulated depreciation	(8,987)	(548)	36	-	(9,499)
<b>Total</b>	<b>2,444</b>	<b>239</b>	<b>(4)</b>	<b>-</b>	<b>2,679</b>

**9.2. Changes in property, plant and equipment in 2020**

<b>Description – cost</b>	<b>2019</b>	<b>Additions</b>	<b>Write-offs</b>	<b>Transfers</b>	<b>2020</b>
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	(0)	-	188
Office furniture and fixtures	268	9	(3)	-	274
Tools and accessories	67	-	-	-	67
Computers and peripherals	370	170	(35)	-	505
Assets under commodatum	1,203	-	-	(467)	736
Safety equipment	58	10	(14)	-	54
Construction in progress - factory	-	307	-	(246)	61
	<b>11,058</b>	<b>576</b>	<b>(203)</b>	<b>-</b>	<b>11,431</b>
Accumulated depreciation	(8,544)	(582)	139	-	(8,987)
<b>Total</b>	<b>2,514</b>	<b>(6)</b>	<b>(64)</b>	<b>-</b>	<b>2,444</b>

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**10. Intangible assets**

Description	2021			2020	
	Rate	Cost	Amortization	Net	Net
Software license	20%	451	(418)	33	59
Goodwill	-	22,612	(17,353)	5,259	5,259
Property right-of-use	-	3,075	(1,982)	1,093	1,615
<b>Total</b>		<b>26,138</b>	<b>(19,753)</b>	<b>6,385</b>	<b>6,933</b>

**10.1. Changes in intangible assets in 2021**

Description – cost	2020	Additions	Write-offs	Transfers	2021
Software license	452	-	-	-	452
Goodwill	22,611	-	-	-	22,611
Property right-of-use	2,636	525	-	(86)	3,075
	<b>25,699</b>	<b>525</b>	<b>-</b>	<b>(86)</b>	<b>26,138</b>
Accumulated amortization	(18,766)	(987)	-	-	(19,753)
<b>Total</b>	<b>6,933</b>	<b>(462)</b>	<b>-</b>	<b>(86)</b>	<b>6,385</b>

**10.2. Changes in intangible assets in 2020**

Description – cost	2019	Additions	Write-offs	Transfers	2020
Software license	446	17	(11)	-	452
Goodwill	22,611	-	-	-	22,611
Property right-of-use	-	2,636	-	-	2,636
	<b>23,057</b>	<b>2,653</b>	<b>(11)</b>	<b>-</b>	<b>25,699</b>
Accumulated amortization	(17,712)	(1,065)	11	-	(18,766)
<b>Total</b>	<b>5,345</b>	<b>(45)</b>	<b>(0)</b>	<b>-</b>	<b>6,933</b>

**11. Borrowings**

Description	Conditions	2021	2020
Citibank borrowing – 4131	9.95% p.a.	-	5,493
Itaú - Withholding as collateral	-	(337)	(48)
Accrued interest	-	111	300
Santander 4131	9.42% p.a.	5,030	-
HSBC EMPRESTIMO CCB	CDI+3.3% p.a.	3,340	-
FINIMP (Import financing) Shandong	9.95% p.a.	-	1,734
FINIMP Ningbo	9.95% p.a.	-	193
FINIMP Mrk	9.95% p.a.	-	92
Itaú 4131	9.25% p.a.	3,141	1,983
Santander - Finimp	11.50% p.a.	-	1,206
<b>Total</b>		<b>11,285</b>	<b>10,953</b>

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**12. Trade payables**

<b>Description</b>	<b>2021</b>	<b>2020</b>
Domestic suppliers	1,930	1,558
Reversal of unshipped goods	69	(35)
Foreign suppliers	981	489
<b>Total</b>	<b>2,980</b>	<b>2,012</b>

**13. Payroll and related taxes**

<b>Description</b>	<b>2021</b>	<b>2020</b>
Provision for vacation pay	673	696
Salaries payable	519	445
Provision for 13th month salary	155	152
<b>Total</b>	<b>1,347</b>	<b>1,293</b>

**14. Other payables**

	<b>2021</b>	<b>2020</b>
Other payables	1,240	803
Provision for commercial discount	530	192
Provision for freight	8	66
Advances from customers	159	73
Freight payable	72	48
Sundry provisions	1,350	183
Provision for profit sharing	120	33
Provision for bonus	917	222
Provision for legal expenses - Minutes / Articles of Association	16	16
Provision for commission – Others	292	-
Provision for commission – Haddad	812	-
Payment Pidilite	64	-
Provision for audit	15	127
<b>Total</b>	<b>5,595</b>	<b>1,763</b>

**15. Lease liabilities**

<b>Description – cost</b>	<b>2021</b>	<b>2020</b>
Lease liabilities	1,212	1,688
	<b>1,212</b>	<b>1,688</b>
<b>Current</b>	<b>1,212</b>	<b>976</b>
<b>Noncurrent</b>	<b>-</b>	<b>712</b>

**Lease liabilities**

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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:

<b>Descrição</b>	<b>2021</b>	<b>2020</b>
Initial adoption – April 1, 2019	1.688	2.978
New agreements / adjustments	761	-
Accrued interest	(134)	(140)
Payments	(1.103)	(1.150)
<b>Total</b>	<b>1.212</b>	<b>1.688</b>

**16. Provision for contingencies**

<b>Description</b>	<b>2021</b>	<b>2020</b>
Labor contingencies	82	85
<b>Total</b>	<b>82</b>	<b>85</b>

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, 2021, in addition to the aforementioned provision, the amount of R\$ 34 (R\$ 1,004 at March 31, 2020) arising from 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.

**17. Taxes in installments**

<b>Description</b>	<b>2021</b>	<b>2020</b>
REFIS Law 12,996/14	-	1,512
Obligations linked to third parties	457	457
<b>Total</b>	<b>457</b>	<b>1,969</b>

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Notes to the financial statements for the years ended March 31, 2021 and 2020

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**18. Capital**

The Company's capital at March 31, 2021 and 2020 amounted to R\$ 74,302,868.00, comprising 74,302,868 share units with par value of R\$ 1.00 each, held as follows:

<b>Description</b>	<b>%</b>	<b>Share units (thousands)</b>	<b>Amount</b>
Pidilite Industries Limited	99.99	74,302	74,302
Pidilite International Pte. Ltda.	0.01	1	1
<b>Total</b>	<b>100%</b>	<b>74,303</b>	<b>74,303</b>

**19. Net operating revenue**

<b>Description</b>	<b>2021</b>	<b>2020</b>
Sales of goods - domestic market	75,125	55,237
Resale of goods - domestic market	19,928	11,234
Sale of goods - Manaus Free Trade Zone (ZFM) or Free Trade Area (ALC)	3,113	2,020
Exports	460	668
Manufacturing in other companies	30	75
Resale of goods - ZFM or ALC	802	542
Sales treated alike export sales	-	9
Reversal of goods not shipped - cut-off	(154)	156
Sale for future delivery	-	55
<b>Gross revenue</b>	<b>99,304</b>	<b>69,996</b>
Taxes on revenue	(19,815)	(14,473)
Sales returns – net	(2,360)	(2,410)
Prepaid taxes	(566)	(456)
<b>Total</b>	<b>76,563</b>	<b>52,657</b>

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

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**20. Costs and expenses by nature**

<b>Description</b>	<b>2021</b>	<b>2020</b>
Cost of sales	(37,949)	(26,294)
Payroll and related taxes	(13,761)	(11,583)
Selling expenses	(1,744)	(1,989)
Sales commissions	(3,313)	(1,983)
Freight expenses	(2,701)	(1,792)
Depreciation and amortization	(1,535)	(1,647)
Services provided by third parties	(1,328)	(1,344)
Travel expenses	(343)	(783)
Inventory adjustments	(535)	(610)
Electric energy	(359)	(378)
Consumables	(394)	(274)
Rebates and taxes	(166)	(291)
Termination of representatives	(115)	(243)
Rental and Municipal Real Estate Tax (IPTU)	(184)	(146)
Contingencies expenses	(88)	(126)
Equipment rental	(197)	(105)
Telephone and Internet	(103)	(92)
Disposal - property, plant and equipment / Control of Tax Credits on Permanent Assets (CIAP)	-	(65)
Reversal of inventories sold and not delivered	22	(51)
Tax expenses	(43)	(26)
Income from refund of taxes	834	619
Revenue from property, plant and equipment	15	33
Other income (expenses)	3,647	(2,462)
<b>Total</b>	<b>(60,340)</b>	<b>(51,632)</b>
<b>Cost of sales and services</b>	<b>(46,364)</b>	<b>(33,233)</b>
<b>General and administrative expenses</b>	<b>(21,606)</b>	<b>(18,402)</b>
<b>Other income</b>	<b>7,630</b>	<b>3</b>



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**21. Finance income (costs), net**

<b>Description</b>	<b>2021</b>	<b>2020</b>
<b>Finance income</b>		
Discount obtained	10	28
Interest income from customers	62	47
Income from financial investments	40	3
SWAP income	199	-
Exchange gains	440	126
	<b>751</b>	<b>204</b>
<b>Finance costs</b>		
Exchange losses	(234)	(255)
Interest on borrowings	(1,003)	(330)
Interest and fines on taxes	(17)	(2)
Interest and fines	(264)	(56)
Other finance costs	(353)	(479)
Banking expenses	(199)	(584)
Notary office fees	(4)	-
<b>Total</b>	<b>(2,074)</b>	<b>(1,706)</b>
<b>Total</b>	<b>(1,323)</b>	<b>(1,502)</b>

**22. Income tax and social contribution**

<b>Description</b>	<b>2021</b>	<b>2020</b>
Profit (loss) before income tax and social contribution	14,900	(477)
Additions	3,012	1,186
Deductions	(3,100)	(12)
Offset of tax loss	(5,835)	(232)
<b>Calculation basis</b>	<b>8,977</b>	<b>465</b>
Income tax	(3,245)	(110)
Social contribution	(1,205)	(48)
	<b>(4,450)</b>	<b>(158)</b>
<b>Effective rate</b>	<b>29.87%</b>	<b>33.12%</b>

**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.

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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**

In conformity with Brazilian accounting standards, the Company's management has performed evaluations and reached the conclusion that there are no significant events to be disclosed between the end of the reporting period and the date of approval of the financial statements.

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