

PRICOL DO BRASIL COMPONENTES
AUTOMOTIVOS LTDA.

Independent auditors' report

Financial statements
As of March 31st, 2017 and 2016

PRICOL DO BRASIL COMPONENTES
AUTOMOTIVOS LTDA.

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INDEPENDENT AUDITOR'S REPORT

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

Qualified opinion

We have audited the financial statements of Pricol do Brasil Componentes Automotivos Ltda. ("the Company's"), which comprise the statement of financial position as at March 31st, 2017, and the statements of operations, comprehensive income, changes in equity and cash flows for the year then ended, as well as the corresponding notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the issues mentioned in the paragraph 'Basis for qualified audit opinion', the accompanying financial statements present fairly, in all material respects, the financial position of Pricol do Brasil Componentes Automotivos Ltda. as at March 31st, 2017, its financial performance and its cash flows for the year then ended in accordance with Brazilian accounting practices.

Basis for qualified audit opinion

As mentioned in note 8, the Company's 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 n° 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.

We conducted our audit in accordance with Brazilian and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of Pricol do Brasil Componentes Automotivos Ltda. in accordance with the relevant ethical principles established in the Code of Ethics for Professional Accountants and in the professional standards issued by the Brazilian Federal Association of Accountants (CFC), and we have fulfilled our other ethical responsibilities in accordance with these standards. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Material Uncertainty related to Going Concern

The Company's has suffered recurring losses from operations, has presented negative gross margin and the Company's liabilities exceeded its assets by R\$ 7,058 as of March 31st, 2017. 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. Management's plans on these matters are described in Note 1 to the financial statements. The continuity of the Company's as a going concern will depend on the financial support of its parent Company and on the success of the plans presented in Note 1. 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. Our opinion is not qualified in respect of this matter.

Others matters

Audit of the previous year's amounts

The financial statements for the year ended March 31st, 2016 were audited by other independent auditors who expressed a qualified opinion on those financial statements on April 24th, 2016 on the realization of deferred tax assets amounting to R\$ 6,161 and an emphasis of matter paragraph about the company's ability to continue as a going concern.

Restatement of the financial statements of the previous year

As described in Note 2, these financial statements have been restated. We audited the adjustments described in Note 2 that were applied to restate the 2016 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. However, we were not engaged to audit, review, or apply any procedures to the 2016 financial statements of the Company other than with respect to such adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2016 financial statements taken as a whole.

Responsibilities of and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Brazilian accounting practices 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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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 ISAs, we exercise professional judgment and maintain professional skepticism throughout the planning and performance of 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;

- 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 auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the 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 governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

São Paulo, April 27th, 2017.

PRICOL DO BRASIL COMPONENTES AUTOMOTIVOS LTDA.

Balance sheets

As of March 31st, 2017 and 2016

(In thousands of Brazilian reais)

Assets				Liabilities and shareholders' equity			
	Note	2017	2016		Note	2017	2016
Current assets				Current liabilities			
Cash and cash equivalents	4	374	1,178	Trade accounts payable	11	9,185	9,113
Accounts receivable	5	7,866	10,203	Loans and financing	12	12,158	8,082
Inventories	6	6,997	7,419	Intercompany loans	13	599	3,449
Taxes recoverable		549	701	Salaries and social charges payable	14	5,365	3,255
Prepaid expenses		380	328	Tax payable	15	4,283	1,942
Other receivables	7	2,228	1,939	Other accounts payable	16	3,165	1,808
		<u>18,394</u>	<u>21,768</u>	Provision for contingencies	17	2,182	1,942
						<u>36,937</u>	<u>29,591</u>
Non current assets				Non current liabilities			
Deferred taxes	8	6,161	6,161	Tax payable	15	4,751	4,496
Taxes recoverable		252	532	Loans and financing	12	4,541	12,112
Property, plant and equipment	9 e 10	20,748	20,109	Other accounts payable	16	4,049	3,891
Intangible	9	654	655	Deferred income tax	24	2,989	2,806
		<u>27,815</u>	<u>27,457</u>			<u>16,330</u>	<u>23,305</u>
				Shareholders' equity (unsecured liability)			
				Capital	18	99,591	80,754
				Accumulated Losses		(106,649)	(84,425)
						<u>(7,058)</u>	<u>(3,671)</u>
Total assets		<u><u>46,209</u></u>	<u><u>49,225</u></u>	Total liabilities and shareholders' equity		<u><u>46,209</u></u>	<u><u>49,225</u></u>

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

PRICOL DO BRASIL COMPONENTES AUTOMOTIVOS LTDA.

Statements of income

For the years ended March 31st, 2017 and 2016

(In thousands of Brazilian reais)

	Note	2017	2016 (Restated)
Net operating revenues	19	62,940	69,060
(-) Cost of products sold	20	(73,412)	(68,055)
Gross income		(10,472)	1,005
Operating expenses			
Administrative expenses	21	(9,132)	(10,347)
Financial income (expense), net	22	(2,387)	(4,772)
Other operating revenues (expenses)	23	(50)	(10,031)
		(11,569)	(25,150)
Income (losses) before taxes		(22,041)	(24,145)
Income tax	24	(134)	(159)
Social contribution	24	(49)	(58)
Loss for the year		(22,224)	(24,362)

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

PRICOL DO BRASIL COMPONENTES AUTOMOTIVOS LTDA.

Statements of comprehensive income
for the years ended March 31st, 2017 and 2016
(In thousands of Brazilian reais)

	2016	2015
Loss for the year	<u>(22,224)</u>	<u>(24,362)</u>
Other comprehensive income	-	-
Total comprehensive income for the period	<u><u>(22,224)</u></u>	<u><u>(24,362)</u></u>

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

PRICOL DO BRASIL COMPONENTES AUTOMOTIVOS LTDA.

Statements of changes in shareholders' equity (unsecured liability)

For the years ended March 31st, 2017 and 2016

(In thousands of Brazilian reais)

	Capital	Accumulated losses	Total
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)
Loss for the year	-	(22,224)	(22,224)
Capital increase (Note 18)	18,837	-	18,837
Balance as of March 31, 2017	99,591	(106,649)	(7,058)

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

PRICOL DO BRASIL COMPONENTES AUTOMOTIVOS LTDA.

Statement of cash flows

For the years ended March 31st, 2017 and 2016

(In thousands of Brazilian reais)

	2017	2016
Operating activities		
Loss for the year	(22,224)	(24,362)
Depreciation and amortization	2,499	2,571
Reversal of provision for obsolete fixed assets	-	(128)
Provision for obsolete inventories	792	-
Provision for Impairment of assets	(943)	731
Fixed assets disposal	49	403
Adjusted loss for the year	(19,827)	(20,785)
(Increase) decrease in assets		
Accounts receivable	2,336	1,845
Inventories	(370)	460
Taxes recoverable	432	108
Prepaid expenses	(52)	(77)
Other receivables	(290)	2,688
Increase (decrease) in liabilities		
Trade accounts payable	72	(1,792)
Salaries and social charges payable	2,110	(642)
Tax payable	2,596	957
Other accounts payable	1,515	2,740
Deferred income tax	183	217
Provision for contingencies	240	1,410
Net cash provided by (used in) operating activities	(11,055)	(12,871)
Investment activities		
Additions to property, plant and equipments	(2,241)	(2,892)
Cash generated by (used in) investment activities	(2,241)	(2,892)
Financing activities		
Capital increase	18,837	13,972
Loans and financing	(3,495)	5,427
Intercompany loans	(2,850)	(2,706)
Cash generated by (used in) financing activities	12,492	16,693
Decrease (increase) in cash and cash equivalents	(804)	930
Cash and cash equivalents at beginning of year	1,178	248
Cash and cash equivalents at end of year	374	1,178
Decrease (increase) in cash and cash equivalents	(804)	930

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

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.

The economy of Brazil has been declining over the past 36 months. Pricol do Brasil to support the drastic decline in the automotive sector has worked to reduce and contain expenses, production & labor costs, and has made organizational restructuring. The stabilization of Brazilian economy and solution of Political matters will also help Pricol do Brasil reversing the current financial results situation. Besides, we also must emphasize that had a volume reduction of sales and gross margin due to the project of Harley Davidson water pump that ended the production.

Costs and Expenses Reduction

For the year 2016-17, Pricol do Brasil put in place an action plan to increase its market share, obtain pricing increase from customers and cost reduction in all areas through productivity improvement.

The reduction of number of employees is no longer an alternative due to the fact that this could jeopardize the operations.

Debt

Pricol do Brasil renewed the Safra Loan, which is guaranteed by Letter of Credit from State Bank of India issued in 2015 to cover working capital needs during 2016-17. The cost of debt was kept on the average of 11% per year.

Also, Pricol do Brasil got an overdraft account from Banco Safra with the cost of 100% of CDI (13% per year), just for short periods. The credit line available for this overdraft account is of R\$ 700.

The Company's headquarters will keep the policy of new capitalizations during 2017-2018 to support the working capital needs.

Explanatory notes to the financial statements
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(In thousands of Brazilian reais)

Market

Pricol do Brasil understands the importance of exploring the Aftermarket in Brazil as well for exports. The Company is taken initiatives to expand O&M exports as well. Aiming for this initiative, Pricol do Brasil has consolidated its sales team in 2016-17 to meet this market segment.

The O&M Market went down in 2016-17 and we still feeling that the market recovery will occur only in 2020.

Also, Pricol do Brasil was awarded with a contract to supply oil pumps to GM's new engine - The CSS Prime Project- which will be put in place at the end of 2019, and will represent a growing of BRL 70 MM per year in Pricol do Brasil revenue. This contract considers Brazil and Mexico volumes.

Share capital

During 2016/17, the Pricol España increased the capital in R\$18.837, equivalent to USD 5.705.

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 were approved by the Company's management and authorized for issue on April 27, 2017.

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.

2.1. Restatement of financial statements

The Company decided to restate its historical financial statements in respect of the year ended March 31st, 2016 in accordance with NBCTG 23 - Accounting Policies, Change in Estimates (IAS 8) and Correction of Errors and NBCTG 26 (R1) - Presentation of Financial Statements (IAS 1).

Explanatory notes to the financial statements
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The restatement is being carried out spontaneously by the Company's management and refers mainly to reclassification of expenses with indemnities to employees which had labor stability. The only reclassification is related to income statement, which has been disclosed on its specific table below. This reclassification between accounts was made for a better presentation of financial statements in a comparative manner with the year ended March 31st, 2017.

	March, 31 2016		
	Balances previously presented	Restatement	Restated balances
Statement of income			
Net operating revenues	69,060	-	69,060
(-) Cost of products sold	(75,110)	7,055	(68,055)
Gross income	(6,050)	7,055	1,005
Operating expenses			
Administrative expenses	(10,311)	(36)	(10,347)
Financial income (expense), net	(4,772)	-	(4,772)
Other operating revenues (expenses)	(3,012)	(7,019)	(10,031)
	(18,095)	(7,055)	(25,150)
		-	-
Income (losses) before taxes	(24,145)	-	(24,145)
Income tax	(159)	-	(159)
Social contribution	(58)	-	(58)
Loss for the year	(24,362)	-	(24,362)

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 reais, unless otherwise stated.

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

Explanatory notes to the financial statements
As of March 31st, 2017 and 2016
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(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, 2017 and March 31, 2016 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

The preparation of the financial statements requires the management to use estimates for certain assets, liabilities and transactions. Significant items subject to these estimates and assumptions include the selection of the useful life of the fixed assets and their recoverability in operations, the evaluation of financial assets both at fair value and adjustment to present value, analysis of the credit risk to determine the allowance for doubtful accounts, as well as the analysis of other risks to determine other provisions, including the provision for contingencies, tax provisions and other similar ones. The settlement of the transactions involving those estimates can result in amounts different from the estimated ones, due to 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 at rates mentioned in note 9 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.

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(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 taxes are provided based on the estimated future tax effects of temporary differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates that are expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

(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.

4. Cash and cash equivalents

	<u>31/03/2017</u>	<u>31/03/2016</u>
Cash	5	7
Bank current accounts	369	1,171
	<u>374</u>	<u>1,178</u>

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5. Accounts receivable

	<u>31/03/2017</u>	<u>31/03/2016</u>
Trade accounts receivable - domestic	7,224	6,663
Trade accounts receivable - foreign	642	3,540
	<u>7,866</u>	<u>10,203</u>

5.1. Accounts receivable aging

	<u>31/03/2017</u>	<u>31/03/2016</u>
Domestic		
Falling due	6,179	6,014
Overdue 01-30 days	225	181
Overdue 31-60 days	30	-
Overdue 61-90 days	40	14
Overdue for more than 90 days	750	454
	<u>7,224</u>	<u>6,663</u>

	<u>31/03/2017</u>	<u>31/03/2016</u>
Foreign		
Falling due	449	2,372
Overdue 01-30 days	61	258
Overdue 31-60 days	126	-
Overdue for more than 90 days	6	910
	<u>642</u>	<u>3,540</u>

6. Inventories

	<u>31/03/2017</u>	<u>31/03/2016</u>
Inventories		
Raw material	4,407	4,429
Working in process	1,223	1,091
Finished products	1,043	811
Consumption material	1,528	1,500
(-) Provision for obsolete inventories	(1,204)	(412)
	<u>6,997</u>	<u>7,419</u>

6.1. Changes in the provision for obsolete inventories

Balance as of March 31, 2015 (Unaudited)	(1,650)
Additions	-
Write-offs	1,238
Balance as of March 31, 2016	<u>(412)</u>
Additions	(792)
Write-offs	-
Balance as of March 31, 2017	<u>(1,204)</u>

PRICOL DO BRASIL COMPONENTES AUTOMOTIVOS LTDA.

Explanatory notes to the financial statements
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7. Other receivables

	<u>31/03/2017</u>	<u>31/03/2016</u>
Goods for future sale	772	-
Advances to suppliers	869	1,627
Other receivables	131	179
Advances to employees	456	133
	<u>2,228</u>	<u>1,939</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\$ 84.493 and R\$ 84.493, 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:

	<u>Realization prospect</u>
2020	1,816
2021	1,876
From 2021	2,469
	<u>6,161</u>

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.

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9. Property, plant, equipment

	Depreciation/ Amortization rate	Gross Block				Accumulated Depreciation					Net Block		
		March 31, 2016	Additions	Disposals	Other Adjustments	March 31, 2017	March 31, 2016	Depreciation for the year	On disposals	Other Adjustments (write off)	March 31, 2017	March 31, 2016	March 31, 2017
		BRL	BRL	BRL	BRL	BRL	BRL	BRL	BRL	BRL	BRL	BRL	
Tangible Assets													
Land	-	560	-	-	-	560	-	-	-	-	-	560	560
Facilities	10%	3.283	-	-	-	3.283	(3.245)	(5)	-	(6)	(3.256)	38	27
Machinery and equipment	10%	60.967	82	(445)	611	61.215	(37.468)	(2.320)	397	3	(39.388)	23.499	21.827
Furniture and Fixtures	10%	537	-	-	1	538	(458)	(22)	-	-	(480)	79	58
Vehicles	20%	51	-	-	-	51	(7)	(16)	-	-	(23)	44	28
IT Equipments	10%	913	-	(125)	58	846	(846)	(86)	125	-	(807)	67	39
Leasehold improvements	10%	315	-	-	-	315	(308)	(2)	-	-	(310)	7	5
Capital Work In Progress	-	2.691	2.159	-	(714)	4.136	-	-	-	-	-	2.691	4.136
Total		69.317	2.241	(570)	(44)	70.944	(42.332)	(2.451)	522	(3)	(44.264)	26.985	26.680
Intangible Assets													
Brands /trademarks	4%	960	-	-	-	960	(359)	(48)	-	3	(404)	601	556
Computer Software	20%	598	-	-	44	642	(544)	-	-	-	(544)	54	98
Intangibles	20%	285	-	-	-	285	(285)	-	-	-	(285)	-	-
Total		1.843	-	-	44	1.887	(1.188)	(48)	-	3	(1.233)	655	654
Total		71.160	2.241	(570)	-	72.831	(43.520)	(2.499)	522	-	(45.497)	27.640	27.334

Depreciation in the value of R\$ 2,423 (R\$ 2,354 in 2016) was substantially allocated to costs of goods sold.

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10. Impairment test - fixed assets

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

	31/03/2017	31/03/2016
i. Provision for loss on realization of assets	5,932	6,875
	<u>5,932</u>	<u>6,875</u>

11. Trade accounts payable

	31/03/2017	31/03/2016
Trade accounts payable - domestic	8,693	7,931
Trade accounts payable - foreign	492	1,182
	<u>9,185</u>	<u>9,113</u>

11.1. Trade accounts payable aging

	31/03/2017	31/03/2016
Domestic		
Falling due	6,689	6,444
Overdue 01-30 days	1,319	1,014
Overdue 31-60 days	464	253
Overdue 61-90 days	71	160
Overdue for more than 90 days	150	60
	<u>8,693</u>	<u>7,931</u>

	31/03/2017	31/03/2016
Foreign		
Falling due	49	188
Overdue 01-30 days	18	307
Overdue 31-60 days	106	13
Overdue 61-90 days	10	445
Overdue for more than 90 days	309	229
	<u>492</u>	<u>1,182</u>

12. Loans and financing

Bank	Type	Interest rate	31/03/2017	31/03/2016
Banco do Brasil (a)	Working Capital	11,76% p.y	-	334
Safra (b)	4131 Operation	6,60% p.y	16,699	19.861
			<u>16,699</u>	<u>20,194</u>
	Current		12,158	8,082
	Noncurrent		4,541	12,112
			<u>16,699</u>	<u>20,194</u>

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 - Operation 4131 - maturing date in May 2018 guaranteed by Letter of Credit from State Bank of India.

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13. Intercompany loans

	31/03/2017	31/03/2016
Pricol España - KUSD 790	-	2,812
Pricol España - interest	599	637
	<u>599</u>	<u>3,449</u>

Intercompany loans are due in August 2016, adjusted based on exchange variation, plus interest of 9% per year. The pending amount on March 31st, 2017 refers only the interest that has not been settled yet.

14. Salary and social charges payable

	31/03/2017	31/03/2016
Vacations and 13 ^o salary	2,752	2,587
Provision for bonuses (a)	842	84
INSS	1,359	401
INSS Installment	8	32
FGTS	397	102
Other	7	49
	<u>5,365</u>	<u>3,255</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

	31/03/2017	31/03/2016
ICMS - VAT tax	957	193
ICMS Installments (b)	3,200	1,450
Withholding taxes	429	152
Withholding tax installments	19	92
COFINS	484	76
COFINS Installments	252	535
PIS	47	24
PIS Installments	108	115
Municipal Tax	7	6
Special Installment Program (a)	3,442	3,771
INSS installment	-	7
IPI	89	17
	<u>9,034</u>	<u>6,438</u>
Current	4,283	1,942
Noncurrent	4,751	4,496
	<u>9,034</u>	<u>6,438</u>

(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, 2017, there were 73 installments to be paid, which are up to date in a 1% p.m. rate.

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

	R\$
2017	331
2018	443
2019	499
From 2020	2,169
	<u>3,442</u>

(b) The Company joined the SEFAZ (Finance Department of the State of São Paulo) installment program of payments and it decided does not pay the ICMS taxes of some months. Below is demonstrated the position installment program as of March 31st, 2017.

Period	Interest rate	period	Original amount	Balanc e	Payed installments	Remai ning installments	Due date
Aug and Sep 2016	1,2% p.m	24 months	875	834	1	23	Nov/18
Oct 2016	1,2% p.m	36 months	558	519	2	34	Oct/18
May, June and July 2015	1,71% p.m	60 months	1,038	728	16	44	Oct/20
Nov and Dec 2016 and Jan 2017	1% p.m	12 months	1,176	1,119	1	11	Nov/17
			<u>3,647</u>	<u>3,200</u>			

16. Other accounts payable

	31/03/2017	31/03/2016
Provision for bonus	59	59
Provision for energy	233	193
Provision for guarantee	475	475
Severance pay	4,662	4,322
Advances from customers	1,792	315
Provision for IT services	-	293
Other	(7)	42
	<u>7,214</u>	<u>5,699</u>
Current	3,165	1,808
Noncurrent	4,049	3,891
	<u>7,214</u>	<u>5,699</u>

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).

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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, 2017 and 2016, the amounts recorded, which the management considers sufficient to face future losses were the following:

	31/03/2017	31/03/2016
PIS and COFINS - debt forgiveness	708	708
Labor-related proceedings	1,474	1,234
	<u>2,182</u>	<u>1,942</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

	Number of Shares	%
Pricol España	99,590,804	99,99
Jorge Carlos Bahia	1	0,01
	<u>99,590,805</u>	<u>100%</u>

During the year of 2017, Pricol España, Sociedad Limitada increase its paid-in capital in the amount of R\$ 18.837 (R\$ 13.972 in 2016), increasing the capital of Pricol do Brasil to R\$ 99.591.

19. Net operating revenues

	31/03/2017	31/03/2016
Domestic Sales	76,360	64,880
Export sales	6,031	20,279
Sales deductions:		
Sales tax	(18,534)	(15,176)
Returns	(917)	(923)
	<u>62,940</u>	<u>69,060</u>

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20. Cost of products sold

	<u>31/03/2017</u>	<u>31/03/2016</u>
Material	(34,987)	(33,572)
Salary and Fringe Benefits	(22,837)	(19,703)
Profit Share	-	61
Depreciation and amortization	(2,423)	(2,354)
Power Energy	(1,924)	(2,224)
Maintenance	(1,724)	(1,728)
Rent	(2,095)	(1,651)
Tools and Device	(1,755)	(1,238)
Scrap	(2,249)	(1,073)
Clean	(958)	(1,010)
Severance	(67)	(831)
Gas	(761)	(539)
Freight	(235)	(461)
Outsourcing services	(486)	(344)
Rent equipment	(165)	(342)
Oil/ lubricant's	(274)	(258)
Security	(229)	(236)
Municipal Taxes	(249)	(210)
Import expenses	(25)	(153)
Insurance	(126)	(137)
Telephone	(103)	(60)
Water	(88)	(47)
Travel	(137)	(46)
Delivery Services	(14)	(17)
Taxes	(25)	(11)
Export expenses	-	(9)
Inventory adjustments	-	21
Other	155	117
Cost recuperation	369	-
	<u>(73,412)</u>	<u>(68,055)</u>

21. Administrative expenses

	<u>31/03/2017</u>	<u>31/03/2016</u>
Salary and expenses	(3,458)	(5,572)
Benefits	(602)	(945)
Maintenance and occupation	(310)	(1,573)
Rendered services	(2,597)	(1,390)
Warranty expenses	(1,078)	(36)
Depreciation and amortization	(76)	(217)
Projects development expenses	(429)	-
Other	(582)	(614)
	<u>(9,132)</u>	<u>(10,347)</u>

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22. Financial income (expense), net

	31/03/2017	31/03/2016
Exchange loss	(3,396)	(7,696)
Exchange gain	4,911	6,050
Adjustment at present value	(91)	957
Financial income	-	214
Financial expenses	(3,811)	(4,297)
	<u>(2,387)</u>	<u>(4,772)</u>

23. Other operating revenues (expenses)

	31/03/2017	31/03/2016
Severance claim	(1,414)	(7,019)
Impairment Adjustment	945	(731)
Provision for obsolete Asset	-	129
Provision for obsolete Inventories	(225)	-
Tax provision	-	(708)
Statutory Expenses	-	(750)
Sell of fixed asset residual	124	(1,141)
Tax credit	66	-
Other	454	189
	<u>(50)</u>	<u>(10,031)</u>

24. 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:

Statement of calculations - expenses	31/03/2017	31/03/2016
Pretax income (loss) for the period	(22,224)	(24,362)
Total add-backs	6,151	6,064
Total deductions	(5,055)	(5,650)
Calculation base	(21,128)	(23,948)
Use of tax credits	-	-
Calculation base	<u>(21,128)</u>	<u>(23,948)</u>
Income tax - 15%	-	-
Income tax additional - 10%	-	-
Social contribution - 9%	-	-
Tax incentives	-	-
Current taxes	-	-
Temporary difference, tax accounting depreciation adjust (=) Basis for deferred income tax and deferred social contribution	8,791	8,253
Deferred income tax and social contribution - 34%	(183)	(217)
Deferred Tax Liability	<u>2,989</u>	<u>2,806</u>

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25. 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, 2017 and 2016, the Company had the following assets and liabilities in foreign currency:

	March 31, 2017				March 31, 2016			
	R\$	US\$	GBP\$	EUR\$	R\$	US\$	GBP\$	EUR\$
ASSETS								
Accounts receivable	642	201	1	-	3,540	695	187	-
Advance to suppliers	571	162	-	17	1,104	262	3	-
Subtotal assets	1,213	363	1	17	4,644	957	190	-
LIABILITIES								
Suppliers	504	130	-	88	1,182	166	5	126
Intercompany loan	586	189	-	-	3,449	969	-	-
Subtotal liabilities	1,090	319	-	88	4,631	1,135	5	126
Net exposure	123	44	1	(71)	13	(178)	185	(126)

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% p.y. The interest of this loan is subject to a swap transaction converted it to 82.50% of CDI.

26. 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.