

***UPL do Brasil Indústria e Comércio  
de Insumos Agropecuários S.A.***

*Financial Statements For Year Ended  
March 31, 2016 and Independent  
Auditor's Report*

Deloitte Touche Tohmatsu Auditores Independentes

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Management of  
UPL do Brasil Indústria e Comércio de Insumos Agropecuários S.A.  
Ituverava - SP

### **Introduction**

We have audited the accompanying financial statements of UPL do Brasil Indústria e Comércio de Insumos Agropecuários S.A. ("Company"), which comprise the balance sheet as of March 31, 2016, and the statements of income, of comprehensive income, of changes in shareholders' equity and of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of these 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.

### **Auditor's responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Brazilian and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of UPL do Brasil Indústria e Comércio de Insumos Agropecuários S.A. as of March 31, 2016, and its financial performance and its related cash flows for the year then ended, in accordance with accounting practices adopted in Brazil.

## Other matters

### Financial statements prepared in English

The accompanying financial statements have been prepared in English for the convenience of readers outside Brazil.

Campinas, April 15, 2016

  
DELOITTE TOUCHE TOHMATSU  
Auditores Independentes

  
Paulo de Tarso Pereira Jr.  
Engagement Partner

UPL DO BRASIL INDÚSTRIA E COMÉRCIO DE INSUMOS AGROPECUÁRIOS S.A.

BALANCE SHEET AS OF MARCH 31, 2016

(In thousands of Brazilian reais - R\$)

ASSETS	Note	03/31/2016	03/31/2015	LIABILITIES AND SHAREHOLDERS' EQUITY	Note	03/31/2016	03/31/2015
<b>CURRENT ASSETS</b>				<b>CURRENT LIABILITIES</b>			
Cash and cash equivalents	5	113,221	35,014	Borrowings and financing	13	191,882	180,504
Trade accounts receivable	6	814,597	617,354	Forfeiting and credit letters transactions	15	148,067	18,250
Inventories	7	156,004	58,410	Trade payables	14	82,478	198,889
Recoverable taxes	8	8,258	6,651	Related parties	9	413,485	222,981
Related parties	9	89,677	2,829	Payroll and related taxes		28,888	13,485
Derivative financial instruments	19	-	36,348	Taxes payable		2,930	20,538
Other assets		3,168	3,442	Advances from customers		6,009	14,106
Total current assets		1,184,925	760,048	Proposed dividends	18	2,968	464
				Derivative financial instruments	19	26,152	-
<b>NON-CURRENT ASSETS</b>				Other payables		34,637	9,110
Trade accounts receivable	6	271	3,030	Total current liabilities		937,496	678,327
Recoverable taxes	8	86	1,932				
Deferred income tax and social contribution	17	106,648	37,204	<b>NON-CURRENT LIABILITIES</b>			
Related parties	9	85,227	-	Borrowings and financing	13	3,161	4,240
Other assets		10,674	10,806	Related parties	9	74,570	-
Investments	10	34	51	Provision for labor claims	16	1,565	1,565
Property, plant and equipment	11	55,155	44,849	Other payables		78	73
Intangible assets	12	85,584	74,897	Total non-current liabilities		79,374	5,878
Total non-current assets		343,679	172,769				
				<b>TOTAL LIABILITIES</b>		1,016,870	684,205
				<b>SHAREHOLDERS' EQUITY</b>			
				Share capital	18	308,696	83,962
				Capital reserve	18	138,577	155,354
				Legal reserve	18	3,384	488
				Retained earnings		61,077	8,808
				Total shareholders' equity		511,734	248,612
<b>TOTAL ASSETS</b>		<u>1,528,604</u>	<u>932,817</u>	<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<u>1,528,604</u>	<u>932,817</u>

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

UPL DO BRASIL INDÚSTRIA E COMÉRCIO DE INSUMOS AGROPECUÁRIOS S.A.

STATEMENTS OF INCOME FOR THE YEAR ENDED MARCH 31, 2016

(In thousands of Brazilian reais - R\$ - except income per share expressed in Brazilian Reais)

	Note	03/31/2016	03/31/2015
NET REVENUES	20	1,456,697	755,760
COST OF SALES	21	(1,039,770)	(519,812)
GROSS PROFIT		<u>416,927</u>	<u>235,948</u>
OPERATING INCOME (EXPENSES)			
Selling	21	(100,848)	(44,787)
General and administrative	21	(122,294)	(90,700)
Exchange rate variation on trade receivables and payables	21	(16,394)	(51,798)
Equity pick up	10.b	-	(14)
Other operating expenses, net		<u>(9,909)</u>	<u>(5,085)</u>
		<u>(249,445)</u>	<u>(192,384)</u>
INCOME BEFORE FINANCIAL INCOME AND EXPENSES		<u>167,482</u>	<u>43,564</u>
Financial income	22	83,142	136,028
Financial expenses	22	(152,469)	(68,159)
Exchange rate variation on borrowing and financing	22	(11,622)	(39,939)
INCOME BEFORE INCOME TAX AND SOCIAL CONTRIBUTION		<u>86,533</u>	<u>71,494</u>
INCOME TAX AND SOCIAL CONTRIBUTION			
Current	17	(40,928)	(32,975)
Deferred	17	<u>12,311</u>	<u>3,326</u>
		<u>(28,617)</u>	<u>(29,649)</u>
NET INCOME FOR THE YEAR		<u><u>57,916</u></u>	<u><u>41,845</u></u>
NET INCOME PER COMMON SHARE - BASIC AND DILUTED (IN BRAZILIAN REAIS)		<u><u>0.393</u></u>	<u><u>0.419</u></u>

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

UPL DO BRASIL INDÚSTRIA E COMÉRCIO DE INSUMOS AGROPECUÁRIOS S.A.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEAR ENDED MARCH 31, 2016  
(In thousands of Brazilian reais - R\$)

---

	<u>03/31/2016</u>	<u>03/31/2015</u>
NET INCOME FOR THE YEAR	57,916	41,845
OTHER COMPREHENSIVE INCOME	-	-
COMPREHENSIVE INCOME FOR THE YEAR	<u>57,916</u>	<u>41,845</u>

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

---

UPL DO BRASIL INDÚSTRIA E COMÉRCIO DE INSUMOS AGROPECUÁRIOS S.A.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED MARCH 31, 2016

(In thousands of Brazilian reais - R\$)

	Note	Share capital	Capital reserve	Legal reserve	Retained earnings	Accumulated losses	Total
BALANCES AS OF APRIL 1, 2014		83,962	155,354	-	-	(32,085)	207,231
Net income for the year		-	-	-	-	41,845	41,845
Destination:							
To legal reserve	18	-	-	488	-	(488)	-
To mandatory minimum dividends	18	-	-	-	-	(464)	(464)
To retained earnings	18	-	-	-	8,808	(8,808)	-
BALANCES AS OF MARCH 31, 2015		83,962	155,354	488	8,808	-	248,612
Reduction of capital arising from the merger of United	18	(73,911)	-	-	-	-	(73,911)
Capital increase with capital reserve	18	73,911	(73,911)	-	-	-	-
Capital increase in cash	18	224,734	-	-	-	-	224,734
Deferred income tax generated from the merger of United	17	-	57,134	-	-	-	57,134
Net income for the year		-	-	-	-	57,916	57,916
Destination:							
To legal reserve	18	-	-	2,896	-	(2,896)	-
To mandatory minimum dividends	18	-	-	-	-	(2,751)	(2,751)
To retained earnings	18	-	-	-	52,269	(52,269)	-
BALANCES AS OF MARCH 31, 2016		308,696	138,577	3,384	61,077	-	511,734

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

UPL DO BRASIL INDÚSTRIA E COMÉRCIO DE INSUMOS AGROPECUÁRIOS S.A.

STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED MARCH 31, 2016

(In thousands of Brazilian reais - R\$)

	Note	03/31/2016	03/31/2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income for the year		57,916	41,845
Adjustments to reconcile net income for the year to net cash provided by (used in) operating activities:			
Income tax and social contribution - current and deferred	17	28,617	29,649
Depreciation and amortization	21	14,891	14,313
Allowance for doubtful accounts	6	9,062	13,853
(Reversion of provision) provision for net realizable value of inventories	7	1,447	(397)
Equity pick up	10.b	-	14
Exchange rate variation on foreign investment	10.b	17	(23)
Net book value of property, plant and equipment and intangible assets disposed off	11	289	556
Disposals, provision / (reversal) of intangibles assets	12	(1,787)	-
Interest on borrowings and financing	22	20,180	15,135
Interest on related parties loan	9	(9,453)	-
Present value adjustments on trade accounts receivable and payables	22	20,210	13,252
Gain (Loss) on derivative financial instruments	22	62,500	(37,704)
Exchange rate variation on borrowing and financing	19	11,622	39,939
Reversal of provision for labor claims	16	-	(2,748)
(Increase) decrease in operating assets:			
Trade accounts receivable		(211,510)	(251,202)
Inventories		(99,041)	32,124
Recoverable taxes		919	(1,676)
Related parties		(162,621)	(2,351)
Other assets		406	(2,424)
Increase (decrease) in operating liabilities:			
Trade payables		(124,031)	29,814
Forfeiting and credit letter transactions		125,192	22,875
Payroll and related taxes		15,329	982
Related parties		190,504	143,811
Taxes payable		(43,335)	(1,091)
Advances from customers		(8,097)	13,669
Other payables		25,533	8,223
Cash provided by (used in) operating activities		(75,241)	120,438
Interest of borrowings and financing paid		(11,316)	(17,791)
Income tax and social contribution paid		(15,800)	(16,572)
Net cash provided by (used in) operating activities		(102,357)	86,075
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of property, plant and equipment	11	(12,688)	(13,452)
Purchases of intangible assets	12	(18,644)	(14,886)
Cash from United merger		403	-
Net cash used in investing activities		(30,929)	(28,338)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Capital increase in cash	18	224,734	-
New borrowings and financing		285,460	285,001
Payments of borrowings and financing		(298,701)	(332,391)
Net cash (used in) provided by financing activities		211,493	(47,390)
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>78,207</b>	<b>10,347</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>		<b>35,014</b>	<b>24,667</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>		<b>113,221</b>	<b>35,014</b>

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

UPL DO BRASIL INDÚSTRIA E COMÉRCIO DE INSUMOS AGROPECUÁRIOS S.A.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016  
(Amounts expressed in thousands of Brazilian Reais - R\$, unless otherwise stated)

---

1. OPERATIONS

UPL do Brasil Indústria e Comércio de Insumos Agropecuários S.A. (“UPL Brasil” or “Company”) headquartered in Campinas, with a factory in Ituverava, both cities located in the State of São Paulo, and branches in Cuiabá - State of Mato Grosso, Carazinho - State of Rio Grande do Sul, Aparecida de Goiania - State of Goiás, Ibiporã - State of Paraná and Luiz Eduardo Magalhães - State of Bahia, is engaged in:

- Production, packaging, repackaging, handling, storage, distribution, shipment, transportation, import, export, trading and sales representation of agricultural products and other chemicals; sanitizing products; household cleaning products; pesticides; fertilizers; soil ameliorators; products for veterinary use, wood treatment and agricultural use; inoculants; anti-growth products; semiochemicals; biosynthetic products; essential products; and natural products.
- Provision of phytosanitary services and technical assistance in the application of chemicals for agricultural, veterinary, sanitary and household cleaning use.
- Temporary or definitive onerous assignment of trademarks, patents, registrations or production techniques.
- Purchase, sale, import and export of grains and other agricultural and similar products and holding equity interests in other companies as a shareholder.

The Company’s yearend is March 31 of each year.

One of the Group’s companies and previous shareholders of the Company, United Phosphorus Indústria e Comércio de Produtos Químicos Ltda., (“United”) which was engaged in the holding investment in other entities as a partner or shareholder as well as in providing services related to obtaining records of chemicals in general, essential products for agriculture, fertilizers, sanitizing products, pesticides, fertilizers, natural products with the Brazilian authorities, was merged at UPL Brasil on January 31, 2016. The balance sheet as of January 31, 2016 and income statement for the ten months period then ended of United are as follows:

<u>ASSETS</u>	<u>R\$</u>
<b>CURRENT ASSETS</b>	
Cash and cash equivalents	403
Recoverable taxes	680
Receivables from related parties	248
Advance to suppliers	<u>1</u>
Total current assets	1,332
<b>NON-CURRENT ASSETS</b>	
Investments	<u>161,560</u>
Total non-current assets	161,560
<b>TOTAL ASSETS</b>	<u><u>162,892</u></u>

<u>LIABILITIES</u>	<u>R\$</u>
<b>CURRENT LIABILITIES</b>	
Payroll and related taxes	74
Taxes payable	<u>599</u>
Total current liabilities	<u>673</u>
<b>NON-CURRENT LIABILITIES</b>	
Payables to related parties	<u>74,570</u>
Total non-current liabilities	<u>74,570</u>
<b>TOTAL LIABILITIES</b>	<u><u>75,243</u></u>
<b>MERGED EQUITY</b>	87,649
•	
<b>STATEMENT OF INCOME FOR THE TEN MONTHS PERIOD ENDED JANUARY 31, 2016</b>	<u>R\$</u>
<b>NET REVENUES</b>	732
<b>COST OF SALES</b>	(631)
<b>GROSS PROFIT</b>	<u>101</u>
<b>OPERATING EXPENSES</b>	
General and Administrative	(358)
Equity pick-up	<u>20,057</u>
Total	<u>19,699</u>
<b>OPERATING INCOME BEFORE FINANCE INCOME AND EXPENSES</b>	<u>19,800</u>
<b>FINANCE INCOME AND EXPENSES</b>	
Finance Income	36
Finance Expense	(564)
<b>PROFIT BEFORE INCOME TAX AND SOCIAL CONTRIBUTION</b>	<u>19,272</u>
<b>INCOME TAX AND SOCIAL CONTRIBUTION</b>	(576)
<b>NET INCOME FOR THE TEN MONTHS PERIOD</b>	<u><u>18,696</u></u>

## 2. PRESENTATION OF THE FINANCIAL STATEMENTS

### 2.1. Statement of compliance

The financial statements have been prepared and are presented in accordance with accounting practices adopted in Brazil, which comprise the policies set out in the Brazilian Corporate Law and technical pronouncements, guidelines and interpretations issued by the Accounting Pronouncements Committee (“CPC”) and approved by the Federal Accounting Council (“CFC”).

## 2.2. Basis of preparation

The financial statements were prepared in Real (R\$), which is the Company's functional currency, and on the historical cost basis except for certain financial instruments that are measured fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of CPC 10, leasing transactions that are within the scope of CPC 06, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in CPC 16 or value in use in CPC 01.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

Level 1: inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3: inputs are unobservable inputs for the asset or liability.

The summary of the significant accounting practices adopted in the preparation of the financial statements is as follows:

## 2.3. Assets and liabilities denominated in foreign currencies

In preparing the financial statement of each individual Company entity, transactions in currencies other than the Brazilian Real are recognized at the rates of exchanges prevailing on the dates of the transaction. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognized in profit or loss in period in which they arise except for exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings.

## 2.4. Financial assets

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss' (FVTPL), held-to-maturity investments, available-for-sale (AFS) financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

### Effective interest method

The effective interest method is a method of calculation the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

### Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss when they are either held for trading or they are designated as at fair value through profit or loss when acquired.

A financial asset is classified as held for trading if:

- It has been acquired principally for the purpose of selling it in the near term.
- On initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on measurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in note 19.

### Loans and receivables

The Company considers the following classes of financial assets and liabilities as part of the category of loans and receivables: cash and cash equivalents, trade accounts receivable, and other receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment.

Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

### Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Breach of contract, such as a default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial assets, such as trade accounts receivable, the allowance for doubtful accounts is calculated based on the assessment of credit risks, which includes the history of losses, the individual situation of customers, the situation of the Company to which they belong, guarantees for the debts, and the assessment by the legal counsel, and is considered sufficient to cover any losses on receivables.

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade accounts receivable, where the carrying amount is reduced through the use of an allowance account. When trade accounts receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

For financial assets included in the category of loans and receivables, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

### Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Company retains an option to repurchase part of a transferred asset), the Company allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

## 2.5. Financial liabilities and equity instruments

### Classification as debt or equity

Debt and equity instruments issued by a Company entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

### Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a Company entity are recognized at the proceeds received, net of direct issue costs.

### Financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

### Financial liabilities are classified as at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- It has been incurred principally for the purpose of repurchasing it in the near term or.
- On initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability. Fair value is determined in the manner described in note 19.

#### Other financial liabilities

Other financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortized cost using the effective interest method.

#### Effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest expenses over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognized on an effective interest basis other than those financial liabilities classified as at FVTPL, of which the interest expense is included in net gain or losses.

#### Derivative financial instruments

The Company enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks. Further details of derivative financial instruments are disclosed in note 19.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

#### Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by a Company entity are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- The amount of the obligation under the contract, as determined in accordance with CPC 25; and
- The amount initially recognized less, where appropriate, cumulative amortization recognized in accordance with the revenue recognition policies.

### Derecognition of financial liabilities

The Company derecognizes financial liability when, and only when, the Company's obligation are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

#### 2.6. Cash and cash equivalents

Comprise cash, banks and highly liquid short-term investments with original maturity of 90 days or less from the investment date and these short-term investments are highly liquid and stated at cost, plus income earned through the reporting date.

#### 2.7 Trade accounts receivable

Recorded in the balance sheet at their original amounts, plus exchange rate variation, when applicable, and adjusted at net present value. When deemed necessary by Management, an allowance for doubtful accounts is recorded based on an analysis of the aging of receivables, in an amount considered sufficient by Management to cover probable losses on their collection.

#### 2.9 Present value adjustment

Assets and liabilities arising from short-term or long-term transactions, when there is a material effect, are adjusted to present value based on the discount rate used by the Company for funding purposes, which is compatible with the interest rates for government securities with similar risks and terms. The reversals of adjustment to present value are recorded under "financial income and expenses". The discount rate used was approximately 1% per month, which is based on effective discount rate used by the Company. Measurement of the present value adjustment was performed in "pro rata die" exponential basis, from the origin of each transaction.

#### 2.10 Inventories

Stated at the lower of cost and net realizable value (estimated selling price in the normal course of business less all estimated costs of completion and costs necessary to make the sale). The Company determines the cost of its inventory by using the absorption method based upon the weighted average cost. Provisions for slow-moving or obsolete inventories are recorded when considered necessary by Management.

#### 2.11 Other current and non-current assets

Other current and non-current assets are stated at cost plus, when applicable, accrued yields and inflation adjustment through the end of the reporting period, less any reserve for adjustment to realizable value, when applicable.

#### 2.12 Investments in subsidiaries

Investments in subsidiaries are recognized by the equity method from the date that its control is acquired. According to this method, investments in subsidiaries are recognized in the financial statements at the acquisition cost and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee, in the investor's statement of operations. These effects are recognized in income and expenses when selling or writing-off the investment.

After reducing to zero the balance value of investor share, additional losses are considered, and a liability (provision for unfunded liabilities) is recognized only to the extent in which the investor has incurred into legal or constructive obligations (not formalized) to make payments on behalf of the subsidiary.

On acquisition of the investment any difference between the cost of the investment and the investor's share of the net fair value of the associate's identifiable and liabilities accounted is treated as goodwill. Additionally, investment balance may be reduced by the recognition of impairment losses.

### 2.13 Property, plant and equipment

Stated at cost less depreciation, except for land and construction in progress, which is not depreciated and subsequent accumulated impairment losses. Depreciation is calculated under the straight-line method, based on the estimated useful lives of the assets.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Cost include professional fees and, for qualifying asset, borrowing costs capitalized in accordance with the Company's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Subsequent costs are added to the residual value of property, plant and equipment or recognized as a specific item, as appropriate, only if future economic benefits associated to these items are probable and the amounts can be reliably measured.

The residual balance of the replaced item is written off. Other repairs and maintenance are directly recognized in profit or loss for the year when incurred. The residual value and useful life of the assets are reviewed and adjusted, if necessary, at the fiscal year end. The residual value of property, plant and equipment is immediately written off at their recoverable value when the residual balance exceeds the recoverable value.

Asset held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

### 2.14 Intangible assets

#### Software

Computer software licenses 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, which is five years. Costs associated with maintaining computer software programs are recognized as an expense as incurred.

The Company reviews the amortization period and amortization method for intangible assets with finite lives every year.

#### Trademarks, patents and licenses

Expenditures related to research activities undertaken for the purpose of acquiring know-how and new scientific or technical knowledge are recognized in profit and loss as incurred. Development activities relate to a plan for the production of new products or processes or significant improvement of existing products or processes.

Expenditures for development activities are recognized as an intangible asset only if: it is possible to reliably measure the development costs; it is technically and commercially possible to implement the product or process; future economic benefit is expected from the product and the Company has intentions and sufficient resources to complete development of the asset and then use or sell it. The expenditures capitalized in respect of development activities include the cost of materials and overhead expenses as well as other related costs necessary for the completion of the register within Brazilian Authorities that can be directly attributed to preparing the asset for its intended use. Other costs for development activities are recognized in profit and loss as incurred.

In subsequent periods, capitalized development costs are measured at cost less accumulated amortization and accrued impairment losses.

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in profit or loss when incurred.

Registration costs incurred for products that can be identified and separated, and which in the Company's estimation will produce future economic benefit, are recognized as an asset in the "intangible assets" category and are amortized over the period of economic benefit they are expected to provide.

#### 2.15 Impairment of tangible and intangible assets

On the date of each financial statement, the Company assess whether there is evidence that the carrying value of an asset will not be recovered. If such evidence is identified, the Company estimates the recoverable amount of the asset.

The recoverable amount of an asset is defined as the greater between: (a) its fair value less costs that would be incurred to sell it, and (b) its value in use. Value in use is equal to the discounted cash flow (before taxes) derived from the continued use of the asset until the end of its useful life.

Except with respect to the reduction in value of goodwill, when applicable, reversal of previously recognized losses is allowed. The reversal in these circumstances is limited to the depreciated balance of the asset at the date of the reversal, assuming that the reversal has not been recorded.

2.16 Receivables and payables denominated in foreign currency or subject to inflation adjustment

Receivables and payables, legally or contractually subject to indexation, are adjusted for inflation through the end of the reporting period, and assets and liabilities denominated in foreign currency are translated into Brazilian Real at the exchange rates in effect at the end of the reporting period. The contra entries to these adjustments are reflected directly in profit or loss for the year.

2.17 Income tax and social contribution

The expense for income tax and social contribution is calculated in accordance with the legal tax basis existing on the date of financial statements. Management periodically evaluates positions taken in relation to tax matters which are subject to interpretation and recognizes a provision when there is an expectation of payment of income tax and social contribution in accordance with tax bases. Current tax is the tax payable or receivable on the expected taxable profit or loss for the year, the tax rates in effect on the date of the financial statements.

The Company only recognizes a provision on fiscal matters if a past event originates a present obligation. The Company determines whether a present obligation exists at year end taking into consideration all available evidence, including, for example, the legal counsel's opinion.

Current taxes

Income tax is calculated at the rate of 15% on taxable income plus 10% of surtax on taxable income exceeding R\$240, and social contribution is calculated at the rate of 9% on taxable income.

Deferred taxes

Deferred income tax and social contribution are recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable income, including the balance of tax losses, when applicable. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and tax loss carryforwards to the extent that it is probable that taxable income will be available against which those deductible temporary differences and tax loss carryforwards can be utilized.

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

2.18 Financial instruments

Measurement of financial instruments, including derivatives: (a) at fair value or equivalent value for trading securities or available-for-sale securities, and (b) at the purchase or issue value, adjusted in conformity with contract or legal provisions and adjusted to realizable value, when this is lower, for held-to-maturity securities.

The Company has derivatives to hedge against the net exposure to exchange rate risks related to imports and exports/borrowings. Net gains or losses are recognized in the statement of operations as financial income or expenses.

#### 2.19 Employee benefits

The Company has several employees benefit plans, healthcare, profit sharing plans and defined contribution retirement plans. The main plans granted to the Company's employees are described in Note 23.

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

#### 2.20 Provisions

Recognized when the Company has a present obligation (legal or constructive) as a result of a past event, with probable outflow of resources, and the amount of the obligation can be reliably estimated.

The amount recognized as a provision is the best estimate of the settlement amount at the end of the reporting period, considering the risks and uncertainties related to the obligation. When the provision is measured based on the estimated cash flow to settle the current obligation, its value is determined using the present value of these cash flows.

When the economic benefit required settling a provision is expected to be received from third parties, this amount receivable is recorded as an asset only when reimbursement is virtually certain and can be reliably estimated.

#### 2.21 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred

#### 2.22 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances, including present value adjustment.

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

- The Company has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits associated with the transaction will flow to the Company; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from the sale of goods is recognized when goods are delivered and legal title is passed. Freight on sales is recorded as selling expenses.

Deferred revenue is recognised as deferred income and amortized on a straight-line basis over five years.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by references to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset's net carrying amount on initial recognition.

### 3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in note 2, the Company Management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

#### 3.1. Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations, that the Management have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

#### Income and social contribution taxes

Income projections prepared by management and approved by the Board, which contain many assumptions and judgments, aiming to measure the potential to generate future taxable income to support the realization of the recorded deferred income tax and social contribution taxes assets. The actual future taxable income may be higher or lower than the estimates made when determining the need for registering the income tax and social contribution.

#### Useful life of property, plant and equipment

The Company recognizes depreciation of its property, plant and equipment based on estimated useful lives, which is based on their practices and prior experience and reflects the economic life of these assets. However, the actual useful lives may vary due to several factors. The useful lives of property also affect the recovery testing cost.

#### Present value adjustment

The Company calculates the present value mainly for revenues by using a discount rate that reflects the best evaluations of the market, which tracks the change in the rate of interbank deposit rate (“CDI”). The discount rate used on March 31, 2016 was approximately 12% per annum (12% as of March 31, 2015). Measuring the present value adjustment was performed in “pro rata die” exponential basis, from each transaction date.

#### Reduction of the recoverable amounts of the assets

At each period ending date, the Company reviews the balances of property, plant and equipment and intangible, assessing whether or not an indication that those assets have suffered a reduction in their recovery values (value in use). The existence of such indicators, management performs a detailed analysis of the recoverable amount for each asset by calculating the individual future cash flow discounted to present value by adjusting the balance of the respective assets, if necessary.

### 3.2. Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

#### Provision for carrying and obsolete inventories

The provision for inventory is recorded based on an analysis of sales prices, net of the effects of taxes and expenditure fixed incurred on sales efforts. The provision for obsolescence is determined based on the individual analysis of the age of the items in stock and the likelihood of future use.

#### Allowance for doubtful accounts

When there is an evidence of impairment loss, the directors of the Company take into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have been incurred) discounted at the financial assist's original effective interest rate (i.e. the effective interest rate computed at initial recognition). When the actual future cash flows are less than expected, a material impairment loss may arise.

#### Provision for labor, civil and tax risks

The Company is involved in labor, civil and tax risks and administrative proceedings, as described in note 16. Provisions are recognized for all risks relating to lawsuits representing probable losses and estimated with a certain degree of security. The likelihood of loss includes evaluation of available evidence, the hierarchy of laws, case law available, the most recent court decisions and its relevance in the legal system as well as the assessment of external lawyers. Management believes that the reserves for labor, civil and tax risks are properly recognized in the financial statements.

The settlement of transactions involving these estimates may result in values different from those recorded in the consolidated financial statements due to inaccuracies inherent in the estimation process. These estimates and assumptions are periodically reviewed

#### Fair value measurements and valuation processes

In estimating the fair value of an asset or a liability, the Company uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Company uses the fair values quoted by the counterparty financial institutions.

The Company used valuation technique that includes inputs that are not based on observable market data to estimate the fair value of derivative financial instruments. Additional disclosures have been made (please refers to Note 19) about the valuation inputs and key assumptions used in the determination of the fair value of various assets and liabilities

#### 4. NEW STANDARDS AND AMENDMENTS TO AND INTERPRETATIONS OF STANDARDS

In the current year, the Company has assessed various amendments and new interpretations to IFRSs and CPCs issued by the International Accounting Standards Board - IASB and by the Accounting Pronouncements Committee (CPC), that are mandatory effective for accounting periods beginning on January 1, 2015, being none of them brought impact to the Company's financial statements.

A summary of the main amendment to standard and pronouncements is presented below:

<u>Pronouncement or interpretation</u>	<u>Description</u>
IAS19 - defined benefit plans: Employee contributions	Change the accounting methodology for discretionary employees' contribution.

As part of the CPC's commitment to adopt in Brazil all the amendments to the International Financial Reporting Standards - IFRSs introduced by the International Accounting Standards Board - IASB, amendments to certain accounting pronouncements have already been disclosed by the IASB, but have not yet been implemented by the CPC. The main accounting pronouncements that were subject to amendments are described below:

<u>Pronouncement or interpretation</u>	<u>Description</u>
Amendments to IFRS 9 - Financial Instruments (effective for reporting periods beginning on or after January 1, 2018)	IFRS 9 is the first standard issued as part of a broader process to supersede IAS 39 - Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the combined measurement model and establishes two measurement categories for financial assets: amortized cost and fair value. The classification basis depends on the entity's business model and the characteristics of the contractual cash flow of the financial asset. The guidance in IAS 39 about the impairment of financial assets and hedge accounting continues applicable.
IFRS 15 - Revenue from Contracts with Customers (effective for reporting periods beginning on or after January 1, 2017)	IFRS 15 superseded IAS 18, IFRIC 13 and SIC 31 (CPC 30 (R1)), IAS 11 (CPC 17 (R1)), IFRIC 15 (ICPC 02) and IFRIC 18 (ICPC 11). IFRS 15 specifies how and when an entity will recognize revenue arising from contracts and relationships with customers and requires that these entities provide more detailed and relevant disclosures to users of financial statements. Such standard provides in a single document principles for recognition applicable to all types of revenues from contracts and/or relationship with customers.
Amendments to IFRS 11/ CPC 19 (R2) - Joint Arrangements (effective for reporting periods beginning on or after January 1, 2016)	The amendments to IFRS 11/CPC 19 (R2) provide guidance on how to account for the acquisition of a joint operation that constitutes a "business" as defined in IFRS 3/CPC 15 (R1) - Business Combination. A joint operation also requires the disclosure of relevant information required by IFRS 3/CPC 15 (R1) and other standards on business combination.
Amendments to IAS 1/CPC 26 (R1) - Disclosure initiative (effective for reporting periods beginning on or after January 1, 2016)	The amendments to IAS 1/CPC 26 provide guidance on how to apply the concept of materiality in practice.

<u>Pronouncement or interpretation</u>	<u>Description</u>
Amendments to IAS 16/CPC 27 and to IAS 38/CPC 04 (R1) - Clarification of Acceptable Depreciation and Amortization Methods (effective for reporting periods beginning on or after January 1, 2016)	The amendments to IAS 16/CPC 27 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38/CPC 04 (R1) introduce a rebuttable presumption that revenue is not an appropriate basis for amortization of an intangible asset.
Amendments to IAS 16/CPC 27 and to IAS 41/CPC 29 - Agriculture: Bearer Plants (effective for reporting periods beginning on or after January 1, 2016)	The amendments to IAS 16/CPC 27 and IAS 41/CPC 29 define a bearer plant and require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with IAS 16/CPC 27, instead of IAS 41/CPC 29. The produce growing on bearer plants continues to be accounted for in accordance with IAS 41/CPC 29.
Amendments to IFRS 10/CPC 36 e IAS 28/CPC 18 - Sale or contribution of assets between an investor and its associate or “joint venture” (effective for reporting periods beginning on or after January 1, 2016)	The amendments deal with situations where there is a sale or a contribution of assets between an investor and its associate or “joint venture”.
Amendments to IFRS 10/CPC 36 IFRS 12/CPC 45 e IAS 28/CPC 18 - investment entities: Applying the consolidation exception (effective for reporting periods beginning on or after January 1, 2016)	the amendments clarify that the exemption from preparing consolidate financial statements is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all its subsidiaries at fair value in accordance with IFRS 10.

Management has not yet assessed the possible impacts of the amendments that will be introduced.

- (4) Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.
- (5) Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

The Company Management do not anticipate that the application of these amendments will have a significant impact on the Company's consolidated financial statements.

5. CASH AND CASH EQUIVALENTS

	<u>March</u> <u>31, 2016</u>	<u>March</u> <u>31, 2015</u>
Cash on hand and in banks	619	1,019
Short-term investments	<u>112,602</u>	<u>33,995</u>
Total	<u>113,221</u>	<u>35,014</u>

Short-term investments refer to Bank Deposit Certificates (CDB), with a yield equivalent to 90% to 100% of the Interbank Deposit Certificate (CDI).

6. TRADE ACCOUNTS RECEIVABLE

	<u>March</u> <u>31, 2016</u>	<u>March</u> <u>31, 2015</u>
Domestic customers	935,408	725,983
Present value adjustment	<u>(36,720)</u>	<u>(30,841)</u>
Sub-total	898,688	695,142
Allowance for doubtful accounts	<u>(83,820)</u>	<u>(74,758)</u>
Total	<u>814,868</u>	<u>620,384</u>
Current	814,597	617,354
Non-current	<u>271</u>	<u>3,030</u>
	<u>814,868</u>	<u>620,384</u>

Present value adjustment

The adjustment to present value in the amount of R\$36,720 as of March 31, 2016 (R\$30,841 as of March 31, 2015) was calculated for all trade accounts receivable, except those arising from commercial arrangements settled within a short period of time and whose effect is immaterial. Its calculation takes into account the term of realization of the asset by using a discount rate of approximately 1% per month, based on effective discount rate used by the Company on its revenue transactions.

Credit assignment without recourse

During the year ended March 31, 2016, the Company conducted trade receivables credits assignment without recourse in the amount of R\$103,067 (R\$24,273 in 2015) and incurred in finance expenses on credits assignment of R\$9,717 (R\$1,467 in 2015), recorded as "Finance expenses" in the statement of income for the year ended.

The changes in the allowance for doubtful accounts are as follows:

	<u>March</u> <u>31, 2016</u>	<u>March</u> <u>31, 2015</u>
Opening balance, net	74,758	60,905
Addition to the allowance for doubtful accounts	30,361	37,963
Reversals	(20,271)	(22,989)
Write-off	<u>(1,028)</u>	<u>(1,121)</u>
Closing balance, net	<u>83,820</u>	<u>74,758</u>

The aging list of trade accounts receivable is as follows:

	<u>March</u> <u>31, 2016</u>	<u>March</u> <u>31, 2015</u>
Current:		
From 1 to 30 days	82,628	47,260
From 31 to 60 days	272,324	176,141
From 61 to 90 days	51,157	46,991
From 91 to 180 days	261,730	203,461
From 181 to 360 days	138,018	133,274
Over 360 days	<u>271</u>	<u>3,030</u>
Total current	806,128	610,156
Past due:		
From 1 to 30 days	13,263	5,186
From 31 to 60 days	32	115
From 61 to 90 days	533	353
From 91 to 180 days	1,862	2,901
From 181 to 360 days	20,390	36,344
Over 360 days	<u>56,480</u>	<u>40,086</u>
Total past due	92,560	84,985
	<u>898,688</u>	<u>695,142</u>

Past due amounts over 360 days increased mainly due to crop failures occurred in the 2015/2016 harvest, for which the Company recorded an allowance for doubtful accounts for the cases that risk of realization was identified.

As of March 31, 2016, the Company had accounts receivable pledged as collateral to secure the Company's working capital financing, agribusiness credit right certificates and import financing in the amount of approximately R\$57,985 (R\$73,945 in March 31, 2015).

## 7. INVENTORIES

	<u>March</u> <u>31, 2016</u>	<u>March</u> <u>31, 2015</u>
Finished goods	108,179	42,044
Raw materials	22,463	9,905
Imports in transit	23,352	5,375
Advances to suppliers	<u>2,010</u>	<u>1,086</u>
Total	<u>156,004</u>	<u>58,410</u>

As of March 31, 2016, the Company recorded a provision for net realizable value of finished goods of R\$4,716 (R\$3,269 as of March 31, 2015), which is considered sufficient by Management to cover probable losses on the realization of inventories.

Changes in the provision for net realizable value of finished goods, which reduced the balance of inventories, are as follows:

Balance as at March 31, 2014	3,666
Recognition of provision	<u>(397)</u>
Balance as at March 31, 2015	3,269
Provision written-off	<u>1,447</u>
Balance as at March 31, 2016	<u>4,716</u>

As of March 31, 2016, the Company did not have inventories pledged as collateral to secure the Company's financing. The balance as of March 31, 2015 was of approximately R\$14,350.

## 8. RECOVERABLE TAXES

	<u>March 31, 2016</u>	<u>March 31, 2015</u>
ICMS (state VAT)	6,353	4,703
Income tax and social contribution	6,006	3,159
PIS and COFINS (taxes on revenue)	1,292	1,157
IPI (federal VAT)	855	361
Provision for non-realization of ICMS tax credits	<u>(6,162)</u>	<u>(797)</u>
Total	<u>8,344</u>	<u>8,583</u>
Current	8,258	6,651
Non-current	<u>86</u>	<u>1,932</u>
	<u>8,344</u>	<u>8,583</u>

ICMS (state VAT) credits are due on purchases of raw materials, as well as purchases of property, plant and equipment, and are available to offset the tax to be collected as a result of the Company's sales. As part of the sales is made with a reduced tax base and ICMS exemption, the Company has accumulated credits. The realization of these credits depends on the success of the measures implemented by management, which include requests for ICMS exemption on purchases of inputs, and permit the approval of credits and their consequent use for transfer to suppliers. The Company's management, based on an internal study, recorded a provision in the approximate amount of R\$6,162 as of March 31, 2016 (R\$797 as of March 31, 2015) to cover losses on the realization of ICMS credits.

## 9. RELATED PARTIES

Balances and transactions with related parties are summarized as follows:

	<u>March 31, 2016</u>				<u>March 31, 2015</u>	
	<u>Current assets</u>	<u>Non-Current assets</u>	<u>Current liabilities</u>	<u>Non-Current liabilities</u>	<u>Current assets</u>	<u>Current liabilities</u>
<b>Balances</b>						
Associated companies:						
RiceCo International Inc.	-	-	4,317	-	-	989
Cerexagri S.A.S.	-	-	1,076	-	-	1,588
Cerexagri B.V.	-	-	65,429	-	-	8,246
Decco Iberica Pos Cosecha, S.A.U.	-	-	243	-	-	220
Decco US Post	-	-	-	-	-	-
Sinagro Produtos Agropecuários Produtos S.A. (sales transactions) (c)	75,865	-	-	-	-	-
Sinagro Produtos Agropecuários Produtos S.A. (loan)	-	85,227	-	-	-	-
3SB Produtos Agrícolas S.A.	<u>11,754</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	87,619	85,227	71,065	-	-	11,043
Previous shareholders:						
DVA Empreendimentos (a)	-	-	-	21,306	-	-
DVA Agro GMBH (a)	<u>-</u>	<u>-</u>	<u>-</u>	<u>53,264</u>	<u>-</u>	<u>-</u>
	-	-	-	74,570	-	-
Controlling shareholders:						
United Phosphorus Limited, India	2,058	-	11	-	2,829	-
UPL Limited, Mauritius	-	-	342,409	-	-	208,601
United Phosphorus do Brasil Ltda.	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,337</u>
	2,058	-	342,420	74,570	2,829	211,938
Total	<u>89,677</u>	<u>85,227</u>	<u>413,485</u>	<u>74,570</u>	<u>2,829</u>	<u>222,981</u>

<u>Transactions</u>	<u>March 31, 2016</u>		<u>March 31, 2015</u>	
	<u>Sales</u>	<u>Purchases</u>	<u>Sales</u>	<u>Purchases</u>
Associated companies:				
RiceCo International Inc.	-	4,501	-	721
Cerexagri S.A.S.	-	4,276	-	1,811
Cerexagri B.V.	-	92,829	-	6,880
Decco Iberica Pos Cosecha, S.A.U.	-	629	-	334
Decco US Post	-	94	-	-
Sinagro Produtos Agropecuários Produtos S.A	51,891	-	-	-
3SB Produtos Agrícolas S.A	<u>13,180</u>	-	-	-
	65,071	102,329	-	9,746
Controlling shareholders:				
United Phosphorus Indústria e Comércio de Produtos Químicos Ltda. (b)	-	-	-	865
United Phosphorus Limited, India	1,805	-	2,842	-
UPL Limited, Mauritius	-	540,002	-	189,494
United Phosphorus do Brasil Ltda.	-	-	-	<u>2,570</u>
	<u>1,805</u>	<u>540,002</u>	<u>2,842</u>	<u>192,929</u>
Total	<u>66,876</u>	<u>642,331</u>	<u>2,842</u>	<u>202,675</u>

### Nature of transactions

Amounts due from related parties for trading transactions, recorded in current assets, refer to sales of goods to other group companies; amounts due to related parties, recorded in current liabilities, refer to payables for purchases of inventories goods and services provided from other group companies, as shown in the table above.

In addition to the sales and purchases transactions listed in the table above, the Company recorded interest revenue arising from the loan to Sinagro in the amount of R\$9,453 during the year ended March 31, 2016.

The intercompany transactions follow prices and payments terms determined by the Group Board. For trade payables amounts, the average payment term is 265 days (270 days in 2015).

- Refers to earn-out that the Company is required to pay to related parties based on some contractual conditions assumed by the merged controlling shareholder United.
- Refers to services related to obtaining registration of chemicals in general, especially agricultural products, and laboratory synthesis provided by the merged controlling shareholder United.
- The average receipt term of revenues to Sinagro is 182 days. As of March 31, 2016 there is R\$35,608 of overdue accounts receivable from Sinagro from 1 to 30 days (R\$9,647 of overdue accounts receivable from 180 to 360 in 2015). The breakdown of the accounts receivable from Sinagro regarding sales transactions as of March 31, 2016 is as follows:

	<u>March 31, 2016</u>
Trade accounts receivable from Sinagro	76,691
Present value adjustment	<u>(826)</u>
Total	<u>75,865</u>

Management compensation for years ended March 31, 2016 and 2015 is as follows:

<u>Short-term benefits</u>	<u>March 31, 2016</u>	<u>March 31, 2015</u>
Salaries, fees and charges	5,650	4,694
Healthcare plan	<u>353</u>	<u>272</u>
Total	<u>6,003</u>	<u>4,966</u>

As of March 31, 2016, liabilities related to short-term benefits amounted to R\$2,331 (R\$1,135 as of March 31, 2015), recorded in caption payroll and related taxes.

The amount shown above is in conformity with the limits established by the Board of Directors.

The above management compensation amounts do not include social charges such as social security contributions - INSS, FGTS and others.

## 10. INVESTMENTS

The list below shows the equity that the Company has in its subsidiary, which is presented as investments in the financial statements.

	<u>Equity interest - %</u>		<u>Operating activities</u>
	<u>March 31, 2016</u>	<u>March 31, 2015</u>	
DVA Technology Argentina S.A. ("DVA Argentina")	100,00	100,00	Provision of services related to the obtaining of registration of chemicals in general, especially agricultural products, and laboratory synthesis and development of product formulations in general

The main balance sheet and statement of operations accounts of subsidiary for the years ended March 31, 2016 and 2015 are as follows:

<u>Assets</u>	<u>DVA Argentina</u>	
	<u>March 31, 2016</u>	<u>March 31, 2015</u>
Current	<u>34</u>	<u>51</u>
Total assets	<u>34</u>	<u>51</u>
Equity	<u>34</u>	<u>51</u>
Total liabilities and equity	<u>34</u>	<u>51</u>
<u>Transactions</u>		
Loss before income tax and social contribution	<u>-</u>	<u>(3)</u>
Loss for the year	<u>-</u>	<u>(3)</u>

### a) Breakdown of balances

	<u>March 31, 2015</u>	<u>March 31, 2015</u>
Investments in subsidiaries	<u>34</u>	<u>51</u>
Total	<u>34</u>	<u>51</u>

## b) Changes in investments in subsidiary

	<u>DVA Argentina</u>	
	<u>March</u>	<u>March</u>
	<u>31, 2016</u>	<u>31, 2015</u>
Share capital	5	7
Equity	34	51
Loss for the year	-	(3)
Number of shares	20,000	20,000
Number of shares held	20,000	20,000
Equity interest percentage	100%	100%
Carrying amount of investment	34	51
Exchange rate gain (loss) on foreign investment	(17)	23
Equity pick up	-	(14)

Due to the immateriality of this investment at the Company's financial statements, management decided to not present consolidated financial statements.

[This page intentionally left blank]

## 11. PROPERTY, PLANT AND EQUIPMENT

Cost	Land	Buildings	Machinery and equipment	Vehicles	Furniture and fixtures	Computers and peripherals	Leasehold improvements	Communication equipment	Facilities	Property, plant and equipment in progress	Total
Balance at March 31, 2014	5,727	23,892	7,548	6,802	1,496	1,383	373	176	1,387	115	48,899
Acquisitions	-	1,183	3,616	4,013	148	842	51	29	444	1,651	11,977
Disposals	-	-	-	(1,661)	-	(3)	-	-	-	-	(1,664)
Transfers	-	-	(22)	-	16	15	-	(15)	40	(34)	-
Balance at March 31, 2015	5,727	25,075	11,142	9,154	1,660	2,237	424	190	1,871	1,732	59,212
Acquisitions	-	757	1,943	5,047	254	1,611	30	20	865	5,215	15,742
Disposals	-	-	(36)	(689)	(5)	(52)	-	(1)	-	(28)	(811)
Transfers	-	1,258	-	-	-	-	131	-	-	(1,389)	-
Balance at March 31, 2016	5,727	27,090	13,049	13,512	1,909	3,796	585	209	2,736	5,530	74,143
<u>Depreciation</u>											
Balance at March 31, 2014	-	(4,094)	(2,385)	(1,707)	(573)	(1,042)	(120)	(106)	(610)	-	(10,637)
Depreciation for the year	-	(1,820)	(744)	(1,673)	(192)	(209)	(82)	(15)	(97)	-	(4,832)
Disposals	-	-	26	1,067	-	1	-	11	1	-	1,106
Transfers	-	-	-	-	-	-	-	-	-	-	-
Balance at March 31, 2015	-	(5,914)	(3,103)	(2,313)	(765)	(1,250)	(202)	(110)	(706)	-	(14,363)
Depreciation for the year	-	(828)	(948)	(2,600)	(171)	(365)	(85)	(15)	(135)	-	(5,147)
Disposals	-	-	12	510	-	-	-	-	-	-	522
Balance at March 31, 2016	-	(6,742)	(4,039)	(4,403)	(936)	(1,615)	(287)	(125)	(841)	-	(18,988)
Property, plant and equipment, net at March 31, 2016	5,727	20,348	9,010	9,109	973	2,181	298	84	1,895	5,530	55,155
Property, plant and equipment, net at March 31, 2015	5,727	19,161	8,039	6,841	895	987	222	80	1,165	1,732	44,849
Average depreciation rate - %	-	3%	9%	22%	10%	21%	10%	10%	10%	-	-

Impairment of property, plant and equipment

In view of the approval of CPC 01, which addresses the impairment of assets, as at March 31, 2016 and 2015 the Company analyzed the recoverability of property, plant and equipment items. The recoverable amount was determined based on the value in use. The Company used projections based on expected future profitability associated to their activities, under the discounted cash flow method, based on the year 2016. No indication of the need to record a provision for impairment of property, plant and equipment was identified.

Collaterals

As of March 31, 2016, the Company held the amount of R\$6,314 related to machinery, equipment and vehicles collateralized under financing and finance leases (R\$6,946 as of March 31, 2015).

[This page intentionally left blank]

## 12. INTANGIBLE ASSETS

	Annual amortization rate - %	March 31, 2016			March	
		Cost	Accumulated		31, 2015	
			amortization	Impairment	Net	Net
Trademarks, patents and licenses in use	20%	65,228	(32,828)	-	32,400	27,048
Trademarks, patents and licenses under approval (a)	-	53,731	-	(1,091)	52,640	47,391
Software licenses	20%	<u>1,757</u>	<u>(1,213)</u>	-	<u>544</u>	<u>458</u>
Total		<u>120,716</u>	<u>(34,041)</u>	<u>(1,091)</u>	<u>85,584</u>	<u>74,897</u>

- (a) The Company recognized an impairment loss of licenses under approval of R\$1,091 as of March 31, 2016 (R\$3,360 as of March 31, 2015) as the fair value provided by an appraisal report prepared by independent appraiser was below the net book value.

The changes in intangible assets are summarized as follows:

	March 31, 2016	March 31, 2015
Opening balance, net	74,897	69,492
Additions (b)	18,644	14,886
Disposals	(482)	-
Reversal of impairment loss	2,269	-
Amortization	<u>(9,744)</u>	<u>(9,481)</u>
Closing balance, net	<u>85,584</u>	<u>74,897</u>

- (b) Refers to the addition of licenses under approval acquired to increase the Company's portfolio of products.

## 13. BORROWINGS AND FINANCING

<u>Nature</u>	<u>Annual finance charges</u>	<u>Final maturity</u>	March 31, 2016	March 31, 2015
Foreign currency - denominated in US dollars:				
Import financing	Interest of 3.25% to 3,44% p.y.	06/16/2016	<u>48,365</u>	<u>131,971</u>
			48,365	131,971
Local currency:				
Discounted trade receivables	15.60% to 17.88 % p.y.	05/24/2016	39,370	38,916
Working capital	CDI + 3.04% p.y.	09/06/2016	673	2,608
FINAME	6.00% to 17.60% p.y.	08/15/2019	1,607	1,962
Finance lease	13.08% to 16.58% p.y.	08/17/2018	5,664	4,984
Import financing + Swap	CDI + 1.33% to CDI + 2.20 p.y.	11/18/2016	94,935	-
Farmers bond ("Rural credit")	8.75% p.y	08/04/2016	<u>4,429</u>	<u>4,303</u>
			146,678	52,773
Total			<u>195,043</u>	<u>184,744</u>
Portion of current liabilities			191,882	180,504
Portion of non-current liabilities			<u>3,161</u>	<u>4,240</u>
			<u>195,043</u>	<u>184,744</u>

CDI - "Bank Deposit Certificates".

Collateral and guarantees

As of March 31, 2016, some borrowings and financing are collateralized by receivables, in the proportion from 50% to 100% (100% in 2015) of the financing balance, liens on the financed equipment and promissory notes signed by the Company's shareholders.

As mentioned in Note 6, the Company has accounts receivable pledged as collateral for working capital financing, agribusiness credit right certificates and import financing.

Finance lease commitments

The future minimum lease payment in respect to assets under finance lease is as follow:

<u>Finance lease</u>	<u>March 31, 2016</u>	<u>March 31, 2015</u>
Payable no later than 1 year	3,242	2,180
Payable later than 1 year	<u>2,422</u>	<u>2,803</u>
Total minimum lease payments	5,664	4,983
(-) Future finance charges	<u>(946)</u>	<u>(905)</u>
Present value of minimum lease payments	<u>4,718</u>	<u>4,078</u>

Contractual obligation

Certain loan agreements are subject to clauses that require the Company to comply with some contractual obligations. As at March 31, 2016, the Company is compliant with all contractual obligations.

As of March 31, 2016, the portion classified in non-current liabilities have the following maturity schedule:

Maturity year:	
2017	1,933
2018	1,003
2019	<u>225</u>
Total	<u>3,161</u>

14. TRADE PAYABLES

	<u>March 31, 2016</u>	<u>March 31, 2015</u>
Domestic suppliers	15,004	4,923
Foreign suppliers	90,858	207,016
Present value adjustment	<u>(23,384)</u>	<u>(13,050)</u>
Total	<u>82,478</u>	<u>198,889</u>

Present value adjustment

The adjustment to present value of purchases is recorded under line item “Trade payables” (with a contra entry to line item “Inventories” and “Cost of sales”) and its reversal is recorded under line item “Financial income and expenses”, according to maturity. Its calculation takes into account the term of realization of the asset by using a discount rate of approximately 1% a month, which is based on effective discount rate applied by the supplier.

## 15. FORFAITING AND CREDIT LETTERS TRANSACTIONS

	<u>March</u> <u>31, 2016</u>	<u>March</u> <u>31, 2015</u>
Forfaiting transactions	138,841	4,540
Credit letter transactions	14,124	14,762
Present value adjustment	<u>(4,898)</u>	<u>(1,052)</u>
Total	<u>148,067</u>	<u>18,250</u>

The average term for settlement of this forfaiting and credit letter transactions are 347 and 368 days, respectively.

## 16. RESERVE FOR LABOR CLAIMS

Probable risks

As of March 31, 2016 and 2015 the Company recognized a reserve for labor claims in the amount of R\$1,565 related to social security lawsuits in which they are the defendants and for which the likelihood of loss is considered probable by its legal counsel.

Possible risks

The Company is part to various lawsuits that are at administrative or judicial level or in their initial stages, involving labor, tax and civil matters. The Company contest in court all claims and, based on the assessment of their legal counsel, record a provision when the risk of loss is considered probable. The reserve recorded as of March 31, 2016 and 2015 refer to labor lawsuits in which the Company are the defendants, involving mainly secondary liability of outsourced companies.

The Company is part to tax and civil lawsuits involving approximately R\$18,097 as of March 31, 2016 for which the assessment made by its legal counsel classifies the likelihood of loss as possible, reason why no provision was recorded by Management in the financial statements.

Pursuant to prevailing legislation, the Company’ operations are open for review by tax authorities for a period of 5 years with respect to federal taxes (income tax, social contribution, PIS, COFINS and IPI) and state tax (ICMS). As a result of these reviews, transactions and payments may be challenged and the identified amounts may be subject to fines, interest and inflation adjustment.

The Company’s management, based on the opinion of its legal counsel, understands there are no significant risks not covered by sufficient provisions in the financial statements or that might have a significant impact on the Company’s future results.

## 17. INCOME TAX AND SOCIAL CONTRIBUTION

The reconciliation of the tax effect on loss before income tax and social contribution is as follows:

	<u>March</u> <u>31, 2016</u>	<u>March</u> <u>31, 2015</u>
Income before income tax and social contribution	86,533	71,494
Effective rate - income tax and social contribution	<u>34%</u>	<u>34%</u>
	(29,421)	(24,308)
Reconciliation to effective rate:		
Permanent differences	<u>804</u>	<u>(5,341)</u>
Income tax and social contribution - current and deferred	<u>(28,617)</u>	<u>(29,649)</u>

### Breakdown of deferred income tax

As of March 31, 2016 and 2014, the Company recognized deferred income tax and social contribution on temporary differences as follows:

	<u>March</u> <u>31, 2016</u>	<u>March</u> <u>31, 2015</u>
Temporary differences on tax credits:		
Tax benefit from the merger of United	165,237	-
Reserve for labor claims	1,565	1,565
Allowance for doubtful accounts receivable	67,922	58,860
Adjustment to present value on trade accounts receivable	38,806	30,841
Provision for service providers	39,797	11,035
Provision for net realizable value of inventories	4,716	3,269
Impairment of intangible assets	1,091	3,360
Derivative financial instruments at the fair value	26,152	-
Impairment of recoverable taxes	6,162	797
Exchange variation not incurred in cash basis	-	44,871
Others temporary differences	<u>5,491</u>	<u>5,551</u>
Tax base	356,939	160,149
Statutory rate	<u>34%</u>	<u>34%</u>
Deferred income tax and social contribution - tax credit	<u>121,359</u>	<u>54,451</u>
Temporary differences on tax debits:		
Derivative financial instruments at the fair value	-	36,348
Adjustment to present value on trade payables	28,282	14,102
Exchange Rate Customer, Loans, Suppliers	14,712	-
Others temporary differences	<u>275</u>	<u>276</u>
Tax base	43,269	50,726
Statutory rate	<u>34%</u>	<u>34%</u>
Deferred income tax and social contribution - tax debit	<u>14,711</u>	<u>17,247</u>
Deferred income tax and social contribution balance	106,648	37,204
Deferred income tax recorded directly in equity as a result of the merger of United	<u>(57,134)</u>	<u>-</u>
	49,515	37,204
Effect on the statement of operations for the year	<u>12,311</u>	

- (a) Refers to the goodwill tax benefit, net of the provision for the difference between its value and the tax benefit generated by its amortization arising from the merger of United as discussed in Note 18.

The Company, based on projections of future taxable profits approved by Management, recognized deferred income tax and social contribution on temporarily taxable and non-deductible differences, which can be carried forward indefinitely.

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

Based on these projections of future taxable profits, the Company estimates to realize the deferred income tax and social contribution as follows:

	<u>Assets</u> <u>March</u> <u>31, 2016</u>
2017	49,515
2018	<u>57,133</u>
	<u>106,648</u>

## 18. SHAREHOLDERS' EQUITY

### a) Share capital

As of March 31, 2016 and 2015, the Company's subscribed and paid-in capital was R\$308,696 represented by 324,600,648 common shares and represented as follows:

	<u>As of March 31, 2016</u>		<u>As of March 31, 2015</u>	
	<u>Shares</u>	<u>Equity interest</u>	<u>Shares</u>	<u>Equity interest</u>
United Phosphorus Indústria e Comércio de Produtos Químicos Ltda.	-	-	53,316,064	53.39%
Uniphos Indústria e Comércio de Produtos Químicos Ltda.	324,596,406	99.99%	46,551,130	46.61%
United Phosphorus do Brasil Ltda.	<u>4,242</u>	<u>0.001%</u>	-	-
Total	<u>324.600.648</u>	<u>100%</u>	<u>99.867.194</u>	<u>100%</u>

Net assets merged as of January 31, 2016 are represented by shareholders' equity amounting to R\$73,817, as result of this transaction the capital decreased by R\$73,718 arising from the merger of United, the Company's former parent company, as shown in Note 1.

### Transactions during the year ended March 31, 2016

During the year ended March 31, 2016 the Company received several capital increases in cash that amounted to R\$224,734 as summarized as follows:

<u>Date</u>	<u>Shareholder</u>	<u>Amount</u> R\$	<u>Shares issued</u>
July 7, 2015	Uniphos Ind. e Comércio de Produtos Químicos Ltda.	34,000	34,000,000
August 10, 2015	United Phosphorus Indústria e Comércio de Produtos Químicos Ltda.	2,500	2,500,000
August 10, 2015	Uniphos Ind. E Comércio de Produtos Químicos Ltda.	41,426	41,425,731
December 2, 2015	Uniphos Ind. E Comércio de Produtos Químicos Ltda.	30,946	30,945,957
January 31, 2016	United Phosphorus Indústria e Comércio de Produtos Químicos Ltda.	35,225	35,224,614
February 29, 2016	Uniphos Ind. E Comércio de Produtos Químicos Ltda.	<u>80,637</u>	<u>80,637,152</u>
		<u>224,734</u>	<u>224,733,454</u>

In addition, on February 29, 2016 the Company's shareholders decided to increase capital with capital reserve in the amount of R\$73,911 issuing 73,911,106 shares.

On March 18, 2015, United Phosphorus Indústria e Comércio de Produtos Químicos Ltda. (“United”) acquired remaining non-controlling interest shares from non-controlling shareholders, represented by 26,964,143 shares, increasing their interest from 26.39% as of March 31, 2014 to 53.39% as of March 31, 2016.

b) Capital reserve

On July 25, 2011, United provided R\$175,462 in cash to the Company, for which R\$20,114 was allocated as share capital and R\$155,354 was allocated as share premium.

On January 1, 2016 the Company recorded the amount of R\$57,134 of deferred income tax in Capital reserve as a result of the merger of United.

On February 29, 2016 the Company’s shareholders decided to increase capital with capital reserve in the amount of R\$73,911 issuing 73,911,106 shares.

c) Legal reserve

Recognized pursuant to the corporate legislation and articles of organization, based on 5% (five percent) of net income for the year.

d) Dividends

The shareholders are entitled to annual mandatory minimum dividends of 5% (five percent) of net income for the year after recognition of legal reserve and as statutorily adjusted, when applicable.

	<u>March 31, 2016</u>
Net income for the year	57,916
(-) Recognition of legal reserve - 5%	<u>(2,896)</u>
Base income for calculating mandatory minimum dividends	55,020
Mandatory minimum dividends - 5%	2,751
Dividend per share - in R\$	0.0085

e) Income per share

In compliance with technical pronouncement, the following table reconciles the net income to the amounts used to calculate the basic and diluted income per share:

	<u>March 31, 2016</u>	<u>March 31, 2015</u>
Net income for the year	57,916	41,485
Weighted average number of shares issued (in thousands)	<u>147,488</u>	<u>99,867</u>
Basic and diluted loss per share in Brazilian Reais	<u>0.3927</u>	<u>0.419</u>

## 19. FINANCIAL INSTRUMENTS AND OPERATING RISKS

Financial assets and liabilities are stated in the financial statements at cost, plus income earned and less expenses incurred through the end of the reporting period, which approximate the fair values for transactions with similar nature and risks.

The main market risk factors that affect the Company's and its subsidiaries' businesses are as follows:

- **Credit risk:** arises from the possibility of the Company not receiving amounts arising from sales. To mitigate this risk, the Company perform a detailed analysis of the financial position of its customers, establishing an ongoing monitoring of the debt balance of their counterparties.
- **Price risk of products sold or manufactured or inputs acquired:** arises from the possibility of fluctuations in the market prices of products sold or manufactured by the Company and other inputs used in the production process. These price fluctuations may cause substantial changes in the Company and subsidiaries' revenues and costs. In order to mitigate these risks, the Company perform an ongoing monitoring of local and foreign markets, seeking to anticipate any price changes.
- **Interest rate risk:** this risk arises from the possibility of the Company incurring losses because of fluctuations in interest rates that increase the financial expenses related to borrowings and financing. Borrowings are controlled in terms of exposure and contracted rates, considering their nature, to avoid exposing the Company to excessive risks.
- **Exchange rate risk:** this risk arises from the possibility of the Company incurring losses or cash constraints due to fluctuations in exchange rates, affecting the balance of foreign currency-denominated assets (or liabilities).

#### Derivative financial instruments

As mentioned above, during the year ended March 31, 2016 the Company contracted derivatives to reduce its liabilities exposure to exchange variation, mainly U.S. Dollars. As a result of the hedges acquired to reduce such exposures, during the year ended March 31, 2016 the Company recorded the amount of R\$36,661 of loss in hedging transactions which is recorded in financial income and expenses captions in the statement of income. Since the related instrument is combined for receivables, payables and borrowing and financing, the Company's management has allocated the aforesaid gain in hedging transaction in the proportion of their respective average balances during the year ended March 31, 2016 as follows:

<u>Balances denominated in foreign currency - U.S Dollars</u>	Average balance during the year ended <u>March 31, 2016</u> <u>R\$</u>	Balance as of <u>March 31, 2016</u> <u>R\$</u>
<u>Operating activities</u>		
Trade account receivables	(259,957)	(295,755)
Trade payables	140,112	98,648
Forfaiting and credit letter transactions	161,398	148,067
Related parties (liabilities)	<u>311,703</u>	<u>412,452</u>
Operating exposure - liabilities	353,256	363,412
Hedge gain (loss) on operating activities	-	(34,061)
<u>Financing activities</u>		
Borrowing and financing	<u>96,296</u>	<u>48,667</u>
Financing exposure - liabilities	96,296	48,667
Hedge gain (loss) - Financing activities	-	(2,600)
Net exposure - liabilities	<u>449,552</u>	<u>(412,079)</u>
Total Hedge Gain (loss)		<u>(36,661)</u>

The average balances and balances as of March 31, 2016 for each caption refer to the Brazilian Real amounts of assets and liabilities denominated in U.S. Dollars currency.

As of March 31, 2016, the position of derivative financial instruments and the adjustment at the fair value recorded in the balance sheet is as follow:

<u>Transaction</u>	<u>Maturity</u>	<u>Position</u>	<u>Fixed rate</u> <u>(US\$)</u>	<u>Notional</u> <u>amount</u>	<u>Fair value</u>	<u>Adjustment</u>
<u>March 31, 2016</u>						
NDF - U.S. Dollar	5/13/2016	Long	4.0301	26,439	23,850	(2,580)
NDF - U.S. Dollar	4/29/2016	Long	3.6956	1,740	1,703	(37)
NDF - U.S. Dollar	5/25/2016	Long	3.7135	53,570	52,571	(999)
NDF - U.S. Dollar	5/20/2016	Long	3.7761	20,186	19,287	(899)
NDF - U.S. Dollar	5/25/2016	Long	3.6918	21,793	21,670	(123)
NDF - U.S. Dollar	6/15/2016	Long	3.7286	37,286	37,215	(71)
NDF - U.S. Dollar	5/20/2016	Long	3.7190	521	511	(10)
NDF - U.S. Dollar	4/27/2016	Long	4.0640	73,737	65,666	(8,071)
NDF - U.S. Dollar	5/13/2016	Long	4.0848	74,114	66,023	(8,091)
NDF - U.S. Dollar	6/15/2016	Long	3.7291	59,800	58,769	(1,031)
NDF - U.S. Dollar	4/27/2016	Long	4.0099	26,297	23,730	(2,567)
NDF - U.S. Dollar	5/20/2016	Long	3.7370	<u>64,601</u>	<u>62,927</u>	<u>(1,674)</u>
Total				<u>460,075</u>	<u>433,922</u>	<u>(26,152)</u>

As of March 31, 2015, the position of derivative financial instruments and the adjustment at the fair value recorded in the balance sheet is as follow:

<u>Transaction</u>	<u>Maturity</u>	<u>Position</u>	<u>Fixed rate</u> <u>(US\$)</u>	<u>Notional</u> <u>amount</u>	<u>Fair value</u>	<u>Adjustment</u>
<u>March 31, 2016</u>						
NDF - U.S. Dollar	6/25/2015	Long	2.4370	22,244	29,371	7,488
NDF - U.S. Dollar	4/02/2015	Long	2.8939	21,434	23,738	2,305
NDF - U.S. Dollar	4/02/2015	Long	2.8894	21,670	24,018	2,348
NDF - U.S. Dollar	4/02/2015	Long	2.8938	27,491	30,478	2,987
NDF - U.S. Dollar	4/02/2015	Long	3.1557	3,162	3,215	53
NDF - U.S. Dollar	4/02/2015	Long	2.8940	27,493	30,059	2,566
NDF - U.S. Dollar	5/05/2015	Long	2.7602	<u>110,408</u>	<u>129,010</u>	<u>18,601</u>
Total				<u>233,902</u>	<u>269,889</u>	<u>36,348</u>

#### Sensitivity analysis of the financial instruments

##### a. Interest rate risk:

The analysis is made considering the changes in the related interest rates: what would be the impact of the changes in interest rates on profit or loss under different scenarios. The table below summarizes all the Company's positions impacted by the changes in interest rates.

Description	Notional	Impact in a scenario of		Impact in a scenario of		Impact in a scenario of	
	amount	10%	-10%	25%	-25%	50%	-50%
	R\$						
<u>March 31, 2016</u>							
Borrowings with floating interest rate, without hedge	86,622	(8,662)	8,662	(21,655)	21,655	(43,311)	43,311
Investments with floating interest rate, without hedge	112,282	<u>11,228</u>	<u>(11,228)</u>	<u>28,070</u>	<u>(28,070)</u>	<u>56,141</u>	<u>(56,141)</u>
Impact on operating profit or loss		<u>2,566</u>	<u>(2,566)</u>	<u>6,415</u>	<u>(6,415)</u>	<u>12,830</u>	<u>(12,830)</u>

In the scenario above, the interest rate was combined in two manners under three scenarios: probable, possible and remote. For these scenarios, the changes shown above were presumed (e.g.: +/- 10% of the interest rate in the probable scenario), based on observations of the current market conditions. All other variables of the amounts above were kept constant.

Below are the main assumptions for the analysis:

- Borrowings with floating interest rate, without hedge.
- Investments with floating interest rate, without hedge.

The interest rates were compared with the LIBOR, CDI and TJLP.

b. Exchange rate risk:

The analysis is made considering the changes in the related exchange rates: what would be the impact of the changes in exchange rates on profit or loss or on equity under different scenarios.

Description	Notional	Impact in a scenario of		Impact in a scenario of		Impact in a scenario of	
	amount	10%	-10%	20%	-20%	30%	-30%
	R\$						
<u>March 31, 2016</u>							
Reference exchange rate - US\$	3.5589	3.9148	3.2030	4.2707	2.8471	4.6266	2.4912
Borrowing and financing in foreign currency	47,352	(4,735)	4,735	(9,470)	9,470	(14,206)	14,206
Financial liabilities in foreign currency	657,801	<u>(65,780)</u>	<u>65,780</u>	<u>(131,560)</u>	<u>131,560</u>	<u>(197,340)</u>	<u>197,340</u>
Financial assets in foreign currency	612,099	<u>61,210</u>	<u>(61,210)</u>	<u>122,420</u>	<u>(122,420)</u>	<u>186,630</u>	<u>(186,630)</u>
Impact on operating profit or loss		<u>(9,305)</u>	<u>9,305</u>	<u>(18,611)</u>	<u>18,611</u>	<u>(27,916)</u>	<u>27,916</u>

The table above shows the sensitivity of the Company's operating profit or loss and equity to possible changes in the currency parity.

The currency parity included in the analysis is the U.S. Dollar against Reais.

Each parity was combined in two manners, under three scenarios: probable, possible and remote. For these scenarios, the changes shown above were presumed (e.g.: +/- 10% in the probable scenario), based on observations of the current market conditions. All other variables were kept constant.

Below are the main assumptions for the analysis:

- Net value of financial assets and liabilities in foreign currency.
- Receivables and payables in foreign currency.
- The fair value of derivative instruments of commodities denominated in foreign currency.
- The fair value of derivative instruments of exchange rate.

The impacts of these possible changes are stated in the operating profit or loss for each item.

c. Financial instruments by category

The main financial assets and financial liabilities are show below:

	Book and fair value	
	March 31, 2016	March 31, 2015
<u>Financial assets</u>		
Loans and receivables:		
Cash and cash equivalents	113,221	35,014
Trade accounts receivable - current	814,597	617,354
Trade accounts receivable - non-current	271	3,030
Related parties receivable - current	89,677	2,829
Related parties receivable - non-current	85,227	-
Derivative financial instruments:		
Derivative financial instruments - current	-	36,348
<u>Financial liabilities</u>		
Financial liabilities to amortized cost:		
Borrowings and financing - current	191,882	178,293
Trade payables - current	82,478	194,264
Forfaiting and Credit letter	148,067	18,250
Related parties payables - current	413,485	222,981
Borrowings and financing - non-current	3,161	1,467
Related parties payables - non-current	74,570	-
Derivative financial instruments:		
Derivative financial instruments - current	26,152	1,356

The measurement method used for calculating the fair value of financial assets and liabilities was the discounted cash flow with the ANBID benchmark index, considering the expected settlement or realization of assets and liabilities and the market rates prevailing at the information cut-off dates.

d. Liquidity risk management

The Company's Management has ultimate responsibility for the management of the liquidity risk and has prepared an appropriate liquidity risk management model to manage funding requirements and short, medium - and long-term liquidity management. The Company manages the liquidity risk through the continuous monitoring of estimated and actual cash flows, the combination of the maturity profiles of financial assets and liabilities and the maintenance of a close relationship with financial institutions, with regular disclosure of information to support credit decisions when external funds are necessary.

The table below details the remaining contractual maturity of the Company's financial liabilities and the contractual amortization as of March 31, 2016:

	3 months to 1 year	From 1 to 2 years	From 2 to 3 years	From 3 to 5 years	Total undiscounted cash flows	Carrying amount at March 31, 2016
Borrowing and financing	196,082	2,586	805	141	199,614	195,043
Trade payables	99,356	79	-	-	99,435	82,478
Forfaiting	145,490	-	-	-	145,490	134,580
Credit letter	14,041	-	-	-	14,041	13,487
Related parties payables	413,485	-	-	-	413,485	413,485
Other payables	15,138	-	-	-	15,138	64,474
	<u>883,592</u>	<u>2,665</u>	<u>805</u>	<u>141</u>	<u>887,203</u>	<u>903,547</u>

## 20. NET REVENUES

	<u>March</u> <u>31, 2016</u>	<u>March</u> <u>31, 2015</u>
Sales of product	1,651,775	878,384
Returns and rebates	(47,659)	(37,940)
Taxes on sales	(37,241)	(21,558)
Present value adjustment	<u>(110,178)</u>	<u>(63,126)</u>
Net revenues	<u>1,456,697</u>	<u>755,760</u>

## 21. OPERATING COSTS AND EXPENSES BY NATURE

<u>Costs and expenses by nature</u>	<u>March</u> <u>31, 2016</u>	<u>March</u> <u>31, 2015</u>
Raw materials and consumables used	1,126,707	557,071
Salaries, charges and benefits	122,911	60,164
Freight	6,217	3,388
Services from third parties	29,067	16,113
Materials for use and consumption	5,697	4,348
Depreciation and amortization	14,891	14,313
Travel and lodging	10,851	7,341
Warehouse	6,138	4,213
Rental	2,598	2,110
Cost of discarded packaging's	2,061	1,635
Inventories adjustment	1,447	(397)
Tax retention and other fees	2,958	589
Allowance for doubtful accounts	9,062	13,853
Present value adjustment of trade payables	(96,182)	(41,077)
Written-off of advances on trade payables	-	649
Other costs and expenses	<u>18,489</u>	<u>10,986</u>
Total of costs and operating expenses	1,262,912	655,299
	<u>March</u> <u>31, 2016</u>	<u>March</u> <u>31, 2015</u>
<u>Exchange variation on trade receivables and payables</u>		
Exchange rate variation on trade receivables	7,318	(18,989)
Exchange rate variation on trade payables	<u>9,076</u>	<u>70,787</u>
Total of exchange variation on trade receivables and payables	16,394	51,798
Total of cost and operating expenses, including exchange variation	<u>1,279,306</u>	<u>707,097</u>
Classified as:		
Cost of sales	1,039,770	519,812
Selling expenses	100,848	44,787
General and administrative expenses	122,294	90,700
Exchange rate variation on trade receivables and payables	<u>16,394</u>	<u>51,798</u>
	<u>1,279,306</u>	<u>707,097</u>

## 22. FINANCE INCOME AND EXPENSES

	<u>March</u> <u>31, 2016</u>	<u>March</u> <u>31, 2015</u>
Finance income:		
Discounts obtained	563	290
Yield from investments	5,495	3,201
Present value adjustment of trade account receivable	102,213	49,874
Gain on derivative financial instruments, realized contracts	25,839	42,537
Gain on derivative financial instruments, non-realized contracts	(62,500)	36,348
Interest arising from the mutual with related parties	9,453	-
Other finance income	<u>2,079</u>	<u>3,778</u>
	83,142	136,028
Finance expenses:		
Cash discount	(77)	(159)
Discounts granted and other exchange rate effect	(35,172)	(11,562)
Interest on borrowings and financing	(20,180)	(15,135)
Present value adjustment of trade payables	(82,003)	(35,268)
Interest on remised trade receivables	(9,717)	(5,080)
Other finance expenses	<u>(5,320)</u>	<u>(954)</u>
	(152,469)	(68,159)
Exchange rate variation on borrowing and financing	<u>(11,622)</u>	<u>(39,939)</u>

## 23. EMPLOYEE BENEFITS

The Company offers to its employees' health care benefits, dental reimbursement, life insurance, meal ticket, transportation voucher, among others. The expense on such benefits, recorded during the year ended March 31, 2016 was R\$7,536 (R\$3,300 for the year ended March 31, 2015).

## 24. INSURANCE

The Company have insurance contracts for operational risks, vehicles, civil liability - property damage, bodily injury and general civil liability. The coverage of these insurance contracts is determined by specialists, in amounts considered by Management sufficient to cover eventual risks on its assets and/or liabilities. As of March 31, 2016, insurance coverage is as follows:

<u>Coverage</u>	<u>Effective period</u>	<u>Coverage amount</u> <u>R\$</u>
<u>Plant</u>		
Fire, including fire caused by riot, strikes, aircraft crashes, lightning and explosions of any nature		105,000
Electrical damages		200
Windstorm, hurricane, cyclone, tornado, hail and smoke		2,000
Falling Aircraft or any other gadgets Aereos		3,000
Impact of land vehicles		3,000
Robbery and theft	04/11/2015 to	1,000
Riots, strikes e lock out	04/30/2016	400
Deterioration of products in refrigerated environments		510
Stationary equipment in the facilities		800
Recovery of records and documents		100
Expenses with new locations		5
Internal Moving		3,000
Others		610

<u>Coverage</u>	<u>Effective period</u>	<u>Coverage amount</u>
<u>Office</u>		
Fire		8,000
Electrical damages		200
Recovery of records and documents		500
Fixed expenses	12/19/2014 to	400
Electronic equipment	12/19/2015	250
Equipment/Portable objects	Extended to	20
Loss/ Rent	04/30/2016	801
Breaking windows/mirrors		100
Robbery and theft		300
Windstorm, hurricane, cyclone, tornado, hail and smoke		1,000
Civil liability of Management	01/04/2016 to 31/03/2017	20,000
<u>Civil liability</u>		
Civil liability of Employer		
Civil Liability Fairs and Exhibitions		
Civil Liability Robbery / Theft Third Party Goods		
Contingent Liability Vehicles and Transport Employees	01/04/2016 to	15,000
Liability Products in the National Territory	31/03/2017	
Liability Products Abroad		
Civil Liability for Project Error in Brazil and abroad		
Garage Keeper's Liability		1,000
Pain & Suffering		3,000
International transport insurance	08/14/2015 to 08/14/2016	100% of value imported
Vehicles Insurance	12/10/2015 to 12/10/2016	100% of vehicles

## 25. TRANSACTIONS NOT AFFECTING CASH

Changes in equity not affecting the Company's cash flows are as follows:

	<u>March 31, 2016</u>
Purchases of property, plant and equipment with financing leasing	3,054

## 26. NET PRESENT VALUE ADJUSTMENT

As required by its Parent Company, in order for them to follow Indian accounting practices (“Indian GAAP”), the following are the adjustments that could be made if the net present value needs to be reversed for the purposes of Indian GAAP:

Opening balance sheet entry (Marth 31, 2014):

Dr. Trade accounts receivable	17,589
Cr. Retained earnings	9,584
Dr. Net effect on profit and loss	291
Cr. Trade payables	8,296

Current period entry (April 1,2014 to March 31,2015):

Dr. Trade accounts receivable	13,252
Cr. Trade payables	5,807
Dr. Cost of sales	41,075
Dr. Financial income	49,874
Cr. Net revenues	63,126
Cr. Financial expenses	35,268

Current period entry (April 1,2014 to March 31,2015):

Closing balance sheet entry (Marth 31, 2015):

Dr. Trade accounts receivable	30,841
Cr. Retained earnings	9,293
Cr.Net effect on profit and loss	7,446
Cr. Trade payables	14,102

Current period entry (April 1,2015 to March 31,2016):

Dr. Trade accounts receivable	7,965
Cr. Trade payables	14,180
Dr. Cost of sales	96,182
Dr. Financial income	102,213
Cr. Net revenues	110,178
Cr. Financial expenses	82,003

Closing balance sheet entry (Marth 31, 2016):

Dr. Trade accounts receivable	38,806
Cr. Retained earnings	16,739
Dr.Net effect on profit and loss	6,215
Cr. Trade payables	28,282

## 27. APPROVAL OF FINANCIAL STATEMENTS

The financial statements for the year ended March 31, 2016 were approved by the shareholders and authorized for issue on April 15, 2016.