Unipar Carbocloro S.A.

Parent Company and Consolidated
Financial Statements for the Fiscal Year
ended December 31, 2021
and Independent Auditor's Report

(Free translation from the original issued in Portuguese. In the event of any discrepancies, the Portuguese language version shall prevail.)

Deloitte Touche Tohmatsu Auditores Independentes Ltda

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INDEPENDENT AUDITOR'S REPORT
ON THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

To Management and shareholders of
Unipar Carbocloro S.A.

Opinion

We have audited the parent and consolidated financial statements of Unipar Carbocloro S.A. ("Company"), identified as parent company and consolidated, respectively, which comprise the statement of financial position on December 31, 2021, and the income statements, comprehensive income, changes in equity and cash flows for the year then ended, and the corresponding notes to the financial statements, including a summary of key accounting policies.

In our opinion, the above-mentioned parent company and consolidated financial statements fairly present, in all material respects, the parent company and consolidated equity and financial position of Unipar Carbocloro S.A. on December 31, 2021, and the parent company and consolidated financial performance and cash flows for the year then ended, in accordance with the accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Basis for opinion

We conducted our audit under Brazilian and International Auditing Standards. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the parent company and consolidated financial statements" section. We are independent of the Company and its subsidiaries, according to the material ethical principles provided for in the Accountants' Code of Ethics and the professional standards issued by the Federal Accounting Council - CFC, and we have fulfilled other ethical responsibilities under these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audits 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 year. These matters were addressed in the context of our audit of the parent company and consolidated financial statements taken as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

a) Revenue recognition

As mentioned in Note 26, the Company recognized revenues in the amount of R$1,6 billion ("Parent Company") and R$6,3 billion ("Consolidated") on December 31, 2021.

Revenue recognition requires the following aspects to be met in the process of selling goods: (a) all parties must approve the purchase and sale agreement (in writing, orally, or in accordance with other customary business practices) and must undertake to comply with their respective obligations; (b) the Company must identify the rights of each party relating to the goods or services to be transferred; (c) the Company must identify the payment terms for the goods or services to be transferred; (d) the agreement must have a commercial substance; (e) the Company must have a proof of probability that it will receive the amounts it is entitled to for the goods or services to be transferred to the customer.

How the matter was handled by audit

- We made an assessment on the design, implementation and effectiveness of control activities related to the Company's revenue recognition, which included the following:

  - Determining and approving prices in accordance with the Company's current internal policy;
  - Carrying out a credit analysis and approval of each customer, as well as establishing applicable credit limits;
  - Analyzing and approving sales orders and loading orders;
  - Assuring that the transferred goods are in accordance with the sales order, loading order and its respective invoice issued prior to the completion of the sale transaction ("three-way-match");
  - Analyzing if the goods were effectively transferred to the customer so that it can be recognized as revenues, including a "cut-off" analysis;
  - Monitoring and ensuring the amounts due were received.
- We analyzed the profile of the Company's customer and sales portfolio during the fiscal year ended December 31, 2021, through "Data Analytics" tools to identify and individually assess possible outliers or unusual transactions.
- We inspected, on a sample basis, the supporting documents for sales transactions carried occurred during the fiscal year ended December 31, 2021, in order to certify that:
  - The transactions had commercial substance and were in line with the Company's customary business practices;
  - The parties (Company and customers) approved the purchase and sale transactions, in line with the Company's customary business practices;
  - The Company identified the rights of each party involved in the commercial transactions, as well as the payment terms for the goods transferred to its customers;

The Company fulfilled its obligations to deliver the goods, and the customers fulfilled their applicable payment obligations or, when applicable, we had audit evidence that prove the probability that the Company will receive the amounts it is entitled to for the goods or services transferred to its customers. Based on our audit procedures described above, we consider the criteria adopted for revenue recognition and their respective disclosures are acceptable within the context of the Company's financial statements for the fiscal year ended December 31, 2021, taken as a whole.

b) ICMS on PIS/COFINS base

As mentioned in Note 7, the Company had a balance to recover for PIS/COFINS, in the amount of R$145 million ("Parent Company") and R$728 million ("Consolidated") on December 31, 2021.

On May 13, 2021, the Federal Supreme Court modified its ruling of March 2017, guaranteeing the right to Companies that contested the inclusion of ICMS in the PIS and COFINS calculation base, on a gross amount, which consists of excluding the ICMS amount disclosed in the invoice.

How the matter was handled by audit

We reviewed applicable supporting documents to assess evidence, such as:

- The existence of a final and unappealable decision for concluded cases, as well as assessment on eventual defects in cases that have not yet reached a final ruling, to support the Company's Management's decision to recognize these credits arising from the exclusion of ICMS from the PIS/COFINS base.
- We obtained and reviewed the support material used to measure these credits, on a sample basis, to ensure the accuracy and integrity of the information measured and recognized by the Company's Management.
- We involved tax specialists to assess if the assumptions used by the Company's Management to measure PIS and COFINS credits arising from the exclusion of ICMS from the calculation basis are accepted and reasonable.

Based on our audit procedures described above, we consider the criteria adopted for revenue recognition and their respective disclosures are acceptable within the context of the Company's financial statements for the fiscal year ended December 31, 2021, taken as a whole.

Other matters

Value added statements

The parent company and consolidated value added statements ("VAS") for the fiscal year ended December 31, 2021, prepared under the responsibility of the Company's Executive Board, and presented as supplementary information for the purposes of IFRS, were submitted to audit procedures conducted together with the audit of the Company's financial statements. To form our opinion, we assessed if these statements are reconciled with other financial statements and accounting records, as applicable, and if their form and content are in accordance with the criteria set forth in Technical Pronouncement CPC 09 – Value Added Statement. In our opinion, these value added statements have been fairly prepared, in all material respects, in accordance with the criteria set forth in this technical pronouncement and are consistent with the parent company and consolidated financial statements taken as a whole.

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

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

Our opinion on the parent and consolidated financial statements does not cover the Management Report, and we did not draw any audit conclusion on this report.

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

Responsibilities of Management and those charged with governance for the parent company and consolidated financial statements

Management is responsible for the preparation and fair presentation of the parent company and consolidated financial statements under accounting practices adopted in Brazil and with International Financial Reporting Standards (IFRS) issued by IASB, and for internal controls as management determined to be necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company and consolidated financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to its operational continuity and using the going concern basis of accounting in the preparation of the financial statements, unless Management either intends to liquidate the Company and its subsidiaries or cease their operations, or has no realistic alternative but to do so.

Those responsible for governance are accountable for overseeing the Company's and its subsidiaries' financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the parent company and consolidated financial statements, taken as a whole, are free of material misstatement, whether due to fraud or error, and issue an auditor's report containing 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, can reasonably be expected to influence the economic decisions of users taken based on these financial statements.

As part of an audit conducted under Brazilian and international auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identified and assessed the risks of material misstatement of the parent company and consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtained an understanding of material internal controls to the audit to design audit procedures that are appropriate in the circumstances, but not to express an opinion on the effectiveness of the Company's and its subsidiaries' internal controls.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Concluded on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether there is a material uncertainty related to events or conditions that may cast significant doubt on the ability of the Company and its subsidiaries 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 parent company and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained until the date of our report. However, future events or conditions may cause the Company and its subsidiaries to cease to continue as a going concern.
- Assessed the overall presentation, structure, and content of the financial statements, including the disclosures, and if the parent company and consolidated financial statements represent the underlying transactions and events in such a way that it achieves fair presentation.
- Obtained sufficient appropriate audit evidence on the financial information of the Group's entities or business activities to issue an opinion on the consolidated financial statements. We are responsible for the management, supervision, and performance of the Group's audit and, as a consequence, for the audit opinion.

We notified matters such as the planned scope and timing of the audit procedures and significant audit findings, including any material deficiencies in internal controls identified during our audit works, among others, to those responsible for governance.

We also provided, to those responsible for governance, a statement containing relevant ethical requirements, including applicable independence requirements, and notified them of any relationships or matters that could materially affect our independence, including, where applicable, the respective safeguards.

Of the matters notified to those responsible for governance, we highlighted the most significance ones in the audit of the financial statements for the current period and which therefore constitute the key audit matters. We described these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determined that a matter should not be notified in our report because the adverse consequence of doing so would is expected to reasonably outweigh the benefits of public interest for such notification.

São Paulo, March 16, 2022.

DELOITTE TOUCHE TOHMATSU
Independent Auditors
CRC 2 SP 011609/O-8

Original report in Portuguese signed by
Alessandro Costa Ramos
Accountant
CRC 1 SP 198853/O-3

Unipar Carbocloro S.A.

Statements of financial position
On December 31, 2021 and December 31, 2020
(In thousands of reais)

		Parent Company		Consolidated	
	Note	2021	2020	2021	2020
Assets					
Current					
Cash and cash equivalents	4	**156,135**	371,734	**331,177**	924,852
Financial investments	5	**402,732**	52,646	**1,291,272**	188,908
Accounts receivable	6	**173,595**	105,132	**676,256**	534,092
Taxes recoverable	7	**55,676**	8,938	**68,187**	29,165
Inventories	8	**79,609**	39,446	**442,130**	189,238
Prepaid expenses	-	**1,192**	875	**3,113**	1,876
Receivables from affiliates	10	**47,253**	-	**-**	-
Others	11	**13,566**	5,862	**30,692**	12,488
		929,758	584,633	**2,842,827**	1,880,619
Non-current					
Accounts receivable	6	**38,759**	28,644	**-**	-
Taxes recoverable	7	**104,729**	7,867	**693,891**	15,073
Inventories	8	**25,700**	22,041	**62,657**	69,714
Court deposits	9	**34,192**	53,321	**34,232**	53,361
Deferred income tax and social contribution	21	**-**	**-**	**-**	142,971
Receivables from affiliates	10	**245,516**	213,500	**-**	-
Others	11	**20,055**	9,692	**41,803**	32,310
		468,951	335,065	**832,583**	313,429
Investments	12	**2,433,484**	937,817	**104,995**	66,961
PP&E	13	**863,044**	867,712	**2,159,924**	1,949,684
Intangible assets	14	**284,069**	278,566	**307,879**	297,604
		3,580,597	2,084,095	**2,572,798**	2,314,249
		4,049,548	2,419,160	**3,405,381**	2,627,678
Total assets		**4,979,306**	3,003,793	**6,248,208**	4,508,297

The accompanying notes are an integral part of the parent company and consolidated financial statements

	Parent Company	Consolidated

Unipar Carbocloro S.A.

Statements of financial position
On December 31, 2021 and December 31, 2020
(In thousands of reais)

	Note	2021	2020	2021	2020
Liabilities					
Current					
Suppliers	15	**68,822**	39,692	**391,762**	238,342
Loans, financing and debentures	16	**151,226**	325,894	**161,824**	340,730
Payroll and related charges	-	**52,550**	36,951	**160,472**	120,632
Income tax and social contribution	-	**93,265**	45,971	**325,519**	117,336
Other taxes and contributions payable	22	**44,510**	28,705	**95,439**	97,870
Dividends payable	31	**300,216**	23,459	**300,216**	23,459
Legal claims	18	**1,386**	2,831	**8,411**	4,999
Electricity	17	**130,276**	105,696	**232,112**	185,386
Debt with third parties	20	**-**	-	**-**	1,950
Environmental liabilities	19	**313**	-	**22,580**	14,492
Others	-	**42,277**	24,979	**97,886**	74,963
		884,841	634,178	**1,796,221**	1,220,159
Non-current					
Loans, financing and debentures	16	**1,279,884**	331,978	**1,313,005**	372,810
Payroll and related charges	-	**7,090**	3,683	**7,403**	3,779
Deferred income tax and social contribution	21	**468,997**	261,104	**631,290**	317,912
Other taxes and contributions payable	22	**18,050**	27,491	**32,248**	46,454
Employee benefit obligations	23	**4,180**	4,377	**51,274**	56,318
Legal claims	18	**24,793**	15,561	**69,250**	35,731
Environmental liabilities	19	**2,452**	-	**25,736**	4,581
Debt with third parties	20	**-**	-	**-**	711,015
Others	-	**276**	414	**344**	499
		1,805,722	644,608	**2,130,550**	1,549,099
Equity					
Share capital	24	**699,002**	699,002	**699,002**	699,002
Treasury shares	24(d)	**(1,401)**	(1,154)	**(1,401)**	(1,154)
Profit reserves	25	**1,147,566**	804,599	**1,147,566**	804,599
Other comprehensive income	-	**443,576**	222,560	**443,576**	222,560
Attributed to controlling interest		**2,288,743**	1,725,007	**2,288,743**	1,725,007
Non-controlling interest		**-**	-	**32,694**	14,032
Total equity		**2,288,743**	1,725,007	**2,321,437**	1,739,039
Total liabilities and equity		**4,979,306**	3,003,793	**6,248,208**	4,508,297

The accompanying notes are an integral part of the parent company and consolidated financial statements

Unipar Carbocloro S.A.

Income statement for the year
On December 31, 2021 and 2020
(In thousands of reais)

	Note	Parent Company 2021	Parent Company 2020	Consolidated 2021	Consolidated 2020
Net operating income	26	**1,585,647**	1,124,217	**6,289,369**	3,868,223
Cost of goods sold	27	**(784,719)**	(630,311)	**(3,486,604)**	(2,533,636)
Gross profit		**800,928**	493,906	**2,802,765**	1,334,587
Selling expenses	27	**(67,020)**	(51,689)	**(197,736)**	(175,387)
Administrative expenses	27	**(179,253)**	(208,511)	**(409,025)**	(381,393)
Equity pickup	12	**1,264,909**	193,647	**(2,534)**	(2,342)
Adjustment in acquisition price	12	**447,971**	-	**447,971**	-
Other operating expenses, net	28	**76,408**	(2,686)	**303,047**	(26,945)
Earnings before financial result, income tax and social contribution		**2,343,943**	424,667	**2,944,488**	748,520
Financial revenues	29	**113,599**	74,724	**497,639**	140,132
Financial expenses	29	**(106,871)**	(34,902)	**(406,804)**	(287,495)
Net financial result		**6,728**	39,822	**90,835**	(147,363)
Earnings before income tax and social contribution		**2,350,671**	464,489	**3,035,323**	601,157
Income tax and social contribution	21	**(365,907)**	(96,823)	**(1,031,490)**	(230,942)
Net income for the period		**1,984,764**	367,666	**2,003,833**	370,215
Profit attributed to:					
Controlling interest				**1,984,764**	367,666
Non-controlling interest				**19,069**	2,549
Earnings per share (in Reais)	30				
Common shares		**19.74**	3.62		
Class “A” preferred shares		**21.71**	3.98		
Class “B” preferred shares		**21.71**	3.98		

The accompanying notes are an integral part of the parent company and consolidated financial statements

Unipar Carbocloro S.A.

Statement of comprehensive income
On December 31, 2021 and 2020
(In thousands of reais)

	Parent Company		Consolidated	
	2021	**2020**	**2021**	**2020**
Net income for the period	**1,984,764**	367,666	**2,003,833**	370,215
Other comprehensive income items that will not be subsequently reclassified to the income statement	**219,189**	83,299	**222,206**	84,612
Actuarial gains (losses) on post-employment benefit plans for subsidiaries	**5,546**	(4,184)	**5,623**	(4,250)
Income tax and social contribution on actuarial gains (losses) on post-employment benefit plans for subsidiaries	**(1,801)**	1,353	**(1,826)**	1,374
Actuarial gains (loss) on post-employment benefits	**91**	442	**91**	442
Income tax and social contribution on actuarial gains (losses) on post-employment benefit plans	**(31)**	(150)	**(31)**	(150)
Effect from the application of IAS 29 (hyperinflation)	**240,441**	90,572	**243,797**	92,007
Adjustment in the conversion of financial information of foreign subsidiaries	**(25,057)**	(4,734)	**(25,448)**	(4,811)
Total comprehensive income for the period	**2,203,953**	450,965	**2,226,039**	454,827
Total comprehensive income attributable to:				
Controlling interest			**2,203,953**	450,965
Non-controlling interest			**22,086**	3,862
			2,226,039	454,827

The accompanying notes are an integral part of the parent company and consolidated financial statements

Unipar Carbocloro S.A.

Statements of changes in equity
On December 31, 2021 and 2020
(In thousands of reais)

	Share capital	Treasury shares	Profit reserves	Other comprehensive income	Retained earnings	Total interest of Company shareholders	Non-controlling interest	Consolidated Equity
On December 31, 2019	699,002	(101,459)	736,249	139,261	-	1,473,053	10,170	1,483,223
Cancellation of treasury shares (Note 29 (d))	-	219,736	(219,736)	-	-	-	-	-
Repurchase of treasury shares (Note 29 (d))	-	(144,201)	-	-	-	(144,201)	-	(144,201)
Restricted stock option plan		24,770	3			24,773	-	24,773
Net income for the period	-	-	-	-	367,666	367,666	2,549	370,215
Reversal of time-barred unclaimed dividends	-	-	7,738	-	-	7,738	-	7,738
Interim dividends (Note 31)	-	-	-	-	(72,000)	(72,000)	-	(72,000)
Proposed dividends (Note 31)			-	-	(15,321)	(15,321)	-	(15,321)
Constitution of reserves (Note 25)	-	-	280,345	-	(280,345)	-	-	-
Other comprehensive income	-	-	-	83,299	-	83,299	1,313	84,612
Actuarial gains (losses) on post-employment benefit plans for subsidiaries	-	-	-	(4,184)	-	(4,184)	(66)	(4,250)
Income tax and social contribution on actuarial gains (losses) on post-employment benefit plans for subsidiaries	-	-	-	1,353	-	1,353	21	1,374
Actuarial gains (losses) on post-employment benefit	-	-	-	442	-	442	-	442
Income tax and social contribution on actuarial gains (losses) on post-employment benefit plans				(150)	-	(150)	-	(150)
Effect from the application of IAS 29 (hyperinflation)	-	-	-	90,572	-	90,572	1,435	92,007
Adjustment in the conversion of financial information of foreign subsidiaries	-	-	-	(4,734)	-	(4,734)	(77)	(4,811)
On December 31, 2020	699,002	(1,154)	804,599	222,560	-	1,725,007	14,032	1,739,039

The accompanying notes are an integral part of the parent company and consolidated financial statements

Unipar Carbocloro S.A.

Statements of changes in equity
On December 31, 2021 and 2020
(In thousands of reais)

	Share capital	Treasury shares	Profit reserves	Other comprehensive income	Retained earnings	Total interest of Company shareholders	Non-controlling interest	Consolidated Equity
On December 31, 2020	699,002	(1,154)	804,599	222,560	-	1,725,007	14,032	1,739,039
Repurchase of treasury shares (Note 29 (d))	-	(247)	-	-	-	(247)	-	(247)
Restricted stock option plan	-	-	-	-	-	-	-	-
Net income for the period	-	-	-	-	1,984,764	1,984,764	19,069	2,003,833
Reversal of time-barred unclaimed dividends	-	-	4,549	-	-	4,549	-	4,549
Interim dividends (Note 31)	-	-	(154,831)	-	-	(154,831)	-	(154,831)
Proposed dividends (Note 31)			-		(1,491,515)	(1,491,515)	-	(1,491,515)
Constitution of reserves (Note 25)	-	-	493,249	-	(493,249)	-	-	-
Purchase of non-controlling interest in subsidiary - net of tax effects	-	-		1,827	-	1,827	(3,424)	(1,597)
Other comprehensive income	-	-	-	219,189	-	219,189	3,017	222,206
Actuarial gains (losses) on post-employment benefit plans for subsidiaries	-	-	-	5,546	-	5,546	77	5,623
Income tax and social contribution on actuarial gains (losses) on post-employment benefit plans for subsidiaries	-	-	-	(1,801)	-	(1,801)	(25)	(1,826)
Actuarial gains (losses) on post-employment benefit	-	-	-	91	-	91	-	91
Income tax and social contribution on actuarial gains (losses) on post-employment benefit plans	-	-	-	(31)	-	(31)	-	(31)
Effect from the application of IAS 29 (hyperinflation)	-	-	-	240,441	-	240,441	3,356	243,797
Adjustment in the conversion of financial information of foreign subsidiaries	-	-	-	(25,057)	-	(25,057)	(391)	(25,448)
On December 31, 2021	699,002	(1,401)	1,147,566	443,576	-	2,288,743	32,694	2,321,437

The accompanying notes are an integral part of the parent company and consolidated financial statements

Unipar Carbocloro S.A.

Statements of cash flow
On December 31, 2021 and 2020
(In thousands of reais)

	Parent Company		Consolidated	
	2021	2020	2021	2020
Cash flow from operating activities				
Earnings before income tax and social contribution	**2,350,671**	464,489	**3,035,323**	601,157
Depreciation and amortization	**90,086**	87,448	**219,353**	197,951
Effect from the application of IAS 29 (hyperinflation)	**-**	-	**61,821**	(6,830)
Asset write-offs	**1,071**	340	**1,623**	968
Provision (reversal) for lawsuits	**16,509**	(2,400)	**48,837**	(674)
Provision for environmental contingencies	**2,765**	-	**41,167**	12,045
Provision (reversal) of interest, exchange variations, and other charges on loans and receivables from third parties	**7,665**	(21,206)	**151,141**	246,897
Allowance for (reversal of) doubtful accounts	**(453)**	(3,771)	**1,259**	(1,554)
Reversal for inventory adjustments	**-**	-	**(368)**	-
Provision for electricity charges	**-**	1,433	**-**	3,627
Equity pickup	**(1,264,909)**	(193,647)	**2,534**	2,342
Share-based payment	**-**	24,770	**-**	24,770
Provision for revenues with easement agreement	**-**	(1,600)	**-**	(1,600)
Income from refundable credits	**(7,452)**	-	**(7,452)**	-
PIS and COFINS credits (exclusion of ICMS from the calculation base), adjusted	**(122,794)**	-	**(705,485)**	-
	1,073,159	355,856	**2,849,753**	1,079,099
Changes in assets and liabilities				
Accounts receivable	**(78,126)**	692	**(143,423)**	(150,716)
Taxes recoverable	**43,470**	6,270	**80,688**	25,386
Inventories	**(43,821)**	(3,149)	**(241,183)**	2,843
Other assets	**(45,526)**	(8,163)	**(52,469)**	34,414
Suppliers	**25,644**	(2,560)	**137,197**	30,760
Payroll and related charges	**19,007**	18,192	**43,438**	57,095
Taxes, fees and contributions	**6,364**	38,853	**(16,637)**	111,501
Income tax and social contribution	**(9,882)**	(8,991)	**(122,871)**	(51,565)
Employee benefit obligations	**(105)**	54	**3,853**	(142)
Other liabilities	**42,293**	1,566	**54,714**	8,111
	(40,682)	42,764	**(256,693)**	67,687
Cash from operations	**1,032,477**	398,620	**2,593,060**	1,146,786
Income tax and social contribution paid	**(103,962)**	(62,964)	**(303,159)**	(78,150)
Net cash from operating activities	**928,515**	335,656	**2,289,901**	1,068,636
Cash flows from investing activities				
Financial investments (redemptions), net	**(350,086)**	76,934	**(1,102,364)**	24,249
Acquisition of PP&E and intangible assets	**(59,126)**	(45,298)	**(266,310)**	(132,264)
Acquisition of interest in subsidiaries	**(1,034)**	-	**(1,034)**	-
Acquisition of interest in joint venture	**(8,769)**	(30,547)	**(8,769)**	(30,547)
Capital contribution in investee	**(35,700)**	(12,500)	**(35,700)**	(12,500)
Net cash used in investing activities	**(454,715)**	(11,411)	**(1,414,177)**	(151,062)
Cash flows from financing activities				
Amortization of loans/debentures	**(325,286)**	(157,156)	**(1,052,919)**	(228,357)
Payment of interest and other charges on loans	**(48,824)**	(30,586)	**(75,525)**	(68,743)
Dividends paid	**(1,365,042)**	(110,562)	**(1,365,042)**	(110,562)
Loans and financing	**1,050,001**	203,000	**1,050,001**	263,705
Repurchase of treasury shares	**(248)**	(144,201)	**(248)**	(144,201)
Net cash generated by (used in) financing activities	**(689,399)**	(239,505)	**(1,443,733)**	(288,158)
Exchange variation effect on cash and cash equivalents of foreign subsidiary	**-**	-	**(25,666)**	(6,089)
Increase (decrease) in cash and cash equivalents	**(215,599)**	84,740	**(593,675)**	623,327
Cash and cash equivalents at beginning of the period	**371,734**	286,994	**924,852**	301,525
Cash and cash equivalents at end of the period	**156,135**	371,734	**331,177**	924,852

The accompanying notes are an integral part of the parent company and consolidated financial statements

Unipar Carbocloro S.A.

Value added statements
On December 31, 2021 and 2020
(In thousands of reais)

	Parent Company		Consolidated	
	2021	**2020**	**2021**	**2020**
Income				
Gross sales of products and services	**2,057,010**	1,454,674	**7,735,784**	4,831,339
Result from the sale of PP&E and others	**(973)**	(149)	**(5,365)**	(3,377)
Allowance for doubtful accounts	**453**	3,771	**(1,259)**	1,554
	2,056,490	1,458,296	**7,729,160**	4,829,516
Inputs acquired from third parties				
Cost of products, goods, and services	**(690,039)**	(538,652)	**(3,409,539)**	(2,398,263)
Materials, electricity, and third-party services	**(247,802)**	(255,190)	**(540,831)**	(520,609)
	(937,841)	(793,842)	**(3,950,370)**	(2,918,872)
Gross added value	**1,118,649**	664,454	**3,778,790**	1,910,644
Depreciation and amortization	**(90,086)**	(87,448)	**(219,353)**	(197,951)
Net value added produced by the entity	**1,028,563**	577,006	**3,559,437**	1,712,693
Value added received through transfer				
Equity pickup	**1,264,909**	193,647	**(2,534)**	(2,342)
Financial revenues	**113,599**	74,724	**497,638**	140,132
Others	**426,750**	7,377	**421,975**	7,377
Total value added to distribute	**2,833,821**	852,754	**4,476,516**	1,857,860
Distribution of value added				
Personnel				
Direct compensation	**(88,782)**	(109,323)	**(385,192)**	(328,883)
Benefits	**(27,598)**	(24,605)	**(84,570)**	(68,904)
FGTS	**(8,014)**	(7,410)	**(60,130)**	(45,480)
	(124,394)	(141,338)	**(529,892)**	(443,267)
Taxes, fees and contributions				
Federal	**(362,471)**	(193,422)	**(1,002,790)**	(486,405)
State	**(226,309)**	(102,050)	**(450,817)**	(218,950)
Municipal	**(2,631)**	(2,436)	**(25,626)**	(16,338)
	(591,411)	(297,908)	**(1,479,233)**	(721,693)
Return on third-party capital				
Interest and exchange variations	**(102,432)**	(33,655)	**(301,365)**	(282,231)
Rental	**(1,922)**	(1,804)	**(1,947)**	(1,828)
Others	**(28,898)**	(10,383)	**(160,247)**	(38,626)
	(133,252)	(45,842)	**(463,559)**	(322,685)
Return on equity				
Dividends	**(1,491,515)**	(87,321)	**(1,491,515)**	(87,321)
Retained (earnings) losses	**(493,249)**	(280,345)	**(493,248)**	(280,345)
Non-controlling interest	**-**	-	**(19,069)**	(2,549)
	(1,984,764)	(367,666)	**(2,003,832)**	(370,215)
Value added distributed	**(2,833,821)**	(852,754)	**(4,476,516)**	(1,857,860)

The accompanying notes are an integral part of the parent company and consolidated financial statements

1. Operational Context

Unipar Carbocloro S.A. (“Unipar” or “Company") is a publicly held company headquartered at Avenida Presidente Juscelino Kubitschek, 1327 – 22nd floor, in the city and state of São Paulo. Itaim Bibi - São Paulo – SP. The Company’s shares are traded on B3 S.A. – Brasil, Bolsa, Balcão, under the tickers UNIP3, UNIP5, and UNIP 6.

Unipar’s main activity is the manufacture of chlorine, chlorine derivatives, and caustic soda.

Unipar is controlled by Vila Velha S.A. Administração e Participações (“Vila Velha”). On December 31, 2021, Vila Velha held an interest of 17.4% (21.5% on December 31, 2020) in Unipar’s total capital and 49.7% (61.5% on December 31, 2020) of its common shares.

Unipar is the parent company of Unipar Indupa S.A.I.C. ("Indupa Argentina") and holds shares representing 98.63% (98.44% on December 31, 2020) of that company’s voting capital. Indupa Argentina has a plant in the city of Bahía Blanca with an installed capacity for the production of 240,000 tons of PVC and 186,000 tons of soda (“Information not audited by independent auditors”). Indupa Argentina also holds 58% of the total share capital of Solalban Energía S.A., an Argentinean company that has power generation assets in that country. Moreover, Indupa Argentina also holds shares representing 100% of the total voting capital of Unipar Indupa do Brasil S.A. (“Indupa Brasil”), owner of a plant located in the city of Santo André – São Paulo, with a production capacity of 300,000 tons of PVC and 180,000 tons of soda (“Information not audited by independent auditors”).

The Company also holds 50% of the shares of Tucano III through a joint venture with AES Tietê Energia S.A. (“AES Tietê”), under a shared control agreement with AES Tietê. The Investment Agreement aims to generate a total of 155 MW of wind power, equivalent to an average of 78 MW of assured energy. The wind farm is under construction and is part of the Tucano wind farm, located in Bahia state.

On July 16, 2021, the Company signed a Purchase Option Agreement (“Purchase Option”) with Atlas Lar do Sol Holding Ltda. (“Atlas Renewable Energy”) for the right to become a partner in special purpose companies (“SPEs”), after fulfilling conditions precedent to the transaction, with the purpose of developing greenfield solar energy generation projects in the city of Pirapora, Minas Gerais, together with Atlas Renewable Energy, therefore enabling energy self-production by equalization (“Project”).

The Project has an installed solar capacity of 239 MWp, of which an average of 49 MW will be traded through a Long-term Electricity Purchase and Sale Agreement, signed on this date between the SPEs and the Company, with the supply period estimated to begin in 2024 (”PPA”).

The execution of the Purchase Option, along with the PPA, as well as the operation disclosed in a Material Fact on September 3, 2020, are consistent with the Company's strategy, which is to: (i) diversify its power matrix based on renewable sources; (ii) access to inputs that are part of its production process; and (iii) increase its competitiveness by benefiting from the self-production of energy by equivalence. This project was approved by. Information on energy and operational capacities has not audited by the independent auditors.

The subsidiary Indupa Brasil has a purchase intention agreement in a second joint venture with AES Tietê for the construction and operation of a new wind farm. The project will be developed at the Cajuína wind park, in the cities of Lajes, Pedro Avelino, Angicos, and Fernando Pedroza, in Rio Grande do Norte state, with an installed wind capacity of 91 MW, of which an average of 40 MW will be traded with Unipar Indupa through a power purchase contract valid for 20 years, effective as of 2024 under a self-production regime. This project was approved by the Brazilian Antitrust Authority (“CADE”) on February 23, 2022.

The subsidiary Indupa Brasil will implement a project to increase its annual chlorine production capacity by 29,000 tons, and its annual caustic soda production capacity by 32,000 tons at the plant located in Santo André/SP. The project also includes the construction of a hydrochloric acid furnace with an annual capacity of 91,000 tons, with estimated investments of R$100 million, expected to begin operating in the second half of 2023.

As a result, the Unipar Group will increase its production capacity in Brazil by 545,000 tons of chlorine, 615,000 tons of caustic soda and 755,000 tons of hydrochloric acid.

The production expansion is in line with the Company's strategy to strengthen its position in the chlorine, caustic soda and chemical products markets. Information on energy and operational capacities has not been audited by the independent auditors.

COVID - 19

Coordinated by a Crisis Committee, the Company is actively working on prevention measures to help control the spread of the Coronavírus ("COVID-19") by increasing hygiene protocols, spreading related information on its internal communication channels, and following the guidelines of the World Health Organization ("WHO"), canceling internal events and travel, adopting online communication, making work routines more flexible to avoid crowds, and implementing remote work for several groups of professionals, among others.

As of the second half of 2020 and during 2021, the Company's Management observed that demand for PVC resin was returning to normal levels. The Company's chlorine and soda are part of the supply chain of essential items for the population, used in the food segment, cleaning products, personal hygiene and hospital segment. For this reason, these products' production and sales forecasts were maintained for the above-mentioned markets. Management emphasizes that there is no risk to the continuity of its business after analysis carried out, either on a consolidated or plant-related basis.

Regarding the volatility of the financial market, including the effects of the depreciation of the Brazilian real against the U.S. dollar, the Company is supported by a robust cash position and extended and controlled debt profile. Financial covenants are frequently monitored regardless of the COVID-19 crisis, and all the clauses are being met.

Given the current scenario, the Company's Management analyzed possible impacts on its estimates, judgments, and assumptions that could impact the recoverability of its assets and affect the measurement of provisions presented in the aforementioned financial statements, due to increased expected losses or significant change in the risks to which the Company is exposed.

This review took into consideration the subsequent events that occurred until the issue date of this financial statements. Management did not identify any significant effects that should be reflected in the financial statements for the year ended December 31, 2021.

2. Basis of preparation and presentation of the financial statements

The parent company's financial statements are identified as "Parent Company" and the consolidated financial statements are identified as "Consolidated".

2.1. Compliance statement

The parent company and consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS"), issued by the International Accounting

Standards Board (”IASB”), as well as norms issued by the Brazilian Securities and Exchange Commission (”CVM”) and in compliance with the standard accounting practices adopted in Brazil.

The accounting practices adopted in Brazil comprise those included in Brazilian Corporation Law and the technical pronouncements, guidelines and interpretations issued by the Accounting Pronouncements Committee (CPC), approved by the CVM.

Management declares that all relevant information specific to the financial statements, and only these, are being disclosed and correspond to the information used by Management in its activities.

2.2. Measurement basis

The financial statements have been prepared based on historical cost, except for certain financial instruments measured at fair value. Historical cost is usually based on the fair value of the considerations paid in exchange for assets.

Fair value is the price that would be received for the sale of an asset or paid for the transfer of a liability in an organized transaction between market participants on the measurement date, regardless of whether this price is directly observable or estimated using another measurement procedure.

2.3. Foreign currency conversions

2.3.1. Functional and reporting currencies

The functional currency of an entity is the currency of the primary economic environment in which it operates. These financial statements are presented in Brazilian reais (R$), the Company’s functional currency. All financial statements are presented in thousands of reais, unless otherwise indicated.

The foreign-currency transactions for the Company and its subsidiaries are converted into reais using the exchange rates in effect on the transaction dates.

2.3.2. Conversion of Indupa Argentina’s financial statements

Indupa Argentina’s financial statements, included in the consolidation, have been prepared in Argentine pesos, which is its functional currency, and converted into reais as follows:

- Assets and liabilities balances were converted at the FX rate of December 31, 2021, and December 31, 2020;
- The income statement accounts were converted according to the exchange rate at the end of the periods;
- The assets and liabilities for each financial position statement presented are converted by using the exchange rate at the end of the corresponding reporting date. FX variation gains and losses resulting from the settlement of these transactions and the conversion of foreign currency-denominated monetary assets and liabilities are recorded in the financial result of the period, under “Financial income” or “Financial expenses".

The FX rates in Brazilian reais in effect on the reference date of these financial statements are as follows:

Final rate	December 31, 2021	December 31, 2020
Argentinean peso	0.05	0.06

2.4. Consolidation and application of the accounting standard and evidence of a hyperinflationary economy

The consolidated financial statements include the results of the direct subsidiary Indupa Argentina and the indirect subsidiary Indupa Brasil.

- The Company adopted CPC 42 (IAS 29) – "Financial Reporting in Hyperinflationary Economies" as an accounting practice for the purposes of Accounting and Evidence of Hyperinflationary Economy, following the methodology used for these financial statements.

The index used to calculate the inflation adjustment is disclosed by *Federación de Consejos Profesionales de Argentina* (FACPCE). The accumulated inflation for the fiscal year ended December 31, 2021, was 50.94% (versus 36.14% on December 31, 2020).

2.5. Approval of financial statements

The issue of these financial statements was authorized by the Company's Management on March 16, 2022.

3. Main accounting policies

The main accounting policies adopted in the preparation of these parent company and consolidated financial statements are as follows:

3.1. Cash and cash equivalents

Cash and cash equivalents include cash, bank deposits in cash, and highly liquid short-term investments. Such assets are readily convertible into a known amount of cash, and which are subject to an insignificant risk of change in value. These funds are used to meet the short-term obligations of the Company and its subsidiaries.

3.2. Asset held for sale

Any type of property received as collateral for payment of overdue securities from defaulting customers are registered by the Company according to CPC 31 - Non-current assets held for sale.

For non-current assets classified as held for sale:

The company may classify a non-current asset as held for sale if the carrying value is recovered primarily through a sale transaction rather than its continued use;

For this to occur, the asset or group of assets held for sale must be available for immediate sale in its current condition, subject only to customary terms for the sale these assets held for sale. Accordingly, the sale of these assets should be highly probable.

For the sale of these assets to be highly probable, there must must be an appropriate management and commitment to the plan to sell the asset and a firm program must have been initiated aimed at identifying a buyer for the plan to be concluded.

The asset held for sale must be effectively offered at a price that is reasonable in relation to its current fair value. The sale should be expected to be concluded within one year from the date the asset was classified, and all actions required for the plan to be effectively executed must indicate that material changes will be unlikely for the plan, or that the plan will be abandoned.

Unexpected events or circumstances may extend the conclusion of the sale for a period beyond one year. The extension of the expected conclusion period for the sale does not restrain the asset from being classified as held for sale if the delay is caused by events or circumstances beyond the entity's control and there is sufficient evidence that the entity remains committed with its sale plan for the asset.

The company must measure the asset or group of non-current assets classified as held for sale at the bottom of their carrying value and fair value excluding selling expenses.

3.3. Financial instruments

Financial assets and liabilities are initially measured at fair value. Transaction costs directly attributable to the acquisition or issuance of financial assets and financial liabilities are added to, or deducted from, the fair value of financial assets or financial liabilities, as applicable, upon their initial recognition. Transaction costs directly attributable to the acquisition of financial assets and liabilities at fair value through the profit or loss statement are recognized immediately in the profit or loss statement.

Financial assets and liabilities are recognized in the Company's balance sheet when the Company is a party to the contractual provisions of the instruments.

3.3.1. Financial assets

Pursuant to CPC 48/IFRS 9, a financial asset is classified according to its measurement, which includes amortized cost, fair value through other comprehensive income, or at fair value through profit or loss.

The following accounting policies apply to the subsequent measurement of financial assets:

a) Financial assets at fair value through other comprehensive income

These assets are subsequently measured at fair value. Dividends are recognized as a gain in profit or loss unless the dividends clearly represent a recovery of part of the investment cost. Other net income is recognized in Other Comprehensive Income and is never reclassified to profit or loss.

Under CPC 48/IFRS 9, a financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as measured at fair value through profit or loss:

It is held in a business model whose objective is to hold financial assets in order to receive contractual cash flows.

Its contractual terms generate, on specific dates, cash flows that are related to the payment of principal and interest on the outstanding principal amount.

A financial asset is measured at fair value of other comprehensive income if both of the following conditions are met and is not designated as measured at fair value through profit or loss:

It is held in a business model whose objective is to receive contractual cash flows and to sell financial assets.

Its contractual terms generate, on specific dates, cash flows that are related to the payment of principal and interest on the outstanding principal amount.

All customary acquisitions or sales of financial assets are recognized and written off on the transaction date. Customary acquisitions or sales consists of acquisitions or sales of financial assets that require the assets to be delivered within the period established by standard or market practices.

All recognized financial assets are subsequently measured in their entirety at amortized cost or fair value, depending on the classification of the financial assets.

Financial assets are classified as follows:

Amortized cost

Debt instruments that meet the following conditions are subsequently measured at amortized cost:

Financial assets held in a business model whose objective is to hold financial assets in order to receive contractual cash flows; and

The contractual terms of the financial assets that generate, on specific dates, cash flows that are related to the payment of principal and interest on the outstanding principal amount.

b) Amortized cost and effective interest rate method

The effective interest rate method is used to calculate the amortized cost of a debt instrument and to allocate its interest income during the corresponding period.

The effective interest rate for financial assets, except financial assets subject to acquired or originated impairment (that is, assets subject to impairment upon its initial recognition), is the rate that exactly discounts the estimated future cash received (including all fees and rates paid, or received, that are an integral part of the effective interest rate, transaction costs and other premiums or deductions), excluding expected credit losses, during the estimated term of the debt instrument or a shorter period, as applicable, for the gross carrying value of the debt instrument on the date of the initial recognition. A credit-adjusted effective interest rate is used for financial assets subject to impairment, acquired or originated, and this rate is calculated by discounting estimated future cash flows, including expected credit losses, to the amortized cost of the debt instrument on the date of the initial recognition.

The amortized cost of a financial asset is the amount at which it is measured on the date of its initial recognition, excluding the amortization of its principal amount, plus the accumulated amortization using the effective interest rate method on any difference between the initial value and the value at maturity, adjusted for loss allowances. The gross carrying value of a financial asset is its amortized cost before adjusting for any loss allowances.

Interest income is recognized using the effective interest rate method for debt instruments subsequently measured at amortized cost and at fair value through other comprehensive income. For financial assets, except those subject to acquired or originated impairment, interest income is calculated by applying the effective interest rate to the gross carrying value of the financial asset, except for those that subsequently become financial assets subject to impairment (see below). The Company recognizes interest income for financial assets, except those subject to acquired or originated impairment, by applying the effective interest rate to the amortized cost of the financial asset. If, in subsequent reporting periods, the credit risk of the financial instrument subject to impairment improves in such a way that the financial asset is no longer subject to impairment, interest income is recognized by applying the effective interest rate to the gross carrying value of the financial asset.

The Company recognizes interest income for financial assets subject to acquired or originated impairment by applying an adjusted effective interest rate based on the credit to the amortized cost of the financial asset after its initial recognition. The calculation does not reverse the gross base even if the credit risk of the financial asset subsequently improves in such a way that the financial asset is no longer subject to impairment.

Interest income is recognized in profit or loss and included in the “Financial income – income from cash equivalents and marketable securities” line (Note 29).

c) Financial assets at fair value through profit or loss

Financial assets that do not meet the criteria for measurement at amortized cost, or the criteria for fair value through other comprehensive income, are classified at fair value through profit or loss.

Financial assets at fair value through profit or loss are measured at fair value at the end of each reporting period, in which all fair value gains or losses are recognized in profit or loss to the extent they are not part of a designated hedging instrument. Fair value is determined as described in Note 2.2.

The Company has not designated debt instruments at fair value through profit or loss.

The Company does not have financial assets measured at fair value through other comprehensive income.

3.3.2. Impairment of financial assets

The Company makes assessments for all its financial assets measured at amortized cost on the balance sheet date if there is objective evidence that an asset or a group of financial assets is recorded at an amount higher than its impairment amount.

A provision for impairment is recognized if one or more events occur after the initial recognition of the financial assets that may adversely affect their estimated future cash flows. The negative effect on these cash flows must be reliably estimated.

The main indicators used by the Company to determine if there is objective evidence of impairment are:

- Material financial difficulty of the issuer or debtor;
- A breach of agreement, such as default or overdue payment of principal amount or interest;
- A probability that the borrower files for bankruptcy or other type of financial reorganization that negatively affects the expected cash flow for the asset; and
- Disappearance of an active market for that financial asset due to financial difficulties.

The amount of the impairment loss is measured as the difference between the carrying value and the present value of estimated future cash flows of the assets. When determining these cash flows, we exclude future credit losses not yet incurred and use the original discount rate of the financial assets. Provisions for impairment of loans and receivables, also called as allowance for doubtful accounts, is recorded when there is objective evidence that the Company will not be able to collect all amounts due on the transaction.

If, in a subsequent period, an improvement in indicators point to a decrease or elimination of the impairment, the reversal of the previously recorded loss amount is recognized in the income statement.

In addition to the practice mentioned above, the Company also recognizes a provision for expected credit losses on amounts receivable from customers. The expected credit loss amount is updated at each reporting date to reflect changes in credit risk since the initial recognition of the financial instrument.

The Company always recognizes provision for expected credit losses during the useful life of its accounts receivable. Expected credit losses on these financial assets are estimated using an allowance matrix based on the Company's historical credit loss experiences, adjusted according to specific factors applicable to each debtor. The Company does not have a relevant credit loss history and losses have been for customers who eventually file for bankruptcy or court-supervised reorganization. For these specific cases, the Company recognizes provision for expected credit losses for 100% of the outstanding balance and discontinues product sales.

3.3.3. De-recognition (write-off)

A financial asset is written off when:

- The rights to receive cash flows from the asset expire; or
- The Company transfers its rights to receive cash flows from the asset or assumes an obligation to pay the received cash flows in full, without significant delay, to a third party by means of a “pass-through” agreement.

3.3.4. Financial liabilities

Debt instruments are classified as financial liabilities or as equity, according to the substance of the contractual arrangements and the definitions of financial liability and equity. There were no equity instruments on December 31, 2021 and 2020.

Financial liabilities are classified at fair value through profit or loss when they are maintained for trading or if they have been designated a fair value through profit or loss.

Financial liabilities are measured at amortized cost through the effective interest rate method. The effective interest rate is the one that exactly discounts the estimated future cash payments (including all fees and rates paid, or received, that are an integral part of the effective interest rate, transaction costs and other premiums or deductions) during the estimated term of the debt instrument or a shorter period, as applicable, for the amortized cost of the financial liabilities.

3.3.5. Financial liability subsequently measured at amortized cost

Financial liabilities that are not (i) a result due from a purchaser in a business combination transaction, (ii) held for trading, or (iii) designated at fair value through profit or loss, are subsequently measured at amortized cost using the effective interest rate method.

The effective interest rate method is used to calculate the amortized cost of a financial liability and to allocate its interest income during the corresponding period. The effective interest rate is the one that exactly discounts the estimated future cash payments (including all fees and rates paid, or received, that are an integral part of the effective interest rate, transaction costs and other premiums or deductions) during the estimated term of the debt instrument or a shorter period, as applicable, for the amortized cost of the financial liabilities.

3.3.5.1. Gain or loss from exchange rate variation

Foreign exchange gains or losses on financial liabilities denominated in foreign currency and measured at amortized cost at the end of each reporting period are determined according to the amortized cost of the instruments. These foreign exchange gains and losses are recognized under the “Exchange variations” line in the financial statement (Note 29) for financial liabilities that are not part of a designated hedging instrument. For those designated as a hedging instrument to protect against exchange risk, gains and losses from exchange rate variations are recognized as other comprehensive income and are accumulated in a separate equity component.

The fair value of financial liabilities denominated in foreign currency is determined in said foreign currency and converted according to the spot exchange rate at the end of the year. The foreign exchange component is an integral part of the fair value gains or losses of the financial liabilities measured at fair value through profit or loss and are recognized in profit or loss to the extent they are not part of a designated hedging instrument.

3.3.5.2. Write-offs of financial liabilities

A financial liability is written off when its obligation is revoked, replaced, canceled, changed, or expired.

The Company and its subsidiaries write-off a financial liability if, and only if, its obligations are removed, canceled or when they expire. The difference between the carrying value and the consideration paid of the financial assets that was been written-off is recognized in the income statement.

When the Company and its subsidiaries exchange a debt instrument with an existing creditor for another with substantially different terms and conditions, this exchange is recorded as a settlement of the original financial liability and written-off of the new financial liability. Likewise, when the Company and its subsidiaries record a substantial modification of the terms and conditions of an existing liability, or part of it, it is recorded as a settlement of the original financial liability and written-off of the new financial liability. Terms and conditions are considered as materially different if the discounted present value of cash flows under the new terms and conditions, including any fees paid net of fees received discounted at the original effective rate is, at least, 10% different from the discounted present value of the remaining cash flows of the original financial liability. If the changes are not material, the difference between: (i) the carrying value of the liability prior to the change; and (ii) the present value of cash flows after the change is recognized in profit or loss as a variation in the “Other gains and losses” line.

3.4. Inventories

Inventories are recorded at acquisition or production cost, which must not exceed their market values or net realization value. The cost of these inventories is recognized in profit or loss when they are sold, used in the operation, or if they are adjusted to market values.

Inventories are reported at the lower amount between cost and net realization value. Costs are comprised of direct material costs and, if applicable, direct labor and general costs incurred to bring them to their existing location and condition. Inventory costs are determined by the average cost method. The net realization value corresponds to the estimated inventory sale prices, excluding estimated completion costs and other costs required for the inventory to be sold and distributed.

3.5. Taxes recoverable

Recoverable taxes are recorded at their historical cost and, if applicable, adjusted according to current legislation.

3.6. Court deposits

Court deposits are made to guarantee disputes in which the Company is the defendant and with a probability of loss and are recorded as provisions for lawsuits, as accounts that reduce the constituted liabilities. Other deposits are classified in the Company's assets.

3.7. Intangible assets with a definite useful life

The main assets classified in this line refer to software and represent their direct expenses. These assets are amortized through the straight-line method during their useful lives. Expenses associated with software maintenance are recognized as expenses when they are incurred. Depreciation rates are described in Note 14. Other intangible assets with defined useful lives that were acquired separately are recorded at cost, excluding their accumulated amortization and impairment.

Amortization is recognized through the straight-line method based on the estimated useful lives of the assets.

The estimated useful life and the amortization method are reviewed at the end of each period, and effects from any changes in estimates are accounted for prospectively. Other intangible assets with defined useful lives that were acquired separately are recorded at cost, excluding their impairment, which is assessed on an annual basis. Any gain or loss resulting from the write-off of an intangible asset are measured as the difference between the asset's net sale value and its book value and is recorded in the income statement when the asset was written off.

3.8. PP&E

PP&E is measured at acquisition and/or construction cost, excluding accumulated depreciation, which is calculated through the straight-line method during the asset's useful life. Acquisition/construction costs include expenses directly attributable to bringing the asset to the location and conditions necessary for its use. Historical cost also includes financing costs related to the acquisition of qualifying assets, in accordance with CPC 20 (R1) - Cost of Loans.

a) Recognition and measurement

PP&E items are measured at their historical acquisition or construction cost, excluding accumulated depreciation and impairment, as applicable.

Cost includes expenditures that are directly attributable to the acquisition of an asset. Cost of assets acquired for lease includes direct costs attributable for the assets to reach the location and have the conditions necessary for them to operate as intended by Management. Cost of assets built by the Companies themselves includes costs of materials and direct labor.

Gains and losses on the sale of a PP&E item are recognized in profit or loss for the period.

b) Subsequent costs

These costs are capitalized only when there is a probability that the economic benefits embodied in the asset will reach the Companies and can be reliably measured. Recurring maintenance costs are recognized in the income statement when they are incurred.

c) Depreciation

PP&E items being to depreciate on the day they are available for use, or, for assets built internally, from the day the construction is completed, and the asset is available for use.

Depreciation is calculated to amortize the cost of PP&E items, excluding their estimated residual values, through the straight-line method based on the estimated useful lives of the items. Depreciation is generally recognized in profit or loss unless the amount is included in the carrying value of another asset. Leased assets are depreciated considering the shortest estimated useful life of the asset and the lease term, unless it is reasonably certain that the Companies will gain ownership of the asset at the end of the lease term. Land is not depreciated.

Depreciation rates for each group of PP&E items are shown in Note 13.

3.9. Impairment of non-financial assets

Assets with an indefinite useful life, such as goodwill, are not subject to amortization and are annually reviewed for impairment. Such assets are reviewed annually for evidence of impairment in value. Assets subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the book value may not be recoverable.

The impairment review compares the carrying value of the asset with its recoverable amount. The latter is defined as the highest amount between the net selling price and the asset's value in use.

When the recoverable amount of an asset is lower than the carrying value, a provision for losses is constituted in the income statement for the period. In the case of goodwill, any provision for losses constituted is irreversible. In terms of other non-financial assets, if the review indicates that the provision for impairment is no longer required, this provision may be reversed.

3.10. Provisions

Provisions are recognized when the Company has an existing obligation, formal or not, arising from past events and a use of funds will be probable to settle said obligation. In addition to these prerequisites, a provision should only be constituted when the amount of the outflow of funds can be reliably estimated.

A provision is recognized when the Company has an existing obligation (legal or presumed) arising from a past event, when it is probable that an outflow of funds will be required to settle the obligation and its amount can be reliably estimated.

The amount recognized as a provision is the best estimate of the compensation required to settle the existing obligation on the date of the balance sheet date, considering the risks and uncertainties related to said obligation. When the provision is measured by the estimated cash flow to settle the existing obligation, its carrying value corresponds to the present value of these cash flows (when the currency value has a relevant effect over time).

When a portion or all of the funds required to settle the provision are expected to be recovered from a third party, a receivable is recognized as an asset if, and only if, reimbursement is practically certain, and a reliable measurement can be made for the amount.

Provisions for restructuring are recognized when the Company has a detailed formal plan for the restructuring, and it offers a valid expectation for those affected by the plan that the restructuring will begin once the plan is implemented or its main aspects are announced. The provision for restructuring is measured by considering only the direct expenses required for the restructuring and not associated with the ongoing activities of the company.

3.11. Employee benefits

3.11.1. Short-term employee benefits

3.11.1.1. Profit sharing

The Company accrues the estimated amount of employee profit sharing in the income statement for the period. This provision is calculated based on the goals disclosed to employees and the results achieved by the Company.

3.11.2. Post-employment benefits

3.11.2.1. Defined contribution benefits

The Company offers a defined contribution pension plan under which it makes fixed contributions to a separate entity. The Company has no legal or constructive obligations to make additional contributions if the fund does not have sufficient assets to pay future benefits expected by employees. Contributions are recognized as an employee benefit expense at the time they incur.

3.11.2.2. Defined benefits

The Company offers benefit plans in which the expected costs are accrued during the employment term, under the same accounting methodology used for the defined contribution benefit plan. The Company has legal obligations to support these plans in the event they go into deficit. The obligations are reviewed annually by independent actuaries. Gains and losses arising from changes in actuarial assumptions are recognized immediately in "Other comprehensive income" and will not be subsequently reclassified in the income statement.

3.11.3. Long-term benefits

3.11.3.1. Length of service bonus

The Company offers a length of service bonus plan in which the expected costs are accumulated over time, in addition to annual reviews carried out by independent actuaries. Gains and losses arising from changes in actuarial assumptions are recognized immediately in "Other comprehensive income" and will not be subsequently reclassified in the income statement.

3.11.4. Termination benefits

3.11.4.1. Defined benefits

The Company offers termination benefits in which the expected costs are accumulated over time, in addition to annual reviews carried out by independent actuaries. Gains and losses arising from changes in actuarial assumptions are recognized immediately in "Other comprehensive income" and will not be subsequently reclassified in the income statement.

3.12. Current and deferred income tax and social contribution

The income tax and social contribution expense corresponds to the sum of current and deferred taxes.

3.12.1. Current taxes

Current tax is based on the actual profit for the period. Actual income differs from the income recorded in the income statement because it excludes taxable or deductible income or expenses from other years, as well as non-taxable or non-deductible items on a permanent basis. Current tax liabilities for the Company and its subsidiaries are calculated based on tax rates constituted, or substantially constituted, at the end of the reporting period.

A provision is recognized for matters in which tax calculations are uncertain, but future disbursements to tax authorities are likely to occur. Provisions represent the best estimate of the amount to be paid. Tax entries are based on the judgment of the Company's professionals, supported by previous experience relating to these activities and, in certain situations, they are based on opinions issued by tax advisors.

3.12.2. Deferred taxes

Deferred tax is the tax due, or recoverable, on differences between the carrying value of assets and liabilities in the financial statements and the corresponding calculation base for taxable income and is recorded by using the liability method. Deferred tax liabilities are generally recognized on all taxable temporary differences and deferred tax assets are recognized when it is probable that the Company will have a taxable income in an amount in the temporary differences can be used. Deferred tax assets or liabilities are not recognized if the temporary differences result from the initial recognition (except for business combination transactions) of other assets and liabilities in a transaction not affecting taxable income or accounting profit. Additionally, deferred tax liabilities are not recognized if the temporary difference results from the initial recognition of goodwill.

Deferred tax liabilities are recognized on taxable temporary differences associated with investments in subsidiaries, associates, and interests in joint ventures, except when the Company is able to control the reversal of temporary differences and when it is probable that such reversal will not occur in a foreseeable future. Deferred tax assets arising from deductible temporary differences related to such investments and interests are only recognized when it is probable that there will be taxable income in the future, in an amount that is sufficient for such temporary differences to be used and when their reversal is probable in a foreseeable future.

The carrying value of deferred tax assets is reviewed at the end of each reporting period and reduced when it is no longer probable that sufficient taxable income will be available to recover all, or part, of the asset.

Deferred taxes are calculated based on the applicable tax rates for the period in which the liability is expected to be settled, or when the asset is expected to be realized, based on the laws and tax rates constituted, or substantially constituted, at the end of each reporting period.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would result from the way in which the Company expects to recover or settle the carrying values of these assets and liabilities at the end of each period.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities, and when deferred tax assets and liabilities relate to taxes due to the same taxing authority, when there is an intention to settle current taxes and liabilities on a net basis.

3.13. Revenue recognition

Revenues are recognized on an accrual basis. Revenue comprises the fair value of the amounts received or to be received relating to the sale of products and services throughout the course of the Company’s customary activities. Revenue is shown net of tax, returns, rebates, and discounts.

Revenue is recognized when all of the following criteria are met:

- When all contractual parties approve the purchase and sale agreement (in writing, orally, or in accordance with other customary business practices) and must undertake to comply with their respective obligations;

- When the Company can identify the rights of each party relating to the goods or services to be transferred;

- When the Company can identify the payment terms for the goods or services to be transferred;

- When the agreement has a commercial substance (in other words, the risk, timing or value of the Company's future cash flows is not expected to change as a result of the agreement);

- When the Company has proof of probability that it will receive the amounts it is entitled to for the goods or services to be transferred to the customer.

3.14. Investments to prevent environmental damages and provisions for environmental liabilities

Environmental costs are related to customary operations and are recorded as expenses or capitalized, as applicable. Those that relate to an existing condition caused by past operations and that do not contribute to current or future generated revenue or cost savings are recorded as an expense. Liabilities are recorded when environmental assessment or restoration efforts are probable, when funds are expected to be used to remedy them, and when the cost can be reasonably estimated by means of discussions with environmental authorities and other relevant assumptions that can estimate the nature and extent of the damage and the restoration that may be required.

The final cost depends on factors that can not be controlled, such as the scope and methodology of restoration requirements to be determined by environmental and public health authorities, new government laws or regulations, rapid changes in technology, and the arising of related litigations. Environmental liabilities are adjusted to present value if the aggregate amount of the obligation, as well as the amount and timing of cash disbursements are fixed or can be reliably determined.

3.15. Value Added Statement

This statement is intended at demonstrating the wealth created by the Company and its distribution during a certain period. It is presented by the Company, according to the Brazilian corporate law, as part of its individual financial statements and as supplementary information to the consolidated financial statements, as it is not an expected or mandatory reporting requirement under the IFRS.

The Value Added Statement was prepared according to the information obtained from the accounting records that serve as a basis for preparing the financial statements and in compliance with the provisions contained in CPC 09 - Value Added Statement. The initial part of the statement demonstrates the wealth created by the Company, which is constituted by: (i) revenues (gross revenue from sales, including taxes, other revenues, and the effects of the allowance for doubtful accounts), (ii) inputs acquired from third parties (cost of sales and acquisitions of materials, energy and services from third parties, including taxes at the time of acquisition, the effects of losses and recovery of assets, and depreciation and amortization), and (iii) the added value received from third parties (profits from affiliates, subsidiaries and joint ventures, financial income and other income). The second part of the statement demonstrates the distribution of wealth among employees, fees and contributions, remuneration of third-party capital and remuneration of own capital.

3.16. Dividend distribution

Distribution of dividends to shareholders is recognized as a liability in the financial statements at the end of the period, pursuant to the Company's bylaws. Any amount above the minimum mandatory dividend is only provisioned on the date of its approval, at the General Shareholders' Meeting, or on the date of its effective payment, should this occur earlier. In the cash flow statement, it is presented as a component of the Company’s financing activities.

3.17. Investments

Investments in associates and subsidiaries are recorded through the equity method in the individual financial statements. The book value of these investments consists of the breakdown of acquisition costs into equity value and goodwill.

In the consolidated financial statements, subsidiaries are fully consolidated and non-controlling interests are recorded as an integral part of shareholders' equity, also highlighting the results attributable to them.

The Company controls an entity when it is exposed or has rights to variable returns from its involvement with the investee, as well as when it has the power to directly interfere with these returns arising from the power it has over the entity. The subsidiaries are fully consolidated from the date on which the control was obtained.

When necessary, the financial statements of the subsidiaries are adjusted to adapt their accounting policies with the ones established by the Company. Transactions, balances, and unrealized gains on intra-group transactions are eliminated.

Joint ventures are joint agreements whereby the parties, who jointly control the contractual arrangement, have rights over the net assets of the agreement.

Under the equity method, the investment in a jointly owned subsidiary is initially recognized in the consolidated balance sheet through the acquisition method and subsequently adjusted to recognize the Company's share in the results.

The investment in a jointly owned subsidiary is accounted through the equity method from the date on which the investee became a jointly-owned subsidiary. When acquiring an investee through a joint venture, any excess investment cost for the Company's stake in the net fair value of the identifiable assets and liabilities of the investee must be recognized as goodwill, which must be included in the carrying value of the investment. Any excess on the Company's stake in the net fair value of identifiable assets and liabilities over the investment cost, after revaluation, is immediately recognized in the income statement for the period in which the investment was acquired.

The requirements of IAS 36 (CPC 01 (R1)) are applied to determine the need to recognize any impairment related to the Company's investment in a subsidiary. When necessary, the total carrying value of the investment (including goodwill) is reviewed for impairment, pursuant to IAS 36 (CPC 01 (R1)) and treated as a single asset by comparing its recoverable amount (which is the higher of the value in use and fair value less cost of sale) with its carrying value. Recognized impairments are not allocated to any asset, including the goodwill that is part of the carrying value of the investment. Any reversal of this impairment is recognized pursuant to IAS 36 (CPC 01 (R1)) to the extent that the investment's recoverable amount subsequently increases.

When an entity of the Company carries out a transaction with an affiliate of the group, the results from the transaction with said affiliate will be recognized in the Company's consolidated financial statements only to the extent the interests in the affiliate are not related to the group.

- <u>Acquisition of an investment through a joint venture</u>

As mentioned above, the acquisition of an investment through a jointly venture is accounted for by using the acquisition method. The payment transferred was measured at fair value on the acquisition date. Identifiable assets that were acquired and liabilities that were assumed were recognized at fair value.

3.18. Transactions with share-based payments

The fair value at the date on which share-based payments were granted to employees is recognized as a personnel expense, with a corresponding increase in equity, during the period in which the employee unconditionally acquires the right to the benefit, as detailed in Note 24.

3.19. Payment of interest and other charges on loans

The Company, based on CPC 3 (R2), chose to recognize interest paid on loans in financing activities in its cash flow statement since they are costs incurred to obtain financial resources and do not correspond to a type of return for the operation.

3.20. Segment reporting

The Company's Management is responsible for making operational decisions, allocating resources, evaluating performance, and taking strategic decisions, and analyzes the Company as a single operating entity, mainly considering that production processes and the nature of the products are similar.

3.21. New and amended IFRSs in effect for the current period

a) Impact from the initial adoption of the amendments to the Interest Rate Reform

Phase 1 of the Interest Rate Reform — Amendments to IFRS 9, IAS 39 and IFRS 7.

These amendments modified specific hedge accounting requirements so that hedge accounting can be maintained for hedges that were impacted during the period in which the hedged items, or hedging instruments, change resulting from the reform to the benchmark interest rate.

Phase 2 of the Interest Rate Reform — Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.

The adoption of these amendments enables the effects of the transition from interbank offered rates ("IBOR") to alternative reference interest rates ("risk free rates – RFRs") to be reflected without resulting in accounting impacts without useful information in the financial statements.

The Company assessed the content of this pronouncement and concluded that it does not impact its financial statements.

b) Impact from the initial application of Amendment to IFRS 16 — Leases Related to Covid-19

In the year prior to the Leases Related to Covid-19 standard (Amendments to IFRS 16), which establishes practical measures for lessees to account for changes in lease agreements caused directly by Covid-19 by introducing a practical expedient for IFRS 16. This practical expedient was applicable for lease concessions that suffered reductions in payments originally due on, or prior to, June 30, 2021. In March 2021, the Board issued a rule for Lease Concessions Related to Covid-19 after June 30, 2021 (Amendments to IFRS 16) that extends the practical expedient for payments originally due on or before June 30, 2021.

The Company assessed the content of this pronouncement and concluded that it does not impact its financial statements.

3.22. New and revised IFRSs issued but not yet applicable

On the date these financial statements were approved, the Company had not adopted the new and revised IFRSs below, already issued and not yet applicable:

a) IFRS 17 - Insurance Contracts

IFRS 17 establishes the principles for recognizing, measuring, presenting and disclosing insurance contracts and replaces IFRS 4 – Insurance Contracts (CPC 11).

b) Amendments to IFRS 10 (CPC 36 (R3)) - Consolidated Financial Statements and IAS 28 (CPC 18 (R2)) - Sale or Contribution of Assets between an Investor and its Affiliate or Joint Venture

Specifies that gains and losses resulting from the loss of control of a subsidiary that was not included in a business transaction with an affiliate or joint venture accounted for by the equity method are recognized in the parent company's results, in proportion to the investor's interest that is not related to said affiliate or joint venture. Likewise, gains and losses resulting from the re-measurement of investments retained in any former subsidiary (that has become an affiliate or joint venture accounted for by the equity method) at fair value are recognized in the result of the former parent company, in proportion to the investor's interest that is not related to the new affiliate or joint venture.

c) Amendments to IAS 1 - Classification of Liabilities as Current or Non-Current

The amendments to IAS 1 only affect the reporting of liabilities as current or non-current on the balance sheet and not the amount or timing in which an asset, liability, income or expense was recognized, or the information disclosed for these items. The amendments clarify that the classification of liabilities as current or non-current is: (i) based on the rights existing on the balance sheet date, (ii) specify that the classification is not affected by expectations if the entity will exercise its right to postpone a settlement of the liability, (iii) explain that the rights exist if restrictive clauses are complied with on the balance sheet date, and (iv) introduce the definition of 'settlement' to clarify that settlement refers to the transfer, to a counter-party, of an amount in cash, equity instruments, other assets, or services.

d) Amendments to IFRS 3 - Business combinations - Reference to the Conceptual Framework

The amendments to IFRS 3 were aimed at updating it to the 2018 Conceptual Framework rather than the 1989 Framework. The amendments to IFRS 3 also include a requirement that, for obligations within the scope of IAS 37, the purchaser applies IAS 37 to determine if an obligation exists on the acquisition date arising from past events. For taxes within the scope of IFRIC 21 – Taxes, the purchaser applies IFRIC 21 to determine if the event that resulted in the obligation to pay the tax occurred prior to the acquisition date. Finally, an explicit statement was included, establishing that the purchaser does not recognize contingent assets acquired in a business combination transaction. The amendments apply to business combination transactions with acquisition dates on or after the beginning of the first reporting period, from January 1, 2022, onwards.

e) Amendments to IAS 16 – Property, Plant, and Equipment — Resources Prior to the Intended Use

The amendments prohibit deducting from the cost of a PP&E item any resources arising from the sale of items produced prior to the asset becoming available for use, such as those required to bring the asset to the location and with the conditions for it to be used as intended by Management. Consequently, the entity recognizes these amounts from the sale and its corresponding costs in the income statement. The entity measures the cost of these items according to IAS 2 - Inventories.

The amendments further clarify the meaning of 'testing if an asset is functioning properly'. Currently, IAS 16 determines this as an assessment on the technical and physical performance of the asset to verify if it can be used in the production or supply of goods or services for rental to third parties, or for administrative purposes. If this is not presented separately in the statement of comprehensive income, the financial statements must disclose the amounts of resources and costs in the income statement, identifying the items produced that are not part of the entity's customary activities, and which line(s) in the statement comprehensive income include(s) these resources and costs.

The amendments have retrospective effects, but only for PP&E items that are taken to the location and in the condition required for them to operate as intended by Management, on or after the date of the first financial statements in which the entity applies the amendments for the first time.

The entity must recognize the cumulative effect when the amendments are adopted for the first time, as an adjustment to the opening balance of retained earnings (or other components of equity, as applicable) at the beginning of the first period in which it is presented.

f) Amendments to IAS 37 - Provisions, Contingent Liabilities, and Contingent Assets - Burdensome Contracts - Contract Fulfillment Costs

The amendments specify that the 'contract fulfillment cost' comprises of the 'costs directly related to the contract'. Costs directly related to the contract are comprised of incremental costs required to fulfill said contract (such as employees or materials) and the allocation of other costs directly related to the fulfillment of the contract (such as allocating of depreciation expenses to a PP&E item used to fulfill the contract).

The amendments apply to contracts for which the entity has not yet fulfilled all of its obligations at the beginning of the annual period in which it applies the amendments for the first time. Comparative numbers are not restated. Rather, the entity must recognize the cumulative effect on the date on which the amendments are adopted for the first time, as an adjustment to the opening balance of retained earnings (or other components of equity, as applicable).

g) Annual Improvements to the IFRS 2018-2020 Cycle – Amendments to IFRS 1 - Intial Adoption of International Financial Reporting Standards, IFRS 9 - Financial Instruments, IFRS 16 - Leases, and IAS 41 - Agriculture

Annual Improvements include changes to four standards.

- IFRS 1 - Initial Adoption of International Financing Reporting Standards

  The amendment provides for an additional measure for a subsidiary that adopts accounting for accumulated conversion differences after its parent company. As a result of the amendment, a subsidiary using the exemption provided in IFRS 1:D16(a) may now elect to measure cumulative translation differences for all foreign operations at the carrying value that would be included in the parent company's consolidated financial statements, based on the date of the parent company's transition to IFRS, if no adjustment was made to the consolidation procedures and effects of a business combination transaction in which the parent company acquired the subsidiary. A similar option is available for affiliates or joint ventures that adopt the exemption contained in IFRS 1:D16(a).

- IFRS 9 - Financial Instruments

  The amendment clarifies that when applying the '10%' test to assess if a financial liability should be written off, the entity must only consider the fees paid or received between it (as debtor) and the creditor, including fees paid or received by the entity or creditor on behalf of the other party. The amendment is prospectively applicable to modifications and exchanges occurring on or after the date on which the entity applied the amendment for the first time.

- IFRS 16 - Leases

  The amendment excludes the example of reimbursements related to improvements in properties belonging to third parties.

  Since the amendment to IFRS 16 is only an illustrative example, no effective date have been defined.

- IAS 41 - Agriculture

  The amendment to IAS 41 excludes the requirement to remove cash flows for taxes when measuring fair value. This aligns the fair value measurement in IAS 41 with the requirements in IFRS 13 – Fair Value Measurement for the purpose of using internally consistent cash flows and discount rates and allows the entity to decide if it should use cash flows prior or after taxes and discount rates to achieve the most appropriate fair value measurement.

The amendment is prospectively applicable, that is, fair value measurements on or after the date on which the entity applied the amendment for the first time.

h) Amendments to IAS 1 - Presentation of Financial Statements and Declaration of IFRS Practice 2 - Exercising Materiality Judgments - Disclosure of Accounting Policies

The amendments modify requirements established in IAS 1 for the disclosure of accounting policies. The amendments replace all examples of the term “significant accounting policies” with “information on relevant accounting policies”. Information on accounting policies is material if, when considered jointly with other information included in an entity's financial statements, it could reasonably influence the decisions taken by key users of the financial statements based on said statements.

The supporting paragraphs in IAS 1 were also amended to clarify that information on accounting policies relating to immaterial transactions, other events, or immaterial conditions do not need to be disclosed. Information on accounting policies may be considered material due to the nature of the related transactions, other events, or conditions, even if the amounts are immaterial. However, not all information on accounting policies relating to relevant transactions, other events or conditions is material.

The Board also prepared guidelines and examples to explain and demonstrate the application of the “four-step materiality process” described in the Declaration of IFRS Practice 2.

i) Amendments to IAS 8 - Accounting Policies, Change sin Estimates and Rectification of Errors — Definition of Accounting Estimates

The amendment replaces the definition of changes in accounting estimates with the definition of accounting estimates. According to the new definition, accounting estimates are “monetary amounts in the financial statements subject to uncertainty when measured”. The definition of changes in accounting estimates was excluded. However, the Board maintained the concept of changes in accounting estimates in the Standard with the following clarifications:

- A change in the accounting estimates arising from new information or events does not mean the rectification of an error;
- The effects of a change in a data or measurement technique used to produce an accounting estimate correspond to changes in accounting estimates if they do not result from the rectification of errors from prior periods.

The Board included two examples (Examples 4-5) to the Guidance on how to Implement IAS 8, which accompanies the Standard. The Board excluded one example (Example 3) as it could cause confusion in light of the changes.

j) Amendments to IAS 12 – Income Taxes - Deferred Tax Related to Assets and Liabilities Resulting from a Single Transaction

The amendments introduced an additional exception for initial recognition. According to the amendments, the entity does not apply the exemption for initial recognition on transactions that result in similar taxable and deductible temporary differences. Depending on applicable tax legislation, similar taxable and deductible temporary differences may arise on the initial recognition of an asset and liability in a transaction that is not a business combination and does not affect accounting profit or taxable income. For example, this may occur when recognizing a lease liability and a corresponding right-of-use asset under IFRS 16 at the start of the lease date.

After the amendments to IAS 12, the entity must recognize the corresponding deferred tax asset and liability, and the recognition of deferred tax assets is subject to the recoverability criteria established in IAS 12.

The Board included an illustrative example in IAS 12 to explain how the changes are applied. The amendments apply to transactions occurring on or after the start of the first comparative period presented. Additionally, at the beginning of the first comparative period, the entity must recognize:

- A deferred tax asset (when it is probable that the entity will present sufficient taxable income for such deductible temporary differences to be used) and a deferred tax liability for all deductible and taxable temporary differences associated with:
  - Right-of-use assets and leasing liabilities
  - Decommissioning Liabilities, Restoration and Other Similar Liabilities and corresponding amounts recognized as part of the cost of the respective asset.
- The cumulative effect when the amendments are adopted for the first time as an adjustment to the opening balance of retained earnings (or other components of equity, as applicable) on such date.

3.23. Key accounting estimates and judgments

The preparation of the financial statements requires Management to use opinion and estimates and apply assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, as well as the disclosure of contingent liabilities. The Company must review its estimates at least once a year and the depth of the review depends on the nature of the transactions and the economic scenario.

By definition, the accounting estimates will rarely be the same as their actual results. The estimates and assumptions that have a significant risk of undergoing relevant adjustments when calculating the actual results are presented below:

a) Obligations with employee benefits

The Company offers its employees benefits that require provisioning for future disbursements. To determine the fair values of these benefits and the assets that may cover them, the Company uses actuarial assumptions, such as mortality, disability, turnover rates, etc., and financial assumptions, such as future inflation rates, discount rates, etc.

Changes in economic scenario and life expectancy or time of retirement/dismissal of beneficiaries, among others, may significantly affect the amounts currently recorded.

b) Provisions for lawsuits

The Company is a party to legal and administrative proceedings. Provisions are set up for all legal claims related to proceedings that may have a probable loss outcome. To determine the probability of loss, assessments are made on available evidence, including opinions issued by external legal advisors.

Changes in this evidence, including those arising from similar judgments, in courts or at the administrative level, may modify the estimates currently recorded by the Company.

c) Impairment of non-financial assets

(In thousands of reais)

The determination of a recoverable amount is sensitive to the discount rate used in discounted cash flow methods, as well as the projections of expected future cash flows. Adverse economic conditions may cause these assumptions to change significantly.

On December 31, 2021 and 2020, the main non-financial assets subject to impairment reviews were PP&E items and intangible assets.

d) Deferred tax credits recoverable

Management carried out technical feasibility studies, which were approved by the Management bodies and examined by the Fiscal Council. The technical feasibility studies consider estimates related to the Company's performance, in addition to the behavior of the market in which it operates and certain economic aspects. Changes in the business scenario may affect the recoverability forecast of these credits.

4. Cash and cash equivalents

		Parent Company		Consolidated
	2021	**2020**	**2021**	**2020**
Cash and banks	**12,544**	1,533	**38,418**	10,852
Short-term financial investments	**143,591**	370,201	**292,759**	914,000
	156,135	371,734	**331,177**	924,852

Short-term financial investments mainly refer to Bank Deposit Certificates (CDB), their yield is related to the Interbank Deposit Certificate (CDI), they are subject to an insignificant change in value, and may be redeemed at any moment.

5. Financial investments

		Parent Company		Consolidated
	2021	**2020**	**2021**	**2020**
Investment fund shares	**402,732**	52,646	**1,291,272**	188,908
Current	**402,732**	52,646	**1,291,272**	188,908

The yields of Bank Deposit Certificates (CDBs) are associated with the Interbank Deposit Certificate (CDI) with low credit risk.

Investment funds account for 76% of the financial investment portfolio in the consolidated, 2% of which are invested in multimarket funds, and 74% in CDI referenced funds, and may be redeemed at any time. Even though they have such possibility, the Company’s management treasury decided not to record them under cash equivalents.

Investment funds account for 74% of the financial investment portfolio in the parent company, 4% of which are invested in multimarket funds, and 70% in CDI referenced funds, and may be redeemed at any time.

6. Accounts receivable

		Parent Company		Consolidated

	2021	2020	2021	2020
Domestic	**172,464**	106,278	**633,497**	572,724
Foreign	**139**	-	**100,589**	21,759
Related parties (Note 10)	**46,484**	34,684	**-**	-
Allowance for doubtful accounts	**(6,733)**	(7,186)	**(57,830)**	(60,391)
	212,354	133,776	**676,256**	534,092
Current	**173,595**	105,132	**676,256**	534,092
Non-current	**38,759**	28,644	**-**	-

The composition of the accounts receivable from customers, by maturity, is as follows:

		Parent Company		Consolidated
	2021	2020	2021	2020
Instruments coming due	**161,215**	97,460	**655,631**	517,176
Overdue instruments:				
Up to 90 days	**4,040**	1,270	**17,419**	10,516
From 91 to 180 days	**520**	1,392	**826**	2,509
After 180 days	**6,828**	6,156	**60,210**	64,282
	172,603	106,278	**734,086**	594,483
Related parties	**46,484**	34,684	**-**	-
Allowance for doubtful accounts	**(6,733)**	(7,186)	**(57,830)**	(60,391)
Total customer portfolio	**212,354**	133,776	**676,256**	534,092

Changes in the allowance for doubtful accounts (“PDA”) for accounts receivable are as follows:

		Parent Company		Consolidated
	2021	2020	2021	2020
Opening balance	**(7,186)**	(10,957)	**(60,391)**	(64,520)
Additions	**-**	(1,705)	**(1,734)**	(4,443)
Reversals	**453**	21	**475**	542
Write-offs	**-**	5,455	**-**	5,455
Conversion adjustments	**-**	-	**3,820**	2,575
Closing balance	**(6,733)**	(7,186)	**(57,830)**	(60,391)

Historically, the percentage of expected credit loss of the Company and its subsidiaries for accounts receivable overdue up to 90 days is close to zero. As for accounts receivable overdue more than 90 days that have not been renegotiated and/or customers declaring bankruptcy or filing for court-supervised reorganization, the Company recognizes expected credit losses of 100% of the outstanding balance. The most significant portion of PDA consists of exceptional cases in which few customers declared bankruptcy or filed for court-supervised reorganization.

Additions and reversals of PDA are recorded in the profit/loss as “Other net operating income (expenses)”. The provision amounts are written off together with the corresponding receivables when the recovery of funds is not expected.

7. Taxes recoverable

	Parent Company		Consolidated
2021	2020	2021	2020

(In thousands of reais)

IRRF/ IRPJ and CSLL recoverable	**-**	3,054	**6**	15,004
ICMS	**11,045**	10,204	**23,338**	22,551
PIS and COFINS	**145,576**	-	**728,267**	-
INSS (social security contribution) to offset	**1,874**	1,874	**1,874**	1,874
Registered warrants	**1,373**	1,373	**1,373**	1,373
VAT and other tax credits - Argentina	**-**	-	**4,744**	1,744
Export refunds - Argentina	**-**	-	**1,763**	1,287
Others	**537**	300	**713**	405
	160,405	16,805	**762,078**	44,238
Current	**55,676**	8,938	**68,187**	29,165
Non-current	**104,729**	7,867	**693,891**	15,073

IRRF/IRPJ/CSLL: Corresponds basically to withholding income tax on financial operations and early payment/balance of income tax and social contribution tax loss carryforwards payable with income tax and social contribution payable on profit or offsetable with other federal taxes in case of negative balances. In December 2021, the parent company and subsidiary Indupa Brasil used IRRF in the amount of R$7,320 and R$6,000, respectively, to deduct the amount of the IRPJ payable.

ICMS: Refers to credits arising from the acquisition of PP&E, which were recognized in current and non-current assets with an amortization period of one forty-eighth (1/48).

PIS/COFINS: Refers to the credit on the exclusion of the ICMS from the calculation base, being in the Parent Company a lawsuit from November 2001 to September 2006, with a principal amount of R$34,930 and inflation adjustment of R$54,742. Said lawsuit has already become unappealable and ratified by the Federal Revenue Service (with a credit offset in 2021 of R$40,848) and another lawsuit from March 2017 to August 2021 has received a favorable ruling but is awaiting the granting of the credit approval by the Federal Revenue Service. This second lawsuit is recognized in the principal amount of R$87,864, with monetary restatement in the amount of R$8,888. As for the subsidiary Indupa do Brasil, there is a lawsuit from March 2003 to October 2021 in the principal amount of R$364,388, with monetary restatement in the amount of R$218,303. For the record of the two lawsuits that have not become final and unappealable, based on the decision of the Brazilian Federal Supreme Court - STF taken in May 2021, we recognize that the calculation base shall not include the ICMS tax in question. The Company concluded the recognition of the amounts in question based on the historical information gathered from the applicable calculation bases. In the consolidated statement, the principal amount is R$487,182 (R$40,848 was offset in 2021) and monetary restatement in the amount of R$281,933. In the parent company, the total use of the credit is expected to occur in 2022 and in the consolidated, it will occur by 2025.

INSS to offset: Refers to payments made to settle social security installment debts, as per adhesion to the reopening of REFIS, according to article 17 of Law 12,865/2013. However, as the consolidation of the installment has been refused, we requested that the amounts paid be refunded.

Export refunds: Refers to the refund of customs duties imposed on the import of raw materials used by the subsidiary Indupa Argentina to manufacture export products.

8. Inventories

		Parent Company		Consolidated
	2021	**2020**	**2021**	**2020**
Raw materials	**35,376**	13,138	**91,192**	47,262
Products being manufactured	**5,303**	3,935	**42,603**	19,318
Finished products	**17,503**	7,638	**199,792**	62,022
Ancillary materials and packages	**13,377**	5,279	**59,264**	30,921
Maintenance materials and repairs	**33,750**	31,497	**111,936**	99,429

(In thousands of reais)

	105,309	61,487	**504,787**	258,952
Current	**79,609**	39,446	**442,130**	189,238
Non-current	**25,700**	22,041	**62,657**	69,714

Maintenance and repair materials are held to ensure the continuity of the plants' operations in the event of damage to production machinery and equipment, and due to turnover, they are classified as current and non-current assets.

9. Court deposits

		Parent Company		Consolidated
	2021	**2020**	**2021**	**2020**
Tax	**33,002**	52,161	**33,002**	52,161
Civil	**-**	-	**40**	40
Labor	**1,190**	1,160	**1,190**	1,160
	34,192	53,321	**34,232**	53,361
Non-current	**34,192**	53,321	**34,232**	53,361

(In thousands of reais)

Parent Company	2019	Monetary restatement	2020	Additions	Write-offs	Transfers of deposits on reversed lawsuits	Monetary restatement	2021
Tax	46,210	5,950	52,160	8,156	(26,780)	(1,446)	912	33,002
Labor	1,054	107	1,161	-	-	-	29	1,190
	47,264	6,057	53,321	8,156	(26,780)	(1,446)	941	34,192

Consolidated	2019	Additions	Write-offs	Monetary restatement	2020	Additions	Write-offs	Transfers of deposits on reversed lawsuits	Monetary restatement	2021
Tax	46,210	-	-	5,950	52,160	8,156	(26,780)	(1,446)	912	33,002
Labor	1,054	-	-	107	1,161	-	-	-	29	1,190
Civil	41	46	(47)	-	40	-	-	-	-	40
	47,305	46	(47)	6,057	53,361	8,156	(26,780)	(1,446)	941	34,232

On December 31, 2021, the parent company's court deposits mainly consist of the following lawsuits:

a) PER/DCOMPS not ratified by the Federal Revenue Service

R$438 (R$28,117 on December 31, 2020) to ensure the dispute of a liability cause with likelihood of remote loss, as appraised by the legal advisors. In August 2021, this lawsuit was ruled in the Company's favor, thus raising the partial amount of R$26,530. In December 2021, the amount of R$1,446 was converted into income in favor of the Federal Government, with a remaining balance to be withdrawn in favor of the Company. The amount of R$8,249 (no amount on December 31, 2020) refers to PIS and COFINS offsets for the 2015 fiscal year, assessed by the legal advisors as possible.

b) Goyana S.A. Indústrias de Matérias Plásticas ("Goyana")

R$14,764 (R$14,444 on December 31, 2020) arising from 5 claims filed by its former subsidiary Goyana, with the Company on the defendant's side requesting its withdrawal. The legal advisors assessed the likelihood of loss as possible.

c) Corporate Income Tax ("IRPJ") and Social Contribution on Net Income ("CSLL")

R$9,393 (R$9,095 on December 31, 2020) refers to the monetary restatement of IRPJ, Income Tax on Net Income and Social Contribution on Net Income calculated in the 1990 fiscal year.

(In thousands of reais)

10. Related Parties

	2020 Balances						2020 Transactions			
	Current Assets		Non-current Assets		Current Liabilities					
	Accounts receivable	Other current assets	Accounts receivable	Receivables from affiliates	Suppliers	Other liabilities / electricity	Sales	Procurement	Shared expenses	Financial income (interest/FX variation)
Parent Company										
Direct subsidiary - Indupa Argentina	-	-	28,644	213,500	-	(3,774)	-	(5,514)	14,677	52,274
Indirect subsidiary - Indupa Argentina	6,040	-	-	-	(181)	-	18,359	-	23,457	-
Consolidated										
Joint venture - Solalban	-	3,049	-	-	-	(18,643)	12,177	(78,697)	-	-
Total	6,040	3,049	28,644	213,500	(181)	(22,417)	30,536	(84,211)	38,134	52,274

	2021 Balances							2021 Transactions			
	Current Assets			Non-current Assets		Current Liabilities					
	Accounts receivable	Other current assets	Receivables from affiliates	Accounts receivable	Receivables from affiliates	Suppliers	Other liabilities / electricity	Sales	Procurement	Shared expenses	Financial income (interest/FX variation)
Parent Company											
Direct subsidiary - Indupa Argentina	-	2,623	47,253	38,759	245,516	-	(15,869)	-	(5,855)	12,842	20,087
Indirect subsidiary - Indupa Argentina	7,725	3,303	-	-	-	(83)	(72)	101,373	(114)	18,955	-
Consolidated											
Joint venture - Solalban	-	3,394	-	-	-	-	(29,810)	13,451	(138,030)	-	-
Total	7,725	9,320	47,253	38,759	245,516	(83)	(45,751)	114,824	(143,999)	31,797	20,087

(In thousands of reais)

In the year ended December 31, 2020, the joint venture Tucano III did not carry out any type of transaction with the Company.

Products are sold to related parties according to the price list commonly used by the Unipar Group. Acquisitions are made at discounted market prices to reflect the products purchased and the relationship between the parties. Outstanding amounts are not covered and are settled using cash. No guarantee was given or received. No provision for doubtful accounts was recognized regarding the amounts due by the related parties. The Company incurs certain corporate expenses, mainly related to employee compensation, which are proportionally divided among the parent company Unipar Carbocloro S.A. and its direct and indirect subsidiaries.

Credits with related companies refer to the conversion of capital contribution into loans originally in the amount of US$46 million in 2019, with a 3% interest rate per year, being partially amortized, and the remaining amortizations beginning on 2027. Additionally, in December 2021, a credit amounting to U$10 million was established, at an interest rate of 3% p.a., to be amortized in 5 annual installments, starting in December 2022 until 2026.

Guarantees

At the Board of Directors' Meeting held on April 19, 2021, the Company approved the granting of a personal guarantee ("Guarantee") in favor of Siemens Gamesa Energia Renovável Ltda. ("Siemens"), by signing the Parent Company Guarantee, limited to fifty percent (50%) of the outstanding balance consisting of amounts due by Tucano F6 Geração de Energias SPE S.A., Tucano F7 Geração de Energias SPE S.A. and Tucano F8 Geração de Energias SPE S.A., whose indirect control is shared by the Company, under the Turbine Supply Agreement entered into with Siemens and the respective additional instruments ("Supply Agreement"), with a percentage corresponding to up to R$250,000. The guarantee will remain in force until May 09, 2022, or until all obligations owed by the debtors under the supply agreement are met. Additionally, the Company is also a guarantor of the same project, with a 50% interest consisting of single series debentures issued by Tucano Holding III S.A., in the amount of R$200,000, maturing in 20 years.

Consolidated compensation of key management personnel

Key management personnel refer to board members and officers. The compensation paid to these members is as follows:

		Parent Company
	2021	**2020**
Salaries and short-term benefits	**24,499**	29,578
Compensation based on the restricted stock option plan.	**-**	24,770
Charges arising from compensation based on the restricted stock option plan.	**-**	16,233
	24,499	70,581

The restricted stock option plan is described in Note 24.
The Company has contracts for the provision of economic consultancy and financial advisory with Essentia Partners Assessoria Ltda. ("Essentia Partners"). One of the Company's board members is part of Essentia Partners' ownership structure, and in the year ended December 31, 2021, transactions totaled R$16,446 (R$4,807 on December 31, 2020).

Transactions or relationships with shareholders regarding property lease

(In thousands of reais)

The Company maintains a lease agreement for an administrative property with Locuncatun Serviços Financeiros Ltda, a company owned by a shareholder and member of the board of directors. Therental amount recognized in the result for the year ended December 31, 2021, was R$410 (R$381 on December 31, 2021). The agreement was approved by the Board of Directors, beginning on February 2019 and maturing until 2024.

11. Other Assets

	Parent Company		Consolidated	
	2021	**2020**	**2021**	**2020**
Advances to suppliers	**5,453**	3,538	**22,976**	4,555
Advance to employees	**612**	699	**1,888**	1,359
Receivables from the sale of assets [1]	**-**	-	**21,742**	22,611
Refunds linked to contracts [2]	**20,055**	9,691	**20,055**	9,691
Insurance claims	**238**	-	**473**	915
Corporate expenses	**5,926**	-	**3,394**	3,049
Other assets	**1,337**	1,626	**1,967**	2,618
	33,621	15,554	**72,495**	44,798
Current	**13,566**	5,862	**30,692**	12,488
Non-current	**20,055**	9,692	**41,803**	32,310

[1] Properties received by crediting accounts receivable, still in the process of transfer of ownership.

[2] Refund linked to contracts for the acquisition of subsidiaries.

12. Investments

					Parent Company	
Investees	**Relationship**	**Equity on 12/31/2021**	**Profit (Loss) in 2021**	**Interest (%)**	**2021**	**2020**
Subsidiary						
Indupa Argentina	Direct	2,241,247	1,285,003	98.63	2,210,442	725,226
Asset surplus[1]					135,551	160,236
Joint venture						
Tucano Holdings III	Direct	174,982	(1,128)	50.00	87,491	52,355
Total					2,433,484	937,817

					Consolidated	
Investees	**Relationship**	**Equity on 12/31/2021**	**Profit (Loss) in 2021**	**Interest (%)**	**2021**	**2020**
Joint Ventures						
Tucano Holdings III	Direct	174,982	(1,128)	50.00	87,491	52,355
Solalban	Indirect	30,179	(3,395)	58.00	17,504	14,606
					104,995	66,961

[1] The asset surplus balance in the consolidated result is reclassified to PP&E distributed among the following items: land, buildings and construction, equipment and facilities, vehicles, and furniture and fixtures.

(In thousands of reais)

					Equity income			
Parent Company	**2019**	**Conversion adjustments**	**Capital increase in subsidiary**		**Equity pickup in the period**	**Equity income (Other Comprehensive Income/Loss)**	**Amortization**	**2020**
Indupa Argentina	451,928	90,572	-		193,911	(11,185)	-	725,226
Asset surplus	187,813	5,485	-		-	-	(33,062)	160,236
Tucano Holdings III	-	-	52,619	(1)	(264)	-	-	52,355
Total	639,741	96,057	52,619		193,647	(11,185)	(33,062)	937,817

					Equity income					
Parent Company	**2020**	**Conversion adjustments**	**Capital increase in subsidiary**		**Equity pickup in the period**	**Equity income (Other Comprehensive Income/Loss)**	**Amortization**	**Receipt**		**2021**
Indupa Argentina	725,226	240,442	3,538		1,265,473	(24,237)	-	-		2,210,442
Asset surplus	160,236	4,432	449,944	(2)	-	-	(29,381)	(449,680)	(2)	135,551
Tucano Holdings III	52,355	-	35,700		(564)	-	-	-		87,491
Total	937,817	244,874	489,182		1,264,909	(24,237)	(29,381)	(449,680)		2,433,484

					Equity income		
Consolidated	**2019**	**Conversion adjustments**	**Capital increase in subsidiary**		**Equity pickup in the period**	**Effect from the application of IAS 29**	**2020**
Tucano Holdings III	-	-	52,619	(1)	(264)		52,355
Solalban	13,325	(1,068)	-		(2,078)	4,427	14,606
Total	13,325	(1,068)	52,619		(2,342)	4,427	66,961

				Equity income		
Consolidated	**2020**	**Conversion adjustments**	**Capital increase in subsidiary**	**Equity pickup in the period**	**Effect from the application of IAS 29**	**2021**
Tucano Holdings III	52,355	-	35,700	(564)	-	87,491
Solalban	14,606	(1,686)	-	(1,970)	6,554	17,504
Total	66,961	(1,686)	35,700	(2,534)	6,554	104,995

(In thousands of reais)

([1]) Refers to the acquisition of Tucano III, with an initial investment of R$40,119 and contributions in the amount of R$12,500.

([2]) In 4Q21, the Company received an amount of R$449,944 corresponding to the adjustment of the acquisition price of Solvay Indupa S.A.I.C, currently Indupa Argentina, based on the terms of the purchase and sale agreement. The amount was recognized in the income statement under "Adjustment in acquisition price".

13. PP&E

Parent Company	Average depreciation rate				Net	
	2021	2020	Cost	Accumulated depreciation	2021	2020
Land	-	-	247,550	-	247,550	247,550
Buildings and construction	From 3.45% to 6.67%	From 3.45% to 6.67%	159,265	(73,853)	85,412	84,243
Equipment and facilities	From 5% to 6%	From 5% to 6%	1,278,416	(808,659)	469,757	485,075
Vehicles	20%	20%	229	(229)	-	22
Furniture and fixtures	10%	10%	14,682	(12,085)	2,597	2,184
Other assets	10%	10%	20,174	(11,358)	8,816	4,752
PP&E under construction			48,912	-	48,912	43,886
			1,769,228	(906,184)	863,044	867,712

Consolidated	Average depreciation rate				Net	
	2021	2020	Cost	Accumulated depreciation	2021	2020
Land	-	-	301,177	-	301,177	290,468
Buildings and construction	From 3.33% to 6.67%	From 3.33% to 6.67%	565,868	(298,467)	267,401	255,818
Equipment and facilities	From 5% to 10%	From 5% to 10%	3,919,974	(2,600,766)	1,319,208	1,211,550
Vehicles	20%	20%	3,818	(3,291)	527	390
Furniture and fixtures	10%	10%	33,360	(27,509)	5,851	5,280
Other assets	10%	10%	44,178	(31,350)	12,828	10,356
PP&E under construction	-	-	252,932	-	252,932	175,822
			5,121,307	(2,961,383)	2,159,924	1,949,684

(In thousands of reais)

Changes in PP&E

Parent Company	2019	Net additions due to transfers	Write-offs	Depreciation	2020
Land	247,550	-	-	-	247,550
Buildings and construction	87,104	1,335	-	(4,196)	84,243
Equipment and facilities	478,848	53,417	(142)	(47,048)	485,075
Vehicles	68	-	-	(46)	22
Furniture and fixtures	2,536	197	-	(549)	2,184
Other assets	5,579	91	(9)	(909)	4,752
PP&E under construction (¹)	43,980	(94)	-	-	43,886
	865,665	54,946	(151)	(52,748)	867,712

Parent Company	2020	Net additions due to transfers	Write-offs	Depreciation	2021
Land	247,550	-	-	-	247,550
Buildings and construction	84,243	5,884	-	(4,715)	85,412
Equipment and facilities	485,075	36,937	(27)	(52,228)	469,757
Vehicles	22	-	-	(22)	-
Furniture and fixtures	2,184	889	(3)	(473)	2,597
Other assets	4,752	6,045	(1,041)	(940)	8,816
PP&E under construction (¹)	43,886	5,026	-	-	48,912
	867,712	54,781	(1,071)	(58,378)	863,044

(In thousands of reais)

Consolidated	2019	Net additions due to transfers	Write-offs	Depreciation	Effect from the application of IAS 29	Conversion adjustments	2020
Land	283,913	-	-	-	8,642	(2,087)	290,468
Buildings and construction	249,203	11,591	-	(13,934)	10,765	(1,807)	255,818
Equipment and facilities	1,177,699	119,969	(355)	(134,816)	58,289	(9,236)	1,211,550
Vehicles	515	62	-	(175)	23	(35)	390
Furniture and fixtures	4,351	1,503	-	(1,107)	652	(119)	5,280
Other assets	7,975	5,525	(17)	(3,695)	568	-	10,356
PP&E under construction (1)	167,061	14,377	-	-	109	(5,725)	175,822
	1,890,717	153,027	(372)	(153,727)	79,048	(19,009)	1,949,684

Consolidated	2020	Net additions due to transfers	Write-offs	Depreciation	Effect from the application of IAS 29	Conversion adjustments	2021
Land	290,468	-	-	-	14,600	(3,891)	301,177
Buildings and construction	255,818	13,690	(476)	(14,812)	17,524	(4,343)	267,401
Equipment and facilities	1,211,550	178,684	(40)	(137,804)	92,668	(25,850)	1,319,208
Vehicles	390	158	-	(91)	114	(44)	527
Furniture and fixtures	5,280	1,575	(6)	(1,119)	440	(319)	5,851
Other assets	10,356	8,733	(1,041)	(4,570)	(393)	(257)	12,828
PP&E under construction (1)	175,822	61,209	(60)	-	23,609	(7,648)	252,932
	1,949,684	264,049	(1,623)	(158,396)	148,562	(42,352)	2,159,924

(1) Ongoing investments are mainly related to the improvement of plants and the modernization of integrated management systems.

The Company and its subsidiaries assess impairment of its property, plant and equipment according to CPC 01 (R1) – Asset Impairment. For the fiscal years ended December 31, 2021 and 2020, there was no evidence of assets being recorded at costs higher than their recoverable amounts.

With the approval of the Brazilian National Congress on the Minamata Convention (Decree 9,470, of August 14, 2018), which provides for the elimination of the use of mercury in manufacturing processes, such as the production of chlor-alkali, during 2021, the Company concluded the studies for the shut down Mercury production and accelerated the depreciation of the PP&E items related to this technology, with depreciation to be finalized by 2024, since there is no expected future benefits from these assets.

(In thousands of reais)

14. Intangible assets

	Annual amortization rate			Parent Company Net		Consolidated Net
	2021	2020	2021	2020	2021	2020
Goodwill	-	-	**273,025**	273,025	**275,388**	275,709
Right of use - Software	20%	20%	**11,044**	5,541	**32,491**	21,895
			284,069	278,566	**307,879**	297,604

In 2013, Unipar Participações S.A (as Unipar Carbocloro S.A. was formerly called), which was not operational, acquired an additional interest of 50% in Carbocloro Indústrias Químicas Ltda. (“Carbocloro”). As Unipar Participações S.A. already held a 50% interest in Carbocloro at the time of this acquisition, the business combination was given a gradual treatment, thus calculating a total goodwill of R$273,025. Carbocloro was absorbed by the Company on September 30, 2013. The balances are not amortized and can only be reduced upon the sale or impairment of the related asset.

(In thousands of reais)

15. Suppliers

	Parent Company		Consolidated	
	2021	2020	2021	2020
Domestic suppliers	**40,970**	17,017	**331,439**	185,809
Domestic suppliers - PP&E	**3,486**	10,412	**16,222**	25,115
Domestic suppliers - related parties	**121**	192	**38**	11
Domestic suppliers - confirming operation (1)	**3,440**	1,970	**8,526**	6,411
Foreign suppliers	**20,805**	10,101	**35,537**	20,996
Foreign suppliers - related parties	**-**	-	**-**	-
	68,822	39,692	**391,762**	238,342
Current	**68,822**	39,692	**391,762**	238,342

(1) The Company and its subsidiaries entered into contracts with partner banks to structure the “confirming operation” together with its suppliers. In it, suppliers transfer receivables to the bank in exchange for advance payment. The bank, in turn, becomes the operation’s creditor, and the Company settles the payment on the same data originally agreed upon with its supplier. The operation does not change the terms, prices and conditions previously established with suppliers; therefore, the Company classifies it in the Suppliers item.

16. Loans, Financing and Debentures

		Parent Company		Consolidated	
	Currency	2021	2020	2021	2020
In domestic currency					
Debentures - Carbocloro (2021: CDI + 1.57% p.a. in 2020: CDI + 1.25% p.a.) (1)	R$	**289,311**	337,653	**289,311**	337,653
Debentures - Carbocloro (2021: CDI +1.90% p.a.) (2)	R$	**868,453**	-	**868,453**	-
Working Capital - Carbocloro (2021 - CDI + 1.25% p.a. - 2020 - CDI + 2.78% p.a.) (3)	R$	**62,706**	316,382	**62,706**	316,382
Working Capital (Fixed Rate) - Indupa AR	AR$	**-**	-	**2**	1
BNDES - Carbocloro (TJLP + 2.33% p.a.) (4)	R$	**-**	1,698	**-**	1,698
BNDES - Carbocloro (TJLP + 2.36% p.a.) (4)	R$	**-**	2,139	**-**	2,139
BNDES - Indupa BR (TJLP + 1.40% p.a.) (5)	R$	**-**	-	**-**	4,810
BNDES - Indupa BR (TJLP + 1.87% p.a.) (6)	R$	**-**	-	**17,845**	21,662
BNDES - Indupa BR (IPCA + 2.14% p.a.) (6)	R$	**-**	-	**25,872**	29,195
Promissory Note - Carbocloro (2021: CDI + 1.85% p.a.) (7)	R$	**210,640**	-	**210,640**	-
		1,431,110	657,872	**1,474,829**	713,540
Current		**151,226**	325,894	**161,824**	340,730
Non-current		**1,279,884**	331,978	**1,313,005**	372,810

(1) Simple, non-convertible and guarantee-free debentures issued on March 28, 2018, in two series, totaling R$350,000, to extend the Company’s consolidated debt profile and reinforce its cash position. 93% of the first series debentures, in the amount of R$210,170, was extended through the 5th debenture issue of June 10, 2019. The principal amount was not extended, being amortized on March 20, 2020, and the amount corresponding to the 5th debenture issue will be amortized in three annual installments beginning on June 12, 2023. The first installment of the second series, in the amount of R$139,830, was amortized on March 19, 2021, and the second installment will be amortized on March 20, 2022. Interest will be paid every six months for both issues.

(2) (i) Simple, non-convertible into shares and guarantee-free debentures issued on April 30, 2021, in two series, totaling R$350,000, to extend the Company’s consolidated debt profile and reinforce its cash position. The first series, in the amount of R$117,000, will be amortized through an annual installment on April 29, 2024. The second series, in the amount of R$233,000, will be amortized through two annual installments falling due on April 29, 2025 and 2026. Interest will be paid every six months for both issues. (ii) Simple, non-convertible, unsecured debentures, issued on November 10, 2021, in a single series, in the amount of R$500,000, to be

(In thousands of reais)

used to lengthen the Company's consolidated debt profile, as well to strengthen its cash position. The principal amount will be amortized in two installments, the first on October 13, 2027, in the amount of R$250,000, and the second on October 13, 2028, in the amount of R$250,000. Interest is paid every six months.

(3) Guarantee-free capital-raising to reinforce the Company's cash position consisting of (i) loans in U.S. dollars with swap in reais, in the amount of R$60,699. This amount was updated in the curve of R$86,814, being counterbalanced by the positive swap adjustment of R$26,114, with expenses deferred in the amount of R$2,007, so that the net effect on liabilities is R$62,706, with interest paid every quarter, and the principal amount amortized in 9 quarterly installments beginning in March 2021.

(4) Capital-raising to modernize the Cubatão plant, guaranteed by the Company's land, buildings and equipment.

(5) Capital-raising to invest in environmental and social projects, as well as to acquire national machinery and equipment, so as to modernize the Santo André plant. The loan has a bank-issued guarantee.

(6) Capital-raising to centralize and modernize the PVC resin production line of the Santo André plant. This operation is guaranteed by Unipar. The first release occurred in November 2018, and the second, in December 2019.

(7) Guarantee-free capital-raising, in two series, totaling R$200,000, to extend the Company's consolidated debt profile and reinforce its cash position. The first series, in the amount of R$100,000, will be amortized through an annual installment on July 8, 2024, and the second series, in the amount of R$100,000, will be amortized through an annual installment on July 8, 2026. Interest will be paid on maturity for both issues.

The amortization schedule of these loans and financing is as follows:

	Parent Company	Consolidated
	2021	**2021**
2022	**151,226**	**161,824**
2023	**95,850**	**105,423**
2024	**284,017**	**293,590**
2025	**283,517**	**293,048**
2026	**116,500**	**120,944**
2027 onwards	**500,000**	**500,000**
	1,431,110	**1,474,829**

Certain loans, financing and debentures have clauses establishing compliance with certain financial and non-financial indicators (covenants). These indicators are yearly measured, as per the terms established in each contract. On December 31, 2021 and December 31, 2020, the Company and its subsidiaries were in compliance with these clauses.

17. Electricity

The Company and its indirect subsidiary Indupa Brasil have long-term agreements to supply electricity to free consumers. Electricity costs include the acquisition cost of the contracted energy, tariff for the use of the transmission system (TUST), and government charges. One of the charges is the Energy Development Account ("CDE"), which is annually set by the Brazilian Government (ANEEL).

The initial publication of CDE related to the August 2015 - July 2016 period indicated an increase of the charge, leading the Company, Indupa Brasil, and free consumers to challenge in court the charge of CDE at the new value. The lawsuit was under the care of the Brazilian Association of Large Industrial Energy Consumers and Free Consumers ("ABRACE").

(In thousands of reais)

In early 3Q15, ABRACE was granted a preliminary injunction indicating that while the lawsuit is pending a decision, free consumers who challenged the amount should be charged at values lower than those initially charged. The Company and Indupa Brasil created a provision for the full amount initially set, but only pay the amounts provided for in the preliminary injunction based on the supplier's billing (CTEEP).

The initial publication of CDE related to August 2016 - July 2017 also indicated amounts that, according to ABRACE, are above than those deemed as correct by the association. Accordingly, ABRACE also challenged in court future charges at the new value and was granted a favorable preliminary injunction on the same terms as that granted for the charges related to August 2015 - July 2016. On December 31, 2021, the aforementioned lawsuits were still pending a decision.

The initial publication of CDE related to 2019 indicated an increase of the charge, leading the Company, Indupa Brasil, and free consumers to challenge in court the charge of CDE at the new value. The lawsuit was under the care of the Brazilian Association of Large Industrial Energy Consumers and Free Consumers ("ABRACE"). The judgment was dismissed. The Federal Regional Court of the 1st Region granted the interlocutory relief to suspend the enforceability of the electric tariff charged at subsidy amounts intended for public policies not related to the public electricity service until the judgment of the appeal filed.

Through ABRACE, the Company and its indirect subsidiary Indupa Brasil filed a lawsuit seeking a declaration of unenforceability of the payment of the portion of the Tariff for the Use of the Transmission System (TUST) related to the compensation addressed by paragraph 2 of article 15 of Law 12,783/2013.

The preliminary injunction was partially granted "to determine that ANEEL exclude the so-called "remuneration" portion of the Tariff for the Use of the Transmission System (TUST), calculated on reversible assets not yet amortized or depreciated, provided for in paragraph 2 of article 15 of Law 12,783/2013, and that only the adjustment should apply to the amount". The ruling was dismissed. Because of that, the Company and its indirect subsidiary Indupa Brasil are already collecting the unpaid amounts due to the preliminary injunction granted. The referred payment has been made monthly through the increase in the monthly consumption bill, with the reversal of the provisioned amounts.

18. Legal claims

The Company and its subsidiaries, supported by the evaluation of their internal and external legal advisors, classify the likelihood of loss as "probable", "possible", and "remote".

Provisions are created for lawsuits deemed as "probable" and, where applicable, the balances are recorded net of the court deposits linked to the lawsuits, as follows:

		Parent Company		Consolidated
	2021	**2020**	**2021**	**2020**
Tax	**22,941**	15,756	**58,374**	26,361

(In thousands of reais)

Labor and social security	**15,400**	19,775	**38,307**	39,912
Civil	**10**	10	**5,406**	5,077
Total	**38,351**	35,541	**102,087**	71,350
Tax court deposits	**(6,568)**	(11,159)	**(12,889)**	(17,543)
Labor court deposits	**(5,604)**	(5,990)	**(11,537)**	(13,077)
Total	**(12,172)**	(17,149)	**(24,426)**	(30,620)
	26,179	18,392	**77,661**	40,730
Current	**1,386**	2,831	**8,411**	4,999
Non-current	**24,793**	15,561	**69,250**	35,731

Changes in provisions for lawsuits are as follows:

Parent Company	**2019**	**Additions**	**Write-offs/Reversal**	**Monetary restatement**	**2020**
Tax	14,162	2,090	(496)	-	15,756
Labor and social security	19,866	2,198	(2,289)	-	19,775
Civil	1,003	-	(993)	-	10
Court deposits	(16,066)	(3,724)	2,777	(136)	(17,149)
	18,965	564	(1,001)	(136)	18,392

Parent Company	**2020**	**Additions**	**Write-offs/Reversal**	**Transfers**	**2021**
Tax	15,756	15,079	(7,894)	-	22,941
Labor and social security	19,775	1,300	(5,675)	-	15,400
Civil	10	-	-	-	10
Environmental	-	4,838	(4,838)	-	-
Court deposits	(17,149)	(5,909)	12,332	(1,446)	(12,172)
	18,392	15,308	(6,075)	(1,446)	26,179

Consolidated	**2019**	**Additions**	**Write-offs/Reversal**	**Monetary restatement**	**Conversion adjustments**	**2020**
Tax	25,119	2,458	(1,216)	-	-	26,361
Labor and social security	44,089	5,080	(8,853)	-	(404)	39,912
Civil	5,265	828	(1,016)	-	-	5,077
Court deposits	(33,081)	(3,938)	6,535	(136)	-	(30,620)
	41,392	4,428	(4,550)	(136)	(404)	40,730

Consolidated	**2020**	**Additions**	**Write-offs/Reversal**	**Transfers**	**Monetary restatement**	**Conversion adjustments**	**2021**
Tax	26,361	39,968	(7,955)	-	-	-	58,374
Labor and social security	39,912	15,318	(16,148)	-	-	(775)	38,307
Civil	5,077	1,319	(990)	-	-	-	5,406
Environmental	-	4,838	(4,838)	-	-	-	-
Court deposits	(30,620)	(5,909)	13,564	(1,446)	(15)	-	(24,426)
	40,730	55,534	(16,367)	(1,446)	(15)	(775)	77,661

The main lawsuits and related fees, when applicable, are as follows:

Parent Company

a) Tax claims

i. *Tax lawsuits – Probable*

Includes several lawsuits related to litigation regarding PIS, COFINS, INSS, and IPTU, among others, totaling R$19,207 on December 31, 2021 (R$11,644 on December 31, 2020), classified as a probable loss by legal advisors, for which provisions have been dully recorded.

The fine for not paying IR/CS on the exclusion of ICMS from the PIS/COFINS calculation base, of R$12,057, is included in the amount above. The Company understands that the payment of the tax would only be due after ratification of the credit by the Federal Revenue Service, but, after discussing the matter, decided to record such amount.

ii.Success fees

The Company records a provision for payment of attorney fees for lawsuit involving success fees. On December 31, 2021, this provision amounted to R$3,734 (R$4,112 on December 31, 2020).

iii.Other tax lawsuits - Probable

Consists mainly of disputes over the offsetting of tax and contributions not ratified by the Federal Revenue Service, lawsuits filed by the former subsidiary Goyana, requirement of IOF collection on credit operations with affiliates, non-deductibility of income tax and social contribution expenses, and the requirement of PIS and COFINS collection, among others, totaling R$41,935 on December 31, 2021 (R$31,856 on December 31, 2020). Based on appraisals prepared by legal advisors, Management considers the likelihood of loss as possible and does not maintain any provision for these contingencies.

b) Legal, labor and social security lawsuits

i.Labor and social security lawsuits

This item mainly consists of labor lawsuits generally referring to claims filed by former employees and contractors' employees primarily questioning the right to receive bonuses, overtime and the respective charges. Based on appraisals prepared by legal advisors, the Company considers a likelihood of loss as probable, in the total amount of R$13,981 on December 31, 2021 (R$18,856 on December 31, 2020) and a possible loss, in the amount of R$35,090 on December 31, 2021 (R$39,329 on December 31, 2020).

ii.Other labor lawsuits

This item consists of labor lawsuits filed by former employees of the former investee, totaling R$4,267 on December 31, 2021 (R$1,963 on December 31, 2020). Based on appraisals prepared by legal advisors, Management considers the likelihood of loss as possible and does not maintain any provision for these contingencies. The Company also has a clause for the return of amounts related to these claims based on the divestment contract.

iii.Success fees

The Company records a provision for payment of attorney fees for lawsuit involving success fees. On December 31, 2021, this provision amounted to R$1,418 (R$918 on December 31, 2020).

c) Civil lawsuits

i. *Success fees*

The Company records a provision for payment of attorney fees for lawsuit involving success fees. On December 31, 2021, this provision amounted to R$10 (R$10 on December 31, 2020).

d) Environmental lawsuits

i. *Probable lawsuits*

The State Prosecution Office filed a public lawsuit against the Company and another 21 companies arising from the alleged release of pollutants in the atmosphere, which, according to the State Prosecution Office, led a large part of the vegetation covering the slope of Serra do Mar to decay. On September 18, 2017, a court decision upheld the claims filed by the State Prosecution Office. A virtual conciliation hearing has weld on December 10, 2020, and the parties continue to adjust the drafts of the agreement. The agreement between the parties was signed in May 2021, and, on May 28, 2021, Unipar withdrew its share, in the amount of R$4,838. On August 4, 2021, the signed agreement was fully settled, and the Company withdrew the supplementary balance referring to its share (without provision on December 31, 2020).

ii. *Unmeasurable lawsuits*

The Federal Prosecution Office ("MPF") filed a public lawsuit requesting the reformulation of the production unit using mercury batteries and the repair of any environmental damage through the payment of indemnification. The lawsuit was dismissed in the lower court, without a resolution on the merits. The MPF filed an appeal, reconsidering the decision to produce new evidence. After the decision of the Higher Courts (Superior Court of Justice - "STJ"), the lawsuit returned to its original Court for evidence and ruling. For the purpose of collecting costs, the amount of R$500 was attributed to the claim. However, in the current procedural stage, it is not possible to estimate reliable amounts in the event of a possible conviction.

The Federal Prosecution Office also filed a public lawsuit against the Company requesting the recovery of any environmental damage, indemnification for irrecoverable damage, implementation of online treatment and monitoring systems, maintenance of mercury management, and its final disposal. The inspection was conducted on July 13, 2016, and the expert report issued was favorable to the Company. For the purpose of collecting costs, the amount of R$20,000 was attributed to the claim. However, in the current procedural stage, it is not possible to estimate reliable amounts in the event of a possible conviction.

Subsidiary Indupa Brasil

The main lawsuits and related fees are as follows:

a) Tax claims

i. *Corporate Income Tax ("IRPJ") and Social Contribution on Net Income ("CSLL")*

As a result of the past hyperinflation, the restatement of the PP&E amounts using a mandatory index determined by the government was regulated (beginning in December 1995). This index was artificially maintained at a lower value in 1991 in comparison with other independent agencies' inflation indexes. The Company reappraised its assets with a higher index in 1991, thereby generating a higher annual depreciation for the future fiscal years. The corresponding tax law determined that said supplementary contributions on the depreciation arising from the difference among the indexes shall be considered deductible expenses only for the purposes of collecting income tax over a period of six years beginning in 1992. However, the Company decided to consider the amount related to this difference as a deductible expense of income tax and social contribution in the first year. As a result, the tax authorities later issued a notice to the Company.

On December 31, 2021, the claim amounted to R$39,989 (R$39,671 on December 31, 2020). Based on appraisals prepared by the Company's legal advisors, the claim was classified according to its considered likelihood of loss as probable, possible and remote. The amount of the claim with a probable loss was R$2,103 (R$2,086 on December 31, 2020), and the amount of the claim with a possible loss was R$34,504 (R$34,230 on December 31, 2020).

ii. Property Tax (IPTU) of the Santo André Municipal Government

Refers to the collection of property tax (IPTU) for the 1991 fiscal year for properties located at Estrada de Ferro Santos - Jundiaí, km 38, s/nº, in the city of Santo André. After nearly fifteen years of litigation, in the first quarter of 2020, the Superior Court of Justice - STJ issued a ruling against the Company. For this reason, based on the appraisal prepared by its legal advisors, the Company reclassified the likelihood of loss from possible to probable. On December 31, 2021, the Company maintained a provision of R$6,152 (R$6,152 on December 31, 2020).

iii. Other probable tax lawsuits

Consists of disputes, in the amount of R$25,020 on December 31, 2021 (R$229 on December 31, 2020), with a large portion referring to the non-payment of income tax/social contribution related to the exclusion of ICMS from the PIS/COFINS calculation base, in the amount of R$24,778 (included in the amount above). In this sense, upon the ratification of the credit by the Federal Revenue Service, the Company understands the tax shall be paid, however, due to discussions on the matter, it decided to record the amount. The difference consists of lawsuits related to municipal taxes.

iv. Other possible tax lawsuits

In addition to the lawsuit described in item "i", the Company is engaged in disputes over the offsetting of taxes and contributions not ratified by the Federal Revenue Service, in the amount of R$35,178 (R$29,963 on December 31, 2020). Additionally, the Company has a Deficiency Notice questioning the use of the 2009 tax loss, which was ended in March 2021 (R$39,580 on December 31, 2020), and other lawsuits amounting to R$8,047 (R$6,051 on December 31, 2020).

As a result, based on the appraisal prepared by the Company's legal advisors, Management considered the likelihood of loss as possible, in the amount of R$77,729 on December 31, 2021 (R$109,824 on December 31, 2020) and does not maintain any provision for these contingencies.

v. Success fees

The Company records a provision for payment of attorney fees for lawsuit involving success fees. On December 31, 2021, this provision amounted to R$2,157 (R$2,138 on December 31, 2020).

b) Legal, labor and social security lawsuits *i. Labor and social security lawsuits*

This item consists mainly of labor lawsuits generally referring to claims filed by former employees primarily questioning the right to receive indemnification for pecuniary damage/pain and suffering, occupational diseases, outsourcing, performance bonuses and salary equalization. As a result, based on the appraisal prepared by the legal advisors, the Company considered the likelihood of loss as probable, in the total amount of R$11,563 on December 31, 2021 (R$13,655 on December 31, 2020) and considered the likelihood of loss as possible, in the amount of R$827 (R$3,909 on December 31, 2020).

c) Civil lawsuits

i. Probable civil lawsuits

Refers basically to fees for loss of suit for credit recovery proceedings from defaulting customers.

Based on appraisals prepared by legal advisors, the Company considers a likelihood of loss as probable, in the total amount of R$5,396 on December 31, 2021 (R$5,067 on December 31, 2020) and a possible loss, in the amount of R$39,279 on December 31, 2021 (R$33,769 on December 31, 2020).

d) Possible environmental lawsuits

Based on appraisals prepared by legal advisors, the Company considered the likelihood of loss as possible, in the total amount of R$52 on December 31, 2021 (without provision on December 31, 2020) for CETESB's deficiency notice.

e) Contingent assets

i. IPC 89 (Balance Correction)

After the decision became final and unappealable, the Company filed the amount of R$45,250 with the Federal Revenue Service, referring to the IPC 89 (balance correction) lawsuit. The IRPJ amount of R$34,819 was deferred in 2020, and the Company recorded and offset it with taxes payable. The CSLL amount of R$10,430 was deferred in January 2021 and offset during the first quarter of 2021. The contingent asset has already been fully offset.

ii. Exclusion of ICMS from the PIS/COFINS calculation base

The Company is discussing in court the exclusion of ICMS from the PIS/COFINS calculation base. In spite of the final pronouncement by the Federal Supreme Court on the matter, the Company's lawsuit has not yet reached a final and unappealable decision. However, the Company has already concluded the calculation of the amounts that may be repeated due to the lawsuit and therefore accounted for such amount in the 3rd quarter of 2021. In December 2021, the amount was R$582,691, as explained in Note 7 (Taxes Recoverable).

Subsidiary Indupa Argentina

a) Legal, labor, and social security lawsuits

i. Labor and social security lawsuits - Probable

(In thousands of reais)

Labor lawsuits generally refer to former employee claims primarily questioning the right to receive indemnification differences and indemnification for occupational diseases, for which the subsidiary, based on the appraisal prepared by its legal advisors, maintains a provision of R$11,344 on December 31, 2021 (R$6,482 on December 31, 2020).

19. Environmental liabilities

The Company and its subsidiaries are exposed to environmental risks arising from the leakage of chemicals, equipment failure, transport accidents or failures in the production process. Management considers environmental protection to be a key aspect of the Company's activities, implementing policies to prevent and control these risks across production units and comply, many times, with more than the required legal standards.

In compliance with these policies, the Company regularly prepares reports to identity areas that have been potentially impacted and, according to its best cost estimate, records the estimated amounts required to investigate, treat, and clean the areas potentially impacted. The provision balances are as follows:

	Parent Company		Consolidated	
	2021	**2020**	**2021**	**2020**
Environmental liabilities	**2,765**	-	**48,316**	19,073
Current	**313**	-	**22,580**	14,492
Non-current	**2,452**	-	**25,736**	4,581

Changes in provisions for environmental liabilities

Parent Company	**2020**	**Additions**	**Reversals**	**Utilization**	**Conversion adjustments**	**2021**
Environmental liabilities	-	2,845 [1]		(80)	-	2,765

Consolidated	**2019**	**Additions**	**Utilization**	**Conversion adjustments**	**2020**
Environmental liabilities	20,108	12,360	(13,370)	(25)	19,073

Consolidated	**2020**	**Additions**	**Utilization**	**Conversion adjustments**	**2021**
Environmental liabilities	19,073	49,203 [1]	(19,909)	(51)	48,316

[1] The Company, based on in-depth technical studies recently concluded through the monitoring of the quality of groundwater, studies of alternative remediation technologies, pilot tests of the selected alternatives, as well as by implementing intervention plans, reassessed its estimate for the expenses required for the next 5 years in relation to the management of environmental liabilities."

The areas impacted upon the addition of the environmental provision are monitored by the department responsible for this task at the Company, together with the parties responsible for the former parent company of Unipar Indupa S.A.I.C. and Unipar Indupa Brasil. Additionally, part of these amounts is refundable by the former parent company, and these receivables are recorded in Unipar Carbocloro's accounts.

(In thousands of reais)

As agreed between the parties, the Company requested "CETESB" to provide the new version of the risk spreadsheets to proceed with the implementation of the definitive intervention plan.

20. Debt with third parties

Corresponds to debts owed by Indupa Argentina and Indupa Brasil to Solvay Vinyls Holding A.G. arising from the acquisition of Solvay Indupa S.A.I.C, in the amount of US$136 million, in which there is an incidence of charges of 3% p.a. The interest on these debts is being timely paid, and the principal amortization is divided into five annual installments of US$27.2 million, initially maturing on December 27, 2022, and ending on December 27, 2026. These debts have clauses that establish compliance with certain financial indicators and non-financial clauses (covenants and negative covenants).

On October 6, 2020, the debtor initiated a collection action in an attempt to accelerate these debts in a state court in the state of New York, USA, alleging a breach to ancillary and non-financial contractual clauses (*covenants*) for not receiving public information.

Indupa Argentina and Indupa Brasil defended themselves in a timely manner to the collection action when, in December 2021, Unipar signed an agreement with the seller of Indupas to end the arbitration proceeding initiated against said seller and the collection action against Indupa Brasil and Indupa Argentina described in the paragraph above. As a result of this agreement, Unipar received R$449,680 (US$80,000) referring to the adjustment in acquisition price, recorded in the Company's income statement and (i) the Company acquired, from the creditor, the debt owed by the Indupa Argentina in the amount of R$57,633 (US$10,253) and (ii) Indupa Brasil paid the entire principal amount of R$734,152 (US$130,035) of its debt with the seller of Indupas. Thus, Indupa Brasil and Indupa Argentina are no longer obliged to comply with the affirmative and negative covenants.

21. Income and social contribution taxes

a) Effective rate reconciliation

		Parent Company		Consolidated
	2021	**2020**	**2021**	**2020**
Earnings before taxes	**2,350,671**	464,489	**3,035,323**	601,157
Combined nominal rate of IRPJ and CSLL	**34%**	34%	**34%**	34%
Tax calculated based on the combined nominal rate	**(799,228)**	(157,926)	**(1,032,010)**	(204,393)
Permanent differences				
Equity pickup	**430,069**	65,840	**(860)**	**(797)**
Nominal rate difference for the subsidiary in Argentina	**-**	-	**(6,029)**	7,560
Non-deductible charges for the subsidiary in Argentina (1)	**-**	-	**-**	(22,282)
Effect from the application of IAS 29 (hyperinflation) (2)	**-**	-	**(115,709)**	(11,437)
Revenue from the exclusion of ICMS from the PIS/COFINS calculation base - Selic (3)	**3,022**	-	**77,245**	-
Others	**(516)**	(5,285)	**5,461**	(9,590)
Total credit from permanent differences	**432,575**	60,555	**(39,892)**	(36,547)
Effect from unrecognized tax credits in the year				
Tax credit (CSLL) on the correction of balance for 1989 / Recalculation of IRPJ and CSLL for 2017	**-**	**-**	**3,732**	9,450
Realization of temporary differences from previous years	**746**	**548**	**36,680**	548
Total IRPJ and CSLL expenses recorded in profit/loss	**(365,907)**	(96,823)	**(1,031,490)**	(230,942)
Combined effective rate of IRPJ and CSLL	**15.57%**	20.85%	**33.98%**	38.42%
Current IRPJ and CSLL	**(161,138)**	(85,103)	**(628,087)**	(201,786)
Deferred IRPJ and CSLL	**(205,515)**	(12,268)	**(443,815)**	(39,154)
IRPJ and CSLL from previous years	**-**	-	**3,732**	9,450

(In thousands of reais)

IRPJ and CSLL - Lei do Bem credit	**746**	548	**36,680**	548
Total IR and CSLL income/(expenses)	**(365,907)**	(96,823)	**(1,031,490)**	(230,942)

(1) Refers to effects on the effective rate caused by the non-deductibility of monetary adjustments to the advance for future capital increase (AFAC) converted into a loan.

(2) Refers to effects on the effective rate caused by monetary adjustments on items of Indupa Argentina's equity.

(3) Part of the credit is shown in the calculation of the effective rate since it refers to the amount of the monetary adjustment updated by the Selic rate, in the parent company, in the amount of R$8,888 and in the consolidated statement, in the amount of R$227,191, as informed in Note 7.

(4) In the consolidated statement, these tax credits refer to the benefit from the Lei do Bem, which allows benefits from previous years to be self-applied. As of 2020, the Company began to self-apply the benefit, but the amounts calculated were only obtained in 2021.

b) Deferred income tax and social contribution

Deferred income tax and social contribution are calculated on tax-loss carryforward and temporary differences calculated between accounting profit and taxable income. To determine deferred taxes, the rates of 25% for IRPJ and 9% for CSLL were considered.

Deferred IRPJ and CSLL assets are recognized to the extent that it is probable that future taxable income will be available to be used to offset tax-loss carryforward and temporary differences. The Company uses CPC 32 as a parameter for this recognition. This rule establishes that the recoverable amounts shall be based on the projections of future taxable income. Similar to any estimate, these projections are prepared and based on internal assumptions and hypothesis for future economic scenarios that may change over time.

Breakdown of deferred income tax and social contribution:

		Parent Company		**Consolidated**
	2021	**2020**	**2021**	**2020**
Deferred income tax				
Legal claims	**13,039**	12,084	**30,852**	22,055
Goodwill to be amortized	**6,957**	10,933	**6,957**	10,933
Fair value of financial instruments	**1,292**	2,583	**1,292**	2,583
Tax-loss carryforward (1)	**12,858**	27,120	**97,364**	178,787
Environmental liabilities	**940**	-	**14,067**	6,340
Employee benefit obligations (IAS 19) (7)	**1,421**	1,488	**17,248**	18,469
Provision for electricity charges	**29,264**	29,759	**46,285**	47,057
Others	**25,575**	6,434	**58,758**	19,384
Total deferred tax assets	**91,346**	90,401	**272,823**	305,608
Deferred tax liabilities				
Business combination effect (2)	**(406,187)**	(264,528)	**(406,187)**	(264,528)
Depreciation effect (accounting/tax) (3)	**(97,025)**	(81,948)	**(175,007)**	(145,881)
Effect from the application of IAS 29 (hyperinflation) (4)	**-**	-	**(130,447)**	(62,333)
Tax inflation adjustment	**-**	-	**(8,738)**	-
Monetary adjustments	**(897)**	(2,927)	**(897)**	(2,927)
Capitalized charges	**(3,024)**	(3,202)	**(5,735)**	(5,980)
Tax effect on the gain from equity pickup	**(6,074)**	(6,074)	**(6,074)**	(6,074)
Accumulated conversion adjustments of the surplus of Indupa Argentina	**21,495**	23,003	**21,495**	23,003
Exclusion of ICMS from the PIS/COFINS calculation base (6)	**(46,474)**	-	**(170,366)**	-
Exchange variation - Cash basis (5)	**(22,157)**	(15,829)	**(22,157)**	(15,829)
Total deferred tax liabilities	**(560,343)**	(351,505)	**(904,113)**	(480,549)
Assets (Liabilities) net of deferred tax	**(468,997)**	(261,104)	**(631,290)**	(174,941)

(In thousands of reais)

Deferred tax assets, net	**-**	-	**-**	142,971
Deferred tax liabilities, net	**(468,997)**	(261,104)	**(631,290)**	(317,912)

(1) Refers to the recognition of tax-loss carryforward for the Company and its subsidiaries. The significant increase in the Consolidated was due to the use of the entire tax-loss carryforward balance of Indupa Brasil, recorded as deferred asset as of 2018.

(2) The Business combination includes Revenue from Bargain Purchase related to the acquisition of Unipar Indupa S.A.I.C. in 2016. On December 31, 2021, Revenue from Bargain Purchase totaled R$1,020,834 (R$597,767 on December 31, 2020). Moreover, the business combination line includes the net value of the Surplus of assets related to the acquisition of Carbocloro in 2013. On December 31, 2021, the surplus value totaled R$173,834 (R$180,255 on December 31, 2020).

(3) The difference in depreciation was because the accounting useful life considered in the appraisal report was higher than the fiscal useful life.

(4) Refers to effects on the effective rate caused by the non-deductibility of charges related to monetary adjustments on the advance for future capital increase (AFAC) converted into a loan.

(5) Change in the criterion to record monetary variations of taxpayers' credit rights and obligations, depending on the exchange rate, from accrual to cash basis during 2020, due to the high exchange rate variation in March. The change of regime is based on articles 155 and 156 of Regulatory Instruction 1,700/2017.

(6) The Parent Company recorded a deferred liability on the recognition of the credit from the exclusion of ICMS from the PIS/COFINS calculation base from November 2001 to September 2006, in the amount of R$48,824, with a final and unappealable ruling in our favor and a request for authorization granted by the Federal Revenue Service. The Company also recorded a deferred liability originating from the previously mentioned credit, but for the period of March 2017 to August 2021, in the amount of R$87,864, with a final and unappealable ruling in our favor and a request for authorization under analysis by the Federal Revenue Service. The subsidiary Indupa do Brasil also recorded the deferred liability related to the same matter, but for the period of March 2003 to August 2021, in the amount of R$364,389. In relation to the process for the Indupa do Brasil subsidiary, we are awaiting a final and unappealable decision to file a request for credit approval.

The amount reflects the provision for tax credits based on the modulation of the effects from the ruling of RE 574,706, by the Federal Superior Court, accepting the request made by the Attorney General's Office of the National Treasury (PGFN). In this sense, the ministers of the Federal Supreme Court understood that taxpayers who filed lawsuits prior to the judgment that took place on March 15, 2017 (decisive date for the merits of the matter) could retroact the effects of the decision to cover PIS and COFINS credits for up to 5 years prior to the filing date of each lawsuit. As for the other taxpayers, they do not have the right to retroact the decision, considering only the prospective effects ruled and determined by the court. Part of the credit is shown in the calculation of the deferred tax liability, in the principal amount of R$364,388, as informed in Note 7.

(7) In addition to the employee benefit obligation recorded in Equity, the deferred IR/CS recognized in the Parent Company totaled R$1,982 on December 31, 2021 (R$2,013 on December 31, 2020) and totaled R$13,425 (R$15,282 on December 31, 2020) for the consolidated.

Every year the Company carries out a technical feasibility study on the expectation of generation of future taxable income and, as it is probable that there will be sufficient taxable income in the future to realize the unrecorded deferred tax asset, the Company will record it.

(In thousands of reais)

The Company still has a portion of non-operating tax losses from the sale of equity interests in 2021, for which no deferred tax asset was recorded. These non-operating tax losses totaled R$525,257 on December 31, 2021 (R$525,257 on December 31, 2020).

The subsidiary Indupa Brasil has no operating tax-loss carryforward for which deferred tax assets have not yet been recorded on December 31, 2021.

The Company's corporate structure includes foreign subsidiaries, whose profits are taxed by income tax in their respective countries and were constituted at rates lower than those prevailing in Brazil.

22. Other taxes payable

		Parent Company		**Consolidated**
	2021	**2020**	**2021**	**2020**
ICMS payable	**21,907**	10,969	**37,773**	32,501
ICMS payable - installment	**28,525**	37,587	**42,723**	61,828
PIS payable	**1,277**	729	**1,292**	2,794
COFINS payable	**5,987**	3,444	**6,151**	13,222
Withholding taxes, state and municipal taxes and fees	**4,864**	3,467	**25,652**	24,797
Investment tax - Argentina	**-**	-	**12,112**	3,824
Value added tax payable - Argentina	**-**	-	**1,984**	5,358
	62,560	56,196	**127,687**	144,324
Current	**44,510**	28,705	**95,439**	97,870
Non-current	**18,050**	27,491	**32,248**	46,454

23. Employee benefit obligations

		Parent Company		**Consolidated**
	2021	**2020**	**2021**	**2020**
Pension plan	**-**	-	**-**	2,029
Healthcare plan	**4,180**	4,377	**42,334**	44,900
Termination benefits	**-**	-	**7,801**	8,214
Provision for length of service bonus	**-**	-	**1,139**	1,175
Total	**4,180**	4,377	**51,274**	56,318

The Company and its subsidiaries sponsor defined benefit and contribution plans for their employees, aimed at complementing the benefits provided by Social Security.

<u>Defined benefit plans</u>

Defined benefit plans are calculated by independent actuaries using the projected unit credit method. The actuarial assessment is based on assumptions and projections for interest rates, inflation, increase in future benefits, contributions from employees or third parties that reduce the final cost of these benefits for the sponsors. The actuarial assessment, assumptions and projections are updated on an annual basis at the end of each year.

Through its defined benefit plans, the Company and its subsidiaries are exposed to several risks, the most significant being:

a) Asset volatility

The obligations for the plans are calculated using a discount rate, which is determined according to the yield on corporate or government bonds, in the absence of an active market, and if the plan's assets do not reach this profitability, the resulting deficit will need to be addressed.

(In thousands of reais)

b) Variation in bond yields

A decrease in yield for corporate or government bonds will result in an increase in plan obligations, although this variation will be partially offset by the higher fair value of the bonds held by the plans.

c) Inflation risk

Certain benefit plan obligations are linked to inflation and thus an increase in inflation will lead to an increase in obligations. Most plan assets are either unaffected or have a small correlation to inflation, which means that an increase in inflation will also result in an increase in deficit.

d) Life expectancy

Most plan obligations provide benefits during the lifespan of each participant, so an increase in life expectancy will result in an increase in plan liabilities.

e) Demographic assumptions

Demographic assumptions consider mortality, disability and turnover indexes and are established by the actuaries according to the profile of the employees.

Parent Company

The Company offers its employees a supplementary pension plan, which is carried out by Carboprev Sociedade de Previdência Privada ("Carboprev"), a closed supplementary pension entity endowed with administrative autonomy.

a) Defined contribution plan

The plans are funded by the participants and sponsor and are managed by Carboprev. During 2021, the Company contributed R$2,605 to these funds (R$2,600 in 2020), which was recorded as an expense. Once these contributions are paid, the Company has no further obligations.

b) Defined benefit plans

The main economic and biometric assumptions are described below:

	2021	**2020**
Nominal discount rate	From 8.39% to 8.70% p.a.	From 6.48% to 6.79% p.a.
Long-term inflation rate	3.00% p.a.	3.25% p.a.
Nominal rate for the benefit	3.00% p.a.	3.25% p.a.
Medical inflation	6.60 % p.a.	6.86 % p.a.
General mortality	AT-2000	AT-2000

c) Pension plan

On December 31, 2021, a total of 88 beneficiaries participated in this plan (88 on December 31, 2020). Currently, 82 people are assisted.

The actuarial position of the plan on December 31, 2021 and 2020 was as follows:

		Parent Company
	2021	**2020**
Present value of actuarial obligations	**61,018**	71,886
Fair value of assets	**(106,492)**	(100,674)
Surplus	**(45,474)**	(28,788)
Effect of the asset ceiling	**45,474**	28,788
Net actuarial liabilities	**-**	-

(In thousands of reais)

The recorded surplus is not expected to bring economic benefits and, therefore, the Company can not recognize it as a net actuarial asset, according to CPC 33 (R1) – Employee benefits.

Changes in present value of actuarial obligations in the fiscal years ended December 31, 2021 and 2020 are shown below:

		Parent Company
	2021	**2020**
Actuarial obligations at the end of the previous year	**71,886**	70,661
Financial costs	**4,486**	5,125
Actuarial (gain) losses - experience	**(18,416)**	863
Actuarial (gain) losses - financial assumptions	**8,344**	369
Benefits paid on plan assets	**(5,282)**	(5,132)
Balance on December 31	**61,018**	71,886

Changes in fair value of plan assets in the fiscal years ended December 31, 2021 and 2020 are shown below:

		Parent Company
	2021	**2020**
Fair value of plan assets at the end of the previous year	**100,673**	98,047
Interest income on plan assets	**4,638**	457
Expected return on plan assets	**6,357**	7,191
Contributions from the employer	**104**	110
Benefits paid	**(5,282)**	(5,132)
Balance on December 31	**106,490**	100,673

Changes in net actuarial liability in the fiscal years ended December 31, 2021 and 2020 are shown below:

		Parent Company
	2021	**2020**
Current service cost and interest on net assets	**(6)**	(6)
Contributions from the sponsor	**(104)**	(110)
Remeasurement effects - actuarial gains and variation in asset ceiling in the period	**110**	116
Net actuarial liabilities	**-**	-

In 2020, recognized service and financial costs and actuarial gains and losses of these benefits totaled R$6 and the projection for the following year is an actuarial revenue of R$7.

d) Healthcare Plan

The Company offers its employees a 2-year post-retirement healthcare benefit, when, cumulatively, their employment contract is terminated, and they are already retired by the official social security system.

This benefit is accounted for as a post-employment obligation with a defined benefit characteristic.

On December 31, 2021, a total of 480 beneficiaries participated in this plan (481 on December 31, 2020). Currently, 15 people are assisted.

(In thousands of reais)

Changes in net actuarial liability of this plan in the fiscal years ended December 31, 2021 and 2020 are shown below:

	Parent Company	
	2021	**2020**
Actuarial obligations at the end of the previous year	**4,377**	4,766
Current service cost, interest on net liabilities and past service cost	**664**	661
Contributions from the sponsor	**(659)**	(491)
Remeasurement effects - actuarial (gains)/losses and variation in asset ceiling in the period	**(201)**	(559)
	4,181	4,377

In 2021, recognized service and financial costs of this benefit totaled R$664 and the projection for the following year is an expense of R$833.

Sensitivity analysis of defined benefits

		Impact from the effects on obligations in 2021 (R$)	
Description of the assumption	**Impact assessment**	**Private pension plan**	**Healthcare plan**
Discount rate	Increase of 0.5%	(1,404)	114
Discount rate	Decrease of 5%	2,494	170
Benefit readjustment rate	Increase of 0.5%	175	-
Benefit readjustment rate	Decrease of 5%	(292)	-
Medical inflation rate	1% Increase	-	193
Medical inflation rate	1% Reduction	-	130
Salary growth rate	Increase of 0.5%	2,512	-
Salary growth rate	Decrease of 5%	(2,360)	-
Mortality (age)	+1 Increase	(1,766)	209
Mortality (age)	-1 Reduction	1,749	309

<u>At Indupa Brasil</u>

a) Defined contribution plan

The Company sponsors a defined contribution plan funded by the participants and sponsor and managed by Carboprev Sociedade de Previdência Privada ("Carboprev"). Once the contributions are paid, the Company has no further obligations.

b) Defined benefit plans

The main economic and biometric assumptions used for the annual assessment on December 31, 2021 and 2020 are described below:

	2021	**2020**
Nominal discount rate	From 8.37% to 8.38% p.a.	From 6.08% to 6.26% p.a.
Long-term inflation rate	3.00% p.a.	3.25% p.a.
Future salary growth rate	3.50% p.a.	3.77% p.a.
Medical inflation	3.00% p.a.	3.25% p.a.
General mortality	AT-2000	AT-2000
Entry into Disability	Light	Light

c) Private pension plan

(In thousands of reais)

The Company maintains a private pension plan for its former employees, which is accounted for as a post-employment obligation with a defined benefit characteristic. On December 31, 2021, we did not have any beneficiaries in this plan (2 beneficiaries on December 31, 2020).

d) Healthcare plan

The subsidiary offers a post-employment assistance plan for certain employees and former retired employees. This benefit is accounted for as a post-employment obligation with a defined benefit characteristic. On December 31, 2021, a total of 145 beneficiaries participated in this plan (147 on December 31, 2020).

On December 31, 2021, the actuarial liability of this benefit was R$38,154 (R$40,523 on December 31, 2020).

e) Length of service bonus

The subsidiary offers all its employees a bonus when they complete 10 and 25 years of service. This benefit is accounted for as a defined benefit obligation On December 31, 2021, a total of 343 beneficiaries participated in this plan (313 on December 31, 2020).

On December 31, 2021, the actuarial liability of this benefit was R$1,139 (R$1,175 on December 31, 2020).

f) Termination benefits

The subsidiary offers additional severance pay for certain employees when their employment contracts are terminated. The benefit amounts are related to their length of service at the company. These benefits are accounted for as defined benefit obligations and have an actuarial liability.

On December 31, 2021, the actuarial liability of this benefit on was R$2,832 (R$2,771 on December 31, 2020).

The projections of service and financial costs for the benefits mentioned above, for the following year, are described below:

	2021
Pension plan	-
Healthcare plan	3,372
Termination benefits	390
Length of service bonus	219
	3,981

At Indupa Argentina

a) Defined contribution plan

The Company sponsors a defined contribution plan funded by the participants and sponsor and managed by BNP (*Fideicomisso Optimum*). Once the contributions are paid, the subsidiary has no further obligations.

b) Defined benefit plans

(In thousands of reais)

The main economic and biometric assumptions used for the annual assessment on December 31, 2021 and 2020 are described below:

	2021	2020
Nominal discount rate	39.47% p.a.	31.04% p.a.
Long-term inflation rate	17.00 % p.a.	17.00 % p.a.
Future salary growth rate	17.59 % p.a.	17.59 % p.a.
General mortality	AT-2000	AT-2000
Entry into Disability	Light	Light

c) Benefit arising from termination, disability, or death

The subsidiary offers an indemnity benefit in the event of termination, disability, or death. In case of termination, eligibility begins at the ages of 65 for men and 60 for women. The amount of the benefit to be paid, in a single installment, varies from three to six monthly salaries depending on the reason for eligibility. On December 31, 2021, a total of 554 beneficiaries participated in this plan (563 on December 31, 2020). This benefit is accounted for as a defined benefit obligation and, on December 31, 2021, the actuarial liability of this benefit was R$4,706 (R$5,308 on December 31, 2020). The projections of service and financial costs for the benefits mentioned above, for the following year, is R$1,923.

24. Share capital

a) Authorized capital

The Company is authorized to increase the share capital, regardless of any amendments to the Bylaws, by resolution of its Board of Directors, up to the limit of R$840.000.

b) Subscribed and paid-in capital

The subscribed and paid-in capital totaled R$699,002 on December 31, 2021 (R$699,002 on December 31, 2020), composed of registered and book-entry shares as follows:

		Parent Company
	Number of shares	
	2021	2020
Common shares	33,007,970	33,007,970
Class A preferred shares	2,055,375	2,466,991
Class B preferred shares	59,369,527	58,957,911
	94,432,872	**94,432,872**

c) Stock rights

Common shares are entitled to vote on corporate resolutions. Class A preferred shares are entitled to a priority minimum dividend of 10% per year over the share capital consisting of this class of share, to be equally distributed among them, and shall not be less than 110% of each common share value.

Class B preferred shares have priority in the distribution of capital, with no premium if the Company is liquidated, and receive a dividend 10% higher than what is attributed to each common share.

All shares have equal conditions in the distribution of share bonuses arising from the capitalization of reserves and/or profits.

d) Treasury shares

(In thousands of reais)

The Company had 30,100 treasury shares on December 31, 2021 (25,100 on December 31, 2020), at a carrying value of R$1,401 (R$1,154 on December 31, 2020). The market value of these shares was R$3,099 on December 31, 2021 (R$1,225 on December 31, 2020).

Between January 1, 2021 and December 31, 2021, the Company repurchased 5,000 shares at an average price of R$49.51 per share, totaling R$248. The shares were acquired through the 2nd buyback program approved by Management on May 13, 2020, amended on July 17, 2020 and November 11, 2020, to be remained in treasury, canceled, or subsequently sold in the market. Currently, the 3rd Share Buyback Program, approved by Management on November 11, 2021, is in effect.

The Board of Directors approved, at a meeting held on November 11, 2021, the 3rd Share Buyback Program without reducing the share capital to maximize shareholder value. Considering the number of outstanding and treasury shares, the Company may, at its sole discretion and under the Share Buyback Program, acquire, at market value, on B3 S.A. – Brasil, Bolsa, Balcão: (i) up to seven hundred and fifteen thousand, five hundred and forty-four (715,744) common shares, (ii) up to one hundred and twenty-eight thousand, four hundred and fifty-nine (128,459) class “A” preferred shares, and (iii) up to four million, four hundred and eighty-two (4,482,000) class “B” preferred shares issued by the Company. The term of the program is 18 (eighteen) months, starting on November 14, 2021 and ending on May 14, 2023.

The detailed changes in treasury shares are as follows:

Treasury shares	Number of shares in 2019	Buyback	Cancellations	Grant (i)	Number of shares in 2020
Common shares	333,604	1,910,700	2,244,304	-	-
Class A preferred shares	92,603	204,700	272,203	-	25,100
Class B preferred shares	2,807,736	2,628,200	4,731,362	704,574	-
Total	**3,233,943**	**4,743,600**	**7,247,869**	**704,574**	**25,100**

Treasury shares	Number of shares in 2020	Buyback	Number of shares in 2021
Common shares	-	-	-
Class A preferred shares	25,100	-	25,100
Class B preferred shares	-	5,000	5,000
Total	**25,100**	**5,000**	**30,100**

i. Transactions with payments in shares

<u>Restricted stock option plan</u>

On January 28, 2020, the Extraordinary Shareholders' Meeting approved the restricted stock option plan (“Stock Option Plan”), which consists on the delivery of Company preferred shares to those eligible, as defined by the Board of Directors, which manages the Stock Option Plan.

The restricted stock option plan will be carried out through the execution of a contract between the Company and each participant. The Plan was created as part of the compensation structure and to encourage the performance and continuity of the participants at the Company, as well as the recognition of the services provided by the Participants to the Company, since the Participants will be entitled to receive Restricted Shares, subject to compliance with specific conditions established by the Board of Directors.

(In thousands of reais)

According to the Stock Option Plan, during the period ended December 31, 2020, the Company granted 704,574 class B preferred shares. The effect in the result of the fiscal year ended December 31, 2020, was R$24,770, recorded in the Parent Company under “Administrative expenses”. Changes occurred as follows:

			December 31, 2020
			Restricted shares
	Fair Value (in R$)	Exercise price (in R$)	Quantity (in units)
Balance at the beginning of the period	-	-	-
Changes			
Granted	24,770	35.16	704,574
Exercised	(24,770)	35.16	(704,574)
Balance at the end of the period	-	-	-

25. Profit reserves

	Legal reserve	Special dividend reserve	Investment reserve	Total
On December 31, 2019	**91,775**	**91,775**	**552,699**	**736,249**
Reversal of time-barred unclaimed dividends	-	-	7,738	7,738
Cancellation of shares held in treasury	-	-	(219,736)	(219,736)
Shares granted	-	-	3	3
Constitution of reserves	18,383	18,383	243,579	280,345
On December 31, 2020	**110,158**	**110,158**	**584,283**	**804,599**
Reversal of time-barred unclaimed dividends	-	-	4,549	4,549
Interim dividends	-	-	(154,831)	(154,831)
Constitution of reserves	29,643	29,643	433,963	493,249
On December 31, 2021	**139,801**	**139,801**	**867,964**	**1,147,566**

a) Legal reserve

Created at 5% of the net income for each fiscal year up to the limit of 20% of the share capital, according to Brazilian Corporation Law.

b) Special dividend reserve - statutory

Created based on the Company’s Bylaws, at 5% of the net income for each fiscal year, which cannot exceed 20% of the share capital to ensure a regular flow of dividends and enable, where applicable, the early payment of mandatory dividends. Reversals due to the early payment of mandatory dividends must be recomposed.

c) Investment reserve - statutory

Created in 2014, the investment reserve is provided for in the Bylaws to ensure the realization of investments of interest of the Company and to reinforce its working capital.

(In thousands of reais)

The Company proposed additional dividends for the fiscal year ended December 31, 2021, in the amount of R$250,000, to be approved at its next Annual Shareholders' Meeting. The purpose of this decision, along with the proposal for remuneration of shares, is to distribute the surplus of the profit reserves that is higher than the share capital.

26. Net operating income

		Parent Company		Consolidated
	2021	2020	2021	2020
Gross sales revenue				
Domestic market	**2,061,983**	1,458,516	**7,167,112**	4,583,175
Foreign market	**2,245**	6,880	**594,690**	270,492
	2,064,228	1,465,396	**7,761,802**	4,853,667
Taxes and other sales discounts	**(478,581)**	(341,179)	**(1,457,833)**	(976,365)
Discounts on exports - Argentina	**-**	-	**(14,600)**	(9,079)
Net sales revenues	**1,585,647**	1,124,217	**6,289,369**	3,868,223

27. Costs and expenses by nature

		Parent Company		Consolidated
	2021	2020	2021	2020
Raw materials, inputs, and materials for use and consumption	**(562,741)**	(428,872)	**(2,688,956)**	(1,885,593)
Expenses with payroll, fees, benefits, and charges to employees and management	**(179,315)**	(208,933)	**(585,007)**	(505,277)
Depreciation and amortization charges	**(90,086)**	(87,447)	**(219,353)**	(197,950)
Third-party services	**(103,077)**	(97,719)	**(237,179)**	(195,691)
Selling freight expenses	**(67,020)**	(51,689)	**(176,256)**	(157,765)
Other	**(28,753)**	(15,851)	**(186,614)**	(148,140)
	(1,030,992)	(890,511)	**(4,093,365)**	(3,090,416)
Cost of goods sold	**(784,719)**	(630,311)	**(3,486,604)**	(2,533,636)
Selling expenses	**(67,020)**	(51,689)	**(197,736)**	(175,387)
Administrative expenses	**(179,253)**	(208,511)	**(409,025)**	(381,393)
	(1,030,992)	(890,511)	**(4,093,365)**	(3,090,416)

28. Other operating expenses, net

	Parent Company		Consolidated	
	2021	2020	2021	2020
Reversal (creation) of provision for lawsuits	**(5,517)**	(3,951)	**(37,173)**	(8,310)
Reversal (creation) of provision for environmental liabilities	**(2,765)**	-	**(49,304)**	(12,256)
Reversal (creation) of allowance for doubtful accounts	**453**	3,771	**384**	3,992
Reversal (creation) of provision for active lawsuits	**-**	27	**-**	27
Refund of environmental liabilities and lawsuits (1)	**7,452**	9,691	**7,452**	9,691
Notes receivable, written-off as irrecoverable	**-**	(5,454)	**(2,152)**	(5,725)
Other costs of goods and rights sold	**-**	-	**(3,927)**	(2,814)
Operating expenses with COVID-19	**(871)**	(2,494)	**(9,458)**	(3,953)
Credit from the exclusion of ICMS from the PIS/COFINS calculation base (2)	**107,863**	-	**436,178**	-

(In thousands of reais)

Other non-recurring revenues	**-**	1,600	**-**	1,600
Other investment expenses	**(28,829)**	(3,706)	**(34,724)**	(3,706)
Other operating revenues (expenses)	**(1,378)**	(2,170)	**(4,229)**	(5,491)
Total of other operating income (expenses)	**76,408**	(2,686)	**303,047**	(26,945)

([1]) This line includes the right acquired from the refund of environmental liabilities and lawsuits under responsibility of the former parent company of Indupa Brasil and Indupa Argentina.

([2]) Recognition of the credit from the exclusion of ICMS from the PIS/COFINS calculation base referring to November 2001/December 2006 and March 2017/August 2021 at the parent company, and March 2003/August 2021 at the subsidiary Indupa do Brasil, net of attorney fees and provisions.

29. Financial result

		Parent Company		**Consolidated**
	2021	**2020**	**2021**	**2020**
Financial income				
Income from cash equivalents and marketable securities	**23,764**	13,559	**146,248**	29,342
Interest on receivables from related companies	**6,100**	5,679	**-**	-
Active monetary variations	**940**	6,204	**11,503**	32,492
Monetary variation on credit from the exclusion of ICMS from the PIS/COFINS calculation base ([1])	**64,276**	-	**282,579**	-
Effect from the application of IAS 29 (hyperinflation)	**-**	-	**-**	20,701
Other financial income	**383**	1,376	**1,781**	20,229
	95,463	26,818	**442,111**	102,764
Financial expense				
Interest and other charges on loans and debits with third parties	**(97,948)**	(30,902)	**(138,048)**	(66,157)
Passive monetary variations	**(670)**	(73)	**(55,759)**	(162,555)
PIS and COFINS on financial income	**(4,440)**	-	**(16,505)**	(1,477)
Effect from the application of IAS 29 (hyperinflation)	**-**	-	**(87,211)**	-
Other financial expenses	**(2,915)**	(2,731)	**(25,755)**	(16,405)
	(105,973)	(33,706)	**(323,278)**	(246,594)
Exchange variations, net				
Financial assets	**18,136**	47,906	**55,528**	37,368
Financial liabilities	**(898)**	(1,196)	**(83,526)**	(40,901)
	17,238	46,710	**(27,998)**	(3,533)
Net financial result	**6,728**	39,822	**90,835**	(147,363)

([1]) The monetary adjustment on the credit from the exclusion of ICMS from the PIS/COFINS calculation base from November 2001/December 2006 and March 2017/August 2021 at the parent company, and from March 2003/August 2021 at the subsidiary Indupa do Brasil, net of attorney fees and provisions.

([2]) Financial assets mainly refer to the exchange variation on credits with related companies, in the amount of R$15,536 in the consolidated statement, and the exchange variation with customers, in the amount of R$26,562.

([3]) Financial liabilities refer mainly to foreign liabilities of R$900 and, in the consolidated statement, exchange variations on the loan with SHV, in the amount of R$52,123, and on foreign liabilities, in the amount of R$31,402.

(In thousands of reais)

30. Basic earnings per share

Basic earnings per share are calculated by dividing the income attributable to shareholders and the weighted average number of shares over the year, excluding treasury shares, as provided in Note 24 (d). There is no dilutive effect in the income attributable to shareholders.

			2021
Type of share	**Income attributable to shareholders**	**Average number of outstanding shares**	**Earnings per share (R$ per share)**
Common Shares	651,595	33,008	19.7405
Class A preferred shares	47,286	2,178	21.7146
Class B preferred shares	1,285,883	59,217	21.7146
Total	1,984,764	94,403	

			2020
Type of share	**Income attributable to shareholders**	**Average number of outstanding shares**	**Earnings per share (R$ per share)**
Common Shares	120,421	33,268	3.6197
Class A preferred shares	10,382	2,607	3.9824
Class B preferred shares	236,863	59,488	3.9817
Total	367,666	95,363	

31. Dividends

Pursuant to article 34 of Unipar's bylaws, the Company will distribute for every fiscal year, as a minimum mandatory dividend, 25% (twenty-five percent) of the net income for the year, adjusted in accordance with article 202 of Law 6,404/76.

On April 20, 2021, Management proposed the distribution of minimum mandatory dividends for the fiscal year ended December 31, 2020, totaling R$87,321 (being R$72,000 as early dividends paid on November 11, 2020, and R$15,321 paid on April 30, 2021, thus totaling the 25% mandatory dividends), which were approved by Annual Shareholders’ Meeting.

On April 20, 2021, Management also proposed additional dividends of R$96,346, which were paid on April 30, 2021. The purpose of this proposal is to adjust its profit reserves to share capital.

On May 27, 2021, Management announced the early payment of dividends for 2021, totaling R$250,000 paid on June 15, 2021, as approved at the Board of Directors' Meeting.

On August 12, 2021, Management announced the early payment of dividends for 2021, totaling R$272,000 paid on June 27, 2021, as approved at the Board of Directors' Meeting.

On April 12, 2021, Management also proposed additional dividends of R$28,000, which were paid on August 27, 2021. The purpose of this proposal is to adjust its profit reserves to share capital.

On November 30, 2021, Management announced the early payment of dividends for 2021, totaling R$272,000 paid on November 30, 2021, as approved at the Board of Directors' Meeting.

Dividend calculations for the 2021 and 2020 fiscal years, as well as other allocations of net income for the year, are shown below:

a) Proposed dividends for the period

(In thousands of reais)

	2021	2020
Net income at the end of the period	**1,984,764**	367,666
(-) Constitution of legal reserves - Note 25 (a)	**(29,643)**	(18,383)
Realized net income	**1,955,121**	349,283
Mandatory minimum dividends (25% of adjusted net income)	**488,780**	87,321
Additional early dividends	**752,735**	-
Additional proposed dividends	**250,000**	-
Proposed dividends	**1,491,515**	87,321
Remaining balance to be allocated	**463,606**	261,962
(-) Special dividend reserve - Note 25 (b)	**(29,643)**	(18,383)
(-) Investment reserve - Note 25 (c)	**(433,963)**	(243,579)

b) Dividends payable

	2021	2020
Opening balance	**23,459**	54,437
Payments	**(15,307)**	(40,434)
Reversal of time-barred unclaimed dividends	**(4,549)**	(7,738)
Additional dividend proposal - in advance	**752,735**	-
Additional dividend proposal - in advance (paid during the period)	**(727,290)**	(70,127)
Mandatory minimum proposed dividends	**488,780**	87,321
Mandatory minimum proposed dividends (paid during the period)	**(472,258)**	-
Interim dividends	**154,831**	-
Interim dividends (paid in the year)	**(150,185)**	-
Additional proposed dividends	**250,000**	-
Closing balance	**300,216**	23,459

Class A preferred shares have priority in receiving dividends. This class of shares receives all dividends up to the limit of 10% of the yield on the portion of the share capital constituted by this class of shares.

Once this limit is surpassed, the other share classes begin to receive dividends, and class A preferred shares must always receive at least 10% more dividends than common shares.
Once the minimum dividend payment is paid to class A preferred shares is achieved, class B and common preferred shares begin to receive dividends. In this case, dividends paid to Class B preferred shares must be 10% higher than dividends paid to common shares.

According to statutory rules, the proposed dividends per share for each class of shares are as follows:

Proposed dividend per type of share:

	Class of shares		
	Common Shares (ON)	**Class A Shares (PNA)**	**Class B Shares (PNB)**
Mandatory minimum proposed dividends	4.86	5.35	5.35
Additional dividend proposal - in advance	7.49	8.24	8.24
Additional proposed dividends	2.49	2.74	2.74
Total	**14.84**	**16.33**	**16.33**

(In thousands of reais)

32. Insurance

The Company has a policy of contracting insurance for the assets subject to risks at amounts considered sufficient to cover possible claims, considering the nature of its activities. The risk assumptions adopted, considering their nature, were reviewed by our independent auditors.

	Consolidated	
	2021	
	Insured amount	Term
Property	**3,533,771**	**From 12/27/2021 to 12/27/2022**
Transportation	**5,539,683**	**From 06/30/2021 to 06/30/2022**

33. Risk management and financial instruments

33.1. Financial risk factors

The activities of the Company and its subsidiaries expose them to several financial risks, of which market risk (including exchange risk, interest rate risk), credit risk, and liquidity risk. Unipar's risk management program focuses on the unpredictability of financial markets and seeks to mitigate potential adverse effects on the financial performance of the Company and its subsidiaries.

The financial risk management is carried out by the Company's treasury department, and the policies must be approved by the Board of Directors. Any hedge operation or other type of operation involving the contracting of derivative instruments, identified by the treasury department, to protect the Company and its subsidiaries against any financial risks must be approved by the Board of Directors.

33.2. Market risk

The Company and its subsidiaries are exposed to market risk resulting from their activities and businesses. Market risks mainly involve the possibility of FX fluctuations and changes in the interest rate.

a) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will significantly fluctuate due to variations in market interest rates. The exposure of the Company and its subsidiaries to the risk of changes in market interest rates mainly refers to the interest rates of their financial investments, and loans and financing.

Financing with interest indexed to long-term interest rates (TJLP) raised with BNDES to increase production capacity, improve facilities, and acquire machinery and equipment are deemed as a low volatility risk by the Company.

The other indexes that Management believes to have the highest interest rate exposure on December 31, 2021 and December 31, 2020, comply with the financial risk Management Policy and are shown below in their net amounts:

	Parent Company		Consolidated	
	2021	2020	2021	2020
Asset and liability net exposure to the CDI rate				
Cash and cash equivalents	**143,591**	370,201	**201,058**	653,045
Financial investments	**402,732**	52,646	**621,309**	188,908

(In thousands of reais)

Loans and financing	**(1,431,110)**	(654,035)	**(1,431,110)**	(654,035)
Total	**(884,787)**	(231,188)	**(608,743)**	187,918
Asset and liability net exposure to the IPCA rate				
Loans and financing	-	-	**(25,872)**	(29,195)
Total	**-**	-	**(25,872)**	(29,195)
Asset and liability net exposure to the SELIC rate				
Loans and financing	**-**	(2,319)	**-**	(2,319)
Total	**-**	(2,319)	**-**	(2,319)

Interest rate sensitivity analysis

To analyze interest rate risk sensitivity, the Company used the rates from the FOCUS report of January 19, 2022, for probable scenarios in indexed transactions.

The analysis was carried out for a three-month period and is exposed to the variation in the result considering the above-mentioned net exposures.

The scenarios were estimated at 25% and 50%, respectively regarding the probable expectation.

Parent Company		**Rate**	**Probable Scenario**		**Scenario I - 25% variation**		**Scenario II - 50% variation**	
Contract exposure	**Risk**	**Current Scenario**	**Rate**	**Net effect in the result**	**Rate**	**Net effect in the result**	**Rate**	**Net effect in the result**
CDI	Increase/(Decrease)	9.15%	11.75%	(31,903)	14.69%	(37,983)	17.63%	(43,867)

Consolidated		**Rate**	**Probable Scenario**		**Scenario I - 25% variation**		**Scenario II - 50% variation**	
Contract exposure	**Risk**	**Current Scenario**	**Rate**	**Net effect in the result**	**Rate**	**Net effect in the result**	**Rate**	**Net effect in the result**
CDI	Increase/(Decrease)	9.15%	11.75	(30,317)	8.81%	(34,654)	5.88%	(38,790)
IPCA	Increase/(Decrease)	10.06%	5.09%	(306)	6.36%	(227)	7.64%	(148)
				(30,623)		**(34,881)**		**(38,938)**

b) Exchange risk

The Company and its subsidiaries are exposed to this risk due to the effects of the FX volatility on assets and liabilities linked to foreign currencies. Exchange risks mainly refers to variations in the U.S. dollar.

As an internal control, the treasury department periodically informs the Executive Board about the positions and exposures to foreign exchange, both for assets and liabilities pegged and indexed to foreign currencies and contracted derivative instruments. The Company manages exchange risk by monitoring exchange rates and market curves.

The Company understands that quantitative data referring to exchange risk exposure on December 31, 2021 and December 31, 2020 below comply with the financial risk Management Policy and are representative of the exposure incurred in the year.

Exchange rate sensitivity analysis

To analyze sensitivity in transactions involving FX exposure, the Company used the PTAX sale rate valid for January 18, 2022, disclosed by the Central Bank of Brazil for the probable scenario.

The analysis was carried out for a three-month period on the net balances, assuming they remain constant, calculating the interest and exchange rate differentials for each projected scenario.

Scenarios I and II were estimated at 25% and 50%, respectively, regarding the probable expectation, as shown below:

(In thousands of reais)

Asset and liability net exposure to US$

	Parent Company		Consolidated	
	2021	2020	2021	2020
Asset and liability net exposure to US$				
Cash and cash equivalents	**-**	-	**2**	5
Short and long-term loans	**-**	-	**-**	68
Debt with third parties	**-**	-	**-**	(711,270)
Accounts receivable	**139**	-	**254,896**	150,331
Receivables from affiliates	**292,769**	213,500	**-**	-
Other receivables	**20,055**	-	**20,055**	-
Other current assets	**98**	157	**4,150**	2,526
Suppliers	**(20,806)**	(9,366)	**(155,780)**	(81,998)
Other current liabilities	**(283)**	(4)	**(10,760)**	(1,008)
Other non-current liabilities	**-**	-	**(27)**	(1,678)
Total	**291,972**	204,287	**112,536**	(643,024)

Parent Company			Probable Scenario		Scenario I - 25% variation		Scenario II - 50% variation	
Exposure - R$	Risk	Current exchange rate	Exchange rate	Net effect in the result	Exchange rate	Net effect in the result	Exchange rate	Net effect in the result
Net Exposure	Increase/(Decrease)	5.5805	5.5213	(3,097)	6.9756	76,906	8.3708	150,682

Consolidated			Probable Scenario		Scenario I - 25% variation		Scenario II - 50% variation	
Exposure - R$	Risk	Current exchange rate	Exchange rate	Net effect in the result	Exchange rate	Net effect in the result	Exchange rate	Net effect in the result
Net Exposure	Increase/(Decrease)	5.5805	5.5213	(1,194)	6.9756	29,642	8.3708	58,078

33.3. Credit risk

Credit risk refers to the risk of a counter party not meeting an obligation provided for in a financial instrument or contract, thus causing a financial loss.

The Company and its subsidiaries are exposed to credit risk mainly regarding their financial investments and trade receivables.

Bank deposits in cash and highly liquid short-term investments classified as cash equivalents are readily convertible into a known amount of cash and which are subject to an insignificant risk of change in value.

Regarding credit risk, all financial assets of the Company and its subsidiaries are contracted with top-tier entities.

Trade receivables refer to amounts due by the customers of Unipar and its subsidiaries, related to the sale of their products. The risk on such amounts is determined by applying the Company’s internal policies.

When the credit risk is high, an allowance for doubtful accounts is created.

33.4. Liquidity risk

Refers to the risk of the Company not having sufficient liquid funds to meet its financial obligations, due to a mismatch of terms or volumes between expected receipts and payments.

(In thousands of reais)

Future payment and receipt assumptions are established to manage local and foreign cash liquidity, which are daily monitored by the treasury department.

The table below analyses the Company's non-derivative and derivative financial liabilities to be settled by the Company by maturity,

corresponding to the remaining period in the statement of financial position until the contractual maturity date.

Derivative financial liabilities are included in the analysis if their contractual maturities are important to understand temporary cash flows.

The amounts disclosed below show the fair value of the Company's financial liabilities by maturity:

	Less than a year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Parent Company				
On December 31, 2021				
Loans	151,226	95,850	684,034	500,000
Suppliers	68,822	-	-	-
Consolidated				
On December 31, 2021				
Loans	161,824	105,423	707,582	500,000
Suppliers	391,762	-	-	-

33.5. Capital management

The Company monitors capital based on the financial leverage ratio related to equity.

Net debt corresponds to total loans (including short and long-term loans), less cash, cash equivalents, and financial investments. The Company and its subsidiaries are not subject to any external requirement on capital.

The financial leverage ratios on December 31, 2021 and December 31, 2020 were as follows:

		Parent Company		Consolidated
	2021	**2020**	**2021**	**2020**
Total loans (Note 16)	**1,431,110**	657,872	**1,474,829**	713,540
(-) Cash and cash equivalents (Note 4)	**(156,135)**	(371,734)	**(331,177)**	(924,852)
(-) Financial investments (Note 5)	**(402,732)**	(52,646)	**(1,291,272)**	(188,908)
Net debt - Net financial (assets)	**872,243**	233,492	**(147,620)**	(400,220)
Total shareholders' equity ([1])	**2,288,743**	1,725,007	**2,288,743**	1,725,007
Financial leverage ratio - %	**38.11**	13.54	**(6.45)**	(23.20)
(-) Receivables from affiliates (Note 10)	**(292,769)**	(213,500)	**-**	-
Net debt with receivables from affiliates	**579,474**	19,992	**(147,620)**	(400,220)
Financial leverage ratio - receivables from affiliates - %	**25.32**	1.16	**(6.45)**	(23.20)
Third-party debt (Note 20)	**-**	-	**-**	712,965
Net debt including third-party debt	**872,243**	233,492	**(147,620)**	312,745
Financial leverage ratio including third-party debt - %	**38.11**	13.54	**(6.45)**	18.13

([1]) Equity share attributable to controlling shareholders.

(In thousands of reais)

Bank covenants only consider the loans shown above and excludes Debt with Third Parties (Solvay Vinyls A.G.), which was settled in December 2021. As a result, the calculation for the Company's financial leverage ratio includes or not Debt with Third Parties.

33.6. Fair value estimate

The carrying amounts of trade receivables (less impairment loss) and trade payables are assumed to be approximate to their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the prevailing market interest rate, which is available to the Company for similar financial instruments.

The Company and its subsidiaries apply hierarchy rules to assess the fair values of their financial instruments, which require disclosure of fair value measurements based on the following hierarchy:

- Level 1 fair value measurements result from quoted prices (unadjusted) in active markets for identical assets and liabilities (level 1).
- Level 2 fair value measurements result from other information, other than quoted prices included in level 1 that are observable for the asset or liability, either directly (such as prices) or indirectly (deriving from prices);
- Level 3 fair value measurement result from valuation techniques that include asset or liability information that is not based on observable market data (unobservable information).

The financial instruments held by the Company, measured at fair value, were quoted based on the level 2 hierarchy above in all periods presented in these financial statements.

All financial instrument transactions are recorded in the financial statements of the Company and its subsidiaries since their short-term features are fair value are approximate.

	Notes		Parent Company		Consolidated
		2021	**2020**	**2021**	**2020**
Assets					
Amortized cost					
Cash and cash equivalents	4	**156,135**	371,734	**331,177**	924,852
Financial investments	5	**402,732**	52,646	**1,291,272**	188,908
Accounts receivable	6	**212,354**	133,776	**676,256**	534,092
Total		**771,221**	558,156	**2,298,705**	1,647,852
Liabilities					
Amortized cost					
Loans	16	**(1,431,110)**	(657,872)	**(1,474,829)**	(713,540)
Debt with third parties	20	**-**	-	**-**	(712,965)
Suppliers	15	**(68,822)**	(39,692)	**(391,762)**	(238,342)
Electricity	17	**(130,276)**	(105,696)	**(232,112)**	(185,386)
Other liabilities		**(42,553)**	(24,417)	**(98,257)**	(78,260)
Total		**(1,672,761)**	(827,677)	**(2,196,960)**	(1,928,493)

Financial instruments - Swap

To eliminate the U.S. dollar FX risk in a loan transaction, the Company entered a swap operation to change the index to CDI, which, for better presentation purposes, is disclosed under "Loans and Financing", according to Note 16.

(In thousands of reais)

On December 31, 2021								Parent Company Fair Value
Investment Type	**Start**	**Maturity**	**Notional**	**Floating rate**	**Fixed rate**	**Long position**	**Short position**	**R$**
Swap	03/29/2019	04/03/2023	109,172	US$	CDI	87,152	61,241	25,911

On December 31, 2020								Parent Company Fair Value
Investment Type	**Start**	**Maturity**	**Notional**	**Floating rate**	**Fixed rate**	**Long position**	**Short position**	**R$**
Swap	03/29/2019	04/03/2023	109,172	US$	CDI	145,539	110,848	34,691

34. Supplemental information to the statements of cash flows

Transactions with no cash disbursement

	Parent Company		Consolidated	
	2021	**2020**	**2021**	**2020**
Transactions during the period of purchase of PP&E	**3,486**	10,412	**16,222**	25,115
Acquisition of investment in joint venture	**804**	9,573	**804**	9,573

Management Report

Dear shareholders,

The Management of Unipar Carbocloro S.A. ("Company" or "Unipar") hereby submits to your appreciation the Management Report and the Financial Statements, accompanied by the opinions issued by the Independent Auditors and Fiscal Council for the fiscal year ended December 31, 2021, prepared in accordance with the International Financial Reporting Standards ("IFRS"), issued by the International Accounting Standards Board ("IASB"), as well as norms issued by the Brazilian Securities and Exchange Commission ("CVM") and in compliance with the standard accounting practices adopted in Brazil.

PROFILE

UNIPAR CARBOCLORO S.A. (B3: UNIP3, UNIP5 and UNIP6), (Fitch Ratings: AA+(bra)) ("Unipar", "Company") is a Brazilian company incorporated on May 28, 1969, with operations in the chemical and petrochemical segments through three production units strategically located in Cubatão (SP/Brazil), Santo André (SP/Brazil) and Bahía Blanca (Argentina) to meet the demand from Brazil and other countries. Unipar also holds an interest in Solalban, a power generation company in Argentina, and an interest in Tucano Holding, a wind power generation company in Brazil.

With operations in capital-intensive segments, Unipar has contributed to Brazil's industrial development since its inception, having access to the capital and banking market as sources of funding and continuously seeking to create value for its shareholders and other stakeholders. The Company stands out as the largest producer of chlorine/soda in South America and the second largest producer of PVC (polyvinyl chloride). It also produces sodium hypochlorite and hydrochloric acid, in addition to ethylene dichloride and vinyl chloride monomer, the latter two used exclusively in the production of PVC. Unipar's products are used as inputs for the textile, pulp and paper, food, beverage, medicine, construction, disinfectants, and water treatment industries, among others.

The Company has approximately 1,400 employees and holds international certifications ISO 9001, ISO 14001, ISO 45001 and Responsible Care® in its 3 units, being a pioneer in safety and environment protection matters. The Company seeks to ensure transparency and equity in the disclosure of its information and is committed to good corporate governance practices.

The corporate strategy is divided into four pillars: People, Operational Excellence, Focus on the Customer's Business and Sustainability, guiding the results presented in the year and preparing the Company for a future of growth with the vision of being a global reference in our market and focusing on growth with transparency and responsibility.

OPERATING PERFORMANCE

The main operating indicator for Unipar's plants is its installed capacity. In 2021, the utilization rate of the installed capacity at the Cubatão plant was 91%, above the 82% recorded in 2020. At the Santo André plant, the utilization rate was 73%, considering that, in the 2nd quarter of 2021, a scheduled shutdown was carried out at the São Paulo Petrochemical Complex. The Bahía Blanca plant also had a scheduled shutdown in October, reaching a utilization rate of 72%.

According to ABICLOR, which consolidates the main national chlorine/soda producers, the utilization rate of chlorine/soda capacity in Brazil reached 66% in 2021, increasing by 52% over 2020.

In terms of international prices of the products sold by Unipar, the average export price of caustic soda (US Gulf Coast base) increased by 59% in 2021 over 2020, as a result of the supply restricted scenario during 2021, with unscheduled shutdowns in the USA and Europe, and an operational reduction in China, due to the energy conservation program. For PVC, the gap in supply and demand arising from supply restrictions in the international market, with several units with unscheduled stoppages/force majeure worldwide resulted in a 94% increase in the average PVC export price (US Gulf Coast base) in 2021 in relation to 2020.

CONSOLIDATED FINANCIAL PERFORMANCE

NET OPERATING INCOME

Consolidated Net Operating Revenue in 2021 was R$6,289.4 million, 62.6% higher than in 2020, driven by the increase in international PVC and caustic soda prices and higher sales volume for caustic soda and chlorine.

COST OF GOODS SOLD - COGS

In 2021, consolidated COGS was R$3,486.6 million, 37.6% higher than in 2020 due to the increase in volume and prices of inputs, notably ethylene and charges on electricity.

EXPENSES AND EQUITY INCOME

Consolidated selling expenses were 12.7% higher than in 2020, due to the freight expenses related to higher sales volume, in addition to the increase in freight costs. General and administrative expenses totaled R$409.0 million, up by 7.2% over 2020, mainly due to consulting and legal advice related to energy projects (Pirapora/MG Solar Complex and Cajuína/RN Wind Complex) and the agreement signed with the seller of Unipar Indupa SAIC, in addition to the provisions for profit sharing. Other net income (expenses) in 2021 came in as an income of R$751.0 million due to the agreement concluded in December 2021 with the seller of Unipar Indupa SAIC and the credit related to the exclusion of ICMS from the PIS/COFINS calculation base. The Consolidated Equity Income, referring to the equity pickup in energy companies Solalban and Tucano Holdings III, was negative by R$2.5 million.

EBITDA (calculated pursuant to CVM Instruction 527/12)

In 2021, consolidated EBITDA was R$3,163.8 million, 234.3% higher than in 2020, with a margin of 50.3%, mainly due to positive operating results and non-recurring events (adjustment to the acquisition price of Unipar Indupa SAIC and credit for the exclusion of ICMS tax from the PIS/COFINS calculation base).

NET FINANCIAL RESULT

The consolidated net financial result went from a negative R$147.4 million in 2020 to a positive R$90.8 million in 2021, influenced by the effect of the positive monetary variation on the credit from the exclusion of ICMS from the PIS/COFINS calculation base, partially offset by the application of IAS 29 (interest and other charges on loans).

NET INCOME

Unipar recorded a consolidated net income of R$2,003.8 million in 2021, increasing by 441.3% in relation to 2020, with non-recurring effects from the credit related to the exclusion of ICMS from the PIS/COFINS calculation base and an adjustment to the acquisition price with the seller of Unipar Indupa

SAIC in 4Q21, under an agreement that was concluded in December 2021, in addition to the positive operating results for the year.

DEBT

On December 31, 2021, the Company had no consolidated net debt and the balance was negative by R$147.6 million. In 2021, gross debt increased by 106.7% due to the 6th issue of debentures, in the amount of R$350.0 million, the 3rd issue of promissory notes, in the amount of R$200.0 million, and the 7th issuance of debentures, in the amount of R$500.0 million, being partially offset by the partial amortization of the second series of the 4th issue of debentures, which followed the original schedule, as well as the amortization of working capital loans. In December 2021, the Company signed an agreement for the prepayment of third-party debt, thus eliminating the debt instrument taken in 2016 for the acquisition of Unipar Indupa SAIC. In the period, the Company continued the share buyback program, which absorbed R$0.4 million.

SUSTAINABILITY

Below are some of the Company's most recent actions that are part of its Sustainability concept.

Unipar is involved in 3 clean energy projects that, as of 2024, will supply approximately 80% of the energy consumed in plants in Brazil. The first investment agreement was signed in 2020 for a Joint Venture with AES Brasil on a wind farm in the State of Bahia, which is already under construction. The second project will be a partnership with Atlas Renewable to generate solar energy in the State of Minas Gerais. At the end of 2021, Unipar announced another project with AES Brasil, to generate wind energy in the State of Rio Grande do Norte.

In continuity to Unipar's social investments, in 2021, the Company carried selected projects focused on actions to help reduce the negative social impacts caused by the pandemic on the most vulnerable communities, in addition to donating basic food baskets to less fortunate communities around its plants, donating bleach and sodium hypochlorite to help in disinfections, and provided oxygen cylinders. Projeto Pescar also stood out, for the second consecutive year, as a socio-professional course that provides technical development and personal and citizenship knowledge for young people in the region.

PROPOSED DIVIDENDS

The Annual Shareholders' Meeting scheduled for April 20, 2022, will resolve, among other matters, on the payment of additional dividends of R$250 million for the 2021 fiscal year. If approved, Management will have distributed R$1,491 million for the 2021 fiscal year and R$154.8 million from the profit reserve.

INDEPENDENT AUDITORS

Respect for the principles of professional independence is an integral part of the Company's policies for hiring independent audit services. These principles consist of internationally accepted standards, according to which: (a) the auditors shall not audit their own work; (b) the auditors shall not perform management functions for their clients; and (c) the auditors shall not generate conflicts of interest with their clients.

In compliance with the provisions of CVM Instruction 381/2003, we inform that, during the 2018 fiscal year, only audit and review services were hired for the financial statements and quarterly information, filed with the CVM.

STATEMENTS FROM THE EXECUTIVE BOARD

In compliance with article 25, paragraph 1, item V and VI of CVM Instruction 480/2009, Management declares that it has reviewed, discussed, and agreed on these Financial Statements and the opinions of the Independent Auditor regarding these documents.

MANAGEMENT

Executive Board’s Statement on the Financial Statements

According to item V of article 25 of CVM Instruction 480, of December 7, 2009, Management declares that it has reviewed, discussed, and agreed on these financial statements.

São Paulo, March 16, 2022.

Maurício Parolin Russomanno
Chief Executive Officer

Christian Eduard Carraresi Schnitzlein
Chief Financial and Investor Relations Officer

Marcello Diegues Zappia
Executive Officer

Rodrigo Cannaval
Executive Officer

Executive Board’s Statement on the Independent Auditors’ Report

According to item V of article 25 of CVM Instruction 480, of December 7, 2009, Management declares that it has reviewed, discussed, and agreed on the Company’s Financial Statements on the Independent Auditors’ Report regarding these documents.

São Paulo, March 16, 2022.

Maurício Parolin Russomanno
Chief Executive Officer

Christian Eduard Carraresi Schnitzlein
Chief Financial and Investor Relations Officer

Marcello Diegues Zappia
Executive Officer

Rodrigo Cannaval
Executive Officer

Opinion of the Audit Committee

The members of the Audit Committee analyzed the Financial Statements of Unipar Carbocloro S.A., for the fiscal year ended December 31, 2021, accompanied by the corresponding Explanatory Notes and the Independent Auditors' Report on the Company's Financial Statements, both issued on March 16, 2022, and the Opinion of the Fiscal Council, issued on March 15, 2022.

All matters raised by the members of the Audit Committee were discussed and clarified by the Executive Board, and the external auditors (Deloitte) also participated, according to the minutes of the meeting held on March 15, 2022.

In view of their exceptional nature, we highlight the accounting treatments adopted for the following matters:

(i) the receipt, in the fourth quarter of 2021, of approximately R$450 million as a price adjustment on the acquisition of Solvay Indupa SAIC (“Indupa Argentina”), under the terms of the purchase and sale agreement and resulting from an agreement to terminate the arbitration procedure existing between the parties, with this amount recorded in the Company's income statement, as described in Note 12 and Note 20 of the Financial Statements;

(ii) the recognition of a tax credit related to the exclusion of ICMS from the PIS/COFINS calculation base, of approximately R$728 million in the parent company and subsidiaries, resulting from the recognition by the Federal Supreme Court, in May 2021, of the unconstitutionality of this inclusion. This credit is part of processes that are in different stages, some of which are still awaiting a final and unappealable ruling and approval by the Federal Revenue Service.

Notwithstanding the exceptional nature and financial materiality of these 2 (two) accounting entries, there is no disagreement between the Company's management and its external auditors related to the treatment given in the Financial Statements, as reported to us at a meeting held on March 15, 2022.

The Company's Executive Board also informed that the Independent Auditors had not required material adjustments to the Financial Statements to be notified to the Audit Committee, and there was no divergence between the Independent Auditors and the Management that required the involvement of this Committee, all of which was confirmed to us in meetings held by the coordinator of the audit committee with the external auditors during the process of monitoring the audit work.

In view of the above, the opinion of the Committee members was unanimous that the documents listed above adequately reflect, in all material aspects, the Company’s equity and financial positions and therefore recommend the approval, without reservations, of these documents by the Company’s Board of Directors and its submission to the Annual Shareholders’ Meeting, pursuant to the Brazilian Corporation Law.

São Paulo, March 16, 2022.

Bruno Soares Uchino
Coordinator

Humberto Rapussi
Member

Opinion of the Fiscal Council

The Fiscal Council of Unipar Carbocloro S.A., in the performance of its legal and statutory duties, pursuant to article 163, items II and VII, of Law 6,404/1976, at a meeting held on this date, examined and analyzed the Management Report and the Company's Financial Statements for the fiscal year ended December 31, 2021, accompanied by the opinion of the independent auditing company Deloitte Touche Tomatsu Auditores Independentes, considering the information provided by the Company's Executive Board; and (ii) the Proposal for Allocation of Net Income for the Fiscal Year ended December 31, 2021 prepared by the Executive Board, including distribution of dividends. The Fiscal Council concluded that such documents and proposal were regularly prepared and, therefore, recommends said documents to be submitted to the Company's Annual Shareholders' Meeting, in accordance with the Brazilian Corporation Law, and also issued a favorable opinion on the approval of the Management Report and the Company's Financial Statements for the fiscal year ended December 31, 2021. Additionally, pursuant to article 163, item III, of Law 6,404/1976, the Fiscal Council examined Unipar's Proposed Capital Increase, in the amount of R$228,874,322.86 (two hundred and twenty-eight million, eight hundred and seventy-four thousand, three hundred and twenty-two reais and eighty-six cents), through the capitalization of part of the Company's investment reserve, with the issuance of 9,443,286 (nine million, four hundred and forty-three thousand, two hundred and eighty-six) nominative, book-entry shares, without par value, of which 3,300,797 (three million, three hundred thousand, seven hundred and ninety-seven) are common shares, 205,537 (two hundred and five thousand, five hundred and thirty-seven) are class “A” preferred shares and 5,936,952 (five million, nine hundred and thirty-six thousand, nine hundred and fifty-two) are class “B” preferred shares, which will be attributed to the holders of shares, as a bonus, in the proportion of 1 (one) new share of each share class for every 10 (ten) existing shares of the same share class, that is, at a rate of 10.0%, and shares held in treasury will also receive a bonus. The Fiscal Council concludes that it considers the proposal timely and in the interest of the Company and its shareholders, and therefore recommends its submission to the General Shareholders' Meeting.

São Paulo, March 15, 2022.

João Cláudio Zola
Chair of the Fiscal Council

Paulo Henrique Zukanovich Funchal
Board Member

Clovis Hideaki Ikeda
Board Member

Silvio de Sousa Pinheiro
Board Member

Edilson São Leandro
Board Member