

Financial statements

Independent auditor's report

To the Associates and Managers of the Instituto Nacional de Processamento de Embalagens Vazias – inpEV

Opinion

We have audited the accompanying financial statements of Instituto Nacional de Processamento de Embalagens Vazias - inpEV ("Institute"), which comprise the balance sheet as at December 31, 2018 and the statements of surplus, changes in net worth and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Instituto Nacional de Processamento de Embalagens Vazias - inpEV as at December 31, 2018, and its financial performance and cash flows for the year then ended, in accordance with accounting practices adopted in Brazil.

Basis for opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Institute in accordance with

the ethical requirements established in the Code of Professional Ethics and Professional Standards issued by the Brazilian Federal Accounting Council, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

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

In preparing the financial statements, management is responsible for assessing the Institute'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 Institute or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5

procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Institute's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a relevant uncertainty exists related to events or conditions that could cast significant doubt on the ability of the Institute to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Institute to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether these financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

São Paulo, February 18, 2019

Luciano Jorge Moreira Sampaio Junior
Contador CRC 1BA018245/O-1

Balance sheet at December 31 – All amounts in thousands of reais

Assets	2018	2017	Liabilities and net worth	2018	2017
Current assets			Current liabilities		
Cash and cash equivalents (Note 6)	39,554	39,384	Accounts payable	2,400	1,665
Accounts receivable (Note 7)	11,673	7,903	Payables to centers and stations (Note 12)	2,309	2,105
Advances granted (Note 8)	5,935	6,264	Center surplus (Note 13)	2,483	2,600
Prepaid expenses	101	111	Salaries and social charges	2,988	3,017
			Taxes payable	340	344
	57,263	53,662	Provision for contingencies (Note 14)	50	48
			Advances from associates (Note 15)	2	6,536
Non-current assets					
Long-term receivables				10,572	16,315
Security deposit for rent (Note 9)	119	77			
Property and equipment (Note 10)	51,071	46,928	Non-current liabilities		
Intangible assets (Note 11)	338	393	Provision for contingencies (Note 14)	22	287
	51,528	47,398	Total liabilities	10,594	16,602
			Equity (Note 16)		
			Net worth	98,197	84,458
Total assets	108,791	101,060	Total liabilities and net worth	108,791	101,060

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

Statement of surplus

Years ended December 31 — All amounts in thousands of reais

	2018	2017
Net revenue from activities (Note 17)	135,359	126,547
Expenses with activities		
General and administrative (Note 22)	(128,196)	(123,617)
Other gains, net	53	83
Provision for impairment of accounts receivable, net of reversals (Note 7)	41	(5)
	(128,102)	(123,539)
Operating surplus	7,257	3,008
Finance costs (Note 23)	(687)	(816)
Finance income (Note 23)	2,387	2,768
Finance income, net	1,700	1,952
Surplus for the year	8,957	4,960

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

Statement of changes in equity — All amounts in thousands of reais

	Net worth	Reserve for new associates	Accumulated surplus	Total
At January 1, 2017	77,733	852	-	78,585
Surplus for the year			4,960	4,960
Affiliations of new associates (Note 16)		913		913
Allocation of surplus for the year	4,960		(4,960)	
At December 31, 2017	82,693	1,765	-	84,458
Surplus for the year			8,957	8,957
Affiliations of new associates (Note 16)		4,782		4,782
Allocation of surplus for the year	8,957		(8,957)	-
At December 31, 2018	91,650	6,547	-	98,197

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

Statement of cash flows

Years ended December 31 – All amounts in thousands of reais

	2018	2017
Cash flows from operating activities		
Surplus for the year	8,957	4,960
Adjustments		
Depreciation and amortization	7,529	7,284
Net book value of property and equipment and intangible assets disposals	349	50
Provision for net contingencies	1,477	1,935
Reversal of provision for impairment of accounts receivable	(41)	5
	18,271	14,234
Changes in assets and liabilities		
Accounts receivable	(3,729)	(2,094)
Advances granted	329	2,660
Prepaid expenses	10	(25)
Judicial deposits	(1,739)	(1,811)
Security deposit for rent	(42)	60
Accounts payable	735	532
Accounts payable to centers and stations	204	(4,486)
Centers surplus	(117)	308
Salaries and social charges	(29)	536
Taxes payable	(4)	13
Advances from associates	(6,534)	2,134
Net cash provided by operating activities	7,355	12,062
Cash flows from investing activities		
Acquisitions of fixed assets and intangible assets	(11,967)	(7,603)
Net cash used in financing activities	(11,967)	(7,603)
Cash flows from financing activities		
Contributions from new affiliations	4,782	913
Net cash inflow from financing activities	4,782	913
Net increase in cash and cash equivalents	170	5,372
Cash and cash equivalents at the beginning of the year	39,384	34,012
Cash and cash equivalents at the end of the year	39,554	39,384

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

Notes to the financial statements at December 31, 2018 – All amounts in thousands of reais unless otherwise stated

1. General information

Instituto Nacional de Processamento de Embalagens Vazias ("inpEV" or "Institute") (National Institute for Processing Empty Containers), headquartered in São Paulo, was founded on December 14, 2001, to operate for an indefinite period. The Institute is a private non-profit organization whose objective is to manage the disposal of empty agrochemical and similar containers in Brazil, provide manufacturers, distributors and farmers with support and guidance in the fulfillment of their legal responsibilities, promote education and awareness about the protection of the environment and human health and support the technological development of agrochemical and similar containers.

In order to achieve those objectives, the Institute depends primarily on contributions made by the associates.

In accordance with current legislation, the Institute benefits from certain federal tax exemptions because it is an association-type entity.

Law 9,718 of December 1998 established the rules for entities exempt from income tax and social contribution (such as the Institute). According to this law, in order to maintain the tax exemption, the Institute cannot have a surplus for the year, or if there is a surplus, it must be fully allocated to the maintenance and development of the Institute's social purposes.

At December 31, 2018, 111 agrochemicals manufacturers in Brazil were associates of the Institute (2017 - 108 associated companies).

1.1. Business model description

The Institute, which represents the agrochemicals industry, has the legal

responsibility for carrying out the proper disposal of empty agrochemical containers.

In order to achieve this, units for the receipt of empty containers were created to collect containers from rural areas, which the Institute subsequently disposes of in a suitable environmental manner.

After being delivered to the Empty Container Receiving Units (UREs) (units or centers managed by dealer associations), the Institute becomes responsible for the final disposal of these empty containers, which may be recycled or incinerated, depending on their technical characteristics.

The Institute enters into agreements with recycling companies for the purposes of technical and operational cooperation for the recycling of materials from empty containers of phytosanitary products received at the UREs, when recycling is possible.

The containers are sent for recycling by the Centers, under the responsibility of the Institute, through a shipping operation performed by the receiving center to the recycling company.

(a) Accreditation fee for recycling companies

The Institute receives an accreditation fee from recycling companies, which corresponds to (i) the transfer of know-how to the recycling companies for the utilization of empty containers from agrochemical industries in the development of new products; and (ii) training sessions offered to employees of recycling companies concerning the proper handling of empty phytosanitary containers.

(b) Contributions to the costing of UREs

In addition, the recycling companies make payments to the Institute for the containers received as contributions to the costing of UREs. The contributions to the costing of UREs are used as a reimbursement for the costs incurred by collection centers and units when receiving empty containers and preparing them for final disposal.

This contribution made to the Institute by the recycling companies is transferred to dealer associations (responsible for the management of UREs) as reimbursement for expenses and costs incurred when preparing empty containers for final disposal, through a strict periodic accountability process.

Management carried out, together with its lawyers, an in-depth analysis of the Institute's business model and, as from December 2009, has made changes in its processes, one of which consisting of the dealer associations delivering empty containers to recycling companies for just a symbolic amount and issue of a shipping invoice.

The accreditation fees and contributions to the costing of UREs are calculated based on the product weight delivered to the recycling companies and represent, respectively, about 30% to 40% and 60% to 70% of the volume of processed products.

(c) Allocation of resources

While the contributions to the costing of UREs are periodically transferred to dealer associations for the maintenance of URE operations, the resources obtained as accreditation fees from recycling companies were allocated to the expansion of assets owned by the Institute and leased to Campo Limpo - Reciclagem e Transformação de Plásticos S.A. ("Campo Limpo S.A."), whose stockholders are associates of the Institute (Note 1.4), located in the city of Taubaté, state of São Paulo.

(d) Centers surplus

The finance results from the shipment of empty containers made by the receiving centers to the recycling companies, excluding the costs shared between the Institute and the dealer associations, normally result in deficits. However, due to the improvements in the operating processes and increase in the volume of empty containers, in certain months the centers may have a surplus that is offset against deficits of prior months. Once the deficit amounts are offset, in cases where the final result is a surplus, the Institute accounts for it as "Centers surplus". Since the Institute is responsible for managing the financial resources, the balances from the "Centers surplus" are controlled in a specific current account and identified individually per the related centers.

The agreements the Institute enters with the dealer associations establish that the centers with surplus will have the right to use it, upon mutual consent with the Institute, in the following order:

- 1st - Improvements (expansion, renovation and necessary equipment) in the Receiving Unit;
- 2nd - Construction of stations and improvements (expansion, renovation and necessary equipment) in the stations managed by the association of dealers;
- 3rd - Improvements in the Receiving Units (Centers), which comprise the package destination system in the same State;
- 4th - Improvements in the Empty Container Receiving units in the same State;
- 5th - Improvements in the Receiving Units and State Stations, according to the aforementioned sequence.

(e) Evaluation of taxes levied on the Institute's operations

Together with the analysis of the new business model and, for the purposes of mitigating

the risks arising from possible different interpretations about the taxes levied on the operations carried out by the Institute, management obtained from its lawyers a detailed study on the taxation of its operations. This study includes the matter related to the revenue from the operation of the new shipping model, which is not subject to any taxes or contributions..

1.2. Management of the business units

The management of the Institute is divided into three segments, as follows:

- (a) Basic processes - This comprises the construction, maintenance and granting of subsidies to the UREs; the transportation of empty containers from the stations to the centers and then to the final destination (to be recycled or incinerated); and the costs regarding the final destination of containers for incineration (Note 22).
- (b) Support processes - This comprises the communication and publicity regarding the Institute's operations; the education, training and awareness of interested parties and stakeholders; legal support; and projects for the system self-sustainability (Note 22).
- (c) Administrative process - this segment includes the maintenance of the Institute's administrative area, including all personnel (Note 22).

1.3. Business unit – recycling

With the purpose of providing self-sustainability to the Institute's business model, a recycling unit was constructed to receive parts of the containers sent to the UREs. These parts are used for the manufacture of new plastic containers. In 2008, this group of assets was leased to Campo Limpo Reciclagem e Transformação de Plásticos S.A. ("Campo Limpo S.A."). The Institute's investments in the construction, assembly and expansion of the factory currently amount to R\$ 70,261 (2017 - R\$ 65,761) (Note 10).

1.4. Campo Limpo - Reciclagem e Transformação de Plásticos S.A.

One of the Institute's objectives is to attain economic self-sustainability for the reverse logistics program of agrochemicals empty containers. This will be made through the verticalization of the container receipt and destination process. To achieve this, an investment plan has been established as initially structured in the following four stages: 1st - rigid plastic recycling; 2nd - turning rigid plastic into containers; 3rd - recycling of flexible plastic; and 4th - flexible plastic transformation.

In 2006, the Institute's associates approved the implementation of stages 1 and 2, which have led to the construction and structuring of Campo Limpo - Reciclagem e Transformação de Plásticos S.A. ("Campo Limpo S.A."), whose purpose is to recycle empty containers and manufacture containers with the quality required by the associates, which are manufacturers of phytosanitary products.

At the Annual General Meeting held on April 18, 2011, the associates agreed to cancel stages 3 and 4 and to expand stages 1 and 2, making investments in the purchase of blow molding equipment (manufacture of containers).

The expansion of stages 1 and 2 required the purchase of four new blow molding machines, totaling an investment of R\$ 20,000 (unaudited). All of these machines were installed up to December 2013, when the project investments were completed.

In order to make the operations of Campo Limpo S.A. feasible, a lease agreement was entered into with the Institute for the assets described in Note 10, with remuneration for the Institute of about 10% of the net billings of Campo Limpo S.A. (Note 21).

On December 8, 2015, an amendment to the lease agreement was executed in order to

establish that, should the Parties be interested and agree, Campo Limpo S.A. may install new equipment or replace it in order to seek to increase its revenue and the quality of products, which directly impacts the lease amount paid to inpEV.

The said amendment further established in its clause 1.3.2.1 that Campo Limpo shall be incumbent for maintenance of the equipment and shall deduct such maintenance expenses incurred by it from subsequent lease payable after incurring the expenses, of which the payment must be proved by proper supporting documentation.

In view of this, the disbursements made by Campo Limpo in connection with expenses incurred for the maintenance of the assets started to be deducted from lease payable.

In order to reduce the total cost of such system, the general meeting of inpEV's associates held on September 19, 2016, approved making investments to expand the company's activities, in the amount of approximately R\$ 41,200 for the period ranging from 2017 to 2019 (2017 - R\$ 2,727 and 2018 - R\$ 7,455), in order to seek to reduce total cost of the system, through revenue generation from lease of fixed assets, as well as to increase Campo Limpo S.A.'s operating results.

1.5. Campo Limpo Tampas e Resinas Plásticas Ltda.

In order to complete the container's life cycle, on January 24, 2014, Campo Limpo Tampas e Resinas Plásticas Ltda. ("Campo Limpo Tampas") was established, with 99.99% of its quotas held by Campo Limpo S.A. Its purpose is to produce a high-performing sealing system known as Ecocap. Accordingly, the customer will be offered a complete solution with containers (produced by Campo Limpo S.A.) and caps (produced by Campo Limpo Tampas).

For the performance of the operations in Campo Limpo Tampas, the Institute leased a space within Campo Limpo S.A. paying rent calculated on the basis of 0.5% of its monthly billing.

In 2018, the Institute obtained lease revenue from the Campo Limpo Tampas operations amounting to R\$ 173 (2017 - R\$ 157), which is detailed within "Operating lease agreement" (Note 21).

2. Summary of significant accounting policies

The main accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied in the years presented.

2.1. Basis of preparation

The financial statements have been prepared and are being presented in accordance with accounting practices adopted in Brazil, including the provisions of the Brazilian Federal Accounting Council (CFC) Resolution 1,409/12, which approved the Technical Interpretation ITG 2002 - "Non-profit Entities", and the accounting pronouncements issued by the Brazilian Accounting Pronouncements Committee (CPC).

The financial statements have been prepared under the historical cost convention.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires Management to exercise judgment when applying the Institute's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

The Institute's Statutory Audit Board and Management on February 18, 2019 approved these financial statements.

2.1.1. New accounting standards effective January 1, 2018

The following standards were first adopted from January 1, 2018 and have not generated significant impacts for the Institute:

IFRS 9/CPC 48 - "Financial Instruments ", addresses classification, measurement and recognition of financial assets and financial liabilities and replaces the guidance of IAS 39/ CPC 38, about classification and measurement of financial instruments. The main changes introduced by IFRS 9 are:

(i) new criteria for the classification of financial assets.

Until December 31, 2017, the Institute classified its financial assets as loans and receivables, pursuant to CPC 38. With the adoption of IFRS 9/CPC 48, financial assets were reclassified to amortized cost (Note 2.3).

(ii) new hybrid model between expected losses and incurred losses models for determining impairment of financial assets (hereafter referred to as expected losses model), replacing the current incurred losses model.

The expected losses model, provided for by IFRS 9/CPC 48, has not generated impact on the financial statements of InpEV, since the Institute's accounts receivable basically comprise contributions by associates, linked to the recognition of expenses incurred, as well as amounts receivable from the recycling companies for the supply of containers.

There is no history of default on accounts receivable from contributions since recycling companies must, under Law 7,802, implement a reverse logistics program for empty agrochemicals containers in order to be allowed to conduct their activities in Brazil and, if they do not pay InpEV, which is the representative

of such industry in Brazil, they will no longer be allowed to continue operating.

There is a technical cooperation agreement in place among recycling companies for the supply of containers and, in case of such default, this supply is interrupted and the defaulting company is no longer allowed to participate in the System, thus generating significant losses for its business.

(iii) relaxation of the requirements for adopting hedge accounting.

The Institute does not have hedge transactions, as such, this item of IFRS9/CPC48 is not applicable.

Transition

The changes in accounting policies resulting from the adoption of IFRS 9 / CPC 48 were applied retrospectively on a simplified basis, with no effects as of the transition date.

IFRS 15/CPC 47 - "Revenue from Contracts with Customers "- This new standard brings the principles that must be applied by an entity for revenue measurement and recognition timing purposes. This standard is based on the principle that revenue must be recognized when control of an asset or service is transferred to customer, therefore, the principle of control will replace the principle of risks and rewards. It replaces IAS 11/CPC 17 - "Construction Contracts " and IAS 18/CPC 30 - "Revenue" and corresponding interpretations.

The Institute's Management has not identified impacts from adoption of IFRS 15/CPC 47, since the revenue recognition criteria adopted by InpEV follow the principle of transfer of control of an asset or service to customer which, for InpEV, takes place as the costs and expenses to manage the system are incurred (Note 2.14).

Transition

The Institute adopted CPC 47/IFRS 15, using the retrospective method, that is, with first adoption of the standard on January 1, 2018, without restating prior periods. In addition, Management analyzed the balances at December 31, 2017 and did not identify any impacts from adoption of this standard.

IFRIC 22/ICPC 21 - "Foreign Currency Transactions ", also effective January 1, 2018, provides clarifications about transaction date to be used in currency translation of advances made or received in foreign currencies.

The Institute does not have transactions in foreign currencies, thus IFRIC 22/ICPC is not applicable to inpEV.

2.2. Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank deposits and other short-term highly liquid investments with original maturities of three months or less, and with immaterial risk of change in value..

2.3. Financial assets

2.3.1. Classification

The Institute classifies its financial assets at amortized cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at their initial recognition.

Financial assets classified as amortized cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets. The Institute's loans and receivables comprise "Cash

and cash equivalents", "Accounts receivable", "Security deposit for rent" and "Judicial ".

2.3.2. Impairment of financial assets

Assets carried at amortized cost

The Institute assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flow from the financial asset or group of financial assets, and this impact can be reliably estimated.

The criteria used to determine that there is objective evidence of impairment include, among others:

- . significant difficulty to receive amounts from the associate;
- . default or delinquency in interest or principal payments.

For financial assets recognized at amortized cost, impairment is the difference between the asset's recorded amount and the present value of the estimated future cash flows, discounted at the effective original interest rate of the financial asset. The carrying amount is reduced directly by the impairment loss for all financial assets.

2.4. Accounts receivable

The balances of accounts receivable, represented by the amounts due from associates and relating to the consideration for the services rendered by the Institute in the course of its business, are recognized initially at transaction value and subsequently measured at amortized cost, less the provision for impairment of accounts receivable. Expected losses are established whenever there is

evidence that it is probable that the Institute will not receive all the amounts due. The amount of expected loss is the difference between carrying amount and recoverable amount.

Until December 31, 2017, the Institute used the model of incurred losses to set up the provision for impairment of accounts receivable.

The average receipt term of accounts receivable is 30 days.

2.5. Advances granted

Advances granted represent funds transferred in advance to collection centers and units to cover short-term cash needs. They are carried at cost.

2.6. Judicial deposits

Judicial deposits, in local currency, are deposited with the courts in an escrow bank account linked to a lawsuit, to ensure the settlement of a possible future obligation and which can only be used after a judicial order. These deposits accrue interest and are presented in the balance sheet as a deduction from the provision for contingencies (Note 14).

2.7. Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation.

Subsequent additions are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Institute and the cost of the item can be measured reliably. The carrying amount of the replaced items or parts is derecognized. All other repairs and maintenance are charged to the statement of surplus during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate the cost of the assets less

their residual values over their estimated useful lives, as follows:

	Years
Buildings	50 - 60
Equipment and installations	10-15
Vehicles	5
Furniture and fittings	12 - 16
Other	10

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to the recoverable amount if its carrying amount is greater than its estimated recoverable amount.

Gains and losses on asset disposals are determined by comparing the proceeds with the net book value and are recognized within "Other gains (losses), net" in the statement of surplus.

2.8. Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Operating lease payments (net of all incentives received from the lessor) are charged to the statement of surplus on the straight-line basis over the term of the lease.

2.9. Intangible assets

Computer software licenses acquired are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives of three to five years.

2.10. Impairment of non-financial assets

Assets that are subject to depreciation or amortization are reviewed for impairment

whenever events or changes in circumstances indicate that the carrying amount may not be recovered. An impairment loss is recognized when the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (Cash-generating units (CGUs)). Non-financial assets other than goodwill that suffered impairment are subsequently reviewed for possible reversal of the impairment at each reporting date.

2.11. Accounts payable

These refer to obligations payable and are substantially represented by expenses incurred by dealer associations for the maintenance of units responsible for the receipt of containers.

Accounts payable are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method. In practice, they are usually recognized at the amount of the related invoice..

2.12. Provisions

The Institute recognizes provisions when: (a) it has a present legal or constructive obligation as a result of past events; (b) it is probable that a transfer of economic benefits will be required to settle the obligation; and (c) the obligation amount can be reliably estimated. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation, using a rate before tax effects that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the time elapsed is recognized as interest expense.

2.13. Employee benefits – bonus

The Institute recognizes a liability and an expense for payment of bonus based on targets achieved by its employees. The bonus is commonly recognized at the end of the year, when the Institute can accurately calculate the amount.

2.14. Revenue recognition and related expenses

Revenue comprises the present value of contributions made by associates, revenue of recycling companies (accreditation fee paid by recycling companies, contributions to the costing of UREs), revenue from operating leases and extraordinary contributions made by associates for investments in Campo Limpo S.A.

The amounts related to the business unit dealing with the management of the reverse logistics systems for empty containers of agrochemicals are recognized as revenue for the year to the extent the costs and expenses with the management of the system are incurred.

(a) Associate contributions

Considering that the contributions of the associates are made for the costing of all expenses with the container receiving, transportation and incineration processes, among others, the amount considered as associate contribution corresponds to the related costs and expenses incurred. The contributions are approved by associates when preparing the annual budget, being submitted monthly for approval in the Institute's meetings with Management.

Those contributions in excess of the costs and expenses incurred are accounted for in "Advances from associates" in current liabilities.

(b) Accreditation fee for recycling companies

The amount of the accreditation fee paid by recycling companies is calculated based on the containers received and destined for recycling, and is recognized when the empty containers are effectively delivered to the recycling companies. This amount is equivalent to approximately 30% to 40% of the amount obtained from the containers sent for recycling. The annual contribution of the Institute's associates is reduced by this amount.

(c) Contributions to the costing of UREs

Contributions to the costing of UREs, which range from 60% to 70% of the amount obtained from the containers sent for recycling and applied in the business unit that deals with the management of the reverse logistics systems for empty containers, are recorded when the containers are effectively delivered to the recycling companies and are invested when the UREs (centers and stations) present the costs incurred in the process of preparing the containers to be sent to their final destination.

(d) Operating leases

Operating lease revenue is recorded on the accrual basis of accounting at 10% of the monthly net revenue from the sales of Campo Limpo S.A. and Campo Limpo Tampus products, as provided for by the Property Lease Agreement by and between the parties.

(e) Extraordinary contributions

These are funds transferred by Campo Limpo S.A., on behalf of its stockholders that are also inpEV's associates, which are approved in Annual General Meetings, in order to reduce the amount of annual contributions due to inpEV.

Revenue from extraordinary contributions is recognized after such funds are approved in Campo Limpo S.A.'s General Meeting.

The extraordinary contributions are used to reduce the amount of the annual contribution made by associates to inpEV.

3. Critical accounting estimates and judgments

Accounting estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events.

The Institute makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

(a) Process of management of the final disposal of empty phytosanitary product containers and taxation of the recycling company accreditation fee

Up to November 2009, dealer associations would sell the empty containers to the recycling companies. The Institute received amounts from the recycling companies as an accreditation fee, which was due for the accreditation of the recycling companies, for the transfer of know-how related to the recycling process of plastic residues, for the manufacture of new products from such material and for the training of employees of the recycling companies regarding the proper handling of empty containers of phytosanitary products.

To avoid challenges from tax authorities on the sales of containers by the system participants, and considering that the owners of these containers are the manufacturers of the phytosanitary products, the Institute's management, supported by external lawyers, made changes in its business model (Note 1.1.).

With the implementation of the new business model on December 1, 2009, the sales of empty containers to recycling companies were discontinued, and the amounts that the recycling companies used to pay to dealer associations for the empty containers were incorporated into the amount of contributions to the costing of the UREs and started to be charged directly by the Institute. On the other hand, a portion of such contributions received by the Institute started to be used as a subsidy for some of the costs incurred by those units receiving empty containers, which include dealer associations.

The Institute, based on a study prepared by its external lawyers, understands that no payment of taxes on the container shipping operations is applicable..

(b) Provision for tax and labor contingencies

As described in Note 14, the Institute is challenging in court the Social Contribution on Revenues (COFINS) levied on the accreditation fee, in addition to the payment of termination benefits to former employees (own employees and URE employees). Provisions are established for all contingencies referring to litigation that represents probable losses and can be reliably estimated. The assessment of the likelihood of an unfavorable outcome in these lawsuits and administrative proceedings includes the analysis of the evidence available, the hierarchy of the laws, available former court decisions, the most recent court decisions and their importance in the Brazilian legal system, and the opinion of external legal counsel. Management believes that the provisions for tax and labor risks are fairly presented in the financial statements.

4. Financial risk management

4.1. Financial risk factors

The Institute is exposed to finance risks related to credit and liquidity. .

(a) Credit risk

The Institute makes financial investments only with highly-rated financial institutions in order to minimize credit risks.

Accounts receivable are comprised of amounts from associates and recycling companies that have not yet been received. When the associate or recycling company is in default (Note 7), the Institute's management initiates an out-of-court collection process to receive the outstanding balance and, if it becomes a problem, the Institute's Management may file a judicial collection proceeding.

(b) Liquidity risk

This is the risk of the Institute not having sufficient liquid funds to meet its financial commitments, due to the mismatch of terms or volume in expected receipts and payments.

To manage liquidity of cash in local currency, assumptions for future disbursements and receipts are determined, and the finance department monitors these daily.

4.2. Capital management

The Institute's objectives when managing capital are to safeguard its ability to continue as a going concern for reinvestment and to maintain a capital structure that is sufficient to meet its short-term obligations.

5. Financial instruments by category

Cash and cash equivalents (substantially financial investments in investment funds), accounts receivable represent the Institute's financial assets from associates, security deposit for rent and judicial deposits. They are all classified in the category of amortized cost.

Financial liabilities, such as accounts payable, advances from associates and recycling companies and provisions for contingencies, are classified as subsequently measured at amortized cost.

5.1. Credit quality of financial assets

The Institute's cash and cash equivalents and financial investments are negotiated with financial institutions classified under the following ratings (FICTH):

	2018	2017
Cash and cash equivalents and securities Banco Itaú S.A. – AAA	39,179	39,371
	39,179	39,371

The credit quality of trade receivables is assessed based on the risk of a customer failing to honor payments at the related maturity dates and on the difficulty to recover this receivable through an out-of-court process.

6. Cash and cash equivalents

	2018	2017
Cash	15	13
Banks - current accounts	360	7
Investment funds (*)	39,179	39,364
	39,554	39,384

(*) This amount represents applications in financial investment funds remunerated at 98.20% of the Inter-bank Deposit Certificate (CDI) rate with Banco Itaú S.A. (2017 – Banco Itaú S.A. – 100.64%), being readily redeemable, with no significant discount on redemption.

7. Accounts receivable

	2018	2017
Associate contributions – Agrochemicals	7,664	4,362
Recycling companies		
Accreditation of recycling companies	1,055	860
Contributions to the costing of UREs	4,505	2,791
Operating lease - Campo Limpo S.A.	2,286	1,419
Extraordinary contributions	-	2,262
Other accounts receivable	-	87
Provision for impairment of accounts receivable	(3,837)	(3,878)
	11,673	7,903

Changes in the Institute's provision for impairment of accounts receivable are as follows:

	2018	2017
At January 1	(3,878)	(3,873)
Additions	-	(5)
Reversal due to receipt	41	-
At December 31	(3,837)	(3,878)

The Institute, after out-of-court collection attempts, through its lawyers decided to file a lawsuit against the associate in default, Fersol Indústria e Comércio Ltda., whose outstanding balance at December 31, 2018 amounted to R\$ 3,667 (2017 - R\$ 3,667). The remaining balance of R\$ 170 refers to two recycling companies undergoing financial difficulties in their operations, in view of this, the Institute decided to set up a provision for this amount.

The amounts receivable by maturity are as follows:

	2018	2017
Not yet due	3,394	3,828
Overdue		
Up to 60 days	7,410	4,066
From 61 to 90 days	880	10
From 91 to 180 days	4	-
From 181 to 360 days	23	45
Over 360 days	3,799	3,832
	15,510	11,781

8. Advances granted

	2018	2017
Advances to centers (i)	3,941	4,231
Advances to units (i)	1,033	1,307
Advances to employees	68	64
Payroll advances	203	326
Other advances	690	336
	5,935	6,264

(i) Pursuant to the agreement entered into with the dealer associations responsible for the management of the collection centers and units dealing with empty containers, effective until November 2009, the Institute assumed a portion of the costs incurred and the related deficit balances. When the new business model came into effect (Note 1.1.) in December 2009, the Institute became the manager of the funds

generated by the shipping of containers to recycling companies and the reimbursement of all costs incurred by the dealer associations.

Depending on the circumstances, the Institute makes advances to collection centers and units, based on the average of total expenses for the last three months presented by the centers. These advances are recognized in the statement of surplus for the year, upon presentation of supporting documentation for the incurred expenditures.

Of the balance of R\$ 3,941 at December 31, 2018, R\$ 1,942 corresponds to amounts prepaid to certain centers, which are in surplus, in accordance with the monthly accountability process and the remaining balance refers to the advances granted that are still within the period established by the Institute for accountability. However, because these centers are in surplus, they did not use the funds paid in advance for the execution of their activities and, as mentioned in Note 1.1 (d), the Institute has recorded in its liabilities, under centers Surplus, balances payable to centers in surplus and which are used according to the previously established hierarchy of use.

9. Security deposit for rent

The balance of R\$ 119 (2017 - R\$ 77) refers to the security deposit defined in the lease agreement of the property located at Avenida Roque Petroni Junior, 850, which is the address of the current headquarters of the Institute. This amount will be redeemed at the end of the agreement.

10. Property and equipment

	Land	Buildings and improvements	Equipment and installations	Vehicles	Furniture and fittings	Other	Total in operation	Construction in progress/ advances	Total property and equipment
On December 31 st	431	12,334	32,934	611	308	28	46,646		46,646
Acquisition		657	2,127	483	234		3,501	3,948	7,449
Disposal			(21)	(18)	(11)		(50)		(51)
Depreciation		(940)	(5,726)	(351)	(88)	(12)	(7,117)		(7,116)
On December 31 st	431	12,051	29,314	725	443	16	42,980	3,948	46,928
Total cost	431	18,224	60,978	1,979	1,001	118	82,733	3,948	86,681
Accumulated depreciation		(6,173)	(31,664)	(1,254)	(558)	(103)	(39,753)		(39,753)
Net book value	431	12,051	29,314	725	443	16	42,980	3,948	46,928
On December 31 st	431	12,051	29,314	725	443	16	42,980	3,948	46,928
Acquisition		231	4,346	999	112	8	5,697	6,172	11,869
Disposal			(180)	(137)	(31)		(348)		(348)
Depreciation		(975)	(5,896)	(415)	(81)	(10)	(7,378)		(7,378)
On December 31 st	431	11,307	27,584	1,172	443	14	40,951	10,120	51,071
Total cost	431	18,456	64,754	2,246	1,080	126	87,093	10,120	97,213
Accumulated depreciation		(7,149)	(37,170)	(1,074)	(637)	(112)	(46,142)		(46,142)
Net book value	431	11,307	27,584	1,172	443	14	40,952	10,120	51,071

Note 1.3 to the financial statements discloses that the associates established a separate entity denominated Campo Limpo Reciclagem e Transformação de Plásticos S.A. ("Campo Limpo S.A."). The assets of Campo Limpo S.A. were acquired by the Institute and are recorded in the Institute's property and equipment account. The cost of these assets at December 31, 2018 amounted to R\$ 70,261 (2017 - R\$ 65,761).

On May 1, 2008, the Institute entered into an agreement with Campo Limpo S.A. for the lease of property, industrial equipment, electric, hydraulic and gas installations, tools, vehicles, furniture and fittings, computers and peripherals as well as other assets that are already installed and operating, in addition to other spare equipment attached to the property. Should this agreement not be terminated by one of the parties, it will be effective for ten years and automatically renewed for the same period, which occurred in 2018.

The assets leased to Campo Limpo S.A., included in the table above, are the following:

Description	2018		
	Cost	Accumulated depreciation	Net book value
Buildings and improvements	16,831	(5,987)	10,844
Equipment and installations	46,888	(28,068)	18,820
Vehicles	467	(268)	199
Furniture and fittings	579	(404)	175
Construction in progress	5,466	-	5,466
Other	30	(24)	6
	70,261	(34,751)	35,510

Description	2017		
	Cost	Accumulated depreciation	Net book value
Buildings and improvements	16,831	(5,326)	11,505
Equipment and installations	45,410	(23,700)	21,810
Vehicles	426	(281)	145
Furniture and fittings	535	(359)	176
Construction in progress	2,436	-	2,436
Other	23	(23)	
	65,761	(29,689)	36,072

11. Intangible assets

	Software acquired
On December 31 st , 2016	407
Addition	154
Amortization	(168)
On December 31 st , 2017	393
Total cost	1,905
Accumulated amortization	(1,512)
Net book value	393
On December 31 st , 2017	393
Addition	97
Amortization	(152)
On December 31 st , 2018	338
Total cost	2,000
Accumulated amortization	(1,662)
Net book value	338

The intangible assets related to Campo Limpo S.A. at December 31, 2018, included in the table above, are as follows:

Description	Cost	Accumulated amortization	Net book value
Hardware and software	651	(483)	168

12. Accounts payable to centers and stations

These amounts refer to accounts payable to the receiving units (UREs), that is, centers and stations, due to the operating maintenance shared costs established in the agreement entered into by the Institute and the managers of such units (dealers), whose balance, at December 31, 2018, amounted to R\$ 2,309 (2017 - R\$ 2,105).

13. Centers surplus

As described in Note 1.1. (d), the surplus balance of certain centers, amounting to R\$ 2,483 (2017 - R\$ 2,600), is segregated in a specific financial investment account controlled by each center, and will only be used upon previous approval of the Institute and provided that the hierarchy of priorities, as established in the agreement entered into by the parties, is respected.

14. Contingencies

Legal proceedings and corresponding judicial deposits are as follows:

	Judicial deposits		Contingency	
	2018	2017	2018	2017
Tax - Social Contribution on Revenues (COFINS) (i)	16,717	14,978	16,767	15,026
Labor (ii)			22	287
	16,717	14,978	16,789	15,313
Judicial deposits related to litigation	(16,717)	(14,978)	(16,717)	(14,978)
Net amount under litigation			72	335
Less current liabilities			(50)	(48)
Non-current liabilities			22	287

In 2018 and 2017, the changes in legal proceedings were as follows:

	Tax	Labor	Total
On January 1 st , 2017	13,034	344	13,378
Complement/additions (iii)	982	287	1,269
Reversal/write-off		(344)	(344)
Indexation accruals	1,010		1,010
On December 31 st , 2017	15,026	287	15,313
Complement/additions (iii)	1,105	16	1,122
Reversal/write-off		(281)	(281)
Indexation accruals	636		636
On December 31 st , 2018	16,767	22	16,790

(i) Since 2004, the Institute has generated revenue from accreditation fees, according to agreements entered into with recycling companies. Differently from the Brazilian Federal Revenue Service (RFB), the Institute and its tax lawyers consider that the Social Integration Program (PIS) and the Social Contribution on Revenues (COFINS) should not be levied on these revenues. Accordingly, on July 2, 2004, the Institute filed a query with the Regional Superintendency of Federal Revenue of the 8th Tax Region, in São Paulo, in order to clarify the

lack of legal definition about the taxation of PIS and COFINS on other types of revenue (revenue from accreditation fee) of not-for-profit entities, which are exempt from income tax.

The Institute received a positive response on June 9, 2008 regarding the PIS taxation, with the confirmation that PIS should be levied only on payroll balances, which has been the Institute's practice since the beginning of its operations, in March 2002.

On the other hand, the Regional Superintendency of Federal Revenue stated that COFINS is to be levied on this type of revenue. The Institute, supported by its tax lawyers, disagreed with this interpretation and, in February 2009, filed for a writ of mandamus in order to assure its right for the non-payment of COFINS on the accreditation fee. This injunction was denied on May 13, 2009.

The sentence handed down in October 2013 denied the Institute's claim and determined in favor of the payment of COFINS. In November 2013, the Institute lodged an appeal with the Federal Regional Court, which is currently pending judgment.

As a preventive measure, and in order to safeguard the original amount of the tax obligation, the Institute deposited in court the total balance of the provisioned amount plus interest and fines, referring to the period from 2004 to December 2018, totaling R\$ 16,767 (2017 - R\$ 15,026). The corresponding judicial deposit is presented as a deduction in liabilities.

Other than the COFINS matter referred to above, based on the opinion of the Institute's external lawyers and, because it is related to the transfer of information and technical knowledge regarding the handling of empty containers up to their final disposal, no further taxes are being levied on the Institute's revenues.

In 2014, the Federal Tax Authorities presented their counterarguments in respect of the Appeal on the merits of the case filed by the Institute, and the case records were sent to the Federal Regional Court (TRF) of the 3rd Region. Currently, the Appeal regarding the merits of the case lodged by the Institute is pending judgment.

(ii) A labor provision was recorded for a claim filed by former employees of UREs, for which the lawyers considered the likelihood of loss as probable.

(iii) The balance of R\$ 1,105 (2017 - R\$ 982) refers to taxes to be paid in 2018 deposited in court in relation to a judicial discussion regarding the COFINS levied on the accreditation fee.

(a) Possible losses, not provided for in the balance sheet

Other labor claims were filed by former employees of the UREs, for which the Institute, as joint obligor, regularly carries out a follow-up with its legal area.

The purpose of this follow-up is to advise the dealers, who are the employers, of the processes. At December 31, 2018, the contingency amounted to R\$ 457 (2017 - R\$ 1,078).

In the event of an unfavorable outcome, the Institute will incur the cost in proportion to its contribution in the monthly expenses of these UREs.

Joint obligation for compliance with labor obligations

In 2015, the Federal Labor Prosecution Office (MPT) of Mato Grosso filed a public-interest civil action against the Institute, of approximately R\$ 58,000, questioning the labor obligation in the management of the Sapezal Receiving Unit, which is administered exclusively by the Association of Agronomists of Sapezal (AEASA), and the Institute and the other defendants (manufacturers) were included as joint obligors in the fulfillment of labor obligations.

According to its legal advisors, the attribution of labor joint obligation to the Institute is without merit since there is no type of labor responsibility that could be attributed to the Institute and the other defendants, due to the sharing of environmental obligations in the flow of a reverse logistics chain.

In May 2018, the Labor Court of Sapezal – Mato Grosso State rendered a ruling considering the public-interest civil action to be partially substantiated, and ordering AEASA to pay indemnity for collective personal damages in the amount of R\$ 30, as well as indemnity for individual damages of R\$ 4 for each employee working at the Receiving Unit. Such ruling further acknowledged that both the Institute and the manufacturers were not held responsible for any of the facts disputed in the litigation. MPT filed an appeal, which is currently pending judgment by the Regional Labor Court of the 23rd Region.

The Institute's management, based on the evaluation of its legal advisors, assessed the

risk of loss in this process as possible and, accordingly, did not establish any provision in the financial statements at December 31, 2018.

15. Advances from associates

Considering that the associated companies contribute to costing expenses for the receipt, transportation and final disposal processes of empty containers, among others, the excess of contributions over costs and expenses incurred is accounted for as advances from associates.

The changes in advances from associates are as follows:

	January 1, 2018	Additions	Reductions	December 31, 2018
Associate contributions (i)	6,534	68,639	(75,173)	-
Crop Life Associados - sanitizers	2			2
	6,536	68,639	(75,173)	2

(i) The Institute's budget for each year sets out the investments required for expansion, maintenance and improvements in centers and units. The remaining balance at the end of each year corresponds to the portion of investments approved for that year but not yet incurred up to the reporting date.

The contribution additions from associates amounted to R\$ 68,639 and substantially correspond to estimated associate contributions amounting to R\$ 85,917, less the contribution reduction plan amounting to R\$ 20,000 and extraordinary contributions of associates that

are also stockholders of Campo Limpo S.A. amounting to R\$ 2,722.

The reductions in 2018 represent the net revenue recognition of the associate contributions of R\$ 75,173, resulting from the gross contributions from agrochemicals of R\$ 92,452 (Note 17), less the capital contribution of R\$ 20,000, plus the amount transferred by Campo Limpo S.A. of R\$2,722.

The balance of associate advance at December 31, 2017, comprising committed funds of R\$

4,270 and budget excess of R\$ 2.264, was realized in 2018. At December 31, 2018, there is no associate advance balance since all the contributions were used in 2018.

16. Net worth

Pursuant to the Institute's articles of association, the net worth, revenues, funds and operational surplus are to be fully applied in Brazil, for the maintenance and development of the Institute's social objectives. The distribution of profits, dividends, share of results or dilution of a portion of net worth is not permitted under any circumstances.

(a) Reserve for new associates

During 2013, the Board of Directors of inpEV, together with the executive board, discussed the need to charge a fee for membership to the new applicants as a reimbursement for all investments already made by current associates throughout the existence of the Institute.

At the 17th General Meeting of Associates, held on April 14, 2014, the associates approved the following main terms for affiliation of new associates:

- (i) One-time payment, in the amount of twenty minimum salaries, due as from the granting of the application for membership by the Board of Directors;
- (ii) 1.5% of the annual net revenue of the new associate computed on the basis of the agricultural pesticides business, paid for three years and calculated each year of the effective payment as from the first year in which the associate informs that it places packaging on the market directly, if it has not done so since the beginning; and
- (iii) 150% of the value of the average cost/kilo of packaging ascertained in the annual inpEV budget multiplied by the number of containers placed by the associate on the

market, directly and/or through third parties, paid for five years, and collected from the first year in which the associate informs that it has placed containers on the market (directly and/or through third parties), if it has not done so since the beginning.

The new associates as from January 2014, who sell agrochemicals, are now responsible for removing their empty packaging from the environment. Accordingly, they began the process of payment of membership fees, which, in the year ended December 31, 2017, corresponded to the amount of R\$ 4,782 (2017 - R\$ 913).

The increase of R\$ 3,869 in the reserve for new associates in 2018 is due to the suspension of fee collection (Fees II and III) in 2017, due to the review by the Institute's Management and approval by the Board of Directors, of calculation of fee III, no longer on the basis of 1.5% of the average cost per kilo of inpEV, but at half average cost per kilo of associates containers.

An analysis and review of the fee calculation formula were performed in 2017, suspending any collection until a final definition is made in this respect. The new calculation formula was approved in the 25th Extraordinary General Meeting held on April 16, 2018.

After the approval in the meeting, the Institute collected fees for two periods (2017 - R\$ 2,175 and 2018 - R\$ 2,607). Considering that this is a contribution for the affiliation of a new associate, the amounts received are being recorded in net worth under Reserve for new associates.

(b) Plan to reduce contributions

The original self-sustainability project for the Institute included consideration of a reduction of projected contributions from associates due

to the generation of revenues, pursuant to its business model (Note 1.1.). In an outgoing mail to associates in November 2017, it noted that the associates' contributions for 2018 decreased by R\$ 15,000 (2017 - R\$ 15,000).

However, due to better revenue generation performance, there was an additional reduction of the contributions by R\$5,000, totaling a reduction of R\$20,000 in 2018.

17. Net revenue from activities

	2018	2017
Associate contributions – agrochemicals (Note 15 (i))	92,451	84,668
Recycling company accreditation fee (Note 18)	14,544	13,546
Contributions to the costing of UREs (Note 19)	38,328	36,900
Extraordinary contributions (Note 20)	2,722	3,062
Operating lease (Note 21)	7,688	6,780
Voluntary work (Management and Statutory Audit Board)	611	601
Other	303	1
	156,647	145,558
Deductions from revenues		
Reduction in the associate contribution (Note 15(i))	(20,000)	(17,865)
COFINS levied on accreditation fee	(704)	(631)
COFINS levied on lease	(584)	(515)
Net revenue from activities	135,359	126,547

18. Accreditation fee for recycling companies

In 2004, the Institute entered into agreements with recycling companies regarding services of technical and operational cooperation for the recycling of plastic residues. These services include the development, training and studies for improvements in the stages of the recycling process.

Because of these agreements, the Institute recorded revenue in 2018 amounting to R\$ 14,544 (2017 - R\$ 13,546).

19. Contributions to the costing of UREs

As from December 2009, with the application of the new model for container shipping, a new form of revenue generated by the recycling company was created as the contributions to the costing of UREs. As described in Note 1.1., revenue from these contributions is used to subsidize the

costs incurred by the units receiving the empty containers.

In 2018, revenue from contributions to the costing of UREs totaled R\$ 38,328 (2017 - R\$ 36,900).

20. Extraordinary associate contributions

As authorized by the Annual General Meeting of Campo Limpo S.A., the amounts received from its stockholders, who are also associates of the Institute, are to be invested for the constant improvement of the operations, logistics and management of final disposal for empty containers of phytosanitary products, including support and orientation activities for the participants of this system.

In revenue from the recycling, the Institute's management recognized the amount received from Campo Limpo S.A. of R\$2,722 (2017 – R\$3,062) as extraordinary contribution. .

21. Operating lease

This lease refers to the agreement for the lease of property, industrial equipment, electric, hydraulic and gas installations, tools, vehicles, furniture and fittings, computer and peripherals and other operating assets attached to the property of Campo Limpo S.A. The lease, amounting to R\$ 7,688, of which R\$ 7,515 is related to "Campo Limpo S.A." and R\$ 173 to Campo Limpo Tampas (2017 - R\$ 6,623 and R\$ 157, respectively), corresponds to 10% of the net monthly revenue calculated by the lessee, and the minimum amount is R\$ 50 per month.

The operating lease agreement also comprises a package of services that the Institute renders to Campo Limpo S.A., mainly related to information technology, tax advisory and communication.

The minimum future payments of the non-cancellable operating lease of the plant built by Campo Limpo S.A. in Taubaté, in total and for each of the periods presented below, are as follows:

	2018	2017
Up to one year	7,076	8,604
More than one year and less than five years	69,855	68,617
Over five years	26,636	38,836
	103,567	116,057

Minimum future payments for periods over five years include the receipts over ten years (the effective period of the agreement) and the renewal for another ten years, after approval of

both parties, totaling 20 years.

As established in clause 2.1.1. of the contract, the renewal period shall automatically occur for the same period and under the same conditions, if not challenged by either party, in writing, within 210 days prior to the expected expiration of the lease (May 2, 2018), that is, 10 years. As no parties declare otherwise prior to the 210-day period, the lease was renewed on December 31, 2017 as well as the Institute's commitment with future payments.

As described in Note 1.4, in 2016, a plan was approved to expand Campo Limpo S.A.'s activities in the approximate amount of R\$ 41,200 to be realized by the Institute, whose objective will be to increase the lease revenue received by the Institute.

The agreement was renewed in 2018 for the same period initially agreed upon, that is, for additional 10 years.

22. General and administrative expenses

A administração das despesas administrativas e gerais do Instituto é efetuada por meio de três segmentos, conforme apresentados a seguir:

	2018	2017
Infrastructure	(37,164)	(32,803)
Support process	(6,158)	(5,858)
Basic process	(84,874)	(84,956)
	(128,196)	(123,617)

On the financial statements date, the Institute had the following amounts related to general and administrative expenses:

	2018	2017
Infrastructure		
Facilities	(523)	(701)
Personnel, plus social charges	(19,455)	(18,056)
Voluntary work (Management and Statutory Audit Board)	(611)	(601)
General expenditures (i)	(11,725)	(9,600)
Outsourced services (ii)	(2,591)	(1,630)
Information technology	(1,689)	(1,504)
Institutional	(570)	(711)
	(37,164)	(32,803)
Support process		
Legal (iii)	(1,030)	(906)
Communication, education and campaigns (iv)	(4,566)	(4,434)
Technological development	(191)	(267)
Projects (v)	(371)	(251)
	(6,158)	(5,858)
Basic process		
Operations (vi)	(53,481)	(51,530)
Logistics (vii)	(24,028)	(23,522)
Final destination (viii)	(7,365)	(9,904)
	(84,874)	(84,956)

(i) Refers mainly to depreciation and amortization expenses totaling R\$ 7,563 (2017 - R\$ 7,262) and to expenses with maintenance of property and equipment leased to Campo Limpo S.A. totaling R\$ 1,114 (2017 - R\$1,058).

(ii) Refers mainly to expenses with the following advisory services:

- Tax - R\$ 119 (2017 - R\$ 241).
- Human resources- R\$ 118 (2017 - R\$ 107).
- Internal and external audits - R\$ 448 (2017 - R\$ 363).
- Administrative - R\$ 1,705, projects, supplies and solid waste management – GRI (2017 - R\$ 221).

(iii) Refers to support of external legal advisors during the monitoring of lawsuits in progress, of R\$ 806 (2017 - R\$ 866).

(iv) Refers to expenditures with communication, publicity and training events. The balance mainly includes:

- Campaign expenditures - R\$ 593 (2017 - R\$ 547).
- Dia Nacional (National Day) Campo Limpo - R\$ 1,635 (2017 - R\$ 1,677).
- Communication/institutional material - R\$ 636 (2017 - R\$ 578).
- Triple rinsing regional campaign - R\$ 177 (2017 - R\$ 154).
- Outsourced services/communication services - R\$ 842 (2017 - R\$ 523).
- Institutional events - R\$ 367 (2017 - R\$ 349).

(v) Refers to the Institute's activities in connection with the management of projects which were previously approved by the Board Members, mainly the removal of obsolete and inadequate products - R\$ 369 (2017 - R\$ 250).

(vi) Refers mainly to costs incurred by the units receiving the empty containers, which are reimbursed by the Institute and are used for the expansion, renovation and maintenance of collection centers and units, amounting to R\$ 51,658 (2017 - R\$ 49,192), and those for the construction of collection centers and units, amounting to R\$ 993 (2017 - R\$ 250).

(vii) Refers substantially to expenses incurred with freight for the transportation of empty containers rinsed for recycling, amounting to R\$ 19,825 (2017 - R\$ 18,493), and not rinsed for incineration, amounting to R\$ 1,200 (2017 - R\$ 1,825).

(viii) Refers to expenses with incineration of containers not rinsed amounting to R\$ 6,999 (2017 - R\$ 9,081).

23. Finance income and costs

	2018	2017
Revenue from financial investments	2,085	2,668
Other finance income	302	100
	2,387	2,768
Withholding Income tax on financial investment	(414)	(489)
COFINS on financial investment	(84)	(141)
Other finance costs	(189)	(186)
	(687)	(816)
	1,700	1,952

24. Management remuneration

Management includes the president and seven officers. The remuneration paid or payable to key management personnel for their services is shown below:

	2018	2017
Salaries, vacation pay and 13 th month salary	(3,614)	(3,661)
Social charges	(1,327)	(1,275)
Other remuneration (*)	(2,497)	(1,941)
	(7,438)	(6,877)

(*) Other remuneration includes annual bonus, defined contribution private pension plan, health care and group life insurance.

25. Commitments

During 2018, the Institute entered into agreements with third parties for the maintenance and implementation of improvements in its business management units, which, despite being approved in the 2018 budget, will be performed in 2019. The commitments entered into with third parties at December 31, 2018 and 2017 are as follows:

	2018	2017
Infrastructure process (i)	(588)	(791)
Support process (ii)	(239)	(299)
Basic process (iii)	(1,586)	(3,180)
	(2,413)	(4,270)

(i) Relates to expected IT and administrative expenses, amounting to R\$ 153 and R\$ 435, respectively.

(ii) Mainly relates to projects for communication and projects regarding obsolescence amounting to R\$ 239.

(iii) Relates to improvements in equipment, remodeling of the centers and incineration agreements, amounting to R\$ 266, R\$1,153 and R\$ 168, respectively.

26. Insurance

The Institute seeks support from insurance advisors in setting the coverage compatible to its size and operations. The insurance policies at December 31, 2018 indicated the following levels of coverage:

Location	Amounts covered
InpEV – office	
Fire damage to property and equipment	5,000
InpEV - 111 centers	
Civil liability	12,000

27. New standards not yet effective

The following standard has been issued by IASB but is not yet effective for the year 2018. Early adoption of standards, although encouraged by IASB, is not allowed in Brazil, by the Accounting Pronouncements Committee (CPC).

- IFRS 16 - "Leases ": lessees will have to recognize the liability for future payments and the right to use the leased asset for virtually all lease agreements, including operational leases, in addition, certain short-term contracts or of small amounts do not fall within the scope of this new standard. The criteria for recognizing and measuring leases in the lessors' financial statements are substantially maintained. IFRS 16 becomes effective for years beginning on or after January 1, 2019 and replaces IAS 17 / CPC 06 - "Leases " and corresponding interpretations.

The Institute's management does not foresee significant impacts arising from the adoption of IFRS 16. At December 31, 2018, inpEV had two operating lease agreements related to the lease of two floors of an office building where the Institute's headquarters are located.

The lease term and the amount of the lease agreements are presented below

- i) 18th floor – Offices 181 to 184 (4 offices)
Lease amount: R\$ 25 thousand/month restated annually by reference to the IGPM variation
Term: 12/01/2016 to 11/30/2021 – 60 months
Amount: R\$ 1,530.
- ii) 13th floor – Offices 131 and 134 (2 offices)
Lease amount: R\$ 14 thousand/month restated annually by reference to the IGPM variation
Term: 11/01/2018 to 12/31/2028 – 120 months
-Amount: R\$ 1,680.

There are no other IFRS standards or IFRIC interpretations that are not yet effective that would be expected to have a material impact on inpEV's financial statements.

João Cesar Meneghel Rando

CEO - inpEV

Regina Marta de Santana Sousa
Accountant inpEV CRC 1SP177254/O-6