

**PRICOL DO BRASIL COMPONENTES
AUTOMOTIVOS LTDA.**

FINANCIAL STATEMENTS AS OF
MARCH 31, 2016 AND 2015 (UNAUDITED)

PRICOL DO BRASIL COMPONENTES AUTOMOTIVOS LTDA.

FINANCIAL STATEMENTS AS OF MARCH 31, 2016 AND 2015 (UNAUDITED)

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INDEPENDENT AUDITORS' REPORT

To the Shareholders and Management of
Pricol do Brasil Componentes Automotivos Ltda.

We have audited the accompanying balance sheet of Pricol do Brasil Componentes Automotivos Ltda. as of March 31st, 2016 and the related statements of income, changes in shareholders' equity, and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and presentation of these financial statements in accordance with the accounting policies adopted in Brazil and the internal controls established by the company as necessary to permit preparation of financial statements free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

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INDEPENDENT AUDITORS' REVIEW REPORT (continued)

To the Shareholders and Management of
Pricol do Brasil Componentes Automotivos Ltda.

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

Basis for qualified opinion

As mentioned in note 8, the Company has recorded deferred tax assets from tax losses carry forward and temporary differences from previous years in the amount of R\$ 6,161 that does not meet the criteria defined by Brazilian generally accepted accounting principles as determined by Accounting Pronouncements Committee (CPC) 32 - Income Taxes, approved by the Resolution of the Brazilian Federal Accounting Council nº 1.189/09. Deferred tax assets should be recognized only to the extent that there is a reasonable certainty that future taxable income will be available and against which temporary differences can be offset. The company does not have a history of profits. Besides, the budgets projected and presented in previous years demonstrating a possible realization of those assets did not come true. According to the prevailing accounting regulations, such facts do not allow those taxes being recorded in noncurrent assets of the Company. Consequently, noncurrent assets and shareholders' equity are overstated by R\$ 6,161.

Qualified opinion

In our opinion, except for the possible effects, if any, of the matter mentioned in the paragraph basis of qualified opinion on the financial statements, the financial statements above mentioned, present fairly, in all material respects, the financial position of Pricol do Brasil Componentes Automotivos Ltda. as of March 31st, 2016, and the results of its operations, the statements of cash flows for the year then ended, in accordance with accounting practices adopted in Brazil.

INDEPENDENT AUDITORS' REVIEW REPORT (continued)

To the Shareholders and Management of
Pricol do Brasil Componentes Automotivos Ltda.

Emphasis of matter

The Company has suffered recurring losses from operations and the Company's liabilities exceeded its assets by R\$ 19.935 as of March 31st, 2016. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern without the continuous financial support of parent company. The financial statements referred to above were prepared on the assumption of going concern of the company and does not include any adjustments relating to the realization and classification of asset and liabilities values, that would be required in the inability of the company to continue its operations.

São Paulo, April 24th, 2016.



Roberto Camargo
Accountant - CRC-1SP191164/O-7

Baker Tilly Brasil Auditores Independentes S/S
CRC-2SP016754/O-1

PRICOL DO BRASIL COMPONENTES AUTOMOTIVOS LTDA.

EXHIBIT I - BALANCE SHEET AS OF 31ST MARCH
(In thousands of Brazilian reais)

ASSETS	Note	2016	2015
			(Unaudited)
CURRENT ASSETS			
Cash and cash equivalents		1.178	248
Accounts receivable	5	10.203	12.048
Inventories	6	7.419	7.879
Taxes recoverable		701	900
Prepaid expenses		328	251
Other receivables	7	1.939	4.627
		<u>21.768</u>	<u>25.953</u>
NONCURRENT ASSETS			
Deferred taxes	8	6.161	6.161
Taxes recoverable		532	441
Property, plant and equipment	9 e 10	20.163	20.581
Intangible	9	601	868
		<u>27.457</u>	<u>28.051</u>
TOTAL ASSETS		<u>49.225</u>	<u>54.004</u>

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

PRICOL DO BRASIL COMPONENTES AUTOMOTIVOS LTDA.

EXHIBIT I - BALANCE SHEET AS OF 31ST MARCH
(In thousands of Brazilian reais)

LIABILITIES	Note	2016	2015
			(Unaudited)
CURRENT LIABILITIES			
Trade accounts payable	11	9.113	10.905
Loans and financing	12	8.082	14.434
Intercompany loans	13	3.449	6.155
Salaries and social charges payable	14	3.255	3.897
Tax payable	15	1.942	1.344
Other accounts payable	16	1.808	2.959
Provision for contingencies	17	1.942	532
		<u>29.591</u>	<u>40.226</u>
NONCURRENT LIABILITIES			
Tax payable	15	4.496	4.137
Other accounts payable	16	3.891	-
Loans and financing	12	12.112	333
Deferred income tax	22	2.806	2.589
		<u>23.305</u>	<u>7.059</u>
SHAREHOLDER'S EQUITY			
Capital	18	80.754	66.782
Accumulated losses		(84.425)	(60.063)
		<u>(3.671)</u>	<u>6.719</u>
TOTAL LIABILITIES		<u>49.225</u>	<u>54.004</u>

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

PRICOL DO BRASIL COMPONENTES AUTOMOTIVOS LTDA.

EXHIBIT II - STATEMENT OF INCOME FOR THE YEAR ENDED AS OF MARCH 31

(In thousands of Brazilian reais)

	<u>Note</u>	<u>2016</u>	<u>2015</u> (Unaudited)
NET OPERATING REVENUES	19	69.060	79.454
(-) Cost of products sold	24	(75.110)	(77.058)
GROSS INCOME		<u>(6.050)</u>	<u>2.396</u>
OPERATING EXPENSES			
Administrative expenses	20	(10.094)	(10.396)
Depreciation and amortization		(217)	(326,00)
Financial income (expense), net	21	(4.772)	(1.893)
Other operating revenues (expenses)		<u>(3.012)</u>	<u>(7.416)</u>
		(18.095)	(20.031)
INCOME (LOSSES) BEFORE TAXES		(24.145)	(17.635)
Income tax	22	(159)	(576)
Social contribution	22	(58)	(207)
LOSS FOR THE YEAR		<u>(24.362)</u>	<u>(18.418)</u>

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

PRICOL DO BRASIL COMPONENTES AUTOMOTIVOS LTDA.

EXHIBIT III - STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY
(In thousands of Brazilian reais)

	Capital	Accumulated losses	Total
Balance as of March 31, 2014 (Unaudited)	66.782	(41.645)	25.137
Loss for the year	-	(18.418)	(18.418)
Balance as of March 31, 2015 (Unaudited)	66.782	(60.063)	6.719
Loss for the year	-	(24.362)	(24.362)
Capital increase (Note 18)	13.972	-	13.972
Balance as of March 31, 2016	80.754	(84.425)	(3.671)

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

PRICOL DO BRASIL COMPONENTES AUTOMOTIVOS LTDA.

EXHIBIT IV - STATEMENT OF CASH FLOWS FOR THE YEAR ENDED AS OF MARCH 31
(In thousand of Brazilian reais)

	<u>2016</u>	<u>2015</u> (Unaudited)
OPERATING ACTIVITIES		
Loss for the year	(24.362)	(18.418)
Depreciation and amortization	2.571	2.256
Reversal of provision for obsolete fixed assets	(128)	(1.479)
Provision for Impairment	731	-
Fixed assets disposal	403	1.565
Adjusted profit (loss) for the year	<u>(20.785)</u>	<u>(16.076)</u>
(Increase) decrease in assets:		
- Accounts receivable	1.845	12.028
- Inventories	460	620
- Taxes recoverable	108	385
- Prepaid expenses	(77)	32
- Other receivables	2.688	1.692
Increase (decrease) in liabilities:		
- Trade accounts payable	(1.792)	1.161
- Salaries and social charges payable	(642)	(679)
- Tax payable	957	528
- Other accounts payable	2.740	(2.173)
- Deferred income tax	217	784
- Provision for contingencies	1.410	(186)
NET CASH PROVIDED (USED IN) BY OPERATING ACTIVITIES	<u>(12.871)</u>	<u>(1.884)</u>
INVESTMENT ACTIVITIES		
Intercompany loans	-	2.048
Additions to property, plant and equipments	(2.892)	(1.799)
CASH GENERATED BY (USED IN) INVESTMENT ACTIVITIES	<u>(2.892)</u>	<u>249</u>
FINANCING ACTIVITIES		
Capital increase	13.972	-
Loans and financing	5.427	(2.824)
Intercompany loans	(2.706)	2.621
CASH GENERATED (USED IN) BY FINANCING ACTIVITIES	<u>16.693</u>	<u>(203)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>930</u>	<u>(1.838)</u>
Cash and cash equivalents as of Mar. 31, 2015 and 2014	248	2.086
Cash and cash equivalents as of Mar. 31, 2016 and 2015	1.178	248
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>930</u>	<u>(1.838)</u>

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

PRICOL DO BRASIL COMPONENTES AUTOMOTIVOS LTDA.

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS AS OF MARCH 31, 2016 AND 2015 (UNAUDITED) (In thousands of Brazilian reais)

1. OPERATIONS

Pricol do Brasil Componentes Automotivos Ltda. (the "Company") is a limited liability company established on November 28th, 2005. It is headquartered in the city of Diadema, in the State of São Paulo.

The Company is engaged in the industrialization, sales, import and export of automotive parts, and also in rendering services related to automotive parts and to invest in other companies.

Acting through its subsidiary Pricol España, Indian vehicle components and engineering products maker Pricol Ltd acquired all shares of Melling do Brasil Componentes Automotivos Ltda. on January 23rd, 2015.

On March 17th, 2015, the Company changed its name of Melling do Brasil Componentes Automotivos Ltda. to Pricol do Brasil Componentes Automotivos Ltda.

The economy of Brazil has been declining over the past 24 months. Pricol do Brasil, to support the drastic decline in the automotive sector, which has accumulated decrease of 35.3% compared to 2013, has been working to reduce and contain expenses, production & labor costs, and organizational restructuring. The stabilization of Brazilian economy and solution of Political issues will also help to Pricol do Brasil reverting the current financial results situation and to promote the company turnaround. The current year losses are higher due to onetime severance cost, provision made for stable employees, FOREX fluctuations notional loss in converting loan into share capital.

Costs and Expenses Reduction:

In December 2014, the Melling do Brazil (current Pricol do Brasil), had in its payroll, 328 employees (direct & indirect labor, Administration and Sales). In March 2016 this has been reduced to 223 employees.

In September 2015, Pricol do Brasil joined the Protection Program of Employment (PPE), the third industry in Brazil to make this accession, stopping 100% its operations for two (02) days per month. Pricol do Brasil disengaged itself from the PPE in February 2016 to meet the requirement of customers.

For the current year 2016-17 Pricol do Brasil are putting in place action plans to increase its market share, obtain price increase from customers, cost reduction in all areas through productivity improvement.

Debt:

In August 2015, Pricol do Brasil did financial restructuring of its short-term debt, by capturing a long-term loan (maturing in May / 2018), with semi-annual amortizations and monthly interest payments. The loan is denominated in US dollars with interest of 6.60% pa. The interest is subject to a swap transaction; convert it to 82.50% of CDI. This resulted in reduction of overall interest rate from 21% to 11%.

Market:

Pricol do Brasil understands how important is explore the Aftermarket in Brazil as well for export. We are also taken initiatives to expand OEM exports also.

Aiming this initiative, Pricol do Brasil began to strengthen its sales team in 2015 to meet this market segment. We have also decided to invest in 2016 in tooling and assembly lines for new families of water & oil pumps.

Share capital:

During 2015/16, the Pricol Espana authorized Pricol do Brasil to convert its intercompany loans in share capital at the amount of USD 3.700 dollars, equivalent to R\$ 13.972. Taking into account the Brazilian political and economic situation we feel it will take at least another 24 months to turnaround and make profits.

2. FINANCIAL STATEMENTS PRESENTATION

The financial statements have been prepared according to Brazilian accounting practices, which include the corporate law No. 6.404/76, which incorporated the changes introduced by Laws 11.638/07 and 11.941/09 and Pronouncements, Guidelines and Interpretations issued by the Brazilian Committee of Accounting Pronouncements (CPC), duly approved by the Brazilian Federal Accounting Council (CFC).

The financial statements are a free translation from Portuguese into English of the financial statements prepared in Brazilian currency in accordance with the accounting practices adopted in Brazil.

3. MAIN ACCOUNTING PRACTICES

(a) Translation of foreign currency

The functional currency of the Company is the Brazilian Real, the same currency used in the preparation and presentation of the financial statements all approximate values to thousands of reals, unless otherwise stated.

The assets and liabilities in foreign currencies were translated into reals at the exchange rate at the balance sheet date and differences arising from translation were recognized in the income.

(b) Financial assets and liabilities

The Company has non-derivative financial instruments, such as accounts receivable and other receivables, cash and cash equivalents, as well as accounts payable and other payables.

The company made an assessment of its financial instruments:

- Cash and cash equivalents: are classified as held to maturity. They are valued at cost plus income earned to the balance sheet date, if applicable.
- Accounts receivable: directly resulting from the company's operations are classified as held to maturity and recorded at the original values, subject to provision for losses and present value adjustment, if applicable.
- Financing and taxes payable: they are initially recognized when the funds are received, net of transaction costs. Subsequently, they are carried at amortized cost, that is, added of financial charges and interest proportional to the period elapsed ("pro rata temporis"), net of payments made. The amount recorded and the loan raising rates are close to market value.

The Company as of March 31, 2016 and March 31, 2015 did not have balances of financial assets held for trading or designated at fair value through profit and loss.

Financial assets are measured by indicators of impairment at the balance sheet date. They are considered impaired when there is evidence that as a result of one or more events occurring after their initial recognition, the estimated future cash flows of investment have been impacted.

(c) Accounting estimates

According to the standards of the Brazilian Committee of Accounting Pronouncements (CPC), duly approved by the Federal Accounting Council (CFC), the preparation of the individual and consolidated financial statements requires the management to make

estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. The settlement of the transactions involving those estimates can vary from the estimated ones due to the inherent imprecision of the determination process.

(d) Inventories

Inventories are stated at the average acquisition or production cost, which is lower than net realizable value.

(e) Property, plant and equipment

Recognition and measurement

Property, plant and equipment items are stated at historical acquisition or construction cost, net of accumulated depreciation.

The cost includes expenditures that are directly attributable to the acquisition of assets. The cost of assets built by the company includes materials and direct labor, as well as any other costs attributable to bring the assets to the location and condition requires for them to operate in the manner intended by management, costs for dismantling and restoration of the site where they are located.

Gains and losses on disposal of a property, plant and equipment item are determined by comparing the proceeds from disposal with the carrying amount of Property, plant and equipment and are recognized net within "Other income" in the income statement.

Long-lived assets are tested for impairment when events or changes in circumstances indicate the carrying value of such assets may not be recoverable. The Company records an impairment loss equal to the excess of the asset's carrying amount over its fair value. The fair value is determined based on valuation techniques such as a discounted cash flow analysis or a comparison to fair values of similar assets.

Depreciation

Depreciation is calculated under the straight-line method, taking into account the useful lives of assets and the provision for impairment.

(f) Intangible assets

Intangible assets are amounts associated with the implementation of software are amortized according to the useful life at rates mentioned in note 10.

(g) Income tax and social contribution

Income tax and social contribution are calculated on taxable profits in accordance with Brazilian income tax Legislation at the rate of 25% (Income tax) and 9% (social

contribution), plus an additional rate of 10% over the profit exceeding to R\$240 per year.

(h) Deferred income tax and social contribution

Deferred income tax and social contribution are calculated over the temporary differences between the accounting and tax based of assets and liabilities.

(i) Provision for contingencies

It is estimated based on the opinion of legal advisors in order to record probable losses on judicial proceedings. Management considers the amount sufficient to cover losses from any type of lawsuit.

(j) Revenue recognition

Revenues comprise the present value of services rendered. Revenue from sales rendered is recognized when significant risks and rewards of ownership of the goods are transferred to the buyer and collection of the related receivables is reasonably assured.

(k) Determination of net income

Net income is determined on the accrual basis.

5. ACCOUNTS RECEIVABLE

	<u>31.03.2016</u>	<u>31.03.2015</u>
		(Unaudited)
Trade accounts receivable – domestic	6.663	8.292
Trade accounts receivable – foreign	3.540	3.756
	<u>10.203</u>	<u>12.048</u>

6. INVENTORIES

	<u>31.03.2016</u>	<u>31.03.2015</u>
		(Unaudited)
Inventories:		
- Raw material	4.429	5.758
- Working in process	1.091	570
- Finished products	811	1.573
- Consumption material	1.500	1.628
(-) Provision for obsolete inventories	(412)	(1.650)
	<u>7.419</u>	<u>7.879</u>

7. OTHER RECEIVABLES

	<u>31.03.2016</u>	<u>31.03.2015</u>
		(Unaudited)
Goods for future sale	-	2.417
Advances to suppliers	1.627	1.779
Other receivables	179	329
Advances to employees	133	102
	<u>1.939</u>	<u>4.627</u>

The goods for future sale are related to orders of projects developments to clients. These projects are going to be completed and sold to clients.

8. DEFERRED TAXES

The Company has accumulated loss carry forward of Income Tax and Social Contribution amounting to R\$68.836 and R\$68.836, respectively.

In accordance with Brazilian tax legislation, tax losses carry forward can be offset indefinitely against taxable income, limited to 30% of annual taxable. The company has recognized the tax benefits of tax losses carry forward and temporary differences in the amount of R\$ 6,161. Impairment for Deferred tax assets was recognized based on projections that estimate that the tax loss carry forward will be offset during the explicit period. The projections made by management are based on the best quantitative and financial data available, as shown below:

Years	Realization prospect
2017	1.824
2018	3.234
From 2019	1.103
	6.161

However, it is important to note that there will usually be differences between the projected and actual results since events and circumstances frequently do not occur as expected, and those differences may be material.

9. PROPERTY, PLANT, EQUIPMENT

	Gross Block					Accumulated Depreciation					Net Block	
	March 31, 2015	Additions	Disposals	Other Adjustments	March 31, 2016	March 31, 2015	Depreciation for the year	On disposals	Other Adjustments (write off)	March 31, 2016	March 31, 2015	March 31, 2016
	BRL	BRL	BRL	BRL	BRL	BRL	BRL	BRL	BRL	BRL	BRL	BRL
Tangible Assets												
Land	560	-	-	-	560	-	-	-	-	-	560	560
Buildings	-	-	-	-	-	-	-	-	-	-	-	-
Facilities	3.283	-	-	-	3.283	(3.245)	-	-	-	(3.245)	38	38
Machinery and equipment	57.295	5.199	(58)	(1.469)	60.967	(36.489)	(2.261)	55	1.227	(37.468)	20.806	23.499
Furniture and Fixtures	533	3	-	-	537	(435)	(24)	-	-	(458)	99	79
Vehicles	68	51	(68)	-	51	(36)	(9)	39	-	(7)	32	45
IT Equipments	1.498	13	-	-	1.511	(1.263)	(226)	-	99	(1.390)	235	121
Leasehold improvements	315	-	-	-	315	(306)	(2)	-	-	(308)	9	7
Capital Work In Progress	5.074	2.655	-	(5.039)	2.691	-	-	-	-	-	5.074	2.691
Total	68.626	7.922	(126)	(6.508)	69.915	(41.774)	(2.522)	93	1.326	(42.876)	26.852	27.038
Intangible Assets												
Goodwill	-	-	-	-	-	-	-	-	-	-	-	-
Brands /trademarks	960	-	-	-	960	(306)	(48)	-	(5)	(359)	654	601
Intangibles	3.412	-	-	(3.127)	285	(3.198)	-	-	2.913	(285)	214	-
Total	4.372	-	-	(3.127)	1.245	(3.504)	(48)	-	2.908	(644)	868	601
Total	72.998	7.922	(126)	(9.635)	71.159	(45.277)	(2.570)	93	4.234	(43.520)	27.720	27.639

Depreciation in the value of R\$ 2.565 was substantially allocated to costs of goods

sold.

10 IMPAIRMENT TEST – FIXED ASSETS

The company assessed its assets for purposes of compliance with the CPC 01 – Impairment of assets, and were noted and recorded the following effects of this assessment:

	R\$
i. Provision for loss on realization of assets	<u>6.875</u>

11. TRADE ACCOUNTS PAYABLE

	<u>31.03.2016</u>	<u>31.03.2015</u>
		(Unaudited)
Trade accounts payable – foreign	1.182	2.344
Trade accounts payable – domestic	<u>7.931</u>	<u>8.561</u>
	<u>9.113</u>	<u>10.905</u>

12. LOANS AND FINANCING

<u>Bank</u>	<u>Type</u>	<u>Interest rate</u>	<u>31.03.2016</u>	<u>31.03.2015</u>
				(Unaudited)
HSBC	Secured Account	10,85% p.y	-	5.000
Banco Itaú	Secured Account	12,60% p.y	-	3.950
Banco do Brasil (a)	Working Capital	11,76% p.y	334	4.333
Safra (b)	Working Capital	23,72% p.y	-	1.163
Safra (c)	4131 Operation	6,60% p.y	19.860	-
Melling USA (d)	Loan	9% p.y	-	321
			<u>20.193</u>	<u>14.767</u>
Current			8.082	14.434
Noncurrent			12.112	333

- a) Banco do Brasil – Working Capital – R\$ 8.000 –maturing date in April 2016 and grace period of 12 months; the accounts receivables of Volkswagen are the guarantee of the contract.
- b) Banco Safra – Working Capital – R\$1.000 – maturing date in June 15. The accounts receivable of Fiat/ FPT are the guarantee.
- c) Banco Safra – Working Capital – Operation 4131 – maturing date in May 2018

- guaranteed by Letter of Credit from State Bank of India.
d) Loan Melling Tool Company – USD 100 –maturing date in November 2015.

13. INTERCOMPANY LOANS

	<u>31.03.2016</u>	<u>31.03.2015</u> (Unaudited)
Pricol España - KUSD 790	2.812	6.095
Pricol España – interest	<u>638</u>	<u>60</u>
	<u>3.449</u>	<u>6.155</u>

Intercompany loans are due in August 2016), adjusted based on exchange variation, plus interest of 9% per year.

14. SALARY AND SOCIAL CHARGES PAYABLE

	<u>31.03.2016</u>	<u>31.03.2015</u> (Unaudited)
Vacations and 13 ^o salary	2.587	2.783
Provision for bonuses (a)	84	618
INSS	401	366
INSS Installment	32	-
FGTS	102	121
Other	<u>49</u>	<u>9</u>
	<u>3.255</u>	<u>3.897</u>

- (a) The company accrued the amounts to be paid to its employees by way of profit sharing as defined in the union collective agreement.

15. TAX PAYABLE

	<u>31.03.2016</u>	<u>31.03.2015</u> (Unaudited)
ICMS – VAT tax	193	875
ICMS Installments	1.450	-
Withholding taxes	152	134
Withholding tax installments	92	-
COFINS	76	312
COFINS Installments	535	-
PIS	24	68
PIS Installments	115	-
Municipal Tax	6	-
Special Installment Program (a)	3.771	4.090
INSS installment	7	-
IPI	17	-
Other	-	2
	<u>6.438</u>	<u>5.481</u>
Current	1.942	1.344
Noncurrent	4.496	4.137

- (a) On March 27, 2013, the company received the tax assessments n° 4.017.895-0, 4.017.894-8, 4.017.893-6 issued by the Finance Department of the State of São Paulo regarding the undue credits of ICMS (VAT) amounting to R\$ 8 million, related to the inaccuracy classification for the NCM (Mercosur Common Name) used in the purchase of raw materials, which led to a new rate of ICMS of 0%. This new rate, consequently, altered the basis for calculation of ICMS. The tax assessment was calculated on the operation occurred in the period from January 2011 to November 2012, respecting the legal term of 5 years to collection. In the end of May 2013, the company joined the Special Installment Program – (PEP) of the State Government of São Paulo, braking down the debit in 120 months. On March 31, 2016, there were 85 installments to be paid, which are up to date in a 1% p.m. rate.

The PEP consolidated balance is showed by due date aging, as shown in the schedule

below:

Year	R\$
2016	266
2017	393
2018	444
2019	499
From 2020	2.169
	3.771

16. OTHER ACCOUNTS PAYABLE

	31.03.2016	31.03.2015 (Unaudited)
Provision for bonus	59	348
Provision for energy	193	256
Provision for guarantee	475	475
Severance pay	4.322	-
Advances from customers	315	1.712
Provision for IT services	293	-
Other	42	168
	5.699	2.959
Current	1.808	2.959
Noncurrent	3.891	-

Severance pay refers to indemnities to be paid to some employees which had labor stability and were dismissed by the Company. The amounts were defined by Labor Court of Appeals and will be paid to claimants in installments (ranging from 36 to 204 monthly payments).

17. PROVISION FOR CONTINGENCIES

The Company along the normal course of activities is party to lawsuits of tax, labor and civil nature. The management, supported by the opinion of legal counselors and by specific reports of experts, where applicable, rates the expectation of outcome of ongoing proceedings and determines the need or not of recognizing provisions for contingencies.

The company recognized a tax contingency provision of PIS and Cofins resulting on the debt forgiveness occurred in January 2015 amounting to R\$ 708.

Also, the Company accrued a provision for contingencies on labor claims, which the risk of loss was deemed probable by management. As of March 31, 2016 and 2015,

the amounts recorded, which the management considers sufficient to face future losses were the following:

	<u>31.03.2016</u>	<u>31.03.2015</u>
		(Unaudited)
PIS and Cofins – debt forgiveness	708	-
Labor-related proceedings	1.234	532
	<u>1.942</u>	<u>532</u>

The Company has a lawsuit related to undue credits of ICMS (VAT) amounting to R\$ 5.869, which the legal counsel of the Company assessed the likelihood of loss as possible.

18. SHAREHOLDERS' EQUITY

18.1 Capital

	<u>Number of Shares</u>	<u>%</u>
Pricol España	80.753.999	99,99
Jorge Carlos Bahia	1	0,01
	<u>80.754.000</u>	<u>100%</u>

During the year of 2015 and 2016, Pricol Espanã, Sociedad Limitada increase its paid-in capital in the amount of R\$ 13.972, increasing the capital of Pricol do Brasil to R\$ 80.754.

19. NET OPERATING REVENUES

	<u>31.03.2016</u>	<u>31.03.2015</u> (Unaudited)
Gross revenue	85.159	98.958
Sales deductions:		
- Sales tax	(15.176)	(18.481)
- Returns	(923)	(1.023)
	<u>69.060</u>	<u>79.454</u>

20. ADMINISTRATIVE EXPENSES

	<u>31.03.2016</u>	<u>31.03.2015</u> (Unaudited)
Salary and expenses	5.572	6.674
Benefits	945	966
Maintenance and occupation	1.573	1.348
Rendered services	1.390	962
Other	614	446
	<u>10.094</u>	<u>10.396</u>

21. FINANCIAL INCOME (EXPENSE), NET

	<u>31.03.2016</u>	<u>31.03.2015</u> (Unaudited)
Exchange loss	7.696	2.700
Exchange gain	(6.050)	(4.514)
Adjustment at present value	(957)	-
Financial income	(214)	(13)
Financial expenses	4.297	3.721
	<u>4.772</u>	<u>1.894</u>

22. INCOME TAX AND SOCIAL CONTRIBUTION

Income tax and social contribution were calculated at rates ruling at the balance sheets. Deferred taxes regarding temporary differences are recorded in balance sheet accounts. The calculation base and tax balances are as follows:

	31.03.2016	31.03.2015
		(Unaudited)
Statement of calculations – expenses		
Pretax income (loss) for the period	(1.750)	(4.371)
Total add-backs	4.554	5.742
Total deductions	(5.155)	(6.041)
Calculation base	(2.351)	(4.670)
Use of tax credits	-	-
Calculation base	<u>(2.351)</u>	<u>(4.670)</u>
	31.03.2016	31.03.2015
		(Unaudited)
Income tax – 15%	-	-
Income tax additional – 10%	-	-
Social contribution – 9%	-	-
Tax incentives	-	-
Current taxes	<u>-</u>	<u>-</u>
Temporary difference, tax accounting depreciation adjust		
(=) Basis for deferred income tax and deferred social contribution	31.03.2016	31.03.2015
	8.253	7.616
Deferred income tax and social contribution – 34%	(216)	(784)
Deferred Tax Liability	2.806	2.589

23. RISK MANAGEMENT POLICY

The Company's activities are exposed to some financial risks, mainly markets ones, including exchange rate. Such risks arise chiefly from the sale and acquisitions of products.

As of March 31, 2016 and 2015, the Company had the following assets and liabilities in foreign currency:

	March 31, 2016				March 31, 2015			
	R\$	US\$	GBP\$	EUR\$	R\$	US\$	GBP\$	EUR\$
ASSETS								
Accounts receivable	3.540	695	187	-	3.756	1.076	13	-
Advance to suppliers	1.104	262	3	-	1.698	663	3	-
Subtotal assets	4.644	957	190	-	5.454	1.739	16	-
LIABILITIES								
Suppliers	1.182	166	5	126	2.344	602	14	100
Intercompany loan	3.449	969	-	-	6.155	1.919	-	-
Subtotal liabilities	4.631	1.135	5	126	8.499	2.521	14	100
Net exposure	13	(178)	185	(126)	3.045	(782)	2	(100)

In August 2015, the Company got a long-term loan of USD 5.600 (maturing in May / 2018), with semi-annual amortizations and monthly interest payments. The loan is denominated in US dollars with interest of 6.60% pa. The interest of this loan is subject to a swap transaction; convert it to 82.50% of CDI.

24. COST OF PRODUCTS SOLD

	31.03.2016	31.03.2015
		(Unaudited)
Material	33.572	38.426
Salary and Fringe Benefits	19.703	22.792
Profit Share	(61)	820
Severance Claim	7.019	121
Depreciation and amortization	2.354	1.930
Power Energy	2.224	1.511
Maintenance	1.728	1.946
Rent	1.651	1.488
Tools and Device	1.238	1.535
Scrap	1.073	1.391
Clean	1.010	1.113
Severance	831	875
Gas	539	558
Freight	461	449
Outsourcing services	344	456
Rent equipment	342	413
Oil/ lubricant's	258	388
Security	236	210
Municipal Taxes	210	182
Import expenses	153	297
Insurance	137	126
Telephone	60	78
Water	47	85
Travel	46	98
Warranty	36	-
Delivery Services	17	23
Taxes	11	-
Export expenses	9	82
Inventory adjustments	(21)	(66)
Other	(117)	(269)
	75.110	77.058

25. INSURANCE (UNAUDITED)

The Company has insurance policies taken from the main insurance companies in Brazil, which were determined in accordance with the orientation of experts and take into consideration the nature and level of the risk involved. The assumptions adopted, given their nature, are not part of the scope of an audit of financial statements and, accordingly, they were not examined by our independent auditors.

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