

Jaguar Land Rover
Brasil Indústria e
Comércio de Veículos
Ltda.

**Financial statements for the year ended
March 31, 2018:**
(adopted in Brazil)

KPMG Auditores Independentes
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(Free translation from a report original issued in Portuguese. IN case of doubt the Portuguese version will always prevail)

Independent auditors report on the financial statements

To the Directors of
Jaguar e Land Rover Indústria e Comércio de Veículos Ltda.
São Paulo - SP

Opinion

We have examined the financial statements of Jaguar e Land Rover Brasil Indústria e Comércio de Veículos Ltda. ("Company"), which comprise the balance sheet as of March 31, 2018 and the related statements of operations, comprehensive income and changes in quotaholders' equity, and cash flows for the year then ended, as well as the corresponding notes, comprising the significant accounting policies and other explanatory information.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Jaguar e Land Rover Brasil Indústria e Comércio de Veículos Ltda. As of March 31, 2018, the performance of its operations and its cash flows, for the year then ended, in accordance with the accounting practices adopted in Brazil.

Basis for opinion

Our audit was conducted in accordance with Brazilian and International standards on auditing.

Our responsibilities, in compliance with such standards, are described in the following section, titled "Auditors' Responsibilities for the Audit of Financial Statements." We are independent in relation to the Company, according to the relevant ethical principles established in the Accountants' Professional Code of Ethics and the professional standards issued by the Federal Accounting Council, and we comply with the other ethical responsibilities according to these standards. We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

Other matters

The balance sheet on March 31, 2017 and the statements of operations, comprehensive income, changes in quotaholders' equity, cash flows and respective explanatory notes for the year ended March 31, 2017 have been previously examined by other independent auditors.

Responsibility of management for the financial statements

The Management is responsible for the preparation and adequate presentation of the financial statements in accordance with the accounting practices adopted in Brazil, and the internal controls it deemed necessary to enable the preparation of financial statements free of material misstatements, regardless of whether caused by fraud or error.

In preparing the financial statements, Management is responsible for evaluating the Company's ability to continue operating, and disclosing – where applicable – matters related to its going concern and the use of this accounting basis in the preparation of the financial statements, unless Management intends to liquidate the Company or cease its operations, or has no realistic alternative to avert closing down operations.

Responsibility of the auditors regarding the audit of financial statements

Our objectives are to obtain reasonable assurance that the financial statements, taken as a whole, are free from material misstatements, regardless of whether any such misstatement is caused by fraud or error, and issue an audit report containing our opinion. Reasonable assurance is a high level of assurance, but not a guarantee that the audit conducted pursuant to Brazilian and international auditing standards will always detect any existing material misstatements.

Misstatements may be due to fraud or error and are considered material when, individually or taken as a whole, can influence, within a reasonable perspective, the economic decisions of users taken based on these financial statements.

As part of the audit conducted in accordance with Brazilian and International auditing standards, we exercise professional judgment and maintain our professional skepticism throughout the audit.

In addition:

- We identified and assessed the risks of material misstatement in the financial statements (regardless of whether any such misstatement is caused by fraud or error), we planned and performed audit procedures in response to such risks, and we obtained audit evidence that is appropriate and sufficient to underpin our opinion. The risk of not detecting material misstatements resulting from fraud is greater than that of misstatements resulting from error, since fraud may involve intentional misrepresentation, circumvention of internal controls, collusion, falsification or omission.

- We obtained an understanding of the internal controls relevant to the audit to design audit procedures suitable to the circumstance, but not with the aim of expressing an opinion on the effectiveness of the Company's internal controls.

- We assessed the suitability of the accounting policies used and the reasonableness of the accounting estimates and respective disclosures made by Management.

- We reached a conclusion as to the suitability of Management's use of the accounting basis for going concern and, based on the audit evidence obtained, as to whether there is a material uncertainty regarding event or conditions that could raise a significant doubt regarding the Company's capacity for going concern. If we conclude that there is material uncertainty, we will call attention in our audit report to the respective disclosures in the financial statements or include any change in our opinion, if the disclosures are inappropriate. Our findings are based on audit evidence up to the date of our report. However, future events or conditions may cause the Company to no longer remain in going concern.

- We assessed 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 way compatible with the fair presentation objective.

- We communicated with management regarding, among other things, the planned scope, the timing of the audit and the significant finding of the audit, including any significant deficiencies in internal controls that we identified during our work.

São Paulo, July 27, 2018.

KPMG Auditores Independentes
CRC 2SP014428/O-6
Original report in portuguese signed by
Kátia Dantas
Contador CRC 1SP188864/O-3

JAGUAR E LAND ROVER BRASIL INDÚSTRIA E COMÉRCIO DE VEÍCULOS LTDA.

BALANCE SHEET AS OF MARCH 31, 2018 AND 2017
(Amounts expressed in thousands of reais – R\$)

<u>ASSETS</u>	<u>Note</u> <u>Note</u>	<u>2018</u>	<u>2017</u>	<u>LIABILITIES AND QUOTAHOLDERS' EQUITY</u>	<u>Note</u> <u>Note</u>	<u>2018</u>	<u>2017</u>
CURRENT ASSETS				CURRENT LIABILITIES			
Cash and cash equivalents	4	120.593	77.146	Suppliers	12	659.684	577.923
Accounts receivable	5	44.868	23.698	Taxes and contributions payable	13	52.693	43.021
Inventories	6	293.029	310.134	Sales benefits payable	14	3.622	4.000
Recoverable taxes	7	78.098	101.955	Salaries and social security charges		14.798	19.029
Recoverable income tax and social contribution		-	4.124	Provision for warranty, sales benefits and other	15	109.515	105.212
Other accounts receivable		3.714	24.011	Deferred income	16	16.008	6.777
Total current assets		<u>540.302</u>	<u>541.068</u>	Other accounts payable		<u>57.133</u>	<u>32.494</u>
NON-CURRENT ASSETS				Total current liabilities		<u>913.453</u>	<u>788.456</u>
Long-term assets:				NON-CURRENT LIABILITIES			
Accounts receivable	5	942	13.141	Provision for warranty, sales benefits and other	15	53.139	48.774
Recoverable taxes	7	12.214	7.533	Provision for tax, civil and labor risks	17	21.989	26.769
Judicial deposits	8	21.374	17.278	Deferred income	16	55.837	37.374
Deferred tax assets	10	85.057	77.757	Other accounts payable		<u>18.878</u>	<u>20.650</u>
Property, plant and equipment	9	663.159	690.354	Total non-current liabilities		149.843	133.567
Intangible assets	9	1.876	1.774	QUOTAHOLDERS' EQUITY			
Total non-current assets		<u>784.622</u>	<u>807.837</u>	Capital	18	616.628	616.628
TOTAL ASSETS		<u>1.324.924</u>	<u>1.348.905</u>	Profit reserve		98.671	98.671
				Accumulated loss		<u>(453.671)</u>	<u>(288.417)</u>
				Total quotaholders' equity		<u>261.628</u>	<u>426.882</u>
				TOTAL LIABILITIES AND QUOTAHOLDERS' EQUITY		<u>1.324.924</u>	<u>1.348.905</u>

See the accompanying notes to the financial statements.

JAGUAR E LAND ROVER BRASIL INDÚSTRIA E COMÉRCIO DE VEÍCULOS LTDA.

STATEMENT OF OPERATIONS
FOR THE YEARS ENDED MARCH 31, 2018 AND 2017
(Amounts expressed in thousands of reais – R\$)

	Note	2018	2017
NET OPERATING INCOME	19	1.468.405	1.120.191
COST OF PRODUCTS SOLD	20	<u>(1.310.407)</u>	<u>(1.064.260)</u>
GROSS INCOME		<u>157.998</u>	<u>55.931</u>
OPERATING EXPENSES			
Commercial	20	(132.921)	(175.949)
General and administrative expenses	20	(180.118)	(178.699)
Other operating income (expenses), net	21	<u>(9.757)</u>	<u>14.460</u>
		<u>(322.796)</u>	<u>(340.188)</u>
OPERATING LOSS BEFORE FINANCIAL INCOME		(164.798)	(284.257)
FINANCIAL INCOME (LOSS)	22	<u>(5.022)</u>	<u>104.036</u>
LOSS BEFORE INCOME TAX AND SOCIAL CONTRIBUTION		(169.820)	(180.221)
Current income tax and social contribution	10	(2.736)	-
Deferred income tax and social contribution	10	<u>7.302</u>	<u>23.316</u>
LOSS FOR THE YEAR		<u>(165.254)</u>	<u>(156.905)</u>

See the accompanying notes to the financial statements.

JAGUAR E LAND ROVER BRASIL INDÚSTRIA E COMÉRCIO DE VEÍCULOS LTDA.

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEARS ENDED
MARCH 31, 2018 AND 2017

(Amounts expressed in thousands of reais – R\$)

	<u>2018</u>	<u>2017</u>
LOSS FOR THE YEAR	(165.254)	(156.905)
Other comprehensive income	<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>(165.254)</u>	<u>(156.905)</u>

See the accompanying notes to the financial statements.

JAGUAR E LAND ROVER BRASIL INDÚSTRIA E COMÉRCIO DE VEÍCULOS LTDA.

STATEMENTS OF CHANGES IN QUOTAHOLDERS' EQUITY FOR THE YEARS
ENDED MARCH 31, 2018 AND 2017

(Amounts expressed in thousands of reais – R\$)

	<u>Note</u>	<u>Capital</u>	<u>Profit reserve</u>	<u>Accumulated loss</u>	<u>Total</u>
BALANCES AT APRIL 01, 2016		<u>59.231</u>	<u>98.671</u>	<u>(131.512)</u>	<u>26.390</u>
Capital increase	18	557.397	-	-	557.397
Loss for the year		<u>-</u>	<u>-</u>	<u>(156.905)</u>	<u>(156.905)</u>
Balances at March 31, 2017		<u>616.628</u>	<u>98.671</u>	<u>(288.417)</u>	<u>426.882</u>
Loss for the year		<u>-</u>	<u>-</u>	<u>(165.254)</u>	<u>(165.254)</u>
BALANCES AT MARCH 31, 2018		<u>616.628</u>	<u>98.671</u>	<u>(453.671)</u>	<u>261.628</u>

See the accompanying notes to the financial statements.

JAGUAR E LAND ROVER BRASIL INDÚSTRIA E COMÉRCIO DE VEÍCULOS LTDA.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED MARCH 31, 2018 AND 2017
(Amounts expressed in thousands of reais – R\$)

	<u>2018</u>	<u>2017</u>
CASH FLOW FROM OPERATING ACTIVITIES		
Loss before income tax and social contribution	(169.820)	(180.221)
Adjustments to reconcile the income before income tax and social contribution with cash generated by (used in) operating activities:		
(Reversal)/provision for tax, civil and labor risks	(320)	19.822
Depreciation and amortization	47.864	42.248
Provision for losses and obsolete inventories	(7.342)	25.393
Reversal of allowance for doubtful accounts	(5.011)	(22.184)
Provision for sales incentive	-	(1.467)
Write-off of fixed and intangible assets	12.054	364
Exchange-rate change	(12.305)	(128.294)
Deferred income	27.694	400
Decrease (increase) in operating assets:		
Accounts receivable	(3.960)	163.084
Inventories	24.447	37.662
Recoverable taxes	23.300	(56.703)
Judicial deposits	(4.096)	79.639
Other accounts receivable	20.297	(4.096)
Increase (decrease) in operating liabilities:		
Suppliers	94.066	13.904
Taxes and contributions payable	9.672	11.452
Sales benefits payable	(378)	(2.693)
Salaries and social security charges	(4.231)	436
Payment of provision for tax, civil and labor risks	(4.460)	(6.331)
Provision for warranty, sales benefits and other	8.668	-
Advances from clients	-	(15.609)
Other accounts payable	22.867	1.147
Cash used in (generated by) operating activities, before income tax and social contribution	79.006	(22.411)
Interest paid	-	(11.374)
Income tax and social contribution	(2.736)	-
Cash used in (generated by) operating activities	76.270	(33.785)
CASH FLOW FROM INVESTMENT ACTIVITIES		
Acquisition of property, plant and equipment and intangible assets	(32.823)	(107.311)
Cash used in investment activities	(32.823)	(106.947)
CASH FLOW FROM FINANCING ACTIVITIES		
Related parties - Funding of loans	-	78.030
Related parties - Amortization of loans	-	(71.765)
Cash generated by financing activities	-	6.265
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>43.447</u>	<u>(134.467)</u>
Cash and cash equivalents at the beginning of the year	77.146	211.613
Cash and cash equivalents at the end of the year	<u>120.593</u>	<u>77.146</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>43.447</u>	<u>(134.467)</u>

See the accompanying notes to the financial statements.

1. OPERATIONS

Jaguar e Land Rover Brasil Indústria e Comércio de Veículos Ltda. (the "Company" or "JLR Brasil") is a limited liability company headquartered at Avenida Ibirapuera, 2.332 - Torre I - 10º andar, in São Paulo, São Paulo State, and is mainly engaged in importing and trading automotive vehicles, machinery, tools, parts, components and accessories, as well as in providing services related to described activities and producing automotive vehicles.

Vehicles and other products resold by the Company have been imported from related party Jaguar Land Rover Limited ("Parent company" or "JLR UK"), entity established in the United Kingdom.

In October 2012, in order to introduce and regulate initiatives for the future of automotive industry in Brazil, Brazilian government issued Decree 7819/12 - *Programa Inovar Auto*, which regulates the Program to Foster Technological Innovation for the Automotive Vehicles Supply Chain. The main purposes of the Program are: (a) create conditions for competitiveness, improving produced vehicles' quality (b) encourage companies to produce more economic and safer vehicles (energy efficient); and (c) ensure investments in supply chain, engineering, basic industrial technology, research, development and training. This Program's underlying benefit is the reduction of IPI (Excise Tax) rate on sale of vehicles by 30 percentage points.

In October 2012, the Company protocolled a requirement to take part in *Programa Inovar Auto* with competent agencies and, since December 28, 2012, enjoys its benefits, a concession of an annual import quota of 4,800 vehicles with IPI rate reduced by 30 percentage points.

To maintain benefits of *Programa Inovar Auto*, the Company must invest - during benefit concession period, from 0.65% to 1.5% of gross income from sale of assets and services, less taxes and contributions levied on sale - in research, development, basic industrial technology, and in training suppliers. This Program became effective on January 1, 2013 and expired on July 31, 2017.

In December 2014, the Company started to build a plant in Itatiaia, Rio de Janeiro State, RJ, with assembly production capacity of 24,000 vehicles per year. With investments in fixed assets of approximately R\$570,000, the Company produces models Evoque and Discovery Sport - which are currently the best sellers of its product line - and started operations on June 14, 2016.

Ultimate parent company of Jaguar and Land Rover Group is Tata Motors Limited, a publicly-held company located in India with shares traded at the "New York Stock Exchange - NYSE" and "Bombay Stock Exchange".

2. PRESENTATION OF FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

Statement of conformity and basis of preparation

The issue of financial statements was authorized by the Executive Board on July 27, 2018.

After financial statements are issued, only partners have the power to change them.

All relevant information specific to the financial statements, and only such information, is being evidenced, and corresponds to the information used by company Management.

Preparation basis

The Company's financial statements were prepared based on the historical cost, except for non-derivative financial instruments measured at fair value through profit or loss and measured at fair value.

Use of estimates and judgments

a. Judgments

Information about judgment referring to the adoption of accounting policies which impact significantly the amounts recognized in the financial statements are included in the following notes:

Note 9 – Property, plant, and equipment – estimated useful lives of assets to measure depreciation.

b. Uncertainties on assumptions and estimates

Information on uncertainties as to assumptions and estimates that pose a high risk of resulting in a material adjustment within the year to end at December 31, 2018 are included in the following notes:

Note 9 – Property, plant, and equipment – impairment analysis.

Note 10 - recognition of deferred tax assets, availability of future taxable income against which temporary differences may be used;

Measurement of fair value

A series of company accounting policies and disclosures requires the measurement of fair values, for financial and non-financial assets and liabilities.

The Company has established a control structure related to the fair value measurement. This includes an evaluation team with general responsibility of reviewing all significant fair value measurements, including Level 3 fair values, which are reported directly to the Financial Office.

Evaluation team regularly reviews significant non-observable data and valuation adjustments. If third-party information, such as broker quotes or pricing services, is used to measure fair values, then the management assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the CPC requirements, including the level in the fair value hierarchy in which such valuations should be classified.

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

Level 1: Prices quoted (not adjusted) in active markets for identical assets and liabilities.

Level 2: Inputs, except for quoted prices, included in Level 1 which are observable for assets or liabilities, directly (prices) or indirectly (derived from prices).

Level 3: Inputs, for assets or liabilities, which are not based on observable market data (non-observable inputs).

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

Functional currency and presentation currency

These financial statements are being presented in Brazilian Real, functional currency of the Company. All balances have been rounded to the nearest value, except otherwise indicated.

The significant accounting practices adopted are described below:

a) Foreign currency transactions

Foreign currency transactions are translated into the respective functional currency of the Company at the exchange rate on the dates of the transactions.

Monetary assets and liabilities denominated and calculated in foreign currencies on the balance sheet date are reconverted into the functional currency at the exchange rate on that date. Non-monetary assets and liabilities denominated in foreign currency that are measured at fair value are translated into the functional currency at the foreign exchange rate on the date the fair value was determined. Foreign currencies differences arising from reconversion are usually recognized in income (loss). Non-monetary items that are measured based on the historical cost in foreign currency are translated.

b) Cash and cash equivalents

Include cash amounts, funds available in free bank accounts and financial investments that are represented by highly liquid temporary investments (original maturity date up to 90 days or repurchase commitment by issuer/seller), recorded at cost plus income earned through balance sheet dates, with insignificant risk of change in value.

c) Accounts receivable

Recorded at nominal value of securities representing these credits, due to short term for receipt, less allowance for doubtful accounts.

The adjustment to present value of trade accounts receivable balance is not relevant due to short-term realization.

d) Allowance for doubtful accounts

Established on all unsecured credits in arrears for more than 90 days, it is considered sufficient by the Company's management to cover possible losses on realization of these credits, which may be modified as a result of credit recovery or change in clients' financial situation.

e) Inventories

Inventory balances are substantially comprised of finished products, raw materials and inventories in transit and are evaluated at average acquisition cost, which does not exceed net realizable value. Sale prices of inventories for resale correspond to net realizable value, less all estimated costs of completion and costs necessary to make the sale. Provisions for slow-moving or obsolete inventories are formed when considered necessary by Management. When evidences are detected and the amount of average acquisition cost

exceeds the net realizable value, a provision for loss is formed to adjust net book value to realizable value in income (loss) for the year.

f) Property, plant and equipment

Recorded at acquisition, formation or construction cost less accumulated depreciation and provision for realization of assets when future cash generation is lower than the asset's residual book value.

Subsequently incurred costs are added to the asset's book value or are recognized as a separate asset, as applicable, and only when it is likely that associated future economic benefits will flow and that the item's cost can be reliably measured. All other maintenance and repair costs are recorded in income (loss) for the year, when incurred.

Depreciation is recognized based on the estimated useful lives of each asset using the straight-line method (see Note 9).

Residual values and depreciation methods are reviewed at the end of the year, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss in the sale or write-off an item of property and equipment is recognized in the income (loss), determined as the difference between the consideration received in sale and the book value of the asset.

g) Intangible assets

Intangible assets with a defined useful life, acquired separately, are recorded at cost, less amortization and when applicable, of estimated impairment losses. The amortization is recognized at the straight-line basis, based on assets' estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

h) Current and non-current liabilities

Stated at the known amounts or estimated, plus, when applicable, the corresponding charges and exchange-rate change and inflation adjustment incurred up to the balance sheet dates.

i) Provision for guarantee and recall

Established upon sale of vehicle based on estimated value to be spent during three-year warranty period. This estimate is based on historical information on occurrence of warranty situations, considering frequency and average repair cost estimates per vehicle model. Estimated warranty expenses that will be incurred are recorded as commercial expenses. Recall expenditures effectively incurred are reimbursed by the parent company.

j) Provision for tax, civil and labor risks

A provision is recognized in the balance sheet when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Reserves are recognized based on the best estimates of the risk involved.

k) Deferred income tax and social contribution

The income tax and social contribution, both current and deferred, are calculated based on the rates of 15% plus a surcharge of 10% on taxable income in excess of R\$ 240 for

income tax and 9% on taxable income for social contribution on net income, and consider the offsetting of tax loss carryforward and negative basis of social contribution, limited to 30% of the taxable income.

Expense with income tax and social contribution comprises both current and deferred taxes. Current taxes and deferred taxes are recognized in income (loss) unless they are related to the business combination, or items directly recognized in quotaholders' equity or other comprehensive income.

(i) Current tax

Current taxes are the taxes payable, estimated at the taxable income for the year and any adjustments to taxes payable in relation to prior years. It is measured based on rates enacted or substantively enacted at the balance sheet date.

Current tax asset and liability are offset only when certain criteria are met.

(ii) Deferred tax

Deferred taxes are recognized in relation to the temporary differences between the book values of assets and liabilities for accounting purposes and the related amounts used for taxation purposes.

A deferred income tax and social contribution asset is recognized in relation to tax losses, unused tax credits and deductible temporary differences, to the extent that it is probable that future taxable income will be available against which they will be used. Deferred assets from income tax and social contribution are reviewed at each balance sheet date and reduced when their realization is no longer probable.

Deferred taxes are measured at tax rates expected to be applied to temporary differences when they are reversed, based on rates enacted or substantively decreed up to the date of balance sheet.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Company expects to recover or settle the book value of its assets and liabilities.

Deferred tax assets and liabilities are offset only if some criteria are met.

l) Recognition of income

The income comprises the fair value of the consideration received or receivable for the sale of vehicles and autoparts in the Company's normal course of activities. In addition, the Company recognizes a rendering for vehicle review services at an agreed-upon value. The income is stated net of taxes, returns, commercial discounts and bonuses granted.

Sales of products

The income from sales of products is recognized when all the following conditions are met:

- The Company has transferred to the purchaser all significant risks and benefits related to the ownership of the products.
- The Company does not keep a continued involvement in the management of products sold at a degree normally associated to the ownership, nor an effective control over said products.
- The amount of the income can be reliably estimated.

- It is likely that the economic benefits related to the transaction will accrue to the Company.
- Costs incurred or to be incurred in connection with the transaction can be reliably measured.

Sales of services

The income from sale of services is recognized when all the following conditions are met:

- The amount of the income can be reliably estimated.
- It is likely that the economic benefits related to the transaction will flow to the entity.
- The expenses incurred for the transaction and the expenses to complete it can be reliably measured.

m) Financial instruments

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

The Company classifies non-derivative financial liabilities as other financial liabilities.

(I) Non-derivative financial assets – recognition and derecognition

The Company initially recognizes the loans and receivables and debt instruments on the date that they were originated. All other financial assets and liabilities are initially recognized on the date of negotiation.

The Company fails to recognize a financial asset when the contractual rights to the cash flow of the asset expire, or when the Company transfers the rights to the reception of contractual cash flows over a financial asset in a transaction in which essentially all the risks and benefits of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

The Company derecognizes a financial liability when its contractual obligations are discharged or canceled or suspended.

Financial assets and liabilities are offset and the net value reported in the balance sheet only when there is a legally enforceable right to set off and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

(II) Non-derivative financial assets - measuring

Financial assets recorded at fair value through profit or loss

A financial asset is classified as measured at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. The transaction costs are recognized as incurred. Financial assets measured at fair value through profit or loss are measured at fair value and changes in the fair value of such assets, including gains with interest and dividends, are recognized in the income for the year.

Loans and receivables

Such assets are recognized initially at fair value plus any attributable transaction costs. After their initial recognition, loans and receivables are measured at amortized cost using the effective interest rate method.

(III) Non-derivative financial liabilities

Non-derivative financial liabilities are initially recognized at fair value less any attributable transaction costs. After their initial recognition, these financial liabilities are measured at amortized cost using the effective interest rate method.

n) Impairment

(I) Non-derivative financial assets

Financial assets not classified as financial assets at fair value through profit or loss, including investments accounted for under the equity method, are evaluated at each balance sheet date to determine if there are objective impairment evidence.

Objective evidences of financial assets' impairment include:

- Debtor's default or delays;
- Restructuring of an amount owed to the Company at conditions that the Company would not consider as normal conditions;
- Indications that the debtor or issuer will face bankruptcy;
- Negative changes in payment situation of debtors or issuers;
- The disappearance of an active market for an instrument; or
- Observable data indicating that expected cash flow measurement of a group of financial assets decreased.

(ii) Financial assets measured at amortized cost

The Company considers as evidence of impairment of assets measured by amortized cost both individually and on an aggregate basis. All individually significant assets are assessed for specific impairment. Those identified as non-impaired on an individual basis are collectively assessed for any impairment loss not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

When assessing impairment on an aggregate basis the Company makes use of historical trends of the recovery term and the amounts of losses incurred, adjusted to reflect the Management's judgment if the current economic and credit conditions are such that the actual losses will probably be higher or lower than those suggested by historical trends.

An impairment is calculated as the difference between the asset's book value and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The losses are recognized in income (loss) and reflected in a provision account. When the Company considers that it is not possible to reasonably expect recovery, amounts are written-off. When a subsequent event causes the amount of the impairment loss to decrease, the impairment loss is reversed through profit or loss.

(III) Non-financial assets

The book values of the Company's non-financial assets, except for deferred income tax and social contribution assets, are reviewed at each balance sheet date for indication of impairment. If such indication exists, the asset's recoverable amount is estimated.

For impairment tests, assets are grouped into the smallest identifiable group of assets that can generate cash inflows by continuous use that are largely independent of cash flows from other assets, or Cash Generating Units ("CGUs").

Recoverable value or CGU of an asset is the higher of value in use and fair value less selling costs. Value in use is based on estimated future cash flows discounted to present value using a discount rate before taxes that reflects current market evaluations of times value of money and the specific risks of the assets or CGU.

An impairment loss is recognized when the book value of an asset or its CGU exceeds its recoverable value.

Impairment losses are recognized in profit or loss. Impairment losses are reversed only with the condition that the book value of the asset does not exceed the book value that would have been calculated, net of depreciation or amortization, if the value loss had not been recognized.

3. NEW STANDARDS, AMENDMENTS AND INTERPRETATION OF STANDARDS

Several new standards, amendments to standards and interpretations are effective for the years started after January 1, 2018. The Company did not adopt these amendments in the preparation of these financial statements and does not plan to adopt these standards in advance.

(i) CPC 48 - Financial instruments

CPC 48 - Financial Instruments establish requirements to recognize and measure financial assets, financial liabilities and some contracts for the purchase or sale of non-financial items. This standard replaces CPC 38 - Financial Instruments: Recognition and measurement.

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

Based on its evaluation, the Company does not consider that the new classification requirements will have a significant impact on the calculation of accounts receivable and other loans payable which are measured at fair value.

CPC 38 replaces the "incurred losses" model of CPC 38 with a prospective "expected credit losses" model. This will require a relevant judgment as to about changes in economic factors affect the expected credit losses, which will be determined based on weighted probabilities.

According to CPC 48, the provisions for expected losses will be measured on one of the following bases:

- Expected credit losses for 12 months, i.e., credit losses that result from potential delinquency events within 12 months after the base date; and
- Lifetime expected credit losses, i.e., credit losses that result from all possible delinquency events over the expected life of a financial instrument.

The Company believes that impairment losses should increase and become more volatile for assets under the model of CPC 48, since they will be considered for purposes of allowance for doubtful accounts, and also, securities overdue and falling due.

The Company's Management is evaluating the standard and it was not possible to reasonably estimate the impact to be considered considering this change due to the current stage of analysis involving an adjustment in the management system.

(ii) CPC 47 - Revenue with contract with customers

CPC 47 introduces a comprehensive framework for determining whether and when income is recognized, and how income is measured. CPC 47 replaces the current standards of revenue recognition, including CPC 30 Revenue, among others.

CPC 47 establishes a five-phase model for accounting revenues arising from agreements with clients, so that an income is recognized at an amount that reflects the consideration the entity expects to be entitled to in exchange for the transfer of goods or services to the client.

The five steps are: 1) Identify contracts with client; 2) Identify performance obligations of the contract; 3) Determine transaction price; 4) allocate the transaction price to contractual performance obligations; and 5) recognize income when (or to the extent) the entity meets the performance obligations.

So far, based on its preliminary evaluation, the Company have not identified significant effects as compared with current income standards (CPC 30) regarding the recognition of income. However, it is expected that the notes to Financial Statements will be expanded.

The Company has not early adopted this standard. The Company's Management assessed the standard and its impacts and understands that the application of this pronouncement will not give rise to a significant impact on its financial statements, either in the income (loss) for the year or in quotaholders' equity.

(iii) CPC 06 (R2) (Leases)

CPC 06 (R2) introduces a single model of accounting of leases in the balance sheet to lessees. A lessee recognizes an asset of right of use that represents its right to use the leased asset and a lease liability that represents its obligation to make the lease payments. Optional exemptions are available for short-term leases and low-value items. The lessor's accounting remains similar to the current standard, that is, lessors continue to classify leases as financial or operating leases.

The standard is effective in years starting on or after January 1, 2019.

The Company intends to initially adopt CPC 06 (R2), adopting a modified retrospective approach. Therefore, cumulative effect of adopting CPC 06 (R2) will be recognized as an adjustment to retained earnings' opening balance on January 1, 2019, without updating comparative information.

The Company is not obliged to make adjustments for one-lessor leases, except when it refers to an intermediary lessor in a sub-lease.

4. CASH AND CASH EQUIVALENTS

	<u>2018</u>	<u>2017</u>
Cash and banks	1,453	11,789
Bank Deposit Certificates - CDBs (*)	<u>119,140</u>	<u>65,357</u>
Total	<u>120,593</u>	<u>77,146</u>

(*) On March 31, 2018, financial investments correspond to investments with floating rates and/or indexed at rates that vary from 90% to 95% of Interbank Deposit Certificate (CDI) change (90% on March 31, 2017). Investments may be redeemed at any time, based on formal repurchase commitments of the issuing institution with insignificant loss in face value of such instruments.

5. ACCOUNTS RECEIVABLE

	<u>2018</u>	<u>2017</u>
Accounts receivable from concessionaires - vehicles	26,482	9,127
Accounts receivable from concessionaires - parts	18,413	19,609
Allowance for doubtful accounts	<u>(27)</u>	<u>(5,038)</u>
Total trade accounts receivable	<u>44,868</u>	<u>23,698</u>
Related parties	<u>942</u>	<u>13,141</u>
	<u>45,810</u>	<u>36,839</u>

The balance of accounts receivable per maturity is stated as follows:

	<u>2018</u>	<u>2017</u>
Falling due	32,635	23,250
Overdue (days):		
1-30	11,313	437
31-90	920	981
91-120	3	278
>121	24	3,790
Total	<u>44,895</u>	<u>28,736</u>

Average receipt term on sale to concessionaires is 28 days for sale of parts, with no levy of interest, and two days for sale of vehicles.

Changes in the allowance for doubtful accounts

	<u>2018</u>	<u>2017</u>
Balance at the beginning of the year	(5,038)	(27,222)
Addition	(5,120)	(681)
Reversal	<u>10,131</u>	<u>22,865</u>
Balance at the end of the year	<u>(27)</u>	<u>(5,038)</u>

Recognition of an allowance for doubtful accounts was classified in income (loss) for the year as "Other operating expenses, net" (note 21).

6. INVENTORIES

	<u>2018</u>	<u>2017</u>
Vehicles	153,420	190,990
Parts and accessories	119,698	140,523
Imports in transit	47,084	13,136
Provision for losses and obsolete inventories	<u>(27,173)</u>	<u>(34,515)</u>
Total	<u>293,029</u>	<u>310,134</u>

The following items are segregated as follows:

	<u>2018</u>	<u>2017</u>
Finished product	243,080	251,047
Work in process	6,285	7,830
Raw material	<u>43,664</u>	<u>51,257</u>
Total	<u>293,029</u>	<u>310,134</u>

Changes in provision for losses and obsolete inventories

	<u>2018</u>	<u>2017</u>
Balance at the beginning of the year	(34,515)	(9,122)
Addition	(12,295)	(25,393)
Write-offs/ consumption	<u>19,637</u>	<u>-</u>
Balance at the end of the year	<u>(27,173)</u>	<u>(34,515)</u>

7. RECOVERABLE TAXES AND CONTRIBUTIONS

	<u>2018</u>	<u>2017</u>
ICMS recoverable	41,515	33,442
ICMS on fixed assets	16,286	10,002
IPI recoverable	9,437	12,348
COFINS recoverable	14,011	32,824
PIS recoverable	2,752	6,584
IRRF (Withholding income tax)	1,903	3,393
Other	4,408	10,895
Total	<u>90,312</u>	<u>109,488</u>
Current portion	78,098	101,955
Non-current portion	<u>12,214</u>	<u>7,533</u>
Total	<u>90,312</u>	<u>109,488</u>

8. JUDICIAL DEPOSITS

	<u>2018</u>	<u>2017</u>
Judicial deposits – other	<u>21,374</u>	<u>17,278</u>
Total	<u>21,374</u>	<u>17,278</u>

9. Property, plant and equipment and intangible assets

	Annual depreciation/am ortization rate - %	2018		2017	
		Cost	Accumulated depreciation/ amortization	Net	Net
Property, plant and equipment:					
Land	-	93,962	-	93,962	93,962
Buildings	4	341,369	(28,926)	312,443	327,499
Furniture and fixtures	10	6,010	(2,408)	3,602	4,141
Machinery and equipment	10	174,423	(29,164)	145,259	160,394
IT equipment	20	41,888	(9,782)	32,106	33,572
Special tools	10	48,318	(16,757)	31,561	19,671
Water treatment plant	6	18,924	(2,760)	16,164	17,347
Property, plant and equipment in progress		<u>28,062</u>	<u>-</u>	<u>28,062</u>	<u>33,768</u>
		752,956	(89,797)	663,159	690,354
Intangible assets:					
Software	20	<u>5,787</u>	<u>(3,912)</u>	<u>1,875</u>	<u>1,775</u>
Total		<u>758,743</u>	<u>(93,709)</u>	<u>665,034</u>	<u>692,129</u>

Changes in property, plant and equipment and intangible assets

	<u>2018</u>	<u>2017</u>
Balance at the beginning of the year	692,129	627,430
Additions:		
Buildings	3,085	19,500
Land	-	9,774
Furniture and fixtures	166	441
Machinery and equipment	5,045	41,828
IT equipment	3,061	1,253
Special tools	24,198	-
Software	2,974	747
Property, plant and equipment in progress	<u>(5,706)</u>	<u>33,768</u>
Total additions	32,823	107,311
Net write-offs	(12,054)	(364)
Depreciation / amortization	<u>(47,864)</u>	<u>(42,248)</u>
Balance at the end of the year	<u>665,034</u>	<u>692,129</u>

10. INCOME TAX AND SOCIAL CONTRIBUTION

As mentioned in Note 2, item k, income tax and social contribution expenses of the period include current and deferred taxes. The income taxes are recognized in the statement of operations.

Current income tax and social contribution are shown net, in liabilities when there are amounts to be paid or under assets when the prepaid amounts exceed the total owed on the reporting date.

Income tax is calculated at the rate of 15% on the taxable income plus a surcharge of 10% and existing tax losses are offset when required. Social contribution on income is calculated at the rate of 9% on adjusted income, also considering offset of negative bases, when applicable. The aggregate rate is 34%.

Deferred income tax and social contribution are recognized under the liability method on temporary differences between the tax basis of assets and liabilities and their book values in the financial statements. In practice, inclusions of expenses or exclusions of income, both temporarily non-taxable, into accounting profit, generate the recording of deferred tax credits or debits. Nevertheless, deferred income tax and social contribution are not recorded if they result in the initial recognition of an asset or liability in a transaction that is not a business combination, which, at the time of the transaction, affects neither net income, nor taxable income (tax loss).

Deferred income tax and social contribution assets are recognized only in the proportion of the probability that the future taxable income will be available and temporary differences can be used against it. Deferred income tax assets and liabilities are presented at net value in balance sheet when there is the legal right and the intention of offsetting them upon calculation of current taxes.

The reconciliation of income tax and social contribution expense for the years ended March 31, 2018 and 2017 is stated as follows:

	<u>2018</u>	<u>2017</u>
Loss before income tax and social contribution	(169,820)	(180,221)
Current aggregate rate	<u>34%</u>	<u>34%</u>
Expected effect in income tax and social contribution in relation to income (loss) before these taxes, in accordance with prevailing rate	57,738	61,275
Effect of income tax on permanent differences:		
Transfer pricing adjustment	(2,483)	(1,004)
Credits not recognized for deferred income tax and social contribution	(50,689)	(36,608)
Other	<u>-</u>	<u>(347)</u>
Income tax and social contribution expense	<u><u>4,566</u></u>	<u><u>23,316</u></u>

The balance of income and social contribution assets is stated as follows:

	<u>2018</u>	<u>2017</u>
Deferred tax assets on temporary differences:		
Provision for bonus	8,693	4,558
Provision for risks	9,062	9,102
Provision for guarantee and technical support	35,534	35,835
Provision for sales and marketing incentive	12,386	13,050
Allowance for doubtful accounts	9	1,713
Exchange-rate change	1	230
Provision to employees	1,219	2,908
Provision for inventory	2,675	3,606
Provision for investments	93	14
Provision for accounts payable	9,668	2,163
Other	<u>5,717</u>	<u>4,578</u>
Total	<u><u>85,057</u></u>	<u><u>77,757</u></u>

No deferred items are recognized on provisions for obsolescence of cars and parts because they have a mere accounting nature, as amounts accounted for in deferred items will certainly be subject to losses (no realization is expected). No deferred items are recognized on balances of tax losses and negative bases of CSLL, which are recorded in ancillary obligations established in tax law, as taxable income is not expected in future calculations.

11. RELATED PARTY TRANSACTIONS

Refer to transactions carried out with parent company (Jaguar Land Rover Limited).

	<u>2018</u>	<u>2017</u>
Balances:		
Accounts receivable (a)	942	13,141
Suppliers – related parties (b)	595,015	529,524
Interest on own capital payable	6,136	6,136

(a) Substantially refer to amounts receivable due to reimbursement of expenses for the rendering of services to related parties located in Latin America, with no fixed maturity or levy of charges, and due to reimbursement of incurred expenditures (parts and labor) with recall of vehicles.

(b) Refer to amounts payable to the Parent Company due to acquisition of vehicles, parts and accessories, denominated in local currency.

Management remuneration

Expenditures with management remuneration during the year ended March 31, 2018 amounted to R\$ 3,503 (R\$ 4,098 in 2017). This remuneration is comprised of salaries and charges, including 13th salary pay and vacations, as well as short-term benefit plans, such as medical and dental care, among others.

12. SUPPLIERS

	<u>2018</u>	<u>2017</u>
Domestic suppliers	64,442	44,025
Foreign suppliers – related parties	595,015	529,524
Other	227	4,374
Total	<u>659,684</u>	<u>577,923</u>

13. TAXES AND CONTRIBUTIONS PAYABLE

	<u>2018</u>	<u>2017</u>
IPI	26,801	17,200
COFINS	-	2,267
PIS	-	225
IRRF (Withholding income tax)	35	2,605
ICMS-ST	24,261	16,487
Other	1,596	4,237
Total	<u>52,693</u>	<u>43,021</u>

14. SALES BENEFITS PAYABLE

On March 31, 2018 and 2017, the Company presented the following amounts of sales benefits payable to concessionaires:

	<u>2018</u>	<u>2017</u>
Payable variable margin expenses - Land Rover	3,471	3,585
Payable variable margin expenses – Jaguar	151	415
Total	<u>3,622</u>	<u>4,000</u>

15. PROVISION FOR WARRANTY, SALES BENEFITS AND OTHER

	<u>2018</u>	<u>2017</u>
Provision for guarantee and technical support	104,279	105,394
Sales benefits	54,144	45,214
Provision for marketing	4,231	2,573
Other	-	805
Total	<u>162,654</u>	<u>153,986</u>

	<u>2018</u>	<u>2017</u>
Current portion	109,515	105,212
Non-current portion	<u>53,139</u>	<u>48,774</u>
Total	<u>162,654</u>	<u>153,986</u>

16. DEFERRED INCOME

	<u>2018</u>	<u>2017</u>
Deferred income - land (a)	21,000	21,000
Deferred income - "Service plan" (b)	<u>50,845</u>	<u>23,151</u>
Total	<u>71,845</u>	<u>44,151</u>
Current portion	16,008	6,777
Non-current portion	<u>55,837</u>	<u>37,374</u>
Total	<u>71,845</u>	<u>44,151</u>

- (a) Deferred income referring to the benefit received in the form of a piece of land donated by Rio de Janeiro State as subsidy for investments in construction of its plant in the State. Fair value of this land was recorded as deferred income and part of this income was offset against plant construction costs incurred in year ended March 31, 2016 (R\$20,500), and the amount of R\$21,000 will be offset against personnel costs to be incurred in the approximate period of 20 years, in compliance with established mandatory compensation such as for example, job generation, investment in research and development, investment in social, cultural, environmental, science and technology, professionalizing and technical education projects. This amount must remain unchanged until the plant reaches then minimum number of 400 employees.
- (b) Deferred income referring to rendering of services, for which the client opts at the time of purchase and makes payments to obtain financial benefits (discounts) in future vehicle services.

17. PROVISION FOR TAX, CIVIL AND LABOR RISKS

	<u>2018</u>	<u>2017</u>
Labor and social security	1,287	878
Tax	-	10,873
Civil	<u>20,702</u>	<u>15,018</u>
Total	<u>21,989</u>	<u>26,769</u>

Changes in provision for risks

	Balance at 2017	Additio ns	Reversals	Payments	Balance at 2018
Labor and social security	878	409	-	-	1,287
Tax	10,873	-	(10,873)	-	-
Civil	15,018	16,484	(6,340)	(4,460)	20,702
Total	<u>26,769</u>	<u>16,893</u>	<u>(17,213)</u>	<u>(4,460)</u>	<u>21,989</u>

	Balance at 2016	Additio ns	Reversals	Payments	Balance at 2017
Labor and social security	1,202	61	(385)	-	878
Tax	-	10,873	-	-	10,873
Civil	12,076	10,962	(1,689)	(6,331)	15,018
Total	<u>13,278</u>	<u>21,896</u>	<u>(2,074)</u>	<u>(6,331)</u>	<u>26,769</u>

On March 31, 2018, contingencies evaluated by legal advisors and the Company's management as possible risk of loss amounts to R\$214.988 (R\$152,856 in 2017). The contingencies evaluated are pulverized and have the tax nature (R\$ 141,292) and civil (R\$ 73,696).

18. CAPITAL

The Company's subscribed and paid-up capital is R\$616,628 on March 31, 2018 (R\$616,628 in 2017), represented by 616,627,735 quotas with par value of R\$1.00 each, belonging to the following quotaholders:

<u>Quotaholders</u>	<u>Quotas</u>	
	<u>2018</u>	<u>2017</u>
Jaguar Land Rover Limited	616,627,734	616,627,734
JLR Nominee Company Limited	1	1
Total	<u>616,627,735</u>	<u>616,627,735</u>

In December 2016, there was a capitalization of related-party loans in the amount of R\$557,397.

19. NET OPERATING INCOME

	<u>2018</u>	<u>2017</u>
Domestic sales	2,502,979	1,860,526
Sales tax	(853,964)	(625,080)
Returns, discounts and rebates	(180,610)	(115,255)
Net income	<u>1,468,405</u>	<u>1,120,191</u>

20. EXPENSES PER TYPE

	<u>2018</u>	<u>2017</u>
Raw materials and consumption materials used	(1,262,581)	(1,022,012)
Depreciation and amortization costs and expenses	(47,826)	(42,248)
Costs and expenses with employees	(132,419)	(87,759)
Structure and maintenance expenses	(14,570)	(43,173)
Expenses with insurance, guarantee, rates and charges	(10,644)	(45,507)
Expenses with IT and projects	(9,571)	(13,634)
Outsourced services and other	(12,820)	(20,290)
Expenses with advertisements, promotions and sales	(133,015)	(144,285)
Total cost of sold products, selling, general and administrative and personnel expenses	<u>(1,623,446)</u>	<u>(1,418,908)</u>
Cost of products sold	(1,310,407)	(1,064,260)
Commercial, general and administrative expenses	(313,039)	(354,648)
Total	<u>(1,623,446)</u>	<u>(1,418,908)</u>

21. OTHER OPERATING INCOME (EXPENSES)

	<u>2018</u>	<u>2017</u>
Reversal (allowance) for doubtful accounts	4,221	22,865
Provision for risks	(13,903)	(8,405)
Other	(75)	-
Total	<u>(9,757)</u>	<u>14,460</u>

22. FINANCIAL INCOME (LOSS)

	<u>2018</u>	<u>2017</u>
Financial expenses:		
Liability interest	-	(19,061)
Interest paid	-	(15,800)
Bank expenses	(21)	(103)
Other financial expenses	(1,232)	(1,785)
Total financial expenses	<u>(1,253)</u>	<u>(36,749)</u>
Financial income:		
Yields from financial investments	8,536	12,490
Other financial income	-	1
Total financial income	<u>8,536</u>	<u>12,491</u>
Net exchange rate change	(12,305)	128,294
Total	<u>(5,022)</u>	<u>104,036</u>

23. FINANCIAL INSTRUMENTS

23.1. Risk Management of financial instruments

- Credit risk

Credit risk is the risk of the Company incurring financial losses due to a client or financial instrument counterparty, resulting from failure in complying with contract obligations. Such risk is mainly due to trade accounts receivable, and financial instruments of the Company.

The book values of financial assets classified as loans and receivables represent the maximum credit exposure.

To mitigate the risk of the Company incurring losses deriving from default of financial institutions that are the depositaries of its funds and financial investments, the Company adopts the practice of only carrying out transactions with low-risk financial institutions, as evaluated by rating agencies.

	<u>2018</u>	<u>2017</u>
Financial assets-		
Loans and receivables at amortized cost:		
Cash and cash equivalents	120,593	77,146
Accounts receivable	44,868	23,698
Accounts receivable – related party	942	13,141

- Foreign exchange risk

Exposures to foreign exchange rate risks are managed in accordance with parameters established by policies set by the Company.

This risk derives from the possibility of incurring losses due to fluctuations in foreign exchange rates that reduce or increase amounts from related parties' suppliers. Below we present the pounds sterling exposure as of March 31, 2018, which considers the following equity values:

	2018	2017	Effects on income (loss)
Operating exposure			2018
Suppliers – Related parties	<u>(595,015)</u>	<u>(529,524)</u>	<u>(12,305)</u>
Total exposure	<u>(595,015)</u>	<u>(529,524)</u>	<u>(12,305)</u>

Exposure	Probable scenario (I)	Scenario (II) Increase of 25%	Scenario (III) Increase of 50%
Operating	<u>(12,305)</u>	<u>(15,381)</u>	<u>(18,457)</u>
	<u>(12,305)</u>	<u>(15,381)</u>	<u>(18,457)</u>

- Scenario I: (Maintenance of the conversion rate in relation to the year 2018)
- Scenario II: (25% devaluation of the Real) R\$/pounds sterling foreign exchange rate of 5.83.
- Scenario III: (50% devaluation of the Real) R\$/pounds sterling foreign exchange rate of 6.99.

- Liquidity risk

Liquidity risk is the risk of the Company encountering difficulties in performing the obligations associated with its financial liabilities that are settled with cash payments or with another financial asset. The Company's liquidity depends mainly on cash generated by operating activities. Liquidity risk management considers liquidity requirements' evaluation to ensure that the Company has sufficient cash to comply with its capital and operating expenses. The table below analyzes the Company's liabilities per maturity brackets, corresponding to balance sheet's remaining period until contract maturity date. Presented amounts do not contemplate contracted discount rate.

	<u>2018</u>	<u>2017</u>
Financial liabilities-		
Financial liabilities at amortized cost	< 1 year	< 1 year
Suppliers	64,672	48,402
Suppliers – related parties	595,015	529,524

- Interest rate risk

The purpose of the Company's interest rate risk management policy is to minimize likelihood of losses from changes in interest rate of financial investments in current assets.

- Fair value estimate

Pursuant to CPC 40 (R1), "Financial instruments: Disclosure reports define fair value as the exchange price that would be received for an asset or the price paid to transfer a liability (a transfer price) in the principal or the most advantageous market for the asset or liability in an orderly transaction between market independent participants at the assessment date.

Management understands that fair values are substantially similar to recorded book values.

- Fair value of financial instruments

The fair values and book balances of the financial instruments as of March 31, 2018 are stated below:

	Book value	March 31, 2018 Fair value	Hierarchy Level 2
Cash and cash equivalents	120,593	120,593	120,593
Accounts receivable	44,868	44,868	44,868
Accounts receivable – related parties	942	942	942
Suppliers	64,672	64,672	64,672
Suppliers – related parties	595,015	595,015	595,015

24. BANK GUARANTEES

On March 31, 2018 and 2017, based on prevailing contracts, bank collaterals were as follows:

<u>Description</u>	<u>2018</u>	<u>2017</u>
Guarantee for rent and energy purchase and sale - Banco Santander	<u>2,903</u>	<u>3,152</u>
Total	<u>2,903</u>	<u>3,152</u>

25. TRANSACTION THAT DID NOT AFFECT CASH

	<u>2018</u>	<u>2017</u>
Capital increase through payment of loans	-	557,397
* * *		

Executive board

Frédéric Roger Maurice Yannick Drouin
CEO

Margareth Licnerski Gonçalves
CFO

Accountant

Marcelo Suzigan Prudente Ramos
CRC 1SP237411/O-8
