PULVITEC DO BRASIL INDÚSTRIA E COMÉRCIO DE COLAS E ADEVISOS LTDA.

FINANCIAL STATEMENTS

MARCH 31, 2018

And independent auditor's report

PULVITEC DO BRASIL INDÚSTRIA E COMÉRCIO DE COLAS E ADEVISOS LTDA.

FINANCIAL STATEMENTS

March 31, 2018 and 2017

CONTENTS

Independent auditor's report

To the
Management and Quotaholders of
Pulvitec do Brasil Indústria e Comércio de Colas Adesivos Ltda.
São Paulo - SP

Opinion

We have audited the financial statements of Pulvitec do Brasil Indústria e Comércio de Colas e Adesivos Ltda. ("Company"), which comprise the statement of financial position as at March 31, 2018, and the statements of profit or loss, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting practices.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Pulvitec do Brasil Indústria e Comércio de Colas e Adesivos Ltda. as at March 31, 2018, and 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 the financial statements" section of our report. We are independent of the Company in accordance with the relevant ethical requirements provided for in the Code of Ethics for Professional Accountants and in the professional standards issued by the Federal Accounting Board, 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 provide a basis for our qualified audit 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 from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit 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 the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

São Paulo, April 25, 2018.

Crowe Horwath Macro Auditores Independentes
CRC 2SP033508/O-1

Dalton F. Herculano

Dalton Frias Herculano
Accountant - CRC1SP292951/O-0

Sérgio Ricardo de Oliveira
Accountant - CRC1SP186.070/O-8

Pulvitec do Brasil Indústria e Comércio de Colas Adesivos Ltda.
Statements of financial position at March 31
In thousands of Brazilian reais

Assets	Note	2018	2017	Liabilities and equity	Note	2018	2017
Current assets				**Current liabilities**			
Cash and cash equivalents	4	41	461	Borrowings	10	9,757	5,338
Trade receivables	5	12,961	13,441	Trade payables	11	2,491	1,636
Inventories	6	5,900	5,618	Taxes payable		460	693
Other receivables		1,011	1,086	Payroll and related taxes		950	993
Recoverable taxes		874	768	Sales commissions payable		601	628
Prepaid expenses		330	373	Trade payables	12	2,206	1,708
		21,117	**21,747**	Related parties	13	-	3,238
						16,465	**14,234**
Noncurrent assets				**Noncurrent liabilities**			
Other noncurrent assets	7	4,067	2,922	Provision for contingencies	14	905	1,600
Property and equipment	8	2,634	2,462	Taxes in installments	15	3,031	2,006
Intangible assets	9	5,393	5,442			**3,936**	**3,606**
		12,094	**10,826**				
				Equity			
				Issued capital	16	69,461	69,461
				Accumulated losses		(56,651)	(54,728)
						12,810	**14,733**
Total		**33,211**	**32,573**	**Total**		**33,211**	**32,573**

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

In thousands of Brazilian reais

	Note	2018	2017
Net operating revenue	**17**	**48,025**	**50,398**
Cost of sales and services	**18**	(29,806)	(31,069)
Gross profit		**18,219**	**19,329**
General and administrative expenses	**19**	(18,033)	(16,562)
Other operating income (expenses), net	**20**	39	(582)
		(17,994)	**(17,144)**
Profit before finance income (costs)		**225**	**2,185**
Finance income (costs), net	**21**	(2,148)	(1,784)
Profit (Loss) before income tax and social contribution		**(1,923)**	**401**
Current income tax and social contribution		**-**	(102)
Profit (loss) for the year		**(1,923)**	**299**

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

Pulvitec do Brasil Indústria e Comércio de Colas Adesivos Ltda.
Statements of changes in equity for the year ended March 31
In thousands of Brazilian reais

	Capital	Unpaid capital	Paid-in capital	Accumulated losses	Total
Balance at March 31, 2016 (unaudited)	**75,000**	**(5,539)**	**69,461**	**(55,027)**	**14,434**
Profit for the year	-	-	-	299	299
Balances at March 31, 2017	**75,000**	**(5,539)**	**69,461**	**(54,728)**	**14,733**
Unpaid capital reduction	(5,539)	5,539	-	-	-
Loss for the year	-	-	-	(1,923)	(1,923)
Balances at March 31, 2018	**69,461**	**-**	**69,461**	**(56,651)**	**12,810**

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Pulvitec do Brasil Indústria e Comércio de Colas Adesivos Ltda.
Statements of cash flows for the year ended March 31
In thousands of Brazilian reais

	2018	2017
Cash flows from operating activities		
Profit (loss) for the year	(1,923)	299
Adjustments to reconcile profit (loss) for the years to net cash generated by (used in) operating activities		
Depreciation and amortization	550	231
Loss on disposal and write-off of property, plant and equipment and intangible assets	56	333
Provision for impairment of receivables	(168)	206
Provision for goods billed but not shipped	(177)	(198)
Provision for inventory losses	(125)	125
Provision for contingencies	(695)	198
	(2,482)	**1,194**
Changes in asset and liabilities		
Trade receivables	648	807
Inventories	20	(216)
Other receivables	75	(321)
Recoverable taxes	(106)	114
Prepaid expenses	43	(92)
Other noncurrent assets	(1,145)	941
Trade payables	855	(3,036)
Taxes payable and taxes in installments	792	122
Payroll and related taxes	(43)	(9)
Other payables	471	997
Related parties	(3,238)	2,607
Net cash generated by (used in) operating activities	**(4,110)**	**3,108**
Cash flows from investing activities		
Additions to property, plant and equipment and intangible assets	(729)	(810)
Net cash used in investing activities	**(729)**	**(810)**
Cash flows from financing activities		
Borrowings	4,419	(2,896)
Net cash generated by (used in) financing activities	**4,419**	**(2,896)**
Decrease in cash and cash equivalents	**(420)**	**(598)**
At the beginning of the year	461	1,059
At the end of the year	41	461
Decrease in cash and cash equivalents	**(420)**	**(598)**

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

1. General information

Pulvitec do Brasil Indústria e Comércio de Colas e Adesivos Ltda., with its registered office in Brazil, at Av. Presidente Altino, 2468 and 2600, Jaguaré - City of São Paulo, State of São Paulo (SP), is engaged in the manufacture, sale, representation, import, export, technical assistance and projects in the segments of glues and adhesives, resins, chemicals, plastic and plastic-related materials, plastic and chemical materials for sealing and insulating crepe tape; sale, import and export of cleaning and metal polishing products in general and holding of direct or indirect equity interests in other companies, as partner or shareholder.

2 Basis of preparation

2.1 Statement of compliance in respect of accounting practices

The Company's financial statements have been prepared in accordance with accounting practices adopted in Brazil, which comprise the technical pronouncements, guidance and interpretations issued by the Accounting Pronouncements Committee (CPC) and approved by the Federal Accounting Board (CFC).

Management states that it has reviewed and discussed, and agrees with, these financial statements, authorizing its issue on April 25, 2018, considering the events after the reporting period, and agrees with the opinions expressed in the independent auditors' report on them.

2.2 Functional and presentation currency

The financial statements have been prepared and are presented in reais, which is the Company's functional currency. The functional currency was determined according to the primary economic environment of its operations. All financial information is presented in thousands of reais, unless otherwise stated.

2.3 Use of estimates and judgments

The preparation of financial statements in accordance with accounting practices adopted in Brazil requires Management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

2.4 Statement of comprehensive income

There were no equity transactions, in all material aspects, that could result in adjustments in the statement of comprehensive income, therefore this statement is not being presented.

3 Significant accounting policies

3.1 Impairment of assets

Assets are reviewed to identify evidences of impairment on an annual basis or whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. The Company's Management assessed its assets and has not identified internal or external indications of impairment.

3.2 Present value adjustment

The Company assessed its current and noncurrent assets and liabilities, in respect of amounts realizable in the future, settlement terms, maturities and possible discount rates and verified that any present value adjustment would be immaterial. Accordingly, there was no impact of such nature on the financial statements.

3.3 Revenue and expense recognition

Revenues and expenses are recognized on the accrual basis. Revenues and expenses are recognized in profit or loss when the risks and rewards associated to services are transferred to the contracting party.

3.4 Financial instruments

Financial instruments are recognized from the date the Company becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are initially recognized at their fair values plus transaction costs directly attributable to the acquisition of the financial asset or liability.

Securities are adjusted for interest incurred through the end of the reporting period, which does not exceed the fair value.

3.5 Cash and cash equivalents

Cash and cash equivalents include the available funds, bank deposits and financial investments readily convertible into a known amount of cash and subject to an insignificant risk of change in value. They are stated at cost, plus yield accrued which does not exceed their fair value.

3.6 Trade receivables

Trade receivables comprise the amounts receivable from customers related to sales until the end of the reporting period.

Management evaluate the provision for impairment of receivables based on an individual assessment of past due receivables.

3.7 Inventories

Inventories are stated at acquisition cost plus manufacturing costs, which do not exceed market values.

3.8 Property and equipment

Property, plant and equipment are stated at acquisition cost and subject to impairment testing. Accumulated depreciation was calculated under the straight-line method and recognized in profit or loss for the year at the rates mentioned in note 8.

Assets acquired under finance leases are stated at their cash amount or adjusted to the present value of the respective obligation.

3.9 Income tax and social contribution

Income tax and social contribution are calculated in accordance with the Brazilian tax laws (taxable profit), at the rate of 15% for income tax, plus a 10% surcharge on profit exceeding R$240 and 9% for social contribution.

3.10 Provision for contingencies

A provision is recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

3.11 Other current and noncurrent assets and liabilities

Current and noncurrent liabilities are stated at the known or estimated amounts, plus, when applicable, the corresponding charges, inflation adjustments and/or exchange rate changes incurred through the end of the reporting period. When applicable, current and noncurrent liabilities are stated at present value, transaction by transaction, based on interest rates that reflect the term, currency and risk of each transaction. The balancing item to present value adjustments is recognized in the profit or loss accounts that originated the liability. The difference between the present value of the transaction and the face value of the liability is recognized in profit or loss over the contract term based on the amortized cost and the effective interest method.

3.12. Revenue recognition

Revenues correspond to the present value of the sale of products, measured at the fair value of the consideration received or receivable. Moreover, revenues are recognized in accordance with pronouncement CPC 30, and only when:

a) The Company has transferred to the buyer the significant risks and rewards of ownership of the goods;

b) The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

c) The amount of revenue can be measured reliably;

d) It is probable that the economic benefits associated with the transaction will flow to the Company; and

e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income, when applicable, is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate through maturity, when such income will accrue to the Company.

3.13. New and revised standards and interpretations issued but not yet adopted

The following new standards were approved and issued by the IASB, which are not yet effective and have not been early adopted by the Company. Management evaluates the effects arising from these new standards and interpretations as mentioned below:

3.13.1 IFRS 15 – Revenue from Contracts with Customers (CPC 47)

It establishes principles of revenue recognition and disclosure of information about the nature, amount, timing and uncertainty of revenues and cash flows arising from an entity's contracts with customers, as well as on the document issued subsequently clarifies important aspects of the standard. IFRS 15 is effective for annual accounting periods beginning on or after January 1, 2018. The Company is currently evaluating the full impact of the standard and chose not to early adopt this standard.

3.13.2 IFRS 9 – Financial instruments (CPC 48)

The accounting pronouncement supersedes CPC 38 (IAS 39) and refers some questions on the application of the standard and introduces the concept of “fair value through comprehensive income” for the measurement of certain types of debt instruments, in addition to including requirements for recognition of losses due to impairment of assets related to the recording of expected losses with credits on the financial assets and commitments of renegotiation of these credits and hedge accounting. IFRS 9 is effective for annual accounting periods beginning on or after January 1, 2018. The Company is currently evaluating the full impact of the standard and chose not to early adopt this standard.

In thousands of Brazilian reais

3.13.3 IFRS 16 – Leases (NBC TG 06 (R3))

The accounting pronouncement establishes aspects of recognition, measurement and disclosure of leases. IFRS 16 is effective for annual accounting periods beginning on or after January 1, 2019.

4. Cash and cash equivalents

Description	2018	2017
Cash	3	3
Banks	27	242
Short-term investments	11	216
Total	**41**	**461**

4.1Short-term investments

Description	Investment type	Maturity	2018	2017
Banco Bradesco	Bank Certificates of Deposit (CDBs)	D+1	11	216
Total			**11**	**216**

5. Trade receivables

Description	2018	2017
Domestic customers	14,237	14,432
Foreign customers	308	151
Provision for impairment of receivables	(330)	(498)
Reversal of receivables related to unshipped goods	(1,254)	(644)
Total	**12,961**	**13,441**

5.1. Aging List

Description	2018	%	2017	%
Falling due	13,472	93%	13,562	93%
Past due				
Past due from 1 to 30 days	342	2%	289	2%
Past due from 31 to 60 days	74	1%	53	0%
Past due from 61 to 180 days	311	2%	100	1%
Past due over 180 days	346	2%	579	4%
Total	**14,545**	**100%**	**14,583**	**100%**

The Company hires a receivables recovery company that periodically assesses the likelihood of recovery of past-due receivables, when all collection efforts have been exhausted. If recovery attempts are not successful, it suggests a provision for losses authorized by Management, according to the criteria established by the Company’s head office or Management’s judgment.

In thousands of Brazilian reais

The criteria to set up the provision for impairment of receivables is as follows:

Description	Provision	2018	2017
Judicial reorganization	100%	78	230
Over 365 days	100%	192	165
From 181 to 364 days	50%	38	92
From 120 to 180 days	25%	22	11
		330	**498**

6. Inventories

Description	2018	2017
Finished goods	1,664	1,638
Work in progress	252	124
Raw materials	1,296	899
Packaging materials	2,267	1,835
Materials held by third parties	(124)	879
Provision for impairment of inventories	-	(125)
Provision for goods billed but not shipped	545	368
Total	**5,900**	**5,618**

7. Other noncurrent assets

Description	2018	2017
Refis (tax installment payment) – credit recoverable	1,512	1,512
Escrow deposit - ICMS (State VAT) lawsuit	1,410	1,410
Pert (tax installment payment) – credit recoverable	1,145	-
Total	**4,067**	**2,922**

8. Property and equipment

		2018			2017
Description	**Rate**	**Cost**	**Depreciation**	**Net**	**Net**
Machinery and equipment	10%	6,410	(5,130)	1,280	1,358
Industrial facilities	10%	1,271	(616)	655	368
Administrative facilities	10%	451	(349)	102	82
Laboratory equipment	10%	107	(96)	11	15
Plant furniture and fixtures	10%	185	(171)	14	20
Office furniture and fixtures	10%	244	(224)	20	21
Tools and accessories	10%	67	(59)	8	10
Computers and peripherals	10%	326	(194)	132	59
Assets under commodatum	10%	1,479	(1,098)	381	424
Safety equipment	10%	33	(2)	31	13
Server project	-	-	-	-	58
Super storm project	-	-	-	-	34
Total		**10,573**	**(7,939)**	**2,634**	**2,462**

In thousands of Brazilian reais

8.1. Changes in property, plant and equipment 2018

Description – cost	2017	Additions	Write-offs	Transfers	2018
Machinery and equipment	5,959	224	(18)	245	6,410
Industrial facilities	917	127	-	227	1,271
Administrative facilities	408	20	(6)	28	450
Laboratory equipment	107	-	-	-	107
Plant furniture and fixtures	190	3	(8)	-	185
Office furniture and fixtures	242	1	(1)	3	245
Tools and accessories	67	-	-	-	67
Computers and peripherals	228	56	(14)	55	325
Assets under commodatum	1,679	47	(9)	(238)	1,479
Safety equipment	14	20	-	-	34
Telephony project	-	27	-	(27)	-
Solvent piping project	-	38	-	(38)	-
Teflon project	-	44	-	(44)	-
Electric project of pva/pvc	-	108	-	(108)	-
Server project	58	-	-	(58)	-
Super storm project	34	5		(39)	-
Reactor project	-	6	-	(6)	-
	9,903	**726**	**(56)**	**-**	**10,573**
Accumulated depreciation:	(7,441)	(544)	46	-	(7,939)
Total	**2,462**	**182**	**(10)**	**-**	**2,634**

8.2. Changes in property, plant and equipment 2017

Description – cost	2016	Additions	Write-offs	Transfers	2017
	(unaudited)				
Machinery and equipment	7,208	273	(38)	(1,484)	5,959
Industrial facilities	839	19	-	58	916
Administrative facilities	420	13	(18)	(6)	409
Laboratory equipment	106	1	-	-	107
Plant furniture and fixtures	200	-	(2)	(8)	190
Office furniture and fixtures	242	6	(6)	-	242
Tools and accessories	63	6	(2)	-	67
Computers and peripherals	405	39	(222)	6	228
Assets under commodatum	-	5	-	1,674	1,679
Safety equipment	-	14	-	-	14
Server project	-	58	-	-	58
Super storm project	-	34	-	-	34
PVC project	-	221	-	(221)	-
Property and equipment in progress	-	19	-	(19)	-
	9,483	**708**	**(288)**	**-**	**9,903**
Accumulated depreciation	(7,202)	(512)	273	-	(7,441)
Total	**2,281**	**196**	**(15)**	**-**	**2,462**

In thousands of Brazilian reais

9. Intangible assets

	2018				2017
Description	**Rate**	**Cost**	**Amortization**	**Net**	**Net**
Software license	20%	446	(312)	134	102
Server project		-	-	-	81
Goodwill		22,612	(17,353)	5,259	5,259
Total		**23,058**	**(17,665)**	**5,393**	**5,442**

9.1. Changes in intangible assets 2018

Description – cost	**2017**	**Additions**	**Write-offs**	**Transfers**	**2018**
Software license	362	3	-	81	446
Server project	81	-	-	(81)	-
Goodwill	22,612	-	-	-	22,612
	23,055	**3**	**-**	**-**	**23,058**
Accumulated amortization	(17,613)	(52)	-	-	(17,665)
Total	**5,442**	**(49)**	**-**	**-**	**5,393**

9.2. Changes in intangible assets 2017

Description – cost	**2016**	**Additions**	**Write-offs**	**Transfers**	**2017**
Software license	387	21	(46)	-	362
Server project	-	81	-	-	81
Goodwill	22,612	-	-	-	22,612
	22,999	**102**	**(46)**	**-**	**23,055**
Accumulated amortization	(17,621)	(36)	44	-	(17,613)
Total	**5,378**	**66**	**(2)**	**-**	**5,442**

10. Borrowings

Description	**Conditions**	**2018**	**2017**
Citibank borrowing - Swap	9.94% p.s. and 4.10% of interest	6,224	-
Itaú - Working capital	1.10% p.m.	3,075	-
Interest on borrowings	9.94% p.s. and 1.10% and 4.10% of interest	215	118
Provision for variation - Swap	9.94% p.s. and 4.10% of interest	158	-
Discounted trade notes	1.06%	85	-
Citibank	9.94% p.s. and 4.10% of interest	-	2,050
Citibank overdraft account	-	-	3,170
Total		**9,757**	**5,338**

In thousands of Brazilian reais

11. Trade payables

Description	2018	2017
Domestic suppliers	2,372	1,655
Foreign suppliers	157	-
Reversal of unshipped goods - cut-off	(38)	(19)
Total	**2,491**	**1,636**

12. Trade payables

Description	2018	2017
Trade payables	1,194	650
Provision for trade discount	474	599
Freight provision	313	20
Freight payable	55	42
Other provisions	53	268
Provision for profit sharing	39	41
Provision for premiums	38	16
Provision for internal audit	31	63
Advances from customers	9	9
Total	**2,206**	**1,708**

13. Related parties

Description	2018	2017
Intragroup loan - Pidilite Singapore	-	3,168
Interest on intragroup loan	-	45
Purchase of Jupiter machine	-	25
Total	**-**	**3,238**

During 2017 there were no transactions involving purchases and sales of products between related parties, as well as other transactions that could affect the profit or loss.

The Company had loan operations with Pidilite Singapore for the purpose of working capital. In 2017, the loan was settled.

14. Provision for contingencies

Description	2018	2017
Labor contingencies	905	1,155
Civil contingencies	-	237
Tax contingencies	-	208
Total	**905**	**1,600**

The Company is party to labor, civil and tax lawsuits and is discussing these issues in both the administrative and judicial spheres, which when applicable, are supported by escrow deposits. The respective provisions were recorded according to the estimates of their legal counselors for the lawsuits whose probability of loss in the respective outcomes was assessed as probable. Management believes that the outcomes of these issues will not have a significantly different effect from the provisioned amount.

In thousands of Brazilian reais

(a) Not recorded contingencies (whose likelihood of loss is considered possible)

As at March 31, 2018, in addition to the aforementioned provision, the amount of R$ 1,061 (R$ 772 in March 2017) arising from civil and tax lawsuits, whose likelihood of loss is considered possible by the Company's legal counselors, and for which the Management does not consider necessary to set up a provision in the financial statements.

15. Taxes in installments

Description	2018	2017
Refis Law 12,996/14	1,512	1,512
Refis Pert - Law 13,496/17	1,145	-
Refis INSS "PULVITEC S.A."	374	494
Total	**3,031**	**2,006**

16. Capital

Pursuant to the 13th Amendment to the Company's Articles of Organization, of November 13, 2017, it was defined that only the amount of R$ 69,460,777.21 (sixty-nine million, four hundred and sixty thousand, seven hundred and seventy-seven reais and twenty-one cents), comprising quotas with par value of R$ 1,00 (one real) each was paid up to date, the quotaholders decided to cancel R$ 5,539,222.79 (five million, five hundred and thirty-nine thousand two hundred and twenty-two and seventy-nine cents) quotas subscribed and unpaid by the quotaholder Pidilite Industries Limited.

As at March 31, 2018 and 2017 the quotas are held by the quotaholders as follows:

Description	%	Quotas	Amount
Pidilite Industries Limited	99.99	69,460	69,460
Pidilite International Pte. Ltda.	0.001	1	1
Total	**100%**	**69,461**	**69,461**

17. Net operating revenue

Description	2018	2017
Sales of goods - domestic market	59,264	56,847
Resale of goods - domestic market	2,968	3,565
Resale of goods - Manaus Free Trade Zone (ZFM) or Free Trade Area (ALC)	1,477	1,417
Exports	887	660
Manufacturing in other companies	339	3,397
Sale of goods - ZFM or ALC	21	2
Sales of export equipment	6	3
Reversal of goods not shipped - cut-off	(610)	198
Gross revenue	**64,352**	**66,089**
Taxes on revenue	(14,087)	(14,223)
Sales returns - net	(1,715)	(979)
Prepaid taxes	(525)	(489)
Total	**48,025**	**50,398**

In thousands of Brazilian reais

18. Cost of sales and services

Description	2018	2017
Cost of sales and services	(29,430)	(29,890)
Inventory adjustments	(282)	(741)
Manufacturing costs	(271)	(390)
Reversal of inventories sold and not delivered	177	(48)
Total	**(29,806)**	**(31,069)**

19. General and administrative expenses

Description	2018	2017
Payroll and related taxes	(6,901)	(6,188)
Selling expenses	(5,096)	(5,870)
Freight expenses	(2,520)	(1,679)
Services provided by third parties	(1,209)	(1,228)
Rental and Municipal Real Estate Tax (IPTU)	(581)	(552)
Travel expenses	(541)	(529)
Labor contingencies expenses	(390)	-
Tax expenses	(347)	(29)
Depreciation and amortization	(113)	(83)
Telephone and internet	(108)	(119)
Consumables	(52)	(39)
Electric energy	(47)	(64)
Equipment rental	(30)	(28)
Other expenses	(98)	(154)
Total	**(18,033)**	**(16,562)**

20. Other operating income (expenses), net

Description	2018	2017
Other income	150	121
Income from refund of taxes	11	7
Income from property, plant and equipment	5	12
Disposal - property, plant and equipment / Control of Tax Credits on Permanent Assets (CIAP)	(9)	(15)
Other expenses	(118)	(707)
Total	**39**	**(582)**

In thousands of Brazilian reais

21. Finance income (costs), net

Description	2018	2017
Finance income		
Exchange gains	367	444
SWAP income	158	183
Discount obtained	80	61
Interest income from customers	54	80
	659	**768**
Finance costs		
Interest and fines on taxes	(10)	(8)
Notary's office expenses	(17)	(2)
SWAP costs	(158)	(380)
Banking expense	(208)	(202)
Interest and fines	(290)	(69)
Exchange losses	(594)	(294)
Interest on borrowings	(1,211)	(1,258)
Other finance costs	(319)	(329)
Total	**(2,807)**	**(2,552)**
Total	**(2,148)**	**(1,784)**

22. Financial instruments

Financial instruments are recognized from the date the Company becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are initially recognized at their fair values plus transaction costs directly attributable to the acquisition of the financial asset or liability.

Securities are adjusted for interest incurred through the end of the reporting period, which does not exceed the fair value.

From April 2017 to March 2018, the company carried out swap operations with Citibank, with the goal of transforming liabilities denominated in US Dollars into Reais. According to their nature, financial instruments may involve known or unknown risks, and it is important, in the company's best judgment, the potential assessment of risks. Thus, there may be risks with or without guarantees depending on circumstances or legal aspects. The main market risk factors that may affect the Company's business are as follows:

Credit risk

The Company's sales policy is closely associated to the level of credit risk that it is willing to assume in the ordinary course of its business. The diversification of its receivables portfolio, the selectivity of its customers, and the monitoring of the sales financing terms by business segment and position limits are procedures adopted to minimize any problems of default on its receivables.

Foreign exchange risk

This risk arises from the possibility of the Company incurring losses due to fluctuations in exchange rates since part of the goods sold are imported. The Company uses currency hedge financial instruments. The foreign exchange risk is managed together with the market risk due to changes in the market prices. Moreover, the foreign exchange risk is managed by the Company's head office on a global basis.

23. Insurance coverage

The Company has insurance coverage in amounts considered sufficient by the technical and operational departments (DTO) to cover any risks on its assets and/or liabilities.
The scope of work of our auditors does not include the issuance of an opinion on the sufficiency of the insurance coverage, which was determined by the Company's Management, which considers it sufficient to cover any losses.

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