# Financial Statements

## Sipcam Nichino Brasil S.A.

December 31, 2015
with Independent Auditor's Report

**Sipcam Nichino Brasil S.A.**

Financial statements

December 31, 2015

Contents

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**A free translation from Portuguese into English of Independent Auditor's Report on Financial Statements prepared in Brazilian currency in accordance with accounting practices adopted in Brazil**

# Independent auditor's report on financial statements

The Shareholders, Board of Directors and Officers
**Sipcam Nichino Brasil S.A.**

We have audited the accompanying financial statements of Sipcam Nichino Brasil S.A. (Company), which comprise the balance sheet as at December 31, 2015 and the related statements of operations, of comprehensive income (loss), of changes in equity and of cash flow for the year then ended, and a summary of significant accounting practices and other explanatory information.

## Management's responsibility for the financial statements

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

## Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Brazilian and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether these 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 preparation and fair presentation of the Company's financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting practices used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sipcam Nichino Brasil S.A as at December 31, 2015, and its financial performance and its cash flows for the year then ended in accordance with accounting practices adopted in Brazil.

São Paulo (SP), April 20, 2016.

ERNST & YOUNG
Auditores Independentes
CRC-2SP015199/O-6

Fernando Próspero Neto
Accountant CRC-1SP189791/O-0

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# Sipcam Nichino Brasil S.A.

Balance sheets
December 31, 2015 and 2014
(In thousands of reais)

| | Note | 2015 | 2014 |
|---|---|---|---|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 3 | **66,928** | 70,637 |
| Short-term investments | 3 | **3,970** | 1,419 |
| Trade accounts receivable | 4 | **188,615** | 177,722 |
| Accounts receivable - related parties | 21 | **2,572** | - |
| Inventories | 5 | **35,567** | 80,504 |
| Taxes recoverable | 6 | **-** | 242 |
| Derivative financial instruments | 15 | **2,635** | 10,578 |
| Other accounts receivable | | **700** | 1,620 |
| Total current assets | | **300,987** | 342,722 |
| Noncurrent assets | | | |
| Trade accounts receivable | 4 | **6,857** | 4,396 |
| Taxes recoverable | 6 | **56,291** | 47,245 |
| Assets available for sale | 7 | **738** | 4,052 |
| Deferred income and social contribution taxes | 8 | **32,975** | 38,926 |
| Judicial deposits | 13 | **978** | 943 |
| Other accounts receivable - related parties | 21 | **137** | - |
| | | **97,976** | 95,562 |
| Investments | | **15** | 15 |
| Property, plant and equipment | 9 | **32,216** | 34,152 |
| Intangible assets | 10 | **24,001** | 21,933 |
| Deferred charges | 11 | **1,076** | 1,664 |
| Total noncurrent assets | | **155,284** | 153,326 |
| Total assets | | **456,271** | 496,048 |

| | Note | 2015 | 2014 |
|---|---|---|---|
| Liabilities and equity | | | |
| Current liabilities | | | |
| Loans and financing | 12 | **60,744** | 119,542 |
| Debentures | 12 | **2,324** | 63,919 |
| Trade accounts payable - domestic | | **17,900** | 32,778 |
| Trade accounts payable - foreign - third parties | | **69,068** | 104,779 |
| Trade accounts payable - foreign - related parties | 21 | **51,678** | 64,496 |
| Salaries and social charges | | **3,065** | 2,761 |
| Taxes payable | | **1,122** | 1,117 |
| Derivative financial instruments | 15 | **242** | - |
| Other liabilities | | **3,377** | 2,900 |
| Total current liabilities | | **209,520** | 392,292 |
| | | | |
| Noncurrent liabilities | | | |
| Loans and financing | 12 | **4,730** | 9,460 |
| Loans from related parties | 21 | **62,571** | - |
| Debentures | 12 | **59,210** | - |
| Provision for contingencies | 13 | **913** | 850 |
| Total noncurrent liabilities | | **127,424** | 10,310 |
| | | | |
| Equity | | | |
| Capital | 14 | **223,897** | 145,124 |
| Accumulated losses | | **(104,570)** | (51,678) |
| Total equity | | **119,327** | 93,446 |
| | | | |
| Total liabilities and equity | | **456,271** | 496,048 |

See accompanying notes.

# Sipcam Nichino Brasil S.A.

Statements of operations
Years ended December 31, 2015 and 2014
(In thousands of reais, unless otherwise stated)

| | Note | 2015 | 2014 |
|---|---|---|---|
| Net revenue | 2.1 | **262,699** | 323,388 |
| Cost of goods sold and services rendered | 16 | **(205,695)** | (266,492) |
| Gross profit | | **57,004** | 56,896 |
| Operating expenses | | | |
| Selling expenses | 17 a | **(14,930)** | (15,260) |
| General and administrative expenses | 17 a | **(12,874)** | (13,267) |
| Other operating expenses, net | 17 b | **(6,963)** | (2,583) |
| | | **(34,767)** | (31,110) |
| Income before financial income and expenses and income and social contribution taxes | | **22,237** | 25,786 |
| Financial expenses | 18 | **(200,514)** | (84,052) |
| Financial income | 18 | **131,334** | 41,362 |
| | | **(69,180)** | (42,690) |
| Loss before income and social contribution taxes | | **(46,943)** | (16,904) |
| Income and social contribution taxes | | | |
| Deferred | 8 | **(5,949)** | 4,914 |
| | | **(5,949)** | 4,914 |
| Loss for the year | | **(52,892)** | (11,990) |
| Number of shares | | **2,471,492,952** | 1,601,955,558 |
| Loss per thousand shares - in reais | | **(21.40)** | (7.48) |

See accompanying notes.

## Sipcam Nichino Brasil S.A.

Statements of comprehensive income (loss)
Years ended December 31, 2015 and 2014
(In thousands of reais)

| | 2015 | 2014 |
|---|---|---|
| Loss for the year | **(52,892)** | (11,990) |
| Other comprehensive income (loss) | **-** | - |
| Comprehensive income (loss) | **(52,892)** | (11,990) |

See accompanying notes.

## Sipcam Nichino Brasil S.A.

Statements of changes in equity
Years ended December 31, 2015 and 2014
(In thousands of reais)

| | Capital | Accumulated losses | Total |
|---|---|---|---|
| Balances at December 31, 2013 | 145,124 | (39,688) | 105,436 |
| Loss for the year | - | (11,990) | (11,990) |
| Balances at December 31, 2014 | **145,124** | **(51,678)** | **93,446** |
| Capital payment (Note 14) | **78,773** | **-** | **78,773** |
| Loss for the year | **-** | **(52,892)** | **(52,892)** |
| Balances at December 31, 2015 | **223,897** | **(104,570)** | **119,327** |

See accompanying notes.

## Sipcam Nichino Brasil S.A.

Cash flow statements
Years ended December 31, 2015 and 2014
(In thousands of reais)

| | 2015 | 2014 |
|---|---|---|
| Operating activities | | |
| Loss before income and social contribution taxes | **(46,943)** | (16,904) |
| Expenses/(income) that do not affect cash and cash equivalents | | |
| Proceeds from sale / write-off of tangible and intangible assets | **395** | - |
| Allowance for doubtful accounts | **2,500** | 2,880 |
| Provision for inventory obsolescence and realization | **1,689** | 19 |
| Depreciation and amortization | **4,652** | 4,382 |
| Provision for losses on derivative financial instruments | **242** | - |
| Provision for legal proceedings | **505** | 643 |
| Accrued interest payable on debentures | **9,197** | 10,761 |
| Decrease/(increase) in operating assets | | |
| Trade accounts receivable | **(18,425)** | (25,297) |
| Inventories | **43,249** | (26,484) |
| Taxes recoverable | **(8,804)** | (3,279) |
| Assets available for sale | **3,314** | (39) |
| Other accounts receivable - related parties | **(137)** | - |
| Derivative financial instruments | **7,943** | (8,133) |
| Other accounts receivable | **1,016** | (513) |
| Increase/(decrease) in operating liabilities | | |
| Trade accounts payable - domestic | **(14,877)** | 17,729 |
| Trade accounts payable - foreign | **(48,530)** | 35,399 |
| Salaries and social charges | **303** | (2,052) |
| Taxes paid | **5** | (215) |
| Cash used in operating activities | **(62,706)** | (11,103) |
| Investing activities | | |
| Acquisition of property, plant and equipment and intangible assets | **(4,688)** | (6,551) |
| Short-term investments | **(2,551)** | 997 |
| Cash used in investing activities | **(7,239)** | (5,554) |
| Financing activities | | |
| Capital increase | **78,773** | - |
| Loans and financing taken out | **189,075** | 135,641 |
| Loans from related parties | **62,571** | - |
| Debentures raised | **60,000** | - |
| Debenture raising costs | **750** | 502 |
| Payment of debentures | **(72,331)** | (17,859) |
| Repayment of loans and financing | **(252,601)** | (67,711) |
| Cash from financing activities | **66,237** | 50,573 |
| Net increase (decrease) in cash and cash equivalents | **(3,708)** | 33,916 |
| Cash and cash equivalents at beginning of year | **70,637** | 36,721 |
| Cash and cash equivalents at end of year | **66,928** | 70,637 |
| Net increase (decrease) in cash and cash equivalents | **(3,708)** | 33,916 |

See accompanying notes.

## 1. Operations

Sipcam Nichino Brasil S.A., hereinafter referred to as “Company” or “Sipcam-Nichino”, is mainly engaged in the production, formulation, repackaging, import, export, sale and distribution of agrochemicals, e.g. herbicides, insecticides, acaricides, fungicides, fertilizers, plant nutrition products and chemicals for agriculture in general.

## 2. Presentation of the financial statements and summary of significant accounting practices

The Company’s financial statements for the years ended December 31, 2015 and 2014 were prepared in accordance with accounting practices adopted in Brazil, including the pronouncements, guidance and interpretations issued by the Brazilian Financial Accounting Standards Board (CPC).

The Company’s financial statements were prepared based on different measurement bases used to prepare accounting estimates. The accounting estimates involved in the preparation of the financial statements considered objective and subjective factors, based on management judgment to determine the appropriate value to be recorded in the financial statements. Significant items subject to these estimates and assumptions include selection of the useful lives and recoverability of property, plant and equipment items, measurement of financial assets at fair value, credit risk analysis in determining the allowance for doubtful accounts as well as analysis of other risks in determining other provisions, including the provision for contingencies.

The settlement of transactions involving these estimates may result in amounts significantly different from those recorded in the financial statements due to uncertainties inherent in the estimation process.

The Company reviews its estimates and assumptions at least on an annual basis. See Note 2.12 for further details on estimates.

The financial statements were prepared based on the historical cost convention, except when otherwise stated, as described in the summary of significant accounting practices. Historical cost is generally based on fair value of consideration paid in exchange for the assets.

(In thousands of reais, unless otherwise stated)

# 2. Presentation of the financial statements and summary of significant accounting practices (Continued)

## 2.1. Determination of profit and loss

Revenues and expenses are stated on the accrual basis of accounting. Revenue from sales is recognized net, i.e., less sales taxes and discounts, which are stated as a reduction thereof, as follows:

| | 2015 | 2014 |
|---|---|---|
| Gross revenue from sales of goods | **289,447** | 332,885 |
| Gross revenue from sales of services | **11,533** | 15,175 |
| Gross revenue | **300,980** | 348,060 |
| Taxes on sales | **(7,306)** | (10,703) |
| Sales returns | **(30,975)** | (13,969) |
| Taxes on sales and sales returns | **(38,281)** | (24,672) |
| Net revenue | **262,699** | 323,388 |

Revenue from sales is recognized in P&L when they can be reliably measured, all risks and rewards of ownership of the products are transferred to the buyer, the Company no longer holds control over or responsibility for the goods sold, and economic benefits are likely to flow to the Company. Revenue is not recognized if there is a significant uncertainty as to its realization. Interest income and expenses are recognized under the effective interest rate method under financial income/ expenses.

## 2.2. Foreign currency transactions

Foreign currency-denominated monetary assets and liabilities are translated into the functional currency (Real) at the exchange rate prevailing at the corresponding balance sheet date. Gains and losses resulting from restatement of these assets and liabilities between the exchange rate prevailing at the date of the transaction and the reporting period closing dates are recognized as financial income or expenses under P&L.

## 2. Presentation of the financial statements and summary of significant accounting practices (Continued)

### 2.3. Cash and cash equivalents

Cash and cash equivalents are held to meet short-term cash commitments rather than for investment or any other purposes. The Company considers cash equivalents to be short-term investments that are readily convertible into a known amount of cash and subject to an insignificant risk of change in value. Accordingly, an investment normally qualifies as cash equivalent when falling due in the short term, i.e. within three months or less as from the investment date.

### 2.4. Trade accounts receivable

These are stated at realizable values. An allowance for doubtful accounts was set up at an amount considered sufficient by management to cover doubtful receivables.

### 2.5. Inventories

These are valued at average acquisition or production cost, not to exceed their market value. Provisions for slow-moving or obsolete inventories are set up when deemed necessary by management (Note 5).

### 2.6. Property, plant and equipment

These items are recorded at cost of acquisition. Depreciation is calculated by the straight-line method at the rates mentioned in Note 9, which consider the estimated economic useful lives of the assets.

A property, plant and equipment item is derecognized when disposed of or when no future economic benefits are expected from its use or disposal. Any gain or loss resulting from asset write-off (calculated as the difference between net sales value and book value of the asset) is recognized in P&L for the year in which the asset is written off.

The net book value and useful lives of assets and depreciation methods are reviewed every year, and adjusted prospectively, where applicable.

## 2. Presentation of the financial statements and summary of significant accounting practices (Continued)

### 2.7. Intangible assets

Intangible assets acquired separately are initially recognized at cost of acquisition, with subsequent deduction of accumulated amortization and impairment, when applicable.

Intangible assets generated internally, net of capitalized amounts of product development expenses, are recognized in P&L in the year they arise. Intangible assets with finite useful lives are amortized based on their estimated economic useful life, and are submitted to impairment testing whenever there is any indication of loss in the recoverable amount.

### 2.8. Provision for impairment of non-financial assets

Management annually reviews the net book value of assets so as to assess events or changes in economic, operating or technological circumstances which may indicate deterioration or impairment. When such evidence is identified and the asset’s net book value exceeds its recoverable amount, a provision for impairment is set up, adjusting the net book value to the recoverable amount.

The recoverable amount of an asset or a cash-generating unit is the higher of its value in use and its net sales value.

In estimating the asset’s value in use, estimated future cash flows are discounted to present value, using a pre-tax discount rate that reflects the weighted average cost of capital for the industry in which the cash generating unit operates. Net sales value is determined, where possible, based on firm sales agreements in a transaction carried out on an arm’s length basis among knowledgeable and willing parties, adjusted by expenses attributable to the sale of the asset or, when there is no firm sales agreement, based on the market price in an active market or at the most recent transaction price with similar assets.

(In thousands of reais, unless otherwise stated)

## 2. Presentation of the financial statements and summary of significant accounting practices (Continued)

### 2.9. Other assets and liabilities

An asset is recognized in the balance sheet when its future economic benefits are likely to flow to the Company, and its cost or value can be reliably measured.

A liability is recognized in the balance sheet when the Company has a legal or constructive obligation as a result of a past event, the settlement of which is likely to generate an outflow of economic benefits.

### 2.10. Taxation

Revenues from sales of goods and services are subject to the following taxes and contributions at the following statutory rates:

| | | |
|---|---|---|
| State Value Added Tax | ICMS | Between 4% and 18% |
| Federal Value Added Tax | IPI | |
| Contribution Tax on Gross Revenue for Social Security Financing | COFINS | |
| Contribution Tax on Gross Revenue for Social Integration Program | PIS | |

Pursuant to Decree No. 3777, dated March 23, 2001, amended by Decree No. 6006, of December 28, 2006, sales of agrochemicals are subject to IPI reduced to 0%.

The Company has been granted a 60% reduction in the ICMS base, as established by Agreement No. 100/97 and amended and extended by ICMS Agreement No. 107/2015 up to May 30, 2017. Some of its goods in accordance with Brazil’s federal Senate Resolution 13 dated 2013 are taxed at the rate of 4%.

PIS and COFINS rates were reduced to 0%, pursuant to Law No. 10925/2004, and ratified by Decree No. 5630/2005.

## 2. Presentation of the financial statements and summary of significant accounting practices (Continued)

### 2.10. Taxation (Continued)

Current income and social contribution taxes

Income taxes comprise both income and social contribution taxes. Income tax is calculated at a rate of 15%, plus a surtax of 10% on taxable profit exceeding R$240 over 12 months, whereas social contribution tax is computed at a rate of 9% on taxable profit, both recognized on an accrual basis; therefore, additions to book income of temporarily non-deductible expenses or exclusions of temporarily non-taxable income upon determination of current taxable profit generate deferred tax assets or liabilities. Prepaid or recoverable taxes are recorded under current and noncurrent assets, based on their estimated realization.

Deferred income and social contribution taxes

Deferred taxes (assets or liabilities) are calculated on income and social contribution tax loss carryforwards and temporary differences at the balance sheet date between the tax bases and their book value.

Deferred tax assets are recognized for all unused deductible tax losses, credits, or differences to the extent that taxable profit is likely to be available so that deductible temporary differences may be realized, and unused tax credits and losses may be used.

The book value of deferred tax assets is reviewed at each balance sheet date and written off when it is no longer probable that taxable profit will be generated to allow for all or part of the deferred tax asset to be used. Deferred tax assets written off are reviewed at each balance sheet date, and are recognized to the extent that future taxable profits are likely to allow such tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rate expected to be applied in the year when the asset is realized or the liability is settled, at tax rates (and based on tax law) in effect at the balance sheet date.

Deferred tax assets and liabilities are stated net whenever there is a legal or constructive right to offset the deferred tax asset against the deferred tax liability and whenever deferred taxes concern the same taxed entity and are subject to the same tax authority.

## 2. Presentation of the financial statements and summary of significant accounting practices (Continued)

### 2.11. Other employee benefits

The benefits granted to the Company's employees and officers include, besides their fixed compensation (salaries and social security contributions (INSS), vacation pay and 13th monthly salary), a variable compensation, such as profit sharing and bonus payments. These benefits are recognized in P&L under "Selling Expenses and General and Administrative Expenses", as incurred.

### 2.12. Significant accounting judgment, estimates and assumptions

Judgments

Preparation of the financial statements by the Company requires management to make professional judgments, estimates and to adopt assumptions that affect the revenues, expenses, assets and liabilities presented, as well as the disclosure of contingent liabilities at the financial statements date.  Uncertainties related to these assumptions and estimates may require a significant adjustment to the book value of the affected asset or liability in future periods.

Accounting estimates and assumptions

Key assumptions concerning sources of uncertainty in future estimates and other significant sources of uncertainty in estimates at the balance sheet date, involving material risk of a significant adjustment in the carrying amount of assets and liabilities for the following financial year, are discussed below.

*Impairment of non-financial assets*

Impairment loss exists when the net book value of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of fair value less cost to sell and value in use. Estimated fair value less cost to sell is based on information available regarding sales transactions of similar assets or market prices less additional costs for the disposal of the asset.

Management annually tests the net book value of the assets with a view to determining whether there are any events or changes in economic, operating, or technological circumstances that may indicate deterioration or impairment loss.

## 2. Presentation of the financial statements and summary of significant accounting practices (Continued)

### 2.12. Significant accounting judgment, estimates and assumptions (Continued)

Accounting estimates and assumptions (Continued)

*Impairment of non-financial assets* (Continued)

Whenever such indications are identified and the net book value exceeds the recoverable amount, a provision for impairment is set up, adjusting the net book value to the recoverable amount.

*Taxes*

There are uncertainties related to the interpretation of complex tax regulations and to the amount and timing of future taxable income. Given the broad aspect of international business relationships, as well as the long-term nature and complexity of existing contractual arrangements, differences between actual results and assumptions adopted, or future changes to these assumptions could require future adjustments to previously recorded revenue and expenses from taxes. The Company set up provisions based on reasonable estimates for possible outcomes of audits conducted by tax authorities of the jurisdictions in which it operates. The provision amounts are based on various factors, such as experience with prior audits and diverging interpretations of tax legislation by the taxpayer and the appropriate tax authority. Such diverging interpretations could arise from a wide range of issues, depending on the conditions prevailing in the jurisdiction where the Company operates.

Significant judgment by management is required to determine the amount of recognizable deferred tax assets based on the probable term and level of future taxable profits, along with future tax planning strategies.

The Company recognizes a provision for civil and labor lawsuits. Assessment of the likelihood of loss includes an evaluation of available evidence, hierarchy of laws, available case law, most recent court rulings and their relevance in the legal system, as well as the opinion of outside legal advisors. Provisions are reviewed and adjusted considering changes in circumstances, such as applicable statute of limitations, tax audit conclusions, or additional exposures identified based on new matters or court decisions.

## 2. Presentation of the financial statements and summary of significant accounting practices (Continued)

### 2.12. Significant accounting judgment, estimates and assumptions (Continued)

Accounting estimates and assumptions (Continued)

*Taxes* (Continued)

The settlement of transactions involving these estimates may result in amounts significantly different from those recorded in the financial statements due to uncertainties inherent in the estimate process. The Company reviews its estimates and assumptions at least on an annual basis.

### 2.13. Cash flow statements

Cash flow statements were prepared under the indirect method and are presented in accordance with Accounting Pronouncement CPC 03 (R2) – Statement of Cash Flows, issued by the Brazilian Financial Accounting Standards Board (CPC).

### 2.14. Financial instruments

a) Initial recognition and measurement

The Company's financial instruments are represented by cash and cash equivalents, trade accounts receivable, trade accounts payable, derivative financial instruments, loans and financing.

Financial instruments are initially recognized at their fair value plus costs directly attributable to their acquisition or issue, except for financial instruments at fair value through profit or loss, which costs are recorded in P&L for the period.

Major financial assets recognized by the Company are cash and cash equivalents, trade accounts receivable and derivative financial instruments.

Major financial liabilities recognized by the Company are trade accounts payable, loans and financing and derivative financial instruments.

## 2. Presentation of the financial statements and summary of significant accounting practices (Continued)

### 2.14. Financial instruments (Continued)

b) Subsequent measurement

Measurement of financial liabilities depends on their classification, as follows:

*Financial liabilities at fair value through profit or loss:* These include financial liabilities held for trading and financial liabilities initially stated at fair value through profit or loss.

Financial liabilities are classified as held for trading when they are acquired to be sold in the near future.  This category includes derivative financial instruments acquired by the Company which do not meet the hedge accounting criteria as defined by CPC 38 (IAS 39). Derivatives, including embedded derivatives not related to the host agreement and which must be separate, are also classified as held for trading, unless these are designated as effective hedging instruments.

Gains and losses on liabilities held for trading are recognized in the statement of operations.

*Loans and financing:* These are recognized on an accrual basis and interest thereon is calculated according to the contractual rate, with no significant difference in relation to the effective rate.

(In thousands of reais, unless otherwise stated)

## 2. Presentation of the financial statements and summary of significant accounting practices (Continued)

### 2.15. New or amended standards and interpretations not yet effective

| Standard | Description | Effective date |
|---|---|---|
| IFRS 9 - Financial Instruments | Refers to the first phase of the project to replace IAS 39 - Financial Instruments: Recognition and Measurement. | Effective for annual periods beginning on or after January 1, 2018. |
| IFRS 15 - Revenue from Contracts with Customers | The result of a convergence project between IASB (“International Accounting Standards Board”) and FASB (“Financial Accounting Standards Board”) on revenue recognition from contracts with customers. | Effective for annual periods beginning on or after January 1, 2018. |
| IFRS 16 - Leases | Refers to the definition and guidance on leases in IAS 17 | Effective for annual periods beginning on or after January 1, 2019. |

Company management awaits the issuance of the standards described above in Brazil, by the CPC, to analyze possible impacts on its financial statements.

## 3. Cash and cash equivalents and short-term investments

| | **2015** | **2014** |
|---|---|---|
| Cash and banks | **2,134** | 4,965 |
| Short-term investments | **64,771** | 64,880 |
| Restricted accounts | **24** | 792 |
| Total cash and cash equivalents | **66,928** | 70,637 |
| | | |
| Short-term investments | **3,970** | 1,419 |

| **Type of short-term investments** | **Average yield rate** | **2015** | **2014** |
|---|---|---|---|
| Bank Deposit Certificate (CDB) - Floating | 99.5% of Interbank Deposit Certificate (CDI) | **64,771** | 64,880 |
| CDB - Floating | 93.5% of CDI | **3,970** | 1,419 |
| | | **68,741** | 66,299 |

(In thousands of reais, unless otherwise stated)

## 3. Cash and cash equivalents and short-term investments (Continued)

### 3.1. Short-term investments classified as cash and cash equivalents

These refer to bank deposit certificates and investment funds, which reflect the usual market conditions, whose maturity at the balance sheet date is within 90 days. These have immediate liquidity and no risk of significant changes due to interest rate fluctuation, bearing interest ranging from 98% to 101.25% of CDI in 2015 (95% to 99.5% of CDI in 2014) and measured at fair value in contra account of P&L.

### 3.2. Other short-term investments

These refer to the bank deposit certificates and investment funds, which reflect the usual market conditions at the balance sheet dates, bearing interest ranging from 93.5% to 99.5% of CDI in 2015 (99.00% of CDI in 2014), and measured at fair value. At December 31, 2015 and 2014, short-term investments have been given in guarantee of loans. Loans linked to these short-term investments are working capital loans.

## 4. Trade accounts receivable

| | **2015** | **2014** |
|---|---|---|
| Trade notes receivable | | |
| Third parties | **195,472** | 182,118 |
| Current | **188,615** | 177,722 |
| Noncurrent | **6,857** | 4,396 |

Trade accounts receivable are net of the allowance for doubtful accounts.
At December 31, 2015, trade notes receivable had also been offered as guarantee for loans, financing and debentures, in the amount of R$36,889 (R$95,280 at December 31, 2014).

Allowance for doubtful accounts

Changes in the allowance for doubtful accounts are as follows:

| | **2014** | **Additions** | **2015** |
|---|---|---|---|
| Allowance for doubtful accounts | 7,985 | 2,500 | **10,485** |
| Less current portion | (7,936) | (2,481) | **(10,417)** |
| Noncurrent assets | 49 | 19 | **68** |

(In thousands of reais, unless otherwise stated)

## 4. Trade accounts receivable (Continued)

Allowance for doubtful accounts (Continued)

Management sets up allowance for doubtful accounts at an amount considered sufficient to cover possible accounts receivable realization risks, considering historical losses and collateral for amounts overdue.

## 5. Inventories

| | 2015 | 2014 |
|---|---|---|
| Finished goods | **16,986** | 36,589 |
| Raw, packaging and supporting materials | **6,286** | 7,791 |
| Imports in transit | **12,295** | 36,124 |
| | **35,567** | 80,504 |

The Company records provisions for 100% of its inventories not moving for more than 360 days, in addition to carrying out an analysis of individual inventory items.

Changes in provisions are demonstrated below:

| | 2014 | Additions | Reversals | 2015 |
|---|---|---|---|---|
| Provision for realization | 60 | 1,584 | (262) | **1,383** |
| Provision for obsolescence | 905 | 395 | (29) | **1,270** |
| | 965 | 1,979 | (291) | **2,653** |

## 6. Taxes recoverable

| | 2015 | 2014 |
|---|---|---|
| ICMS | **18,864** | 17,383 |
| IPI | **11,773** | 10,051 |
| PIS/COFINS | **18,553** | 16,193 |
| Income and social contribution taxes (IRPJ/CSLL) | **6,002** | 2,761 |
| Social Security Funding Tax (FINSOCIAL) | **1,099** | 1,099 |
| | **56,291** | 47,487 |
| Current | **-** | (242) |
| Noncurrent | **56,291** | 47,245 |

The Company intends to realize the ICMS balances recoverable on its transactions, and the other tax credits will be realized through generation of taxable profits and requests for tax refund.

(In thousands of reais, unless otherwise stated)

## 7. Assets available for sale

The group of assets available for sale is measured based on the lowest of book and fair value.

At December 31, 2015, the amount of R$738 (R$4,052 at December 31, 2014) refers to property received in payment for customer debts, which are under negotiation.

## 8. Income and social contribution taxes – current and deferred

Deferred income and social contribution taxes were set up at the effective rates as under:

| | 2015 | 2014 |
|---|---|---|
| Deferred income tax assets on: | | |
| Temporarily non-deductible provisions | **4,078** | 1,099 |
| Income and social contribution tax losses | **44,086** | 35,335 |
| | | |
| Deferred social contribution tax assets on: | | |
| Temporarily non-deductible provisions | **1,468** | 396 |
| Income and social contribution tax losses | **15,185** | 12,035 |
| | **64,817** | 48,865 |
| Less provision for non-realization | **(31,842)** | (9,939) |
| Noncurrent assets | **32,975** | 38,926 |

Major provisions are shown below:

| | 2015 | 2014 |
|---|---|---|
| Allowance for doubtful accounts | **10,485** | 7,985 |
| Provision for customer discounts | **1,000** | 1,482 |
| Audit and advisory services | **446** | 371 |
| Sales commissions | **674** | 1,020 |
| Incineration | **471** | 612 |
| Legal proceedings | **913** | 850 |
| Inventory losses | **2,653** | 964 |
| Profit sharing/bonus payments | **599** | 195 |
| Unrealized derivative gains | **(2,635)** | (10,578) |
| Other | **1,704** | 1,495 |
| | **16,310** | 4,396 |
| Current rate 25% for income tax | **4,078** | 1,099 |
| Current rate 9% for social contribution tax | **1,468** | 396 |
| | **5,546** | **1,495** |

(In thousands of reais, unless otherwise stated)

## 8. Income and social contribution taxes – current and deferred (Continued)

Based on future taxable profit generation, determined in a technical study approved by the Board of Directors, the Company recognized tax credits on temporary differences and tax losses. The book value and the realization of tax credits are annually reviewed by the Company.

Based on this technical study of future taxable profit generation, the Company expects to recover these tax credits in the next 10 years.

The estimated recoverability of tax credits was based on taxable profit forecasts, taking into consideration several financial and business assumptions at the year ended December 31, 2015. Consequently, these estimates may not materialize in the future considering the uncertainties inherent in such forecasts.

Reconciliation of income and social contribution tax expenses

Reconciliation between the tax expenses calculated at the combined statutory rate and at effective rates as shown in the statement of operations is as follows:

| | **2015** | **2014** |
|---|---|---|
| Pretax loss | **(46,943)** | (16,904) |
| Tax expenses at combined statutory rate of 34% | **15,960** | 5,747 |
| | | |
| Effective rate adjustments: | | |
| Limit on deferred tax assets | **(21,903)** | - |
| Permanent differences | **(7)** | (833) |
| Net tax expenses per statement of operations | **(5,949)** | 4,914 |
| Effective rate | **13%** | 29% |

The breakdown of accumulated income and social contribution tax losses is as follows:

| | **2015** | **2014** |
|---|---|---|
| Income tax losses | **176,344** | 141,342 |
| Social contribution tax losses | **168,726** | 133,724 |

Income and social contribution taxes losses may be carried indefinitely, however, their offset is limited to 30% of taxable profit each year. In 2015, there was a limit on deferred tax assets recognized, amounting to R$21,903, considering their limited realization prospects over the next 5 years.

(Valores expressos em milhares de reais, exceto quando indicado de outra forma)

## 9. Property, plant and equipment

| | 2015 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **Land** | **Buildings and improvements** | **Machinery** | **Tools, presses and molds** | **Facilities** | **Furniture and fixtures** | **Vehicles** | **Hardware** | **Construction in progress** | **Total** |
| Cost of acquisition | | | | | | | | | | |
| Balance at beginning of period | **1,375** | **17,151** | **25,498** | **128** | **15,184** | **4,163** | **82** | **1,182** | **517** | **65,280** |
| Additions | **-** | **-** | **-** | **-** | **-** | **29** | **-** | **-** | **1,941** | **1,970** |
| Write-offs | **-** | **-** | **(34)** | **(6)** | **(11)** | **(33)** | **-** | **(3)** | **(4)** | **(91)** |
| Transfers | **-** | **52** | **260** | **-** | **1,064** | **80** | **-** | **5** | **(1,560)** | **(100)** |
| Balance at end of period | **1,375** | **17,203** | **25,723** | **122** | **16,237** | **4,239** | **82** | **1,185** | **894** | **67,060** |
| Depreciation | | | | | | | | | | |
| Balance at beginning of period | **-** | **(7,558)** | **(11,303)** | **(70)** | **(8,245)** | **(3,022)** | **(80)** | **(850)** | **-** | **(31,128)** |
| Additions | **-** | **(691)** | **(1,401)** | **(24)** | **(1,337)** | **(261)** | **(2)** | **(80)** | **-** | **(3,796)** |
| Write-offs | **-** | **-** | **31** | **4** | **10** | **33** | **-** | **2** | **-** | **80** |
| Balance at end of period | **-** | **(8,249)** | **(12,672)** | **(89)** | **(9,572)** | **(3,251)** | **(82)** | **(928)** | **-** | **(34,844)** |
| **Net balance** | **1,375** | **8,953** | **13,051** | **33** | **6,665** | **988** | **-** | **257** | **894** | **32,216** |
| Average annual depreciation rates | **-** | **4%** | **10% and 20%** | **10%** | **10% and 20%** | **10% and 20%** | **20%** | **20%** | **-** | |

(Valores expressos em milhares de reais, exceto quando indicado de outra forma)

## 9. Property, plant and equipment (Continued)

| | 2014 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **Land** | **Buildings and improvements** | **Machinery** | **Tools, presses and molds** | **Facilities** | **Furniture and fixtures** | **Vehicles** | **Hardware** | **Construction in progress** | **Total** |
| Cost of acquisition | | | | | | | | | | |
| Balance at beginning of period | 1,375 | 15,897 | 22,902 | 98 | 13,229 | 3,969 | 82 | 1,285 | 2,160 | 60,997 |
| Additions | - | 2 | 1 | - | 12 | 18 | - | - | 4,640 | 4,673 |
| Write-offs | - | - | (191) | (1) | (19) | (54) | - | (124) | (1) | (390) |
| Transfers | - | 1,252 | 2,786 | 31 | 1,962 | 230 | - | 21 | (6,282) | - |
| Balance at end of period | 1,375 | 17,151 | 25,498 | 128 | 15,184 | 4,163 | 82 | 1,182 | 517 | 65,280 |
| Depreciation | | | | | | | | | | |
| Balance at beginning of period | - | (6,869) | (10,175) | (62) | (7,189) | (2,802) | (72) | (884) | - | (28,053) |
| Additions | - | (689) | (1,312) | (9) | (1,078) | (273) | (8) | (89) | - | (3,458) |
| Write-offs | - | - | 187 | 1 | 19 | 53 | - | 123 | - | 383 |
| Transfers | - | - | (3) | - | 3 | - | - | - | - | - |
| Balance at end of period | - | (7,558) | (11,303) | (70) | (8,245) | (3,022) | (80) | (850) | - | (31,128) |
| Net balance | 1,375 | 9,593 | 14,195 | 58 | 6,939 | 1,141 | 2 | 332 | 517 | 34,152 |
| Average annual depreciation rates | - | 4% | 10% and 20% | 10% | 10% and 20% | 10% and 20% | 20% | 20% | - | |

(In thousands of reais, unless otherwise stated)

## 10. Intangible assets

| 2015 | Trademarks and patents | Software | Products under registration | Products being sold | Intangible assets in progress | Total |
|---|---|---|---|---|---|---|
| Cost of acquisition | | | | | | |
| Balance at beginning of period | **138** | **2,827** | **20,488** | **5,152** | **190** | **28,795** |
| Additions | **-** | **-** | **2,610** | **-** | **108** | **2,718** |
| Write-offs | **-** | **-** | **(302)** | **(2,325)** | **-** | **(2,627)** |
| Transfers | **-** | **196** | **(59)** | **59** | **(96)** | **100** |
| Balance at end of period | **138** | **3,023** | **22,738** | **2,886** | **202** | **28,986** |
| Amortization | | | | | | |
| Balance at beginning of period | **-** | **(2,130)** | **-** | **(4,732)** | **-** | **(6,862)** |
| Additions | **-** | **(132)** | **-** | **(138)** | **-** | **(270)** |
| Write-offs | **-** | **-** | **-** | **2,147** | **-** | **2,147** |
| Balance at end of period | **-** | **(2,262)** | **-** | **(2,723)** | **-** | **(4,985)** |
| **Net balance** | **138** | **761** | **22,738** | **162** | **202** | **24,001** |
| Average annual amortization rates | **-** | **20%** | **-** | **20%** | **-** | |

| 2014 | Trademarks and patents | Software | Products under registration | Products being sold | Intangible assets in progress | Total |
|---|---|---|---|---|---|---|
| Cost of acquisition | | | | | | |
| Balance at beginning of period | 138 | 2,719 | 19,084 | 4,940 | 29 | 26,910 |
| Additions | - | - | 1,616 | - | 269 | 1,885 |
| Transfers | - | 108 | (212) | 212 | (108) | - |
| Balance at end of period | 138 | 2,827 | 20,488 | 5,152 | 190 | 28,795 |
| Amortization | | | | | | |
| Balance at beginning of period | - | (2,026) | - | (4,501) | - | (6,527) |
| Additions | - | (104) | - | (231) | - | (335) |
| Balance at end of period | - | (2,130) | - | (4,732) | - | (6,862) |
| **Net balance** | 138 | 697 | 20,488 | 420 | 190 | 21,933 |
| Average annual amortization rates | - | 20% | - | 20% | - | |

(In thousands of reais, unless otherwise stated)

## 10. Intangible assets (Continued)

Out of the total intangible assets at December 31, 2015, R$22,738 refers to products under registration (R$20,488 in December 2014). Once these registrations are obtained from the related Ministries, the products will start to be sold and the amounts recorded under intangible assets will be amortized over a period of 5 (five) years. Management believes all registrations to be obtained from the appropriate bodies will be approved.

## 11. Deferred charges

| | 2015 | 2014 |
|---|---|---|
| **Pre-operating expenses** | | |
| Balance at beginning and end of period | **5,881** | 5,881 |
| Amortization | | |
| Balance at beginning of period | **(4,217)** | (3,629) |
| Additions | **(588)** | (588) |
| Balance at end of period | **(4,805)** | (4,217) |
| **Net balance** | **1,076** | 1,664 |
| Average annual amortization rate | **10%** | 10% |

## 12. Loans, financing and debentures

| | Average rate of financing charges in 2015 | 2015 | 2014 |
|---|---|---|---|
| Foreign currency | | | |
| FINIMP | Forex (USD) + 2.23% p.a. | **-** | 4,110 |
| FINIMP | Forex (USD) + 1.49% p.a. | **21,516** | 70,650 |
| Local currency | | | |
| Financing for acquisition of goods | Fixed 18.47% p.a. | **30** | - |
| Working capital | CDI + 5.45% p.a. | **2,811** | 20,092 |
| Working capital | Fixed 16.87% p.a. | **-** | 19,953 |
| Working capital | 118% of CDI | **36,431** | 14,197 |
| Debentures - 1st issue | CDI + 4.25% p.a. | **-** | 65,459 |
| Debenture raising costs | | **(790)** | (1,540) |
| Debentures – 2nd issue | CDI + 2.00% p.a. | **62,324** | - |
| Rural credit | . | **4,687** | - |
| | | **127,008** | 192,921 |
| Less portion classified under current liabilities | | **(63,068)** | (183,461) |
| Noncurrent liabilities | | **63,940** | 9,460 |

(In thousands of reais, unless otherwise stated)

## 12. Loans, financing and debentures (Continued)

Long-term loans mature as follows:

| | 2015 |
|---|---|
| 2017 | **4,730** |
| 2018 | **306** |
| 2020 | **58,904** |
| | **63,940** |

Since the Company failed to meet certain covenants, debentures – 1st issue, amounting to R$65,459 at December 31, 2014, were fully recognized in current liabilities.

At December 31, 2015, the Company did not have any agreements for loans, financing and debentures containing covenants that would require it to meet certain financial ratios in the agreed-upon transactions, and providing for automatic acceleration of the debt repayment in the event of noncompliance.

At December 31, 2015, the Company granted as guarantees for loans taken out trade notes receivable amounting to R$36,889 (R$95,280 at December 31, 2014) and short-term investments amounting to R$3,970 (R$1,419 at December 31, 2014). In December 2015, there is no mortgage of property, plant and equipment items given in guarantee (R$9,819 at December 31, 2014).

Debentures

| Issue | Principal | Annual remuneration | Final maturity | 2014 |
|---|---|---|---|---|
| 1st issue | 70,000 | 100% variation of CDI + 4.25% p.a. | January 23, 2018 | 65,459 |
| Less portion classified under current liabilities | | | | (65,459) |
| Noncurrent liabilities | | | | - |

This issue was guaranteed by trade notes receivables, amounting to R$32,729, and mortgage and facilities carried under property, plant and equipment, amounting to R$9,819.

On March 30, 2015, the Company prepaid the debentures issued on August 19, 2013, which would mature at January 23, 2018.

| Issue | Principal | Annual remuneration | Final maturity | 2015 |
|---|---|---|---|---|
| 2nd issue | 60,000 | 100% variation of CDI + 2.00% p.a. | March 30, 2020 | **62,324** |
| Less portion classified under current liabilities | | | | **2,324** |
| Noncurrent liabilities | | | | **59,210** |

The Company obtained approval for the 2nd issue of nonconvertible simple debentures amounting to R$60,000, in a single series maturing at March 30, 2020. No guarantees were given.

(In thousands of reais, unless otherwise stated)

## 13. Provision for contingencies

The Company is a party to tax, civil and labor claims arising in the normal course of business. The Company's management believes that the provision for contingencies set up is sufficient to cover adventitious losses from lawsuits. Provisions for contingencies were set up for proceedings whose likelihood of an unfavorable outcome has been rated as probable, based on the opinion of its lawyers and outside legal advisors. The unfavorable outcome of these proceedings, individually or in the aggregate, will not have material adverse effect on the Company’s business or financial position. Judicial deposits were made for some of these proceedings when required by the judicial branch.

Changes in provision for contingencies from 2014 to 2015, by nature, are as follows:

| | **2014** | **Provisions/ deposits** | **Restatement** | **Payments/ reversals** | **2015** |
|---|---|---|---|---|---|
| Civil | 268 | 33 | 30 | (111) | **220** |
| Labor | 582 | 38 | 576 | (503) | **693** |
| Provision | 850 | 71 | 607 | (614) | **913** |
| Judicial deposits | 943 | 41 | - | (6) | **978** |

Causes with chances of possible success:

| | **2015** |
|---|---|
| Civil | 455 |
| Labor | 97 |
| Total | 502 |

## 14. Capital

As from July 9, 2014, United Phosphorus Holdings Brasil BV is no longer a shareholder and, from September 9, 2014, the Company has a new shareholder: Nihon Nohyaku CO., Ltd.

In August and November 2015, shareholders Obras S.R.L and Nihon Nohyaku CO., Ltd. increased the Company’s capital by R$46,315 and R$32,458, respectively.

At December 31, 2015, the Company capital totals R$223,897 (R$145,124 at December 31, 2014) and is represented by 2,471,492.952 common shares (1,601,955,558 common shares at December 31, 2014).

(In thousands of reais, unless otherwise stated)

## 14. Capital (Continued)

The Company's ownership structure at December 31, 2015 and 2014 is as follows:

| | 2015 | | 2014 | |
|---|---|---|---|---|
| | **Number of shares** | **%** | Number of shares | % |
| Sipcam Nederland Holding N.V. | **150,127,424** | **6.07** | 150,127,424 | 9.37 |
| Obras Latin América Participações Ltda. | **518,134,294** | **20.96** | 518,134,294 | 32.34 |
| Obras S.R.L. | **567,484,758** | **22.96** | 132,716,061 | 8.28 |
| Nihon Nohyaku CO., Ltd. | **1,235,746,476** | **50.00** | 800,977,779 | 50.00 |
| | **2,471,492,952** | **100.00** | **1,601,955,558** | **100.00** |

## 15. Risk considerationsCredit risk

The Company's sales policies are subject to credit policies established by management and are intended to minimize any customer default problems. This goal is achieved through a careful selection of the customer portfolio that takes into consideration their credit worthiness (credit rating) and dilution of risk through sales diversification.

b) Liquidity risk

The Company prepares cash flow forecasts as a means to monitor its future needs in advance in order to ensure it has enough cash to meet the operational demands. The Company maintains excess cash, if any, in interest bearing short-term investments and by choosing instruments that provide liquidity adequate to its needs.

Below follows the Company's major financial liabilities (loans and financing) by maturity:

| | 2015 | 2014 |
|---|---|---|
| 2015 | **63,068** | 183,461 |
| 2016 | **4,730** | 4,730 |
| 2017 | **305** | 4,730 |
| 2019 | **58,906** | - |
| | **127,008** | 192,921 |

## 15. Risk considerations (Continued)

(In thousands of reais, unless otherwise stated)

c) Interest rate risk

The Company's P&L is subject to losses arising from changes in floating interest rates, such as CDI and Long-Term Interest Rate (TJLP), and changes in inflation indices, such as the Extended Consumer Price Index (IPCA), on its financial assets and liabilities. Amounts related to these operations are listed below:

*Assets*

| Short-term investments | Average yield rate | 2015 | 2014 |
|---|---|---|---|
| CDB - Floating | 99.5% of CDI | **64,771** | 64,880 |
| CDB - Floating | 93.5% of CDI | **3,970** | 1,419 |
| | | **68,741** | 66,299 |

*Liabilities*

| | Average rate of financing charges in 2015 | 2015 | 2014 |
|---|---|---|---|
| Foreign currency: | | | |
| FINIMP | Forex (USD) + 2.23% p.a. | **-** | 4,110 |
| FINIMP | Forex (USD) + 1.49% p.a. | **21,516** | 70,650 |
| | | | |
| Local currency: | | | |
| Financing for acquisition of goods | Fixed 18.47% p.a. | **30** | - |
| Working capital | CDI + 5.45% p.a. | **2,811** | 20,092 |
| Working capital | Fixed 16.87% p.a. | **-** | 19,953 |
| Working capital | 118% of CDI | **36,431** | 14,197 |
| Debentures - 1st issue | CDI + 4.25% p.a. | **-** | 65,459 |
| Debenture raising costs | | **(790)** | (1,540) |
| Debentures - 2nd issue | CDI + 2.00% p.a. | **62,324** | - |
| Rural credit | | **4,687** | - |
| | | **127,008** | 192,921 |

d) Currency risk

The Company's income is subject to significant variations since part of its inputs used in the production process are impacted by the foreign exchange rate fluctuation, particularly the US dollar.

(In thousands of reais, unless otherwise stated)

## 15. Risk considerations (Continued)

d) Currency risk (Continued)

To reduce certain effects of exchange rate fluctuation, the Company hedges against the effects of exchange rate devaluation of local currency on its financial assets and liabilities denominated in dollars and/or Euros through Swap transactions and Non Deliverable Forwards - commitment to purchase US currency at previously agreed-upon rates - linked to US dollar fluctuation. Amounts related to such transactions are summarized below:

| | 2015 | 2014 |
|---|---|---|
| Forward/swap agreements: | | |
| Original amount contracted | **US$32,743.00** | US$54,177.00 |
| Equivalent in local currency | **128,001** | 130,968 |
| Provision for gains on hedging transactions | **2,393** | 10,578 |

## 16. Cost of goods sold and services rendered, by type

| | 2015 | 2014 |
|---|---|---|
| **General manufacturing costs (GMC)** | | |
| Direct labor costs - own | **3,143** | 3,433 |
| Direct labor costs - third parties | **543** | 1,453 |
| Electric power | **1,034** | 1,207 |
| Depreciation and amortization | **2,915** | 2,863 |
| Maintenance of property, plant and equipment | **644** | 731 |
| Other indirect costs | **494** | 786 |
| Indirect costs | **8,967** | 9,563 |
| | **17,740** | 20,036 |
| **Inputs** | | |
| Raw and packaging materials | **158,115** | 188,380 |
| Goods for resale | **15,477** | 45,630 |
| | **173,592** | 234,010 |
| **Other costs** | | |
| Freight on sales | **7,712** | 8,536 |
| Insurance on sales | **368** | 359 |
| Storeroom | **1,918** | 1,536 |
| INPEV | **1,063** | 993 |
| Other | **3,302** | 1,022 |
| | **14,363** | 12,446 |
| | **205,695** | 266,492 |

(In thousands of reais, unless otherwise stated)

## 17. Operating income (expenses)

a) Selling, general and administrative expenses

| | 2015 | | 2014 | |
|---|---|---|---|---|
| | **Selling** | **General and administrative** | **Selling** | **General and administrative** |
| Salaries and social charges | **8,387** | **5,907** | 7,371 | 5,978 |
| Travel | **516** | **95** | 573 | 205 |
| Vehicles | **1,123** | **56** | 1,263 | 69 |
| Third-party services | **828** | **2,503** | 1,245 | 2,977 |
| Security equipment | **5** | **680** | 9 | 708 |
| Amortization and depreciation | **161** | **512** | 260 | 430 |
| Allowance for doubtful accounts | **3,000** | **-** | 3,000 | - |
| Other | **910** | **3,121** | 1,539 | 2,900 |
| | **14,930** | **12,874** | 15,260 | 13,267 |

b) Other operating income (expenses), net

| | **2015** | **2014** |
|---|---|---|
| General manufacturing costs (GMC) | **(4,206)** | (3,538) |
| Depreciation | **(1,826)** | (1,085) |
| Maintenance of property, plant and equipment | **(355)** | (249) |
| Other production costs | **(355)** | (579) |
| Income from restatement of federal taxes | **189** | 523 |
| Debentures | **-** | (545) |
| Labor contingencies | **(614)** | (421) |
| Other operating income | **204** | 3,311 |
| | **(6,963)** | (2,583) |

(In thousands of reais, unless otherwise stated)

## 18. Financial income and expenses

| | 2015 | 2014 |
|---|---|---|
| Financial expenses | **(200,514)** | (84,052) |
| Interest on financial transactions | **(18,784)** | (7,852) |
| Losses on financial instruments | **(4,096)** | (10,221) |
| Discounts given to customers | **(6,388)** | (11,374) |
| Foreign exchange losses | **(159,988)** | (40,376) |
| Tax on financial transactions | **(1,196)** | (778) |
| Interest payable on debentures | **(9,197)** | (10,761) |
| Other financial expenses | **(864)** | (2,690) |
| Financial income | **131,334** | 41,362 |
| Gains on financial instruments | **36,267** | 17,049 |
| Foreign exchange gains | **86,581** | 19,636 |
| Income from short-term investments | **3,859** | 2,155 |
| Other financial income | **143** | 1,031 |
| Interest receivable | **4,483** | 1,491 |

## 19. Key management personnel compensation

On April 16, 2015, the Annual and Special Shareholders' Meeting approved management compensation for the period of May 2014 to April 2015, in the amount of R$2,238 for fixed remuneration; and for the period May 2015 to April 2016, in the amount of R$2,700 for fixed remuneration and R$650 for variable remuneration.

## 20. Insurance coverage

The Company maintains insurance coverage for operating risks and others to safeguard its property, plant and equipment and inventories.

Based on the opinion of the Company's insurance brokers, the sum insured as at December 31, 2015, is considered sufficient to cover any losses.

The scope of our auditors' work does not include issuing an opinion on the sufficiency of the insurance coverage, which was determined and deemed adequate by Company management.

(In thousands of reais, unless otherwise stated)

## 21. Related-party balances and transactions

**Related-party balances and transactions**

| | Oxon Brasil Defensivos Agrícolas Ltda. | | Oxon Itália S.p.A | | Sipcam S.p.A | | Nihon Nohyaku CO. Ltd. | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| **Balances** | | | | | | | | | | |
| Current assets: | | | | | | | | | | |
| Accounts receivable | **2.572** | - | - | - | - | - | - | - | **2.572** | - |
| Noncurrent assets: | | | | | | | | | | |
| Other accounts receivable | **137** | - | - | - | - | - | - | - | **137** | - |
| Current liabilities: | | | | | | | | | | |
| Trade accounts payable | - | - | **51.678** | 64.496 | - | - | - | - | **51.678** | 64.496 |
| Loans | - | - | | | - | - | **62.571** | - | **62.571** | - |
| **Transactions** | | | | | | | | | | |
| Purchases | - | - | **75.659** | 66.611 | - | 560 | - | - | **75.659** | 67.171 |
| Other expenses | **(300)** | (300) | - | - | - | - | - | - | **(300)** | (300) |
| Financial expenses | - | - | **(35.161)** | (6.193) | - | (118) | **(5.796)** | - | **(40.957)** | (6.311) |

Related party transactions are carried out at specific prices and conditions agreed-upon between the parties.

(*) This balance refers to an intercompany loan agreement entered into with Nihon Nohyaku CO., Ltd. in August 2015, amounting to R$56,774 (JPY 1,920,000), subject to interest of 1.4% p.a. and with maturity at August 31, 2020.