

Financial Statements

Sipcam Nichino Brasil S.A.

June 30, 2018
with Independent Auditor's Report

Sipcam Nichino Brasil S.A.

Financial statements

June 30, 2018

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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.

Opinion

We have audited the financial statements of Sipcam Nichino Brasil S.A. ("Company"), which comprise the statement of financial position as at June 30, 2018 and the statements of profit or loss, of comprehensive income, of changes in equity, and of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

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 June 30, 2018, its financial performance and its cash flows for the year then ended, in accordance with accounting practices adopted in Brazil.

Basis for opinion

We conducted our audit in accordance with Brazilian and international standards on auditing. Our responsibilities, under those standards, are further described in the "Auditor's responsibilities for the audit of financial statements" section of our report. We are independent of the Company in accordance with the ethical requirements provided for in the Code of Ethics for Professional Accountants and in the professional standards issued by Brazil's National Association of State Boards of Accountancy, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to support our opinion.



Responsibilities of management 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 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 of 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 in preparing the financial statements 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 financial statements

Our objectives are to obtain reasonable assurance about whether the overall financial statements are free of material misstatement, whether due to fraud or error, and to issue an audit report containing our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian and international standards on auditing will always detect a material misstatement when it exists. Misstatements may derive from fraud or error and are deemed material, individually or taken as a whole, whenever they can influence, within a reasonable perspective, the economic decisions of users made on the basis of referred to financial statements.

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

- Identify and assess risks of material misstatements 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 one resulting from error, as fraud may involve override of internal controls, collusion, forgery, intentional omissions or misrepresentations.
- 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 substantial doubt as to the Company' 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 corresponding 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 controls that we identify during our audit.

São Paulo, September 04, 2018.

ERNST & YOUNG
Auditores Independentes S.S.
CRC-2SP034519/O-6

A handwritten signature in blue ink, appearing to read 'Uilian Dias Castro de Oliveira', is written over a faint, light blue circular stamp or watermark.

Uilian Dias Castro de Oliveira
Accountant CRC-1SP223185/O-3

Sipcam Nichino Brasil S.A.

Statement of financial position
June 30, 2018 and 2017
(In thousands of reais)

	Notes	06/30/2018	06/30/2017
Assets			
Current assets			
Cash and cash equivalents	3	46,347	65,125
Short-term investments	3	-	474
Trade accounts receivable	4	169,256	127,699
Inventories	5	94,276	55,421
Taxes recoverable	6	16	382
Derivative financial instruments		2,989	795
Other receivables		9,604	2,180
Total current assets		322,488	252,076
Noncurrent assets			
Trade accounts receivable	4	3,483	7,495
Taxes recoverable	6	38,651	45,478
Assets available for sale	7	6,976	6,976
Deferred income and social contribution taxes	8	28,336	29,799
Judicial deposits	15	989	971
Other accounts receivable from related parties	23	183	146
Investments	9	749	519
Property, plant and equipment	10	34,881	32,926
Intangible assets	11	25,673	26,182
Deferred	12	-	197
Total noncurrent assets		139,921	150,689
Total assets			
		462,409	402,765

	Notes	06/30/2018	06/30/2017
Liabilities and equity			
Current liabilities			
Loans and financing	13	73,155	20,890
Intercompany loans	23	2,699	-
Domestic trade accounts payable		10,002	5,744
Foreign trade accounts payable – third parties	14	59,709	50,112
Foreign trade accounts payable - related parties	23	51,525	30,784
Payroll and related charges		6,747	3,005
Taxes payable		551	345
Derivative financial instruments	17	-	630
Other provisions		3,715	3,554
Total current liabilities		208,103	115,064
Noncurrent liabilities			
Loans and financing	13	59,674	111,488
Intercompany loans	23	66,874	58,004
Provision for contingencies	15	499	1,091
Total noncurrent liabilities		127,047	170,583
Equity			
Capital	16	223,897	223,897
Accumulated losses		(96,638)	(106,779)
Total equity		127,259	117,118
Total liabilities and equity		462,409	402,765

See accompanying notes.

Sipcam Nichino Brasil S.A.

Statement of profit or loss
June 30, 2018
(In thousands of reais)

	Notes	06/30/2018	06/30/2017
Net revenue	2.1	352,098	298,638
Cost of goods sold and services	18	(270,227)	(224,720)
Gross profit		81,871	73,918
Operating expenses			
Selling expenses	19.a	(20,871)	(13,024)
General and administrative expenses	19.a	(20,844)	(17,661)
Other operating expenses, net	19.b	(5,842)	(6,487)
		(47,557)	(37,172)
Income before finance income and costs and income and social contribution taxes		34,314	36,746
Finance costs	20	(83,801)	(105,985)
Finance income	20	61,102	91,340
		(22,699)	(14,645)
Income before income and social contribution taxes		11,615	22,101
Income and social contribution taxes			
Current		(11)	(7,465)
Deferred		(1,463)	(8,511)
	8	(1,474)	(15,976)
Income for the year		10,141	6,125
Number of shares	16	2,471,492,952	2,471,492,952
Earnings per thousand shares - in reais		4.10	2.48

See accompanying notes.

Sipcam Nichino Brasil S.A.

Statement of comprehensive income
June 30, 2018
(In thousands of reais)

	<u>06/30/2018</u>	<u>06/30/2017</u>
Income for the year	10,141	6,125
Other comprehensive income (loss)	-	-
Comprehensive income (loss)	<u>10,141</u>	<u>6,125</u>

See accompanying notes.

Sipcam Nichino Brasil S.A.

Statement of changes in equity
June 30, 2018
(In thousands of reais)

	Capital	Accumulated losses	Total
Balances at June 30, 2016 (unaudited)	223,897	(112,904)	110,993
Balances at January 1, 2017	223,897	(89,467)	134,430
Loss for the year	-	(17,312)	(17,312)
Balances at June 30, 2017	223,897	(106,779)	117,118
Income for the year	-	10,141	10,141
Balances at June 30, 2018	223,897	(96,638)	127,259

See accompanying notes.

Sipcam Nichino Brasil S.A.

Statement of cash flows June 30, 2018 (In thousands of reais)

	06/30/2018	06/30/2017
Operating activities		
Income before income and social contribution taxes	11,615	22,101
Noncash expenses (income)		
Write-off of property, plant and equipment and intangible assets	19	12
Investments	(230)	-
Allowance for doubtful accounts	2,134	288
Provision for inventory obsolescence and realization	(17)	(2,359)
Depreciation and amortization	5,604	5,431
Deferred income and social contribution tax adjustment - technological innovation benefit	-	(177)
Provision for losses on derivative financial instruments	(630)	(11,551)
Other provisions	160	(118)
Provision for contingencies	(592)	41
Interest on loans, financing and debentures	11,391	11,102
Monetary and exchange difference, net	10,749	(3,218)
Decrease (increase) in operating assets		
Trade accounts receivable	(39,678)	6,879
Inventories	(38,838)	(6,988)
Taxes recoverable	7,193	11,717
Assets available for sale	-	(6,299)
Other accounts receivable from related parties	(37)	2
Derivative financial instruments	(2,194)	(795)
Judicial deposits	(18)	-
Other receivables	(7,424)	(1,204)
Increase (decrease) in operating liabilities		
Domestic trade accounts payable	4,258	(1,458)
Foreign trade accounts payable	30,338	12,719
Payroll and related charges	3,742	(215)
Taxes paid	195	(8,414)
Cash from operating activities	(2,260)	27,496
Investing activities		
Increase in PP&E and intangible assets	(6,872)	(6,560)
Short-term investments	474	1,457
Cash used in investing activities	(6,398)	(5,103)
Financing activities		
Loans and financing taken out	74,754	72,665
Loans and financing taken out - cost	186	186
Repayment of loans and financing	(85,060)	(78,501)
Cash used in financing activities	(10,120)	(5,650)
Net increase (decrease) in cash and cash equivalents	(18,778)	16,743
Cash and cash equivalents at beginning of year	65,125	48,382
Cash and cash equivalents at end of year	46,347	65,125
Net increase (decrease) in cash and cash equivalents	(18,778)	16,743

See accompanying notes.

Sipcam Nichino Brasil S.A.

Notes to financial statements

June 30, 2018

(In thousands of reais, unless otherwise stated)

1. Operations

Sipcam Nichino Brasil S.A., hereinafter referred to as the “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.

Change in the fiscal year

Through the amendment to and consolidation of the articles of incorporation on April 26, 2017, the shareholders unanimously decided to amend Company's articles of incorporation, modifying Company's fiscal year to July 1 through June 30 of each year.

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

The Company's financial statements for the year ended June 30, 2018 were prepared in accordance with accounting practices adopted in Brazil.

The Company management authorized the conclusion of the financial statements on September 4, 2018, considering the subsequent events until that date that had an effect on the financial statements.

The financial statements were prepared based on different measurement bases used to prepare accounting estimates. Accounting estimates involved in the preparation of the financial statements were based on both objective and subjective factors, and in line with management's judgment for determination of appropriate amounts to be recorded in the financial statements. Significant items subject to these estimates and assumptions include selection of the useful lives and impairment 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 estimate process.

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

Sipcam Nichino Brasil S.A.

Notes to financial statements (Continued)

June 30, 2018

(In thousands of reais, unless otherwise stated)

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

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

2.1. Determination of profit or loss

Profit or loss from transactions is recorded on an accrual basis. Revenue from sales is recognized net, i.e., less sales taxes and discounts, which are stated as a reduction thereof, as follows:

	<u>06/30/2018</u>	<u>06/30/2017</u>
Gross revenue from sale of goods	349,346	311,163
Gross service revenue	14,720	8,732
Gross revenue	<u>364,066</u>	<u>319,895</u>
Sales taxes	(5,446)	(7,194)
Sales returns	(6,522)	(14,063)
Taxes on sales and services and sales returns	<u>(11,968)</u>	<u>(21,257)</u>
Net revenue	<u><u>352,098</u></u>	<u><u>298,638</u></u>

Sales revenue is recognized in the statement of profit or loss when its amount can be reliably measured, when all risks and rewards of ownership of the products are transferred to the buyer, when the Company no longer holds control over or responsibility for the goods sold and when economic benefits are likely to flow to the Company. Revenue is not recognized if there is a significant uncertainty about its realization. Interest income and expenses are recognized using the effective interest rate method in "Finance income (costs)".

2.2. Foreign currency-denominated transactions

Foreign currency-denominated monetary assets and liabilities are translated into the functional currency (Brazilian real) at the exchange rate prevailing at the corresponding statement of financial position date. Gains and losses arising from the restatement of these assets and liabilities between the foreign exchange rate of the transaction dates and the reporting period closing dates are recognized in profit or loss as finance income or costs.

Sipcam Nichino Brasil S.A.

Notes to financial statements (Continued)

June 30, 2018

(In thousands of reais, unless otherwise stated)

2. Presentation of 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 other purposes. The Company considers cash and cash equivalents a short-term investment readily convertible into a known cash amount and subject to insignificant risk of change in value. Therefore, an investment normally qualifies as a cash equivalent when it has short-term maturity, for example, three months or less from the investment date.

2.4. Trade accounts receivable

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

2.5. Inventories

Inventories are carried at the average acquisition or production cost, not exceeding market value. Provisions for slow-moving or obsolete inventories are set up when deemed necessary by management.

2.6. Property, plant and equipment

These are recorded at acquisition cost. Depreciation is calculated on a straight-line basis at the rates mentioned in Note 10, which take into consideration the assets' estimated useful lives.

A property, plant and equipment item is derecognized on disposal or when no future economic benefits are expected from its use or disposal. Any gains or losses on derecognition of an asset (measured as the difference between the net disposal proceeds and the book value of the asset) are recognized in the statement of profit or loss for the year in which the asset is derecognized.

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

Sipcam Nichino Brasil S.A.

Notes to financial statements (Continued)

June 30, 2018

(In thousands of reais, unless otherwise stated)

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

2.7. Intangible assets

Intangible assets acquired separately are measured upon their initial recognition at acquisition cost and subsequently deducted from their accumulated amortization and impairment losses, where applicable.

Internally generated intangible assets, excluding capitalized amounts of product development costs, are recognized in profit or loss for the year in which they are generated. Intangible assets with finite useful lives are amortized according to their estimated economic useful lives and, when evidence of impairment losses is found, tested for impairment.

2.8. Provision for impairment of nonfinancial assets

Management annually tests the net book value of the assets to determine whether there are any events or changes in economic, operating or technological circumstances that may indicate impairment. When such evidence is identified, and the net book value exceeds the recoverable amount, a provision for impairment is set up so as to adjust the net book value to the recoverable amount.

The recoverable amount of an asset or a cash-generating unit is defined as the higher of value in use and fair value less costs to sell.

In determining the value in use of assets, the estimated future cash flows are discounted to their present value by 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.

2.9. Other assets and liabilities

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

Sipcam Nichino Brasil S.A.

Notes to financial statements (Continued)

June 30, 2018

(In thousands of reais, unless otherwise stated)

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

2.9. Other assets and liabilities (Continued)

Liabilities are recognized in the statement of financial position when the Company has a legal or constructive obligation arising from past events, the settlement of which is expected to result in an outflow of economic benefits.

2.10. Taxation

Sales and service revenues are subject to the taxes and contributions below, at the following statutory rates:

State Value-Added Tax	ICMS	Between 4% and 18%
Federal Value-Added Tax	IPI	0%
Contribution Tax on Gross Revenue for Social Security Financing	COFINS	0%
Contribution Tax on Gross Revenue for Social Integration Program	PIS	0%

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. 133/2017 up to October 30, 2019. Some of its goods in accordance with Brazil's federal Senate Resolution No. 13 of 2013 are subject to a 4% tax rate.

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

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 10% surtax 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 deriving from temporarily nondeductible expenses or exclusions from temporarily nontaxable income upon determination of current taxable profit generate deferred tax assets or liabilities. Tax prepayments or taxes recoverable are stated as current and noncurrent assets, based on their expected realization.

Sipcam Nichino Brasil S.A.

Notes to financial statements (Continued)

June 30, 2018

(In thousands of reais, unless otherwise stated)

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

2.10. Taxation (Continued)

Deferred income and social contribution taxes

Deferred taxes arise from temporary differences and income and social contribution tax losses at the statement of financial position date between the tax bases of assets and liabilities and their book value.

Deferred tax assets are recognized on all unused deductible differences, credits or tax losses to the extent that it is probable that taxable profit will be available to allow realization of temporarily deductible differences, as well as use of unused tax credits and tax losses.

The book value of deferred tax assets is reviewed at each reporting date and written off to the extent that taxable profits will not likely be available so that deferred tax assets can be used in total or in part. Deferred tax assets written off are reviewed at each statement of financial position date and recognized to the extent that future taxable profits are likely to allow deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability settled, based on tax rates (and tax laws) in force at the statement of financial position date.

Deferred tax assets and liabilities are stated at their net amount when the Company has a legal or constructive right to offset deferred tax assets against deferred tax liabilities and when deferred taxes refer to the same taxpayer and are subject to the same tax authorities.

2.11. Other employee benefits

The Company's employee and management benefits include, in addition to fixed compensation (salaries and social security contributions (INSS), vacation pay and 13th monthly salary), variable compensation, such as profit sharing and bonuses. These benefits are recognized in profit or loss for the year, under "Selling expenses" and "General and administrative expenses", as incurred.

Sipcam Nichino Brasil S.A.

Notes to financial statements (Continued)

June 30, 2018

(In thousands of reais, unless otherwise stated)

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

2.12. Significant accounting judgments, estimates and assumptions

Judgments

Preparation of the financial statements by the Company requires that management make professional judgments, estimates and assumptions that impact disclosed revenues, expenses, assets and liabilities, in addition to disclosed contingent liabilities at the financial statement date. Uncertainties about such assumptions and estimates may lead to significant adjustments, in future periods, to the book value of the impacted asset or liability.

Accounting estimates and assumptions

Significant assumptions about sources of uncertainty in future estimates and other important sources of uncertainty in estimates at the statement of financial position date, involving a significant risk of causing a material adjustment to the book value of the assets and liabilities in the following year, are discussed below:

Impairment of nonfinancial assets

Impairment loss exists when the 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. The calculation of fair value less costs to sell is based on information available on 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 to determine whether there are any events or changes in economic, operating or technological circumstances that may indicate impairment.

When such evidence is identified, and the net book value exceeds the recoverable amount, a provision for impairment is set up so as to adjust the net book value to the recoverable amount.

Sipcam Nichino Brasil S.A.

Notes to financial statements (Continued)

June 30, 2018

(In thousands of reais, unless otherwise stated)

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

2.12. Significant accounting judgments, estimates and assumptions (Continued)

Accounting estimates and assumptions (Continued)

Taxes

There are uncertainties about the interpretation of complex tax regulations and the amount and timing of future taxable profit (loss). Given the extensive international trading relationships, in addition to the long-term nature and complexity of existing contractual instruments, the differences between actual results and the assumptions used, or future changes in such assumptions, could lead to future adjustments to tax revenues and expenses already recorded. The Company set up provisions considering reasonable estimates for possible consequences of tax audits by tax authorities to which it is subordinated. 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 relevant tax authority. Such differences in interpretations may involve a number of matters, based on the conditions prevailing in the jurisdiction to which the Company is subject.

A significant level of professional judgment is expected from management in order to determine the deferred tax asset that may be recognized based on the probable term and level of future taxable profits, combined with future tax planning strategies.

The Company recognizes a provision for civil and labor claims. 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 to the legal system, as well as the opinion of external 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.

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.

Sipcam Nichino Brasil S.A.

Notes to financial statements (Continued)
June 30, 2018
(In thousands of reais, unless otherwise stated)

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

2.13. Statements of cash flows

Statements of cash flows were prepared by using the indirect method and are presented in accordance with accounting pronouncement CPC 03 (R2) - Statement of Cash Flows, issued by the Brazilian FASB (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 and 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, for which costs are recorded in the statement of profit or loss 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.

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 for trading and financial liabilities initially stated at fair value through profit or loss.

Sipcam Nichino Brasil S.A.

Notes to financial statements (Continued)

June 30, 2018

(In thousands of reais, unless otherwise stated)

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

2.14. Financial instruments (Continued)

b) Subsequent measurement (Continued)

Financial liabilities at fair value through profit or loss (Continued)

Financial liabilities are classified as held for trading when acquired to be sold in the short term. This category includes derivative financial instruments taken out by the Company that do not meet the hedge accounting criteria, defined by CPC 38 (IAS 39). Derivatives, including embedded derivatives that are not closely related to the host contract and that must be separated, are also classified as held for trading, unless they are classified as effective hedging instruments.

Gains and losses on liabilities held for trading are recognized in the statement of profit or loss.

Loans and financing

These are recognized on the accrual basis, and interest is calculated at the contracted rate, without significant difference in relation to the effective rate.

2.15. New or amended standards and interpretations not yet effective

Standards, amendments and interpretations issued but not yet adopted up to the issue of the Company's financial statements are listed below. The Company expects to adopt these standards, if applicable, when they become effective, as follows:

Sipcam Nichino Brasil S.A.

Notes to financial statements (Continued)

June 30, 2018

(In thousands of reais, unless otherwise stated)

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

2.15. New or amended standards and interpretations not yet effective (Continued)

Standard or interpretation	Name of standard / amendment / interpretation	Effectiveness*
Updates to IAS 40 (CPC 28)	Transfers of investment property	01/01/2018
IFRS 2 Supplements (CPC10)	Classification and measurement of share-based payment transactions	01/01/2018
IFRS 15 and clarifications (CPC 47)	Revenue from contracts with customers	01/01/2018
IFRS 9 (CPC 48)	Financial instruments	01/01/2018
IFRS 16 (CPC 06)	Leases	01/01/2019
Annual improvements 2014-2016	Annual improvements 2014-2016	01/01/2018

* Effective for fiscal years beginning on or after that date

3. Cash and cash equivalents and short-term investments

	06/30/2018	06/30/2017
Cash and banks	366	182
Short-term investments	45,981	64,862
Restricted deposits	-	81
Total cash and cash equivalents	46,347	65,125
Short-term investments	-	474

Type of short-term investments	Average yield rate	06/30/2018	06/30/2017
CDB - Floating	95.00 to 98.5% of CDI	45,981	51,687
CDB - Floating	92% to 94% of CDI	-	474
Automatic BB RF CP	3.74% p.a.	-	13,175
		45,981	65,336

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

These refer to Bank Deposit Certificates (CDB), which reflect the usual market conditions, whose maturity at the statement of financial position date is within 90 days. They have immediate liquidity and no risk of significant changes due to interest rate fluctuation, bearing interest ranging from 95.0% to 98.5% of CDI in June 2018 (92% to 98.5% of CDI in June 2017) and measured at fair value in a contra account of profit or loss.

Sipcam Nichino Brasil S.A.

Notes to financial statements (Continued)
June 30, 2018
(In thousands of reais, unless otherwise stated)

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

3.2. Other short-term investments

These refer to the Bank Deposit Certificates (CDB), which reflect the usual market conditions at the statement of financial position dates, bearing interest ranging from 92% to 94% of CDI in June 2017, and measured at fair value. Balance of R\$ 0.00 at June 30, 2018 (balance of R\$ 474 at June 30, 2017) of short-term investments given in guarantee of loans. The loans linked to these short-term investments are working capital loans. At June 30, 2017, R\$15,000 was deposited in the Banco do Brasil account referring to the working capital transaction, with R\$13,175 invested in Automatic BB RF CP and used on the next business day.

4. Trade accounts receivable

	<u>06/30/2018</u>	<u>06/30/2017</u>
Trade notes receivable		
Third parties	<u>172,739</u>	<u>135,194</u>
Current	169,256	127,699
Noncurrent	3,483	7,495

Trade accounts receivable are net of the allowance for doubtful accounts. At June 30, 2018, trade notes receivable had also been offered as guarantee for loans and financing in the amount of R\$ 50,289 (R\$51,600 at June 30, 2017).

Allowance for doubtful accounts

Changes in the allowance for doubtful accounts are as follows:

	<u>06/30/2017</u>	<u>Additions</u>	<u>06/30/2018</u>
Allowance for doubtful accounts	12,383	2,134	14,517
Less current portion	(11,764)	-	(14,216)
Noncurrent assets	619	-	301

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.

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Notes to financial statements (Continued)
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(In thousands of reais, unless otherwise stated)

5. Inventories

	<u>06/30/2018</u>	<u>06/30/2017</u>
Finished goods	29,238	25,180
Raw, packaging and auxiliary materials	24,891	13,190
Import in transit	40,147	17,051
	<u>94,276</u>	<u>55,421</u>

The Company records provisions for 100% of its inventories not moving for more than 360 days, in addition to analyzing inventory items individually. Inventories are net of provisions for realization and obsolescence.

Changes in provisions are as follows:

	<u>06/30/2017</u>	<u>Additions</u>	<u>Reversals</u>	<u>06/30/2018</u>
Provision for obsolescence	398	233	(237)	394
Provision for realization	13	195	(208)	-
	411	428	(445)	394

6. Taxes recoverable

	<u>06/30/2018</u>	<u>06/30/2017</u>
ICMS	23,172	22,147
IPI	6,019	6,692
PIS and COFINS	1,329	9,375
Income and social contribution taxes	8,147	7,646
	<u>38,667</u>	<u>45,860</u>
Current	16	382
Noncurrent	38,651	45,478

The Company intends to realize the ICMS, IPI, PIS and COFINS balances through its transactions and requests for tax refund. Income and social contribution taxes will be realized through generation of future taxable profits. From July 2017 to June 2018, the company received a refund of R\$12,469 (twelve million, four hundred and sixty-nine thousand reais) from the Brazilian Internal Revenue Service, of which R\$3,515 refers to IPI, R\$8,086 to PIS and COFINS and R\$868 to Income Tax.

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Notes to financial statements (Continued)
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7. Assets available for sale

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

The amount of R\$6,976 at June 30, 2018 (R\$6,976 at June 30, 2017) refers to property received in payment for customer debts, which are under negotiation.

8. Current and deferred income and social contribution taxes

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

	<u>06/30/2018</u>	<u>06/30/2017</u>
Deferred income tax assets on:		
Temporarily nondeductible provisions	3,217	4,287
Income and social contribution tax losses	46,484	47,969
Deferred social contribution tax assets on:		
Temporarily nondeductible provisions	1,158	1,543
Income and social contribution tax losses	16,049	16,583
	<u>66,908</u>	<u>70,382</u>
Less write-off due to no expectation of realization	(38,572)	(40,583)
Noncurrent assets	<u>28,336</u>	<u>29,799</u>

Main provisions are as follows:

	<u>06/30/2018</u>	<u>06/30/2017</u>
Allowance for doubtful accounts	14,517	12,383
Provision for customer discounts	525	1,172
Audit and advisory services	198	74
Sales commissions	560	441
Incineration	394	648
Legal proceedings	499	1,091
Inventory losses	394	412
Profit sharing and bonuses	3,400	88
Provision for freight	10	81
Provision for derivative losses	-	630
Unrealized (gains) – derivatives	(2,989)	(795)
(Gains)/losses on restatement of accounts receivable	(6,396)	133
Customer campaign	1,384	345
Other	372	446
	<u>12,868</u>	<u>17,149</u>
Current rate of 25% for income tax	3,217	4,287
Current rate of 9% for social contribution tax	1,158	1,543
	<u>4,375</u>	<u>5,830</u>

Sipcam Nichino Brasil S.A.

Notes to financial statements (Continued)

June 30, 2018

(In thousands of reais, unless otherwise stated)

8. Current and deferred income and social contribution taxes (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 on future taxable profit generation, the Company expects to recover these tax credits in the next 10 years.

The recovery of tax credits was estimated based on projections of taxable profit taking into consideration various financial and business assumptions for the period ended June 30, 2018. Consequently, these estimates may not materialize in the future considering uncertainties inherent in these forecasts.

Reconciliation of income and social contribution tax expenses

Reconciliation of the expense calculated by applying combined statutory tax rates and of the income and social contribution tax expense recorded in profit or loss is as follows:

	<u>06/30/2018</u>	<u>06/30/2017</u>
Income before taxes	11,615	22,101
Tax expenses at statutory rate of 34%	(3,949)	(7,514)
Effective rate adjustments:		
Limitation of deferred tax assets	2,017	(9,119)
Permanent differences and others	458	657
Net tax charges recorded in statement of profit or loss	(1,474)	(15,976)
Effective rate	12.69%	72.29%

Accumulated income and social contribution tax losses are broken down as follows:

	<u>06/30/2018</u>	<u>06/30/2017</u>
Income tax losses	185,936	191,874
Social contribution tax losses	178,318	184,255

Income and social contribution tax losses may be carried indefinitely, however, their offset is limited to 30% of taxable profit each year.

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Notes to financial statements (Continued)
June 30, 2018
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9. Investments

	<u>06/30/2017</u>	<u>Restatements</u>	<u>06/30/2018</u>
Campo Limpo	405	131	536
Credicitrus	114	99	213
	<u>519</u>	<u>230</u>	<u>749</u>

Sipcam Nichino Brasil S.A.

Notes to financial statements (Continued)

June 30, 2018

(In thousands of reais, unless otherwise stated)

10. Property, plant and equipment

	06/30/2018									
	Land	Buildings and improvements	Machinery	Tools, presses and molds	Facilities	Furniture and fixtures	Vehicles	Hardware	Constructi on in progress	Total
Acquisition cost										
Balance at beginning of period	1,375	18,101	26,873	170	18,279	4,727	82	1,568	2,869	74,044
Additions	-	-	-	-	42	45	-	261	6,010	6,358
Write-offs	-	-	-	-	(1)	(39)	-	(22)	-	(62)
Transfers	-	746	280	15	2,204	425	-	12	(3,685)	(3)
Balance at end of period	1,375	18,847	27,153	185	20,524	5,158	82	1,819	5,194	80,337
Depreciation										
Balance at beginning of period	-	(9,358)	(14,886)	(113)	(11,991)	(3,644)	(82)	(1,044)	-	(41,118)
Additions	-	(752)	(1,478)	(13)	(1,693)	(255)	-	(195)	-	(4,386)
Write-offs	-	-	-	-	1	41	-	6	-	48
Balance at end of period	-	(10,110)	(16,364)	(126)	(13,683)	(3,858)	(82)	(1,233)	-	(45,456)
Net balance	1,375	8,737	10,789	59	6,841	1,300	-	586	5,194	34,881
Average annual depreciation rates	-	4%	0% and 20%	10%	0% and 20%	0% and 20%	20%	20%	-	-

Sipcam Nichino Brasil S.A.

Notes to financial statements (Continued)

June 30, 2018

(In thousands of reais, unless otherwise stated)

10. Property, plant and equipment (Continued)

	06/30/2017									
	Land	Buildings and improvements	Machinery	Tools, presses and molds	Facilities	Furniture and fixtures	Vehicles	Hardware	Constructi on in progress	Total
Acquisition cost										
Balance at beginning of period	1,375	18,023	26,838	170	17,562	4,454	82	1,527	229	70,260
Additions	-	-	-	-	-	13	-	19	3,841	3,873
Write-offs	-	-	-	-	-	(24)	-	(14)	(3)	(41)
Transfers	-	78	35	-	717	284	-	36	(1,198)	(48)
Balance at end of period	1,375	18,101	26,873	170	18,279	4,727	82	1,568	2,869	74,044
Depreciation										
Balance at beginning of period	-	(8,954)	(14,124)	(103)	(11,146)	(3,518)	(82)	(980)	-	(38,907)
Additions	-	(404)	(762)	(10)	(845)	(149)	-	(70)	-	(2,240)
Write-offs	-	-	-	-	-	23	-	6	-	29
Balance at end of period	-	(9,358)	(14,886)	(113)	(11,991)	(3,644)	(82)	(1,044)	-	(41,118)
Net balance	1,375	8,743	11,987	57	6,288	1,083	-	524	2,869	32,926
Average annual depreciation rates	-	4%) % and 20%	10%	0% and 20%	0% and 20%	20%	20%	-	-

Depreciation is determined on a straight-line basis taking useful lives into consideration.

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Notes to financial statements (Continued)

June 30, 2018

(In thousands of reais, unless otherwise stated)

11. Intangible assets

	06/30/2018					
	Trademarks and patents	Software	Products under registration	Products being sold	Intangible assets in progress	Total
Acquisition cost						
Balance at beginning of period	138	3,549	22,094	5,798	111	31,690
Additions	-	-	297	-	217	514
Write-offs	-	-	(5)	-	-	(5)
Transfers	-	-	(5,530)	5,530	3	3
Balance at end of period	138	3,549	16,856	11,328	331	32,202
Amortization						
Balance at beginning of period	-	(2,512)	-	(2,996)	-	(5,508)
Additions	-	(211)	-	(810)	-	(1,021)
Write-offs	-	-	-	-	-	-
Balance at end of period	-	(2,723)	-	(3,806)	-	(6,529)
Net balance	138	826	16,856	7,522	331	25,673
Average annual amortization rates	-	20%	-	20%	-	-
	06/30/2017					
	Trademarks and patents	Software	Products under registration	Products being sold	Intangible assets in progress	Total
Acquisition cost						
Balance at beginning of period	138	3,477	24,136	3,500	126	31,377
Additions	-	-	257	-	8	265
Write-offs	-	-	-	-	-	-
Transfers	-	71	(2,335)	2,335	(23)	48
Balance at end of period	138	3,548	22,058	5,835	111	31,690
Amortization						
Balance at beginning of period	-	(2,408)	-	(2,796)	-	(5,204)
Additions	-	(105)	-	(199)	-	(304)
Write-offs	-	-	-	-	-	-
Balance at end of period	-	(2,513)	-	(2,995)	-	(5,508)
Net balance	138	1,035	22,058	2,840	111	26,182
Average annual amortization rates	-	20%	-	20%	-	-

Sipcam Nichino Brasil S.A.

Notes to financial statements (Continued)
June 30, 2018
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11. Intangible assets (Continued)

Out of the total intangible assets at June 30, 2018, R\$16,856 refer to products under registration (R\$22,058 at June 30, 2017). Once these registrations are obtained from the relevant bodies, the products will start to be sold and the amounts recorded under intangible assets will be amortized over a period of 5 (five) years.

12. Deferred

Pre-operating expenses	06/30/2018	06/30/2017
Cost		
Balance at beginning and end of period	5,881	5,881
Amortization		
Balance at beginning of period	(5,684)	(5,393)
Additions	(197)	(291)
Balance at end of period	(5,881)	(5,684)
Net balance	-	197
Annual amortization	10%	10%

13. Loans and financing

	Interest rate	06/30/2018	06/30/2017
Local currency			
Working capital	122% of CDI	-	2,374
Working capital	8.50% p.a.	50,289	50,352
Debentures – 2 nd issue	CDI + 2.00% p.a.	61,239	61,857
Debenture raising costs	-	(326)	(512)
Agricultural credit (a)	-	2,906	16,598
Agricultural credit – Free funds (a)	-	18,721	-
Funcafé	-	-	1,709
		132,829	132,378
Less portion classified under current liabilities		(73,155)	(20,890)
Noncurrent liabilities		59,674	111,488

(a) Line of credit referring to the financing of agricultural activities of our customers, to which Sipcam Nichino is a guarantor.

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Notes to financial statements (Continued)
June 30, 2018
(In thousands of reais, unless otherwise stated)

13. Loans and financing (Continued)

The aging list of long-term loans is as follows:

	<u>06/30/2018</u>	<u>06/30/2017</u>
June 2019	-	52,000
June 2020	59,674	59,488
	59,674	111,488

At June 30, 2018, the Company granted as guarantees for loans trade notes receivable amounting to R\$50,289 (R\$51,600 at June 30, 2017) and short-term investments amounting to R\$0.00 at June 30, 2018 (R\$474 at June 30, 2017).

Debentures

<u>Issue</u>	<u>Principal</u>	<u>Annual yield</u>	<u>Final maturity</u>	<u>06/30/2018</u>	<u>06/30/2017</u>
2 nd issue	60,000	100% of CDI + 2.00% p.a.	March 30, 2020	61,239	61,857
Less portion classified under current liabilities				(1,239)	(1,857)
Noncurrent liabilities				60,000	60,000

The Company obtained approval for the 2nd issue of unsecured nonconvertible debentures amounting to R\$60,000, in a single series maturing at March 30, 2020. Interest of this transaction has been paid for the year in which it is incurred. No guarantees were given.

14. Foreign trade accounts payable – third parties

	<u>06/30/2018</u>	<u>06/30/2017</u>
Raw material	56,173	41,615
Packaging material	255	-
Consumables	81	-
Material for resale	3,200	8,497
	59,709	50,112

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Notes to financial statements (Continued)

June 30, 2018

(In thousands of reais, unless otherwise stated)

15. Provision for contingencies

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

Changes in provision for contingencies, by nature, are as follows:

	<u>06/30/2017</u>	<u>Restatements</u>	<u>Payments and reversals</u>	<u>06/30/2018</u>
Tax	94	136	(38)	192
Civil	89	6	(5)	90
Labor	908	183	(874)	217
Total provision	<u>1,091</u>	<u>325</u>	<u>(917)</u>	<u>499</u>
Judicial deposits	<u>(971)</u>	<u>-</u>	<u>(18)</u>	<u>(989)</u>

Cases with likelihood of success:

	<u>06/30/2018</u>	<u>06/30/2017</u>
Tax	3,288	308
Civil	-	79
Labor	48	305
Total	<u>3,336</u>	<u>692</u>

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Notes to financial statements (Continued)
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16. Capital

At June 30, 2018 and 2017, the Company capital totals R\$223,897 and is divided into 2,471,492,952 common shares.

The Company's shareholding structure at June 30, 2018 and 2017 is as follows:

	<u>Number of shares</u>	<u>%</u>
Sipcam Nederland Holding N.V.	150,127,424	6.08
Obras Latin América Participações Ltda.	518,134,294	20.96
Obras S.R.L.	567,484,758	22.96
Nihon Nohyaku CO. Ltd.	1,235,746,476	50.00
	<u>2,471,492,952</u>	<u>100.00</u>

17. Risk considerations

a) Credit risk

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

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.

The aging list of the Company's major financial liabilities (loans and financing) is as follows:

	<u>06/30/2018</u>	<u>06/30/2017</u>
June 2018	-	20,890
June 2019	73,155	52,000
June 2020	59,674	59,488
	<u>132,829</u>	<u>132,378</u>

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Notes to financial statements (Continued)
 June 30, 2018
 (In thousands of reais, unless otherwise stated)

17. Risk considerations (Continued)

c) Interest rate risk

The Company's profit or loss is subject to losses arising from changes in floating interest rates, such as: CDI, Long-Term Interest Rate (TJLP) and changes in inflation indices, such as the Extended Consumer Price Index (IPCA), on its financial assets and liabilities. The amounts relating to these transactions are listed below:

Assets

Type of short-term investments	Average yield rate	06/30/2018	06/30/2017
CDB - Floating	95.0% to 98.5% of CDI	45,981	51,687
CDB - Floating	92% to 94% of CDI	-	474
Automatic BB RF CP	3.74% p.a.	-	13,175
		45,981	65,336

Liabilities

	Interest rate	06/30/2018	06/30/2017
Local currency			
Working capital	122% of CDI	-	2,374
Working capital	8.50% p.a.	50,289	50,352
Debentures – 2 nd issue	CDI + 2.00% p.a.	61,239	61,857
Debenture raising costs	-	(326)	(512)
Agricultural credit	-	2,906	16,598
Agricultural credit – Free funds (a)	-	18,721	-
Funcafé	-	-	1,709
		132,829	132,378
Less portion classified under current liabilities		(73,155)	(20,890)
Noncurrent liabilities		59,674	111,488

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Notes to financial statements (Continued)
June 30, 2018
(In thousands of reais, unless otherwise stated)

17. Risk considerations (Continued)

d) Currency risk

The Company's income is subject to significant variation since part of inputs used in the production process is impacted by the foreign exchange rate fluctuation, particularly the US dollar and Yen, referring to intercompany loan transactions.

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 the US dollar fluctuation. The amounts of such transactions are summarized below:

	<u>06/30/2018</u>	<u>06/30/2017</u>
Forward/swap contracts:		
Original amount contracted	US\$4,785 thousand	US\$13,445 thousand
Equivalent in local currency	17,811	44,276
Provision for gain (loss) on hedging transactions	651	(630)
	JPY1,997,504	JPY1,970,250
Original amount taken out	thousand	thousand
Equivalent in local currency	67,274	58,635
Provision for gain on hedging transactions	2,338	795

Sipcam Nichino Brasil S.A.

Notes to financial statements (Continued)

June 30, 2018

(In thousands of reais, unless otherwise stated)

18. Cost of goods sold and services, by type

	06/30/2018	06/30/2017
General Manufacturing Costs (GMC)		
Direct labor costs - own	3,991	4,074
Direct labor costs - third parties	1,423	617
Electricity	1,319	1,314
Depreciation and amortization	2,613	3,074
Maintenance of property, plant and equipment	1,061	992
Other direct costs	886	654
Indirect costs		
Indirect labor costs - own	6,405	6,140
Indirect labor costs - third parties	81	21
Electricity	249	237
Depreciation and amortization	1,234	1,206
Maintenance of property, plant and equipment	570	451
Incineration	1,677	1,278
Other indirect costs	1,860	1,501
	23,369	21,559
Inputs		
Raw and packaging materials	198,785	150,281
Goods for resale	28,940	41,046
	227,725	191,327
Other costs		
Freight on sales	9,270	7,625
Insurance on sales	377	359
Storage	1,655	952
Inpev	682	531
Reversal of provision for inventory	(17)	(2,359)
Equalization	975	808
Derecognition of inventory	847	2,356
Sales discounts	1,538	-
Other	3,806	1,562
	19,133	11,834
	270,227	224,720

Sipcam Nichino Brasil S.A.

Notes to financial statements (Continued)

June 30, 2018

(In thousands of reais, unless otherwise stated)

19. Operating income (expenses)

a) Selling, general and administrative expenses

	06/30/2018		06/30/2017	
	Selling	General and administrative	Selling	General and administrative
Payroll and related charges	(9,995)	(10,511)	(7,904)	(8,451)
Fees and labor engaged	(260)	(2,474)	(110)	(2,454)
Travel	(1,005)	(383)	(572)	(223)
Vehicles	(1,349)	(123)	(1,167)	(125)
Meetings	(1,009)	(107)	(732)	(88)
Associations	(1)	(132)	(61)	(175)
Third-party services	(2,641)	(3,619)	(788)	(3,233)
Communication	(108)	(285)	(153)	(220)
Cleaning supplies	(28)	(542)	(20)	(497)
Insurance	(44)	(104)	(37)	(101)
Safety equipment	(1)	(820)	-	(812)
Amortization and depreciation	(882)	(731)	(289)	(676)
Allowance for doubtful accounts	(2,134)	-	(288)	-
Other	(1,414)	(1,013)	(903)	(606)
	(20,871)	(20,844)	(13,024)	(17,661)

b) Other operating income (expenses), net

	06/30/2018	06/30/2017
General manufacturing costs	(5,088)	(5,104)
Depreciation	(1,075)	(1,700)
Maintenance of property, plant and equipment	(430)	(427)
Other production costs	(338)	(541)
Income from restatement of federal taxes	359	625
Labor contingencies	(324)	(238)
Technological innovation	-	407
Other revenue	1,054	491
	(5,842)	(6,487)

Sipcam Nichino Brasil S.A.

Notes to financial statements (Continued)

June 30, 2018

(In thousands of reais, unless otherwise stated)

20. Finance income (costs)

	<u>06/30/2018</u>	<u>06/30/2017</u>
<u>Finance costs</u>		
Interest on financial transactions	(6,363)	(9,949)
Losses on financial instruments	(3,416)	(6,074)
Discounts given to customers	(2,029)	(4,285)
Exchange difference	(66,199)	(75,289)
Tax on Financial Transactions (IOF)	(41)	(1,155)
Interest on debentures	(5,582)	(8,771)
Other finance costs	(171)	(462)
	<u>(83,801)</u>	<u>(105,985)</u>
Gains on financial instruments	6,910	4,622
Exchange difference	50,630	77,327
Short-term investment yield	2,402	4,071
Interest income	686	4,522
Other finance income	474	798
	<u>61,102</u>	<u>91,340</u>

21. Key management personnel compensation

On October 31, 2017, the Annual and Special General Meeting approved the management compensation for the period from May 2017 to October 2017, amounting to R\$1,471 for fixed and variable compensation. It also approved, for the period from November 2017 to October 2018, a fixed and variable compensation of up to R\$3,400.

22. Insurance coverage

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

Insurance taken out as of June 30, 2018 is considered sufficient, based on the opinion of the Company's insurance advisors, to cover any losses.

Our auditor's work scope does not include expressing an opinion on the sufficiency of the insurance coverage, the adequacy of which was determined and assessed by the Company management.

Sipcam Nichino Brasil S.A.

Notes to financial statements (Continued)

June 30, 2018

(In thousands of reais, unless otherwise stated)

23. Transactions with related parties

	Oxon Brasil Defensivos Agrícolas Ltda.		Oxon Itália S.p.A.		Nihon Nohyaku CO.Ltd.		Total	
	06/30/2018	06/30/2017	06/30/2018	06/30/2017	06/30/2018	06/30/2017	06/30/2018	06/30/2017
Balances								
Noncurrent assets:								
Other accounts receivable	183	146	-	-	-	-	183	146
Current liabilities:								
Trade accounts payable	-	-	50,524	29,692	1,001	1,092	51,525	30,784
Intercompany loan (*)	-	-	-	-	69,573	58,004	69,573	58,004
Transactions								
Purchases	-	-	93,559	77,714	837	1,062	94,396	78,776
Other expenses	(300)	(150)	-	-	-	-	(300)	(150)
Finance income (costs)	-	-	(8,678)	(489)	(11,718)	2,646	(20,396)	2,157

Transactions with related parties 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 (JPY1,920,000,000), subject to interest of 1.4% p.a. and with maturity on August 31, 2020.