Unigel Participações S.A.

Financial statements for the years ended December 31, 2018 and 2017

(A free translation of the original report in Portuguese containing financial statements prepared in accordance with accounting practices adopted in Brazil and International Financial Reporting Standars (IFRS))

KPDS 465473

Contents

2018 Management Report

(4Q18 and 2018 Earnings Release)

UNIGEL

UNIGEL ANNOUNCES ITS RESULTS FOR THE FOURTH QUARTER AND FULL YEAR OF 2018

São Paulo, April 05, 2019 - Unigel Participações S.A. ("Unigel") announces today its results for the fourth quarter (4Q18) and full year of 2018 (2018). The following operational and financial information, unless otherwise indicated, is presented in Brazilian reais, in accordance with Brazilian accounting practices, including Technical Pronouncement CPC 21 (R1) - Interim Financial Statements, and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), including International Accounting Standards 34 (Interim Financial Reporting - IAS 34). It should be read in conjunction with the financial statements for the year ended December 31 2018. In addition, the operational and financial information included in this earnings release is subject to rounding off and, consequently, the total amounts presented in the tables and graphs may differ from the direct numerical aggregation of the preceding figures. Dollar-denominated amounts were converted using the average exchange rate in each month for the income statement and cash flow statement and the end-of-period exchange rate for the balance sheet. The comparisons in this release are made between the fourth quarter of 2018 ("4Q18") and the fourth quarter of 2017 ("4Q17") and between the twelve months of 2018 ("2018") and the twelve months of 2017 ("2017"). In 2018, the Company adopted CPC 47 - Revenue from Contracts with Customers ("CPC 47"), with adjustments to: (i) net revenue, reclassifying freight on sales and other export and packaging expenses to the cost of goods sold; and (ii) selling expenses, reclassifying logistics costs to the cost of goods sold. The information for 2017 remained unchanged in the financial statements, but the effects will be reported in the comments on net revenue, cost of goods sold and SG&A, for the reader's convenience.

Fourth Quarter of 2018 ("4Q18")

Net Revenue	Adjusted EBITDA	Net Loss
R$836 million	R$92 million	(R$36) million
15% YoY	(17%) YoY	n.m. YoY

Investments	Operating Cash Generation
R$32 million	R$120 million

Full Year of 2018 ("2018")

Net Revenue	Adjusted EBITDA	Net Loss
R$3,394 million	R$441 million	(R$32) million
22% YoY	20% YoY	(47% YoY)

Investments	Operating Cash Generation
R$104 million	R$37 million

1. Operational and Financial Highlights - Consolidated

Consolidated Income Statement R$ million	Δ (%) 4Q18 vs. 3Q18	3Q18	4Q18	4Q17	Δ (%) 4Q18 vs. 4Q17	2018	2017	Δ (%) 2018 vs. 2017
Net revenue	**(12%)**	**947**	**836**	**729**	**15%**	**3,394**	**2,788**	**22%**
Cost of goods sold	(5%)	(793)	(754)	(602)	25%	(2.954)	(2.358)	25%
Gross profit	**(47%)**	**154**	**82**	**127**	**(35%)**	**440**	**430**	**2%**
Gross margin	***(6p.p.)***	***16%***	***10%***	***17%***	***(8p.p.)***	***13%***	***15%***	***(2p.p.)***
Sales, general and administrative (SG&A) expenses	30%	(33)	(43)	(33)	30%	(138)	(173)	(20%)
Other operating income (expenses)	n.m.	4	(19)	(5)	280%	(19)	(14)	36%
Operating income (expenses)	**(84%)**	**125**	**20**	**89**	**(78%)**	**283**	**243**	**16%**
Net financial results	(49%)	(108)	(55)	83	n.m.	(299)	(353)	(15%)
Income tax and social contribution	(89%)	(9)	(1)	(126)	(99%)	(16)	(1)	1.500%
Net income (loss) from continuing operations	**n.m.**	**8**	**(36)**	**46**	**n.m.**	**(32)**	**(111)**	**(71%)**
Net income from discontinued operations	-	-	-	95	n.m.	-	51	n.m.
Net income	**n.m.**	**8**	**(36)**	**141**	**n.m.**	**(32)**	**(60)**	**(47%)**
Net revenue (US$ million)	***(8%)***	***239***	***220***	***223***	***(1%)***	***932***	***873***	***7%***

Net Revenue

Adjusted for the effect of CPC 47 in 2017 (R$107 million), for comparison purposes only, our consolidated net revenue moved up 17% in 2018 over 2017, due to (i) an 18% rise in net revenue from the Styrenics segment to R$1,687 million in 2018, and (ii) a 17% increase in net revenue from the Acrylics segment to R$1,707 million in 2018.

In 4Q18, net revenue totaled R$836 million, up 10% over 4Q17 (after adjustment for the effect of CPC 47 (R$28 million) for comparison purposes only), driven mostly by the Styrenics segment, which grew 28% over 4Q17. On the other hand, consolidated net revenue declined 12% from 3Q18, mostly as a result of an 18% reduction in net revenue from the Acrylics segment.

Cost of Goods Sold (COGS)

The consolidated cost of goods sold grew 18% over 2017 (already adjusted for the effect of CPC 47 in 2017 (R$137 million), for comparison purposes only) to R$2,970 million in 2018, in line with the increase in net revenue. As a result, COGS in the Acrylics segment moved up 19% over 2017, totaling R$1,482 million in 2018, while COGS in the Styrenics segment climbed 18%, totaling R$1,472 million in 2018.

In 4Q18, COGS came to R$754 million, up 18% over 4Q17 (after adjustment for the effect of CPC 47 (R$36 million), for comparison purposes only). In this comparison, the increase in COGS in the Styrenics segment followed the net revenue trend, maintaining the margin in this segment. The same was not true for the Acrylics segment, as COGS growth outpaced the revenue increase, causing a slight margin decline. Compared with 3Q18, the cost of goods sold declined 5%, mainly in the Acrylics segment, which followed the reduction in revenue.

Sales, General and Administrative Expenses (SG&A)

Sales, general and administrative expenses fell 3% from 2017 (adjusted for the effect of CPC 47 in 2017 (R$30 million) for comparison purposes only), totaling R$138 million in 2018, driven by a R$10 million reduction in the allowance for doubtful accounts.

In 4Q18, sales, general and administrative expenses moved up 65% over 4Q17 (adjusted for the effect of CPC 47 in 2017 (R$7 million) for comparison purposes only) to R$43 million, due to provision for contingencies, which consisted of a reversal (revenue characteristics) of R$7 million in 4Q17 and an additional provision of R$12 million in 4Q18. This also led to a 30% increase over 3Q18.

Other Operating Expenses

Other operating expenses amounted to R$19 million in 2018, up 36% over 2017, mainly due to a R$5 million increase in losses on the sale of assets, related to non-operating assets.

In 4Q18, other operating expenses totaled R$19 million, R$14 million more than in 4Q17, following the R$9 million variation in gains and losses on the sale of assets. When compared to 3Q18, the variation was even higher due to the recognition of the fair value of investment properties totaling R$6 million, with an impact on 3Q18.

Net Income (Loss) from Continuing Operations

The net result from continuing operations improved substantially, despite remaining in negative territory, moving from a loss of R$111 million in 2017 to a loss of R$32 million in 2018, an improvement of R$79 million, driven by growth in the operating result together with a reduction in financial expenses, as a result of the debt restructuring following the Bond issue in May 2018.

The net result from continuing operations was a loss of R$36 million in 4Q18, mainly due to a reduction in the operating result. The comparison against 4Q17 operating result was impacted by (i) exceptional operating margins in 4Q17 compared with 4Q18, given the reduction in the price of oil and its byproducts at the end of 2018 and (ii) the completion of the divestment of the packaging business, generating gains from the sale of investment.

Adjusted EBITDA

Reconciliation of Adjusted EBITDA R$ million	Δ (%) 4Q18 vs. 3Q18	3Q18	4Q18	4Q17	Δ (%) 4Q18 vs. 4Q17	2018	2017	Δ (%) 2018 vs. 2017
Net income	**n.m.**	**8**	**(36)**	**141**	**n.m.**	**(32)**	**(60)**	**(47%)**
Income tax and social contribution	(89%)	9	1	126	(99%)	16	1	1,500%
Net financial results	(49%)	108	55	(83)	n.m.	299	353	(15%)
Depreciation and amortization	19%	27	32	26	23%	114	97	18%
EBITDA	**(66%)**	**152**	**52**	**210**	**(75%)**	**397**	**391**	**2%**
Net income (loss) from discontinued operations	-	-	-	(95)	n.m.	-	(51)	n.m.
Gains and losses on the sale of assets	n.m.	-	13	3	333%	14	9	56%
Provision for contingencies	1,200%	1	13	(8)	n.m.	21	18	17%
Fair value adjustment - investment properties	n.m.	(6)	6	-	n.m.	-	-	-
Deleveraging program compensations	700%	1	8	1	700%	9	2	350%
Adjusted EBITDA	**(38%)**	**148**	**92**	**111**	**(17%)**	**441**	**369**	**20%**
Adjusted EBITDA margin	***(5p.p.)***	***16%***	***11%***	***15%***	***(4p.p.)***	***13%***	***13%***	-
Adjusted EBITDA (US$ million)	***(35%)***	***37***	***24***	***34***	***(29%)***	***121***	***116***	***5%***

Consolidated EBITDA totaled R$441 million in 2018, up 20% over 2017, mainly driven by the 18% EBITDA upturn in the Styrenics segment.

In 4Q18, EBITDA amounted to R$92 million, below the figures recorded in 4Q17 and 3Q18, due to a steep decline in oil prices and scheduled stoppages at clients due to the holiday season.

Net Cash from Operating Activities

The table below presents operating cash generation in 4Q18 and 2018 compared with 3Q18, 4Q17 and 2017, mainly driven by (i) substantial increase in EBITDA; (ii) lower financial result; and (iii) the use of cash in working capital investments, mainly due to reduced exposure to suppliers, in line with the use of proceeds of the Bond.

Reconciliation of Net cash from operating activities R$ million	Δ (%) 4Q18 vs. 3Q18	3Q18	4Q18	4Q17	Δ (%) 4Q18 vs. 4Q17	2018	2017	Δ (%) 2018 vs. 2017
EBITDA	**(66%)**	**152**	**52**	**210**	**(75%)**	**397**	**391**	**2%**
Provision for contingencies	500%	2	12	(8)	n.m.	21	76	(72%)
Allowance for doubtful accounts	(75%)	4	1	1	-	7	14	(50%)
Accrual (reversal) of losses and obsolescence of inventories	n.m.	(1)	11	-	n.m.	10	1	900%
Gain (loss) on sale of property, plant and equipment	n.m.	-	13	(16)	n.m.	14	(10)	n.m.
Income on deleveraging program	-	-	-	(97)	n.m.	-	(97)	n.m.
Fair value adjustment - investment properties	n.m.	(6)	6	-	n.m.	-	-	-
Tax rate adjustment (PIS/Cofins)	-	-	-	-	-	(30)	-	n.m.
EBITDA after non-cash factors	**(37%)**	**151**	**95**	**90**	**6%**	**419**	**375**	**12%**
Current income tax and social contribution	(67%)	(12)	(4)	13	n.m.	(27)	(25)	8%
Working capital variation	306%	16	65	20	225%	(137)	12	n.m.
Operating Cash Flow (A)	**1%**	**155**	**156**	**123**	**27%**	**255**	**362**	**(30%)**
Net financial results	(49%)	(108)	(55)	83	n.m.	(299)	(353)	(15%)
Derivatives adjustment	n.m.	95	(246)	(295)	(17%)	(18)	-	n.m.
Interest and foreign exchange variation of non-cash loans	5.425%	4	221	204	8%	225	246	(9%)
Interest on taxes	n.m.	-	5	-	n.m.	5	-	n.m.
Non-cash deleveraging program income	n.m.	(27)	47	(73)	n.m.	-	(73)	n.m.
Interest of loans	(47%)	(15)	(8)	(95)	(92%)	(131)	(121)	8%
(=) Financial Effects on Operating Cash Flow (B)	**(29%)**	**(51)**	**(36)**	**(176)**	**(80%)**	**(218)**	**(301)**	**(28%)**
(=) Net cash from operating activities (A - B)	**15%**	**104**	**120**	**(53)**	**n.m.**	**37**	**61**	**(39%)**

Financial Leverage

Net Debt to EBITDA ratio R$ million	Δ (%) (A) / (B)	Sept/18 (B)	Dec/18 (A)	Dec/17 (C)	Δ (%) (A) / (C)
Current gross debt	(9%)	150	136	384	(65%)
Non-current gross debt	(4%)	1,495	1,442	738	95%
Gross debt	**(4%)**	**1,645**	**1,578**	**1,122**	**41%**
(-) Cash and cash equivalents	9%	221	240	35	586%
(-) Swap Accrual	(62%)	47	18	-	n.m.
Net debt	**(4%)**	**1,377**	**1,320**	**1,087**	**21%**
(/) Adjusted EBITDA (LTM)	**(4%)**	**460**	**441**	**369**	**20%**
(=) Net debt to EBITDA ratio		**2.99x**	**2.99x**	**2.95x**	

Corporate leverage, measured by the net debt-to-EBITDA ratio in reais stood at 2.99x in December 2018. The leverage ratio remained in line with September 2018 (2.99x), as the reduction in net debt was offset by a decline in LTM EBITDA between 4Q17 and 4Q18. On the other hand, the net debt increase when compared to 2017 was due to the use of proceeds of the Bond to pay suppliers who charged interest rates for credit purchases higher than that of the Bond.

2. Management Comments and Outlook

The Company ended 2018 with a record operating result and EBITDA of R$441 million, 20% higher than in 2017, thanks to the continuation of a successful financial deleveraging program through the adjustment of its capital structure, together with growing operational development and control of/reduction in operating expenses.

In 2018, Unigel took another important step in the strategy of adjusting its capital structure through the issue of its first debt instrument (Bond) in the international market totaling US$200 million, due in 2024. As a result, the Company was able to solve its main liquidity problems through: (i) the settlement of trade payables with a high financial cost, (ii) prepayment of expensive short-term debt and (iii) reinforcement of the cash position to seize market opportunities.

With a more appropriate capital structure, the Company focused its efforts on the operating result. Both segments - Acrylics and Styrenics - recorded a strong performance in 2018, benefiting from (i) an improvement in international prices and their respective spreads, (ii) better terms in negotiations with suppliers and clients and (iii) an increase in the exchange rate with a positive impact on the margins in reais of the Company's main businesses. These factors, combined with the operational strategy, contributed to the record result in 2018.

The fourth quarter was more challenging for the petrochemical sector due to a decline in the crude oil international prices at the end of the year. When this happens, the prices of our main products tend to follow the same trend. It is worth noting, however, that in a margin perspective the prices of our raw materials also follow suit. Nevertheless, declining oil prices have a negative impact on our business because of the lag between the purchase of raw materials and the sale of products. For the same reason, an increase in oil prices can be beneficial for the business. Thereby, this impact tends to be temporary until oil prices stabilize, regardless of at which level.

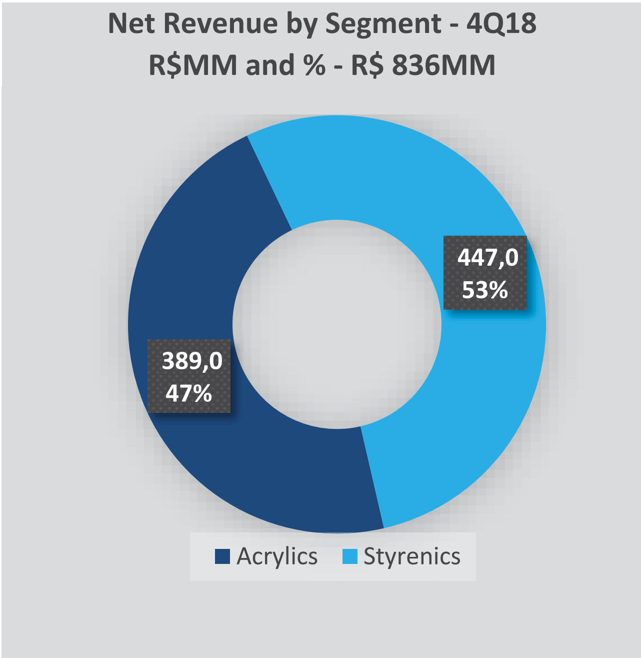
For 2019, we expect to see an improvement in the Brazilian economic scenario, with the recovery of investments, job creation and income generation. As a result of all these factors, Unigel expects to see stronger growth in Styrenics, as 83% of sales in this segment are directed to the domestic market.

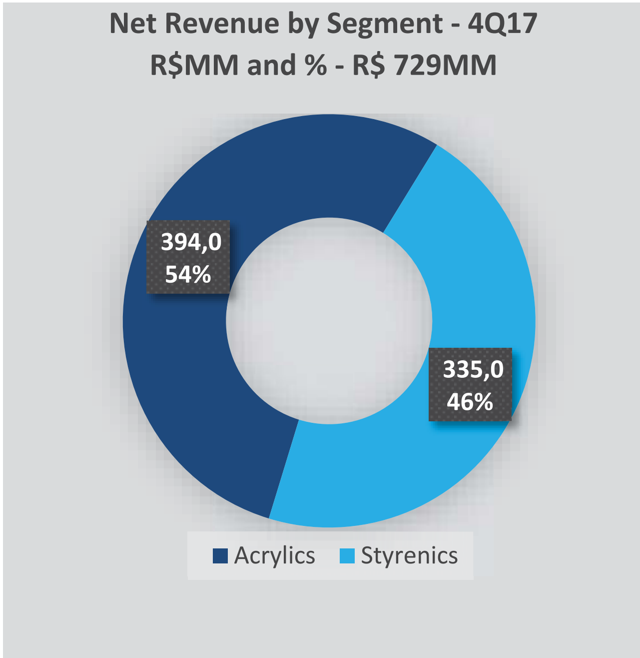
Regarding the international market, we expect the dollar to remain above R$3.70. This trend makes Brazilian products more competitive in the international market, with a positive impact on Unigel exports, especially in the Acrylics segment, whose sales are mainly directed to the export market.

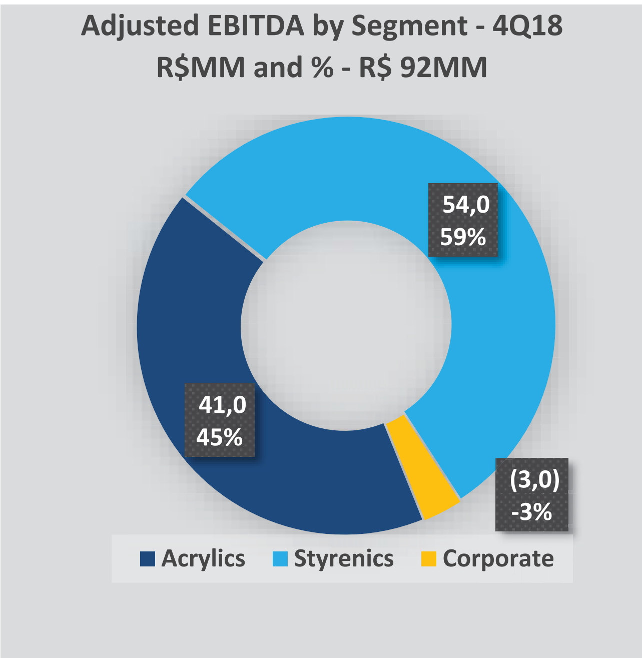
From a governance standpoint, on October 1, 2018, Unigel announced the appointment of Roberto Noronha Santos as its new Chief Executive Officer. Roberto has 40 years of experience in the petrochemical industry and is now returning to Unigel, where he worked from 2004 to 2016, having held the position of Vice-President of Operations, among other important roles. During his career, he was an executive at Dow Química (between 1976 and 2004) and, in the last few years, he held the position of CEO for South and Central America at SABIC. The new CEO will focus on the Company's strategic planning, reinforcing its commitment to strict financial discipline and the continuous improvement of corporate governance.

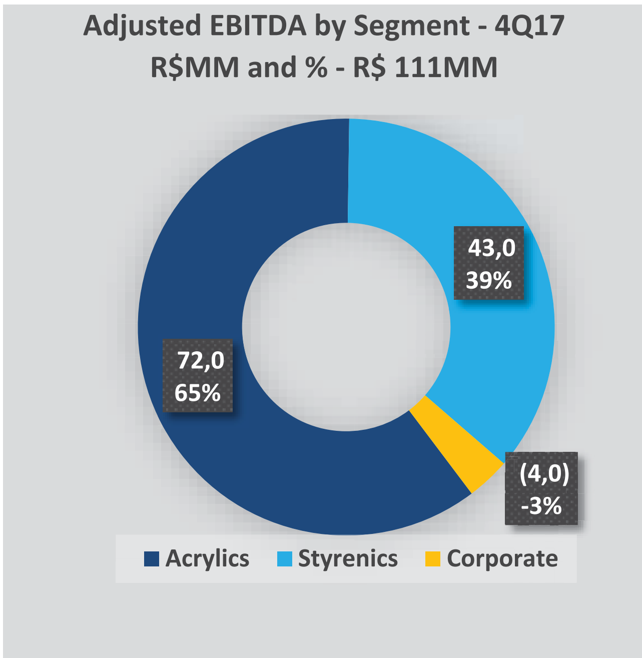
Unigel reinforces its commitment to continue contributing to the country's development, respecting the environment, our business partners (clients and suppliers) and employees, and strengthening its image with society and investors.

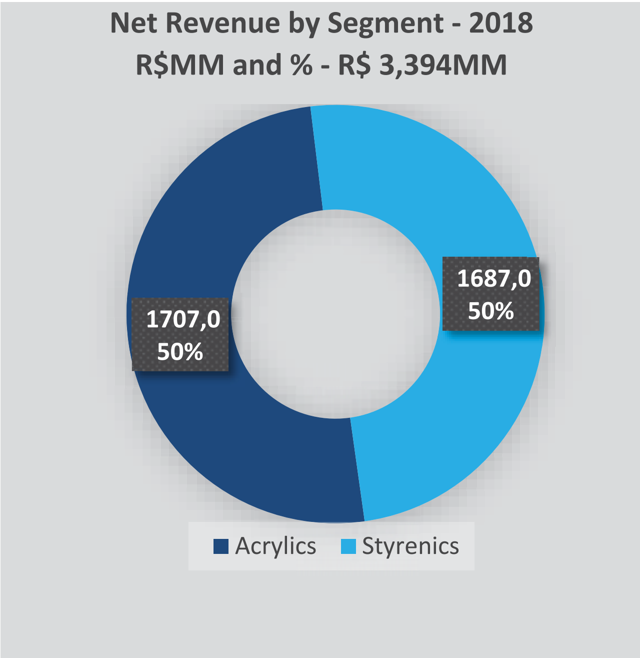
3. Result Breakdown by Segment

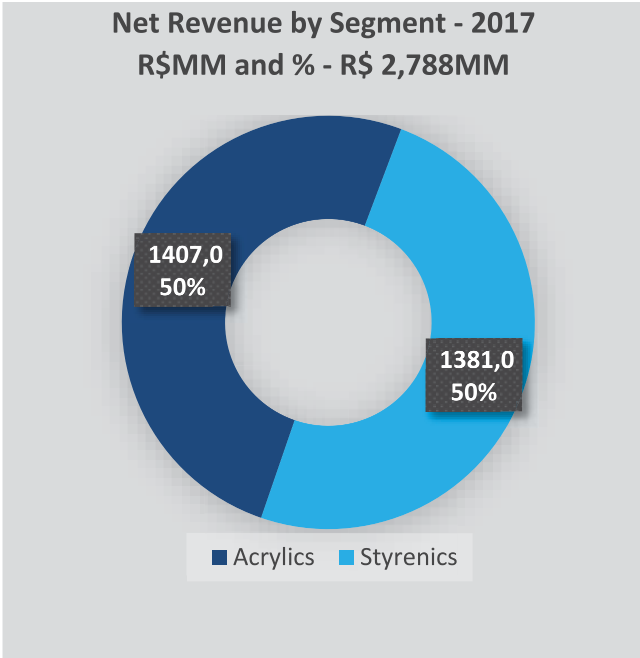


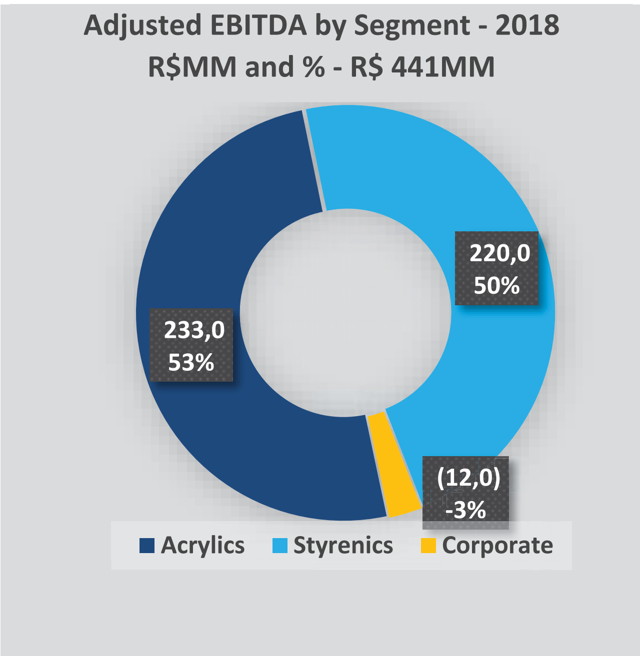


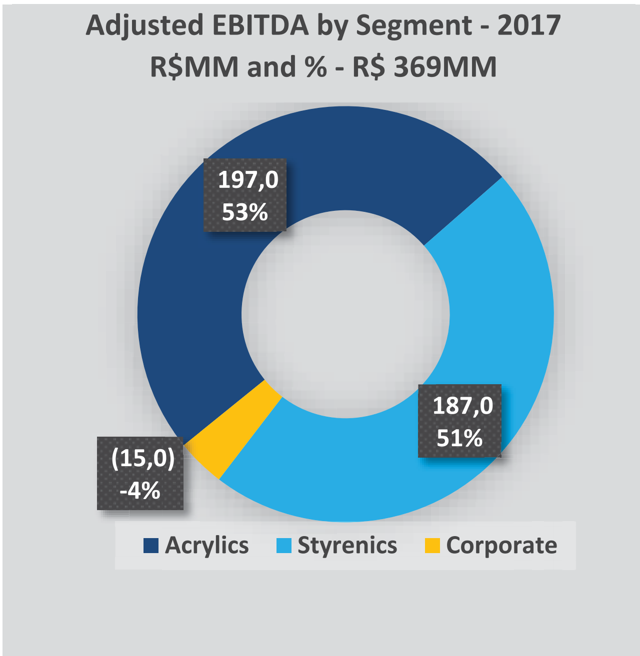





Net Revenue by Segment - 2018
R$MM and % - R$ 3,394MM
1707,0
50%
1687,0
50%
Acrylics
Styrenics


Net Revenue by Segment - 2017
R$MM and % - R$ 2,788MM
1407,0
50%
1381,0
50%
Acrylics
Styrenics


Adjusted EBITDA by Segment - 2018
R$MM and % - R$ 441MM
233,0
53%
220,0
50%
(12,0)
-3%
Acrylics
Styrenics
Corporate


Adjusted EBITDA by Segment - 2017
R$MM and % - R$ 369MM
197,0
53%
187,0
51%
(15,0)
-4%
Acrylics
Styrenics
Corporate

4. Styrenics Segment





Paint and Coating (Styrene Monomer)	Plastic - ABS and SAN (Styrene Monomer)	Disposable Products (Polystyrene)	Home appliances (Polystyrene)	Paper Coatings (Latex)

Styrenics Sales Volumes in metric tons (t)	Δ (%) 4Q18 vs. 3Q18	3Q18	4Q18	4Q17	Δ (%) 4Q18 vs. 4Q17	2018	2017	Δ (%) 2018 vs. 2017
Brazil	**12%**	**60,118**	**67,156**	**64,819**	**4%**	**255,920**	**258,863**	**(1%)**
Styrene	7%	22,795	24,280	23,300	4%	97,350	108,903	(11%)
Polystyrene	17%	28,640	33,592	33,130	1%	123,304	120,382	2%
(Latex)	7%	8,683	9,284	8,388	11%	35,266	29,578	19%
Overseas	**(55%)**	**15,025**	**6,715**	**7,828**	**(14%)**	**33,885**	**36,807**	**(8%)**
Styrene	-	-	-	-	-	-	3.864	n.m.
Polystyrene	(57%)	14,636	6,268	7,544	(17%)	31,940	31,645	1%
(Latex)	15%	390	447	284	57%	1,945	1,298	50%
Total	**(2%)**	**75,144**	**73,871**	**72,647**	**2%**	**289,805**	**295,670**	**(2%)**

Styrenics Results R$ million	Δ (%) 4Q18 vs. 3Q18	3Q18	4Q18	4Q17	Δ (%) 4Q18 vs. 4Q17	2018	2017	Δ (%) 2018 vs. 2017
Net revenue	**(5%)**	**471**	**447**	**335**	**33%**	**1,687**	**1,381**	**22%**
Cost of goods sold	(1%)	(399)	(397)	(295)	35%	(1,472)	(1,199)	23%
Gross profit	**(31%)**	**72**	**50**	**40**	**25%**	**215**	**182**	**18%**
Gross margin	***(4p.p.)***	***15%***	***11%***	***12%***	***(1p.p.)***	***13%***	***13%***	-
Sales, general and administrative (SG&A) expenses	11%	(9)	(10)	(6)	67%	(35)	(31)	13%
Other operating income (expenses)	250%	(2)	(7)	-	n.m.	(14)	(10)	40%
Operating income (expenses)	**(46%)**	**61**	**33**	**34**	**(3%)**	**166**	**141**	**18%**
Depreciation and amortization	33%	9	12	10	20%	42	40	5%
EBITDA	**(36%)**	**70**	**45**	**44**	**2%**	**208**	**181**	**15%**
Gains and losses on the sale of assets	n.m.	-	10	2	400%	11	7	57%
Provision for contingencies	n.m.	2	(1)	(4)	(75%)	1	(2)	n.m.
Fair value adjustment - investment properties	-	-	-	-	-	-	-	-
Deleveraging program compensations	-	-	-	1	n.m.	-	1	n.m.
Adjusted EBITDA	**(25%)**	**72**	**54**	**43**	**26%**	**220**	**187**	**18%**
Adjusted EBITDA margin	***(3p.p.)***	***15%***	***12%***	***13%***	***(1p.p.)***	***13%***	***14%***	***(1p.p.)***
Net revenue (US$ million)	***(1%)***	***119***	***118***	***104***	***14%***	***463***	***433***	***7%***
Adjusted EBITDA (US$ million)	***(21%)***	***18***	***14***	***13***	***11%***	***61***	***59***	***3%***

International Prices - Styrenics in US$/t	Δ (%) 4Q18 vs. 3Q18	3Q18	4Q18	4Q17	Δ (%) 4Q18 vs. 4Q17	2018	2017	Δ (%) 2018 vs. 2017
Benzene (raw material) [1]	(1%)	869	861	824	5%	898	823	9%
Ethylene (raw material) [2]	(1%)	1,327	1,309	1,198	9%	1,306	1,126	16%
Styrene [3]	(10%)	1,286	1,159	1,213	(4%)	1,299	1,217	7%
Polystyrene [4]	(6%)	1,515	1,425	1,416	1%	1,485	1,357	9%

(1) Source: IHS - Ethylene | Contract-Market Pipeline | Delivered W. Europe | (n-1)
(2) Source: IHS - Benzene | Contract-Market Domestic | FOB US Gulf Coast | (n-1)
(3) Source: IHS - Styrene | Spot | FOB US Gulf Coast | (n-1)
(4) Source: IHS - Polystyrene (PS) | Spot | CFR Hong Kong | (n-1)

Net Revenue

Adjusted for the effect of CPC 47 in 2017 (R$51 million) for comparison purposes only, net revenue from the Styrenics segment moved up 18% over 2017 to R$1,687 million in 2018, accounting for 50% of the Company's total revenue. This growth was driven by (i) an increase of 9% and 7%, respectively, in international Polystyrene and Styrene Monomer prices, (ii) two additional months for the latex operation in 2018, given that it was incorporated into Unigel in March 2017, and (iii) an upturn of 15% in the average exchange rate between the periods, with an impact on revenue in reais.

In 4Q18, net revenue from this segment came to R$447 million, up 28% over 4Q17 (after adjustment for the effect of CPC 47 (R$14 million) for comparison purposes only), mainly due to the increase in styrene monomer sales. Compared with 3Q18, net revenue from this segment edged down 5%, due to a decline in the international prices of the main products, caused by a steep reduction in oil prices at the end of the year.

Cost of Goods Sold (COGS)

In general, the cost of goods sold in the Styrenics segment closely followed the net revenue trend in all periods.

Adjusted for the effect of CPC 47 in 2017 (R$51 million) for comparison purposes only, COGS in the Styrenics segment moved up 18% over 2017 to R$1,472 million in 2018, in line with the net revenue, due to similar reasons, including (i) an increase in the international prices of the main raw materials, (ii) a full year in the latex operation and (iii) depreciation of the real against the dollar.

These factors also influenced quarterly comparisons: COGS totaled R$397 million in 4Q18, up 28% over 4Q17 (after adjustment for the effect of CPC 47 (R$14 million) for comparison purposes only) and down 1% from 3Q18.

Sales, General and Administrative Expenses (SG&A)

Sales, general and administrative expenses totaled R$35 million in 2018, up 24% over 2017 (after adjustment for the effect of CPC 47 (R$3 million) for comparison purposes only), mainly due to an increase of R$4 million in the provision for contingencies and R$1 million in the allowance for doubtful accounts.

In 4Q18, sales, general and administrative expenses totaled R$10 million, R$7 million more than in 4Q17 (after adjustment for the effect of CPC 47 (R$3 million) for comparison purposes only), also driven by an increase in the provision for contingencies and the allowance for doubtful accounts. Compared with 3Q18, costs and expenses remained stable.

Other Operating Income (Expenses)

Other operating expenses totaled R$14 million in 2018, R$4 million more than in 2017, mainly due to the variation in losses on the sale of assets.

This impact could also be observed in the quarterly comparison. Other operating expenses totaled R$7 million in 4Q18.

Adjusted EBITDA

Adjusted EBITDA in the Styrenics segment totaled R$220 million in 2018, up 18% over 2017, in line with gross profit growth.

In the quarterly comparison, adjusted EBITDA amounted to R$54 million in 4Q18, up 26% over 4Q17 and down 25% from 3Q18.

5. Acrylics Segment

Carbon Fiber
(Acrylonitrile)

Acrylic Fiber
(Acrylonitrile)

Acrylamide
(Acrylonitrile)

Paint and Coating
(Methyl Methacrylate)

Acrylic Sheets
(Methyl Methacrylate)

Acrylic Signage
(Cast Acrylic Sheets)

Fertilizers
(Ammonium Sulfate)

Tannery
(Ammonium Sulfate)

Mining
(Sodium Cyanide)

Galvanoplasty
(Sodium Cyanide)

Acrylics Sales Volumes in metric tons (t)	Δ (%) 4Q18 vs. 3Q18	3Q18	4Q18	4Q17	Δ (%) 4Q18 vs. 4Q17	2018	2017	Δ (%) 2018 vs. 2017
Brazil	**(12%)**	**67,112**	**59,165**	**78,740**	**(25%)**	**237,897**	**257,302**	**(8%)**
Acrylonitrile	(3%)	1,897	1,843	1,939	(5%)	7,824	8,418	(7%)
Methyl methacrylate	(26%)	2,817	2,095	2,920	(28%)	10,969	11,167	(2%)
Sodium cyanide	(20%)	3,299	2,638	2,969	(11%)	12,740	10,016	27%
Ammonium sulfate	(11%)	59,098	52,590	70,912	(26%)	206,364	227,701	(9%)
Overseas	**(16%)**	**32,454**	**27,391**	**38,343**	**(29%)**	**135,048**	**143,240**	**(6%)**
Acrylonitrile	(26%)	20,534	15,105	21,901	(31%)	85,357	85,078	0%
Methyl methacrylate	3%	7,403	7,652	12,594	(39%)	31,233	37,825	(17%)
Acrylic sheets	(9%)	4,074	3,716	3,647	2%	15,915	15,680	1%
Sodium cyanide	140%	364	874	69	1,176%	2,174	4,183	(48%)
Acrylic resins	(44%)	79	44	133	(67%)	369	475	(22%)
Total	**(13%)**	**99,566**	**86,556**	**117,083**	**(26%)**	**372,945**	**400,542**	**(7%)**

Acrylics Results R$ million	Δ (%) 4Q18 vs. 3Q18	3Q18	4Q18	4Q17	Δ (%) 4Q18 vs. 4Q17	2018	2017	Δ (%) 2018 vs. 2017
Net revenue	**(18%)**	**476**	**389**	**394**	**(1%)**	**1,707**	**1,407**	**21%**
Cost of goods sold	(10%)	(395)	(357)	(307)	16%	(1,482)	(1,159)	28%
Gross profit	**(60%)**	**81**	**32**	**87**	**(63%)**	**225**	**248**	**(9%)**
Gross margin	***(9p.p.)***	***17%***	***8%***	***22%***	***(14p.p.)***	***13%***	***18%***	***(4p.p.)***
Sales, general and administrative (SG&A) expenses	33%	(21)	(28)	(23)	22%	(85)	(121)	(30%)
Other operating income (expenses)	n.m.	-	(6)	(5)	20%	(5)	(4)	25%
Operating income (expenses)	**n.m.**	**60**	**(2)**	**59**	**n.m.**	**135**	**123**	**10%**
Depreciation and amortization	11%	19	21	15	40%	71	54	31%
EBITDA	**(76%)**	**79**	**19**	**74**	**(74%)**	**206**	**177**	**16%**
Gains and losses on the sale of assets	n.m.	-	3	1	200%	3	2	50%
Provision for contingencies	n.m.	-	11	(3)	n.m.	16	18	(11%)
Deleveraging program compensations	n.m.	-	8	-	n.m.	8	-	n.m.
Adjusted EBITDA	**(48%)**	**79**	**41**	**72**	**(43%)**	**233**	**197**	**18%**
Adjusted EBITDA margin	***(6p.p.)***	***17%***	***11%***	***18%***	***(8p.p.)***	***14%***	***14%***	-
Net revenue (US$ million)	***(15%)***	***120***	***102***	***122***	***(16%)***	***469***	***441***	***6%***
Adjusted EBITDA (US$ million)	***(45%)***	***19***	***11***	***22***	***(52%)***	***63***	***62***	***3%***

International Prices - Acrylics[1] in US$/t	Δ (%) 4Q18 vs. 3Q18	3Q18	4Q18	4Q17	Δ (%) 4Q18 vs. 4Q17	2018	2017	Δ (%) 2018 vs. 2017
Propylene (raw material) [1]	(5%)	1,315	1,249	1,055	18%	1,203	952	26%
Acetone (raw material) [2]	(4%)	1,167	1,125	1,089	3%	1,094	966	13%
Methanol (raw material) [3]	1%	491	497	384	29%	486	400	22%
Acrylonitrile [4]	(5%)	2,157	2,053	1,827	12%	2,017	1,555	30%
Methyl methacrylate [5]	(9%)	2,756	2,510	2,890	(13%)	2,732	2,596	5%

(1) Source: IHS - Propylene | Contract-Benchmark Stream Value | Delivered United States | (n-1)
(2) Source: IHS - Acetone | Contract-Market Monthly, Large Buyer, High | Delivered United States | (n-1)
(3) Source: IHS - Methanol | Contract-Net Transaction | FOB Houston, TX | (n-1)
(4) Source: IHS - Acrylonitrile | Spot Import, Average (High; Low) | CFR Far East | (n)
(5) Source: ICIS-LOR - MMA | Spot |Average (CFR Asia; FD Northwest Europe) | (n)

Net Revenue

Net revenue from the Acrylics segment grew 17% over 2017 (after adjustment for the effect of CPC 47 (R$56 million) for comparison purposes only), totaling R$1,707 million in 2018, accounting for 50% of the Company's total revenue, primarily as a result of (i) a 30% hike in international acrylonitrile prices, and (ii) a 15% increase in the average exchange rate between the periods.

In 4Q18, net revenue from the Acrylics segment amounted to R$389 million, a slight reduction of 5% from 4Q17 (already adjusted for CPC 47 in the total of R$14 million). If compared to 3Q18, net revenue from the Acrylics segment fell 18% due to a downturn in international prices, which followed the decline in the price of oil barrels, in addition to scheduled stoppages at certain clients due to the holiday season.

Cost of Goods Sold (COGS)

COGS in the Acrylics segment came to R$1,482 million, up 19% over 2017)after adjustment for the effect of CPC 47 (R$86 million) for comparison purposes only). This increase led to a small margin reduction, as revenue moved up only 17%, as international acetone and methanol prices moved up 13% and 22%, respectively, while MMA prices climbed only 5%.

In 4Q18, COGS in the Acrylics segment came to R$357 million, up 9% over 4Q17 (after adjustment for the effect of CPC 47 (R$22 million) for comparison purposes only), mainly due to a decline in international spreads, especially for acrylonitrile and MMA. Compared with 3Q18, COGS fell 10%, partially following the revenue decline.

[1] **Average prices in the period considering "n-1" for raw materials and "n" for finished products. Source: IHS and ISIS for methyl methacrylate (Spot Price)**

Sales, General and Administrative Expenses (SG&A)

Sales, general and administrative expenses totaled R$85 million in 2018, down 8% from 2017 (after adjustment for the effect of CPC 47 (R$28 million) for comparison purposes only), mainly due to a decline of R$11 million in the allowance for doubtful accounts.

In 4Q18, these expenses totaled R$28 million, 56% more than in 4Q17 (after adjustment for the effect of CPC 47 (R$5 million) for comparison purposes only), driven mostly by the variation of provision for contingencies, due to a tax infraction notice totaling approximately R$10 million, recognized and settled with monetary reductions at the end of 2018. Compared with 3Q18, these expenses moved up 33% due to the same reason.

Adjusted EBITDA

Adjusted EBITDA in the Acrylics segment totaled R$233 million in 2018, up 18% over 2017, while the EBITDA margin remained stable at 14%.

In 4Q18, adjusted EBITDA totaled R$41 million, falling 43% from 4Q17 and 48% from 3Q18, as the scenario was more challenging in the last few months of 2018, with an abrupt decline in oil prices. As a result, the EBITDA margin fell to 11% in 4Q18.

6. Net Financial Result - Consolidated

Net financial results R$ million	Δ (%) 4Q18 vs. 3Q18	3Q18	4Q18	4Q17	Δ (%) 4Q18 vs. 4Q17	2018	2017	Δ (%) 2018 vs. 2017
Financial income	**(17%)**	**6**	**5**	**80**	**(94%)**	**56**	**83**	**(33%)**
Interest on financial assets	(25%)	4	3	3	-	13	4	225%
Deleveraging program income	-	-	-	74	n.m.	36	74	(51%)
Other financial income	-	2	2	3	(33%)	7	5	40%
Financial expenses	**(23%)**	**(83)**	**(64)**	**(91)**	**(30%)**	**(262)**	**(294)**	**(11%)**
Financial interest	(36%)	(58)	(37)	(48)	(23%)	(167)	(179)	(7%)
Discounts granted to clients	(17%)	(12)	(10)	-	n.m.	(25)	(6)	317%
Interest from suppliers	-	(2)	(2)	(14)	(86%)	(25)	(44)	(43%)
Bank fees	(33%)	(3)	(2)	(2)	-	(9)	(10)	(10%)
Deleveraging program expenses	(67%)	(3)	(1)	(26)	(96%)	(8)	(26)	(69%)
Other financial expenses	140%	(5)	(12)	(1)	1,100%	(28)	(29)	(3%)
Foreign exchange variation, net	**n.m.**	**(31)**	**4**	**94**	**(96%)**	**(93)**	**(142)**	**(35%)**
Net financial results	**(49%)**	**(108)**	**(55)**	**83**	**n.m.**	**(299)**	**(353)**	**(15%)**

Financial Result

The net financial result improved 15%, moving from an expense of R$353 million in 2017 to an expense of R$299 million in 2018, due to (i) a reduction in the realized foreign exchange variation and (ii) lower interest expenses, including interest paid to suppliers and financial institutions, reflecting the use of proceeds of the Bond issued in 2018 to reduce exposure to suppliers with high financial charges and pay off expensive short-term debt early.

In 4Q18, the financial result was an expense of R$55 million, with financial expenses totalizing R$64 million, down 30% from 4Q17 and 23% from 3Q18, mainly due to lower interest on loans and financing.

7. Debt and Leverage Breakdown

Gross debt breakdown and net debt R$ million	Δ (%) (A) / (B)	Sept/18 (B)	Dec/18 (A)	Dec/17 (C)	Δ (%) (A) / (C)
Current	**(9%)**	**150**	**136**	**384**	**(65%)**
Domestic currency	n.m.	20	-	209	n.m.
Foreign currency	5%	130	136	175	(22%)
Non-current	**(4%)**	**1,495**	**1,442**	**738**	**95%**
Domestic currency	n.m.	4	-	88	n.m.
Foreign currency	(3%)	1,491	1,442	650	122%
Gross Debt	**(4%)**	**1,645**	**1,578**	**1,122**	**41%**
(-) Cash and Cash Equivalents	9%	221	240	35	586%
(-) Swap Accrual	(62%)	47	18	-	n.m.
Net Debt	**(4%)**	**1,377**	**1,320**	**1,087**	**21%**
(/) Adjusted EBITDA (LTM)	**(4%)**	**460**	**441**	**369**	**20%**
(=) Net debt to EBITDA ratio		**2.99x**	**2.99x**	**2.95x**	

We closed 2018 with gross debt of R$1,578 million, an increase of 41% over December 2017, due to (i) the use of proceeds of the Bond to settle trade payables with high financial charges, (ii) the maintenance of part of these funds in the Company's cash, ensuring greater liquidity and (iii) a 17% increase in the exchange rate, with an impact on the portion of debt denominated in dollars not covered by the hedge operation.

The debt profile also changed substantially after the Bond issue, with a 65% reduction in the short-term debt to R$136 million in 2018, representing only 57% of our cash position. As a result, net debt moved up 21% over 2017, totaling R$1,320 million in 2018, accompanied by a 20% increase in consolidated EBITDA, thus maintaining the leverage ratio stable at 2.99x.
Together with the Bond issue, in order to protect against exchange rate fluctuations, the Company contracted derivatives (Swap transaction) to hedge against foreign exchange variation in the principal (56.22% of the CDI) and interest and foreign exchange variation in the short term (142.5% of the CDI).

8. Net Cash Generation - Consolidated

Consolidated Cash Flow R$ million	Δ (%) 4Q18 vs. 3Q18	3Q18	4Q18	4Q17	Δ (%) 4Q18 vs. 4Q17	2018	2017	Δ (%) 2018 vs. 2017
Net cash provided by operating activities	**15%**	**104**	**120**	**(53)**	**n.m.**	**37**	**61**	**(39%)**
Net cash provided by investing activities	(48%)	(25)	(13)	(10)	30%	(101)	(72)	40%
Net cash provided by financing activities	(67%)	(120)	(40)	21	n.m.	275	(49)	n.m.
Effects of exchange rates on cash and cash equivalents	n.m.	13	(48)	(25)	92%	(6)	(4)	50%
Net cash and cash equivalents variation	**n.m.**	**(28)**	**19**	**(67)**	**n.m.**	**205**	**(64)**	**n.m.**

Cash generated from operations

The 39% decline in net cash generated from operations was mainly due to additional investments in working capital, as we used proceeds of the Bond to settle trade payables with high financial charges.

Working capital variation R$ million	Δ 4Q18 vs. 4Q17	Δ 2018 vs. 2017
(Increase) decrease in trade accounts receivable	46	182
Increase (decrease) in advances from clients	17	(13)
(Increase) decrease in inventories	58	(19)
Increase (decrease) in suppliers	(26)	(155)
(Increase) decrease in advances to suppliers	-	(10)
(Increase) decrease in recoverable taxes	(42)	(85)
Increase (decrease) in taxes and contributions payable	(11)	16
(Increase) decrease in other assets and liabilities	4	(64)
Cash generated from operations	**46**	**(148)**

Net cash used in investing activities - Higher investment expenses focused on maintenance projects that were on hold until 2017 due to lack of financial resources and some debottlenecking projects, including a 30kta capacity increase in the Styrene Monomer plant, completed in 2018.

Net cash generated from financing activities - The positive result was due to the issue of the Bond totaling US$200 million in 2018. A portion of these proceeds was used to pay suppliers, with an impact on operating cash generation.

Translation adjustments - a result of the foreign currency translation of the Mexican subsidiary.

9. Corporate Governance

Unigel has a solid structure to ensure its operations run smoothly, always being mindful of ethics, transparency and best corporate governance practices.

- Advisory Board
- Executive Board
- Financial Committee
- Strategic Committee
- Audit Committee

Advisory Board

Our Advisory Board supports the Executive Board's decision-making process. The Advisory Board is responsible for (i) creating value for the Company, preserving its existence (ii) ensuring the effective management of corporate risks and (iii) contributing independent evaluations and recommendations that support decision-making. This board is now composed of five members, three of whom are independent, with no family ties to the shareholders, selected from the best market professionals, with solid and relevant experience in the chemical sector.

The table below shows the current members of our Advisory Board:

• Henri Armand Slezynger	Founder and Chairman of the Board
• Marc Buckingham Slezynger	Member
• Ruy Hirschheimer	Member
• Ricardo Weiss	Member
• Paulo Schirch	Member

Executive Board

Our executives are the Company's legal representatives, being responsible for managing and operating our businesses with excellence, as well as for implementing general policies and guidelines periodically established by our Advisory Board. Our Executive Board is currently composed of seven members, none of whom has family ties to the shareholders.

The table below presents the current members of the Executive Board together with a brief summary of their professional experience, areas of expertise and points of interest for external stakeholders:

- Roberto Noronha dos Santos — Chief Executive Officer
- Daniel Zilberknop — Chief Financial Officer
- Abraham Klip Moshinsky — Strategic Officer and CEO of Operations in Mexico
- Daniel Scarmeloti da Fonseca — Controller and IT Officer
- Wendel Oliveira de Souza — Chief Commercial Officer
- Edson de Paiva Alves — Industrial Operations Officer
- José Roberto Heleno de Marquis — Industrial and Sustainability Officer

Financial Committee

The Financial Committee was created by the Advisory Board in July 2015 to work on issues related to (1) the soundness of our financial statements and internal controls; (2) financial policies; (3) the financial performance of the Company and its subsidiaries; (4) financial targets and budgets designed to promote the Company's strategic objectives; (5) loan and financing agreements that may require approval by the Advisory Board; (6) the financial position of the Company and its subsidiaries, as well as the risk to which they are exposed; and (7) transactions with related parties, among others.

Our Financial Committee is composed of three to five members appointed by the Advisory Board for a one-year term of office.

Strategic Committee

The Strategic Committee was created by the Advisory Board in July 2015 to provide guidance on issues related to (1) the implementation of our corporate governance practices and policies; (2) mergers, acquisitions, consolidations, joint ventures or consortiums, as well as other forms of corporate restructuring; (3) business strategies and long-term planning; (4) risk management and (5) compliance with the rules that govern our communication with regulatory and market bodies.

Audit Committee

The Audit Committee was created by the Advisory Board in September 2016 to advise on issues related to (1) the effectiveness of our internal audit and internal control processes; (2) the independence, qualification and performance of our independent auditors; (3) compliance with the applicable laws and regulations; and (4) the adjustment of our risk management processes.

10. Sustainability, EHS and Social Responsibility

Regarding product innovation and technology, our operating structure includes Unigel's Innovation and Technology Center (CITU), a dedicated research area that develops adjustments and implements projects based on sustainability pillars, among other activities.

Unigel is a signatory (certified by a third-party audit) to the Responsible Care Program, the Brazilian version of the Responsible Care program (created by ICCA in Canada in 1984), which includes various health, safety, environmental and social responsibility issues in its management system. The Brazilian Chemical Industry Association (ABIQUIM) is responsible for controlling which companies join the program.

With its Quality, Health, Safety and Environment (QHSE) corporate department, Unigel develops programs and actions to promote control and environmental preservation, as well as the safety of people, facilities and stakeholders.

All companies responsible for transporting Unigel's products are accredited in the Quality, Health, Safety and Environment Evaluation Program (SASSMAQ), a specific program for carriers that provides for a health, safety and environmental management system. Compliance with the SASSMAQ is an integral part of Unigel's procurement process. The program in question is also managed by ABIQUIM.

Unigel's management system is based on international standards ISO 9001, 14001 and 45001, as well as the Responsible Care Program and the Gold Category Complex Award (COFIC - Bahia), reflecting its interest in preserving the environment and the health and safety of its employees and the surrounding community, as well as compliance with the laws applicable to its business. It is also certified under the International Cyanide Code, being periodically submitted to federal and international audits that increase the Company's degree of commitment to the control and marketing of this substance.

The Organization promotes sustainable initiatives in its facilities. As a result, it has developed a differentiated treatment for part of the waste generated by its industrial processes. While some of the waste can be reused in other industrial units to make final products, other portions are sold for energy or agricultural applications. No less important, Unigel's industrial plants have a water reuse and recycling system, reflecting the Company's respect for the importance of this natural resource.

The continuous supplier evaluation and approval process includes social and environmental requirements, ensuring that all suppliers are committed to common interest issues in line with Unigel's Code of Ethics and Conduct.

Unigel develops permanent social responsibility projects in the regions where its plants are located, comprising schools, vocational courses, social inclusion programs and participation in Community Consulting Panels with other companies in São Paulo and Bahia industrial complexes. It also created the *Ver de Dentro* (See from the Inside) program that allows greater interaction between Unigel's industrial plants and the surrounding communities, disseminating knowledge of the Company and its main products.

11. People Development

People

Our employees are key for the successful implementation of our strategy. We want to attract and retain talented professionals, helping their personal and professional development. In order to achieve this, we foster a work environment that inspires and connects people. We work based on inclusive leadership, mutual trust, respect and dedication in order to achieve maximum performance.

We want to develop the best team. In order to achieve this, we focus on three strategic directions: excellent people, an excellent work environment and excellent leaders. The emphasis is on our attractiveness in labor markets, personal and professional development, continuing education and support to the development of our leaders.

Ultimately, everything we do should create value for our clients. We have a flexible organization and want to help our employees develop skills. We have great people working at Unigel and we have the necessary tools and resources to develop and deliver the products, solutions and services our clients need. Creativity, openness, accountability and entrepreneurial spirit are the values that define how we want to work together as a team and with our clients and business partners.

Compensation, incentives and programs

We have a management program with targets to align our strategic objectives and achieve better results. These goals are shared across the board, optimizing the dissemination of the Company's guidelines, since all our employees play an important role in the development of our strategic business management.

We adopt and apply a personnel management philosophy that emphasizes a compensation structure based on performance. Our employees are rewarded when we reach our annual targets through our profit sharing program. The members of the Advisory Board do not participate in this program.

We seek to recruit the best students of Brazilian vocational schools and universities to work with us. We also provide our employees with career development training in order to develop the necessary skills to work in our fast-paced environment. We have partnerships with universities, technical colleges and language schools in order to encourage our employees' educational development.

Pension plan

The goal of our private pension program is to offer our employees a pension that will complement the social security program offered by the Brazilian federal government as preparation for retirement. Under this plan, we have agreed to match the monthly social security contribution made by our employees under this private pension program.

EXHIBIT I
CONSOLIDATED BALANCE SHEET

ASSETS R$ million	Δ (%) (A) / (B)	Sept/18 (B)	Dec/18 (A)	Dec/17 (C)	Δ (%) (A) / (C)
Cash and cash equivalents	9%	221	240	35	586%
Accounts receivable	(22%)	250	196	326	(40%)
Inventories	(6%)	385	363	286	27%
Taxes recoverable	(9%)	246	223	206	8%
Advances to suppliers	3%	32	33	23	43%
Assets held for sale	n.m.	-	3	32	(91%)
Other current assets	109%	22	46	16	188%
Total Current Assets	**(4%)**	**1,156**	**1,104**	**924**	**19%**
Cash pooling	5%	62	65	47	38%
Deferred taxes	(3%)	400	387	353	10%
Judicial deposits	-	25	25	25	-
Other non-current assets	(51%)	45	22	20	10%
Investments	(67%)	6	2	5	(60%)
Property, plant & equipment and intangible	(0%)	1,121	1,116	1,097	2%
Total Non-Current Assets	**(3%)**	**1,659**	**1,617**	**1,547**	**5%**
TOTAL ASSETS	**(3%)**	**2,815**	**2,721**	**2,471**	**10%**

LIABILITIES R$ million	Δ (%) (A) / (B)	Sept/18 (B)	Dec/18 (A)	Dec/17 (C)	Δ (%) (A) / (C)
Loans and financing	(9%)	150	136	384	(65%)
Suppliers	(17%)	349	291	420	(31%)
Taxes payable	(25%)	75	56	71	(21%)
Salaries and social charges	(4%)	28	27	25	8%
Advances from clients	17%	58	68	81	(16%)
Derivatives operations	(50%)	2	1	-	n.m.
Hedge accrual	(19%)	42	34	37	(8%)
Other current liabilities	70%	50	85	41	107%
Total Current Liabilities	**(7%)**	**754**	**698**	**1,059**	**(34%)**
Loans and financing	(4%)	1,495	1,442	738	95%
Taxes payable	1%	105	106	152	(30%)
Deferred taxes	5%	103	108	115	(6%)
Post-employment benefits	7%	27	29	26	12%
Provision for contingencies	50%	8	12	4	200%
Other non-current liabilities	-	2	2	2	-
Total Non-Current Liabilities	**(2%)**	**1,740**	**1,699**	**1,037**	**64%**
Capital	-	276	276	276	-
Capital reserves	-	89	89	89	-
Other comprehensive income	(60%)	(53)	(21)	19	n.m.
Retained earnings (losses)	n.m.	9	(20)	(9)	122%
Shareholders' equity	**1%**	**321**	**324**	**375**	**(14%)**
TOTAL LIABILITIES	**(3%)**	**2,815**	**2,721**	**2,471**	**10%**

EXHIBIT II
CONSOLIDATED INCOME STATEMENT

Consolidated Income Statement R$ million	Δ (%) 4Q18 vs. 3Q18	3Q18	4Q18	4Q17	Δ (%) 4Q18 vs. 4Q17	2018	2017	Δ (%) 2018 vs. 2017
Net revenue	**(12%)**	**947**	**836**	**729**	**15%**	**3,394**	**2,788**	**22%**
Cost of goods sold	(5%)	(793)	(754)	(602)	25%	(2,954)	(2,358)	25%
Gross profit	**(47%)**	**154**	**82**	**127**	**(35%)**	**440**	**430**	**2%**
Gross margin	***(6p.p.)***	***16%***	***10%***	***17%***	***(8p.p.)***	***13%***	***15%***	***(2p.p.)***
Sales, general and administrative (SG&A) expenses	30%	(33)	(43)	(33)	30%	(138)	(173)	(20%)
Other operating income (expenses)	n.m.	4	(19)	(5)	280%	(19)	(14)	36%
Operating income (expenses)	**(84%)**	**125**	**20**	**89**	**(78%)**	**283**	**243**	**16%**
Net financial results	(49%)	(108)	(55)	83	n.m.	(299)	(353)	(15%)
Share profit of equity-accounted investees	-	-	-	-	-	-	-	-
Income tax and social contribution	(89%)	(9)	(1)	(126)	(99%)	(16)	(1)	1,500%
Net income (loss) from continuing operations	**n.m.**	**8**	**(36)**	**46**	**n.m.**	**(32)**	**(111)**	**(71%)**
Net income from discontinued operations	-	-	-	95	n.m.	-	51	n.m.
Net income	**n.m.**	**8**	**(36)**	**141**	**n.m.**	**(32)**	**(60)**	**(47%)**
Net revenue (US$ million)	***(8%)***	***239***	***220***	***223***	***(1%)***	***932***	***873***	***7%***

EXHIBIT III
CONSOLIDATED CASH FLOW

Consolidated Cash Flow R$ million	Δ (%) 4Q18 vs. 3Q18	3Q18	4Q18	4Q17	Δ (%) 4Q18 vs. 4Q17	2018	2017	Δ (%) 2018 vs. 2017
Net income	**n.m.**	**8**	**(36)**	**141**	**n.m.**	**(32)**	**(60)**	**(47%)**
Adjustments due to:								
Depreciation and amortization	19%	27	32	26	23%	114	97	18%
Provision for civil, tax and labor risks	500%	2	12	(7)	n.m.	21	77	(73%)
Allowance for doubtful accounts	(75%)	4	1	2	(50%)	7	15	(53%)
Accrual (reversal) of losses and obsolescence of inventories	n.m.	(1)	11	-	n.m.	10	1	900%
Deferred taxes	-	(3)	(3)	138	n.m.	(11)	(25)	(56%)
Derivatives adjustment	n.m.	(27)	29	-	n.m.	(18)	-	n.m.
Interest and foreign exchange variation of non-cash loans	n.m.	95	(3)	(49)	(94%)	225	246	(9%)
Interest of non-cash tax	(75%)	4	1	(42)	n.m.	5	-	n.m.
Gain (loss) on sale of property, plant and equipment	n.m.	-	13	(16)	n.m.	14	(10)	n.m.
Income on deleveraging program	-	-	-	(97)	n.m.	-	(97)	n.m.
Fair value adjustment - investment properties	n.m.	(6)	6	-	n.m.	-	-	-
Tax rate adjustment (PIS/Cofins)	-	-	-	-	-	(30)	-	n.m.
Income on deleveraging program	-	-	-	(73)	n.m.	-	(73)	n.m.
Cash generated from operations before changes in working capital	**(39%)**	**103**	**63**	**23**	**174%**	**305**	**171**	**78%**
(Increase) decrease in trade accounts receivable	61%	49	79	33	139%	149	(33)	n.m.
Increase (decrease) in advances from clients	400%	2	10	(7)	n.m.	(13)	-	n.m.
(Increase) decrease in inventories	n.m.	(102)	19	(39)	n.m.	(77)	(58)	33%
Increase (decrease) in suppliers	n.m.	57	(63)	(37)	70%	(134)	21	n.m.
(Increase) decrease in advances to suppliers	n.m.	15	(1)	(1)	-	(10)	-	n.m.
(Increase) decrease in recoverable taxes	n.m.	(67)	10	52	(81%)	(69)	16	n.m.
Increase (decrease) in taxes and contributions payable	n.m.	25	(15)	(4)	275%	(5)	(21)	(76%)
(Increase) decrease in other assets and liabilities	(30%)	37	26	22	18%	22	86	(74%)
Cash generated from operations (A)	**8%**	**119**	**128**	**42**	**205%**	**168**	**182**	**(8%)**
Interest paid on loans	(47%)	(15)	(8)	(95)	(92%)	(131)	(121)	8%
Financial operations (b)	**(47%)**	**(15)**	**(8)**	**(95)**	**(92%)**	**(131)**	**(121)**	**8%**
Net cash provided by operating activities (A - B)	**15%**	**104**	**120**	**(53)**	**n.m.**	**37**	**61**	**1%**
Acquisition of property, plant and equipment	68%	(19)	(32)	(12)	167%	(104)	(74)	41%
Proceeds from sale of fixed assets	n.m.	-	21	8	163%	21	16	31%
Cash pooling	(67%)	(6)	(2)	(5)	(60%)	(18)	(13)	38%
Net cash provided by investing activities	**(48%)**	**(25)**	**(13)**	**(9)**	**44%**	**(101)**	**(71)**	**42%**
Proceeds from loans and financing	-	10	10	3	233%	868	128	578%
Payments of loans	(62%)	(130)	(50)	(5)	900%	(593)	(177)	235%
Repayments of cash pooling	-	-	-	23	n.m.	-	-	-
Net cash provided by financing activities	**(67%)**	**(120)**	**(40)**	**21**	**n.m.**	**275**	**(49)**	**n.m.**
Effects of exchange rates on cash and cash equivalents	**n.m.**	**13**	**(48)**	**(25)**	**92%**	**(6)**	**(4)**	**50%**
Net cash and cash equivalents variation	**n.m.**	**(28)**	**19**	**(66)**	**n.m.**	**205**	**(63)**	**n.m.**
Cash and cash equivalents - at beginning of period	(11%)	249	221	101	119%	35	98	(64%)
Cash and cash equivalents - at end of period	9%	221	240	35	586%	240	35	586%

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Independent Auditor's Report on the Individual and Consolidated Financial Statements

To the Shareholders and Board of Directors
Unigel Participações S.A.
São Paulo - SP

Opinion

We have audited the individual and consolidated financial statements of Unigel Participações S.A. ("Company"), identified as Parent Company and Consolidated, respectively, which comprise the statement of financial position as of December 31, 2018, and the related statements of profit or loss, other comprehensive income, changes in shareholders´ equity and cash flows for the year then ended, as well as the corresponding notes, comprising the significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the individual and consolidated financial position of the Unigel Participações S.A. , as of December 31, 2018, and of its individual and consolidated financial performance and its operations and its individual and consolidated cash flows for the year then ended in accordance with accounting practices adopted in Brazil and with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board - IASB.

Basis for Opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' Responsibilities for the Audit of the Individual and Consolidated Financial Statements" section of our report. We are independent in relation to the Company and its subsidiaries in accordance with the ethical principles provided for in the Accountant Code of Professional Ethics and professional standards issued by the Brazilian Federal Accounting Council, and we have fulfilled with other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other matter

Statements of value added

The individual and consolidated statements of value added (DVA) for the year ended December 31, 2018 prepared under the responsibility of the Company's management, and presented herein as supplementary information for IFRS purposes, have been subject to audit procedures jointly performed with the audit of the Company's financial statements. In order to form our opinion, we assessed whether those statements are reconciled with the financial statements and accounting records, as

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applicable, and whether their format and contents are in accordance with criteria determined in the Technical Pronouncement 09 (CPC 09) - Statement of Value Added issued by the Committee for Accounting Pronouncements (CPC). In our opinion, the statements of value added have been fairly prepared, in all material respects, in accordance with the criteria determined by the aforementioned Technical Pronouncement, and are consistent with the overall individual and consolidated financial statements.

We draw attention to the fact we have not audited on the individual and consolidated statement of value added (DVA), presented as supplementary information, for the year ended December 31, 2017, accordingly, we do not express an opinion on them.

Individual financial statements corresponding

We draw attention to the fact that we have audited the individual financial statement of the Company as of December 31, 2017, presented as corresponding amounts in the current financial statements in accordance with accounting practices adopted in Brazil, although due to the fact there are differences with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board - (IASB), we did not express an opinion on that date of individual financial statements according these reporting standards. In addition, we did not perform auditing procedures on the statement of value added (DVA) for the year ended December 31, 2017, presented as supplementary information.

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

Management is responsible for the other information comprising the management report.

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

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

Responsibilities of Management for the Individual and Consolidated Financial Statements

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

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

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Auditors’ Responsibilities for the Audit of the Individual and Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the individual and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company´s and its subsidiaries internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company´s and its subsidiaries ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors’ report to the related disclosures in the individual and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors’ report. However, future events or conditions may cause the Company´s and its subsidiaries to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the individual and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the individual and consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

São Paulo, April 05, 2019

KPMG Auditores Independentes
CRC 2SP014428/O-6
Original report in Portuguese signed by
Wagner Petelin
Accountant CRC 1SP142133/O-7

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Unigel Participações S.A.

Statements of financial position As of december 31

(In thousands of Reais)

		Parent Company		Consolidated	
Assets	**Note**	**2018**	**2017**	**2018**	**2017**
Current assets					
Cash and cash equivalents	6	88	72	239,515	34,671
Trade accounts receivable	7	-	-	196,238	325,831
Inventories	8	-	-	363,425	286,062
Related parties	9	-	2,274	-	-
Dividends receivable	9	4,218	1,055	-	-
Income and social contribution taxes	11	-	20	16,988	12,229
Recoverable taxes	10	5	-	205,396	193,857
Prepaid expenses		305	230	8,463	4,290
Advances to suppliers		60	-	33,190	23,235
Derivatives	25	-	-	25,530	-
Other receivables		398	567	11,492	12,346
		5,074	4,218	1,100,237	892,521
Assets held for sale	28	-	-	3,327	31,600
Total current assets		5,074	4,218	1,103,564	924,121
Non-current assets					
Related parties	9	87,376	74,455	64,855	46,586
Recoverable taxes	10	-	-	4,056	3,711
Deferred taxes	11	-	-	387,124	352,665
Judicial deposits	17	-	-	24,983	24,559
Other receivables		-	-	18,106	18,043
		87,376	74,455	499,124	445,564
Investments	13	1,209,858	789,699	1,978	5,058
Property, plant and equipment	12	5,533	4,028	1,095,122	1,076,627
Intangible assets		-	-	15,023	19,931
Investment properties		6,300	-	6,300	-
		1,221,691	793,727	1,118,423	1,101,616
Total non-current assets		1,309,067	868,182	1,617,547	1,547,180
Total assets		1,314,141	872,400	2,721,111	2,471,301

		Parent Company		Consolidated	
Liabilities	**Note**	**2018**	**2017**	**2018**	**2017**
Current liabilities					
Loans and financing	14	-	-	135,935	384,167
Suppliers	15	858	529	290,989	420,276
Income and social contribution taxes	11	86	16	7,337	3,940
Taxes payable	16	133	42	48,296	67,394
Salaries and social security charges		279	4,550	26,905	24,630
Related parties	9	-	10,289	-	-
Advances from clients		-	-	67,976	80,912
Derivatives	25	-	-	821	-
Other provisions		-	-	33,690	37,351
Advances from PP&E sales		-	-	20,557	-
Other accounts payable		2,780	183	64,692	40,884
		4,136	15,609	697,198	1,059,554
Total current liabilities		4,136	15,609	697,198	1,059,554
Non-current liabilities					
Loans and financing	14	-	-	1,441,681	738,463
Taxes payable	16	-	-	106,466	151,992
Deferred taxes	11	4,602	-	108,099	114,649
Related parties	9	981,201	482,119		
Provision for civil, tax and labor risks	17	-	-	12,119	3,629
Post-employment benefits	19	-	-	28,638	26,130
Other accounts payable		-	-	2,708	2,212
Total non-current liabilities		985,803	482,119	1,699,711	1,037,075
Shareholders' equity	18				
Capital		276,185	276,185	276,185	276,185
Capital reserves		88,676	88,676	88,676	88,676
Other comprenhensive income		(21,227)	19,412	(21,227)	19,412
Profit reserves		-	-	-	-
Total shareholders' equity		324,202	374,672	324,202	374,672
Total liabilities and shareholders' equity		1,314,141	872,400	2,721,111	2,471,301

See the accompanying notes to the individual and consolidated financial statements.

Unigel Participações S.A.

Income statements

As of december 31

(In thousands of Reais)

		Parent Company		Consolidated	
	Note	2018	2017	2018	2017
Net revenue	20	**-**	**-**	**3,393,839**	**2,787,645**
Cost of goods sold	23	-	-	(2,953,636)	(2,357,985)
Gross profit		**-**	**-**	**440,203**	**429,660**
Sales expenses	23	-	-	(31,985)	(60,126)
Administrative and general expenses	23	(7,743)	(1,892)	(98,703)	(98,385)
Impairment trade accounts receivables	23	-	-	(7,466)	(14,604)
Other (expenses) income, net	22	(1,176)	421	(19,161)	(14,060)
Operating profit		**(8,919)**	**(1,471)**	**282,888**	**242,485**
Financial income	21	-	-	55,920	83,198
Financial expenses	21	(2,874)	(75)	(354,793)	(435,668)
Net financial expenses	21	**(2,874)**	**(75)**	**(298,873)**	**(352,470)**
Share of profit of equity-accounted in investees	11	(19,955)	(67,847)	-	(66)
Income (loss) before income and social contribution taxes		**(31,748)**	**(69,393)**	**(15,985)**	**(110,051)**
Income and social contribution taxes:					
Current	11	(11)	-	(27,264)	(24,598)
Deferred	11	-	8,973	11,490	23,485
	11	(11)	8,973	(15,774)	(1,113)
Net loss from continuing operations		**(31,759)**	**(60,420)**	**(31,759)**	**(111,164)**
Income for the year from discontinued operations, net of taxes	28	**-**	**-**	**-**	**50,744**
Net income (loss) for the year		**(31,759)**	**(60,420)**	**(31,759)**	**(60,420)**
Net income from continuing operations per Thousand shares - basic and diluted - Reais				**(0.077)**	**(0.270)**
Net income from discontinued operations per Thousand shares - basic and diluted - Reais				**-**	**0.120**
Number of weighted average shares outstanding during the year				**414,297,488**	**414,297,488**

See the accompanying notes to the individual and consolidated financial statements.

Unigel Participações S.A.

Statements of comprehensive income

As of december 31

(In thousands of Reais)

	Parent company		Consolidated	
	2018	**2017**	**2018**	**2017**
Net profit (loss) for the year	(31,759)	(60,420)	(31,759)	(60,420)
Other comprehensive income				
Items that are or may be reclassified subsequently to profit or loss				
Foreign operations - foreign currency translation differences	32,839	(3,933)	32,839	(3,933)
Actuarial gain and losses of the defined benefit plan (net of taxes)	(1,655)	(1,830)	(1,655)	(1,830)
Cash flow hedge realization (net of taxes)	566	-	566	-
Cash flow hedges - Marked to market adjustments (net of taxes)	4,622	-	4,622	-
Cash flow hedges - Effective portion of changes in fair value (net of taxes)	(94,558)	2,011	(94,558)	2,011
Cash flow hedges - Net amount reclassified to profit or loss (net of taxes)	33,340	165,176	33,340	165,176
Total comprehensive income	**(56,605)**	**101,004**	**(56,605)**	**101,004**

See the accompanying notes to the individual and consolidated financial statements.

Unigel Participações S.A.

Statements of changes in shareholders' equity

As of december 31

(In thousands of Reais)

		Capital Reserves			Profit reserves			
	Capital	**Premium on the acquisition of non-controlling interest**	**Shareholders' transactions**	**Other Comprehensive Income**	**Legal Reserve**	**Profit Reserve**	**Accumulated Loss**	**Total**
Balances at January 1, 2017	**276,185**	**(23,924)**	**-**	**(100,652)**	**2,045**	**23,362**	**-**	**177,016**
Loss for the year	-	-	-	-	-	-	(60,420)	(60,420)
Property, plant and equipment deemed cost depreciation and write-off,								-
net of tax effects	-	-	-	(41,360)	-	-	25,412	(15,948)
Debt forgiveness – shareholders acting in its capacity	-	-	112,600	-	-	-		112,600
Other comprehensive income								
Foreign operations - foreign currency translation differences	-	-	-	(3,933)	-	-	-	(3,933)
Cash flow hedges - Effective portion of changes in fair value	-	-	-	2,011	-	-	-	2,011
Cash flow hedges - Net amount reclassified to profit or loss	-	-	-	165,176	-	-	-	165,176
Actuarial losses of the defined benefit plan	-	-	-	(1,830)	-	-	-	(1,830)
Allocations								
Profit and legal reserve compensation	-	-	-	-	(2,045)	(23,362)	25,407	-
Balances at December 31, 2017	276,185	(23,924)	112,600	19,412	-	-	(9,601)	374,672
Loss for the year	-	-	-	-	-	-	(31,759)	(31,759)
Property, plant and equipment deemed cost depreciation and write-off,								-
net of tax effects	-	-	-	(21,928)	-	-	21,928	-
								-
Other comprehensive income								-
Fair value adjustment - investment properties - transfers				6,135				6,135
Foreign operations - foreign currency translation differences	-	-	-	32,839	-	-	-	32,839
Cash flow hedges - Effective portion of changes in fair value (net of tax)	-	-	-	(94,558)	-	-	-	(94,558)
Cash flow hedges - Mark to market (net of tax)	-	-	-	4,622	-	-	-	4,622
Cash flow hedge realization (net of tax)	-	-	-	566	-	-	-	566
Cash flow hedges - Net amount reclassified to profit or loss (net of tax)	-	-	-	33,340	-	-	-	33,340
Actuarial losses of the defined benefit plan (net of tax)	-	-	-	(1,655)	-	-	-	(1,655)
Balances at December 31, 2018	276,185	(23,924)	112,600	(21,227)	-	-	(19,432)	324,202

See the accompanying notes to the individual and consolidated financial statements.

Unigel Participações S.A.

Statements of cash flows

As of december 31

(In thousands of Reais)

	Parent company		Consolidated	
	2018	**2017**	**2018**	**2017**
Cash flow from operating activities				
Net profit (loss) for the year	(31,759)	(60,420)	(31,759)	(60,420)
Adjustments due to:				
Depreciation and amortization	110	100	114,377	96,538
Provision for civil, tax and labor risks	-	-	20,629	76,868
Allowance for doubtful accounts	-	-	7,466	14,604
Accrual (reversal) of losses and obsolescence of inventories	-	-	10,173	741
Deferred taxes	-	-	(11,490)	(23,485)
Derivatives	-	-	(17,706)	-
Income on deleveraging program	-	-	-	(73,771)
Interest and foreign exchange variation of loans	-	-	225,465	246,287
Interest on tax installments	-	-	5,039	
(Gain) on sale of discontinued operation (note 12)	-	-	-	(97,094)
(Gain) loss on sale of property, plant and equipment	-	-	10,893	(9,612)
(Gain) loss on sale of investments	569	-	-	-
Reversal of goodwill	-	-	3,011	-
Deduction of VAT tax (ICMS) from the basis of calculation of PIS and COFINS	-	-	(30,084)	-
Share profit of equity-accounted in investees	19,955	67,847	-	66
	(11,125)	7,527	306,014	170,722
Changes in assets and liabilities				
(Increase) decrease in trade accounts receivable	-	-	148,786	(32,700)
(Increase) decrease in inventories	-	-	(76,824)	(57,782)
(Decrease) increase in suppliers	329	517	(133,740)	21,197
Increase (decrease) in recoverable taxes	85	(780)	(68,831)	15,732
(Increase) decrease in other credits	33	4,734	(18,697)	15,493
Increase in other accounts payable	(1,674)	28	15,916	70,763
(Decrease) increase in taxes and contributions payable	91	-	14,354	(17,102)
Cash generation(used) on operational activities	(12,261)	12,026	186,978	186,323
Income tax paid	-	-	(18,907)	(3,960)
Interest paid on loans	-	-	(130,809)	(121,613)
Net cash from operating activities	(12,261)	12,026	37,262	60,750
Cash flow from investing activities				
Acquisition of property, plant and equipment and intangible assets	(5,533)	(1,403)	(103,711)	(74,010)
Acquisition of equity	(134)	-	-	-
Proceeds from sale of fixed assets and equipment	-	-	20,557	15,693
Repayments to related parties cash pooling	(9,246)	(10,612)	(18,270)	(13,393)
Net cash used in investment activities	(14,913)	(12,015)	(101,424)	(71,710)
Cash flow from financing activities				
Proceeds from loans and financing	-	-	867,469	128,444
Payments of loans	-	-	(592,838)	(177,341)
Repayments of related parties loans	27,190	-	-	-
Net cash (used in) from financing activities	27,190	-	274,631	(48,897)
(Decrease) Increase in cash and cash equivalents	16	11	210,469	(59,857)
Statement of changes in cash and cash equivalents				
At the beginning of the year	72	61	34,671	98,461
Effect of movements in Exchange rates on cash held	-	-	(5,625)	(3,933)
At the end of the year	88	72	239,515	34,671
	16	11	210,469	(59,857)

See the accompanying notes to the individual and consolidated financial statements.

Unigel Participações S.A.

Statements of added value

As of december 31

(In thousands of Reais)

	Parent company		Consolidated	
	2018	**2017 (unaudited)**	**2018**	**2017 (unaudited)**
Revenue	**(1,176)**	**421**	**3,723,363**	**3,103,113**
Sales of goods and services	-	-	3,736,086	3,122,324
Impairment trade accounts receivables - constitution/reversal	-	-	(7,466)	(14,604)
Other (expenses) income, net	(1,176)	421	(5,257)	(4,607)
Third party inputs (tax included)	**(3,712)**	**(1,792)**	**(2,918,592)**	**(2,345,594)**
Cost of goods sold	-	-	(2,537,641)	(2,104,891)
Materials, energy, third-party services and others	(2,717)	(1,689)	(239,145)	(201,597)
(Loss)/recovery of value	-	-	(13,904)	(9,453)
Other	(995)	(103)	(127,903)	(29,653)
Gross added value	**(4,888)**	**(1,371)**	**804,770**	**757,519**
Depreciation, amortization and exhaustion	(110)	(100)	(114,377)	(96,538)
Net added value produced by internally	**(4,998)**	**(1,471)**	**690,393**	**660,981**
Added value received in transfers	**(19,955)**	**(67,847)**	**55,920**	**133,876**
Share of profit of equity-accounted in investees	(19,955)	(67,847)	-	(66)
Financial revenue	-	-	55,920	83,198
Other	-	-	-	50,744
Total distributable added value	**(24,953)**	**(69,318)**	**746,313**	**794,857**
Added value distribution	**(24,953)**	**(69,318)**	**746,313**	**794,857**
Personell	**3,921**	**-**	**190,373**	**194,144**
Direct compensation	3,921	-	51,450	67,965
Benefits	-	-	35,763	44,381
Other	-	-	103,160	81,798
Taxes, fees and contributions	**(795)**	**(9,010)**	**226,157**	**219,246**
Federal	(795)	(9,010)	102,764	73,723
State	-	-	123,286	145,523
Municipal	-	-	107	-
Third-party capital remuneration	**3,680**	**112**	**361,543**	**441,887**
Interest	3,680	112	361,543	441,887
Remuneration of equity	**(31,759)**	**(60,420)**	**(31,759)**	**(60,420)**
Deemed cost reserve realization	(21,928)	(50,819)	(21,928)	(50,819)
Accumulated Profit/(loss) reserves	(9,831)	(9,601)	(9,831)	(9,601)

See the accompanying notes to the individual and consolidated financial statements.

Notes to the consolidated financial statements

In thousands of reais, unless otherwise indicated

1 Reporting entity

Unigel Participações S.A. ("Unigel" or the "Company") is a privately-held company, located at Avenida Engenheiro Luís Carlos Berrini, no. 105, 11º floor, District Brooklin, in the city and the state of São Paulo. These consolidated financial statements comprise the Company and its subsidiaries (together referred as "Group").

Unigel acts as a holding company of subsidiaries engaged in the manufacturing, trading, import and export of chemical products in the acrylics and styrenics value chains. It also provides advisory services for the management of controllership, financial, legal, planning, people management and information technology of its subsidiaries.

On December 31, 2018 the Group comprises of the following subsidiaries:

Companies	% of equity	Main products
Direct subsidiaries		
Acrinor Acrilonitrila do Nordeste S.A.	99.9%	Acrylonitrile, hydrocyanic acid, acetonitrile, acetone cyanohydrin, styrene, ethylbenzene and toluene
Unigel Plásticos S.A.	99.9%	Acrylic and polycarbonate plates and resins
Unigel Luxembourg S.A.	99.9%	Asset management
Indirect subsidiaries		
Proquigel Química S.A.	99.9%	Methyl and ethyl methacrylates, methyl and ethyl acrylates, sodium and potassium cyanide and ammonium sulfate
Companhia Brasileira de Estireno	99.9%	Styrene, polystyrene, toluene and latex
Unigel Holdings, S de R. L. de C. V. and its subsidiaries:	99.9%	
Distribuidora de Químicos Unigel S.A. de C.V.	99.9%	Acrylonitrile, hydrocyanic acid and acetone cyanohydrin
Unigel Acrílicos, S.A. de C.V.	99.9%	Methyl and ethyl methacrylate, methyl and ethyl acrylate, sodium and potassium cyanide and ammonium sulfate
Metacril, S.A. de C.V.	99.9%	Rendering of services to third parties
Distribuidora de Productos Plastiglas, S.A. de C.V.	99.9%	Sodium cyanide
Unigel Inc.	99.9%	Distributor of company's products.
Unigel Distribuidora Ltda.	99.9%	Distributor of company's products.
Plastiglás de México, S.A. de C.V.	99.9%	Acrylic sheets and resins, resale of polycarbonate plates.
Unigel Finance Limited	99.9%	Asset management

In 2018 management completed several financial deleveraging and capital restructuring initiatives which began in 2017 with some strategic actions, such as: (i) divestment from business that does not represent the Group's strategic focus (in special, the discontinuation of its packaging segment operations), (ii) adherence to the federal and state program of tax regularization that extended the current liabilities to non-current liabilities and allowed the offsetting of federal tax liabilities with tax losses carryforwards.

In May 2018, following the aforementioned deleveraging program, the Group took another important step in its strategy to adjust the group's capital structure by issuing its first bond in the total aggregate amount of USD 200,000 (R$ 750,000). This funding, as well as the other initiatives, enabled the improvement of some financial indicators utilized by management to evaluate financial performance such as current liquidity (current assets divided by current liabilities) of 1.60 in December 31, 2018, as compared to 0.87 at December 31, 2017.

2 Basis of accounting

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and also BRGAAP.

These consolidated financial statements were authorized for the issue by management on April 05, 2019.

3 Significant accounting policies

The accounting policies described in detail below have been consistently applied to all the years presented in these consolidated financial statements.

This is the first set of the Group’s annual financial statements in which IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments have been applied. Changes to significant accounting policies are described in Note 3.1.

a. Functional currency and presentation currency

These consolidated financial statements are presented in Brazilian Reais, which is the Group’s functional currency. All amounts have been rounded to the nearest thousands, except otherwise indicated.

b. Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

(ii) Loss of control

When the Group loses control over a subsidiary it derecognizes the assets and liabilities of the subsidiary, and any related Non-controlling interest (NCI) and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(iii) Equity accounted investments

The Group's investments in entities accounted for under the equity method are initially recognized at cost, which includes transaction costs. After initial recognition, the financial statements include the Group's interest in the net income or loss for the year and other comprehensive income (OCI) of the investee until the date when significant influence or joint control ceases to exist. In the Company's individual financial statements, investments in subsidiaries are also accounted for using this method.

(iv) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated. Unrealized gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

c. Foreign currency

Foreign currency transactions

Transactions in foreign currency are translated into the respective functional currencies of the Group at the exchange rates on the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognized in profit or loss.

However, foreign currency differences arising from the translation of the following items are recognized in Other Comprehensive Income (OCI): qualifying cash flow hedges to the extent that the hedges are effective.

Foreign operations

The assets and liabilities of foreign operations are translated into Reais at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into Reais at the monthly average rates.

Foreign currency translation differences are recognized in OCI and accumulated in the translation reserve.

d. Financial instruments

(i) Recognition and initial measurement

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at Fair Value Through Profit or Loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Financial assets - Policy applicable from January 1, 2018
On initial recognition, a financial asset is classified as measured at: amortized cost or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

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

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortized cost are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets - Business model assessment: Policy applicable from January 1, 2018
The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets - assessment whether contractual cash flows are solely payments of principal and interest: Policy applicable from January 1, 2018

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- Contingent events that would change the amount or timing of cash flows;
- Terms that may adjust the contractual coupon rate, including variable-rate features;
- Prepayment and extension features; and
- Terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets - Subsequent measurement and gains and losses: Policy applicable from January 1, 2018

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.
Financial assets at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Financial assets - Subsequent measurement and gains and losses: Policy applicable before January 1, 2018
The Group classified its financial assets into one of the following categories:

- loans and receivables;
- at FVTPL, and within this category as: derivative hedging instruments; or designated as at FVTPL.

Loans and receivables	Measured at amortized cost using the effective interest method.
Financial assets at FVTPL	Measured at fair value and changes therein, including any interest, were recognized in income statement.

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

(iii) Derecognition

Financial assets
The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognized in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

Financial liabilities
The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(v) Derivative financial instruments and hedge accounting

Derivative financial instruments and hedge accounting

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

The Group designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in foreign exchange rates and interest rates and certain derivatives and non-derivative financial liabilities as hedges of foreign exchange risk on a net investment in a foreign operation.

At inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

Cash flow hedge

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognized in OCI and accumulated in the hedging reserve. The effective portion of changes in the fair value of the derivative that is recognized in OCI is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss.

For all other hedged forecast transactions, the amount accumulated in the hedging reserve is reclassified to profit or loss in the same period or periods during which the hedged expected future cash flows affect profit or loss.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve is reclassified to profit or loss.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging are immediately reclassified to profit or loss.

e. Inventories

Inventories are measured at the lower of cost or net realizable value. The cost of inventories is based on the average cost principle and includes purchase costs, production or conversion costs, as well as other costs incurred in bringing inventories to its existing location and condition, including attributable non-production overheads.

The net realizable value is the estimated selling price in ordinary course of business, less the estimated cost of completion and sale.

f. Property, plant and equipment ("PP&E")

Recognition and measurement

Items of property, plant and equipment are measured at cost, less accumulated depreciation and any accumulated impairment losses.

The cost of assets built by the Group includes materials and direct labor, as well as any other costs attributable to bringing the assets to the location and condition required for them to operate in the manner intended by management.

Purchased software that is integral to the functionality of a piece of equipment is capitalized as part of that equipment.

Any gains or losses on disposal of a property, plant and equipment is recognized in profit or loss.

Subsequent costs

Subsequent costs are capitalized only if it is probable that future economic benefits associated with the expenditure will flow to the Group.

Depreciation

Depreciation of an asset begins when it is available or ready for use - i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment, as this method is that more closely reflects the pattern of consumption of future economic benefits embodied in the asset. Those estimated useful lives are reviewed annually by a third-party company hired by the Group to assess any changes on the useful lives of items of property, plant and equipment.

Average annual rates of significant property, plant and equipment items for current and comparative years are as follows:

Buildings	9% p.a.
Machinery and equipment	11-12% p.a.
Facilities, tools and instruments	8-9% p.a.
Spare material (i)	8% p.a.
Improvements in own assets	12% p.a.

(i) Part of this item refers to specific custom-made materials which maintain specific productive lines, and therefore its depreciation has the same rate as the related machines.

The depreciation methods, useful lives and residual values will be reviewed at each reporting date, and prospectively adjusted, if appropriate.

g. Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held for sale if it is highly probable that they will be recovered primarily through sales rather than continuous use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held-for-sale and subsequent gains and losses on remeasurement are recognized in profit or loss.

Once classified as held for sale, intangible assets and property, plant and equipment are no longer amortized or depreciated.

h. Impairment

(i) Non-derivative financial assets

Policy applicable from January 1, 2018

Financial instruments and contract assets
The Group recognizes loss allowances for Estimated Credit Loss (ECL) on:

- financial assets measured at amortized cost;
- The Group measures loss allowances at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group’s historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Group assess impairment of trade accounts receivable in aggregate considering general characteristics of domestic and foreign market and business segment. As the asset is past due 90 days, the Group assess trade accounts receivable individually, considering guarantees, internal credit rating as observed by the Credit Committee.

The Group considers a financial asset to be in default when:

- the counterparty is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as collateral (if any is held); or
- the financial asset is more than 90 days past due.
- Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.
- The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs
ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

Credit impaired financial assets
At each reporting date, the Group assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the counterparty
- a breach of contract such as a default or being more than 90 days past due;
- it is probable that the counterparty will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the income statement
Loss allowances for financial assets measured at amortized cost are disclosed in a separate line within the income statement, including reversals of impairment losses and impairment gains.

Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Policy applicable before January 1, 2018

Non-derivative financial assets

Financial assets not classified as at FVTPL were assessed at each reporting date to determine whether there was objective evidence of impairment.

Objective evidence that financial assets were impaired included:

- default or delinquency by a debtor;
- restructuring of an amount due to the Group on terms that the Group would not consider otherwise;
- indications that a debtor or issuer would enter bankruptcy;
- adverse changes in the payment status of borrowers or issuers;
- the disappearance of an active market for a security because of financial difficulties; or
- observable data indicating that there was a measurable decrease in the expected cash flows from a group of financial assets.

Financial assets measured at amortized cost	The Group considered evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets were individually assessed for impairment. Those found not to be impaired were then collectively assessed for any impairment that had been incurred but not yet individually identified. Assets that were not individually significant were collectively assessed for impairment. Collective assessment was carried out by grouping together assets with similar risk characteristics. In assessing collective impairment, the Group used historical information on the timing of recoveries and the amount of loss incurred, and made an adjustment if current economic and credit conditions were such that the actual losses were likely to be greater or lesser than suggested by historical trends. An impairment loss was calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses were recognized in profit or loss and reflected in an allowance account. When the Group considered that there were no realistic prospects of recovery of the asset, the relevant amounts were written off. If the amount of impairment loss subsequently decreased and the decrease was related objectively to an event occurring after the impairment was recognized, then the previously recognized impairment loss was reversed through profit or loss.

(ii) *Non-financial assets*

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than investment property, inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or Cash-Generating units (CGU). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

i. Employee benefits

(i) *Short-term employee benefits*

Obligations for short-term employee benefits are measured on a non-discounted basis and incurred as expenses as the related service is rendered.

A liability is recognized at the amount expected to be paid under the cash bonus or profit sharing plans if the Group has a legal or constructive obligation to pay this amount as a result of prior service rendered by the employee, and the obligation can be reliably estimated.

(ii) *Defined contribution plans*

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity (pension fund) and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as employee benefit expenses in profit or loss for the years in which the services are rendered by the employees. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available. The contributions to a defined contribution plan whose expected maturity is 12 months from the end of the period in which the employee renders the service are discounted to their present values.

(iii) Defined benefit plans

The Group's net obligation for defined benefit plans is calculated for each of the plans based on the estimated future benefit amount that employees will receive as a return for the services rendered in the current period and in prior periods. This amount is discounted to its present value and is presented net of the fair value of any plan assets.

The calculation of the defined benefit plan obligation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in an active potential for the Group, the asset to be recognized is limited to the present value of the economic benefits available in the form of future repayments of the plan or reduction in future contributions to the plan. To calculate the present value of the economic benefits, any applicable minimum cost requirements are taken into account.

Remuneration of net obligation, which includes: actuarial gains and losses, return on plan assets (excluding interest) and the effect of asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Group determines the net interest on the net amount of defined benefit liability (asset) in the period multiplying the net amount of the defined benefit liability (asset) by the discount rate used in the measurement of the defined benefit obligation, both as determined at the beginning of the period to which the financial statements refer, taking into account any changes in the net amount of defined benefit liabilities (assets) during the period due to payments of contributions and benefits. Net interest income and other expenses related to defined benefit plans are recognized in profit or loss.

Gains and losses resulting from defined benefit plans are recognized as Other Comprehensive Income (OCI) in Shareholders' equity.

j. Government grants

Government grants are recognized when there is a reasonable assurance that the Group will comply with the relevant conditions and the grant will be received. Government grant are recognized in the statement of profit on a systematic basis as the Group recognizes as expenses the costs that the grants are intended to compensate.

The Group recognizes ICMS (DESENVOLVE), IRPJ (SUDENE) and REINTEGRA (export credits) government grants, for further detail see note 26.

k. Financial income and expenses

Financial income includes interest on financial assets at FVTPL, interest income on loans and receivables, discounts from suppliers, and other financial income.

The financial expenses include interest expense, discounts granted to customers, taxes on financial income, deleveraging program expenses, suppliers’ interest, indexation charges, and other financial expenses.

Foreign exchange from financial assets and liabilities are reported on a net basis in the income statement as financial income or financial expenses, depending whether net foreign exchange variations is a gain or loss.

l. Income and social contribution taxes

The income and social contribution taxes, both current and deferred in Brazil, are calculated based on the rates of 15% plus a surcharge of 10% on taxable income in excess of R$ 240 for income tax and 9% on taxable income for social contribution on net income, and consider the offsetting of tax loss carryforward and negative basis of social contribution, limited to 30% of the taxable income. The income tax rate in Mexico is calculated based on the rate of 30%, and the effect of rate differences in foreign jurisdiction is considered in the reconciliation of effective tax rate.

Income tax and social contribution expense comprises both current and deferred taxes. Deferred income and social contribution taxes are recognized in statement of profit unless they are related to items directly recognized in Shareholders' equity or in OCI.

Current tax

Current tax is the tax payable, estimated at the taxable income for the year.

Deferred tax

Deferred taxes are recognized in relation to the temporary differences between the book values of assets and liabilities for accounting purposes and the related amounts used for taxation purposes.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting date, to recover or settle the book value of its assets and liabilities.

Deferred taxes are measured at tax rates expected to be applied to temporary differences when they are reversed, based on rates enacted or substantively enacted up to the date of the preparation of financial statements.

Deferred income tax and social contribution assets are recognized for tax loss carryforwards, tax credits and deductible temporary differences, to the extent that it is probable that future taxable income will be available against which the tax loss carryforwards and credits can be utilized, or on different taxable entities but that there is an intention to settle current tax liabilities and assets on a net basis or tax assets and liabilities will be realized simultaneously.

Deferred income and social contribution tax assets are reviewed at each preparation date of financial statements and reduced when their realization is no longer probable.

m. Provisions

A provision is set up when the Group has a legal or constructive obligation as a result of a past event, which can be reliably estimated, and it is probable that an outflow of funds will be required to settle the obligation.

n. Discontinued operation

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- Represents a separate major line of business; or
- is part of a single coordinated plan to dispose of a separate major line of business or geographic area of operations.

Classification as discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and OCI is represented as if the operation has been discontinued from the start of the comparative year.

o. Net revenue

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognizes revenue when it transfers control over a good to a customer.

Information about the nature and timing of the satisfaction of performance obligations in contract with customers for Styrenics and Acrylics follows:

a. Nature and timing of satisfaction of performance obligations, including significant payment terms

Customers obtain control of Styrenics and Acrylics products when goods have been accepted. Invoiced payment terms are determined based on a credit analysis performed for each single customer.

Commercial discount may be granted to customers based on the negotiation, and they represent a reduction of the standard price. The invoice is issued by the standard price less the amount of commercial discount. Also, the Group may grant discounts to customers as incentives for customers who pre-pay.

Some contracts permit the customer to return the product before acceptance.

b. Revenue recognition under IFRS 15 (applicable from January 1, 2018)

Revenue is recognized when goods have been accepted by customers based on the following delivered terms:

Channel	Freight type	Nature and timing of satisfaction of performance obligations	Revenue recognition
Land	Freight paid by seller	Customers obtain control of products when the goods are delivered to and have been accepted at their premises.	Recognized when the goods have been delivered and accepted at the client premises.
Land	Freight paid by buyer	Customers obtain control of products when the goods are dispatched from the Group's warehouse.	Recognized at dispatch of goods.
Sea	Cost insurance and Freight	Customers obtain control of the products when the goods arrive at destiny port.	Recognized when the freight ship arrives at destiny port.
Sea	Free on board	Customers obtain control of the products when the goods are boarded in the freight ship.	Recognized when the goods are boarded in the freight ship.

c. *Revenue recognition under IAS 18 (applicable before January 1, 2018)*

Net sales from the normal course of business are measured at the fair value of the consideration received or receivable, net of returns, commercial discounts and bonuses. Revenue is recognized when there is convincing evidence that the risks and rewards inherent to the ownership of the assets have been transferred to the purchaser, it is probable that the financial economic benefits will flow to the entity, the related costs and potential return of goods can be reliably estimated, there is no continued involvement with the goods sold, and the amount of net sales can be reliably measured. In the event that it is probable that discounts will be granted and their amounts can be reliably measured, discounts are recognized as a reduction to sales.

d. *Statement of added value*

The Company prepared individual and consolidated statements of value added in accordance with technical pronouncement CPC 09 - Statement of Value Added, which are presented as an integral part of the financial statements in accordance with the accounting practices adopted in Brazil applicable to publicly-held companies, while for IFRSs they represent additional financial information.

e. *Segments*

An operating segment is a component of the Company and its subsidiaries that conduct business activities from which they may earn revenues and incur expenses, including revenues and expenses related to transactions with other components. All operating results of the operating segments are reviewed frequently with their managers and reporting to Management; in the same way, they are presented in the meetings of the Advisory Council, for decisions on the resources to be allocated to the segment and for evaluation of their performance, for which individualized financial information is available.

Segment results include items directly attributable to the segment, as well as those that can be allocated on a reasonable basis. Non-allocated items comprise mainly corporate assets (primarily the Company's head office and administration), financial results, and income and social contribution taxes.

f. *Earnings per share*

The basic earnings per share is calculated by the result of the year attributable to the controlling shareholders and the weighted average number of common shares outstanding in the respective year. The diluted earnings per share is calculated by means of the aforementioned average of the outstanding shares, adjusted by the instruments potentially convertible into shares, however, the group has no dilutive effect in the years presented, according to the technical pronouncement - Earnings per Share of IAS 33 - Earnings per Share.

3.1 Changes in significant accounting policies

The Group has initially applied IFRS 9 and IFRS 15 from January 1, 2018. A number of other new standards are also effective from January 1, 2018 but they do not have a material effect on the Group’s financial statements.

Due to the transition methods chosen by the Group in applying these standards, comparative information throughout these financial statements have not been restated to reflect the requirements of the new standards.

3.1.1 IFRS 9 - Financial instruments

IFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 *Financial Instruments: Recognition and Measurement*.

As a result of the adoption of IFRS 9, the Group has adopted consequential amendments to IAS 1 *Presentation of Financial Statements*, which require impairment of financial assets to be presented in a separate line item in the statement of profit or loss. Previously, the Group's approach was to include the impairment of trade receivables in sales expenses. Impairment losses on other financial assets are presented under 'finance costs'.

Additionally, the Group has adopted consequential amendments to IFRS 7 *Financial Instruments: Disclosures* that are applied to disclosures about 2018 but have not been generally applied to comparative information.

(i) Classification and measurement of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, FVOCI and FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies related to financial liabilities and derivative financial instruments.

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets and financial liabilities as at January 1, 2018.

The effect of adopting IFRS 9 at January 1, 2018 relates solely to the new classification under IFRS 9.

			Parent company		**Consolidated**	
	Classification under IAS 39	**Classification under IFRS 9**	**Balances under IAS 39 31/12/2017**	**Balances under IFRS 9 01/01/2018**	**Balances under IAS 39 31/12/2017**	**Balances under IFRS 9 01/01/2018**
Assets						
Cash and cash equivalents(b)	FVTPL	FVTPL	72	72	34,671	34,671
Dividends receivable(a)	Loans and receivables	Amortized cost	1,055	1,055	-	-
Trade accounts receivable(a)	Loans and receivables	Amortized cost	-	-	325,831	325,831
Related parties(a)	Loans and receivables	Amortized cost	76,729	76,729	46,586	46,586
Other investments(a)	Loans and receivables	Amortized cost	5,558	5,558	5,058	5,058
Other assets(a)	Loans and receivables	Amortized cost	-	-	14,298	14,298

	Classification under IAS 39	Classification under IFRS 9	Parent company		Consolidated	
			Balances under IAS 39 31/12/2017	**Balances under IFRS 9 01/01/2018**	**Balances under IAS 39 31/12/2017**	**Balances under IFRS 9 01/01/2018**
Total			**83,981**	**83,981**	**426,444**	**426,444**
Liabilities						
Suppliers	Other financial liabilities	Other financial liabilities	(529)	(529)	(420,276)	(420,276)
Related parties	Other financial liabilities	Other financial liabilities	(492,408)	(492,408)	-	-
Loans and financing	Other financial liabilities	Other financial liabilities	-	-	(297,261)	(297,261)
Loans and financing in USD	Other financial liabilities	Other financial liabilities	-	-	(825,369)	(825,369)
Other financial liabilities	Other financial liabilities	Other financial liabilities	(183)	(183)	(43,095)	(43,095)
Total			**(493,120)**	**(493,120)**	**(1,586,001)**	**(1,586,001)**

a. Financial assets at amortized cost

Financial assets at amortized cost were classified as loans and receivables under IAS 39 and are now classified at amortized cost, because the Group business model for that financial asset is to receive contractual cash flows.

There was no increase in the allowance for impairment over these receivables at January 1, 2018 on transition to IFRS 9.

b. FVTPL

Under IAS 39, these financial assets were designated as at FVTPL because they were managed on a fair value basis and their performance was monitored on this basis. These assets have been classified as measured at FVTPL under IFRS 9.

(ii) Impairment of financial assets

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with an ‘expected credit loss’ (ECL) model. The new impairment model applies to financial assets measured at amortized cost, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than under IAS 39.

The Group considers that the related parties balance does not have a significant credit risk susceptible to impairment assessment.

For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile.

(iii) Hedge accounting

The Group has elected to maintain the hedge accounting model of IAS 39. However, the Group has ensured that hedge accounting relationships are aligned with its risk management objectives and strategy at January 1, 2018. The only relationship existing at that date was the debt cash flow hedge (see note 25.4 (i)).

Transition

The Group has used an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements.

3.1.2 *IFRS 15 - Revenue from contracts with costumers*

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. Under IFRS 15, revenue is recognized when a customer obtains control of the goods or services. Determining the timing of the transfer of control at a point in time requires judgement.

The Group has adopted IFRS 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognized at the date of initial application (i.e. January 1, 2018). Accordingly, the information presented for 2017 have not been restated - i.e. it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations.

The following tables summarize the impacts of adopting IFRS 15 on the Group's statement of income or loss for the year then ended for each of the line items affected. There was no material impact on the Group's statement of financial position, OCI and cash flows for the year ended 31 December 2018.

2018	**As reported**	**IFRS 15 adoption**	**Amounts without adoption**
Net Sales	3,393,839	(106,962)	3,286,877
Cost of goods sold	(2,953,636)	129,796	(2,823,840)
Gross profit	**440,203**	**22,834**	**463,037**
Sales expenses	(31,985)	(22,834)	(54,819)
SG&A	(98,703)	-	(98,703)
Impairment trade accounts receivable	(7,466)	-	(7,466)
Other (expenses) income	(19,161)	-	(19,161)
Gross profit	**282,888**	**-**	**282,888**

(a) During the assessment of IFRS 15, the Group identified that for goods transferred to the final destination and then accepted by customer - transport costs form part of a single performance obligation for the sale of goods, the revenue is recognized when the goods are delivered and accepted, therefore the Group applies the guidance of inventory in IAS 2 on accounting for transport costs that was previous recognized as revenue reduction and sales expenses.

3.2 New standards issued but not yet in effect

A number of new standards are effective for annual periods beginning after January 1, 2019 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

Of those standards that are not yet effective, IFRS 16 is expected to have an impact on the Group's financial statements in the period of initial application.

3.2.1 IFRS 16 - Leases

The Group is required to adopt IFRS 16 Leases from January 1, 2019. The Group has assessed the estimated impact that initial application of IFRS 16 will have on its consolidated financial statements, as described below. The actual impacts of adopting the standard on January 1, 2019 may change because:

- the Group has not finalized the testing and assessment of controls over its new IT systems; and

- the new accounting policies are subject to change until the Group presents its first financial statements that include the date of initial application.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard - i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases - Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

(i) Leases in which the Group is a lessee

The Group will recognize new assets and liabilities for its operating leases of factory facilities, vehicles and storage tanks. The nature of expenses related to those leases will now change because the Group will recognize a depreciation charge for right-of-use assets and interest expense on lease liabilities.

Previously, the Group recognized operating lease expense on a straight-line basis over the term of the lease, and recognized assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognized.
In addition, the Group will no longer recognize provisions for operating leases that it assesses to be onerous. Instead, the Group will include the payments due under the lease in its lease liability.

No significant impact is expected for the Group’s finance leases.

Based on the information currently available, the Group estimates that it will recognize additional lease liabilities of R$ 214,721 as at January 1, 2019. Those liabilities were calculated based on:

- Remaining term of currently open operational lease contracts

- Monthly charges of operational leases contracts with monetary correction whenever applicable

- Discounted the projected cash flows by the Group discount rate calculated as its incremental borrowing rate

Discount rate
The discount rate was calculated by constructing an interest rate curve based on the Group secured bonds and comparable companies bonds as forward points in the range of 5 to 10 years the comparable companies' bonds were adjusted by the companies' average spread, difference of rating and any other risk specific spread identified. For the first point (D+1) of the curve the Group average effective loans and financing rate was used without adjustments. For the 10+ years point the Brazilian government bond was used adjusted by the historical spread of the Group Bond with the Brazilian government Bond with similar final settlement date.

Those forward points were exponentially interpolated to construct a discount rate curve with reference rates for all the payment dates. That curve was used to discount every projected cash flow into the operational leasing contracts base.

The Group does not expect the adoption of IFRS 16 to impact its ability to comply with all financial covenants.

(ii) Transition
The Group plans to apply IFRS 16 initially on January 1, 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognized as an adjustment to the opening balance of retained earnings at January 1, 2019, with no restatement of comparative information.

The Group plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply IFRS 16 to all contracts entered into before January 1, 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

3.2.2 Other standards
The following amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements.

- Annual Improvements to IFRSs 2015-2017 Cycle - various standards.
- IFRIC 23 Uncertainty over Tax Treatments.
- Prepayment Features with Negative Compensation (Amendments to IFRS 9).
- Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28).
- Plan Amendment, Curtailment or Settlement (Amendments to IAS 19).
- Amendments to References to Conceptual Framework in IFRS Standards.
- IFRS 17 Insurance Contracts.

4 Use of judgements and estimates

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

a. Judgment

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements is included in the notes 28 operating lease classification.

b. Assumptions and estimation uncertainties

Information about assumptions and estimates uncertainties that have a significant risk of resulting in material adjustments in the December 31, 2018 is included in the following notes:

- **Note 8 -** Inventories: Group assess the realizable value of inventories on a monthly basis to identify impairment through an analysis of production cost versus realizable value.

- **Note 11 -** Deferred taxes: availability of future taxable profit against which tax losses carried forward can be used.

- **Note 12 -** Property, plant and equipment: Group annually evaluates the useful lives of property, plant and equipment and intangible assets using specialized consulting services and internal technical personnel.

- **Note 17 -** Provision for civil, tax and labor risks: recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources.

- **Note 19 -** Measurement of defined benefit obligation: key actuarial assumption.

5 Measurement of fair value

A number of the Group's accounting policies and disclosures require measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair values measurements, and reports directly to the chief financial officer.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of IFRS, including the level in fair value hierarchy in which the valuations should be classified.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation technique as follows:

- **Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities.
- **Level 2:** inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- **Level** 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumption made in measuring fair values is included in Note 25 - Financial instruments.

6 Cash and cash equivalents

	Consolidated	
	2018	**2017**
Cash and banks	93,864	19,390
Bank deposit certificates[1]	133,631	-
Short term investments in foreign currency [2]	12,020	15,281
Total	239,515	34,671

(1) On December 31st 2018, investments in Bank Deposit Certificates (CDB) include interest at an average rate of 100% Interbank Deposit Certificate (CDI) rate. These investments may be withdrawn at any given time, without any loss of interest gain already incurred.

(2) Overnight money market investments in Mexican pesos include interest at an average rate of 7.10% per annum.

The credit rating of the banks which withhold the cash and cash equivalents are disclosed in the note 25.3.

7 Trade accounts receivable

	2018	2017
Current		
Domestic	126,703	263,103
Foreign	107,920	101,225
Related Parties (Note 9)	2,634	-
	237,257	364,328
Less		
Estimated credit loss[1]	(41,019)	(38,497)
	196,238	325,831

(1) For the year 2018, estimated credit loss on accounts receivable: refers to invidualized estimated losses on lifetime except if a receivable has a guarantee or if the Credit Committee of the Group expect to recover the entire amount. The receivable is written-off only when there is absolutely no expectation of recovery.

The maturities of trade accounts receivable are distributed as follow:

	Consolidated	
	2018	**2017**
Current	126,319	157,383
Overdue (days):		
1-30	61,395	122,771
31-60	3,332	39,314
61-90	1,503	14,330
>91	44,708	30,530
Total	237,257	364,328

The changes in estimated credit loss are as follows:

	Consolidated
Balance at January 1, 2017	(41,757)
Additions	(14,604)
Foreign exchange variation	75
Write-offs	17,789
Balance at December 31, 2017	(38,497)
Additions	(2,933)
Write-offs	4,944
Foreign exchange variation	(4,533)
Balance at December 31, 2018	(41,019)

8 Inventories

	Consolidated	
	2018	**2017**
Finished goods	131,696	115,462
Work in progress	5,115	1,052
Raw materials	72,626	43,278
Secondary materials	26,655	18,818
Storeroom	55,745	38,843
Inventories in transit	41,076	19,793
Inventories held by third parties	38,126	50,597
Allowance for obsolescence/net realizable value(-)	(7,614)	(1,781)
	363,425	286,062

The changes in allowances for obsolescence/net realizable value are as follows:

Balance at January 1, 2017	(1,040)
Additions	(741)
Balance at December 31, 2017	(1,781)
Additions	(10,173)
Write-offs	4,340
Balance at December 31, 2018	(7,614)

9 Related parties

The outstanding balances are listed below:

Parent company

		2018			2017			
		Assets		Liabilities	Assets		Liabilities	
Companies	**Transaction**	**Current**	**Non-current**	**Non-current**	**Current**	**Non-current**	**Current**	**Non-current**
Acrinor - Acrilonitrila do Nordeste S.A.	Cash transferred	-	62,438	-	426	70,835	-	-
Companhia Brasileira de Estireno [(1)]	Cash transferred	-	-	(775,541)	1,117	-	-	(197,853)
Polo Indústria e Comércio Ltda.	Cash transferred	-	-	-	-	-	(10,236)	(124,059)
Plastiglas do México S.A. de C.V.	Cash transferred	-	1,491	-	-	-	-	-
Unigel Plásticos S.A.	Cash transferred	-	1,518	-	89	33	-	-
	Dividends	4,218	-	-	1,055	-	-	-
Proquigel Química S.A.	Cash transferred	-	-	(179,793)	638	-	-	(160,207)
Cigel Participações Ltda.	Cash transferred	-	19,330	-	-	2,500	-	-
Proquigel Participações Ltda.	Cash transferred	-	2,593	-	-	1,084	-	-
Unigel Distribuidora S.A.	Cash transferred	-	-	(25,814)	-	-	-	-
Outras	Cash transferred	-	7	(53)	4	3	(53)	-
Subtotal								
	Cash transferred	-	87,376	(981,201)	2,274	74,455	(10,289)	(482,119)
	Dividends	4,218	-	-	1,055	-	-	-

(1) The increase in the cash transferred amount of the investee CBE refers to the incorporation process carried out, which in exchange transferred its investment in Acrinor, see note 13.

Consolidated		**Assets**			**Liabilities**
		Current	**Non-current**		**Current**
		2018	**2018**	**2017**	**2018**
Companies					
Cigel Participações Ltda.	Cash transferred[(1)]	-	60,514	43,855	-
Proquigel Participações Ltda.	Cash transferred[(2)]	-	4,239	2,731	-
CPE - Compostos Plásticos de Engenharia Ltda.	Sales of Products[(3)]	2,551	-	-	-
Transchemical Transporte e Logística Ltda.	Sales of Products[(3)]	83	-	-	(1,570)
Other	Cash transferred	-	102	-	-
		2,634	64,855	46,586	(1,570)

(1) Cash transfers between the Group and Cigel Participações S.A without interest charge nor due date. However, the payment may occur in a 30-day period if the Company formally requests the related party for the payment. As the Group neither expect to formally request the payment within twelve months of the reporting period nor it is held for purpose of trading, the Group classified as non-current assets.

(2) Cash transfers between the Group and Proquigel Participações Ltda., controlled by Cigel, without interest charge nor due date. However, the payment may occur in a 30-day period if the Group formally requests the related party for the payment. As the Group neither expect to formally request the payment within twelve months of the reporting period nor it is held for purpose of trading, the Group classified as non-current assets.

(3) Commercial transactions priced in an arm-length basis during financial year 2018. (see note 7)

There are also commercial transactions in the amount of R$ 1,222,042 (R$ 1,851,007 in 2017) which were eliminated in the consolidation.

Transaction with key management

The aggregate value of transactions related to key management compensation were as follows:

	Parent company		**Consolidated**	
	2018	**2017**	**2018**	**2017**
Short term benefits	4,529	6,785	4,529	12,081
Post-employment benefits	-	-	180	370
Amounts paid on terminations	-	2,239	9,140	2,239
Total	4,259	9,024	13,849	14,690

The amounts paid in 2018, were affected by:

- Restructuring in the executive officer’s composition, and compensations (see note 23);
- Restructuring in the advisory board composition and compensation; and (see note 23);
- Dismissal of packaging segment (discontinued operations) executive officers.

The Group considered as key management (i) its Executive Officers and (ii) the members of its Advisory Board.

10 Recoverable taxes

	Consolidated	
	2018	**2017**
ICMS (i)	34,276	37,336
ICMS on property, plant and equipment (iii)	5,549	4,598
IPI	8,680	5,272
PIS (ii)	15,912	19,341
COFINS (ii)	79,542	78,664
REINTEGRA	30,766	26,902
Recoverable VAT	32,566	14,034
Other	2,161	11,421
	209,452	197,568
Current	205,396	193,857
Non-current (iii)	4,056	3,711

(i) Accumulated ICMS (state VAT) credits, in the amount of R$ 34,276 (R$ 37,336 as of December 31, 2017), those credits are originated from the purchase of raw material. The Group use those credits considering several possibilities, such as: intercompany transactions based on different VAT rates (among different States of Union), buy raw materials with drawback exemption and monetization of the credits to deal with third parties.

PIS and COFINS credits totaling R$ 95,454 (R$ 98,005 as of December 31, 2017) arise from export transactions and deductions of ICMS from the basis of calculation of PIS and COFINS. Those credits will be offset either against taxes of the same nature in domestic transactions or against other federal taxes. The Group's legal team has entered a legal appeal in order to allow cash recoverability of such tax credits, including Reintegra. The Group's lawyers assess this appeal with a high chance of success. During 2018, the Group recovered approximately R$ 20,640 (R$ 16,000 in 31, 2017) on PIS and Cofins credits based on the *portaria* 348/2010 "*Linha Rápida*", and R$ 7,582 as other reimbursements.

(ii) Those Property, plant & equipment credits can only be used along 48 to 60 months, and are classified as current and non-current accordingly.

11 Income and social contribution taxes

The deferred income and social contribution taxes are recognized to reflect future tax effects attributable to temporary differences between the tax bases of assets and liabilities and their book values, and to tax loss carryforwards.

The roll forward of deferred income and social contribution taxes is presented below:

Consolidated	2018	Income statement	OCI	2017	Offset [1]	Transfer to discontinued operation	Income statement	OCI	2016
Assets									
Amounts recognized in OCI									
Pension plan	9,604	(133)	853	8,884	-	-	-	3,687	5,197
Unrealized foreign currency exchange variation	110,382	7,976	31,245	71,161	-	58,513	(58,513)	(88,120)	159,281
Hedge accounting - Mark to market	(2,382)	-	(2,382)	-	-	-	-	-	-
Amounts recognized in statement of profit									
Estimated credit loss	10,057	(897)		10,954	-	-	528	-	10,426
Provision for contingencies	9,064	(4,363)	-	13,427	-	-	7,044	-	6,383
Provision for loss on investment	443	-	-	443	-	-	-	-	443
Tax loss carryforwards	327,854	465	-	327,389	(296,655)	-	41,571	-	582,473
Provision for realization of inventories	2,280	1,549	-	731	-	-	475	-	256
Unrealized income (loss) on transactions between subsidiaries	(211)	(1,239)	-	1,028	-	-	(3,826)	-	4,854
Freights	3,057	3,057	-	-	-	-	-	-	-
Derivatives	1,994	1,994	-	-	-	-	-	-	-
Other provisions	15,881	(6,970)	(197)	23,048	-	-	10,900	-	12,148
	488,023	1,439	29,519	457,065	(296,655)	58,513	(1,821)	(84,433)	781,461
Liabilities									
Amounts recognized in OCI									
Deemed cost	(91,676)	9,994	-	(101,670)	-	-	-	19,111	(120,781)
Amounts recognized in statement of profit									
Other	1,929	2,144	-	(215)	-	-	19,647	(19,862)	-
Fair value - investment properties	(2,087)	(2,087)	-	-	-	-	-	-	-
Deferred gain on equity transaction (2)	(117,164)	-	-	(117,164)	-	(107,087)	5,659	-	(15,736)
	(208,998)	10,051	-	(219,049)	-	(107,087)	25,305	(751)	(136,517)
Net value - (liability) asset	279,025	11,490	29,519	238,016	(296,655)	(48,574)	23,485	(85,184)	644,944
Deferred tax assets	387,124			352,665					675,488
Deferred tax liabilities	(108,099)			(114,649)					(30,544)
Net value - (liability) asset	279,025			238,016					644,944

(1) Tax loss carryforwards

(2) Deferred tax liabilities originated on sale of discontinued operations as reported in note 28.

The reconciliation between the tax expense as calculated by the combined statutory rates and the income and social contribution tax expense charged to net income is presented below:

Consolidated	**2018**	**2017**
Income (Loss) before income and social contribution taxes	(15,985)	(110,051)
Statutory rate	34%	34%
Income and social contribution taxes at the combined statutory rates	5,435	37,417
Additions:		
Non-deductible expenses	(16,716)	(50,774)
Other permanent additions and effect of tax rate in foreign jurisdiction	4,168	-
Exclusions:		
Reintegra (see note 26)	10,144	-
Tax benefits (Desenvolve - see note 26)	35,968	42,049
Other adjustments:		
Unrecognized tax losses carryforwards [1]	(74,313)	(59,353)
Recognition of previously unrecognized tax losses [2]	-	21,566
Unrecognized temporary differences	1,481	-
Tax incentive - SUDENE(see note 26)	18,059	7,982
Income tax and social contribution in income for the year	(15,774)	(1,113)
Current	(27,264)	(24,598)
Deferred	11,490	23,485

(1) Unrecognized tax losses carryforwards

The unrecognized deferred tax assets refer to balances that the Group does not believe will be recoverable in the next 10 years. Those balances are related to the Group holding company expenses, since it will not have future income to offset the tax loss carryforward.

(2) Tax loss carried forward

Recognition of previously unrecognized tax losses

Unrecognized tax losses from prior periods are recognized when there is convincing evidence that the Group will have means to realize those tax losses. In 2017 the Group recognized prior periods tax losses in Unigel S.A. and Unigel Participações (both holdings companies) as the Group managed, through PERT and PRT, to use those tax losses to offset other Group's companies tax payables with those balances. There was no recognition of previously unrecognized tax losses in 2018.

Realization of deferred tax assets

Unrecognized tax losses from prior periods are recognized when there is convincing evidence that the Group will have means to realize those tax losses.

During prior years, the Group's strategy consisted in realizing all the tax losses carryforward recorded in the subsidiary Acrinor which has been consistently presenting taxable income. The strategy included allocating substantial part of Group´s financial debt within the subsidiaries CBE and Proquigel. Such debts and, therefore finance expenses, were one the main reasons for these entities not presenting taxable income in prior periods, for which the Group implemented substantial actions such as the deleveraging program discussed in noted 14, the sale of Polo that contributed to a significant debt reduction and joined the tax amnesty programs (such as PRT and PERT). With these actions behind, the Group is in the process of implementing a merger of Acrinor into CBE, in 2019, which is does not require a substantive approval from any taxing authorities. This action will allow the Group to realize the substantial deferred income tax asset that it has recorded at this subsidiary given current Acrinor´ s significant profitability, some logistics synergies that will be captured and published by market prices by ICIS and IHS MARKIT of Group´s products and raw materials.

12 Property, plant and equipment

Consolidated	2016	2017				2018						
Cost	**Closing balance**	**Additions**	**Disposals**	**Transfers (1)**	**Closing balance**	**Additions**	**Disposals**	**Transfers(1)**	**Held for sale reclassified as PP&E[(2)]**	**PP&E reclassified as held for sale**	**Exchange rate**	**Closing balance**
Buildings	197,798	-	(3,563)	(2,086)	192,149	-	-	3,340	4,937	(2,668)	1,658	199,416
Machinery and equipment	1,000,520	8,947	(36,905)	2,187	974,749	-	-	29,694	97,975	-	9,242	1,111,660
Facilities, tools and instruments	766,037	2,961	(18,125)	14,048	764,921	-	(7,024)	70,141	9,948	-	7,025	845,011
Land	112,266	-	(356)	(1)	111,909	-	-	773	201	(777)	940	113,046
IT equipment	10,107	75	(2,439)	3,410	11,153	3	(14)	2,342	1,892	(138)	128	15,366
Advances to suppliers	6,629	-	(1,833)	(2,508)	2,288	-	-	(1,161)	-	-	9	1,136
Works in progress	173,118	61,953	(14,387)	(24,803)	195,881	103,484	(4,902)	(122,010)	90	-	1,446	173,989
Vehicles	2,604	34	(2,243)	2,191	2,586	224	-	(330)	-	-	21	2,501
Furniture and fixtures	9,077	41	(2,518)	2,817	9,417	-	-	-	624	-	84	10,125
Improvements	4,364	-	(1,136)	2,844	6,072	-	-	17,597	280	-	201	24,150
Spare parts and materials	2,491	(1)	-	-	2,490	-	-	-	-	-	21	2,511
	2,285,011	74,010	(83,505)	(1,901)	2,273,615	103,711	(11,940)	386	115,947	(3,583)	20,775	2,498,911

	2016	2017				2018						
Accumulated depreciation	**Closing balance**	**Additions**	**Disposals**	**Transfers (1)**	**Closing balance**	**Additions**	**Disposals**	**Transfers (1)**	**Held for sale reclassified as PP&E(2)**	**PP&E reclassified as held for sale**	**Exchange rate**	**Closing balance**
Buildings	(100,361)	(4,513)	634	-	(104,240)	(10,112)	934	-	(3,538)	256	(978)	(117,678)
Machinery and equipment	(678,967)	(41,238)	22,293	-	(697,912)	(48,102)	-	-	(74,772)	-	(6,881)	(827,667)
Facilities, tools and instruments	(335,356)	(47,522)	9,475	-	(373,403)	(51,719)	-	(3)	(3,476)	-	(3,593)	(432,194)
IT equipment	(6,290)	(2,214)	276	-	(8,228)	(897)	208	3	(1,855)	-	(90)	(10,859)
Vehicles	(1,263)	(586)	153	-	(1,696)	(260)	205	-	-	-	(15)	(1,766)
Furniture and fixtures	(3,827)	(2,725)	-	-	(6,552)	(446)	1	-	(576)	-	(63)	(7,636)
Improvements	(2,297)	(513)	-	-	(2,810)	(565)	-	-	(329)	-	(31)	(3,735)
Spare parts and materials	(2,062)	(85)	-	-	(2,147)	(88)	-	-	-	-	(19)	(2,254)
	(1,130,423)	(99,396)	32,831	-	(1,196,988)	(112,189)	1,348	-	(84,546)	256	(11,670)	(1,403,789)
Net assets	1,154,587				1,076,627							1,095,122

(1) The remaining amount in transfers are related to intangible assets.
In 2018 occurred the transfer of a building to investment properties, due to the fact that the asset was not being used by the Group, which decided to rent it to third parties. The net book value of the asset was R$ 164. Immediately before transferring the Group assessed its fair value and registered a gain of R$ 6,136.

(2) In December, 2018 the Group decided it would not keep its Polycarbonates plant as held for sale and returned it to Property, plant and equipment. The Group assessed the plant for impairment as described below.

Impairment test

The Group assessed for impairment the polycarbonates facilities located in Camaçari and Candeias, both in Bahia. The recoverable amount of the land was based on the comparative market data method and the recoverable amount of buildings, machinery and equipment, facilities, tools and instruments were based on evolutive method (replacement cost). The recoverable amount of the buildings, machinery and equipment, facilities, tools and instruments resulted to be higher than its book value.

Also, the Group, assessed, at the end of the reporting period, based on either internal and external source of information, if others asset or Cash Generating Unit may be impaired, and based on this assessment concluded that there is no indication of impairment.

13 Investments

a. Composition

	Parent company		Consolidated	
	2018	**2017**	**2018**	**2017**
Participation in subsidiaries	1,209,858	789,568	-	-
CETREL - Central de Efluentes Líquidos	-	-	2,709	2,709
(-) Provision for loss in investment - CETREL	-	-	(798)	(798)
Other investments	-	131	67	3,147
Total	1,209,858	789,699	1,978	5,058

b. Changes in investments

	2017	2018								
Parent company	**Opening balance**	**Capital increase**	**Write-offs**	**Approved dividends**	**Merger - Aug18(1)**	**Spin-off(1)**	**Equity in net income of subsidiaries**	**Effect of cash flow hedge**	**Income (loss) on the change in interest and foreign Exchange rate**	**Balances at 31/12/2018**
Unigel Plásticos S.A.	63.785	-	-	(3.163)	-	-	(17.500)	(2.471)	-	40.651
Acrinor - Acrilonitrila do Nordeste S.A.	-	-	-	-	96.498	1.023.329	(6.642)	63.205	(11.187)	1.165.203
Polo Industria e Comércio	725.783	-	-	-	(96.498)	(557.123)	1.072	(118.780)	45.546	-
Unigel Luxemburgo	-	127	-	-	-	-	4.685	-	(1.958)	2.854
Companhia Brasileira de Estireno	-	2.360	-	-	-	-	(1.570)	360	-	1.150
Other investments	131	-	(569)				-	-	438	-
	789.699	2.487	(569)	(3.163)	-	466.206	(19.955)	(57.686)	32.839	1.209.858

(1) On August 31, 2018, subsidiary Polo Industria e Comércio S.A. carried out a partial spin-off. Spun-off assets included total investments in Acrinor Acrilonitrila do Nordeste S.A., in the amount of R$ 1,023,329, and net assets and liabilities totaled R$ 557,120. Theses net assets and liabilities were merged on Unigel Participaçoes S.A. On September 1, 2018 Acrinor - Acrilonitrila do Nordeste S.A. incorporated the spun-off portion of Polo Indústria e Comércio S.A. net assets and liabilities.

Breakdown of spun-off merged balances is as follows:

	Ativo	**Passivo**
Investiments	1,023,329	-
Related parties	-	(461,606)
Deferred tax liabilities	-	(4,603)
Capital	-	(557,120)
Total	**1,023,329**	**(1,023,329)**

	31/12/2016	2017						
Parent company	**Opening balance**	**Equity in net income of subsidiaries**	**Transaction with shareholder(1)**	**Acquisition (selling) of equity(2)**	**Merger(2)**	**Other Comprehensive income**	**Declared divideneds(3)**	**Balance at 09/30/2017**
Unigel S.A.	350,477	125,217	-	-	(582,549)	134,957	(27,742)	-
Unigel Plásticos S.A.	101,882	(75,967)	-	-	-	37,870	-	63,785
Polo Indústria e Comércio Ltda.	-	(117,097)	112,600	172,892	582,549	(25,161)	-	725,783
Other investments	564	-	-	(433)	-	-	-	131
	452,923	(67,847)	112,600	172,459	-	147,306	(27,742)	789,699

(1) In 2017, the Group's subsidiaries in Mexico, Unigel Holdings SA de CV and Plastiglás de México SA de CV had a debt forgiveness of their final controlling shareholder of which the gain of the transaction was recorded as an addition to Shareholders' Equity (Note 18).

(2) On November 30, 2017, the Parent Company acquired, from one of its subsidiaries, the entire interest in Polo Indústria e Comércio S.A. through the exchange of receivables from Group companies in the amount of R $ 602,222. On 01/12/2017, Polo Indústria e Comércio S.A. incorporated the subsidiary Unigel S.A. Thus, the table above presents the Unigel S.A. balance as of 11/30/2017 and its result for the corresponding 11-month period. For Polo Indústria e Comércio S.A., the final balance of 12/31/2017 and the result corresponding to 1 month (12/01/2017 to 12/31/2017) are presented.

(3) In November 2017 Unigel S.A. declared additional dividends to the parent Unigel Participações. These dividends were used in the acquisition transaction of Polo Indústria e Comércio SA by Unigel Participações of the subsidiary Unigel S.A. as explained in item (2).

c. Capital composition

Parent company	CBE	Unigel S.A.	Unigel Plásticos S.A.		Polo		Unigel Luxemburgo	Acrinor - Acrilonitrila do Nordeste S.A.
	2018[3]	30/11/2017[1]	2018	2017	31/08/2018 (merger date)[2]	2017	2018	2018
Capital	504.190	412.185	98.831	98.831	43.560	-	121	188.361
Number of shares or quotas held (Thousand shares/quotas)	504.190	412.185	98.831	98.831	43.560	-	121	188.361
Shareholders' equity	248.571	582.549	40.651	63.724	96.498	725.784	2.854	1.163.752
Equity interest at the end of the year - %	0,46%	100%	100%	100%	100%	100%	100%	100%
Interest in shareholders' equity	1143	582.549	40.651	63.724	96.498	725.784	2.854	1.163.752
Profit in inventory	7			51				1.760
Total adjusted net equity	1.150	582.549	40.651	63.775	96.498	725.784	2.854	1.165.512
Income (loss) for the year	(1.577)	125.217	(17.500)	(76.018)	1.070	(117.098)	4.685	(8.402)
Income from inventories	7	-	-	51	2	-	-	1.760
Share of profit of equity accounted investees	(1.570)	125.217	(17.500)	(75.967)	1.072	(117.098)	4.685	(6.642)

(1) On 11/30/2017, the Group acquired a stake in Polo indústria e Comércio S.A. through the exchange of credits receivable from group companies in the amount of R$ 602,222. On 12/01/2017, Polo indústria e Comércio S.A. took over the subsidiary Unigel S.A. accordingly, the table above shows the balance of Unigel S.A. until 11/30/2017.

(2) On 09/01/2018, Acrinor Acrilonitrila do Nordeste S.A. merged investee Polo Indústria e Comércio S.A., and became direct investee of Unigel Participações. Presented values of equity investees correspond to equity in investees beginning as of this date.

(3) Refers only to the result of the month of December.

14 Loans and financing

			Consolidated			
			2018		2017	
Currency	**Type**	**Index**	**Amount**	**Average effective rate p.a.**	**Amount**	**Average effective rate p.a.**
BRL	**Financing**	CDI	-	-	-	-
		Fixed rate	344	15.89%	29,070	25.20%
		TJLP	-	-	51,733	13.44%
	Working capital	CDI	-	-	68,118	13.39%
		TJLP	-	-	-	-
		Fixed rate	-	-	148,340	31.37%
USD	**Financing**	Fixed rate	789,260	10.50%	-	-
		Libor	665,695	6.18%	655,030	6.09%
	Working capital	Fixed rate	65,700	6.60%	128,759	7.15%
		Libor	36,558	4.85%	41,580	4.10%
Peso	**Working capital**	Fixed rate	20,059	9.92%	-	-
			1,577,616	**8.65%**	**1,122,630**	**10.76%**
	Current		135,935		384,167	
	Non-current		1,441,681		738,463	

Roll forward of Loans and financing

January 1st , 2017	**1,973,396**
Proceeds from loans and financing	128,444
Interest expense	185,180
Foreign exchange gains (losses), net P&L	61,107
Foreign exchange gains (losses), net OCI	(253,313)
Repayments - principal amount	(177,341)
Interest paid	(121,613)
Income on deleveraging program (see note 21)	(73,771)
Shareholder's transactions (see note 18)	(112,600)
Deleveraging program	(77,326)
Discontinued operations - hedge accounting	172,095
Discontinued operations transfer	(581,628)
December 31st 2017	**1,122,630**
Proceeds from loans and financing	867,469
Interest expense	160,926
Foreign exchange gains (losses), net P&L	64,539
Foreign exchange gains (losses), net OCI	91,897
Repayments - principal amount	(592,838)
Deleveraging program	(15,744)
Interest paid	(130,809)
Currency translation adjustments	9,547
December 31st 2018	**1,577,616**

The portions classified in non-current liabilities have the following payment schedule:

Payment schedule

	2018
2020	112,794
2021	95,325
2022	128,380
2023	335,801
2024	769,381
	1,441,681

Collaterals

As collateral for the loan contracts, the Group has made available part of its PP&E, and accounts receivables, as disclosed in note 27.

Covenants

Certain of the Company’s debt obligations include financial debt covenants calculated based on the audited/reviewed financial statements, as follows:

Financial institution	Company	Covenants
Scotia Bank	Unigel México	Expenses net of interest / EBITDA =< 3.00 EBITDA / financial expenses >= 2.00 EBITDA / (financial exp. + taxes + portion in current liabilities of the long-term agreements - “PCCLP”) = > 1.20 after 2011 (*) PCCLP
Omnibus Agreement & Bilateral	Unigel Participações S.A	Yearly Capex < R$ 75 million in 2017 Yearly Capex < R$ 120 million in 2018 EBITDA/Financial expenses(1) => 2.0 Net Debt/ Adjusted EBITDA (covenants propose) <=4.50 - as of September 30, 2018 Net Debt/ Adjusted EBITDA (covenants propose) <=4.50 - as of December 31, 2018 Net Debt/ Adjusted EBITDA (covenants propose)<=4.25 - as of June 30, 2019 Net Debt/ Adjusted EBITDA (covenants propose)<=4.25 - as of December 31, 2019 Net Debt/ Adjusted EBITDA (covenants propose)<=4.00 - as of June 30, 2020 Net Debt/ Adjusted EBITDA (covenants propose)<=4.00 - as of December 31, 2020 Net Debt/ Adjusted EBITDA (covenants propose)<=3.75 - as of June 30, 2021 Net Debt/ Adjusted EBITDA (covenants propose)<=3.75 - as of December 30, 2021 Net Debt/ Adjusted EBITDA (covenants propose)<=3.50 - as of June 31, 2022 Net Debt/ Adjusted EBITDA (covenants propose)<=3.50 - as of December 31, 2022 Net Debt/ Adjusted EBITDA (covenants propose)<=3.00 - after 2022 Current assets / liabilities => 0.85 - as of December 31, 2017 until 2018 Current assets / liabilities => 1.00 - after 2018 Days Sale Outstanding >= 46 days Days Inventory Outstanding >= 49 days Days Payable Outstanding <= 43 days
Bond	Unigel Participações S.A	Net Debt / Adjusted EBITDA < 3.50 - as of March 31, 2019 Net Debt / Adjusted EBITDA < 3.00 - as of April, 2020 Net Debt / Adjusted EBITDA < 2.50 - as of April, 2021 EBITDA/Financial expenses(1) => 2.5 until March 31, 2019 EBITDA/Financial expenses(1) => 3.0 until March 31, 2020

The Group fully met all the financial ratios for compliance as of December 31, 2018 and 2017. For the year ended in 2018, the yearly capex covenant was increased from R$ 85,000 to R$ 120,000, through a contract amendment. Non-financial covenants were fully met in all periods presented.

Deleveraging program

In November 2017, the Group completed 2017 deleveraging program, which consisted of a comprehensive out-of-court restructuring of most of our financing debt obligations, and included the sale of the Group's Packaging Business. The 2017 deleveraging program is governed by a number of agreements, including an Omnibus Agreement dated June 21, 2017, or the Omnibus Agreement, entered into by and between us and (a) Banco do Brasil S.A., Grand Cayman Branch, (b) Banco do Brasil S.A., New York Branch, (c) Banco Bradesco S.A., Grand Cayman Branch, (d) Banco Indusval S.A., Cayman Islands Branch, (e) Banco Santander (Brasil) S.A., Grand Cayman Branch, and (f) Itaú Unibanco S.A., Nassau Branch. For the completion of the Group's 2017 deleveraging program the lenders waived the Group compliance with the financial covenants under the agreements governing the Group's then existing indebtedness.

15 Suppliers

	Consolidated	
	2018	**2017**
Domestic	226,644	315,596
Foreign	62,775	104,680
Related parties (note 9)	1,570	-
	290,989	420,276

16 Taxes payable

	Consolidated	
	2018	**2017**
ICMS	2,179	1,184
IPI	7,830	9,803
CSLL, PIS and COFINS	16,157	40,736
REFIS - Law No. 11.941/09 (1)	15,309	23,911
REFIS - Law No. 13.043/14 (2)	14,262	14,720
Tax settlement programs - PRT and PERT(4)	51,261	82,369
Payment in installments to the state (3)	22,600	29,036
Federal ordinary payments in installments	1,606	522
Taxes on foreign subsidiaries	23,558	17,105
	154,762	219,386
Current	48,296	67,394
Non-current	106,466	151,992

(1) In November 2009, the Management approved the adhesion to the Tax Reduction and Payment Scheduling Program in conformity with Law No. 11941/09. In November 2013, with reopening of REFIS, Management approved the Group to join the program again.

(2) In November 2014, the Group joined the program for federal debt reduction and payment in installments in accordance with Law no. 13.043/14 (Refis da Copa).

(3) In April 2017, the Group joined the Program for of State São Paulo Tax Regularization ("PEP"). PEP was a program created by law and allowed the installment of taxes overdue after reducing the overdue amount using accumulated tax losses. The amount of tax liability was R$ 20,522 and the impact in the statement of profit was an expense in the amount of R$ 4,737.

(4) Tax settlement programs - PRT and PERT
In 2017, the Group joined the Tax Regularization Program - PRT and the Special Tax Regularization Program - PERT. These programs were created under Provisional Measures 766, 780 and 783 of 2017, respectively, which allowed the settlement of certain federal tax debts, both administrative and judicial, through the use of tax loss carry forwards.

Installment Terms								
Tax liabilities[1]	**Federal attorney[2]**	**Court Matters[3]**	**Migration of other Installments[4]**	**Total Installment**	**Tax losses compensation[5]**	**Initial payable[6]**	**Payments made[7]**	**Final payable**
197,106	33,058	94,355	88,653	413,172	(296,655)	116,517	(34,148)	82,369

The installment terms describe each of the Group debt that was considered into the installment program.

(1) Tax liabilities are the accrued tax payable at the date of accepting the program. Those liabilities could be offset with tax losses to the rate of 76% (PRT) and 95% (PERT).

(2) Federal attorney represents the balances that had been inscribed into the federal active debt and were not eligible to tax loss offsetting. Those debts are being paid in 120 installments.

(3) Court matters stands for the juridical proceedings of the Group and the federal entity (see note 17). Those balances could be offset against tax losses at the same rate as the tax payables, but since some of those proceeding were considered as a possible loss they were recognized against the Group profit and loss.

(4) Migration of other installments stands for the possibility to include previous federal installments into PRT and PERT with the benefit of offsetting.

(5) The remaining after offset balance against tax loss carryforwards. After defining the total installment terms the group offsets the appropriated balances with the accumulated tax losses from the Group.

(6) The remaining balance to pay is shown into the column “Initial payable”.

(7) The column “Payments made” show the balances that were actually paid during the year after joining the federal installments

17 Provision for civil, tax and labor risks

(i) On December 31, the amounts of provision are as follows

	Consolidated	
	2018	**2017**
Civil	262	-
Labor	4,083	1,456
Tax:		
Federal	7,774	367
State	-	418
Other	-	1,388
	12,119	3,629

(ii) Changes in 2018

	2017	2018			
Consolidated	**Opening balance**	**Additions** [3]	**Reversal**	**Write-off**[1]	**Closing balance**
Lawyer fees	1,388	-	(1,388)	-	-
Civil	-	262	-	-	262
Labor	1,456	4,350	(1,358)	(365)	4,083
Tax:					
Federal	367	17,997	(2,614)	(7,976)	7,774
State	418	7,301	(3,921)	(3,798)	-
	3,629	29,910	(9,281)	(12,139)	12,119

(1) Transfer to accounts payable

(2) Additions in 2018, are mainly due to ICMS litigation regarding the Desenvolve tax benefits and the compensation of federal taxes sustained by legal actions.

(iii) Changes in 2017

	2016	2017				
Consolidated	**Opening balance**	**Additions (Federal Installments)**[1]	**Additions**	**Transfers to tax payable**[2]	**Reversal**	**Closing balance**
Lawyer fees	-	-	1,388	-	-	1,388
Civil	2,005	-	-	-	(2,005)	-
Labor	1,534	-	-	-	(78)	1,456
Tax:						
Federal	11,667	82,688	367	(94,355)	-	367
State	5,910	-	-	-	(5,492)	418
	21,116	82,688	1,755	(94,355)	(7,575)	3,629

(1) The Group adhered to PRT and PERT tax programs in 2017, as a consequence the Group then recognized the tax liabilities previous assessed as possible risk of loss.

(2) Subsequent the recognition of the PRT and PERT tax liabilities in 2017, the Group transferred to tax payments once the federal government approved the PRT and PERT benefit to the Group. For further detail, see note 16.

Proceedings assessed as possible risk of loss

	Consolidated	
	2018	**2017**
Tax	1,283,810	1,213,227
Labor	30,022	35,882
Civil and environmental	97,804	99,102
	1,411,636	1,348,211

Tax Proceedings

The Group is defendants in tax claims filed by the tax authorities of the State of São Paulo. The tax assessments were issued by the State of São Paulo to disregard certain tax credits of ICMS (Imposto sobre Circulação de Mercadorias e Serviços) (a value-added tax) tax charged over the transactions of goods and services that were derived from interstate transactions from establishments in the States of Bahia, Rio Grande do Sul and Pernambuco. The State of São Paulo argues that these States granted tax benefits without executing agreements with the CONFAZ (as defined below) agreements and, therefore, are unconstitutional. As of December 31, 2018, the total amount under dispute was R$ 601,400 (R$ 661,716 as of December 31, 2017). Based on the opinion of external counsel, and Groups management, we estimate chances of loss as possible.

Whereas this kind of procedure is the result of political dispute among Brazilian States to attract investors, the Brazilian federal government has enacted Complementary Law No. 160, of August 7, 2017, granting forgiveness to all taxpayers in this situation in Brazil. Moreover, the tax authority responsible to implement the rules regarding tax forgiveness (Conselho Nacional de Política Fazendária, or CONFAZ) has adopted the Agreement ICMS No. 190, of December 15, 2017, setting forth requirements and deadlines for each State to meet certain conditions and determine which tax benefits will be subject to forgiveness. As a result, tax claims with that object shall be annulled. Moreover, the Complementary Law No. 160 has established that this sort of tax incentives shall be considered as governmental investment grants and will not be taxed by income tax and other social contribution.

In addition to the above mentioned proceedings, the Group is part of other tax lawsuits classified as possible which its legal advisors in accordance with previous judgments of Supreme Courts believe that results will be favorable following the current jurisprudence, the most relevant claims are:- a) Tax benefits considered subsidies to investments granted for State of Bahia to reduce calculation basis of IRPJ/CSLL (Income Tax / Social Contribution) - R$ 167,559 (135,430 as of December 31, 2017) ;b) Collection of COFINS (Social Contribution) over discounts applied to clients - R$ 30,408 (R$ 22,731 as of December 31, 2017); c) Discussion about tax credits of IRPJ (Income Tax) and CSLL, PIS E COFINS (Social Contributions) applied to compensate the final amount due to the Federal Government - R$ 94,781 (R$ 58,904 as of December 31, 2017) ; d) Collection of VAT (ICMS) incidence over drawback, trading and calculation its tax benefits - R$ 16,255 (R$ 11,755 as of December 31, 2017); e) VAT (ICMS) fines due to underpayment . There is a dispute in determining the amounts due regarding DESENVOLVE tax benefits as well as the use and transfer of those credits from prior periods.- R$ 21,392 (R$ 16,239 as of December 31, 2017); f) VAT (ICMS) fines due to crediting regarding: 1)non-taxable operations of purchase of goods with the specific purpose of exporting; and 2) unproved return of goods sent to storage and fines for issuance of invoices non-corresponding to goods dispatched - R$ 95,819 (R$ 115,797 as of December 31, 2017).

Labor Proceedings

As of December 31, 2018, the Group were party to approximately 238 labor proceedings. The Group have made no provision for cases in which, in the opinion of external counsel and Group management, have classified the risk of loss as possible (involving an estimated R$ 30,022(R$ 35,882 in 2017)). In general terms, labor claims relate to disputes regarding overtime, severance, liability involving outsourced service providers, and certain union disputes regarding the implementation of collective workplace rules, among others.

Among these legal proceedings are labor disputes involving unions. The Group most significant union-related claim, we, along with other petrochemical companies in Bahia, are an intervening party to a dispute between SINDIQUÍMICA (an employees' union entity) and SINPEQ (an employers' union entity).

SINDIQUÍMICA is requesting higher cost of living adjustments relating to a collective bargaining agreement in force between September 1989 and August 1990 in which it represented employees. SINDIQUÍMICA claims that a law passed in March 1990 contradicted the collective bargaining agreement provisions and therefore salaries and wages should be adjusted retroactively and cumulatively since 1990. Based on the opinion of external counsel and Group management, the Group estimate chances of loss as possible and have not recorded a provision. The Group is currently trying to arrange an agreement with SINDIQUIMICA.

Civil Proceedings

As of December 31, 2018, the Group was party to approximately 11 civil proceedings, representing a total estimated loss of R$ 20,319 (R$ 17,789 in 2017) relates to proceedings in which, based on the opinion of external counsel and management, have been classified the risk of loss as possible. There are no provisions for cases in which, based on the opinion of external counsel and management, the Group have classified the risk of loss as possible.

The Group is a defendant in a civil claim filed by N.C. S/C Ltda., a minority shareholder of Polo. The plaintiff seeks to withdraw from Polo and receive damages due to the fact that the majority shareholders of Polo - including Unigel - allegedly tried to impose the change of its corporate type to become a corporation with authorized capital and removed the plaintiff from Polo's administration, facts which, according to N.C. S/C, prompted their intention to discontinue their investment at Polo. The Group were partially unsuccessful at the trial court level, and the appeal to the Court of Appeals of the State of São Paulo (Tribunal de Justiça de São Paulo) was also partially unsuccessful. The Group were ordered to pay the plaintiff damages, however, the Group are disputing the amount of damages due. Based on the opinion of external counsel and management, the Group classified the chance of loss in this claim as possible.

Environmental Proceedings

As of December 31, 2018, the Group was party to approximately 29 environmental proceedings. The Group have made no provisions for cases in which, based on the opinion of external counsel and management, they have classified the risk of loss as possible (involving R$ 77,485 (R$ 81.313 in 2017). Below are presented the most relevant cases:

- Along with approximately 200 other companies, the Group are co-defendants in a class action suit (ação coletiva) filed by the Residents Association for Crystal Garden and Marambaia Garden (Associação dos Moradores do Jardim Cristal e do Jardim Marambaia). The plaintiffs claim a company called Recobem was hired to recycle co-products from the paint industry and instead illegally disposed of the materials in the State of Paraná. The Group have been named as a co-defendant because one of the barrels alleged to have been illegally discarded bore one of our logos. We have disputed the claim, because the barrel did not contain any materials we use or produce. The Lower Court partially granted the motion and ordered certain defendants, including Proquigel, to pay damages to the plaintiff in the amount of R$ 2,805 of which the amount due to Proquigel is R$ 1,200. Based on the opinion of external counsel and management, we estimate chances of loss as possible and have not recorded a provision.

- Moreover, the Group is defendant in class action suits (ações coletivas) filed by Federação dos Pescadores da Bahia (Bahia Fishermen's Federation) and other individuals claiming payment damages due to alleged release of chemicals above the parameters allowed by environmental law (Resolução Conama n° 357/2005) occurred in 2009, which resulted in their fishing activities in the São Paulo river being disrupted. Based on the opinions of technical experts and counsels, the substance found in the São Paulo river does not belong to the Group portfolio of products. Therefore, the Group estimate chances of loss as possible and the Group have not recorded a provision. As of December 31, 2018, the total amount under dispute was R$ 33,127(R$ 31,988 in 2017).

- Additionally, the Group is defendant in other 27 suits filed by other individuals claiming indemnification due to alleged environmental damages identified at Todos os Santos Bay supposedly related to Proquigel' s activities. Based on the opinions of technical experts and counsels, the chances of loss are possible. As of December 31, 2018, the total amount under dispute was R$ 41,158 (R$ 12,738 in 2017).

- Similarly, the Group is defendant along with 23 other companies in another class public civil action filed by Ministério Público do Estado de São Paulo. The plaintiff seeks compensation for environmental damages caused in the area called Serra do Mar due to the defendants' chemical activities in the area. In case of conviction, the Group will be responsible for 3.00% of the amount due (R$ 2,000). Based on the opinion of external counsel and management, the Group estimate chances of loss as possible and have not recorded a provision.

- The Group is also defendant in five administrative proceedings in progress before INEMA whose objects involve fulfillment with conditions set forth in environmental licenses. These infraction notices, issued by the environmental authorities, initiated administrative proceedings that can end up confirming the occurrence of an environmental violation and imposing administrative sanctions to us. The cases are considered possible.

Judicial deposits

The Group has an amount of R$ 24,983 (R$ 24,559 as of December 31, 2017) in judicial deposits substantially linked to tax proceedings, stated under non-current assets.

18 Shareholders' equity

a. Capital

On December 31, 2018 and 2017, the capital is R$ 276,185, comprised of 414,297,488 nominative common shares, with no par value.

b. Premium on the acquisition of non-controlling interest

Refers to the effect of changes in ownership interest in the acquisition of the remaining portion of non-controlling shareholders when the Group already has control.

c. Shareholders' transactions

In 2016, the Group subsidiaries in Mexico, Unigel Holdings S.A. de C.V. and Plastiglas de Mexico, S.A. de C.V. issued debt notes which were fully acquired by Tanobril Inc. which only assets and liabilities were the debt notes and a loan payable to its parent company, respectively. All of these entities were under common control in all periods presented. Also, in December, 2016, Unigel Holdings S.A. de C.V. acquired Tanobril Inc. by R$ 27,174 (USD 8,000 thousand). In 2017, the ultimate controlling shareholder acting in its shareholder capacity of these entities, forgave Tanobril' s loans and the Group recognized R$ 112,600 (USD 34,039 thousand), net of tax effects in shareholders' equity.

d. Legal reserve

In compliance with article 193 of Law No. 6.404/76, the reserve is recorded at the rate of 5% of the net income for the year, up to the limit of 20% of the capital. The legal reserve can be used to increase the capital or to absorb losses.

e. Other comprehensive income

The other comprehensive income includes the following reserves:

- The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition in profit or loss as the hedged cash flows or items affect profit or loss.

- Remeasurements of defined benefit liability/asset comprises the effects of the actuarial gains and losses related to the post-employment benefits.

- The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

- Reserve for deemed cost: in the context of First-time Adoption of IFRS in Brazil as of January 1, 2010, the Group has applied this exemption property, plant or equipment, to be measured at its fair value at the date of transition, and for that fair value to be used as the deemed cost of the item going forward.

f. Dividends

The Group's bylaws determine the distribution of a compulsory minimum dividend of 25% of net income for the year, adjusted lawfully.
There was no dividend distribution in 2017 and 2018.

19 Post-employment benefits

a. Post-employment benefit plan

Subsidiary CBE recognizes the provision for post-employment benefit related to the medical assistance plan granted to retirees.

The net liabilities of such benefits recorded as of December 31, 2018 is R$ 28,638 (R$ 26,130 as of December 31, 2017) classified under non-current liabilities.

Amounts related to such benefits were determined in an evaluation conducted by an independent actuary and reviewed by management are recognized in financial statements in accordance with IAS 19, in other comprehensive income.

Net expenses with health plan for retirees for 2018 and 2017, in accordance with actuarial calculation, are as follows:

	Consolidated	
	2018	**2017**
Amount of actuarial obligation at the beginning of the year	26,130	23,357
Cost of current service	31	24
Interest on actuarial obligation	2,756	2,601
Benefits paid in the year	(1,388)	(1,432)
Loss in the actuarial obligations	1,109	1,580
Present value of liabilities in the end of the year	28,638	26,130

b. Actuarial assumptions

The actuarial assumptions used in assessing the amounts of the benefits are as follows:

Economic Actuarial assumptions	**2018**	**2017**
Expected inflation rate	5.40% p.a.	8.47% p.a.
Increase in medical costs due to inflation	3.00% p.a.	3.00% p.a.
Increase in medical costs due to aging	3.00% p.a.	3.00% p.a.

Biometric actuarial premises	**2018**	**2017**
General mortality	AT- 2000	AT- 2000
Disabled mortality	RP-2000 Disabled, when available	RP-2000 Disabled, when available
Disabled entry	Álvaro Vindas, when available	Álvaro Vindas, when available
Turnover rate	15% / (time of service + 1), for the benefits of health 0%, for the rest of benefits assessed	15% / (time of service + 1), for the benefits of health 0%, for the rest of benefits assessed
Permanence in plan after retirement	25%, for the benefit of indirect subsidy of health plan	25%, for the benefit of indirect subsidy of health plan
Eligibility to retirement	BD 55 years old and 10 years benefit plan	BD 55 years old and 10 years benefit plan
Multisponsored plan	55 years old and 10 years of benefit plan	55 years old and 10 years of benefit plan
Plan acrinor CD	60 years old, 3 years in company 3 years of benefit plan	60 years old, 3 years in company 3 years of benefit plan
Plan Unigel Prev	55 years old and 10 years in company	55 years old and 10 years in company
Direct costing - Collective agreement	55 years old and 10 years in company	55 years old and 10 years in company
Indirect costing	Active 100% married with wife 2 years younger	Active 100% married with wife 2 years younger
Family composition	Benefited - real composition informed	Benefited - real composition informed

Sensitivity analysis on actuarial premises

Effects on the defined obligation liability	**2018**	**2017**
Discount rate - variation of (0.5%) on nominal rate	749	1.777
Discount rate - variation of 0.5% on nominal rate	(687)	(1.594)

20 Net revenue

a. Reconciliation between gross revenue and net revenue

	Consolidated	
	2018	**2017**
Gross revenue		
Sale of goods - Domestic market	2,524,679	2,241,375
Sale of goods - Foreign market	1,253,886	1,033,302
	3,778,565	3,274,677
Deductions		
Returns and discounts	(42,479)	(155,050)
Tax on sales	(342,247)	(331,982)
	3,393,839	2,787,645

There are no clients which, individually account for more than 10% of net revenue of the year

b. Disaggregation of revenue from contracts with customers

The Group generates revenue primarily from sales of styerenics and acrylics.

In the following table, revenue from contracts with customers is disaggregated by primarily geographical market, major products and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segments (see note 24).

	Brazil				Mexico		Total reportable segments	
	Styrenics		Acrylics		Acrylics			
	2018	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Primary geographical markets								
Brazil	1,758,236	1,515,897	563,348	473,223	438	-	2,322,022	1,989,120
North America	111,386	96,563	169,601	90,969	169,000	174,807	449,987	362,339
Asia	-	-	344,829	17,761	-	-	344,829	17,761
Europe	-	-	149,522	188,544	4,678	3,261	154,200	191,805
Middle east	-	-	1,447	53,683	-	-	1,447	53,683
Latin America	94,584	71,605	207,325	283,605	201,498	300,476	503,407	655,686
Africa	445	2,735	2,228	1,548	-	-	26,713	4,283
Total Gross revenue	**1,964,651**	**1,686,800**	**1,438,300**	**1,109,333**	**375,614**	**478,544**	**3,778,565**	**3,274,677**
Timing of revenue recognition								
Products transferred at a point in time	1,964,651	1,686,800	1,438,300	1,109,333	375,614	478,544	3,778,565	3,274,677
Total Gross revenue	**1,964,651**	**1,686,800**	**1,438,300**	**1,109,333**	**375,614**	**478,544**	**3,778,565**	**3,274,677**

21 Net financial expenses

	Consolidated	
	2018	**2017**
Financial income		
Interest on financial assets at FVTPL	7,886	3,355
Interest income on loans and receivables	5,310	1,184
Discounts from suppliers	814	3,799
Income on deleveraging program [(1)]	35,915	73,771
Other	5,995	1,089
	55,920	83,198
Financial expenses		
Interest expenses on bank loans	(160,926)	(178,799)
Discounts granted to customers	(25,225)	(5,796)
Taxes on financial income and bank fees	(9,234)	(10,082)
Deleveraging program expenses	(8,283)	(25,976)
Suppliers' interest	(24,884)	(44,348)
Net foreign exchange and free risk rate (Selic) interest	(93,217)	(141,856)
Swap accrual	(6,254)	-
Other	(26,770)	(28,811)
	(354,793)	(435,668)
	(298,873)	(352,470)

(1) **These amounts are represented by:**
In September, 2017, the Group had registered as financing and loans in foreign currency held by Banco Indusval S.A. This credit was fully negotiated directly with a third party which represented a release of 50% of the principal debt total amount. On December 15, 2017, the Group concluded the renegotiation of this total debt remaining considering the same release of 50% on the principal debt equivalent to R$ 73,771, recognizing a financial gain on deleveraging program. The interests over total debt is part of the amount paid to settle the corresponding debt.
In 2018, the Group registered an income from the early-payment bonus for the outstanding debt with Banco BTG Pactual in the amount of R$ 35,915.

22 Other operating income (expenses)

	Consolidated	
	2018	**2017**
Recovery of expenses	-	829
Contributions and donations	-	(2,087)
Scraps	(1,820)	-
Gains (losses) in the sale of assets, and assets held for sale	(10,893)	(9,536)
Losses in the sale of investments	(3,011)	-
Profit sharing	(61)	(2,066)
Expenses with research and development	-	(5)
Tax fines	(2,035)	(1,195)
Plant stoppage	(648)	-
Insurance received	167	-
Other expenses (income)	(860)	-
	(19,161)	(14,060)

23 Expenses by nature

	Parent Company		Consolidated	
	2018	**2017**	**2018**	**2017**
Classified by function:				
Cost of goods sold	-	-	(2,953,636)	(2,357,985)
Sales expense	-	-	(31,985)	(60,126)
Administrative and general expenses	(7,743)	(1,892)	(98,703)	(98,385)
	(7,743)	(1,892)	(3,084,324)	(2,516,496
Classified by nature:				
Raw materials and materials for use and consumption	(2)	-	(2,412,587)	(1,994,565)
Personnel expenses	(3,921)	-	(181,235)	(191,905)
Restructuring - indemnities	-	-	(9,138)	(2,239)
Outsourced services	(2,719)	(1,792)	(111,857)	(78,052)
Tax expenses - contingencies	-	-	(20,629)	(18,374)
Depreciation and amortization(1)	(110)	(100)	(114,377)	(96,538)
Freights and *demurrage*	-	-	(127,228)	(20,857)
Other expenses	(991)	-	(107,273)	(113,966)
	(7,743)	(1,892)	(3,084,324)	(2,516,496

24 Segment information

24.1 Basis for segmentation

The Group is an intermediate chemicals producer operating in the midstream of the petrochemical industry value chain. In general terms, the Group receive basic petrochemicals, process them into intermediate and final chemical products and supply them to other businesses for further processing or to final producers to produce the end-use product.

The CODM assess performance based on which business component is located (Brazil and Mexico) and two strategic divisions (styrenics and acrylics). These geographic regions and divisions offer different products and services, and are managed separately because they require different technology and marketing strategies.

The following summary describes the operations of each reportable segment.

Reportable segments		**Operation**
Brazil	**Acrylics**	Buying, manufacturing and distribution of Acrylic materials. Industrial plants situated in the State of Bahia, Brazil, and in Mexico. The Group key products in this segment are acrylonitrile, methacrylates (MMA and EMA), cell cast acrylic sheets, sodium cyanide and ammonium sulfate. Products of Acrylics Business are used in a variety of applications, including textiles, automotive, construction materials, healthcare products and electronics. As of December 31, 2017, the fertilizers segment started to be reported aggregated to acrylics segment to CODM due to the nature of the production processes, once the fertilizer we sell (ammonium sulfate) is a co-product in our acrylics production processes. Fertilizers share common facilities and employees, and use same raw materials as Acrylics.
	Styrenics	Buying, manufacturing and distribution of styrene and polystyrene. Industrial plants situated in the States of Bahia, Brazil, and São Paulo, Brazil. The Group key products in this segment are styrene and polystyrene. Products from Styrenics Business are used in a variety of applications, including consumer goods, electronics, construction materials and home appliances.
Mexico	**Acrylics**	The Group produces cell cast acrylic sheets in plants located in San Luis Potosi and Ocoyoacac, using a polymerization process in which MMA is pumped into a glass mold and then submerged in warm water or put in stoves.

The Group’s chief executive officer reviews the internal management reports of each division at monthly basis. Corporate headquarters carry out functions in treasury, legal, accounting, information systems and human resources areas. Corporate activity is not an operation segment because it is not business activity from which the Group earn revenues, but are included for internal reporting purposes only.

24.2 Information regarding reportable segments

Information related to each reportable segment is set out below. Segment profit before tax is used to measure performance because management believes that this information is the most relevant in evaluating the results of the respective segments relative to other entities that operate in the same industries. The Group decision maker, does not analyze net assets, by segment, to take strategic decisions.

	Year ended December 31, 2018						
	Brazil			Mexico			
	Acrylics	Styrenics	Total Brazil	Acrylics	Total Reportable segments [1]	Corporate Unit	Total Consolidated
Net revenue	1,348,625	1,687,108	3,035,734	358,105	3,393,839	-	3,393,839
Cost of goods sold	(1,186,055)	(1,472,180)	(2,658,235)	(295,400)	(2,953,635)	-	(2,953,636)
Gross Profit	**162,570**	**214,928**	**377,499**	**62,705**	**440,204**	**-**	**440,203**
Expenses with sales, general and distribution	(61,721)	(34,574)	(96,295)	(24,057)	(120,352)	(17,802)	(138,154)
Other (expenses) income, net	(4,501)	(15,282)	(19,782)	233	(19,549)	389	(19,161)
Operating Profit	96,348	165,072	261,422	38,881	300,303	(17,413)	282,888
Net financial expenses	-	-	-	-	-	(298,873)	(298,873)
Profit (loss) before income and social contribution taxes	**96,348**	**165,072**	**261,422**	**38,881**	**300,303**	**(316,286)**	**(15,985)**

(1) Inter-segment sales of R$ 52,999 have been eliminated in the reportable segments.

	Year ended December 31, 2017						
	Brazil			Mexico			
	Acrylics	**Styrenics**	**Total Brazil**	**Acrylics**	**Total Reportable segments [1]**	**Corporate Unit**	**Total Consolidated**
Net revenue	938,043	1,381,422	2,319,465	468,180	2,787,645	-	2,787,645
Cost of goods sold	(782,776)	(1,199,756)	(1,982,532)	(375,453)	(2,357,985)	-	(2,357,985)
Gross Profit	155,267	181,666	336,933	92,727	429,660	-	429,660
Expenses with sales, general and distribution	(80,082)	(30,780)	(110,862)	(40,596)	(151,458)	(21,657)	(173,115)
Other (expenses) income, net	(6,227)	(10,050)	(16,277)	2,033	(14,244)	184	(14,060)
Operating Profit	68,958	140,836	209,794	54,164	263,958	(21,473)	242,285
Net financial expenses	-	-	-	-	-	(352,470)	(352,470)
Share of profit of equity-accounted in investees	-	-	-	-	-	(66)	(66)
Profit (loss) before income and social contribution taxes	68,958	140,836	209,794	54,164	263,958	(374,009)	(110,051)

(1) Inter-segment sales of R$ 141,719 have been eliminated in the reportable segments.

24.3 Gross revenue from external customers by geographic area

	Consolidated	
	2018	**2017**
Brazil	2,322,022	1,989,120
North America	449,987	362,339
Europe	154,200	191,805
Latin America	503,407	655,686
Middle east	1,447	53,683
Asia	344,829	17,761
Africa	2,673	4,283
Total	3,778,565	3,274,677

25 Financial instruments

The effects of the adoption of IFRS 09 in financial instruments of the Group is described in note 3.1 Due to the chosen method of transition, the comparative information were not restated to reflect the new requirements.

25.1 Accounting classifications and fair value

The following table shows the carrying amount and fair values of financial assets and financial liabilities, including their values in fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

Parent company		**2018**		**2017**		
	Nota	**Book Value**	**Fair Value**	**Book Value**	**Fair Value**	**Hierarchy Fair value**
Assets						
FVTPL						
Cash and cash equivalents	6	88	88	72	72	-
Amortized cost						
Dividends receivable	9	4,218	4,218	1,055	1,055	2
Related parties	9	90,481	90,481	74,455	74,455	2
Total financial assests		**94,787**	**94,787**	**75,582**	**75,582**	
Liabilities						
Amortized cost						
Suppliers	15	(858)	(858)	(529)	(529)	2
Related parties	9	(984,306)	(984,306)	(482,119)	(482,119)	2
Total financial liabilities		**(985,164)**	**(985,164)**	**(482,648)**	**(482,648)**	

Consolidated	Note	2018 Book Value	2018 Fair Value	2017 Book Value	2017 Fair Value	Hierarchy Fair value	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Assets									
FVTPL									
Cash and cash equivalents	6	93,864	93,864	19,390	19,390				
Short term investments	6	145,651	145,651	15,281	15,281	2	Discounted cash flows: the contractual future cash flows are estimated using the risk-free Brazilian interest rate curve at the contractual percentage and discounted by the same curve at 100% adjusted by the counterpart credit risk rate.	Risk-adjusted discount rate (one for each counterparty)	The estimated fair value would increase (decrease) if the risk-adjusted discount rate were lower (higher).
Derivatives[1]		25,530	25,530	-	-	2	Discounted cash flows: the future cash flows are estimated by using contractual interest rates for pre-fixed contracts and with the risk-free interest rate curve at the contractual percentage converted by the last PTAX for the positions in dollar. Those estimated future cash flows are discounted by the respective curves (cupom cambial for foreign currency and Brazilian risk-free for local currency (Reais) adjusted by credit risk from the counterpart.	Risk-adjusted discount rate (one for each counterparty)	The estimated fair value would increase (decrease) if the risk-adjusted discount rate were lower (higher).
Other investments		1,978	1,978	5,058	5,058	2	Replacement cost	Current replacement costs	The higher the current replacement cost higher is the estimated fair-value
Judicial deposits		24,983	24,983	24,559	24,559	2	Discounted cash flows: the contractual future cash flows are estimated using the risk-free Brazilian interest rate curve at the contractual percentage and discounted by the same curve at 100% adjusted by the counterpart credit risk rate.	Risk-adjusted discount rate (one for each counterparty)	The estimated fair value would increase (decrease) if the risk-adjusted discount rate were lower (higher).
Contract credits		-	-	-	-	2	Third party analysis of recoverable amount due by counterparty	Recoverable amount	The higher the estimated recoverable amount the higher is the estimated fair-value
Other receivables		18,106	18,106	18,043	18,043	2	Third party analysis of recoverable amount due by counterparty	Recoverable amount	The higher the estimated recoverable amount the higher is the estimated fair-value
Amortized cost									
Trade accounts receivable	7	196,238	196,238	325,831	325,831				
Related parties	9	64,855	64,855	46,586	46,586				
Other assets		11,571	11,571	12,346	12,346				
Total financial assets		**582,776**	**582,776**	**467,094**	**467,094**				
Liabilities									
FVTPL									
Derivatives[1]		(821)	(821)	-	-				
Amortized cost									
Suppliers	15	(290,989)	(290,989)	(420,276)	(420,276)				
Loans and receivables[1]	14	(1,577,616)	(1,451,181)	(1,122,630)	(1,174,930)				
Other liabilities		(67,400)	(67,400)	(43,095)	(43,095)				
Total financial liabilities		**(1,936,826)**	**(1,810,391)**	**(1,623,352)**	**(1,675,652)**				

(1) Discounted cash flows: the future cash flows are estimated by using contractual interest rates for fixed contracts and with the risk-free interest rate curve at the contractual percentage converted by the last PTAX for the positions in dollar. Those estimated future cash flows are discounted by the respective curves (cupom cambial for foreign currency and Brazilian risk-free for local currency (Reais) adjusted by credit risk from the counterpart

Measurement of fair value

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the chief financial officer.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which the valuations should be classified.

Significant valuation issues are reported to the Group's audit committee.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- **Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities.
- **Level 2:** inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

25.2 Measurement of fair values

a. Trade receivables and suppliers

It is estimated that the carrying amounts of trade receivables and trade payables approximate their fair values in view of the short term of the transactions conducted.

b. Loans and financing

The carrying amounts of loans and financing approximate their fair values as they are related to a floating rate, the CDI, Libor and TJLP fluctuation.

The fair value of loans and financing contracted at fixed interest rates does not have significant variation related to the carrying amount disclosed in note14. The valuation model considers the present value of expected payment, discounted using a risk-adjusted discount rate. The interest rates used to discount estimated cash flows, when applicable, are based on the government's yield curve as of the balance sheet date, plus an appropriate credit spread.

25.3 Risk management framework

The Group 's board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The board of directors has established the risk management committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the board of directors on its activities.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

a. *Credit risk*

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and cash equivalents investments.

The carrying amount of financial assets represents the maximum credit exposure.

The cash and cash equivalents balances are held with banks with a credit rating between B+ and AA+ as ranked by Standard & Poor's and Fitch Ratings.

The derivatives are held with banks with a credit rating between B+ and AA+ as ranked by Standard & Poor's and Fitch Ratings.

Cash and cash equivalents

The Group has 239,515 (R$ 34,671 in 2017) of cash and cash equivalents. These amounts are held with banks and financial institutions with ranks between B+ and AA+ as ranked by Standard & Poor's and Fitch Ratings.

Derivatives

The derivatives are held with banks with a credit rating of AA+.

b. *Credit risk exposure*

	Note	Parent company	Consolidated
Cash and cash equivalents[1]	6	88	239,515
Trade accounts receivables	7	-	196,238
Other receivables		-	11,570
		88	**447,323**

(1) Short term investments in Brazilian and Mexican banks with credit rating, according to ranking agencies, BB+ and higher.

	Acrylics	Styrenics	Trade accounts receivable
Domestic market	38,011	88,692	126,703
Foreign market	90,653	17,267	107,920
Related parties	790	1,844	2,634
Total	**129,454**	**107,803**	**237,257**

Credit rating	**Current**	**1-30**	**31-60**	**61-90**
Acrylics	**0.08%**	**0.07%**	**0.10%**	**0.08%**
Foreign market	0.02%	0.02%	0.01%	0.01%
Domestic market	0.14%	0.11%	0.19%	0.15%
Styrenics	**0.02%**	**0.01%**	**0.01%**	**0.02%**
Foreign market	0.00%	0.00%	0.00%	0.00%
Domestic market	0.05%	0.02%	0.02%	0.05%
Average rate ECL rate	**0.06%**	**0.05%**	**0.08%**	**0.07%**

c. *Trade and other receivables*

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate.

The risk management committee has established sale limits for each customer. Any sales exceeding those limits require approval from the risk management committee. The Group limits its exposure to credit risk from trade receivables by establishing a maximum payment period of one and three months for individual and corporate customers respectively.

More than 50% of the Group's customers have been transacting with the Group for over ten years, and no impairment loss has been recognized against these customers. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or a legal entity, whether they are a manufacturer or individual customer, their geographic location, industry, trade history with the Group and existence of previous financial difficulties.

There are sales subject to collaterals, so that in the event of non-payment the Group may have a secured claim.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade accounts receivables (see note 7).

d. *Liquidity risk*

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group aims to maintain the level of its cash and cash equivalents and other highly investments at an amount in excess of expected cash outflows on current financial liabilities. The Group also monitors the level of expected cash inflows on trade accounts receivables together with expected cash outflows on trade and other payables.

e. *Exposure to liquidity risk*

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include contractual interest payments.

		2018				
Non-derivative financial liabilities	**Note**	**Contractual commitment**	**1-12 months**	**13-24 months**	**25-36 months**	**More than 36 months**
Loans and financing	14	2,395,895	108,223	95,217	91,305	2,101,149
Suppliers	15	290,989	290,989	-	-	-
Other accounts payables		67,400	67,400	-	-	-
Total		2,754,284	466,612	95,217	91,305	2,101,149

		2017				
Non-derivative financial liabilities	**Note**	**Contractual commitment**	**1-12 months**	**13-24 months**	**25-36 months**	**More than 36 months**
Loans and financing	14	1,176,796	365,022	111,523	81,264	618,987
Suppliers	15	420,276	420,276	-	-	-
Total		1,597,072	785,298	111,523	81,264	618,987

As disclosed in Note 14, the Group has secured bank loans that contains loans covenants. A future breach of covenant may require the Group to repay the loan earlier than indicated in the above table. Under the agreement, the covenant is monitored on a regular basis by the treasury department and regularly reported to management to ensure compliance with the agreement.

The interest payments on variable interest rate loans and financing in the table above reflect market forward interest rates at the reporting date and these amounts may change as market interest rates change.

f. *Market risk*

Market risk is the risk that changes in market prices - such as foreign exchange rates, interest rates and equity prices - will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing returns.

g. *Currency risk*

The Group is exposed to currency risk to the extent that there is a mismatch between the currencies in which sales, purchases and loans and financing are denominated and the respective functional currencies of Group companies. The functional currency of Group is the Brazilian Real (BRL).

Generally, loans and financing are denominated in currencies that match the cash flows generated by the underlying operations of the Group - primarily US Dollars, but also Brazilian Reais. In addition, interest on loans and financing is denominated in the currency of the borrowing. This provides an economic hedge without derivatives being entered into and therefore hedge accounting, see note 25.4.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group's policy is to ensure that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

h. *Exposure to currency risk*

The summary quantitative data about the group's exposure to currency risk as reported to the management of the Group with the last business day conversion rate as reported by the Brazilian Central Bank (Bacen), as follows:

		2018			2017	
	Note	**BRL**	**USD**	**MXN**	**BRL**	**USD**
Conversion rate		1.0000	3.8748	0.1972	1.0000	3.3080
Accounts receivable - Foreign	7	107,920	27,852	-	101,225	30,600
Advances to suppliers		4,620	1,192	-	10,028	3,030
Loans and financing - USD	14	(1,557,213)	(401,882)	-	(825,367)	(249,507)
Loans and financing - MXN	14	(20,059)	-	(101,719)		
Advances from clients		(25,114)	(6,481)	-	(80,912)	(24,459)
Suppliers	15	(62,775)	(16,201)	-	(104,680)	(31,644)
Net exposure		(1,552,621)	(395,520)	(101,719)	(899,706)	(271,980)

As described above, the Group does not make use of derivative financial instruments to partially mitigate the risks of foreign exchange exposure. Changes in the fair value of the net exposure (assets and liabilities fixed to another currency) are recognized in the income when incurred.

i. *Sensitivity analysis*

A reasonably possible strengthening (weakening) of the USD against BRL at December 31, 2018 would have affected the measurement of financial instruments denominated in a foreign currency and affected equity and profit by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

Net exposure (USD)		**Scenarios in BRL**		**Scenarios in BRL**	
		Possible -25%	**Remote - 50%**	**Possible +25%**	**Remote + 50%**
Dollar rate - R$ as of 12/31/2018	3.8748	2.9061	1.9374	4.8435	5.8122
Net exposure - (US$ 395,520)	(1,532,562)	(1,149,422)	(766,281)	(1,915,703)	(2,298,844)
Effect		383,141	766,281	(383,141)	(766,281)

Net exposure (MXN)		**Scenarios in BRL**		**Scenarios in BRL**	
		Possible -25%	**Remote - 50%**	**Possible +25%**	**Remote + 50%**
Pesos rate - R$ as of 12/31/2018	0.1972	0.1479	0.0986	0.2465	0.2219
Net exposure - (MXN 101,719)	(20,059)	(15,044)	(10,030)	(25,074)	(30,089)
Effect		5,015	10,030	(5,015)	(10,030)

j. Interest rate risk

The Group adopts a policy of ensuring that part of its interest rate risk exposure is at a fixed rate. This is achieved partly by entering into fixed-rate instruments and partly by loans and financing at a floating rate.

k. Exposure to interest risk

The interest rate profile of the Group's interest-bearing financial instruments as reported to the management of the Group is as follows:

	2018	**2017**
Fixed rate instruments		
Financial assets	-	-
Financial liabilities	(875,363)	(258,356)
Variable-rate instruments		
Financial assets	145,651	15,281
Financial liabilities	(702,253)	(864,274)

l. Sensitivity analysis

Financial instruments, including non-derivatives, are exposed to changes in fair value as the result of fluctuation of foreign exchange rates. The evaluations of the sensitivity of the financial instruments to its variables are presented below:

(i) Selection of risks

The Group selected two market risks that can most strongly affect the value of the financial instruments held thereby, such as: (1) changes in the CDI rate and (2) changes in the Libor rate.

The TJLP does not significantly vary through a period of a year; therefore, no sensitive analysis is presented to TJLP.

(ii) Selection of scenarios

The possible remote scenarios consider changes from 25% to 50%, respectively, related to relevant risk variable in relation to the base rate.
Sensitivity analysis of rate variations:

		Possible +25%	**Remote +50%**
Libor Rate	2.37%	2.96%	3.55%
Loans and financing (effect in financial position)	(702,253)	(706,397)	(710,611)
Effect in the statement of profit	(16,643)	(20,787)	(25,000)

The amount on loans and financing of R$ 344 with interest rates fixed is not exposed to the risks of foreign currency or floating interest rates.

25.4 Assets and liabilities designated as cash flow hedges

The Group has elected to maintain the hedge accounting model of IAS 39.

(i) Loans and financing - foreign exchange

The following table indicates the periods in which the cash flows associated with cash flow hedges are expected to occur and the carrying amounts of the related hedging instruments.

		Expected cash flows				
	Carrying amount	Total	1-12 months	13 - 24 months	25 - 36 months	More than 36 months
Assets - trade working capital	237,257	2,395,893	108,223	95,217	91,304	2,101,149
Liabilities - loans and financing	1,577,616	2,395,893	108,223	95,217	91,304	2,101,149

The breakdown of realized and unrealized gains and losses recognized in the operating income and in shareholders' equity, respectively of financial instruments designated as hedge instruments is as follows.

	Shareholders' equity	Profit (loss)
Liability foreign exchange variation	(142,413)	50,515
Deferred income tax	48,420	(17,175)
	(93,993)	33,340

(ii) Cash flow hedge - Bond and Swaps

The Company contracted derivative financial instruments for the protection of pre-fixed interest and foreign exchange variation on its issuance of bonds abroad. The following shows the reconciliation of the carrying amount and the fair value adjustment of the contracted derivatives recorded in the Group's balance sheet:

Derivative	Carrying amount	Adjustment	Fair value
Swap	(6,254)	30,963	24,709
Total current	(6,254)	30,963	24,709
Swap	23,960	(23,960)	-
Total non-current	23,960	(23,960)	-
Total	17,706	7,003	24,709

Relationship of the derivative with the Bond is shown below:

Instrument	Currency	Index	Principal/Notional	Exchange rate	Interest accrual	Mtm adjustment
Bond	USD	10.50%	200,000	23,890	49,345	-
Swaps asset	USD	10.50%	200,000	(25,411)	(48,954)	(748,238)
Swaps liabilities	BRL	CDI	751,000	-	56,659	741,235
Bond + Swaps			**751,000**	**(1,521)**	**57,050**	**(7,003)**

The cash flow of both instruments have the same due dates.

The Company has designated a cash flow hedge for this operation having as hedging instrument the derivatives contracted and as the object of hedge the bond issued by the Company. This hedge accounting establishes the accounting of the effective portion of the unrealized mark-to-market adjustment of the derivative in other comprehensive income. As of December 31, 2018, the amount recorded in shareholders' equity, net of taxes, was R$ 4,622.

25.5 Capital management

Results from the choice between own capital (capital transfers and profit retention) and third party capital that the Group makes to finance its operations. To mitigate the liquidity risks and the optimization of the weighted average cost of capital, the Group and its subsidiaries permanently monitor the indebtedness based on the Net Debt/Adjusted Ebtida Ratio.

26 Government grants and assistance

State tax incentive - Desenvolve

The Group is granted with tax benefits under the Program for Industrial Development and Economic Integration of the State of Bahia of the state of Bahia - DESENVOLVE, that will remain effective until April 2024. This tax incentive is associated with the styrene production chain. The Group benefits of a grace period of up to 72 (seventy-two) months. In case of advanced payments, the Group is eligible for a discount up to 81% (eighty-one percent) of the ICMS monthly debit balance.

As of 2018 the Group benefited by R$ 105,788 (R$ 123,676 in 2017).

Federal tax incentive - Exploration profit

As per Constitutive Opinions issued by the Superintendence for the Development of Northeastern Brazil (Superintendência do Desenvolvimento do Nordeste - SUDENE) the Group is entitled to reduce by 75% the income tax until the fiscal year 2027 on the results income of Acrinor.

As of 2018 the Group benefited by R$ 18,059 (R$ 7,982 in 2017).

Exports tax incentive - Reintegra

By the law 13.043/14 - Reintegra, the Group receives tax credits when it exports internally manufactured goods, which may be offset against other federal taxes.

In December 2018, the Group benefited in R$ 29,835 (R$ 54,935 in 2017) through the Companies Acrinor, Proquigel, CBE and Plásticos.

27 Commitments and guarantees

The Group holds commitments and guarantees regarding its main labor, tax and civil issues provisioned and bank loans. The breakdown of the amounts is stated below, grouped by category of claims, and type of loan as of December, 2018.

Type	Accounts receivable	Property, plant equipment	Insurance guarantee
Working capital	Other guarantees	-	-
Loans and financing	1,054	554,178	620,020

Debt Agreement with supplier

On August 24, 2017, the Group entered into a debt agreement with supplier, in which the Group agreed to reaffirm the debt to supplier pursuant to the debt agreement entered into on June 24, 2016 and pay supplier the amount of R$163,400 in 15 monthly installments from August 2017 to October 2018. The agreement was secured by equipment owned by the Group.

As of December 31, 2017, the aggregate amount outstanding under this affirmation of debt agreement was R$113,000.

As of December 31, 2018 there were no outstanding amounts under this agreement.

28 Assets held for sale and discontinued operations

	Consolidated	
	2018	**2017**
PP&E - Polycarbonates	-	30,376
Other	3,327	1,224
Net assets held for sale	**3,327**	**31,600**

In December 31, 2018 the assets held for sale were classified back to Property, Plant & Equipment as it was not closed the sales negotiations.

Packaging segment

As described in the notes to the financial statements of December 31, 2017 in 1 November 2017, the Grou sold its equity in Polo Indústria e Comércio Ltda. (packaging segment).

a. Results of discontinued operation regarding the year ended in 31 december, 2017:

	Consolidated
	2017
Net sales	266,777
Cost of goods sold	(225,243)
Gross profit	41,534
Operating expenses:	
Expenses with sales, general and distribution	(73,371)
Other	(14,513)
	(87,884)
Operating income	(46,350)
Gain net of taxes	97,094
Income for the year from discontinued operations	50,744

b. Cash flows from (used in) discontinued operation

	Consolidated
	2017
Net cash from (used in) operating activities	(7,254)
Net cash used in investment activities	(26,785)
Net cash generated (used in) financing activities	(84,846)
Net cash flows for the year	**(118,885)**

c. Effect of disposal on the financial position of the Group

	Consolidated
Assets	**November 1, 2017**
Current assets	
Trade notes receivable	42,594
Inventories	29,907
Total current assets	72,501
Non-current assets	
Property, plant and equipment	197,978
Total non-current assets	197,978
Total assets (A)	270,479
Liabilities	

	November 1, 2017
Current liabilities	
Salaries and social security charges **(B)**	3,232
Total current liabilities	3,232
Non-current liabilities	
Loans and financing **(C)**	249,947
Total non-current liabilities	249,947
Total liabilities	253,179
Net assets	17,300

d. *Effect of disposal on the income statement*

Loans and financing per above **(C)**	249,947
Loans and financing transferred	331,681
	581,628
Other assets sold and price adjustment	3,382
Net amount involved in deal transaction	585,010
Hedge accounting realized by loans and financing transferred	(172,095)
Total assets transferred per above **(A)**	(270,479)
Salaries and social security charges **(B)**	3,232
Gain on sales of discontinued operations	145,668
Taxes	
Deferred taxes on hedge accounting	58,513
Deferred taxes on gain on interest	(107,087)
Deferred taxes total	(48,574)
Gain net of taxes	97,094

29 Profit (losses) per share

Basic

Basic profit per share was calculated based in the Group profit or loss for the years ended in 31 december 2018 and 2017 and in the respective average quantity of ordinary circulating shares in these years, as stated in the table below:

	2018	2017
Profit (loss) attributable to controlling shareholders	(31,759)	(60,420)
Weighted average quantity of issued shares	414,297,488	414,297,488
Basic profit (loss) per share - R$	0.0790	(0.1458)

Diluted

Diluted profit (loss) per share is calculated adjusting the weighted average quantity of ordinary shares issued considering the conversion that all ordinary shares cause dilution. The Group has no diluting factor of its basic profit (loss).

30 Operating leases

Guarujá Site- Latex Unit

In October 2016, the Group leased from CPE - Compostos Plásticos de Engenharia Ltda. the building, equipment and various assets related to latex production in the Guarujá Latex plant in São Paulo. This agreement had an original 15-month term, expiring on December 31, 2017, and has been extended by the parties indefinitely. Because the facility is located in a petrochemical complex owed by Dow Chemical, the Group benefit from utilities and services under a free lease agreement, right-of-way and easement agreements and a service agreement executed by and between Dow Chemical and CPE. Also, the Group have the right to use pipelines for the transportation of raw materials and fuel through Dow Chemical's petrochemical complex as well as has been granted access for us to use roads within the complex. The total amount paid under the agreement is R$13,364. The Group acquired the Latex unit in December 2018 in the amount of R$ 2,396.

São José dos Campos Site - Polystyrene Unit

Under a lease agreement, Monsanto leases to Group, at a monthly fee of R$2, the land in the São José dos Campos where the polystyrene plant is located. The agreement had a 120 month-term and expired on August 6, 2017. It was automatically extended for indefinite term, pursuant to the Brazilian Law No. 8,245/91, and as a result, may be terminated by any of the parties upon the delivery of a 30-days prior notice.

Also, Monsanto provides the Group with utilities and other services necessary to run the plant, such as steam, water, natural gas, health safety and fire suppression support and waste water treatment and disposal. The agreement will remain in force until terminated by Monsanto or by the Group, upon the delivery in advance of 12-month termination notice.

Tequimar tanks

Under a lease agreement Tequimar leases to Acrinor and Proquigel, around 15 tanks with storage capacities ranging from 500m^3 e 5.000m^3, with the possibility to store acrylonitrile, acetone, soda chemical, MMA styrene and other products until December 31, 2023, for a fixed monthly fee plus variable amounts depending on the volume operated.

The estimated future lease payments under operating leases are R$ 106,339.

Dow Chemical - Polystyrene

Under a free lease agreement Dow Chemical leases to CBE, a fully operational polystyrene and latex plant in the city of Guarujá, state of São Paulo, close to the port of Santos The contract is due until September 30, 2021

The estimated future lease payments under operating leases are R$ 27,411.

Vopak tanks

Under a lease agreement Tequimar leases to Acrinor and Proquigel, around 3 tanks with storage capacities ranging from 300m³ e 1.500m³, with the possibility to store methanol and acetone until December 31, 2023, for a fixed monthly fee plus variable amounts depending on the volume operated.

The fixed future installments of this contract at December 31, 2018 had a future value of R$ 32,630.

Others

The Group also has operational leases:

- Corporate headquarters until December 31, 2021;
- Vehicles until December 31, 2021;
- Other minor leases with several suppliers until June 30, 2023.

The estimated future lease payments under operating leases are R$ 12,260.

At December 31, 2018 the future minimum lease payments under non-cancellable leases were payable as follows:

Payment schedule	**2018**
Less than one year	53,455
Between one and five years	167,049
More than five years	100,261
Total	320,765

31 Subsequent events

At February 22nd 2019, two of the Group's MMA storage tanks, at its Candeias site in the state of Bahia, suffered a fire incident. There were no victims and no environmental impacts at the fire that was controlled by well-coordinated contingency plan. There was also no chemical substance ground contamination. The Group is still investigating the causes for the fire and plans to file claims with its insurers to recover the losses of the areas affected. In accordance with management's preliminary evaluation, the total amount of assets impacted is around R$ 14 million, that should be fully recovered by insurance policy.

* * *

Roberto Noronha Santos
Chief Executive Officer

Daniel Zilberknop
Chief Financial Officer

Daniel Scarmeloti da Fonseca
Controllership Director - CRC 1SP 219.079/O-4

Marcio Scatigno
Controller - CRC 1SP 218.247/O-7