

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

**Financial Statements for  
year ended March 31, 2018**

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## ADMINISTRATION REPORT

Fiscal year 2017/18

### INDICATORS

#### Net sales:

2017/18: R\$ 1,833 Bi (+9%)

2016/17: R\$ 1,685 Bi (+16%)

2015/16: R\$ 1,457 Bi

#### Market-share:

2017: 5.8%

2016: 4.9%

2015: 3.3%

#### Operating margin (before the financial results, income tax and social contribution):

2017/18: 7%

2016/17: 11%

### ESTABLISHING OF STRATEGY

The chemical defensive segment for agriculture finishes the fiscal year confirming the third consecutive year of retraction, pressured for low profitability levels of the manufacturer, due, mainly to the devaluation of the dollar and agricultural commodities' cost, added to the high Stocks of Purchases on the distribution spots that raised the offer and pressured for reduction of defensives' prices, and the fiscal situation of the country suffering the reflex of the economic issues of 2016, which, on the beginning of the 2016/17 harvest still wasn't showing recovering signs.

However, despite the negative scenery and against the market, according to the latest years path, UPL do Brasil finishes another instrument (period from April, 2017 to March, 2018) with consistent trade growth and increase of participation on the Brazilian market.

Besides the pressure to reduce the commodities prices by the manufacturer and by the excess of offers, alterations on the Chinese environmental legislation (country that is currently the biggest global supplier of defensives and raw material for the production of the products) closed many chemical plants on the country, and that quickly increased the prices, drawn by the reduction of availability of chemical actives on the international market and by the increase of price of the Chinese industry to meet the new legislation.

On this adverse scenery of price pressure and raise of costs, the reduction of the margins of

the sector was inevitable, which caused impact also to the profitability of the year of UPL do Brasil, softened due to an active management of the company in expenses and operational costs.

However, believing on the innovation and differentiation strategy of the company in a way to understand the Brazilian agriculture, UPL do Brasil has more important launches that entered the market, placed as the main options for the manufacturer on the handling of its plantation, like Sperto®, insecticide registered for the main Brazilian plantations and Fascinate®, herbicide for controlling the resistant weeds, both with excellent



market acceptance on the year of its launches. In addition, the company maintains itself leader and acknowledged by the manufacturer as reference in the segment of multi-site protectors for handling of plantations.

#### **HARVEST 2018/19**

The company's expectations for the next harvest are very positive, due to the reversion of the Brazilian economy recession scenery, favorable projections on the commodities prices and stabilizing of the chemical actives cost on international market.

Combined with this, the company expects one more year of sales growth and market share through maintenance of its innovation strategy, and is working on the launch of products such as Triziman® e Tridium® to make its multi-site line stronger, in addition to new items which allow the company to have a stronger positioning in other segments and cultures.



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## Independent Auditor's Report in the Financial Statements

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

### Opinion

We have audited the financial statements of UPL do Brasil Indústria e Comércio de Insumos Agropecuários S.A. ("the Company"), which comprise the statement of financial position as at March 31, 2018, the statements of income and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the UPL do Brasil Indústria e Comércio de Insumos Agropecuários S.A. ("the Company") as at March 31, 2018, and of its financial performance and its cash flows for the year then ended in accordance with Accounting Practices Adopted in Brazil.

### Basis for Opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the relevant ethical requirements included in the Accountant Professional Code of Ethics ("Código de Ética Profissional do Contador") and in the professional standards issued by the Brazilian Federal Accounting Council ("Conselho Federal de Contabilidade"), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



### **Other matters - Financial statements of prior year audited by another independent auditor**

The audit of the financial statements for the year ended as at March 31, 2017, originally issued before the reclassifications described in note 5, was conducted under the responsibility of other independent auditors, who issued an unmodified audit report, dated April 20, 2017. As part of our audit of the financial statements for the year ended March 31, 2018, we have audited the reclassifications to the corresponding amounts in the balance sheet as of March 31, 2017, which in our opinion are appropriate and have been correctly made, in all material respects. We were not engaged to audit, revise or apply any other procedures on the Company's financial statements for the year ended March 31, 2017 and therefore we do not express an opinion or any form of assurance on them as a whole.

### **Other information accompanying the financial statements and the auditor's report**

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

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

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

### **Responsibilities of Management for the Financial Statements**

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

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

### **Auditors' Responsibilities for the Audit of the Financial Statements**

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



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

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

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

São Carlos, April 17, 2018

KPMG Auditores Independentes  
CRC 2SP014428/O-6



Rafael Henrique Klug  
Accountant CRC 1SP246035/O-7

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

### Statement of financial position as of March 31, 2018 and 2017

(In thousands of Brazilian Reais - R\$)

Assets	Note	2018	2017	Liabilities and Shareholders' equity	Note	2018	2017
Cash and cash equivalents	8	45,670	308,515	Borrowings and financing	16	8,139	210,699
Trade accounts receivable with third parties	9	906,121	899,930	Forfaiting and credit letters transactions	17	307,113	135,183
Trade accounts receivable with related parties	21	112,505	159,093	Trade payables to third parties	18	33,696	55,387
Derivative financial instruments	19	1,242	-	Trade payables to related parties	21	325,605	738,278
Inventories	10	285,474	387,430	Borrowings with related parties	21	4,580	129,296
Recoverable taxes		23,946	10,806	Payroll and related taxes		14,839	29,335
Loan with related parties	21	64,719	37,964	Taxes payable		11,792	5,797
Other current assets		1,460	2,160	Advances from customers		5,982	5,202
<b>Total current assets</b>		<b>1,441,137</b>	<b>1,805,898</b>	Derivative financial instruments	19	-	32,382
				Other payables		44,312	45,160
Trade accounts receivable with third parties	9	571	214	<b>Total current liabilities</b>		<b>756,058</b>	<b>1,386,719</b>
Debenture	11	103,587	-	Borrowings and financing	16	1,534	2,180
Deferred income tax and social contribution	12	98,087	103,089	Borrowings with related parties	21	465,332	79,211
Loan with related parties	21	-	26,818	Provision for judicial processes	20	1,657	1,568
Other non current assets		12,681	10,551	Other payables		87	83
		214,926	140,672	Other payables to related parties	21	32,378	63,845
Investments	13	15,023	29	<b>Total non-current liabilities</b>		<b>500,988</b>	<b>146,887</b>
Property, plant and equipment	14	88,341	81,819	Share capital	22	322,857	322,857
Intangible assets	15	97,861	90,915	Capital reserve	22	138,426	138,426
<b>Total non-current assets</b>		<b>416,151</b>	<b>313,435</b>	Legal reserve	22	6,962	6,236
				Retained earnings		131,997	118,208
				<b>Total shareholders' equity</b>		<b>600,242</b>	<b>585,727</b>
<b>Total assets</b>		<b>1,857,288</b>	<b>2,119,333</b>	<b>Total liabilities</b>		<b>1,257,046</b>	<b>1,533,606</b>
				<b>Total liabilities and shareholders' equity</b>		<b>1,857,288</b>	<b>2,119,333</b>

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



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

## Statement of income

Year ended March 31, 2018 and 2017

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

	Note	2018	2017 Restated
Net revenues	23	1,832,702	1,685,344
Cost of sales	24	<u>(1,438,774)</u>	<u>(1,202,489)</u>
<b>Gross profit</b>		<b><u>393,928</u></b>	<b><u>482,855</u></b>
Operating income (expenses)			
Selling	24	(73,592)	(110,463)
General and administrative	24	(184,825)	(175,069)
Other operating expenses, net		<u>(14,739)</u>	<u>(9,886)</u>
<b>Income before financial income and expenses</b>		<b><u>120,772</u></b>	<b><u>187,437</u></b>
Finance income	25	191,400	289,113
Finance expenses	25	<u>(285,612)</u>	<u>(401,782)</u>
		<b><u>(94,212)</u></b>	<b><u>(112,669)</u></b>
<b>Income before income tax and social contribution</b>		<b><u>26,560</u></b>	<b><u>74,768</u></b>
Current	12	(7,043)	(14,166)
Deferred	12	<u>(5,002)</u>	<u>(3,559)</u>
		<b><u>(12,045)</u></b>	<b><u>(17,725)</u></b>
<b>Net income for the year</b>		<b><u>14,515</u></b>	<b><u>57,043</u></b>
<b>Net income per common share - Basic and diluted (in Brazilian Reais)</b>		<b><u>0.0441</u></b>	<b><u>0.1732</u></b>

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

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

### Statement of comprehensive income

Year ended March 31, 2018 and 2017

*(In thousands of Brazilian Reais - R\$)*

	2018	2017
Net income for the year	14,515	57,043
Other comprehensive income	<u>-</u>	<u>-</u>
Comprehensive income for the year	<u><u>14,515</u></u>	<u><u>57,043</u></u>

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

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

### Statement of changes in shareholders' equity

Year ended March 31, 2018 and 2017

(In thousands of Brazilian Reais - R\$)

	Note	Share capital	Capital reserve	Profit reserves		Retained earnings	Total
				Legal reserve	Retention of profits		
Balances as of April 1, 2016		<u>308,696</u>	<u>138,577</u>	<u>3,384</u>	<u>61,077</u>	-	<u>511,734</u>
Capital increase in cash	22	14,161	-	-	-	-	14,161
Waiver of mandatory dividends	22	-	-	-	2,968	-	2,968
Reduction of capital arising from the merger of United Phosphorus do Brasil Ltda.	1	-	(151)	-	(28)	-	(179)
Net income for the year		-	-	-	-	57,043	57,043
Destination:		-	-	-	-	-	-
To legal reserve	22	-	-	2,852	-	(2,852)	-
To mandatory minimum dividends		-	-	-	-	(2,710)	(2,710)
Waiver of mandatory dividends	22	-	-	-	-	2,710	2,710
To retained earnings	22	-	-	-	54,191	(54,191)	-
Balances as of March 31, 2017		<u>322,857</u>	<u>138,426</u>	<u>6,236</u>	<u>118,208</u>	-	<u>585,727</u>
Net income for the year		-	-	-	-	14,515	14,515
Destination:		-	-	-	-	-	-
To legal reserve	22	-	-	726	-	(726)	-
To mandatory minimum dividends	22	-	-	-	-	(689)	(689)
Waiver of mandatory dividends	22	-	-	-	-	689	689
To retained earnings	22	-	-	-	13,789	(13,789)	-
Balances as of March 31, 2018		<u>322,857</u>	<u>138,426</u>	<u>6,962</u>	<u>131,997</u>	-	<u>600,242</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 cash flows

Year ended March 31, 2018 and 2017

(In Thousands of Brazilian Reals - R\$)

	2018	2017
Cash flows from operating activities		
Net income for the year	14,515	57,043
Adjustments to reconcile net income for the year to net		
Income tax and social contribution - current and deferred	12,045	17,725
Depreciation and amortization	25,766	21,583
Allowance for doubtful accounts	4,799	4,089
Provision for net realizable value of inventories	1,052	5,580
Provision for non-realization of ICMS tax credits	4,697	3,844
Exchange rate variation on foreign investment	6	5
Net book value of property, plant and equipment and intangible assets disposed off	1,610	1,254
Impairment of intangible assets	3,242	2,649
Interest on borrowings and financing	7,597	38,600
Interest on intercompany loan / borrowing	6,683	(34,450)
Interest on debentures	(6,656)	-
Present value adjustments on trade accounts receivable and payables	3,760	4,984
Gain (loss) on derivative financial instruments	(33,624)	6,230
Exchange rate variation on trade accounts receivable and suppliers	(29,672)	-
Exchange rate variation on borrowing and financing	21,197	553
Provision for contingency	89	3
(Increase) decrease in operating assets:		
Trade accounts receivable with third parties	25,329	(112,211)
Inventories	100,904	(237,006)
Recoverable taxes	(16,747)	(6,306)
Trade accounts receivable with related parties	50,327	(68,075)
Other assets	10,507	952
Increase (decrease) in operating liabilities:		
Trade payables	(24,467)	(48,326)
Forfeiting and credit letters transactions	155,742	(8,931)
Payroll and related taxes	(14,496)	447
Related parties	(403,067)	351,698
Taxes payable	(1,048)	2,867
Advances from customers	780	(807)
Other payables	(848)	10,528
Interest of borrowings and financing paid	(27,516)	(27,780)
Interest of intercompany borrowings paid	(25,852)	(7,262)
Interest of intercompany loans received	5,573	28,515
Income tax and social contribution paid	(1,090)	(14,166)
Net cash used in operating activities	<u>(128,863)</u>	<u>(6,171)</u>
Cash flows from investing activities		
Purchases of investments	(46,467)	-
Purchases of debentures	(96,930)	-
Purchases of property, plant and equipment	(17,468)	(36,001)
Purchases of intangible assets	(26,618)	(21,480)
New intercompany loan	(56,327)	(198,650)
Receipts of intercompany loan	54,847	231,025
Net cash used in investing activities	<u>(188,963)</u>	<u>(25,106)</u>
Cash flows from financing activities		
Capital increase in cash	-	14,161
New borrowings and financing	146,619	365,747
New intercompany borrowing	373,163	204,638
Payments of borrowings and financing with third parties	(334,526)	(357,975)
Payments of borrowings and financing with related parties	(130,275)	-
Net cash provided by financing activities	<u>54,981</u>	<u>226,571</u>
Increase in cash and cash equivalents	(262,845)	195,294
Cash and cash equivalents at the beginning of the year	308,515	113,221
Cash and cash equivalents at the end of the year	<u>45,670</u>	<u>308,515</u>
	<b><u>(262,845)</u></b>	<b><u>195,294</u></b>

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

## **Notes to the financial statements**

*(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, Luiz Eduardo Magalhães - State of Bahia and Sumaré - State of São Paulo, 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 year end is March 31 of each year.

UPL Brasil is a part of an economic Company of UPL Limited.

#### **Merger of United Phosphorus Indústria e Comércio de Produtos Químicos Ltda.**

One of the Company’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 merged net assets was R\$ 87,649, which is basically composed of total assets of R\$ 162,892 and total liabilities of R\$ 75,243.

#### **Merger of United Phosphorus do Brasil Ltda.**

One of the Company’s companies United Phosphorus do Brasil Ltda. (“United Brasil”) which was engaged in imports, exports, manufacturing and sale of pesticides and its sub products, among other objectives, was merged at UPL Brasil on October 31, 2016. The merged net assets was negative by R\$ 151, which is basically composed of total assets of R\$ 49 and total liabilities of R\$ 200.

## **2 Basis of preparation**

### **Declaration of conformity (based on CPC standards “BRGAAP”)**

The financial statements, which were prepared in accordance with accounting practices adopted in Brazil, including the pronouncements issued by the Accounting Pronouncements Committee - CPC.

The financial statements accompanied by the independent auditors report were authorized for issue by the Management on April 17, 2018. After their issuance, only the shareholders have empowered to change the financial statements.

Details of the Company's significant accounting policies are presented in note 6.

All the relevant information to the financial statements, and only them, are being disclosure, and correspond to those used by Management in its management.

## **3 Functional and presentation currency and measuring basis**

The financial statements are prepared in Real (R\$), which is the Company's functional currency which balances have been rounded to the nearest value, except otherwise indicated, 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; and
- 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.

## **4 Use of estimates and judgments**

In the preparation of these financial statements, Management used judgments, estimates and assumptions that affect the application of the Company's accounting policies and reported amounts of assets and expenses. Actual results may differ from these estimates.

Estimates and assumptions are reviewed on an ongoing basis. Reviews of accounting estimates are recognized prospectively.

## **Judgments**

Information about judgments made in applying accounting policies that have significant effect on the amounts recognized in the financial statements are included in the following notes:

- **Note 6 - Reduction of the recoverable amounts of 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.
- **Note 9 - Derecognition of assignment of credit and Note 13 - definition of control of investment in Fundo de Investimento em Direitos Creditórios UPL 1 ("FIDC"):** In December 2017, UPL structured the Fundo de Investimento em Direitos Creditórios UPL 1 ("FIDC"), which was not constituted with a certain fixed group of receivables, but UPL can assign receivables up to a maximum balance of R\$ 300,000 of receivable. To determine the derecognition of the financial assets under CPC 38 by the assignment of credits and about the control definition over this entity to consider if this investment should be consolidated under CPC 36, the Company considers several facts and circumstances that includes credit risks level before and after the structure, execution of possible sales of receivables to third parties, exposed to the variability of the FIDC's return, among others, that may be reassessed in case of events or circumstances changes in the future.
- **Note 12 - 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.

## **Assumptions and estimation uncertainties**

Information about uncertainties on assumptions and estimates that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- **Note 4 - 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
- **Note 9 - 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.

- **Note 9, 17 and 18 - 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, 2018 was approximately 14% per annum (12% as of March 31, 2017). Measuring the present value adjustment was performed in “pro rata die” exponential basis, from each transaction date.
- **Note 10 - Provision for carrying value 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 slow moving is determined based on the individual analysis of the age of the items in stock and the likelihood of future use.
- **Note 20 - Provision for judicial processes:** The Company is involved in labour, civil and tax risks and administrative proceedings. 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.

### **Measurement of fair value**

A number of the Company’s accounting policies and disclosures require the measurement of fair values for financial and non-financial assets and liabilities.

The Company has established a control framework related to the measurement of fair values. This includes an assessment team that has overall responsibility for reviewing all significant fair value measurements, including level 3 fair values. It reports directly to the CFO.

The assessment team regularly reviews material unobservable data and valuation adjustments. If the information of third parties such as dealers’ quotations or pricing services is used to measure the fair values, then the assessment team reviews the evidence obtained from third parties to support the conclusion that these assessments meet the requirements of CPC/IFRS including the level in the fair value hierarchy in which these assessments are classified.

When measuring the fair value of an asset or a liability, the Company uses observable market data as much as possible. The fair values are classified into different levels in a hierarchy based on the information (inputs) used in the valuation techniques as follows:

- **Level 1:** (unadjusted) prices quoted on active markets for similar assets and liabilities.
- **Level 2:** Inputs, except the prices quoted in Level 1, which are observable for the asset or liability, directly (prices) or indirectly (derived from prices).
- **Level 3:** Inputs, for the assets or liabilities, which are not based on observable market data (unobservable inputs).



The Company recognizes transfers between levels of the fair value hierarchy at the end of the period of the financial statements in which the changes occurred.

Additional information on the assumptions used in measuring fair value is included in the following notes:

- **Note 19** - Financial instruments.

## **5 Restatement of corresponding financial statements**

The Company disclosed exchange variation on accounts receivable and payable in a separate line item in the income statement, that in accordance with CPC 26, should present revenues and expenses by function and not by nature. Accordingly, the Company is restating the amount of R\$ 35,407 related to the exchange variation on accounts receivable from customers and the amount of R\$ 93,998 referring to the exchange variation on accounts payable in the financial income and financial expense, respectively. Additionally, the remaining balance of the exchange rate variation considered immaterial was reclassified.

See as follow the income statement as of March 31, 2017 restated, considering the aforementioned effect:

	<b>03.31.2017 Previously presented</b>	<b>Reclassifications</b>	<b>03.31.2017 Restated</b>
Net revenues	1,685,344	-	1,685,344
Cost of sales	<u>(1,202,489)</u>	<u>-</u>	<u>(1,108,491)</u>
Gross profit	482,855	-	541,446
Selling	(110,463)	-	(110,463)
General and administrative	(175,069)	-	(175,069)
Exchange rate variation on trade receivables and payables	58,591	(58,591)	-
Other operating expenses, net	<u>(9,866)</u>	<u>-</u>	<u>(9,866)</u>
	(236,807)	(58,591)	(295,398)
Income before financial income and expenses	246,048	-	246,048
Finance income	195,115	93,998	289,113
Finance expenses	(365,842)	(35,940)	(401,782)
Exchange rate variation on borrowing and financing	<u>(553)</u>	<u>533</u>	<u>-</u>
	(171,280)	58,591	(112,689)
Income before income tax and social contribution	74,768	-	74,768
Current	(14,166)	-	(14,166)
Deferred	<u>(3,559)</u>	<u>-</u>	<u>(3,559)</u>
	(17,725)	-	(17,725)
Net income for the year	<u><u>57,043</u></u>	<u><u>-</u></u>	<u><u>57,043</u></u>

## 6 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods reported in these consolidated and individual financial statements.

### a. Foreign currency

Transactions in foreign currency (other than the functional currency), are translated into the respective functional currency of the Company at exchange rates in the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the exchange rate at that date. 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.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated into the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences are generally recognized in profit or loss.

### b. Financial instruments

The Company classifies non-derivative financial assets into the following categories: financial assets measured at fair value through profit or loss and loans and receivables.

The Company classifies non-derivative financial liabilities into the following categories: financial liabilities measured at fair value through profit or loss and other financial liabilities.

#### (i) *Non-derivative financial assets and liabilities - recognition and derecognition*

The Company recognizes loans and receivables on the date that they are originated. All other financial assets (including assets designated as at fair value through profit or loss) are recognized initially on the trade date, which is the date that the Company becomes party to the contractual dispositions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when the Company transfers the rights to receive the contractual cash flows of a financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when, and only when, the Company has legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company classifies non-derivative financial assets into the following categories: recorded at fair value through profit or loss and loans and receivables.

**(ii) Non-derivative financial assets - measurement**

*Financial assets at fair value through profit or loss*

A financial asset is classified as at fair value through profit or loss if it is classified as held for trading or is designated as such on initial recognition. Attributable transaction costs are recognized as incurred after the initial recognition. Financial assets recorded as at fair value through profit or loss are measured at fair value and changes on the fair value are recognized in profit or loss.

*Loans and receivables*

Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents, trade accounts receivable, loans granted, securities brokerage operations and other credits.

*Cash and cash equivalents*

Cash and cash equivalents includes cash balances, bank deposits and financial investments convertible into cash in an period within 90 days without significant loss on the amounts.

**(iii) Non-derivative financial liabilities - measurement**

Financial liabilities are initially recognized on the trade date, which is the date that the Company becomes party to the contractual dispositions of the instrument. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

The Company classifies non-derivative financial liabilities into the other financial liabilities category. Such liabilities are recognized initially at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

**(iv) Derivative financial instruments**

The Company hold derivative financial instruments: futures, swaps (interest rate and exchange risk protection) and NDFs - Non Deliverable Forward - for hedge operations to exchange variations (currency) and commodity prices.

The purpose of operations involving derivatives is always related to the operation of the Company and the reduction of their exposure to currency and market risks, duly identified by established policies and guidelines. The results obtained with these operations are consistent with the policies and strategies defined by the Company's Management. All gains or losses arising from derivative financial instruments are recognized at fair value.

Gains / losses on unrealized derivative financial instruments arising from commodity price protection are recognized within gross profit, while the effects of derivatives related to foreign exchange and interest rate risks are recognized in the financial result.

Derivatives are initially recognized at fair value and their attributable transaction costs are recognized in income, when incurred. Subsequent to the initial recognition, they are measured at fair value and changes in income for the period.

(v) **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.

*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.

*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.

**c. Capital**

The Company's share capital is composed only of common shares which are classified as shareholders' equity.

**d. 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.

**e. 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 1.19% per month (1.00% in 2016), 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.

**f. 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.

**g. 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.

**h. 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.

**i. Short-term employee benefits**

Short-term employee benefits obligations are measured on an undiscounted basis and are expensed as the related service is rendered. A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

**j. Property, plant and equipment**

**(i) Recognition and measurement**

Items of property, plant and equipment are measured at cost of acquisition or construction less accumulated depreciation and accumulated losses by impairment.

Cost includes disbursements that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the following:

- The cost of materials and direct labor;
- Any other costs directly attributable to bring the assets to a working condition for their intended use by Management;
- Dismantling costs and the costs to restore the site on which the assets are located; and
- Capitalized borrowing costs on qualifying assets.

Purchased software that is an integrant part of the functionality of equipment is capitalized as part of that equipment. When parts of an item of property, plant and equipment have different useful life, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on the disposal of an item of property, plant and equipment (the difference between the amount of the disposal and the carrying amount), are recognized in “net other operating income (expense)” in the “statements of comprehensive income”.

**(ii) Subsequent costs**

Subsequent costs are capitalized only when it is probable that the future economic benefits associated with the costs will flow to the Company. Ongoing repairs and maintenance are expensed as incurred.

**(iii) Depreciation**

Items of property, plant and equipment are depreciated on a straight-line basis in profit or loss over the estimated useful lives of each component. Land is not depreciated.

Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

Depreciation methods, useful lives and residual amounts are reviewed at each reporting date and eventual adjustments are recorded as changes in accounting estimates.

**k. 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.

## **I. Impairment**

### **(i) Non-derivative financial assets**

Financial assets not classified at fair value through profit or loss, including in an interest in an equity-accounted investee, are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes:

- 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.

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.

#### *Financial assets measured at amortized cost*

The Company considered evidence of assets measured at cost loss amortized both individually and collectively. All individually significant assets are assessed for loss on impairment. Those who have not suffered loss individually are then tested collectively for any impairment that may have occurred, but have not yet been identified. Assets that are not individually significant are collectively evaluated for impairment based on the Company of assets with similar risk characteristics.



In assessing collective impairment, the Company uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between the carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in the income statement and reflected in an allowance account against receivables, when applicable. When a subsequent event indicates a reversal of the impairment, the decrease in impairment loss is reversed and recorded in income.

**(ii) Non-financial assets**

The carrying amounts of the Company's non-financial assets other than biological assets, inventories and deferred tax assets are reviewed at each balance sheet date to determine if there is any indication of impairment. If such an indication occurs, then the recoverable value of the asset is estimated.

For impairment tests, assets are Companyed into Cash Generating Units (CGU), that is, the smallest possible Company of assets that generates cash inflows due to their continuous use, which are largely independent of the inputs of other assets or CGU.

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

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

*Impairment losses are recognized in income.*

Impairment of assets is reversed only if the carrying amount of the asset does not exceed the book value that would have been calculated, net of depreciation or amortization, if the loss of value had not been estimated.

**m. Revenue**

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.

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.

**n. Lease**

***Lease payments***

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease.

**o. Finance income and 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

**p. Income tax**

The Company is composed by entities that are on the real profit regime and on the presumed tax regime.

**(i) *Entities on the real profit regime***

The current and deferred income tax and social contribution are calculated on the basis of the following rates: 15% with an additional of 10% over the taxable profit exceeding R\$ 240 (two hundred and forty thousand Brazilian Reais) for the income tax and 9% over the taxable profit for social contribution and it takes into consideration the compensation of tax losses and the negative base of social contribution limited to 30% of the annual taxable profit.

The expenses with income tax and social contribution comprise current and deferred income taxes. The current tax and the deferred tax are recognized in the income unless they are related to items directly recognized in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized taking into consideration the aliquots that are expected to be used in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be performed.

In the determination of current and deferred income taxes entities take into consideration the impact of uncertainties related to tax positions taken and if the payment of an additional income tax and interest is necessary.

**(ii) *Entities on the presumed profit regime***

On this regime, taxable profit corresponds to 8% of operational revenue plus other operational income, to income tax, and 12% of operational revenue plus other operational income to social contribution.

Income tax is calculated based on a 15% aliquot plus 10% of the presumable taxable profit that exceeds annually R\$ 240 (two hundred and forty thousand Brazilian Reais). Social contribution is calculated based on a 9% aliquot of the presumed taxable profit.

## **7 Standards issued but not yet effective**

A number of new standards and amendments will be effective after annual periods beginning after January 1<sup>st</sup>, 2018. The Company has not adopted these amendments in this financial statement. The Company does not intend to adopt these standards early.

The preliminary valuation of the Company has not indicated any material impact in the application of following standards:

**a. CPC 48 and CPC47**

The Company is required to adopt CPC 48 - Financial Instruments and CPC 47 - Customer Contract Revenue as of April 1<sup>st</sup>, 2018. The Company is evaluating the main estimated impacts of the initial application of such pronouncements in its financial statements. The estimated impact of adopting these standards on Company equity on April 1<sup>st</sup>, 2018 is based on valuations carried out up to the date of issuance of these financial statements. The actual impacts of adopting standards by April 1<sup>st</sup>, 2018 may be different because:

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

In relation to CPC 48, although the Company has measurement criteria, there were no significant impacts.

In relation to CPC 47, although the Company has criteria for measuring revenue from customers to be considered, there were no impacts of this standard in the initial application.

**b. CPC 48 Financial Instruments (Correlated to IFRS 9)**

CPC 48 - Financial Instruments establishes requirements to recognize and measure financial assets, financial liabilities and certain contracts to buy or sell non-financial items. This standard replaces CPC 38 - Financial Instruments: Recognition and Measurement.

**(i) Classification - Financial assets**

CPC 48 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

CPC 48 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing CPC 38 categories of held to maturity, loans and receivables and available for sale.

Under CPC 48, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Based on its preliminary assessment, the Company does not believe that the new classification requirements, if applied at March 31, 2018, would have had a material impact on its accounting for trade receivables, loans, investments in debt securities and investments in equity securities that are managed on a fair value basis.

**(ii) Impairment - Financial assets and contract assets**

CPC 48 replaces the 'incurred loss' model in CPC 38 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgement as to how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortized cost or FVOCI, except for investments in equity instruments, and to contract assets.

Under CPC 48, loss allowances will be measured on either of the following bases:

- 12-month ECLs. These are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs. These are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always

applies for trade receivables and contract assets without a significant financing component; an entity may choose to apply this policy also for trade receivables and contract assets with a significant financing component.

The Company believes that impairment losses should occur for receivables under the concession contract in the model of CPC 48. Based on the impairment methodology, the Company estimated that the application of impairment requirements of CPC 48 on April 1st 2018 will result in non-significant impairment losses.

**(iii) Classification - Financial liabilities**

CPC 48 largely retains the existing requirements in CPC 38 for the classification of financial liabilities.

However, under CPC 48 all fair value changes of liabilities designated as at FVTPL are recognized in profit or loss, whereas under CPC 48 these fair value changes are generally presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- the remaining amount of change in the fair value is presented in profit or loss.

The Company did not designate any financial liabilities at FVTPL and the Company has no current intention to do so. The Company's preliminary assessment did not indicate any material impact if CPC 48's requirements regarding the classification of financial liabilities were applied at April 1<sup>st</sup>, 2018.

**(iv) Disclosures**

CPC 48 will require extensive new disclosures, in particular about hedge accounting, credit risk and expected credit losses. The Company's preliminary assessment included an analysis to identify data gaps against current processes and the Company plans to implement the system and controls changes that it believes will be necessary to capture the required data.

**(v) Transition**

Changes in accounting policies resulting from the adoption of CPC 48 will generally be applied retrospectively, except as described below.

- The Company plans to take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of CPC 48 generally will be recognized in retained earnings and reserves as at April 1<sup>st</sup>, 2018.
- The following assessments have to be made on the basis of the facts and circumstances that exist at the date of initial application:
- The determination of the business model within which a financial asset is held.
- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.

- The designation of certain investments in equity instruments not held for trading as at FVOCI.

**c. CPC 47 Revenue from Contracts with Customers (Correlated to IFRS 15)**

In accordance with CPC 47, revenue must be recognized when the customer obtains control of the products.

The CPC 47 introduces a comprehensive framework for determining whether and when revenue is recognized, and how much revenue is measured. The CPC 47 replaces current revenue recognition standards, including CPC 30 - Revenue and CPC 17 - Construction Contracts.

**(i) Transition**

The Company plans to adopt CPC 47 using the cumulative effect method, with initial application of the standard at the initial date (ie, April 1<sup>st</sup>, 2018). As a result, the Company will not apply the requirements of CPC 47 to the comparative period presented.

The Company plans to use the practice files for completed contracts. This means that your only completed contract will not be restated.

**d. CPC 06 (R2) Leases (Correlated to IFRS 16)**

CPC 06 (R2) replaces existing leases guidance including CPC 06 (R1) Leases and ICPC 03 Complementary Aspects on Lease Operations.

The standard is effective for annual periods beginning on or after January 1<sup>st</sup>, 2019. Early adoption is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of IFRS 16.

CPC 06 (R2) introduces a single, on-balance lease sheet accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard - i.e. lessors continue to classify leases as finance or operating leases.

The Company has started an initial assessment of the potential impact on its consolidated financial statements. The actual impact of the application of CPC 06 (R2) on the financial statements in the initial period of application will depend on future economic conditions, including the Company's indebtedness ratio as of April 1<sup>st</sup>, 2019, the composition of the Company's leasing portfolio at that date, Company will exercise any lease renewal options and the extent to which the Company will choose to use practical expedients and exemptions from recognition.

In addition, the nature of expenses related to those leases will now change as CPC 06 (R2) replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities.

**(i) Determining whether an arrangement contains a lease**

On transition to CPC 06 (R2), the Company can choose whether to:

- Apply the CPC 06 (R2) definition of a lease to all its contracts; or

- Apply a practical expedient and not reassess whether a contract is, or contains, a lease.

The Company is assessing whether to apply the practical expedient and the potential impact on its consolidated financial statements, and whether this will affect the number of contracts identified as leases on transition.

**(ii) Transition**

As a lessee, the Company can either apply the standard using a:

- Retrospective approach; or
- Modified retrospective approach with optional practical expedients.

The lessee applies the election consistently to all of its leases.

The Company intends to apply CPC 06 (R2) initially on April 1<sup>st</sup>, 2019, using the modified retrospective approach. Therefore, the cumulative effect of the adoption of CPC 06 (R2) will be recognized as an adjustment to the opening balance of retained earnings on April 1<sup>st</sup>, 2019, without updating the comparative information.

When applying the modified retrospective approach to leases previously classified as operating leases in accordance with CPC 06 (R1), the lessee may elect, for each lease, a series of practical expedients applied in the transition. The Company is evaluating the potential impact of the use of these practical records. The Company is not required to make adjustments to leases in which it is a lessor, except when it is an intermediate lessor in a sublease.

*Other changes*

The following changes and interpretations will not have a significant impact or no impact on the Company's financial statements.

- Annual Improvements to IFRS Standards 2014-2016 Cycle.
- Changes in IFRS 10 Consolidated Financial Statements (CPC 36) and IAS 28 Investments in Associates and Joint Ventures (CPC 18), Sales or contributions of assets between an investor and its associate/joint venture.
- **IFRIC 22 / ICPC 21** - Foreign Currency Transactions and Advance Consideration.
- **IFRIC 23** - Uncertainty over Income Tax treatments.

The Accounting Pronouncements Committee has not yet issued an accounting pronouncement or amendment to the current pronouncements corresponding to all new IFRS. Therefore, the early adoption of these IFRS is not permitted for entities that disclose their financial statements in accordance with accounting practices adopted in Brazil.

## 8 Cash and cash equivalents

	<u>2018</u>	<u>2017</u>
Cash on hand	646	617
Bank	432	148,516
Short-term investments	44,592	159,382
	<u>45,670</u>	<u>308,515</u>

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

Details about credit risk, interest rate and other risks related to those assets are reported on note 19.

## 9 Trade accounts receivable with third parties

	<u>2018</u>	<u>2017</u>
Domestic customers	1,041,914	1,047,619
Present value adjustment	(42,514)	(59,566)
Sub-total	999,400	988,053
Allowance for doubtful accounts	(92,708)	(87,909)
	<u>906,692</u>	<u>900,144</u>
Current	906,121	899,930
Non-current	571	214

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

	<u>2018</u>	<u>2017</u>
Opening balance, net	87,909	83,820
Addition to the allowance for doubtful accounts	33,687	32,707
Reversals	(28,888)	(28,349)
Write-off	-	(269)
Closing balance, net	<u>92,708</u>	<u>87,909</u>

### Present value adjustment

The adjustment to present value in the amount of R\$ 42,538 as of March 31, 2018 (R\$ 59,566 as of March 31, 2017) 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 0.76% per month (1.19% in 2017), based on effective discount rate used by the Company on its revenue transactions.



### **Credit assignment without recourse**

During the year ended March 31, 2018, the Company conducted trade receivables credits assignment without recourse in the amount of R\$ 56,992 (R\$ 255,206 as of March 31, 2017) and incurred in finance expenses on credits assignment of R\$ 20,854 (R\$ 25,608 as of March 31, 2017), recorded as “Finance expenses” in the statement of income for the year ended.

### **Fundo de Investimento em Direitos Creditórios UPL 1 - FIDC**

As of March 31, 2018, the Company assigned trade receivable credits in the amount R\$ 298,550 to FIDC and derecognized such receivable considering that no significant risks was held by the Company after the assignment.

The Company exposure to currency and credit risk and impairment related to trade accounts receivable and other accounts are reported on note 19.

## **10 Inventories**

	<u>2018</u>	<u>2017</u>
Finished goods	242,256	305,541
Raw materials	21,979	12,545
Imports in transit	31,942	78,137
Advances to suppliers	645	1,503
(+/-) Provision for net realizable value of finished goods	<u>(11,348)</u>	<u>(10,296)</u>
	<u><b>285,474</b></u>	<u><b>387,430</b></u>

As of March 31, 2018, the Company recorded a provision for net realizable value of finished goods of R\$ 11,756 (R\$ 10,296 as of March 31, 2017), 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 April 1, 2016	4,716
Recognition of provision	5,580
Balance as at March 31, 2017	<u>10,296</u>
Recognition of provision	1,460
Balance as at March 31, 2018	<u><b>11,756</b></u>

As of March 31, 2018 and 2017, the Company did not have inventories pledged as collateral to secure the Company’s financing.

## **11 Debentures**

	<u>2018</u>	<u>2017</u>
3ª issue	96,930	-
Interest	6,657	-
Total	<u><b>103,587</b></u>	<u><b>-</b></u>

At July 25, 2017, the Company issued the third issuance of 96,930,360 simple, non-convertible debentures of unsecured kind, with additional real and personal guarantees, to be collated in kind with a real guarantee, with additional personal guarantee, in single series. The unit value of the debentures is R\$ 1, totaling R\$ 96,930, remunerated for 100% of the variation of CDI + 2.50% per year. The interest will be paid together with the principal will be paid in one single installment, with maturity on April 30, 2020.

Type	2017	Additions	Interest	2018
Debentures	-	96,930	6,657	103,587
<b>Total</b>	<b>-</b>	<b>96,930</b>	<b>6,657</b>	<b>103,587</b>

## 12 Income tax and social contribution

### Current income tax

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

	<b>2018</b>	<b>2017</b>
Income before income tax and social contribution	<u>26,560</u>	<u>74,768</u>
Effective rate - income tax and social contribution	34%	34%
	<u><b>9,030</b></u>	<u><b>25,421</b></u>
<b>Reconciliation to effective rate:</b>		
Tax benefits from Technology Innovation Law of Good (Lei nº 11.196/2005)	-	(7,654)
Other permanent differences	3,015	(42)
<b>(=) Total</b>	<u><b>12,045</b></u>	<u><b>17,725</b></u>
(+/-) Deferred tax	<u>(5,002)</u>	<u>(3,559)</u>
<b>(=) Income tax</b>	<u><b>7,043</b></u>	<u><b>14,166</b></u>
(*) Rate	45%	24%

***Breakdown of deferred income tax***

As of March 31, 2017 and 2016, the Company recognized deferred income tax and social contribution on temporary differences as follows:

	<b>2018</b>	<b>2017</b>
Tax benefit from the merger of United (a)	33,328	44,757
Provision for labour, civil and tax risks	563	533
Allowance for doubtful accounts receivable	26,116	24,484
Adjustment to present value on trade accounts receivable	14,463	20,252
Adjustment to present value on trade accounts receivable with related parties	248	253
Provision for service providers	9,788	15,779
Provision for net realizable value of inventories	3,859	3,501
Impairment of intangible assets	1,472	371
Derivative financial instruments at the fair value	(422)	3,209
Impairment of recoverable taxes	4,999	3,402
Exchange rate customer, loans, suppliers	6,950	3,414
Provision for punctuality discount	296	322
Provision of freight and other services	3,329	3,155
Others temporary differences	8,781	820
Adjustment to present value on trade payables	265	(731)
Adjustment to present value on forfeiting	(3,018)	(3,009)
Adjustment to present value on related parties	(5,407)	(11,493)
Interest provision on loan with related party	(7,523)	(5,833)
Others temporary differences	-	(97)
	<b><u>98,087</u></b>	<b><u>103,089</u></b>
Assets	113,770	124,252
Liabilities	(15,683)	(21,163)

- (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 15.

See as follow the movement of deferred taxes and the effect in the income:

	2016	Effect on the income	2017	Effect on the income	2018
Tax benefit from the merger of United (a)	56,181	(11,424)	44,757	(11,429)	33,328
Provision for labour, civil and tax risks	532	1	533	30	563
Allowance for doubtful accounts receivable	23,093	1,390	24,484	1,632	26,116
Adjustment to present value on trade accounts receivable	12,485	7,768	20,252	(5,789)	14,463
Adjustment to present value on trade accounts receivable with related parties	709	(456)	253	(5)	248
Provision for service providers	13,531	2,248	15,779	(5,991)	9,788
Provision for net realizable value of inventories	1,603	1,897	3,501	358	3,859
Impairment of intangible assets	371	-	371	1,101	1,472
Derivative financial instruments at the fair value	8,892	(5,682)	3,209	(3,631)	(422)
Impairment of recoverable taxes	2,095	1,307	3,402	1,597	4,999
Exchange rate customer, loans, suppliers	-	3,414	3,414	3,536	6,950
Provision for punctuality discount	566	(244)	322	(26)	296
Provision of freight and other services	2,143	1,012	3,155	174	3,329
Others temporary differences	935	(115)	820	7,961	8,781
Adjustment to present value on trade payables	(1,536)	805	(731)	996	265
Adjustment to present value on forfeiting	(1,665)	(1,344)	(3,009)	(9)	(3,018)
Adjustment to present value on related parties	(6,414)	(5,079)	(11,493)	6,086	(5,407)
Exchange rate customer, loans, suppliers	(5,002)	5,002	-	-	-
Interest provision on loan with related party	(1,777)	(4,056)	(5,833)	(1,690)	(7,523)
Others temporary differences	(94)	(3)	(97)	97	-
	<b>106,648</b>	<b>(3,559)</b>	<b>103,089</b>	<b>(5,002)</b>	<b>98,087</b>

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.

## 13 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>		
	2018	2017	
DVA Technology Argentina S.A. ("DVA Argentina")	100	100	Operating activities 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
Fundo de Investimento em Direitos Creditórios UPL 1 ("FIDC")	5	-	In December 2017, UPL, with the assistance of Rabobank International Bank S.A., structured the Fundo de Investimento em Direitos Creditórios UPL 1 ("FIDC"). The FIDC was not constituted with a certain fixed group of receivables, but the UPL can assign receivables up to a maximum balance of R\$ 300 million of receivables. The main purpose of the operation is the anticipation of working capital of accounts receivable from UPL clients. Until February 28, 2018, the total amount of UPL receivables transferred to FIDC reached R\$ 298,283 thousand. The Company did not consolidate this entity because is not exposed to the variability of the FIDC's return and does not have control over decisions on significant operations on the entity.

The main balance sheet and income statement of the subsidiary for the years ended March 31, 2018 and 2017 are as follows:

**DVA Argentina**

<u>Assets</u>	DVA Argentina	
	2018	2017
Current	23	29
Total assets	23	29
Equity	23	29
Total equity and liabilities	23	29
 <u>Transactions</u>		
Loss before income tax and social contribution	-	-
Loss for the year	-	-

	DVA Argentina	
	2018	2017
Share capital	3	4
Equity	23	29
Loss for the year	-	-
Number of shares	20,000	20,000
Number of shares held	20,000	20,000
Equity interest percentage	100%	100%
Carrying amount of investment	23	29
Exchange rate gain (loss) on foreign investment	(6)	(5)
Equity pick up	-	-

## 14 Property, plant and equipment

Cost	Average depreciation rate %	Balance at April 1, 2016	Acquisitions	Disposals	Transfers	Balance at March 31, 2017
Land	-	5,727	-	-	-	5,727
Buildings	3	27,090	209	(45)	4,844	32,098
Machinery and equipment	9	13,049	2,629	(85)	4,584	20,177
Vehicles	22	13,512	10,764	(2,767)	(151)	21,358
Furnitures and fixtures	10	1,909	410	(62)	95	2,352
Computers and peripherals	21	3,796	489	(535)	33	3,783
Leasehold improvements	10	585	17	-	(14)	588
Communication equipment	10	209	25	(4)	54	284
Facilities	10	2,736	262	-	228	3,226
Property, plant and equipment in progress	-	5,530	21,196	(410)	(9,673)	16,643
		<b>74,143</b>	<b>36,001</b>	<b>(3,908)</b>	-	<b>106,236</b>
<b>Depreciation</b>						
Buildings		(6,742)	(951)	8	903	(6,782)
Machinery and equipment		(4,039)	(1,456)	60	(911)	(6,346)
Vehicles		(4,403)	(4,386)	1,976	21	(6,792)
Furnitures and fixtures		(936)	(300)	48	(16)	(1,204)
Computers and peripherals		(1,615)	(658)	451	(16)	(1,838)
Leasehold improvements		(287)	(102)	-	8	(381)
Communication equipment		(125)	(30)	4	(12)	(163)
Facilities		(841)	(200)	107	23	(911)
		<b>(18,988)</b>	<b>(8,083)</b>	<b>2,654</b>	-	<b>(24,417)</b>
<b>Property, plant and equipment, net</b>		<b>55,155</b>				<b>81,819</b>
Cost	Average depreciation rate %	Balance at March 31, 2017	Acquisitions	Disposals	Transfers	Balance at March 31, 2018
Land	-	5,727	-	-	-	5,727
Buildings	3	32,098	543	(2)	8,557	41,196
Machinery and equipment	9	20,177	1,196	(174)	10,210	31,409
Vehicles	22	21,358	4,805	(3,641)	-	22,522
Furnitures and fixtures	10	2,352	90	-	12	2,454
Computers and peripherals	21	3,783	612	(171)	21	4,245
Leasehold improvements	10	588	12	-	-	600
Communication equipment	10	284	1	-	-	285
Facilities	10	3,226	116	-	4,025	7,367
Property, plant and equipment in progress	-	16,643	10,093	(70)	(22,825)	3,841
		<b>106,236</b>	<b>17,468</b>	<b>(4,058)</b>	-	<b>119,646</b>
<b>Depreciation</b>						
Buildings		(6,782)	(1,161)	-	-	(7,943)
Machinery and equipment		(6,346)	(1,999)	61	-	(8,284)
Vehicles		(6,792)	(5,173)	2,547	-	(9,418)
Furnitures and fixtures		(1,204)	(227)	12	-	(1,419)
Computers and peripherals		(1,838)	(702)	125	-	(2,415)
Leasehold improvements		(381)	(72)	-	-	(453)
Communication equipment		(163)	(24)	-	-	(187)
Facilities		(911)	(275)	-	-	(1,186)
		<b>(24,417)</b>	<b>(9,633)</b>	<b>2,745</b>	-	<b>(31,305)</b>
<b>Property, plant and equipment, net</b>		<b>81,819</b>				<b>88,341</b>

### Collaterals

As of March 31, 2018, the Company held the amount of R\$ 2,845 related to machinery, equipment and vehicles collateralized under financing and finance leases (R\$ 5,129 as of March 31, 2017).

## 15 Intangible assets

	Annual amortization rate - %	March 31, 2018			March 31, 2017
		Cost	Accumulated amortization	Impairment	Net
Trademarks, patents and licenses in use	20%	112,753	(61,514)	-	51,239
Trademarks, patents and licenses under approval	-	49,544	-	(4,331)	45,213
Software licenses	20%	3,263	(1,854)	-	1,409
<b>Total</b>		<b>165,560</b>	<b>(63,368)</b>	<b>(4,331)</b>	<b>97,861</b>

The changes in intangible assets are summarized as follow:

	<b>2,018</b>	<b>2,017</b>
Opening balance, net	90,915	85,584
Additions (a)	26,618	21,480
Disposals	(297)	(2,649)
Impairment loss	(3,242)	-
Amortization	(16,133)	(13,500)
Closing balance, net	<u>97,861</u>	<u>90,915</u>

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

## 16 Borrowings and financing

	Currency:	Annual finance charges	Final maturity	<b>2018</b>	<b>2017</b>
Discounted trade receivables	BRL	16.08% p.y.	2017	-	16,505
FINAME	BRL	6,00% to 17,60% p.y.	2022	2,543	2,648
Finance lease	BRL	13,89% ato 16,58% p.y.	2018	330	2,481
Import financing	BRL	3,26% to 4,01%	2017	-	113,737
Working capital (4131) / SWAP	BRL	CDI + 1.7%	2017	-	72,966
Farmers bond ("Rural credit")	BRL	8,50% p.y. to 9,50% p.y.	2019	6,800	4,542
				<u>9,673</u>	<u>212,879</u>
Current liabilities				8,139	210,699
Non-current liabilities				1,534	2,180

### Collateral and guarantees

The Company has accounts receivable pledged as collateral for credit assignments with recourse and has machinery, equipment and vehicles collateralized under financing and finance leases, respectively.

Additionally, the agribusiness credit right certificates are collateralized by surety letter.

### **Finance lease commitments**

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

Finance lease	<u>2018</u>	<u>2017</u>
Payable no later than 1 year	329	2,133
Payable later than 1 year	-	348
Total minimum lease payments	<u>329</u>	<u>2,481</u>
(-) Future finance charges	<u>(14)</u>	<u>(307)</u>
Present value of minimum lease payments	<u>315</u>	<u>2,174</u>

## **17 Forfeiting and credit letters transactions**

	<u>2018</u>	<u>2017</u>
Forfeiting transactions	305,713	138,335
Credit letter transactions	10,276	5,699
Present value adjustment	(8,876)	(8,851)
Total	<u>307,113</u>	<u>135,183</u>

### **Present value adjustment**

The adjustment to present value of purchases is recorded under line item “Forfeiting and credit letters transactions” (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 0.76% per month (1.19% in 2017), which is based on effective discount rate applied by the supplier.

## **18 Trade payables to third parties**

	<u>2018</u>	<u>2017</u>
Domestic suppliers	21,253	19,518
Foreign suppliers	13,223	38,018
Present value adjustment	(780)	(2,149)
	<u>33,696</u>	<u>55,387</u>

The Company's exposure to currency and liquidity risks related to suppliers is disclosed in note 19.

### **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 0.76% per month (1.19% in 2017), which is based on effective discount rate applied by the supplier.



## 19 Financial instruments

Financial assets and liabilities are stated in the financial statements at cost, plus income earned, less expenses incurred up to the end of the year, which approximate the fair value of transactions of similar nature and risks.

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

- Credit risk;
- Market risk
- Interest rate risk; and
- Cambial risk.

This note presents information on the exposure for each of the above risks, the Company's objectives, measurement policies and processes, risk management and capital management.

### 19.1 Credit risks

It arises from the possibility of the Company not receiving the amounts from sales. To mitigate the risk, the Company performs a detailed analysis of the financial situation of its clients, establishing a continuous monitoring of the outstanding balance of its counterparties

#### 19.1.1 Exposure to credit risks

The book value of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the date of the financial statements was:

	Note	2018	2017
Derivative financial instruments		1,242	-
Short-term investments (a)	8	44,592	159,382
Trade accounts receivable with third parties	9	906,692	900,144
Other		14,141	12,711
		<b>966,667</b>	<b>2,391,394</b>

#### a. Short-term investments

The amounts are held in first-tier financial institutions in order to minimize the credit risk brought about by these operations

#### b. Trade accounts receivable

Management seeks to mitigate the risk of default in its portfolio by periodically monitoring and evaluating its clients individually.

The criteria for accepting new clients include an analysis of the financial condition and socioeconomic profile, with definition of credit limits and terms of payment. The analysis of this information by the Company may include external ratings, when available, and bank references.

The credit limits are established for each customer, individually, and represent the maximum amount of exposure accepted for that customer. These limits are revised whenever necessary or requested. Customers who do not have approved credit limits are only serviced by prepayment. Due to the segment of the Company, there is a rare existence of losses due to default, however, whenever necessary, a provision for loss is established, analyzing each individual customer.

The composition by maturity class at the end of the reporting period was as follows:

	<b>2018</b>	<b>2017</b>
Falling due – in days		
0 - 30	50,478	47,012
31 - 60	176,435	228,326
61 - 90	64,393	80,624
91 - 180	296,398	281,831
181 - 360	324,061	257,760
> 360	439	214
	<u>912,204</u>	<u>895,767</u>
Overdue – in days:		
0 - 30	12,046	5,232
31 - 60	198	2,967
61 - 90	182	173
91 - 180	10	462
181 - 360	4,311	20,408
> 360	70,449	63,044
	<u>87,196</u>	<u>92,286</u>
	<u>999,400</u>	<u>988,053</u>

## **19.2 Market risks**

It arises from the possibility of fluctuations in the market prices of the products sold or manufactured by the Company and other inputs used in the production process. Such price fluctuations may cause significant changes in revenues and costs of the Company. In order to mitigate these risks, the Company continuously monitors local and foreign markets, seeking to forecast changes in prices.

## **19.3 Interest rate risks**

The risk arises from the possibility of the Company incurring losses due to fluctuations in interest rates that increase financial expenses related to loans and financing. Loans are controlled in terms of exposure and contracted rates, considering their nature, in order to avoid exposing the Company to excessive risks.

## **19.4 Currency risk**

The risk arises from the possibility of the Company incurring cash losses or limitations due to fluctuations in interest rates, affecting the balance of assets (or liabilities) denominated in foreign currency.

## 19.5 Derivative financial instruments

As mentioned above, during the year ended March 31, 2018, the Company contracted derivatives to reduce the exposure of its obligations to foreign exchange variations, mainly in US dollars. As a result of the hedges acquired to reduce these exposures, during the year ended March 31, 2018, the Company recorded losses on hedge transactions in the amount of R\$ 7,885, recorded in the statement of income. As the hedged instrument is combined, in the case of accounts receivable, accounts payable loans and financing, the Company's management allocated the gain on hedge transactions above the average of the respective balances during the year ended March 31, 2018, as follows:

<u>Balances denominated in foreign currency - U.S Dollars</u>	Average balance during the year ended March 31, 2018	Balance as of March 31, 2018
	R\$	R\$
<u>Operating activities</u>		
Trade account receivables	399,953	519,703
Trade payables	(428,883)	(13,800)
Forfaiting and credit letter transactions	(278,770)	(315,987)
Related parties (liabilities)	(664,388)	(338,662)
Operating exposure – liabilities	(972,085)	(148,746)
Hedge gain (loss) on operating activities		(7,042)
<u>Financing activities</u>		
Borrowing and financing	(161,423)	-
Borrowing and financing - related parties		(376,520)
Financing exposure – liabilities	(161,423)	(376,520)
Hedge gain (loss) - Financing activities		(0.843)
Net exposure – liabilities	(1,133,512)	(186,399)
<u>Total hedge gain (loss)</u>		<u>(7,885)</u>

The average balances and balances as of March 31, 2018 for each item refer to amounts in reais of assets and liabilities denominated in US dollars.

At March 31, 2018, the position of the derivative financial instruments and the adjustment to fair value recorded in the balance sheet is as follows:

<u>Transaction</u>	<u>Maturity</u>	<u>Position</u>	<u>Fixed rate</u>	<u>Notional amount</u>	<u>Fair value</u>	<u>Adjustment</u>
			(US\$)			
<u>March 31, 2018</u>						
NDF - U.S. Dollar	01/16/19	Long	3.3464	0.677	0.681	0.005
NDF - U.S. Dollar	04/27/18	Long	3.2068	6.718	6.923	0.206
NDF - U.S. Dollar	05/18/18	Long	3.2756	14.308	14.444	0.136
NDF - U.S. Dollar	06/08/18	Long	3.2566	12.698	12.916	0.218
NDF - U.S. Dollar	06/22/18	Long	3.2715	11.133	11.287	0.154
NDF - U.S. Dollar	06/29/18	Long	3.3195	21.368	21.368	0.000
NDF - U.S. Dollar	06/13/18	Long	3.3248	10.612	10.579	(0.033)
NDF - U.S. Dollar	04/27/18	Long	3.2170	5.962	6.127	0.165
NDF - U.S. Dollar	05/09/18	Long	3.3437	1.014	1.003	(0.012)
NDF - U.S. Dollar	07/25/18	Long	3.3384	1.688	1.682	(0.005)
NDF - U.S. Dollar	07/25/18	Long	3.3862	1.712	1.683	(0.029)
NDF - U.S. Dollar	08/08/18	Long	3.3800	1.025	1.011	(0.014)
NDF - U.S. Dollar	09/20/18	Long	3.2671	2.378	2.432	0.054
NDF - U.S. Dollar	10/17/18	Long	3.3123	0.670	0.677	0.007
NDF - U.S. Dollar	11/07/18	Long	3.4182	1.037	1.018	(0.018)
NDF - U.S. Dollar	12/20/18	Long	3.4353	2.501	2.452	(0.048)
NDF - U.S. Dollar	04/27/18	Long	3.2844	0.958	0.963	0.005
NDF - U.S. Dollar	06/08/18	Long	3.2802	18.164	18.346	0.182
NDF - U.S. Dollar	04/20/18	Long	3.2957	17.638	17.661	0.022
NDF - U.S. Dollar	03/21/19	Long	3.4006	2.476	2.467	(0.008)
NDF - U.S. Dollar	04/18/18	Long	3.2454	0.649	0.660	0.011
NDF - U.S. Dollar	07/18/18	Long	3.2785	0.663	0.672	0.009
NDF - U.S. Dollar	10/26/18	Long	3.4008	1.757	1.733	(0.024)
NDF - U.S. Dollar	05/23/18	Long	3.2738	1.920	1.940	0.020
NDF - U.S. Dollar	06/21/18	Long	3.5288	2.569	2.417	(0.152)
NDF - U.S. Dollar	01/23/19	Long	3.3574	1.697	1.705	0.008
NDF - U.S. Dollar	05/25/18	Long	3.2558	5.351	5.440	0.088
NDF - U.S. Dollar	02/20/19	Long	3.3670	1.975	1.983	0.008
NDF - U.S. Dollar	04/20/18	Long	3.2793	27.820	27.997	0.178
NDF - U.S. Dollar	01/25/19	Long	3.3585	1.698	1.705	0.007
NDF - U.S. Dollar	04/25/18	Long	3.3524	1.695	1.669	(0.026)
NDF - U.S. Dollar	04/25/18	Long	3.3805	1.690	1.653	(0.037)
NDF - U.S. Dollar	10/24/18	Long	3.4217	1.730	1.710	(0.020)
NDF - U.S. Dollar	11/21/18	Long	3.3973	1.992	1.987	(0.005)
NDF - U.S. Dollar	04/27/18	Long	3.2883	13.370	13.544	0.175
NDF - U.S. Dollar	02/06/19	Long	3.3948	1.030	1.033	0.004
NDF - U.S. Dollar	08/22/18	Long	3.3139	1.943	1.956	0.012
<b>Total</b>				<b>204.285</b>	<b>205.528</b>	<b>1.242</b>

### **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 - March 31, 2018	Notional amount R\$	Impact in a scenario of		Impact in a scenario of	
		25%	-25%	50%	-50%
Interest rate - CDI	6.50%	8.13%	4.88%	9.75%	4.88%
Finame	(2,478)	(10)	10	(21)	19
Related parties borrowings	64,719	1,067	(1,067)	2,135	(2,134)
Financial Investments	44,591	39	(39)	77	(79)
	<u>106,833</u>	<u>1,096</u>	<u>(1,096)</u>	<u>2,191</u>	<u>(2,193)</u>
Interest rate - TJLP	6.75%	8.44%	5.06%	10.13%	5.06%
Finame	(1,726)	(46)	47	(92)	95
Impact on operating profit or loss	<u>105,107</u>	<u>1,050</u>	<u>(1,049)</u>	<u>2,099</u>	<u>(2,099)</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.: +/- 25% and 50% 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.

	Nominal R\$	Impact in a scenario of		Impact in a scenario of	
		25%	-25%	50%	-50%
Reference exchange rate - US\$	3.3238	4.1548	2.4929	4.9857	1.6619
Loans and financing in foreign currency	(469,912)	(117,478)	117,478	(234,956)	234,956
Financial liabilities in foreign currency	(668,451)	(167,113)	167,113	(334,226)	334,226
Financial assets in foreign currency	519,703	129,926	(129,926)	259,851	(259,851)
Impact on operating income	<u>(618,661)</u>	<u>(154,665)</u>	<u>154,665</u>	<u>(309,330)</u>	<u>309,330</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.: +/- 25% and 50% 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:

2018	Book value			Total	Fair value hierarchy
	Designated as at fair value	Loans and receivables	Other financial liability		
<b>Assets</b>					
Cash and cash equivalents	44,592	1,078	-	45,670	Level 2
Trade accounts receivable with third parties	-	906,692	-	906,692	-
Trade accounts receivable with related parties	-	112,505	-	112,505	-
Derivative financial instruments	1,242	-	-	1,242	Level 2
Loan with related parties	-	64,719	-	64,719	-
Debenture	-	103,587	-	103,587	-
Other assets	-	14,141	-	14,141	-
<b>Liabilities</b>					
Borrowings and financing	-	-	9,673	9,673	Level 2
Borrowings with related parties	-	-	469,912	469,912	Level 2
Forfaiting and credit letters transactions	-	-	307,113	307,113	-
Trade payables to third parties	-	-	33,696	33,696	-
Trade payables to related parties	-	-	357,983	357,983	-
Other payables	-	-	44,399	44,399	-

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2017	Book value			Total	Fair value hierarchy
	Designated as at fair value	Loans and receivables	Other financial liability		
<b>Assets</b>					
Cash and cash equivalents	159,382	149,133	-	308,515	Level 2
Trade accounts receivable with third parties	-	900,144	-	900,144	-
Trade accounts receivable with related parties	-	159,093	-	159,093	-
Loan with related parties	-	64,782	-	64,782	-
Other assets	-	12,711	-	12,711	-
<b>Liabilities</b>					
Borrowings and financing	-	-	212,879	212,879	Level 2
Borrowings with related parties	-	-	208,507	208,507	Level 2
Forfaiting and credit letters transactions	-	-	135,183	135,183	-
Trade payables to third parties	-	-	55,387	55,387	-
Trade payables to related parties	-	-	738,278	738,278	-
Derivative financial instruments	32,382	-	-	32,382	Level 2
Other payables	-	-	45,243	45,243	-
Other payables to related parties	-	-	63,845	63,845	-

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, 2018:

	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, 2018
Borrowing and financing	(8,139)	(708)	(568)	(258)	(9,673)	(9,673)
Trade payables with related parties	(324,318)	-	-	-	(324,318)	(357,983)
Related parties - borrowings	(4,580)	(133,874)	(420,865)	-	(559,319)	(469,912)
Trade payables with third-parties	(340,825)	(87)	-	-	(340,912)	(340,896)
	<b>(677,862)</b>	<b>(134,669)</b>	<b>(421,433)</b>	<b>(258)</b>	<b>(1,234,222)</b>	<b>(1,178,464)</b>

## **20 Provision for judicial processes**

### **Probable risks**

As of March 31, 2018 the Company recognized a reserve for labour claims in the amount of R\$1,657 (R\$ 1,568 in 2017) 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 labour, 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, 2018 and 2017 refer to labour 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\$ 22,358 as of March 31, 2018 (R\$ 15,556 as of March 31, 2017) 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's 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 indentified 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.



## 21 Related parties transactions

Balances and transactions with related parties are summarized as follows:

	2018				2017			
	Current assets	Non current assets	Current liabilities	Non current liabilities	Current assets	Non current assets	Current liabilities	Non current liabilities
<b>Balance sheet</b>								
Related Companies:								
UPL Europe (loan) (a)	-	-	4,580	465,332	-	-	129,296	79,211
Advanta Comércio de Sementes Ltda.	622	-	-	-	1,173	-	-	-
RiceCo International Inc.	-	-	1,568	-	-	-	7,922	-
Cerexagri S.A.S.	-	-	-	-	-	-	3,114	-
Cerexagri B.V.	-	-	-	-	-	-	44,486	-
Decco Iberica Pos Cosecha S.A.U.	-	-	266	-	-	-	-	-
Decco US Post	-	-	-	-	-	-	15	-
Decco Chile Spa	-	-	21	-	-	-	-	-
Serra Bonita Sementes S.A.	564	-	-	-	-	-	-	-
Sinagro Produtos Agropecuários Produtos S.A. (b)	66,016	-	1,288	-	125,341	-	52,773	-
Sinagro Produtos Agropecuários Produtos S.A. (loan) (c)	37,148	-	-	-	9,422	26,818	-	-
S3B Fundo de Investimento em Participações (d)	14,200	-	-	-	14,200	-	-	-
Seara Coml Agr Ltda.	2,987	-	-	-	6,807	-	-	-
3SB Produtos Agrícolas S.A. (loan) (c)	27,571	-	-	-	28,542	-	-	-
3SB Produtos Agrícolas S.A. (b)	26,184	-	-	-	10,485	-	-	-
Adjustment to present value	(754)	-	(87)	-	(745)	-	(1,814)	-
	<u>174,538</u>	<u>-</u>	<u>7,636</u>	<u>465,332</u>	<u>195,225</u>	<u>26,818</u>	<u>235,792</u>	<u>79,211</u>
Previous Shareholders:								
DVA Empreendimentos (a)	-	-	13,414	-	-	-	-	17,731
DVA Agro GMBH (a)	-	-	18,963	-	-	-	-	46,114
	<u>-</u>	<u>-</u>	<u>32,377</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>63,845</u>
Controlling shareholders								
United Phosphorus Limited, India	-	-	-	-	1,832	-	1,285	-
UPL Limited, India	2,686	-	-	-	-	-	-	-
UPL Limited, Mauritius	-	-	336,807	-	-	-	662,486	-
Adjustment to present value	-	-	(14,257)	-	-	-	(31,989)	-
	<u>2,686</u>	<u>-</u>	<u>322,550</u>	<u>-</u>	<u>1,832</u>	<u>-</u>	<u>631,782</u>	<u>-</u>
<b>Total</b>	<u>177,224</u>	<u>-</u>	<u>362,563</u>	<u>465,332</u>	<u>197,057</u>	<u>26,818</u>	<u>867,574</u>	<u>143,056</u>
Operation transactions								
Loan	112,505	-	357,983	-	159,093	-	738,278	63,845
Loan	64,719	-	4,580	465,332	37,964	26,818	129,296	79,211
<b>Total</b>	<u>177,224</u>	<u>-</u>	<u>362,563</u>	<u>465,332</u>	<u>89,677</u>	<u>85,227</u>	<u>394,619</u>	<u>74,570</u>

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Transactions	March 31, 2018			March 31, 2017		
	Sales	Loan (borrowing)	Purchases	Sales	Loan (borrowing)	Purchases
Associated companies:						
UPL Europe (loan) (a)	-	(27,872)	-	-	5,995	-
RiceCo International Inc.	-	-	1,528	-	-	9,317
Cerexagri S.A.S.	-	-	6,188	-	-	5,872
Cerexagri B.V.	-	-	-	-	-	45,897
Decco Iberica Pos Cosecha, S.A.U.	-	-	305	-	-	362
Decco US Post	-	-	411	-	-	124
Decco Chile Spa	-	-	20	-	-	-
Sinagro Produtos Agropecuários Produtos S.A	40,359	10,026	-	189,389	15,006	30,724
IBI Brasil Empreendimentos e Participações S.A.	-	6,656	-	-	12,345	-
Advanta Comércio de Sementes Ltda.	809	-	-	1,173	80	-
Seara Coml Agr Ltda.	1,927	-	-	494	-	-
Serra Bonita Sementes S.A.	3,091	-	-	-	-	-
3SB Produtos Agrícolas S.A	14,648	11,162	-	19,269	13,014	-
	<u>60,834</u>	<u>(2,586)</u>	<u>8,452</u>	<u>210,325</u>	<u>46,440</u>	<u>92,296</u>
Controlling shareholders:						
UPL Limited, India	-	-	-	-	-	1,304
UPL Limited, UK	-	-	452,126	-	-	-
UPL Limited, Mauritius	-	-	312,847	-	-	864,539
	<u>-</u>	<u>-</u>	<u>764,973</u>	<u>-</u>	<u>-</u>	<u>865,843</u>
Total	<u>60,834</u>	<u>(2,586)</u>	<u>773,425</u>	<u>210,325</u>	<u>46,440</u>	<u>958,139</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.

The intercompany transactions follow prices and payments terms determined by the Group Board.

- (a) Refer loans with maturity date between 2019 and 2020 with interest rates between 6% and 8% p.y.
- (b) Refers to sale of agriculture inputs. As of March 31, 2018 there is R\$ 26,135 of overdue accounts receivable (R\$ 81,791 in 2017) from Sinagro and R\$ 10,999 from 3SB. The Company has collateral from Sinagro and 3SB to secure the accounts receivable.
- (c) Refer loans with interest rates between CDI + 2% p.y. and CDI + 6.22% p.y from Sinagro and interest rates of 8.30% p.y. and CDI + 5.89% p.y.
- (d) The Company has acquired trade accounts receivable from the related party 3SB in the amount of R\$ 14,200 during the year ended March 31, 2018 (R\$14,200 during the year ended March 31, 2017 that are due in May 2017), and received as a collateral for such receivables 6% of capital shares of the related party Sinagro and 6% of capital shares of the related party 3SB that currently are held by Sinagro's partner Marcos Antônio Vimercati.
- (e) 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.
- (f) Refer to purchase of raw material and resale products.

Management compensation for years ended March 31, 2018 and 2017 is as follows:

Short-term benefits	<u>2018</u>	<u>2017</u>
Salaries, fees and charges	6,738	6,957
Bonus	3,641	-
Healthcare plan	553	440
Total	<u>10,932</u>	<u>7,397</u>

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.

## 22 Shareholders' equity

### Share capital

As of March 31, 2018, the Company's subscribed and paid-in capital was R\$ 322,857 (same amount in 2017) represented by 338,765,890 (same number of shares in 2017) common shares and represented as follows:

	<b>2018 and 2017</b>	
	<b>Shares</b>	<b>Equity interest</b>
UPL Corporated Limited	4,242	0.01%
Uniphos Indústria e Comércio de Produtos Químicos Ltda.	338,761,648	99.99%
Total	<u>338,765,890</u>	100%

### 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<sup>st</sup>, 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.

### Legal reserve

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

## 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>2018</u>	<u>2017</u>
Net income for the year	14,515	57,043
(-) Recognition of legal reserve - 5%	(726)	(2,852)
Base income for calculating mandatory minimum dividends	<u>13,789</u>	<u>54,191</u>
Mandatory minimum dividends - 5%	689	2,751
Waiver of mandatory dividends (i)	(689)	(2,751)

- (i) According to Company's bylaws the shareholder's waived the mandatory dividends.

## 23 Net revenue

	<u>2018</u>	<u>2017</u>
Sales of product	2,077,853	1,969,634
Returns and rebates	(71,409)	(95,846)
Taxes on sales	(49,435)	(44,946)
Present value adjustment	(124,307)	(143,498)
Net revenues	<u>1,832,702</u>	<u>1,685,344</u>

## 24 Cost of sales and expenses by nature

	<u>2018</u>	<u>2017</u>
Raw materials and consumables used	(1,501,435)	(1,294,222)
Salaries, charges and benefits	(128,277)	(156,948)
Freight	(11,306)	(7,734)
Services from third parties	(30,504)	(35,048)
Materials for use and consumption	(7,447)	(10,638)
Depreciation and amortization	(25,767)	(21,583)
Travel and lodging	(11,906)	(13,631)
Warehouse	(18,554)	(14,809)
Rental	(1,776)	(2,720)
Cost of dicarted packaging	(4,009)	(2,178)
Inventories adjustmant	(1,053)	(5,580)
Tax retention and other fees	(1,008)	(7,925)
Allowance for doubtful accounts	(4,800)	(4,089)
Present value adjustmant of trade payable	100,664	113,021
Other costs and expenses	(50,013)	(23,937)
Total costs and operating expenses	<u>(1,697,191)</u>	<u>(1,488,021)</u>
Cost of sales	(1,438,774)	(1,202,489)
Selling expenses	(73,592)	(110,463)
General and administrative expenses	(184,825)	(175,069)
	<u>(1,697,191)</u>	<u>(1,488,021)</u>

## 25 Finance income and expenses

	<u>2018</u>	<u>2017</u>
<b>Finance income:</b>		
Discounts obtained	136	230
Yield from investments	8,931	7,089
Present value adjustment of trade account payable	141,350	121,993
Gain on derivative financial instruments, non-realized contracts	3,949	24,752
Interest arising from the mutual with related parties	10,687	40,445
Other finance income	9,149	606
<b>Sub-total</b>	<b><u>174,202</u></b>	<b><u>195,115</u></b>
<b>Exchange rate variation</b>		
Exchange rate variation on trade receivables	17,198	-
Exchange rate variation on trade payables	-	93,998
	<b><u>17,198</u></b>	<b><u>93,998</u></b>
<b>Total finance revenue</b>	<b><u>191,400</u></b>	<b><u>289,113</u></b>
<b>Finance expenses:</b>		
Cash discount	(70)	(78)
Discounts granted and other exchange rate effect	(18,180)	(33,273)
Interest on borrowings and financing	(4,620)	(38,600)
Interest arising from the borrowings related parties	(27,872)	(5,995)
Present value adjustment of trade payables	(121,467)	(96,500)
Loss on derivative financial instruments, realized contracts	(11,834)	(160,274)
Interest on remised trade receivables	(20,854)	(25,608)
Expenses on FIDC operations	(21,407)	-
Other finance expenses	(4,654)	(5,514)
	<b><u>(230,958)</u></b>	<b><u>(365,842)</u></b>
<b>Exchange rate variation</b>		
Exchange rate variation on trade receivables	-	(35,407)
Exchange rate variation on trade payables	(37,151)	-
Exchange rate variation on borrowing and financing	(17,503)	(533)
	<b><u>(54,654)</u></b>	<b><u>(35,940)</u></b>
<b>Total finance expense</b>	<b><u>(285,612)</u></b>	<b><u>(401,782)</u></b>
<b>Net amount</b>	<b><u>(94,212)</u></b>	<b><u>(112,669)</u></b>

## 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:

	<b>Total net present value</b>	<b>Net present value from related parties (a)</b>	<b>Others</b>
Opening balance sheet entry (March 31, 2016):			
Dr. Trade accounts receivable and related party	38,806	59	38,748
Cr. Retained earnings	(16,739)	6,043	(22,782)
Cr. Net effect on profit and loss	6,215	12,768	(6,554)
Cr. Trade payables, related party and forfeiting	<u>(28,282)</u>	<u>(18,870)</u>	<u>(9,412)</u>
Current period entry (April 1,2016 to March 31,2017):			
Dr. Trade accounts receivable and related party	21,504	79	21,425
Cr. Trade payables, related party and forfeiting	(16,521)	(14,933)	(1,588)
Dr. Cost of sales	113,021	85,680	27,341
Dr. Financial income	121,993	72	121,921
Cr. Net revenues	(143,498)	(151)	(143,346)
Cr. Financial expenses	<u>(96,500)</u>	<u>(70,746)</u>	<u>(25,753)</u>
Closing balance sheet entry (March 31, 2017):			
Dr. Trade accounts receivable and related party	60,310	137	60,173
Cr. Retained earnings	(10,524)	18,811	(29,336)
Dr. Net effect on profit and loss	(4,983)	14,855	(19,838)
Cr. Trade payables, related party and forfeiting	<u>(44,803)</u>	<u>(33,803)</u>	<u>(11,000)</u>
Current period entry (April 1,2017 to March 31,2018):			
Dr. Trade accounts receivable and related party	(17,043)	105	(17,148)
Cr. Trade payables, related party and forfeiting	20,803	(19,459)	40,262
Dr. Cost of sales	100,664	(62,591)	163,255
Dr. Financial income	141,350	(175)	141,526
Cr. Net revenues	(124,307)	71	(124,378)
Cr. Financial expenses	<u>(121,467)</u>	<u>82,050</u>	<u>(203,517)</u>
Closing balance sheet entry (March 31, 2018):			
Dr. Trade accounts receivable and related party	43,268	(33)	43,300
Cr. Retained earnings	(15,508)	(33,666)	18,158
Cr. Net effect on profit and loss	(3,760)	19,354	(23,114)
Cr. Trade payables, related party and forfeiting	<u>(24,000)</u>	<u>14,344</u>	<u>(38,344)</u>

- (a) Refers to net present value of Company related parties Advanta Comércio de Sementes Ltda. and controlling shareholders.

## 27 Employee Benefits

The Company offers to its employees’ health care benefits, dental reimbursement, life insurance, meal ticket, transportation voucher, among others.

	<b>2018</b>	<b>2017</b>
Benefits expenses	6.502	9.970
Number of employees	436	413