(Convenience translation into English from the original previously issued in Portuguese)

# PLASCAR PARTICIPAÇÕES INDUSTRIAIS S.A.

## Independent Auditors' Review Report

## Financial Information
## As of December 31, 2018

PLASCAR PARTICIPAÇÕES INDUSTRIAIS S.A.

Financial Information
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(A free translation of the original in Portuguese)

Management Report

## Profile

Plascar S.A.

Plascar Participações Industriais S.A. (Bovespa: PLAS3) is a leader in the Brazilian market for finishing parts for the interior and exterior of automobiles, operating in the original and replacement markets for automobile manufacturers in Latin America and Mercosur.

## Economic and Financial Performance

Vehicle production in 2018 had an increase of 6.7% compared to the same period of 2017 (source: ANFAVEA). The Company's net revenue decreased 13.4% when compared to the same period of 2017, mainly due to the drop in demand from its main customer, in addition to a reduction in revenues due to the truck drivers' strike.

The Company also showed a decrease in gross margin, from a positive 8.3% in 2017 to a positive 3.1% in 2018, as well as a decrease in EBITDA, from a negative 0.2% (R $ 878) in 2017 to a negative 24.5% (R $ 85,090) in 2018, a result that is due to the net revenue decrease, despite the various cost reduction measures adopted by management, such as reduction of benefits and the number of employees (about 1,100 dismissals between December 2015 and December 2017). The net loss amounted to R$ 257,254 in 2018, in the same period of 2017 added a loss of R$ 71,947.

For 2019, with the completion of the Company's restructuring process (Note 1) and new business inflows, the expectation is for a gradual recovery in production volumes, net revenue and margins.

| SOURCE: ANFAVEA - BRAZIL | | | |
|---|---|---|---|
| AUTOMOTIVE OUTLOOK | 2017 | 2018 | CH. % |
| PRODUCTION OF VEHICLES | 2,700 | 2,881 | 6.7% |
| SALES OF VEHICLES | 2,240 | 2,566 | 14.6% |

At the Board of Directors meeting held on November 13, 2018, already in the context of the restructuring process of the Company, the resignation of the former directors Mr. André Cambauva do Nascimento and Gordiano Pessoa Filho and the election of the current officers Mr. Fabio Ernesto Isaia for the positions of Chief Executive Officer of the Company and Director of Plascar Ltda. and Paulo Antônio Silvestri, for the positions of Investor Relations Officer of the Company and Director of Plascar Ltda.

## Investments

The Company has maintained the necessary investments to meet current production and new contracts, seeking to improve productivity and reduce costs, totaling "CAPEX" in 2018 of R$ 3 million (R$ 5 million in 2017).

## Human Resources

Despite economic adversities in the country, and the needs to reduce its headcount, the Company continues to invest in the professional development of its employees, with approximately 53.7 hours of learning and training per employee (in the last 12 months), focused on SENAI workshop, internships, technical training and operational development.

The Company ended up 2018 with 1,793 employees (1,808 in 2017).

## Relationship with Independent Auditors

The audit of the financial statements prepared in accordance with accounting practices adopted in Brazil was carried out by BDO RCS Auditores Independentes.
We hereby inform that, in 2018, the Company did contract non-audit services from its external Auditors, in the amount of R$ 18.
The policy of the Company and its subsidiary on contracting non-audit services from the independent auditors is guided by principles that preserve the auditor's independence, under which: an auditor cannot audit his or her own work; an auditor cannot exercise management functions in an audit client; and an auditor cannot serve in an advocacy role for an audit client.

The qualified officers declare that:

a) They have reviewed and discussed, and agree with, the opinions expressed in the independent auditor's report.
b) They have reviewed and discussed, and agree with, the financial statements.

## Acknowledgments

Once again, we wish to thank all those who were present and supported us during 2018, namely our employees, customers, suppliers, stockholders, financial institutions, members of the Board of Directors and Statutory Audit Board of the Company.

The EBITDA and non-financial information included in this report, as well as the percentages derived therefrom, were not audited by our independent auditors.

Jundiaí, March 27, 2019.

The administration

# INDEPENDENT AUDITOR'S REPORT ON THE INDIVIDUAL AND CONSOLIDATED FINANCIAL STATEMENTS

To the
Shareholders, Board Members and Management of
Plascar Participações Industriais S.A.
Jundiaí - SP

## Opinion

We have audited the individual and consolidated financial statements of Plascar Participações Industriais S.A. ("Company"), identified as parent company and consolidated, respectively, which comprise the statement of financial position as at December 31, 2018 and the respective individual and consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, as well as the corresponding notes to the financial statements, including a summary of significant accounting policies.

In our opinion the accompanying individual and consolidated financial statements present fairly, in all material respects, the individual and consolidated financial position of Plascar Participações Industriais S.A. as at December 31, 2018, its individual and consolidated financial performance and its individual and consolidated cash flows for the year then ended in accordance with Brazilian accounting practices and International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB).

## Basis for opinion

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

## Material uncertainty as to the Company's and its controlled company's going concern

We draw attention to Notes 1, 13 and 15 to the individual and consolidated financial statements, which describe that the Company and its controlled company have reported recurring losses on its operations, individual and consolidated accumulated loss in equity amounting to R$ 514,305 thousand, and current liabilities in excess of current assets, by the end of December 31, 2018, totaling R$ 504,389 thousand and R$ 709,480 thousand, individual and consolidated, respectively. However, the current management of the Company and its controlled company have been making efforts along with the controlling shareholders to reverse this scenario and, in this context, after the year ended December 31, 2018, restructured their main financial and operating debt agreements with their respective creditors. Although the Company's management has completed the restructuring of its main debts, there are still financial indicators that raise substantial doubt, among other situations described in the mentioned notes, about the continuity of the Company as a going concern. The individual and consolidated financial statements do not include any adjustments as a result of these uncertainties or of the measures currently in progress. Our opinion is not modified in respect of this matter.

## Key audit matters - KAMs

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the individual and consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the section "Material uncertainty as to going concern", we determined that the matters described below are the key audit matters to be communicated in our report.

| Impairment testing of fixed assets (Notes 2.12 and 12(e)) | Our audit response to the matter |
|---|---|
| The situation verified in 2018 is a reflex of the reduction in the production of vehicles in previous years, directly affecting the Company's activities, which operates in the sector of auto parts and, though not reporting gross losses in the current year, it still reports operating losses in the amount of R$ 125,630 thousand.<br><br>The measurement of the recoverable value of the accounts "Machinery and equipment" in fixed assets was made using their fair value net of selling expenses. This calculation was made by external valuers hired by the Company and it showed a fair value higher than the book value of fixed assets as at December 31, 2018. For this reason no impairment was recorded for this year.<br><br>We focused our work on this area because the valuation made by the Company's management on the recoverable value of fixed assets is sensitive to the inherent inaccuracy of the process, judgments made and assumptions used, mainly those related to the value of replacement, depreciation coefficients and useful lives which, if changed, may result in relevantly different amounts from those calculated by the Company. | Our audit procedures included, among others, to confirm that a competent external valuer was hired to evaluate the fixed asset items of the three main Cash Generating Units (CGUs) of the Company: Jundiaí, Varginha and Betim.<br><br>We tested the integrity and totality of the data on fixed asset items provided by Management to the external valuers and, with the support of our internal experts, checked whether the methodologies and assumptions defined by the Company's management for the valuation of the assets by CGU were properly applied by the external valuers hired when calculating the fair value of fixed asset items.<br><br>Based on samples, we crosschecked the list of assets valued with their respective new replacement values, remaining useful lives, market values, the sources used for attributing the useful lives, against the respective external price quotations made by the external valuer.<br><br>We considered the assumptions used by Management for the calculation of fair value less selling expenses reasonable and consistent with the data and external observable information, when applicable. |

| Plan for restructuring of the debt of the Company and its controlled company with the main financial and non-financial creditors and change of the Company's parent company (Notes 1, 13 and 15) | Our audit response to the matter |
|---|---|
| During 2018, the management of the Company and its controlled company aimed along with the controlling shareholders to restructure its financial and non-financial indebtedness, including, among other measures, the entry of a new controlling shareholder in the Company and its controlled company, change of the management of the Company and its controlled company, exchange of part of the existing debt (equivalent to 90%) by means of capital increase and issue of shares of this new controlling shareholder, refinancing (equivalent to 10%) of the remaining debt with creditors, and issue of subscription bonus by the Company. Accordingly, after the year ended December 31, 2018, its restructured debts at January 31, 2019 were duly approved at the Extraordinary General Meeting.<br><br>Accordingly, due to the relevance of the matter, in the evaluation of these operations and, consequently, the need to evaluate the adequate accounting treatment for the measurement of the equity and financial instruments involved, we focused our work on this area as a sensitive matter due to the change of the parent company and measurement of the equity and financial instruments, in addition to the financial and operational situation of the Company and its controlled company. | Our audit procedures included, among others, confirming that an external valuer was hired to assist the Company's Management in establishing the price of share issues in capital increase, pursuant to article 170, paragraph 1 of Law No. 6.404/76.<br><br>Considering the support of our experts, we checked whether the methodology and assumptions defined by the Company's external valuer to evaluate pricing were reasonably applied according to the analyses of the methodologies consistently applied.<br><br>We crosschecked the new shareholding structure and the restructured debt, respectively, against the corporate acts duly approved by the competent bodies and the new financial and non-financial position updated with the creditors, in the current year and period subsequent to the individual and consolidated financial statements as at December 31, 2018.<br><br>When following the procedures, we have not identified relevant inconsistencies related to the individual and consolidated financial statements between the information checked by us and the documents presented and disclosed by the management of the Company and controlled company. |

## Other matters

Statements of value added

The individual and consolidated statements of value added, prepared under the responsibility of the Company's management for the year ended December 31, 2019, and presented as supplemental information for IFRS purposes, were submitted to the same audit procedures followed for the audit of the Company's financial statements. In order to form an opinion, we have checked whether these statements are reconciled with the financial statements and accounting records, as applicable, and whether its form and contents meet the criteria established in Accounting Pronouncement CPC 09 - Statement of Value Added. In our opinion, the statements of value added were properly prepared, in all material respects, in accordance with the criteria established in that Technical Pronouncement and are consistent with the individual and consolidated financial statements taken as a whole.

## Other information accompanying the individual and consolidated financial statements and auditor's report

The Company's management is responsible for this other information that comprises the Management Report.

Our opinion on the individual and consolidated financial statements does not cover the Management Report and we do not express any form of audit conclusion thereon.

In connection with our audit of the individual and consolidated financial statements, our responsibility is to read the Management Report and, in doing so, consider whether the report is materially inconsistent with the individual and consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this Management Report, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of management and those charged with governance for the individual and consolidated financial statements

Management is responsible for the preparation and fair presentation of the individual and consolidated financial statements in accordance with Brazilian accounting practices and with the IFRS, issued by IASB, 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 individual and consolidated 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 and its controlled companies 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 individual and consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the individual and consolidated 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 (ISAs) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Brazilian standards and ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the individual and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls;
- Obtain an understanding of internal controls 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 and its controlled companies' internal controls;
- 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 and its controlled companies' 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 individual and consolidated 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 and its controlled companies 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 individual and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The accompanying financial statements have been translated into English for the convenience of readers outside Brazil.

Campinas, March 27 2019.

BDO RCS Auditores Independentes SS
CRC 2 SP 031522/F

Esmir de Oliveira
Accountant CRC 1SP 109628/O-0

# PLASCAR PARTICIPAÇÕES INDUSTRIAIS S.A.

## Balance sheet
As of December 31, 2018 and 2017
(In thousands of Reais)

Assets

| | Notes | Company 2018 | Company 2017 | Consolidated 2018 | Consolidated 2017 |
|---|---|---|---|---|---|
| Current | | | | | |
| Cash and cash equivalents | | - | 11 | 303 | 1,128 |
| Trade accounts receivable | 6 | - | - | 12,326 | 25,844 |
| Inventories | 7 | - | - | 34,497 | 38,826 |
| Recoverable taxes | 8 | - | - | 807 | 856 |
| Other accounts receivables | | 16 | 16 | 6,906 | 7,075 |
| | | 16 | 27 | 54,839 | 73,729 |
| Non-current | | | | | |
| Other accounts receivables | | - | - | 3,857 | 3,857 |
| Recoverable taxes | 8 | - | - | 2,800 | 2,750 |
| Judicial deposits | | - | - | 4,778 | 4,349 |
| Property, plant and equipment | 12 | 7 | 7 | 358,154 | 439,690 |
| Other assets | | - | - | 8,828 | 9,005 |
| | | 7 | 7 | 378,417 | 459,651 |
| Total assets | | 23 | 34 | 433,256 | 533,380 |

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

# PLASCAR PARTICIPAÇÕES INDUSTRIAIS S.A.

## Balance sheets
As of December 31, 2018 and 2017
(In thousands of Reais)

Liabilities and shareholders equity (unsecured liabilities)

| | | Company | | Consolidated | |
|---|---|---|---|---|---|
| | Notes | 2018 | 2017 | 2018 | 2017 |
| Current | | | | | |
| Loans and financing | 13 | - | - | 444,485 | 370,963 |
| Trade accounts payable | | - | - | 23,730 | 51,049 |
| Tax obligations | 22 | 17 | 21 | 42,721 | 29,284 |
| Payroll and related charges | 14 e 22 | - | - | 42,077 | 27,234 |
| Advances from customers | 15 | - | - | 96,348 | 82,296 |
| Related parties | 10b | - | - | 2,232 | 59 |
| Provision for unsecured liabilities | | 504,388 | 248,361 | - | - |
| Other liabilities | | - | - | 112,726 | 70,281 |
| | | 504,405 | 248,382 | 764,319 | 631,166 |
| Non-current | | | | | |
| Provision for contingencies | 16b | - | - | 5,940 | 9,636 |
| Related parties | 10b | 9,923 | 8,703 | - | - |
| Payroll and related charges | 14 e 22 | - | - | 5,047 | 7,389 |
| Income tax and social contribution - deferred | 9a | - | - | 16,827 | 14,114 |
| Tax obligations | 22 | - | - | 110,346 | 128,386 |
| Other liabilities | | - | - | 45,638 | 13 |
| | | 9,923 | 8,703 | 183,798 | 159,538 |
| Shareholders' equity | 17 | | | | |
| Paid in capital | | 481,972 | 481,972 | 481,972 | 481,972 |
| Revaluation reserve | | - | 22,269 | - | 22,269 |
| Revaluation reserve | | 1,158 | 7,717 | 1,158 | 7,717 |
| Accumulated losses | | (997,435) | (769,009) | (997,435) | (769,009) |
| | | (514,305) | (257,051) | (514,305) | (257,051) |
| Non-controlling interest | | - | - | (556) | (273) |
| Total shareholders' equity (unsecured liabiliites) | | (514,305) | (257,051) | (514,861) | (257,324) |
| Total liabilities and shareholders' equity | | 23 | 34 | 433,256 | 533,380 |

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

# PLASCAR PARTICIPAÇÕES INDUSTRIAIS S.A.

## Statements of income
For the years ended December 31, 2018 and 2017
(In thousands of Reais)

| | | Company | | Consolidated | |
|---|---|---|---|---|---|
| | Notes | 2018 | 2017 | 2018 | 2017 |
| Net operating revenue | 19 | - | - | 346,821 | 400,488 |
| Cost of product sold | 20 | - | - | (335,938) | (367,141) |
| Gross profit (loss) | | - | - | 10,883 | 33,347 |
| Operating (expenses) revenue | | | | | |
| Selling expenses | 20 | - | - | (20,353) | (16,430) |
| General and administrative expenses | 20 | (1,219) | (1,113) | (72,417) | (62,608) |
| Equity method results | 11 | (256,027) | (70,827) | - | - |
| Other operating income, net | | - | - | (43,743) | 4,025 |
| Operating results | | (257,246) | (71,940) | (136,513) | (75,013) |
| Results before financial income and expenses | | (257,246) | (71,940) | (125,630) | (41,666) |
| Financial results | | | | | |
| Financial income | 21 | - | - | 2,788 | 2,358 |
| Financial expenses | 21 | (8) | (7) | (130,929) | (107,224) |
| | | (8) | (7) | (128,141) | (104,866) |
| Results before income tax and social contribution | | (257,254) | (71,947) | (253,771) | (146,532) |
| Income tax and social contribution | | | | | |
| Deferred | | - | - | (3,765) | 74,507 |
| | | - | - | (3,765) | 74,507 |
| Net loss for the year | | (257,254) | (71,947) | (257,536) | (72,025) |
| Net loss attributable to | | | | | |
| Non-controling interest | | - | - | (282) | (78) |
| Controlling interest | | (257,254) | (71,947) | (257,254) | (71,947) |
| | | (257,254) | (71,947) | (257,536) | (72,025) |
| Loss on the share of operations attributed to the Company's shareholders during the year (expressed in BRL per thousand shares) | | - | - | | |
| Basic loss and diluted per share | | (51.76) | (14.48) | | |

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

# PLASCAR PARTICIPAÇÕES INDUSTRIAIS S.A.

## Statements of comprehensive income
For the years ended December 31, 2018 and 2017
(In thousands of Reais)

| | Company | | Consolidated | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| Net loss for the period | (257,254) | (71,947) | (257,536) | (72,025) |
| Other comprehensive income to be reclassified to the statements of income in subsequent periods | - | - | - | - |
| Other comprehensive income not reclassified to the statements of income in subsequent periods | - | - | - | - |
| Total comprehensive income | (257,254) | (71,947) | (257,536) | (72,025) |
| Total comprehensive income attributable to: | | | | |
| Non-controling interest | - | - | (282) | (78) |
| Controlling interest | (257,254) | (71,947) | (257,254) | (71,947) |
| | (257,254) | (71,947) | (257,536) | (72,025) |

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

PLASCAR PARTICIPAÇÕES INDUSTRIAIS S.A.

## Statements of changes in shareholders' equity
(In thousands of Reais)

| | | Capital reserve | | | | | |
|---|---|---|---|---|---|---|---|
| | Paid in capital | Options granted and treasury shares | Revaluation reserve | Accumulated losses | Total | Non-controlling interest | Total |
| Balance as of January 1, 2017 | 481,972 | 22,269 | 8,345 | (697,690) | (185,104) | (195) | (185,299) |
| Realization of property, plant and equipment deemed cost | - | - | (952) | 952 | - | - | - |
| Realization of deferred taxes on property, plant and equipment deemed co | - | - | 324 | (324) | - | - | - |
| Net loss for the year | - | - | - | (71,947) | (71,947) | (78) | (72,025) |
| Balance as of December 31, 2017 | 481,972 | 22,269 | 7,717 | (769,009) | (257,051) | (273) | (257,324) |
| Realization of property, plant and equipment deemed cost | - | - | (621) | 621 | - | - | - |
| Reclassification of deemed cost to property, plant and equipment | - | - | (6,149) | 6,149 | - | - | |
| Realization of deferred taxes on property, plant and equipment deemed co | - | - | 211 | (211) | - | - | - |
| Net loss for the year | - | - | - | (257,254) | (257,254) | (283) | (257,537) |
| Internal changes in shareholders' equity | - | (22,269) | - | 22,269 | - | - | |
| Balance as of December 31, 2018 | 481,972 | - | 1,158 | (997,435) | (514,305) | (556) | (514,861) |

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

PLASCAR PARTICIPAÇÕES INDUSTRIAIS S.A.

Statement of cash flows
For the years ended December 31, 2018 and 2017
(In thousands of Reais)

| | | Company | | Consolidated | |
|---|---|---|---|---|---|
| | Notes | 2018 | 2017 | 2018 | 2017 |
| Cash flow from operating activities | | | | | |
| Net loss of the year before income tax and social contribution | | (257,254) | (71,947) | (253,771) | (146,532) |
| | | | | | |
| Adjustments to conciliate net loss to cash generated (used) in operating activities: | | | | | |
| Depreciation and amortization | 20 | - | - | 40,348 | 42,385 |
| Loss on asset disposal | | - | - | 221 | 1,660 |
| Property, plant and equipment impairment provision | | - | - | 44,084 | - |
| Interest and monetary variation, net | | | | 124,407 | 99,794 |
| Addition/reversal of provision for judicial deposits | | | | (3,696) | - |
| Addition/reversal of provision for losses in inventory and obsolescence | 7 e 20 | - | - | (1,083) | (585) |
| Addition/reversal of allowance for doubtful debts | 6 e 20 | - | - | - | (450) |
| Results of equity method | 11 | 256,027 | 70,827 | - | - |
| Others | | | | (1,052) | - |
| | | | | | |
| (Increase)/decrease in asset accounts | | | | | |
| Trade accounts receivable | | | | | |
| Inventories | | - | - | 13,518 | 151 |
| Recoverable taxes | | - | - | 5,412 | 13,853 |
| Other accounts receivable | | - | - | (1) | 1,079 |
| | | | | (84) | (2,203) |
| Increase /(decrease) in asset accounts | | | | | |
| Trade accounts payable | | | | (27,650) | 11,988 |
| Payroll and relatd charges | | - | - | 9,579 | (33,620) |
| Advances from customers | | - | - | (4,134) | (22,060) |
| Tax payable and tax reassessment | | (4) | - | (15,207) | 41,072 |
| Provision for judicial deposits (payments) | 16.b | - | - | - | (3,352) |
| Other liabilities | | - | - | 68,698 | 16,828 |
| Net cash (used in)/provided by operating activities | | (1,231) | (1,120) | (411) | 20,008 |
| | | | | | |
| Cash flows from investing activities | | | | | |
| Additions of property, plant and equipment and intangible assets | | - | - | (3,117) | (6,994) |
| Proceeds from property, plant and equipment sales | | - | - | - | - |
| Proceeds from related parties | | - | - | - | - |
| Net cash used in investment activities | | - | - | (3,117) | (6,994) |
| | | | | | |
| Cash flows from financing activities | | | | | |
| Payment of loans and financings (principal and interest) | | - | - | (10,534) | (22,233) |
| Net increase in loans | | - | - | 11,064 | 12,209 |
| Net increase in receivable from related parties | | 1,220 | 1,123 | 2,173 | (2,321) |
| Net cash provided/(used in) by financing activities | | 1,220 | 1,123 | 2,703 | (12,345) |
| | | | | | |
| Increase in cash and cash equivalents | | (11) | 3 | (825) | 669 |
| | | | | | |
| Cash and cash equivalents at beginning of the year | | 11 | 8 | 1,128 | 459 |
| Cash and cash equivalents at end of the year | | - | 11 | 303 | 1,128 |
| | | | | | |
| Increase in cash and cash equivalents | | (11) | 3 | (825) | 669 |

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

# PLASCAR PARTICIPAÇÕES INDUSTRIAIS S.A.

## Statements of value added
For the years ended December 31, 2018 and 2017
(In thousands of Reais)

| | | Company | | Consolidated | |
|---|---|---|---|---|---|
| | Notes | 2018 | 2017 | 2018 | 2017 |
| Revenue | | | | | |
| Sales of productes and service rendered | | - | - | 430,491 | 495,484 |
| Other income | | - | - | 96 | 58 |
| Provision for doubtful debts | 6 | - | - | - | 450 |
| | | - | - | 430,587 | 495,992 |
| Inputs acquired from third parties | | | | | |
| Raw materials consumed | | - | - | (139,214) | (170,115) |
| Materials, energy, third-party service and other operational | | (555) | (568) | (102,642) | (51,425) |
| Provision for adjustment to market value and obsolescence | 7 | - | - | 1,083 | 585 |
| | | (555) | (568) | (240,773) | (220,955) |
| Net value added produced | | (555) | (568) | 189,814 | 275,037 |
| Depreciation and amortization | 20 | - | - | (40,348) | (42,385) |
| Net value added produced by the Company | | (555) | (568) | 149,466 | 232,652 |
| Value added received on transfer | | | | | |
| Equity in earnings of subsidiaries | 11 | (256,027) | (70,827) | - | - |
| Financial income | | - | - | 2,788 | 2,358 |
| Income tax and social contribution compensation on Tax Losses | | - | - | (1,052) | 81,159 |
| Other revenues | | - | - | 471 | 4,109 |
| Value added to be distributed | | (256,582) | (71,395) | 151,673 | 320,278 |
| Distribution of value added | | | | | |
| Personnel | | | | | |
| Wages and salaries | | 359 | 272 | 119,543 | 120,594 |
| Social charges | | 122 | 111 | 43,089 | 21,767 |
| Taxes, fees and contributions | | | | | |
| Federal | | - | - | 43,116 | 65,205 |
| State | | - | - | 43,705 | 48,900 |
| Municipal | | 183 | 163 | 5,126 | 6,131 |
| Remuneration of third-party capital | | | | | |
| Financial expenses | | 8 | 6 | 130,591 | 106,357 |
| Rent, lease and other | | - | - | 24,039 | 23,349 |
| Others | | - | - | - | - |
| Remuneration of shareholders' equity | | | | | |
| Loss for the period | | (257,254) | (71,947) | (257,254) | (71,947) |
| Loss attributable to non-controlling shareholders | | - | - | (282) | (78) |
| Total Value distributed | | (256,582) | (71,395) | 151,673 | 320,278 |

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

## 1. Operations

Plascar Participações Industriais S.A. ("Plascar S.A." or "Company") with headquarters in the city of Jundiaí (Since February 11, 2019 - Previously headquartered in the city of Campinas), State of São Paulo, with shares traded on the São Paulo Commodities, Futures and Stock Exchange (BM&FBovespa) under the ticker symbol PLAS3. The Company's activities consist of controlling its subsidiary Plascar Indústria de Componentes Plásticos Ltda. ("Plascar Ltda."), which operates in the automotive industry and whose business activity is the manufacturing and selling of interior and exterior finishing auto parts.

Plascar Ltda. has manufacturing plants in the cities of Jundiaí, State of São Paulo, and Varginha and Betim, State of Minas Gerais.

The plants operate mainly in the automotive industry, focused on meeting the needs of automakers, supplying bumpers, dashboards, air diffusers, cup holders, door trim panels, parcel racks, carpets, window regulators and other small components. The manufacture of non-automotive products, focused on injection and assembly of supermarket trolleys, multi-use boxes, pallets and ecological furniture, represents less than 10% of the Company's total consolidated assets, net revenue and profit.

The controlling interest in Permali do Brasil Indústria e Comércio Ltda., which currently owns 46.09% of the Company's capital, is held by a joint venture established in 2005 between WL Ross & Co. LLC (75.7%) and Franklin Mutual Advisers LLC (24.3%), headquartered in Delaware, in the United States of America.

The Company’s paid in capital is formed by Postalis – Instituto de Seguridade Social dos Correios e Telégrafos and by other individual shareholders currently holding 17.80% and 36.11% interest, respectively.

Additionally, as mentioned in Subsequent Event, after the conclusion of the financial restructuring of the Company and its subsidiary on January 31, 2019, the shareholding control of Plascar SA became to Padua IV Participações SA, with a 59.99% interest of its capital and also comprehending Permali do Brasil Indústria e Comércio Ltda., with 18.44%, Postalis Institute of Social Security of Posts and Telegraphs with 7.12% and other individual shareholders who jointly hold 14.45%.

Financial Situation

In 2018, there was an increase in the production of vehicles by 6,7%, in comparison with 2017, according to data from ANFAVEA (National Association of Motor Vehicle Manufacturers). As for the Company's net revenue in 2018, there was an increase of 13,4% in comparison with the previous year.

Although the recovery of the truck market segment in 2018 has been positive for the Company, there was a significant decline in the light vehicle market segment participation of its main customer, and there was a reduction in revenues due to the truck drivers' strike.

The Company has been chosen to supply a series of new projects involving the manufacture of injected parts for vehicles to its current customers and to new the automakers being established in Brazil, in addition to new businesses not related to the automotive industry, some of which are under development and others have already been started.

The Company continues to take several measures to reduce internal operating costs and improve the margin, constantly negotiating with customers to pass on cost increases (labor, raw materials, etc.), all of which in accordance with the restructuring process that culminated in the shutdown of the manufacturing plants of Pindamonhangaba and Campinas, in the State of São Paulo, the disposal of the operations in Argentina, as well as benefit cuts and reduction in the number of employees (around 1,100 workers between December 2015 and December 2018).

As at December 31, 2018, the Company reports current liabilities in excess of current assets in the amount R$ 504,389 at the Company, and in the amount of R$ 709,480 at the consolidated and negative shareholders' equity at the consolidated in the amount of R$ 514,305 and at the Company in the amount of R$ 514,861. With the completion of the Company's financial restructuring on January 31, 2019 mentioned in a Subsequent Event, the shareholders' equity and current liabilities of the Company were positively impacted by R$ 449,483, as a result of the capital increase.

Additionally, the Company reported losses in the current and comparison periods, and has accumulated losses totaling R$ 997.435, in the individual and consolidated.

With the completion of the Company's financial restructuring on January 31, 2019 mentioned in the Subsequent Event, the shareholders' equity and current liabilities of the Company were positively impacted by R $ 449,483, arising from a capital increase.

The Company has overdue bank contracts and, as of December 31, 2018, has long-term outstanding loans recognized as short term in the amount of R$ 46,495 (note 4.1c), due to the non-compliance with restrictive clauses ("Covenants"). For these past due contracts, the Company continued to negotiate with the banks, seeking the best way to balance the outstanding amounts.

These negotiations were formally materialized and assembled through the conclusion of a Standstill Contract signed between the Company and its main bank creditors on May 24, 2017, as disclosed to the market through a Relevant Fact published on May 30, 2017. The Standstill agreement was initially concluded to be validy for 60 days, and was extended for an additional 30 days, with no further extension. The referred contract had as its main object the assumption of the creditors' commitment to not take any enforceable measure for judicial recovery of outstanding bank debts while the parties were negotiating the financial repricing.

As a result of this negotiation, on June 12, 2018, the Company, Plascar Indústria de Componentes Plásticos Ltda. and, together with Permali do Brasil, International Automotive Components Group Brazil LLC, Mapa Capital Ltda. and certain financial and non-financial creditors of Plascar, entered into a non-binding "Summary of Principal Terms and Conditions of Plascar’s Restructuring" ("Term Sheet"), with the objective of restructuring the existing debt of Plascar Ltda. through an entry of a new member into the economic group of Plascar and consequent exchange of part of the existing debt for new shares issued by the Company, which would be held by an investment vehicle ("Newco") to be created to control the Company. This Term Sheet, which had initial validity until October 31, 2018, was extended and its new maturity date was December 31, 2018, or until the parties concluded the signing of the new bank restructuring agreements debt, whichever occurred first.

The Term Sheet has been approved by all correlated creditors.

At the same date on June 12, 2018, the Company disclosed to the market a new Relevant Fact providing detailed information on the progress of the debt restructuring process.

At the Board of Directors meeting held on November 13, 2018, already in the context of the restructuring process of the Company, the resignation of the former directors Mr. André Cambauva do Nascimento and Gordiano Pessoa Filho and the election of the current managers Mr. Fabio Ernesto Isaia for the positions of Chief Executive Officer of the Company and Director of Plascar Ltda. and Paulo Antônio Silvestri, for the positions of Investor Relations Officer of the Company and Director of Plascar Ltda.

(In thousands of Brazilian reais, unless otherwise stated)

The Shareholders' Meeting held on December 13, 2018 approved, by unanimous vote of the attending shareholders, the final restructuring plan for the Company's debt, which, in general, involves the sale of approximately 90% of the Company's existing debt of Plascar by the main creditors of the Company to the current controlling company "Pádua IV Participações SA".

Due to the aforementioned approval, there is no expectation by the Company and its legal advisors of any execution of the bank contracts subject of this renegotiation, due to the conclusion of the restructuring in a satisfactory manner to all the creditors involved.

At December 31, 2018, the composition of the debt included in the Term Sheet, and presented in notes 13 and 15, was as follows:

| Summary of the debt included in the Term Sheet updated to December 31, 2018 | BRASIL | FIBRA | BDMG | ITAÚ | BRADESCO | FCA | Total |
|---|---|---|---|---|---|---|---|
| Financial operations | 121,521 | 86,847 | 76,046 | 92,926 | 50,424 | | 427,764 |
| Non-financial operations | | | | | | 84,456 | 84,456 |
| Total debts | 121,521 | 86,847 | 76,046 | 92,926 | 50,424 | 84,456 | 512,220 |
| | Financial Institutions | | | | | Non-financial institutions | |

The Company's management reviewed the projections considering the new projects to manufacture the injection molded parts and estimates a recovery in sales volume in 2019 higher than in 2018.

According to ANFAVEA official data, vehicle production in 2019 expect an increase of 9.0%.

Additionally, the Company formalized the installment of its tax debts due by adhering to the tax reassessment programs disclosed at the State and Federal levels (Note 22).

The issuance of these financial statements was authorized by the Board of Directors on March 20, 2019

(In thousands of Brazilian reais, unless otherwise stated)

Subsequent Events.

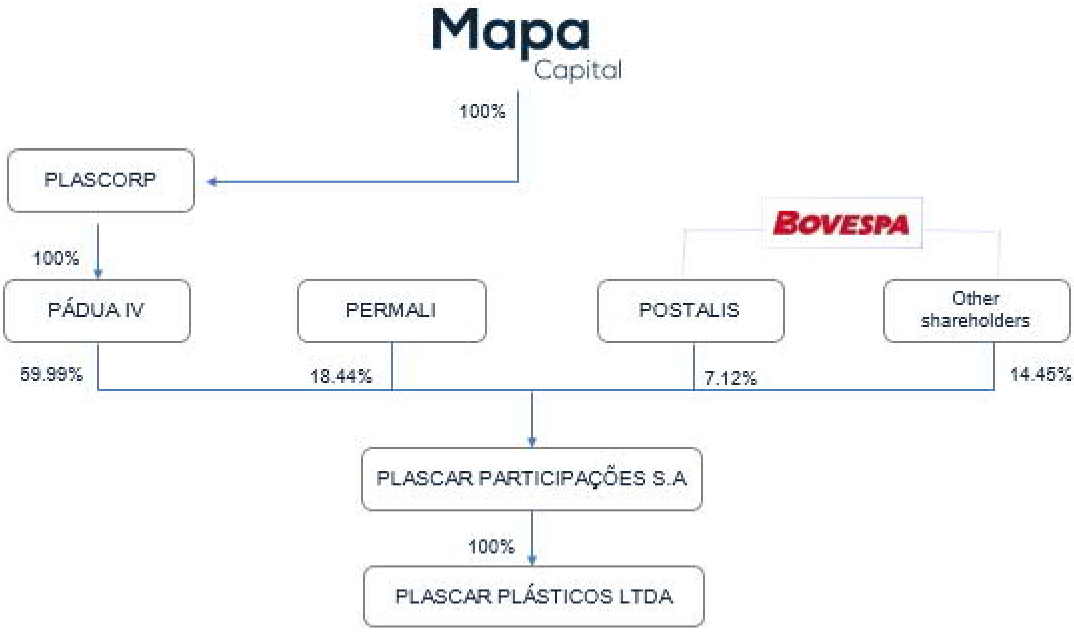
On January 31, 2019, pursuant to the Notice to Shareholders and Relevant Fact released to the market, the Company's paid in capital was increased with payment through the use of credits held against Plascar Ltda., by private subscription, in the amount of R$ 449,483, through the issuance of 7,455,251 common shares at the issue price of R$ 60.29 per common share. After the capital increase, the Company's paid in capital, previously in the amount of R$ 481,972, divided into 4,970,167 common shares, now amounts to R $ 931,455, divided into 12,425,418 common shares.

The amount related to the capital increase was obtained by applying the percentage of 90% on the balances referring to the period ended October 31, 2018, with the following amounts:

| Summary of the debt included in the Term Sheet updated to October 31, 2018 | BRASIL | FIBRA | BDMG | ITAÚ | BRADESCO | FCA | Total |
|---|---|---|---|---|---|---|---|
| Financial operations | 118,741 | 83,328 | 74,604 | 90,081 | 49,374 | - | 416,128 |
| Non-financial operations | - | - | - | - | - | 83,298 | 83,298 |
| Total debts | 118,741 | 83,328 | 74,604 | 90,081 | 49,374 | 83,298 | 499,426 |
| | Financial institutions | | | | | Non-financial institutions | |

In the prior years, the Company entered into loan agreements with Fiat as an advance due to the strong downturn in the current market and the lack of credit. As of December 31, 2018, the balance of these advances is R$ 95,312 (Note 15). Additionally, part of the balance with Fiat was subscribed on January 31, 2019 as capital increase of the Company, as provided for in the debt restructuring agreement "Term Sheet", approved at the Shareholders' Meeting held on December 13, 2018 and demonstrated in the table above.

Below is the new Corporate Structure, including the new controller of the Company - Padua IV Participações S.A., after completion of the Company's restructuring plan and capital subscription.




## 2. Summary of significant accounting policies

The interim financial statements included in the present quarterly information have been prepared in accordance with accounting practices adopted in Brazil, including the pronouncements issued by the Brazilian Committee of Accounting Pronouncements (CPC), as well as according to the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

The main accounting policies applied in the preparation of these financial statements are set forth below. These policies were consistently applied in the all years reported, unless otherwise stated.

### 2.1. Basis of preparation

The financial statements were prepared considering the historical cost as base value and adjusted to reflect the deemed cost of land and buildings on the date of transition to IFRS/CPC.

The preparation of the financial statements requires the use of certain accounting estimates and assumptions by the Company’s management in the implementation of the Company's accounting policies.

(a) Individual financial statements

The Parent company's individual financial statements were prepared in accordance with Brazilian accounting practices issued by the CPC. As the accounting practices adopted in Brazil that have been applied to individual financial statements since 2014 do not differ from the IFRS applicable to separate financial statements and considering that the IFRS now authorizes the use of the equity method for separate financial statements of controlled companies, the individual financial statements are also in accordance with the IFRS issued by IASB. These individual financial statements are disclosed along with the consolidated financial statements.

(b) Consolidated financial statements

The consolidated financial statements were prepared and are being presented in accordance with the accounting practices adopted in Brazil, including the pronouncements issued by CPC, and with the IFRS issued by IASB.

The presentation of the Statement of Value Added, individual and consolidated, is required by Brazilian Corporate Law and Brazilian accounting practices adopted for public companies. The IFRS do not require presentation of this statement. As a result, under the IFRS, this statement is considered supplementary information, without detriment to the whole of the financial statements.

2.2. Consolidation

The Company consolidates all entities on which it has control, that is, when it is exposed to, or has rights over the variable returns arising from its involvement with the investee and has the capacity to direct the relevant activities of the investee.

The following accounting practices are applied in the preparation of the consolidated financial statements:

(a) Controlled companies

Controlled companies are all entities (including structured entities) over which the Company has control. The controlled companies are fully consolidated as from the date when the control is transferred to the Company. The consolidation is interrupted as from the date the Company no longer has such control.

Identifiable assets acquired and liabilities and contingent liabilities assumed for the acquisition of controlled companies in a business combination are measured initially at their fair values at the acquisition date. The Company recognizes the non-controlling interest in the acquired company, both at its fair value and proportional part of the non-controlling interest in the fair value of the acquired company's net assets. The measurement of non-controlling interest is determined in each acquisition made. Acquisition-related costs are accounted for in income (loss) for the year as incurred.

The consolidated financial statements of the Company include the financial statements of Plascar Indústria de Componentes Plásticos Ltda. “Plascar Ltda”, with 99.89% interest at December 31, 2018 and 2017.

Transactions, balances, and gains unrealized among the companies of the Group are eliminated. Unrealized losses are also eliminated, unless the transaction shows evidence of impairment of the transferred asset. The accounting policies of the controlled companies are changed, when necessary, to guarantee consistency with the accounting policies adopted by the Company.

(b) Transactions with non-controlling interest

The Company considers transactions with non-controlling interest as transactions with owners of assets of the Company. For purchases of non-controlling interest, the difference between any consideration paid and the portion acquired of the book value of the controlled company’s net assets is recorded in equity. Gains or losses on disposals of non-controlling interest are also directly recorded in equity, under “Non-controlling interest”.

(c) Loss of control over controlled companies

When the Company no longer has control over the entity, any interest held in the entity is remeasured at fair value and the change in book value is recognized in income (loss). The values previously recognized in other comprehensive income (loss) are reclassified to income (loss).

2.3. Segment reporting

The information on operating segments is reported in a manner consistent with the internal managerial report provided to the chief operating decision-maker. The chief operating decision-maker, responsible for the allocation of funds and for evaluating the performance of operating segments is the Executive Board, also responsible for the Company’s strategic decisions. The Company concluded that it has only one segment to report.

## 2.4. Foreign-currency translation

### a) Functional and reporting currency

Items included in the financial statements of each of the companies of the Group are measured using the currency of the primary economic environment in which the company operates ("functional currency"). The parent company and consolidated financial statements are presented in Brazilian Reais (R$), which is the Company's functional currency, and also the presentation currency of the Company.

### b) Transactions and balances

Transactions in foreign currency are translated into the functional currency at the exchange rates in effect on the dates of the transactions or valuation, when the items are remeasured.

Exchange rate gains and losses related to loans, cash and cash equivalents are recorded in the statement of income as financial revenues or expenses. All other exchange rate gains and losses are presented in the statement of income as "Other operating revenues (losses), net".

## 2.5. Cash and cash equivalents

Cash and cash equivalents include cash, bank deposits and other highly-liquid short-term investments, with maturities of up to three months and subject to an insignificant risk of change in value. Overdraft accounts are shown within "Loans and financing" in current liabilities in the statement of financial position.

## 2.6. Financial assets

### 2.6.1.Classification

At initial recognition, a financial asset is classified as measured at: (i) amortized cost; (ii) Fair Value Through Other Comprehensive Income (FVOCI); or (iii) Fair Value Through Profit or Loss (FVTPL).

A financial asset is measured at amortized cost if it meets both conditions below: (i) the asset is held in a business model in order to raise contractual cash flows; and (ii) the contractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured in FVOCI if it meets both conditions below: (i) the asset is held in a business model whose purpose is met by raised contractual cash flows or by the sale of financial assets; and (ii) the contractual terms of the financial asset give rise on specific dates to cash flows that represent payments of principal and interest on the outstanding principal amount.

All other financial assets are classified as measured at fair value through profit or loss.

Furthermore, upon initial recognition, the Company may irrevocably designate a financial asset that meets the requirements to be measured at amortized cost, at FVOCI or even FVTPL. This designation has the purpose of significantly eliminating or reducing a possible accounting mismatch arising from the result of the respective asset.

### 2.6.2.Recognition and measurement

Purchases and sales of financial assets are recognized on the negotiation date. Investments are firstly recognized at fair value, plus the transaction costs for all financial assets not classified at fair value recognized in income (loss).

Financial assets at fair value through income (loss) are initially recognized at fair value, and transaction costs are charged to the statement of income for the period in which they occurred.

The fair value of investments with public listing is based on the current purchase price. If the market for a financial asset is not active, the Company establishes the fair value through valuation techniques. These techniques include recent third-party transactions, reference to other instruments that are substantially the same, the analysis of discounted cash flows and option pricing models, favoring information generated by the market and minimizing the use of information generated by the Company’s Management.

### 2.6.3. Impairment of financial assets – measured at amortized cost

At each reporting period end, the Company evaluates if there is objective evidence that a financial asset or a group of financial assets is impaired. The criteria used by the Company to determine if there is objective evidence of impairment include: (i) significant financial difficulties from the issuer or debtor; (ii) a breach of contract, such as default or late payments of interest or principal; (iii) possibility of the debtor going bankrupt or file for financial reorganization; and (iv) extinction of the active market of that financial asset due to financial problems.

#### 2.6.4. Derecognition of financial assets

A financial asset (or, if applicable, a part of a financial asset or part of a group of similar financial assets) is mainly written off when: (i) the rights on cash flows from assets expire; and (ii) the Company transferred its rights on cash flows from assets or assumed an obligation to fully pay received cash flows, with no significant delay, to a third party by means of a transfer agreement; and (a) the Company has substantially transferred all the risks and benefits of the asset; or (b) the Company has not substantially transferred or retained all the risks and benefits related to the asset, but it has transferred the control over such asset.

When the Company assigns its rights to receive cash flows from an asset or executes an assignment agreement not having substantially transferred or retained all the risks and benefits related to the asset, the asset will be recognized to the extent of the continuous involvement of the Company with this asset.

### 2.7. Financial liabilities

#### 2.7.1. Recognition and measurement:

A financial liability is classified as measured at fair value through income (loss) when it is designated as held for trading or designated as such at initial recognition. Transaction costs are recognized in income (loss) as incurred. These financial liabilities are measured at fair value, and possible changes in fair value, including gains on interest and dividends, are recognized in income (loss) for the year.

The Company’s financial liabilities, which are initially recognized at fair value, include trade accounts payable and other accounts payable, loans and financing.

#### 2.7.2. Subsequent measurement:

After initial recognition, loans and financing, debentures, trade accounts payable and accounts payable are subsequently measured at amortized cost using the effective interest rate method.

#### 2.7.3. Borrowing costs:

Loan costs attributed the acquisition, construction or production of an asset, necessarily requiring a significant amount of time to be ready for its intended use or sale, are capitalized as part of the cost of these assets. Loan costs refer to interest and other costs incurred by the Company that are related to the raising of funds.

#### 2.7.4. Derecognition of financial liabilities:

A financial liability is written-off when the obligation is revoked, cancelled or expired. When an existing financial liability is replaced by another of the same lender with significantly different terms, or when the terms of an existing liability are significantly changed, this substitution or amendment is recorded as a write-off of the original liability and recognition of a new one, and the difference in their book values is recognized in the statement of income.

### 2.8. Derivatives and hedge activities

The Company did not hold derivatives nor are hedge activities.

### 2.9. Trade accounts receivable

Trade accounts receivable consist of amounts receivable for the sale of merchandise over the normal course of the Company's activities. If the collection period is one year or less, trade accounts receivable are classified as current assets. Otherwise, they are stated in noncurrent assets.

Trade accounts receivable are firstly recognized at fair value and then are measured at amortized cost, using the effective interest rate method, less the allowance for doubtful accounts (or impairment).

### 2.10. Inventories

Inventories are stated at the lower between cost and net realizable value. Inventory valuation method applied is the Weighted Moving Average. The cost of finished goods, work in process and tooling includes costs of project, raw materials, direct workforce, other direct costs and related overall production expenses (according to normal operating capacity), less loan costs.  Net realization value is the sales price estimated over the normal course of operations, less estimated costs of completion and costs required to sell.

### 2.11. Fixed assets

Fixed assets consider as base value and were adjusted to reflect the deemed cost of land and buildings on the date of transition to IFRS and CPC. The other fixed asset items are measured at historical cost less accumulated depreciation. The historical cost includes expenses directly attributable to the acquisition of items and financing costs related to the acquisition of qualifying assets.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits will flow associated with these costs and can be reliably measured. The carrying amount of spare items or parts is written off. All other repairs and maintenance are recorded against income for the year, as incurred.

Plots of land are not depreciated. Depreciation of other assets is calculated using the straight line method considering its costs and residual values during the estimated useful life, as follows:

| | Years |
|---|---|
| Buildings | 25 to 50 |
| Machines | 8 to 25 |
| Molds | 11 to 15 |
| Furniture and fixtures | 10 to 15 |
| Vehicles | 5 to 6 |
| IT equipment | 5 to 6 |

The residual values and useful lives of assets are reviewed and adjusted if appropriate, at each year end.

The carrying value of an asset is immediately written down to its recoverable amount if the carrying value of the asset is greater than its estimated recoverable value (Note 2.12).

Gains and losses from disposals are determined by comparing results with their book value and are recognized under “Other operating revenues (expenses), net” in the statement of income.

## 2.12. Impairment of non-financial assets

The assets which are subject to amortization are tested for impairment whenever events or circumstances indicate that their carrying value may not be recoverable. An impairment loss is recognized when the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For impairment testing purposes, assets are grouped at the lowest levels for which there are identifiable cash flows (cash-generating units – CGUs). Non-financial assets other than goodwill, should they be impaired, are reviewed subsequently to analyze a possible reversal of impairment at the reporting date.

### 2.13. Trade accounts payable

Trade accounts payables are obligations payable for assets or services acquired in the ordinary course of business. They are classified as current liabilities if payment is due in the period of up to one year. Otherwise, accounts payable are presented as noncurrent liabilities.

They are initially recognized at fair value and subsequently measured at amortized cost using the effective interest rate method.

### 2.14. Loans and financing

Loans and financing are initially recognized at fair value, net of costs incurred in the transaction, and are then stated at their amortized cost. Any difference between amounts raised (net of transaction costs) and the settlement amount is recognized in the statement of income during the period in which loans are outstanding, using the effective interest rate method.

Loans and financing are classified as current liabilities, unless the Company has an unconditional right to defer the settlement of a liability for at least 12 months after the balance sheet date.

Loans and financing costs that are directly attributable to acquisition, construction or production of a qualifying asset, which necessarily requires a significant amount of time to be ready for the use or sale intended, are capitalized as part of the cost of the asset when it is probable that these will result in future economic benefits for the entity and that such costs can be reliably measured. All other loans and financing costs are recorded as expenses during the period in which they are incurred.

### 2.15. Provisions

The provisions for lawsuits (labor, civil and tax) are recognized when: (i) the Company has a present or constructive obligation as a result of past events; (ii) it is probable that an outflow of funds is required to settle the obligation; and (iii) the amount can be reliably estimated. Restructuring provisions comprise fines for property lease contract termination and payments for employment agreement termination. The provisions do not include future operating losses.

The provisions are measured at the present value of the expenses required to settle the obligation, at a rate before tax effects that represents the current market evaluations of the time value of money and of the specific risks of the obligation. The increase of liabilities over time is recorded as a financial expense.

## 2.16. Current and deferred income and social contribution taxes

Income and social contribution tax expenses in the period include current and deferred taxes. Income taxes are recognized in the statement of income, except as long as they are related to items directly recognized in equity or comprehensive income. In this case, the tax is also recognized in equity or in comprehensive income.

Current income and social contribution tax charges are calculated according to enacted or substantially enacted tax laws, on balance sheet date in the countries in which the Company’s entities operate and generate taxable income. The management periodically assesses the positions assumed by the Company in the calculations of income taxes in relation to the situations at which the applicable tax laws permit interpretations; and establishes provisions, when required, based on the estimated values to be paid to tax authorities.

Current income and social contribution taxes are stated net, per taxpayer entity, in liabilities when there are amounts payable, or in assets when the prepaid amounts exceed the total amount due on the date of the report.

Deferred income and social contribution taxes are recognized by employing the liability method to temporary differences between the tax bases of existing assets and liabilities and their financial statement carrying amounts. However, deferred income and social contribution taxes are not accounted for if they result from the initial recognition of an asset or liability in an operation other than a business combination which, at the time of the transaction, does not affect book income or taxable income (tax loss).

Deferred income and social contribution tax assets are recognized if it is considered probable that there will be sufficient future taxable income against which the temporary differences can be utilized.

Deferred income taxes are recognized on temporary differences resulting from investments in controlled companies, except when the timing of the reversal of the temporary difference is controlled by the Company and when it is probable that the difference will not reverse in the foreseeable future.

Accordingly, deferred tax assets and liabilities in different entities or different countries are usually not presented net and are separate.

## 2.17. Employee benefits

Profit sharing

The Company recognizes a liability and expense on profit sharing based on a methodology that considers the profit attributed to the Company's shareholders after certain adjustments. The Company recognizes a provision when is obliged by contract or when a previous practice has generated a constructive obligation.

## 2.18. Paid in Capital

Common shares are classified in equity.

Incremental costs directly attributable to the issue of new shares or options are stated in equity as a deduction to the amount raised, net of taxes.

## 2.19. Revenue recognition

Revenue is the fair value of the consideration received or receivable for trading products over the Company's normal course of activities. Revenue is presented net of taxes, returns, rebates and discounts and eliminating sales between companies of the Group.

The Company has recognized revenue when the amount of the revenue can be reliably measured, it is likely that future economic benefits will flow to the Company and its controlled companies and specific criteria have been met for each one of the Company's activities, as described below.

a) Sales of goods

The Company manufactures and sells parts and pieces related to internal and external finishing of motor vehicles. Sales of goods are recognized whenever a company of the Group delivers the products to the buyer. The Company and its controlled companies evaluate revenue transactions according to specific criteria to determine whether they are operating as agent or principal, and concluded that they operate as principal in all their revenue contracts.

b) Tooling sales

The Company develops and sells tools for injection of plastic parts according to the technical specifications of the order and model of the vehicle in accordance with the project of the automaker. During such development, advances are made by the automakers to support the expenses. Usually, the development and sale of the tools is linked to the supply of parts. Tooling sales are recognized when the project is under production and approved by the automaker. The automaker then issues a loan-for-use agreement authorizing the use of the tools, as they represent an asset owned by them.

c) Financial revenues

Financial revenue is recognized according to the elapsed time on the accrual basis, using the effective interest rate method.

## 2.20. Lease

The Company leases certain fixed asset items. The leases of fixed assets, in which the Company has substantially all the risks and benefits of ownership are classified as finance leases. They are capitalized at the beginning of the lease at the lower value between the fair value of the leased asset and the present value of the minimum payments of the lease.

Each lease installment paid is allocated partially to liabilities and partially to finance charges, so that a constant rate is obtained on the balance of the outstanding debt. The related obligations, net of finance charges, are included in liabilities. The interest element of the finance cost is charged to the statement of income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Fixed asset items acquired under finance leases are depreciated over the useful life of the asset.

Payments made for operating leases (net of any incentive received by the lessor) are recognized to the statement of income using the straight-line method over the lease period.

### 2.21 Adjustment to present value of assets and liabilities

The discount to present value of short-term monetary assets and liabilities is calculated and only recorded if it is considered material for the financial statements taken as a whole. For recording and materiality purposes, the discount to present value is calculated considering contractual cash flows and the explicit, and in certain cases embedded interest rate, of the related assets and liabilities. Based on analyses performed and management's best estimate, the Company concluded that the discounted present value of current monetary assets and liabilities is immaterial in relation to the financial statements taken as a whole, and accordingly, has not recorded any adjustment.

### 2.22 Earnings (losses) per share

The Company calculates earnings (losses) per thousand shares using the total average number of common outstanding shares during the period corresponding to income (loss), in accordance with technical pronouncement CPC 41 (IAS 33).

### 2.23 Value Added Statement ("VAS")

This statement is intended to highlight the wealth created by the Company and its distribution during a certain period and is presented by the Company, as it is required by Brazilian corporate law, as part of its individual financial statements and as supplementary information to the consolidated financial statements, since it is not a statement required by the IFRSs.

### 2.24 New or revised pronouncements applied for the first time in 2018

Accounting pronouncements CPC 48 (IFRS 9) – Financial Instruments and CPC 47 (IFRS 15) - Revenue from Contracts with Customers are in effect as from January 01, 2018, as follows:

a) CPC 48 (IFRS 9) – Financial Instruments:

CPC 48 (IFRS 9) replaces the existing guidance in CPC 38 (IAS 39) – Financial Instruments: Recognition and Measurement. CPC 48 (IFRS 9) includes new models for the classification and measurement of financial instruments and the measurement of expected credit losses for financial and contractual assets, as well as new requirements on hedge accounting. The new standard maintained the existing guidance on the recognition and derecognition of financial instruments of CPC 38 (IAS 39).

After the enactment of the mentioned rule the classification started to be based on a business model in which a financial asset is managed by its contractual cash flows.

The new standard maintained part of the previous standard's requirements for the classification of financial liabilities. The significant changes in the classification of fair value are presented as below: (i) the portion of the change in fair value attributable to changes in credit risk of liabilities is recorded in other comprehensive income; and (ii) the remaining portion of fair value variation is recorded in income (loss) for the year.

The Company's Management evaluated the impacts of adopting CPC 48 (IFRS 9) in its operations and it did not identify any significant impacts.

The classification of financial instruments according to the new standard is recorded in Note 5 – Financial Instruments by category.

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

CPC 47 (IFRS 15) established a comprehensive framework for determining whether and when a revenue is recognized, and for how much revenue is measured. CPC 47 (IFRS 15) replaced the standards in effect for revenue recognition, including CPC 30 (IAS 18) – Revenues, CPC 17 (IAS 11) – Construction Contracts and the respective interpretations. The Company's Management evaluated its operations based on the five-step model set by this new standard and it did not identify any significant impacts. Note 2.19 above describes the different types of revenues of the Company and the manner of recognition of each of these revenues.

For sales of goods (Note 2.19 revenues are still recognized when the products are delivered at the client's location, considered as the moment when the client accepts the assets and when the risks and benefits related to ownership are transferred. Revenue is recognized at this moment, as long as revenue and costs can be reliably measured, the receipt of the consideration is considered probable and there is no continuous involvement of the Company with the products.

### 2.25 New standards, revisions and interpretations issued not yet in effect as at December 31, 2018

a) CPC 06 R2 (IFRS 16) - Lease transactions:

CPC 06 R2 (IFRS 16) introduces a single model for the accounting of leases in the statement of financial position for lessees. A lessee recognizes a right-of-use asset representing its right to use the leased asset and a lease liability representing its obligation to make the lease payments. Optional exemptions are available for short-term leases and low-value items. The lessor accounting remains similar to the current form, that is, lessors continue to classify leases as operating or finance. CPC 06 R2 (IFRS 16) replaces the existing lease standards, including CPC 06 (IAS 17) Leases and ICPC 03 (IFRIC 4, SIC 15 and SIC 27) Complementary aspects of Lease Operations. The standard will be effective for annual periods beginning on or after January 01, 2019.

Management reviewed all the group companies' lease agreements and concluded that most of them refer to short-term and low-value leases, plus leases in which the group companies do not control the asset nor direct its use. These leases will continue to be recognized on a straight-line basis as expenses in income (loss) for the year. Regarding other leases, subject to the new standard's scope, the Company expects to recognize assets of right of use and lease liabilities in the approximate amount of R$ 95.138 thousand as at January 01, 2019, where it judges that there are no relevant changes in the components used in the estimates of the referred amount, at the time of accounting recognition. The nature of the expenses related to these lease assets and liabilities will change regarding the model in effect up to December 31, 2018, since depreciation expenses will be recognized for the assets and interest expenses for the liabilities.

The Company intends to apply the simplified transition approach and it will not restate comparative amounts for the year before first adoption. Assets of right of use related to lease of properties will be measured upon transition as if the new rules have always been applied. All other assets of right of use will be measured at the value of the lease liabilities upon initial adoption.

b) ICPC 22 (IFRIC 23) Uncertainty over Income Tax treatment:

This interpretation explains how to apply the measurement and recognition requirements of CPC 32 (IAS 12) when there is uncertainty over income tax treatments. In this scenario, the Company shall recognize and measure its current or deferred asset or liability tax, applying the requirements of CPC 32 (IAS 12) based on taxable income (tax losses), tax bases, unused tax losses, unused tax credits and established tax rates, applying this Interpretation.

Upon the evaluation on whether and how the uncertain tax treatment affects the determination of taxable income (tax losses), tax bases, unused tax losses, unused tax credits and tax rates, the Company must assume that tax authorities will examine the amounts they are entitled to examine and that they will be knowledgeable about all related information when making such examination.

There are no other standards, changes in standards and interpretation that are not effective that the Company expects to have a material impact arising from its application in its accounting information.

## 3. Critical accounting estimates and judgments

The accounting estimates and judgments are continuously evaluated and are based on historic experience and on other factors, including expectations of future events considered reasonable for the circumstances.

### 3.1 Critical estimates and assumptions

Based on assumptions, the Company makes estimates concerning the future. The resulting accounting estimates will rarely be equal to the related actual results. The estimates and assumptions that have significant risk of resulting in material adjustments to the accounting values of assets and liabilities for the next financial year are mentioned below:

#### (a) Income tax, social contribution and other taxes

The Company is subject to income taxes in all countries in which it operates. Significant judgment is required in determining the worldwide provision for income taxes.

There are many transactions for which the ultimate tax determination is uncertain. The Company also recognizes provisions for anticipated tax audit issues based on estimates of whether additional taxes will be due. When the final result of these matters is different from the amounts initially estimated and recorded, these differences will affect current and deferred tax assets and liabilities of the period in which the final amount is determined.

(In thousands of Brazilian reais, unless otherwise stated)

(b) Impairment of non-financial assets

The assets which are subject to amortization are tested for impairment whenever events or circumstances indicate that their carrying value may not be recoverable. An impairment loss is recognized when the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For impairment testing purposes, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units - CGU), as stated in Note 12.

## 4. Financial risk management

### 4.1. Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including exchange rate and fair value interest rate risks), credit risk and liquidity risk. The Company’s management risk program focus on the unpredictability of financial markets and aims to reduce possible adverse effects on the Company’s financial performance.

Risk management is carried out by a central treasury department (Company Treasury) under policies approved by the Board of Directors. Company Treasury identifies, evaluates and hedges the Company against financial risks in close co-operation with the Company's operating units.

(a) Market risk

(i) Exchange rate risk

The Company operates internationally and is exposed to foreign exchange risk arising from currency exposures, primarily with respect to the U.S. dollar. Exchange rate risk arises from commercial transactions, assets and liabilities.

As at December 31, 2018 and December 31, 2017, the Company had assets and liabilities in foreign currency arising from import, export and intercompany loan transactions, as follows:

| | Consolidated | |
|---|---|---|
| | 2018 | 2017 |
| Trade accounts receivables (Note 6) | 5,705 | 4,872 |
| Trade accounts payable | (196) | (636) |
| Net exposure | 5,509 | 4,236 |

(In thousands of Brazilian reais, unless otherwise stated)

As at December 31, 2018 and December 31, 2017, the Company had no derivative financial instrument operations to manage foreign exchange risk.

(ii) Cash flow and fair value interest rate risk

The Company has no significant interest-earning assets.

The Company's interest rate risk arises from long-term loans and financing. Loans and financing taken at variable rates expose the Company to the interest rate risk on cash flows. Loans issued at fixed rates expose the Company to fair value risk linked to interest rate.

The table below shows the sensitivity to a possible change in interest rates, with all other variables held constant, in the Company's profit before taxes (affected by the impact of loans payable subject to variable rates).

| | Impact on income (loss) for the period (1) | | |
|---|---|---|---|
| Financial liabilities | Scenario I Probable | Scenario II +25% | Scenario III +50% |
| Interbank Deposit Certificates (CDI) | 6.80% | 8.50% | 10.20% |
| Loans and financing | (52,119) | (56,549) | (60,946) |

(1) Refers to the hypothetical scenario of interest over the next 12 months or up to the maturity date of the contracts, whichever is shorter.

For sensitivity analysis, interest rates are based on rates currently adopted in the market.

Sensitivity analyses were prepared based on the net debt value and the fixed interest rate index in relation to the debt floating interest rate at December 31, 2018.

(b) Credit risk

Credit risk is managed in corporate level. Credit risk arises from cash and cash equivalents, deposits in banks and other financial institutions, as well as credit exposures to customers of the Original Equipment Market (OEM) and aftermarket/car dealers (DSH), including outstanding receivables and repurchase agreements. In the case of banks and other financial institutions, only notes from top-tier institutions are accepted. The individual risk limits are determined based on internal or external classifications according to the limits established by the Board of Directors. The use of credit limits is regularly monitored.

The possibility of the Company and its subsidiaries incurring losses in view of financial problems with their OEM customers is reduced, due to such customers' profile (automakers and other companies operating worldwide). As at December 31, 2018 and December 31, 2017, the Company and its subsidiaries did not have significant balances receivable from customers of the DSH sector.

No credit limit was exceeded during the period and management does not expect any loss resulting from default of other parties, in excess to the amount already provided for.

(c) Liquidity risk

The projected cash flow is realized in the operating entities of the Company and aggregated by the Finance Department. This department monitors the continual projections of liquidity requirements to guarantee that the Company has sufficient cash to meet its operating needs. This forecast considers the plans of financing for the Company's debt, compliance with contractual clauses, meeting internal targets of balance sheet ratio and, if applicable, external or legal requirements, such as currency restrictions.

Surplus cash held by the operating entities over and above the balance required for working capital management is transferred to the Company Treasury. Company Treasury invests surplus cash in interest-earning bank accounts, time deposits, money market deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide adequate margin as determined by the above-mentioned forecasts.

At the balance sheet date, the Company did not hold short-term funds (December 31, 2017 - R$ 377) that are expected to readily generate cash inflows to manage liquidity risk.

The table below analyzes the Company's financial liabilities, by maturity range corresponding to the remaining period between balance sheet date and the contractual maturity date. The amounts disclosed in the table are the contractual not discounted cash flows and represent the expected effective cash outflows, disregarding any bank requirements of accelerated maturities.

(In thousands of Brazilian reais, unless otherwise stated)

| | Consolidated | | | | |
|---|---|---|---|---|---|
| | Up to 3 months | From 4 to 12 months | From 1 to 5 years | Over 5 years | Total |
| As at December 31, 2018 | | | | | |
| Loans and financing | 373,917 | 24,073 | 45,574 | 921 | 444,485 |
| Trade accounts payable | 23,689 | 41 | - | - | 23,730 |
| Related-party payables | 2,232 | - | - | - | 2,232 |
| Other liabilities | 100,473 | 12,453 | 44,538 | 900 | 158,364 |
| | 500,311 | 36,567 | 90,112 | 1,821 | 628,811 |

| | Consolidated | | | | |
|---|---|---|---|---|---|
| | Up to 3 months | From 4 to 12 months | From 1 to 5 years | Over 5 years | Total |
| As at December 31, 2017 | | | | | |
| Loans and financing | 267,493 | 32,462 | 70,726 | 282 | 370,963 |
| Trade accounts payable | 48,928 | 2,121 | - | - | 51,049 |
| Related-party payables | 59 | - | - | - | 59 |
| Other liabilities | 65,551 | 1,030 | 3,713 | - | 70,294 |
| | 382,031 | 35,613 | 74,439 | 282 | 492,365 |

## 4.2. Capital management

The Company's purposes in managing its capital are guaranteeing its going concern capacity upon transactions in order to bring gains to shareholders and benefits to the other interested parties, in addition to keeping an ideal capital structure in order to reduce costs.

| | Consolidated | |
|---|---|---|
| | 2018 | 2017 |
| Total loans and financing (Note 13) | 444,485 | 370,963 |
| Less: Cash and cash equivalents | (303) | (1,128) |
| Net debt | 444,182 | 369,835 |
| Total equity | (514,861) | (257,324) |
| Total capital | (70,679) | 112,511 |
| Financial leverage index - % | - | 329 |

Capital is managed considering the consolidated position, not at the parent company level.

(In thousands of Brazilian reais, unless otherwise stated)

## 4.3. Fair value estimation

It is assumed that the balances of trade accounts receivables and payables at their carrying amounts, less impairment in the case of trade receivables, approximate their fair values. At present, the Company does not have liabilities carried at fair value. However, the following table presents the Company's financial liabilities that are carried at amortized cost and their respective fair value:

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | Book value | Fair value | Book value | Fair value |
| Loans and financings (Note 13) | | | | |
| Working capital – local currency | 321,800 | 306,173 | 266,529 | 268,684 |
| Lease | 122,685 | 122,685 | - | - |
| Finame | | | 104,434 | 104,434 |
| | 444,485 | 428,858 | 370,963 | 373,118 |

# 5. Financial instruments by category

The classification of the Company's consolidated financial instruments by category at each of the dates is presented at the table as follows:

## (a) Amortized cost

| | 2018 | 2017 |
|---|---|---|
| Assets, according to balance sheet | | |
| Cash and cash equivalents | 303 | 1,128 |
| Trade accounts receivable | 12,326 | 25,844 |
| Receivables from the sale of properties | 3,857 | 3,857 |
| Court deposits | 4,778 | 4,349 |
| Other assets | 6,906 | 7,075 |
| | 28,170 | 42,253 |

## (b) Other financial liabilities

| | 2018 | 2017 |
|---|---|---|
| Liabilities, according to balance sheet | | |
| Trade accounts payable | 23,730 | 51,049 |
| Loans | 444,485 | 370,963 |
| Related-party transactions | 2,232 | 59 |
| Other liabilities | 158,364 | 70,294 |
| | 628,811 | 492,365 |

### Parent Company

Cash and cash equivalents are classified as "Loans and receivables", and payables to related parties are classified as "Other financial liabilities".

(In thousands of Brazilian reais, unless otherwise stated)

## 6. Trade accounts receivable

| | Consolidated | |
|---|---|---|
| | 2018 | 2017 |
| Third parties in Brazil | 17,272 | 13,436 |
| Third parties abroad (Note 4.1) | 5,705 | 4,872 |
| Accounts receivable for tooling in Brazil | 545 | 17,943 |
| Allowance for doubtful accounts | (11,196) | (10,407) |
| | 12,326 | 25,844 |

During the period ended December 31, 2018 and year ended December 31, 2017, the changes in the allowance for doubtful accounts were as follows:

| | Consolidated | |
|---|---|---|
| | 2018 | 2017 |
| Beginning balance | (10,407) | (11,017) |
| (Increase) Decrease in the allowance (Note 21) | (789) | 610 |
| Final balance | (11,196) | (10,407) |

At December 31, 2018 and December 31, 2017, the ageing of trade receivables, net of the allowance for doubtful accounts, was as follows:

| | Consolidated | |
|---|---|---|
| | 2018 | 2017 |
| Falling due | 10,640 | 18,866 |
| Overdue: | | |
| From 1 to 30 days | 1,466 | 2,194 |
| From 31 to 60 days | 90 | 2,551 |
| From 61 to 90 days | 36 | 931 |
| Over 90 days | 11,290 | 11,709 |
| | 12,882 | 17,385 |
| Total | 23,522 | 36,251 |

The Company has a policy of providing for accounts receivable over 90 days overdue.

Overdue balance for more than 90 days, not provided for at December 31, 2018, net of the allowance for doubtful accounts, refers to sales of tools.

(In thousands of Brazilian reais, unless otherwise stated)

## 7. Inventories

| | Consolidated | |
|---|---|---|
| | 2018 | 2017 |
| Finished goods | 4,654 | 3,159 |
| Work in process | 8,770 | 9,810 |
| Raw materials | 19,737 | 19,805 |
| Imports in progress | 1,632 | 2,193 |
| Maintenance and auxiliary materials | 1,909 | 2,043 |
| Tooling and molds under development intended for sale | 3,302 | 7,370 |
| Advances to suppliers | 187 | 1,224 |
| Provision for adjustment to market value and obsolescence | (5,694) | (6,778) |
| | 34,497 | 38,826 |

During the period ended December 31, 2018, the changes in the provision for adjustment to market value and obsolescence were as follows:

| | Consolidated | |
|---|---|---|
| | 2018 | 2017 |
| Beginning balance | (6,778) | (7,363) |
| Reversal of provision | 5,419 | 2,610 |
| Increase in provision | (4,335) | (2,025) |
| Net (increase) decrease (Note 20) | 1,084 | 585 |
| Final balance | (5,694) | (6,778) |

## 8. Recoverable taxes

| | Consolidated | |
|---|---|---|
| | 2018 | 2017 |
| State VAT (ICMS) on fixed assets - CIAP | 887 | 983 |
| Rural Worker Assistance Fund (Funrural) process | 2,237 | 2,237 |
| Others | 483 | 386 |
| | 3,607 | 3,606 |
| Current | 807 | 856 |
| Noncurrent | 2,800 | 2,750 |
| | 3,607 | 3,606 |

## 9. Income tax and social contribution

Deferred income and social contribution taxes are calculated on respective tax losses, and temporary differences between the tax bases on assets and liabilities and their book values contained in the financial statements, The rates of these taxes, currently set for determining these deferred taxes, are 25% for income tax and 9% for social contribution tax.

(In thousands of Brazilian reais, unless otherwise stated)

Deferred tax assets are recognized to the extent that future taxable income is likely to be available to be utilized for offsetting temporary differences / tax losses according to future income projections made and grounded in internal assumptions and future economic scenarios which may therefore change.

## a) Breakdown of deferred income tax and social contribution

| | Consolidated | |
|---|---|---|
| | 2018 | 2017 |
| Liabilities: | | |
| Fixed assets – deemed cost (2) | (597) | (808) |
| Depreciation – economic useful life review (3) | (16,230) | (13,306) |
| | (16,827) | (14,114) |

Plascar S.A., parent company of Plascar Ltda., has income tax and social contribution losses of R$ 54,524 and R$ 65,526, respectively (R$ 53,296 and R$ 64,298 at December 31, 2017, respectively), on which deferred tax assets were not recognized since there is no expectation of realization of the related tax benefit against future taxable profit. Plascar Ltda, has income tax and social contribution losses amounting to R$ 728,880 and R$ 723,824, respectively (R$ 515,605 and R$ 510,549 at December 31, 2017, respectively), on which deferred tax assets were not recognized, as determined by Brazilian Securities Commission (CVM) Instruction 371.

(1) It refers to deferred taxes on the deemed cost of fixed assets, arising from the recognition of the fair value of the assets on first-time adoption of CPC 27 (IAS 16);

(2) It refers to deferred taxes on the difference in fixed assets depreciation generated after the review of the economic useful lives of the assets, Up to December 31, 2010, the Company also considered for tax purposes, as allowed by tax legislation, the depreciation calculated based on the new useful lives of assets, As from September 2011, the Company started to use for tax purposes the depreciation calculated according to the useful life allowed by tax law and, consequently, recognized the corresponding deferred tax effects.

## b) Reconciliation of income tax and social contribution benefit (expenses)

| | Consolidated | |
|---|---|---|
| | 2018 | 2017 |
| Loss before Income Tax and Social Contribution | (253,771) | (146,532) |
| Income tax and social contribution at statutory rate (34%) | 86,282 | 49,821 |
| Adjustments for calculation of effective rate: | | |
| Tax effect on unrecognized income tax and social contribution losses (1) | (88,758) | (56,473) |
| Use of income and social contribution tax losses, Law 13,496/17 (note 22) | (1,289) | 81,159 |
| Deferred income tax and social contribution expenses | (3,765) | 74,507 |

(In thousands of Brazilian reais, unless otherwise stated)

(1) Tax effects on income tax and social contribution losses of Plascar S,A,, which were not recognized since future taxable profit is not expected to be available.

### c) Changes in deferred tax assets and liabilities

| | Liabilities |
|---|---|
| Balance as at December 31, 2017 | (14,114) |
| Deferred taxes on realization of deemed cost of fixed assets arising from depreciation and write-off of assets | 211 |
| Deferred taxes on depreciation difference | (2,924) |
| Balance as at December 31, 2018 | (16,827) |

## 10. Related-party transactions

### a) Management compensation

The remuneration of the Board of Directors and the Statutory Audit Board comprises the fixed remuneration approved at the General Meeting and is paid monthly.

The remuneration of the main officers and managers of the Company and its subsidiary consists of a fixed salary, variable pay based on targets established and additional benefits,

For the periods ended December 31, 2018 and 2017, total management compensation was as follows:

| | Consolidated | |
|---|---|---|
| | 2018 | 2017 |
| Fixed Compensation (1) | (18,870) | (7,623) |
| Variable remuneration (2) | - | (1,677) |
| | (18,870) | (9,300) |
| Management fees (Note 20) | (18,870) | (9,300) |

(1) Refers to salaries and management fees, vacation pay, year-end bonus, private pension plan and social charges (contributions to the National Institute of Social Security (INSS), Severance Pay Fund (FGTS) and others), including termination of the administrators.

(2) Refers to profit sharing and bonus.

(In thousands of Brazilian reais, unless otherwise stated)

b) Related companies

The Company has business operations and loan agreements with its subsidiaries and other related parties, in accordance with the criteria set out below:

Historically, the balances (accounts receivable) referring to commercial transactions have been promptly settled according to the dates established in the respective purchase orders, on the closing of exchange contracts, Consequently, at December 31, 2018 and December 31, 2017, no impairment loss has been provided for on accounts receivable from related parties.

The Company and its subsidiaries enter into loan agreements with related parties so that cash flow requirements are provided immediately, without the approval processes required by financial institutions, These agreements are contingent on the availability of funds and on not compromising the lender's cash flow, The loan agreements are executed in accordance with the rates agreed between the parties.

The main assets and liabilities balances as at December 31, 2018 and December 31, 2017, as well as the transactions that affected income (loss) for the years:

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| Current liabilities | | | | |
| Loan agreement: | | | | |
| Permali do Brasil Ind. e Com, Ltda. | - | - | 2,232 | 59 |
| Plascar Ltda, | 9,923 | 8,703 | - | - |
| | 9,923 | 8,703 | 59 | 59 |

Accounts receivable refer to product sales denominated in foreign currencies, which are not subject to interest charges.

The loan agreement between the Company (lender) and Plascar Ltda. (borrower) is exceptionally not subject to interest charges, as the Company is the direct owner of 99,89% of the capital of Plascar Ltda. This is the only loan agreement in which the lender is a non-operating company which holds a direct interest of approximately 100% in the borrower's capital, a circumstance which justifies a non-interest-bearing agreement, This agreement was signed on May 31, 2000, to assist the cash flow of Plascar Ltda.

(In thousands of Brazilian reais, unless otherwise stated)

The loan agreement between Permali do Brasil Indústria e Comércio Ltda. (lender) and Plascar Ltda., (borrower) bears monthly interest of 1.0% and has an indefinite maturity date, This agreement was signed on March 31, 2009 to assist the cash flow of Plascar Ltda.

## 11. Investments

The changes in investments are presented below:

| | 2018 | 2017 |
|---|---|---|
| As at December 31 | (248,361) | (177,534) |
| Share of loss on subsidiaries | (256,027) | (70,827) |
| As at September, 2018 (unsecured liabilities) | (504,388) | (248,361) |

Presented below is significant information relating to Plascar Ltda.:

| | 2018 | 2017 |
|---|---|---|
| Paid in Capital | 389,082 | 389,082 |
| Total shares | 389,082,159 | 389,082,159 |
| Shares held | 388,654,169 | 388,654,169 |
| Ownership interest | 99.89% | 99.89% |
| Equity of subsidiary | (504,944) | (248,634) |
| Investment recorded at Plascar S.A. | (504,388) | (248,361) |
| Loss for the period | (256,309) | (70,906) |
| Equity in earnings of subsidiaries | (256,027) | (70,827) |

## 12. Property, plant and equipment

### a) Breakdown

| | Consolidated | | | | |
|---|---|---|---|---|---|
| | Annual depreciation rate (%) | 2018 | | | 2017 |
| | | Cost (R$) | Depreciation (R$) | Net (R$) | Net (R$) |
| Buildings | 2 to 4 | 9,362 | (2,057) | 7,305 | 8,179 |
| Machinery and equipment | 4 to 13,79 (1) | 835,405 | (493,453) | 341,952 | 375,383 |
| Molds | 6 to 9 | 49,445 | (47,493) | 1,952 | 3,905 |
| Furniture and fixtures | 6 to 10 | 13,432 | (11,758) | 1,674 | 2,382 |
| Vehicles | 18,57 to 20 | 4,450 | (3,906) | 544 | 802 |
| IT equipment | 15 to 16.81 | 3,235 | (2,819) | 416 | 451 |
| Spare parts and materials | | 4,235 | - | 4,235 | 4,191 |
| Advances to suppliers | | 76 | - | 76 | 44,397 |
| | | 919,640 | (561,486) | 358,154 | 439,690 |

(1) Weighted average rate of 5.82%.

The amount of R$ 39,763 (2017 R$ 41,748) referring to expenses on depreciation was recognized in income (loss) under “Costs of sales”, R$ 189 (2017 – R$ 264) under “Selling expenses”, and R$ 396 (2017 – R$ 373) under “Administrative expenses”.

(In thousands of Brazilian reais, unless otherwise stated)

## b) Changes in cost

| | Consolidated | | | | |
|---|---|---|---|---|---|
| | Year ended December 31, 2018 | | | | |
| | Beginning balance | Additions | Write-offs | Transfers | Final balance |
| Buildings | 9,352 | 189 | - | (179) | 9,362 |
| Machinery and equipment | 834,108 | 2,783 | (449) | (1,037) | 835,405 |
| Molds | 49,355 | - | (989) | 1,079 | 49,445 |
| Furniture and fixtures | 13,274 | 13 | (93) | 238 | 13,432 |
| Vehicles | 4,475 | 71 | (93) | (3) | 4,450 |
| IT equipment | 5,984 | 255 | (2,897) | (107) | 3,235 |
| Spare parts and materials | 4,191 | 43 | (8) | 9 | 4,235 |
| Advances to suppliers | 44,397 | (237) | (44,084) | - | 76 |
| | 965,136 | 3,117 | (48,613) | - | 919,640 |

| | Consolidated | | | | |
|---|---|---|---|---|---|
| | Year ended December 31, 2017 | | | | |
| | Beginning balance | Beginning Balance | Beginning balance | Beginning balance | Beginning Balance |
| Buildings | 8,630 | 753 | - | (31) | 9,352 |
| Machinery and equipment | 829,835 | 4,730 | (420) | (37) | 834,108 |
| Molds | 49,350 | 4 | (1) | 2 | 49,355 |
| Furniture and fixtures | 13,259 | 35 | (32) | 12 | 13,274 |
| Vehicles | 4,604 | 113 | (242) | - | 4,475 |
| IT equipment | 6,263 | 215 | (549) | 55 | 5,984 |
| Spare parts and materials | 3,968 | 224 | - | (1) | 4,191 |
| Advances to suppliers | 45,048 | 887 | (1,538) | - | 44,397 |
| | 960,957 | 6,961 | (2,782) | - | 965,136 |

## c) Changes in depreciation

| | Consolidated | | | | |
|---|---|---|---|---|---|
| | Year ended December 31, 2018 | | | | |
| | Beginning balance | Additions | Write-offs | Transfers | Final balance |
| Buildings | (1,173) | (228) | - | (656) | (2,057) |
| Machinery and equipment | (458,725) | (37,482) | 292 | 2,462 | (493,453) |
| Molds | (45,450) | (1,622) | 989 | (1,410) | (47,493) |
| Furniture and fixtures | (10,892) | (577) | 88 | (377) | (11,758) |
| Vehicles | (3,673) | (162) | 42 | (113) | (3,906) |
| IT equipment | (5,533) | (277) | 2,897 | 94 | (2,819) |
| | (525,446) | (40,348) | 4,308 | - | (561,486) |

(In thousands of Brazilian reais, unless otherwise stated)

| | Consolidated | | | | |
|---|---|---|---|---|---|
| | Year ended December 31, 2017 | | | | |
| | Beginning balance | Additions | Write-offs | Transfers | Final balance |
| Buildings | (925) | (241) | - | (7) | (1,173) |
| Machinery and equipment | (421,207) | (37,919) | 352 | 49 | (458,725) |
| Molds | (42,225) | (3,195) | 1 | (31) | (45,450) |
| Furniture and fixtures | (10,356) | (568) | 28 | 4 | (10,892) |
| Vehicles | (3,606) | (256) | 192 | (3) | (3,673) |
| IT equipment | (5,864) | (206) | 549 | (12) | (5,533) |
| | (484,183) | (42,385) | 1,122 | - | (525,446) |

## d) Impairment tests for non-financial assets

At least upon the preparation of annual financial statements the Company must determine whether there is any sign that its assets or group of assets have been significantly impaired, Impairment tests are prepared by an independent expert to derive the market value of the principal assets for each CGU, The Company decided to contract an independent valuation to identify the market value of the main assets for each CGU, The work scope involved the Valuation of the assets located in the units of Jundiaí, Betim and Varginha.

| | 2018 | |
|---|---|---|
| | Assets book value | Net sales price |
| Jundiaí | 159,696 | 179,783 |
| Betim | 123,941 | 154,209 |
| Varginha | 74,517 | 80,723 |
| Total | 358,154 | 414,715 |

The recoverable value is the net fair value of expenses to the technique described below:

- The Company’s assets were valued according to the market value of each item, determined by the replacement value and the depreciation coefficient, taking into account the useful life, age, remaining useful life, residual value and depreciation, resulting in the net selling price greater than the residual book value of the assets, not indicating therefore the need for impairment.

As a result of the applied tests, no impairment adjustment was necessary.

(In thousands of Brazilian reais, unless otherwise stated)

## 13. Loans and financing

| Type/Purpose | Finance charges at 31/12/2018 | Consolidated 2018 | 2017 |
|---|---|---|---|
| Working capital - local currency | CDI + interest from 0.37% to 0.90% p,m, | 321,800 | 266,529 |
| FINAME | Interest from 0.21% to 0.45% p,m, | 122,685 | 104,434 |
| | | 444,485 | 370,963 |

a) Loans detail per financial institution

| Summary of financial operations – type/ purpose | BRASIL | FIBRA | BDMG | ITAÚ | BRADESCO | CEF | CCB | Total |
|---|---|---|---|---|---|---|---|---|
| Working capital – Domestic currency | 62,459 | 86,847 | 46,677 | 80,024 | 29,072 | 16,026 | 695 | 321,800 |
| FINAME | 59,062 | - | 29,369 | 12,902 | 21,352 | - | - | 122,685 |
| Total loans | 121,521 | 86,847 | 76,046 | 92,926 | 50,424 | 16,026 | 695 | 444,485 |
| % related to the total of loans | 27.34% | 19.54% | 17.11% | 20.91% | 11.34% | 3.60% | 0.16% | 100% |
| | 96.24% | | | | | 3.76% | | 100% |
| | % of loans included in the process of debt renegotiation (see Relevant Fact in June 12, 2018 and AGE OF DECEMBER 13, 2018), | | | | | | | |

The Company has overdue bank contracts and, as comprehensively clarified in Statement 1 (Financial Situation), concluded the bank debt restructuring, As already explained, the Company's Management reinforces that there is no expectation that any execution will occur.

The Company has past-due contracts with banks and, in 2018, a balance of originally long-term loans transferred to short-term loans in the amount of R$ 46,495 (Note 4.1c), due to a breach of restrictive covenants.

In regard to loans for working capital requirements contracted by Plascar Ltda., R$ 108,698 is secured by machinery and equipment (CAPEX) and the remaining balance is secured by receivables and secureties.

FINAME financing is guaranteed by fiduciary disposal of the financed assets, The total amount recorded as of December 31, 2018, R$ 36,547 refers to contracts for acquisition of injectors by suppliers, recognized as a loss in the statement of income on December 31, 2018, although the Company's Management, through its legal advisors, expects to recover the amount advanced to said referred supplier, as detailed in note 20.

On December 31, 2018, the Company decided to establish a provision for impairment for all of these advances, as detailed in note 12.

(In thousands of Brazilian reais, unless otherwise stated)

Subsequent Events

On January 31, 2019, pursuant to the Notice to Shareholders and Relevant Fact released to the market, the Company's paid in capital was increased with payment through the use of credits held against Plascar Ltda., by private subscription, in the amount of R$ 449,483, through the issuance of 7,455,251 common shares at the issue price of R$ 60.29 per common share, After the capital increase, the Company's paid in capital, previously in the amount of R$ 481,972, divided into 4,970,167 common shares, now amounts to R$ 931,455, divided into 12,425,418 common shares.

The amount related to the capital increase was obtained by applying the percentage of 90% on the balances referring to the period ended October 31, 2018, with the following amounts:

| Summary of the debt included in the *Term Sheet* updated to October 31, 2018 | BRASIL | FIBRA | BDMG | ITAÚ | BRADESCO | FCA | Total |
|---|---|---|---|---|---|---|---|
| **Financial operations** | **118,741** | **83,328** | **74,604** | **90,081** | **49,374** | **-** | **416,128** |
| **Non-financial operations** | **-** | **-** | **-** | **-** | **-** | **83,298** | **83,298** |
| **Total debts** | **118,741** | **83,328** | **74,604** | **90,081** | **49,374** | **83,298** | **499,426** |
| | **Financial institutions** | | | | | **Non-financial institutions** | |

## 14. Salaries, accrued vacation and social charges payable

| | Consolidated | |
|---|---|---|
| | 2018 | 2017 |
| Social charges (Note 23) | 26,759 | 18,616 |
| Labor indemnities | 2,145 | 767 |
| Provision for vacation pay/ year-end bonus | 11,206 | 12,186 |
| Provision for Profit sharing | 6,971 | 2,827 |
| Others | 43 | 227 |
| | 47,124 | 34,623 |
| | | |
| Current | 42,077 | 27,234 |
| Noncurrent | 5,047 | 7,389 |
| | 47,124 | 34,623 |

## 15. Advances from customers

| | Consolidated | |
|---|---|---|
| | 2018 | 2017 |
| Fiat Automóveis | 95,312 | 77,897 |
| MAN | 50 | 250 |
| Scania do Brasil | - | 160 |
| Calsonic Kansei | 333 | 1,225 |
| Mercedes Benz | 446 | 882 |
| Others | 207 | 1,882 |
| | 96,348 | 82,296 |

(In thousands of Brazilian reais, unless otherwise stated)

(1) Refer to contracts for advances made with Fiat which are part of the Debts Renegotiation "Term Sheet" as mentioned in note 1 (summary table).

## 16. Commitments and contingencies

### a) Operating agreement (sale and leaseback transaction)

During the year ended December 31, 2011, Plascar Ltda. entered into sale and leaseback transactions for the buildings and plots of land of the manufacturing plants of Varginha, Jundiaí and Betim, The real estate lease contracts are valid for a period of ten years and can be renewed for an additional ten-year period, with the express consent of Plascar Ltda. There is no option to purchase the properties at the end of the contracts.

Since January 1, 2019, in accordance with CPC 06 R2 (IFRS16), the Company will record the future leases discounted to present value as financial leasing, The impact on property, plant and equipment and liabilities is approximately R$ 95,138 (Note 2.25).

### b) Legal claims

The Company is party to ongoing labor and civil proceedings, and these issues are being discussed at the administrative and judicial levels, which are supported by court deposits, when applicable, Provisions for possible losses arising from those proceedings are estimated and adjusted by the management according to the opinion of its external legal counselors.

The Company's management, based on information provided by its internal and external legal counselors and on the analysis of pending processes, recorded a provision at an amount considered sufficient to cover losses on ongoing matters, as follows:

| | Consolidated | |
|---|---|---|
| | 2018 | 2017 |
| Labor and social charge provisions | 5,940 | 9,636 |
| | 5,940 | 9,636 |

(In thousands of Brazilian reais, unless otherwise stated)

The changes in the provision for legal claims in 2018 and 2017 were as follows:

| | December 31, 2018 | | | |
|---|---|---|---|---|
| | Beginning balance | Additions | Payments | Final balance |
| Labor and social charges | 9,636 | 2,334 | (6,030) | 5,940 |
| | 9,636 | 2,334 | (6,030) | 5,940 |

| | December 31, 2017 | | | |
|---|---|---|---|---|
| | Beginning balance | Additions | Payments | Final balance |
| Labor and social charges | 12,799 | 8,205 | (11,368) | 9,636 |
| | 12,799 | 8,205 | (11,368) | 9,636 |

Labor

The provision for labor lawsuits refers principally to employees' claims linked to benefits arising from the employment relationship and was recorded based on the estimate of the legal advisors for the lawsuits involving risks of loss assessed as probable,

Possible losses, not recognized in the balance sheet

The Company has the following tax, labor and civil litigation involving risks of loss classified by management as possible, based on the evaluation of the legal advisors, for which no provision for estimated possible losses was recognized according with the detail and estimate as follow:

| | Consolidated | |
|---|---|---|
| | 2018 | 2017 |
| Tax | 5,540 | 4,083 |
| Labor | 46,610 | 57,967 |
| Civil | 44,623 | 47,604 |
| | 96,773 | 109,654 |

Asset contingencies

Currently, Plascar Ltda. is a plaintiff in two lawsuits considered significant, against the Rural Worker Assistance Fund (FUNRURAL) and the Brazilian Electricity Company (ELETROBRÁS), amounting to R$ 8,585 and R$ 19,249, respectively.

(i) The lawsuit against ELETROBRÁS, which has also been judged in favor of the Company, is now at an advanced stage, and the Company has already initiated the process of execution of the judgment, requiring the payment of the amount due, The case is currently awaiting a court order to start the execution requested by the Company;
(ii) The lawsuit against FUNRURAL, was decided on September 4, 2001, and the amount released is R$ 2,237, which is challenged by the Company as to its monetary restatement for the subsequent issue of a settlement and payment order, This amount is recorded in recoverable taxes (note 8).
(iii) Plascar Ltda. pleads the refund of the PIS and COFINS installments collected with the inclusion of ICMS in its tax calculation bases related to prior years, the amounts involved in this refund requests are still being determined and reliably measured.

## 17. Equity (net unsecured liabilities)

### a) Paid in Capital

The authorized paid in capital is 1,000,000,000 shares and, within this limit, the Board of Directors is the body responsible for deciding on the issue, value and quantity of new shares, and for establishing the conditions for subscription and payment of the shares. Still, within the limit of authorized capital and according to the plan approved by the General Meeting, share purchase options may be granted to the shareholders and directors of the Company or company under its control.

Subscribed and paid-in capital, as at December 31, 2018 and 2017 consists of 4,970,167 registered, book-entry common shares without par value.

Subsequent Events

Capital increase and issuance of shares

On January 31, 2019, pursuant to Notice to Shareholders and Relevant Fact released to the market, the Company's paid in capital was increased with payment through the use of credits held against Plascar Ltda., by private subscription, in the amount of R$ 449,483, through the issuance of 7,455,251 common shares at the issue price of R$ 60.29 per common share. After the Capital Increase, the Company's paid in capital, previously in the amount of R$ 481,972 and divided into 4,970,167 common shares, now totals R$ 931,455, divided into 12,425,418 common shares.

The Issuance price of the shares was set, without unjustified dilution for the current shareholders of the Company, considering the methodologies allowed by article 170, paragraph 1, of the Brazilian Corporate Law, considering the current financial situation of the Company, which has high indebtedness and negative equity,

Since the Brazilian Corporation Law does not establish a rigid formula for the determination of the issue price, this price was established in view of the criteria of article 170, paragraph 1, of the Brazilian Corporation Law, in that the Company could carry out the restructuring as planned.

Subscription Bonus

The Company has issued in favor of and as an additional advantage to the subscribers of the Capital Increase shares, upon reaching Plascar Plastics' EBITDA targets in the years 2020, 2021 or 2022, 7,455,251 subscription bonuses, in a single series and under the book-entry and nominative form, with 1 subscription bonus for each share of the Subscribed Capital Increase.

The grant to its holders, jointly, grants the right to subscribe shares of the Company representing 5% of the capital of the Company after issuing such shares.

The price for the subscription of 1 share issued as a result of the exercise of the Subscription Warrants will be R$ 0.01 "Exercise Price". The subscription of the shares resulting from the exercise of Subscription Warrants shall be given in a particular manner, upon the exercise of the Subscription Right, and the payment of the shares then subscribed shall be made through the cash payment of the Exercise Price in cash in the act of subscribing to such shares,

b) Reserves

(i) Capital reserve - Recognized options granted

Constituted by the accounting recognition of the share-based payment plan, which was fully realized in 2018.

c) Shareholders' compensation

In accordance with the Company's bylaws, shareholders are annually entitled to minimum dividends of 25% of net income for the year adjusted pursuant to articles 189 and 202 of Law No, 6,404/76.

## 18. Earnings per share

Basic earnings or loss per share is calculated by dividing the net profit or loss for the quarter attributable to the holders of the parent company's common shares by the weighted average number of common shares outstanding during the year.

Diluted earnings or loss per share is calculated by dividing net profit or loss attributable to holders of common shares of the Parent Company by the weighted average number of common shares issued during the quarter, plus the weighted average number of common shares that would be issued upon the conversion of all potential diluted common shares into common shares.

The following table presents profit (loss) and share information used to calculate basic and diluted earnings or loss per share for the years ended December 31, 2018 and 2017 (in thousands, except earnings (loss) per share):

| | 2018 | 2017 |
|---|---|---|
| Numerator: | | |
| Net loss for the period | (257,254) | (71,947) |
| Denominator: | | |
| Weighted average number of shares | 4,970,167 | 4,970,167 |
| Basic and diluted loss per share - R$ | (51.76) | (14.48) |

In the years ended December 31, 2018 and 2017, there were no transactions involving common shares or potential common shares or transactions that could have had a dilutive effect on earnings per share.

(In thousands of Brazilian reais, unless otherwise stated)

## 19. Net operating revenue

| | Consolidated | |
|---|---|---|
| | 2018 | 2017 |
| Gross sales | 433,046 | 505,120 |
| Taxes on sales | (83,671) | (94,997) |
| Sales returns and rebates | (2,554) | (9,635) |
| | 346,821 | 400,488 |

Taxes on sales mainly comprise the ICMS (tax rates of 7%, 12% and 18%), Federal VAT - IPI) (tax rates of 5% and 15%), Contribution to the Social Integration Program - PIS (tax rates of 1.65% and 2.30%), Contribution for the Social Security Funding- COFINS (tax rates of 7.60% and 10.80%).

## 20. Costs and expenses by nature

The Company opted to present the statement of operations by function and shows below expenses by nature:

| | Consolidated | |
|---|---|---|
| | 2018 | 2017 |
| Raw materials, inputs and consumables | (139,169) | (170,115) |
| Personnel expenses (Note 23) | (129,547) | (129,171) |
| Termination costs (Note 23) | (3,898) | (3,890) |
| Freight on sales | (8,953) | (7,887) |
| Depreciation and amortization | (40,348) | (42,385) |
| Electricity, water and telephone | (23,145) | (21,984) |
| Third-party services | (11,708) | (11,761) |
| Management fees (Note 10) | (18,870) | (9,300) |
| Commissions on sales | (183) | (401) |
| Rents of properties | (22,435) | (21,904) |
| Allowance for doubtful accounts | - | 450 |
| Provision for adjustment to market value and obsolescence of inventories (Note 7) | 1,084 | 585 |
| Social contribution on revenue | (10,317) | (11,313) |
| Advances write-off | (44,084) | - |
| Others | (20,878) | (13,078) |
| | (472,451) | (442,154) |
| Classified as | | |
| Costs of goods sold | (335,938) | (367,141) |
| Selling expenses | (20,353) | (16,430) |
| General and administrative expenses | (72,417) | (62,608) |
| Other operating income / (expenses), net | (43,743) | 4,025 |
| | (472,451) | (442,154) |

i) Refer mainly to advances to suppliers for the acquisition of machinery and equipment to increase the operational and productive capacity of the Company's industrial units carried out between 2010 and 2011 for the company Sandretto and financed by BNDES through the FINAME / PSI.

(In thousands of Brazilian reais, unless otherwise stated)

From the amount recognized on December 31, 2018, R$ 36,548 were advanced from financial institutions and R$ 7,536 advanced to the supplier with its own resources, The Company, after analyzing with its legal advisors, decided to record a loss on the total outstanding amount, in the amount of R$ 44,084, in 2018. The Company has adopted all possible legal provisions and will continue to seek its legal rights, However, the Company considers it unlikely that these assets will be received in the short term, despite the ongoing legal action, In 2017, the outstanding balance of these advances amounted to R$ 36,340 and R$ 7,536, respectively.

## 21. Financial results

| | Consolidated | |
|---|---|---|
| | 2018 | 2017 |
| Financial expenses | | |
| Interest | (113,910) | (77,651) |
| Charges on taxes installments* | (13,526) | (25,335) |
| Exchange rate losses | (2,833) | (2,822) |
| Tax on Financial Transactions (IOF) | (338) | (867) |
| Others | (322) | (549) |
| | (130,929) | (107,224) |
| Financial income | | |
| Interest | 184 | 83 |
| Monetary variation gains | 13 | 375 |
| Exchange rate gains | 2,554 | 1,805 |
| Others | 37 | 95 |
| | 2,788 | 2,358 |
| Financial results | (128,141) | (104,866) |

(*) Charges on overdue PIS/COFINS and ICMS payable in installments,

(In thousands of Brazilian reais, unless otherwise stated)

## 22. Tax liabilities

The outstanding balance of taxes liabilities as of December 31, 2018 is R$ 153,067 and R$ 26,759 of payroll charges, of which R$ 5,271 are current taxes due, R$ 23,181 current taxes overdue and R$ 151,374 installments.

| | | | | Reassessment | | |
|---|---|---|---|---|---|---|
| | | | | Current | | |
| | Outstanding | Falling due | Overdue | Falling due | Overdue | Noncurrent |
| REFIS (PERT MP 783/17) | 63,483 | - | - | 11,217 | 595 | 51,671 |
| Ordinary Instalment payment PIS/COF/IPI | 14,853 | - | - | 3,984 | - | 10,869 |
| PIS | 1,585 | 173 | 1,412 | - | - | - |
| COFINS | 7,239 | 785 | 6,454 | - | - | - |
| ICMS (Regularize – MG) | 53,901 | - | - | 6,280 | - | 47,621 |
| ICMS | 10,363 | 334 | 1,528 | 7,922 | 579 | - |
| IPI | 1,106 | 196 | 910 | - | - | - |
| Others (ISS IPTU) | 537 | 329 | - | 23 | - | 185 |
| | **153,067** | **1,817** | **10,304** | **29,426** | **1,174** | **110,346** |
| IRRF (Employees) | 1,290 | 1,290 | | | | |
| REFIS INSS (PERT MP 783/17) | 3,241 | - | - | 2,652 | 589 | - |
| Ordinary Instalment payment INSS | 2,562 | - | - | 683 | - | 1,879 |
| Payroll relief | 6,880 | 557 | 6,323 | - | - | - |
| INSS (Company) | 7,536 | 982 | 6,554 | - | - | - |
| INSS (Employees) | 625 | 625 | - | - | - | - |
| INSS in instalments, Sesi Senai (Company) | 4,625 | - | - | 1,250 | 207 | 3,168 |
| | **26,759** | **3,454** | **12,877** | **4,585** | **796** | **5,047** |
| Sum of Employer | **177,911** | **3,356** | **23,181** | **34,011** | **1,970** | **115,393** |
| Sum of Employees | **1,915** | **1,915** | **-** | **-** | **-** | **-** |
| Total | **179,826** | **5,271** | **23,181** | **34,011** | **1,970** | **115,393** |

The outstanding balance of taxes liabilities as of December 31, 2017 is R$ 157,670 and R$ 18,616 of payroll charges, of which R$ 1,959 refers to overdue installments and R$ 166,082 installments.

| | | | | Reassessment | |
|---|---|---|---|---|---|
| | Outstanding | Falling due | Overdue | Current | Noncurrent |
| REFIS (PERT MP 783/17) | 71,220 | - | - | 11,947 | 59,273 |
| Ordinary Instalment payment PIS/COF/IPI | 17,823 | - | - | 3,752 | 14,071 |
| PIS | 425 | 425 | - | - | - |
| COFINS | 1,945 | 1,945 | - | - | - |
| ICMS (Regularize – MG) | 58,370 | - | - | 6,091 | 52,279 |
| ICMS | 7,400 | 1,043 | - | 3,794 | 2,563 |
| IPI | 72 | 72 | - | - | - |
| Others (ISS IPTU) | 415 | 192 | - | 23 | 200 |
| | 157,670 | 3,677 | - | 25,607 | 128,386 |
| IRRF (Employees) | 2,058 | 2,058 | - | - | - |
| REFIS INSS (PERT MP 783/17) | 5,747 | - | - | 3,284 | 2,463 |
| Ordinary Instalment payment INSS | 3,056 | - | - | 643 | 2,413 |
| Payroll relief | 1,117 | 1,117 | - | - | - |
| INSS (Company) | 2,736 | 777 | 1,959 | - | - |
| INSS (Employees) | 616 | 616 | - | - | - |
| INSS in instalments, Sesi Senai (Company) | 3,286 | - | - | 773 | 2,513 |
| | 18,616 | 4,568 | 1,959 | 4,700 | 7,389 |
| Sum of Employer | 173,612 | 5,571 | 1,959 | 30,307 | 135,775 |
| Sum of Employees | 2,674 | 2,674 | - | - | - |
| Total | 176,286 | 8,245 | 1,959 | 30,307 | 135,775 |

(In thousands of Brazilian reais, unless otherwise stated)

Regarding the past due amounts, the Company recognizes a 20% fine in addition to correction for the indexes established by the legislation.

With respect to current taxes in arrears, the Company is in the process of renegotiating with RFB for ordinary installment payment.

Special Tax Regularization Program (PERT)

Plascar Ltda. joined PERT on August 29, 2017. The balance of overdue taxes up to April 2017, arising from debts with the National Treasury Attorney General, were negotiated in 120 instalments, with the value of the instalments in the first 12 months corresponding to 0.4% of the debt, to 0.5% in the second year, 0.6% in the third year, and the remaining balance in 84 instalments. The adjustment index applied to the instalments is the Central Bank's Overnight Rate (Selic).

Additionally, MP 783/17 was converted into Law No, 13,496/17 on October 25, 2017 including a new type of instalment payment, which allows the use of income and social contribution tax losses to reduce the debt consolidated with the Brazilian Revenue Service (RFB).

The installments in the scope of the Attorney General and RFB were fully consolidated during the 2018 fiscal year.

The following is a summary of the accounting effects of this transaction:

| | General Attorney of the National Treasury | Brazil's Internal Revenue Service Taxed | Brazil's Internal Revenue Service Not taxed | Total |
|---|---|---|---|---|
| Original Balance (a) | 54,607 | 76,649 | 27,555 | 158,811 |
| Use of tax loss carryforwards CSLL Law 13,496 / 17 (b) (Note 9,b) | - | (59,874) | (20,760) | (79,870) |
| Amortization of debt until December 31, 2018 | (3,608) | (12,309) | (3,678) | (19,595) |
| Update of installments | 4,844 | 2,410 | 124 | 7,378 |
| Total (Note 22) | **55,843** | **7,640** | **3,241** | **66,724** |

(a) Total tax and non-tax debt updated on the date of the adhesion of PERT, including Social Integration Program (PIS), Contribution for Social Security Financing (COFINS), Industrialized Products Tax (IPI) and National Social Security Institute INSS (Exemption of Payroll);
(b) The Company joined to this new type of program, The amount involved in the discount by means of income and social contribution tax losses is R$ 79,870.

(In thousands of Brazilian reais, unless otherwise stated)

## 23. Employee benefits

Salaries expenses, benefits and social charges are as follows:

| | Consolidated | |
|---|---|---|
| | 2018 | 2017 |
| Payroll and social charges | 117,779 | 117,211 |
| Profit sharing | 7,163 | 7,006 |
| Legal benefits | 8,310 | 8,721 |
| Additional benefits | 193 | 123 |
| | 133,445 | 133,061 |

### Additional benefits

In addition to the usual benefits required by the labor legislation, it is the practice of the Company and its subsidiaries to grant additional benefits contracted from third parties to their employees, such as: health care plan, life insurance, transport vouchers, meals, day care center aid, and reimbursement for training sessions.

### Profit sharing plan

The Company and its subsidiaries have supplementary variable remuneration plans which consider whether goals established have been met:

(i) Profit sharing (PPR): The Company offers its employees profit sharing according to the collective bargaining agreement established between the Company, its employees' representatives and their trade union, which establishes goals that are monthly assessed and disclosed, This plan aims to encourage development and productivity by providing financial gains and conditions for the employees to receive a share of the profits of the Company.

(ii) Additional profit sharing bonus plan (Short-term PPR): The Company grants bonuses representing a variable number of monthly salaries to the Company's executives and management members.

The employee profit sharing is based on performance (individual and Company), in accordance with targets established and approved by the Annual General Meeting;

(In thousands of Brazilian reais, unless otherwise stated)

## 24. Supplemental cash flow information

| | Consolidated | |
|---|---|---|
| | 2018 | 2017 |
| Payments during the quarters | | |
| Loans interest | 8,289 | 9,221 |

The Company classifies interest paid as cash flows from financing activities,

## 25. Insurance

The Company and its controlled companies have insurance policies of different natures, contracted with one of the main insurance companies in the country, These policies were defined according to the group's program and took into consideration the nature and level of risk involved.

As at December 31, 2018, insurance cover against operational risks combined with loss of profit was R$ 517,685 (R$ 517,685 as at December 31, 2017) and R$ 2,170 (R$ 2,170 as at December 31, 2017) for civil liability.

The Company does not expect any difficulties to renew any of the policies and believes that coverage is reasonable in terms of value and compatible with the standards of the sector in Brazil.

The risk assumptions adopted, given their nature, are not part of the scope of an audit of financial statements, and therefore were not examined by our independent auditors.

Board of directors

Stephen James Toy
Chairman

Andrew Catunda de Araújo
Board Member

Edson Figueiredo Menezes
Board Member

Hugo Lancarter Mol
Board Member

Executive Board

José Donizeti da Silva
Officer

Fabio Ernesto Isaia
CEO

Paulo Antônio Silvestri
Finance and Investor Relations Officer

Executive Board (non-statutory)

Daniel Paulo Fossa
Jundiaí Business Unit Officer

Ronaldo Prado Serenini
Varginha Business Unit Officer

José Orlando Lima
Betim Business Unit Officer

Ana Lúcia de Aguiar Zacariotto
Human Resources Officer

Marcos D'Aflita
Tooling Officer

Claudio Batista
Accounting Manager
Accountant CRC 1SP170282/O-9

Audit Board

José Antonio Vertoan
Member

Charles Dimetrius Popoff
Member