Financial Statements

SMRC Fabricação e Comércio de Produtos Automotivos do Brasil Ltda.

March 31, 2020
with Independent Auditor's Report

SMRC Fabricação e Comércio de Produtos Automotivos do Brasil Ltda.

Financial statements

March 31, 2020

Contents

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A free translation from Portuguese into English of independent auditor's report on financial statements prepared in Brazilian currency in accordance with accounting practices adopted in Brazil applicable to small and medium-sized enterprises (SME)

Independent auditor's report on financial statements

The
Management and Members
SMRC Fabricação e Comércio de Produtos Automotivos do Brasil Ltda.
Guarulhos - SP

Qualified opinion

We have audited the financial statements of SMRC Fabricação e Comércio de Produtos Automotivos do Brasil Ltda. ("Company"), which comprise the statement of financial position as at March 31, 2020 and the statements of profit or loss, of comprehensive income (loss), of changes in equity, and of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting practices.

In our opinion, except for possible effects of the matters described in our "Basis for qualified opinion" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of SMRC Fabricação e Comércio de Produtos Automotivos do Brasil Ltda. at March 31, 2020, of its financial performance and its cash flows for the year then ended, in accordance with the accounting practices adopted in Brazil.

Basis for qualified opinion

Provision for rental expenses recorded in incorrect year - corresponding figures

At March 31, 2019, the Company recorded the amount of R$6,845 thousand referring to the straight-lining of rental payments related to December 31, 2016 through March 31, 2018. However, such recognition was made in full and cumulatively in the financial statements for the year ended March 31, 2019, with no restatement of the financial statements of previous years, as determined by accounting practices adopted in Brazil. Consequently, loss for the year ended March 31, 2019 is overstated by R$4,518 thousand, net of tax effects. Our opinion on the financial statements for the year ended March 31, 2019 was not modified in respect of this matter. Our opinion on the financial statements for the year ended March 31, 2020 also contains modification due to the possible effects of this matter on the comparability of the figures between the current and the corresponding year.

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of financial statements section of our report. We are independent of the Company in accordance with the relevant ethical principles set forth in the Code of Professional Ethics for Accountants and the professional standards issued by Brazil's National Association of State Boards of Accountancy (CFC), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained 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 the override of internal control, collusion, forgery, intentional omissions or misrepresentations.
- Obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Concluded on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast substantial doubt as to the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditors’ report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors’ report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the corresponding transactions and events in a manner that achieves fair presentation.

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

São Paulo, June 5, 2020.

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

Maurício Mitio Yuhara
Accountant CRC-1SP260523/O-3

SMRC Fabricação e Comércio de Produtos Automotivos do Brasil Ltda.

Statements of financial position
March 31, 2020 and 2019
(In thousands of reais)

	Note	2020	2019
Assets			
Current assets			
Cash and cash equivalents	4	**6,137**	559
Trade accounts receivable	5	**32,992**	24,669
Related parties	7	**792**	66
Inventories	6	**34,177**	60,198
Taxes recoverable		**4,476**	5,418
Other receivables		**2,888**	2,056
		81,462	92,966
Noncurrent assets			
Deferred taxes		**1,614**	
Property, plant and equipment	8	**82,471**	52,164
Other receivables		**300**	811
		84,385	52,975
Total assets		**165,847**	145,941

	Note	2020	2019
Liabilities			
Current liabilities			
Trade accounts payable	9	**38,474**	32,851
Related parties	7	**2,649**	173
Tax liabilities		**1,905**	1,711
Advance from customers	10	**18,422**	25,968
Labor obligations and social charges	11	**11,113**	11,986
Provision for onerous contracts	12	**2,400**	3,645
Other provisions	13	**6,734**	6,136
		81,697	82,470
Noncurrent liabilities			
Provision for onerous contracts	12	**747**	2,721
Provision for contingencies	14	**7,753**	10,190
Other provisions	13	**33,990**	10,309
		42,490	23,220
Equity			
Capital	15	**85,630**	85,630
Accumulated losses		**(43,970)**	(45,379)
		41,660	40,251
Total liabilities and equity		**165,847**	145,941

See accompanying notes.

SMRC Fabricação e Comércio de Produtos Automotivos do Brasil Ltda.

Statements of profit or loss
Years ended March 31, 2020 and 2019
(In thousands of reais)

	Note	2020	2019
Net operating revenue	16	**344,321**	295,121
Cost of goods sold	17	**(321,715)**	(270,248)
Gross profit		**22,606**	24,873
Other operating income (expenses)			
Personnel		**(14,583)**	(16,067)
General and administrative expenses		**(900)**	(7,836)
	18	**(15,483)**	(23,903)
Income/(loss) before finance income (costs)		**7,123**	970
Finance income	19	**140**	54
Finance costs	19	**(6,784)**	(1,558)
		(6,644)	(1,504)
Current		**(684)**	(960)
Deferred		**1,614**	-
Income and social contribution taxes	20	**930**	(960)
Income (loss) for the year		**1,409**	(1,494)

See accompanying notes.

SMRC Fabricação e Comércio de Produtos Automotivos do Brasil Ltda.

Statements of comprehensive income (loss)
Years ended March 31, 2020 and 2019
(In thousands of reais)

	2020	2019
Income (loss) for the year	**1,409**	(1,494)
Other comprehensive income		
Comprehensive income (loss) for the year, net of taxes	**1,409**	(1,494)

See accompanying notes.

SMRC Fabricação e Comércio de Produtos Automotivos do Brasil Ltda.

Statements of changes in equity
Years ended March 31, 2020 and 2019
(In thousands of reais)

	Note	Capital	Accumulated losses	Total
Balances at March 31, 2018		70,514	(43,885)	26,629
Capital increase	15	15,116	-	15,116
Loss for the year		-	(1,494)	(1,494)
Balances at March 31, 2019		85,630	(45,379)	40,251
Loss for the year		**-**	**1,409**	**1,409**
Balances at March 31, 2020		**85,630**	**(43,970)**	**41,660**

See accompanying notes.

SMRC Fabricação e Comércio de Produtos Automotivos do Brasil Ltda.

Statements of cash flows - indirect method
Years ended March 31, 2020 and 2019
(In thousands of reais)

	2020	2019
Operating activities		
Income (loss) for the year	**1,409**	(1,494)
Adjustments not affecting cash and cash equivalents:		
Depreciation	**9,566**	6,812
Disposal of PP&E	**-**	(967)
Deferred taxes	**(1,614)**	-
Other provisions	**(8,221)**	16,244
Provision for onerous contracts	**(3,219)**	(3,817)
Interest on lease	**4,685**	-
Provision for contingencies	**(2,437)**	(118)
Allowance for doubtful accounts	**436**	-
Provision for obsolescence	**91**	(374)
Total non-cash adjustments	**696**	16,287
(Increase) decrease in operating assets and increase/(decrease) in operating liabilities		
Trade accounts receivable	**(8,759)**	(3,068)
Accounts receivable from affiliates	**-**	93
Inventories	**25,930**	(9,262)
Taxes recoverable	**(942)**	(3,325)
Other receivables	**(321)**	30
Trade accounts payable	**11,753**	21,613
Related parties	**1,750**	173
Tax obligations	**194**	942
Advances from customers	**(7,546)**	(23,989)
Labor and social obligations	**(873)**	2,302
Total	**23,070**	(14,491)
Cash from operating activities	**23,766**	1,796
Investing activities		
Acquisition of PP&E	**(13,503)**	(22,955)
Cash used in investing activities	**(13,503)**	(22,955)
Activities in equity		
Payment of capital	**-**	15,116
Cash from investing activities	**-**	15,116
Cash flow from financing activities		
Loans, financing and lease - payments	**(4,685)**	-
Net cash from financing activities	**(4,685)**	-
Increase (decrease) in cash and cash equivalents	**5,578**	(6,044)
Cash and cash equivalents at beginning of year	**559**	6.603
Cash and cash equivalents at end of year	**6,137**	559
Increase (decrease) in cash and cash equivalents	**5,578**	(6,044)

See accompanying notes.

1. Operations

SMRC Fabricação e Comércio de Produtos Automotivos do Brasil Ltda. ("Company") based in the municipality of Guarulhos/SP, formerly styled Reydel Automotive Brazil Industria e Comercio de Sistemas Automotivos Ltda., was incorporated in 2015 from the partial spin-off of the company Visteon Sistemas Automotivos Ltda., where the entire Visteon Interiors division was separated from the other divisions and subsequently acquired by Reydel Group. The Company started its operations on January 2, 2016.

The Company is engaged in manufacturing, trade, assembly, repair and installation of products, parts, pieces, components, systems, subsystems, sets and subsets for the automobile industry and for the industry in general; import and export of the above-mentioned products on its own or on behalf of third parties, under different business arrangements; provision of test services related to automotive systems; commercial representation; and holding interest in other companies as a member and/or shareholder.

Currently the Company has two manufacturing units in operation, located in the cities of Guarulhos-SP and Gravataí-RS.

On October 23, 2018, by means of the 18^{th} Amendment to its articles of organization, the Company changed its business name and also its fiscal year. The Company had its name changed to SMRC Fabricação e Comércio de Produtos Automotivos do Brasil Ltda. and its fiscal year runs from April 1 through March 31.

The financial statements were approved by management on June 5, 2020.

2. Presentation of financial statements

The financial statements were prepared in accordance with accounting practices adopted in Brazil, including accounting pronouncements, interpretations and guidance issued by the Brazilian Financial Accounting Standards Board (CPC) and approved by Brazil's National Association of State Boards of Accountancy (CFC).

These financial statements were prepared under the historical cost as a value basis, except for certain assets and liabilities classified as financial instruments, which are measured at fair value, or when identified otherwise, as described in the summary of significant accounting practices.

2. Presentation of financial statements (Continued)

Estimates

These financial statements were prepared under various measurement bases used in accounting estimates. Accounting estimates involved in the preparation of the financial statements were based on both objective and subjective factors, in line with management's judgment for determining the appropriate amounts to be recorded in the financial statements. Significant items subject to these estimates and assumptions include selection of useful lives and recoverability of property, plant and equipment, measurement of financial assets under present value adjustment method, credit risk analysis in determining the allowance for doubtful accounts, as well as the analysis of other risks in determining other provisions, including provision for contingencies.

Settlement of transactions involving these estimates may result in amounts significantly different from those recorded in the financial statements due to the uncertainty inherent in their estimate process. The Company reviews its estimates and assumptions at least once a year.

Transactions in foreign currency

The Company's functional currency is the Brazilian Real, which is also its reporting currency.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency (Real) at the exchange rate in force as of the corresponding statement of financial position dates. Gains and losses resulting from restatement of those assets and liabilities between the exchange rate prevailing at the date of the transaction and the reporting period closing dates are recognized as finance income or costs in profit or loss.

3. Accounting policies

The main accounting policies adopted in the preparation of financial statements are as follows:

a) Statement of profit or loss

i) *Revenues*

CPC 47, equivalent to international standard IFRS 15, supersedes CPC 17 (R1) - Construction Contracts (equivalent to international standard IAS 11), CPC 30 - Revenue (equivalent to international standard IAS 18) and related interpretations and applies, with limited exceptions, to all revenues from a customer contract. CPC 47 establishes a five-step model for accounting for revenue from a customer contract and requires revenue to be recognized at an amount that reflects the consideration the entity expects to receive in exchange for the transfer of goods or services to a customer.

CPC 47 requires entities to exercise judgment, taking into consideration all significant facts and circumstances when applying each step of the model to contracts with its customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and costs directly related to performance of a contract. In addition, the standard requires more detailed disclosures.

Revenue comprises the fair value of consideration received or receivable for sale of products in the Company's normal course of business. Revenue is stated net of taxes, returns, rebates and discounts.

The Company recognizes revenue when the amount of revenue can be reliably measured, it is likely that economic benefits will flow to the Company and when specific criteria have been met for each of the Company's activities, as described below:

a) *Sale of products*

The Company manufactures and sells parts and pieces related to the internal finishing of motor vehicles. Product sales are recognized whenever the product is delivered to the buyer. The Company assesses revenue transactions against specific criteria to determine whether it is acting as an agent or a principal, and eventually has concluded that it is acting as principal in all its revenue contracts.

3. Accounting policies (Continued)

a) Determination of profit and loss (Continued)

i) *Revenues* (Continued)

b) *Sale of tooling*

The Company develops and sells tooling for injection molding of plastic parts according to the technical specification of the order and model of the vehicle according to the automaker's project, and throughout the development, advances are made by the automakers to support the funds spent. The development and sale of tooling is usually linked to the supply of parts. Tooling sales are recognized at the time the project is in production and approved by the automaker. The automaker, in its turn, issues a free-lease agreement authorizing the use of the tooling, as it is an asset of its own.

ii) *Costs and expenses*

These are recognized on an accrual basis, i.e. effectively accounted for when expenses were effectively incurred.

iii) *Interest income and expenses*

Interest income and expenses are recognized under the effective interest method as finance income or finance costs, net.

b) Cash and cash equivalents

These include cash, positive bank account balances and short-term investments redeemable within 90 days of the statement of financial position dates and involving low risk of change in their market value.

The Company considers cash equivalents to be any short-term investment readily convertible into a known cash amount and subject to insignificant risk of change in value. Accordingly, an investment normally qualifies as cash equivalent when it is redeemable in the short term, for example, within three months or less from the investment date.

3. Accounting policies (Continued)

c) Financial instruments

i) *Financial instruments*

Non-derivative financial instruments include financial investments, accounts receivable and other receivables, cash and cash equivalents, related parties, loans and financing, as well as accounts payable and other debts.

Subsequent to initial recognition, non-derivative financial instruments are measured according to their respective classification:

Financial instruments held to maturity

If the Company has the positive intention and ability to hold its debt instruments to maturity, they are classified as held to maturity. Investments held to maturity are measured at amortized cost using the effective interest rate method, less any impairment losses.

Financial instruments available for sale

The Company's investments in equity instruments and certain assets related to debt instruments are classified as available for sale. Subsequent to initial recognition, they are stated at fair value and their fluctuations, except for reductions in their recoverable value, and foreign currency differences on these instruments are recognized directly in equity, net of tax effects. When an investment is no longer recognized, the accumulated gain or loss in equity is transferred to profit or loss.

Financial instruments at fair value through profit or loss

An instrument is classified at fair value through profit or loss if it is held for trading, i.e. designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Company manages these investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented investment and risk management strategy. After initial recognition, attributable transaction costs are recognized in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value and their fluctuations are recognized in profit or loss.

3. Accounting policies (Continued)

c) Financial instruments (Continued)

i) *Financial instruments* (Continued)

Other

Other non-derivative financial instruments are measured at amortized cost using the effective interest rate method, reduced by any impairment losses.

ii) *Trade notes receivable*

Trade notes receivable refer to amounts receivable from customers and are reduced to their probable realization value, upon estimated losses. Estimated losses on doubtful accounts are recorded in an amount deemed sufficient by management to cover any losses on the realization of accounts receivable.

d) Accounts receivable and expected credit losses

They are initially recognized at fair value and subsequently measured by the effective interest rate method less the estimated impairment loss (estimated losses on doubtful accounts), if necessary.

Estimated losses on doubtful accounts are set up when there is evidence that management will not be able to receive all amounts due within the original term of the receivables. The method used for this assessment is established based on the Company's history of losses and estimated as a result of the customer's financial strength, current economic climate and changes in payment patterns. Management determines the amount to be provided for in relation to the domestic and foreign markets. Such losses are periodically reviewed to be adjusted if necessary. The estimated loss on doubtful accounts was established by an amount considered sufficient by management to cover possible losses on credit realization.

The restatements of these losses are directly reflected in profit or loss for each year.

e) Inventories

Assessed at average cost, not exceeding market value. Provisions for slow-moving or obsolete inventories are set up when so deemed necessary by management.

3. Accounting policies (Continued)

e) Inventories (Continued)

Imports in transit are recorded at the accumulated cost of each import.

f) Property, plant and equipment and depreciation

Property, plant and equipment are stated at acquisition, buildup or construction cost, taking into consideration the segregation between capital expenditures and expenses for the period. Depreciation is calculated under the straight-line method, based on annual rates that take into consideration the remaining useful and economic life of assets.

Depreciation is calculated on the depreciable value, which is the cost of an asset less its residual value. Depreciation methods, useful lives and residual values are reviewed at each year end and any adjustments are recognized as changes in accounting estimates.

g) Other current and noncurrent assets

These are stated at realizable value, including, when applicable, accrued income, monetary and exchange variations or, in the case of prepaid expenses, at cost.

h) Liabilities

A liability is recognized in the statement of financial position when the Company has a legal or constructive obligation arising from past events, the settlement of which is expected to result in an outflow of economic benefits. Due to uncertainties with respect to their timing and amount, certain liabilities are estimated as incurred and recorded by means of a provision. Provisions are set up reflecting the best estimates of the risk involved.

Determining the estimated obligation related to tax, civil and labor proceedings involves professional judgment by management. The Company is subject to a number of claims and is party to tax, civil and labor lawsuits on various matters arising from the ordinary course of its business activities. The Company records a provision for probable losses on said lawsuits that can be estimated with reasonable accuracy. The Company’s judgment is based on the opinion of its outside counsel. Balances are adjusted to reflect changes in the circumstances of ongoing proceedings.

(In thousands of reais - R$)

3. Accounting policies (Continued)

h) Liabilities (Continued)

Effective results may differ from these estimates. Tax, civil or labor claims to be estimated and accrued at March 31, 2019 and 2018 are stated in Note 14. The Company set up a provision for contracts in which the unavoidable costs of performing the contractual obligations exceed the expected economic benefits to be received over the same contract, as shown in Note 12.

These are restated, when applicable, at exchange rates and financial charges, in accordance with the contracts in force so as to reflect the amounts incurred up to the statement of financial position date. Long-term items are adjusted to present value when applicable.

i) Taxation

Sales revenues are subject to the following taxes and contribution taxes, at the following statutory rates:

	Rates
State VAT (ICMS) - São Paulo state	18%
ICMS (other states)	7% to 12%
Federal VAT (IPI)	0%
Contribution Tax on Gross Revenue for Social Integration Program (PIS)	1.65%
COFINS (Contribution Tax on Gross Revenue for Social Security Financing)	7.60%

These charges are presented as sales deductions in the statement of profit or loss. The credits arising from the noncumulative PIS/COFINS are presented deductively from the cost of the services rendered in the statement of profit or loss.

Income taxes include both income and social contribution taxes. Income tax is determined on taxable profit at the rate of 15%, plus 10% surtax on profits that exceed R$ 240 thousand over a 12-month period. Social contribution tax is calculated at a rate of 9% on taxable profit, and both IRPJ and CSLL are recognized on an accrual basis; therefore, additions to taxable profit, deriving from temporarily nondeductible expenses, or exclusions from temporarily non-taxable profit, upon determination of current taxable profit, generate deferred tax assets or liabilities.

Prepaid or recoverable amounts are stated in current or noncurrent assets, based on their estimated realization. Deferred income and social contribution taxes are recognized on temporary differences arising from differences between asset and liability tax bases and their book value in the financial statements. Deferred income and social contribution taxes are determined at the tax rates (and tax legislation) effective at the statement of financial position date, which shall also be applied when the respective deferred tax asset is realized or when the deferred tax liability is settled.

3. Accounting policies (Continued)

i) Taxation (Continued)

Deferred income and social contribution tax assets are recognized on IRPJ and CSLL tax losses to the extent that their realization is probable. There were no deferred income and social contribution tax assets as at March 31, 2019 and 2018 due to lack of track record and uncertainty regarding profitability expectations. Deferred income tax losses are not barred by statutes of limitation, but its offsetting in future years is capped at 30% of taxable profit computed for each year.

j) Impairment of assets

The Company periodically reviews whether there is evidence that the carrying amount of an asset will not be recovered. The recoverable amount of an asset is the higher of: (a) its fair value less costs to sell, and (b) its value in use. The value in use is equivalent to the discounted cash flow (before taxes) derived from the continuous use of the asset until the end of its useful life. When the net value of the asset exceeds its recoverable amount, the Company recognizes a reduction in the carrying amount of this asset (impairment). The recoverable value analysis is carried out by business unit, which is the smallest possible cash-generating unit to identify cash flows.

k) Loans and financing

Loans and financing are restated by monetary or exchange variations, as applicable, plus interest incurred through the statement of financial position date.

l) Cash flow statements

Cash flow statements have been prepared using the indirect method and are presented in accordance with accounting pronouncement CPC 03 (R2) - Cash Flow Statement, issued by the Brazilian FASB (CPC).

m) Present value adjustment of assets and liabilities

Noncurrent monetary assets and liabilities are adjusted to present value and so are current monetary assets and liabilities whenever the effects are considered significant on the overall financial statements. The present value adjustment is calculated using contractual cash flows and the explicit, and sometimes implicit, interest rates of the respective assets and liabilities. Thus, interest embedded in revenues, expenses and costs associated with these assets and liabilities is discounted to recognize them on an accrual basis.

3. Accounting policies (Continued)

m) Present value adjustment of assets and liabilities (Continued)

This interest is subsequently reallocated to financial income and expenses in P&L through use of the effective interest rate method in relation to contractual cash flows. Implicit interest rates were determined based on assumptions, and accounting estimates are considered. As per the Company's management assessment, there are no material adjustments to the overall financial statements.

n) Lease

The Company assesses, on the start date, whether the agreement is or contains a lease, that is, if the agreement transfers the right to control the use of an identified asset over a period of time in exchange for consideration.

The Company applies a recognition and measurement approach for all leases, except short-term leases and leases of low-value assets. The Company recognizes lease liabilities to make lease payments and right-of-use assets that represent the right to use the underlying assets.

Right-of-use assets

The Company recognizes right-of-use assets on the lease start date (that is, the date on which the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any new remeasurements of lease liabilities. The cost of right-of-use assets includes the amount of recognized lease liabilities, initial direct costs incurred, and lease payments made up to the start date, less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shortest period between the lease term and the estimated useful life of the assets, as follows:

- Buildings: 2019 to 2026, 7 years.

In certain cases, if the ownership of the leased asset is transferred to the Company at the end of the lease term or if the cost represents the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

Right-of-use assets are also subject to impairment.

3. Accounting policies (Continued)

n) Lease (Continued)

Lease liabilities

On the lease start date, the Company recognizes lease liabilities measured at the present value of lease payments to be made during the lease term. Lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or rate, and amounts expected to be paid under residual value guarantees. Lease payments also include the exercise price of a purchase option if the Company is reasonably certain to exercise that option, and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate the lease.

Variable lease payments that do not depend on an index or rate are recognized as expenses (unless incurred to produce inventories) in the period in which the event or condition that generates these payments occurs.

When calculating the present value of lease payments, the Company uses its incremental borrowing rate on the start date, as the interest rate implicit in the lease is not easily determinable. After the start date, the amount of the lease liability is increased to reflect the increase in interest and reduced for lease payments made. In addition, the book value of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (for example, changes in future payments resulting from a change in an index or rate used to determine such lease payments), or a change in the valuation of a purchase option on the underlying asset.

Short-term and low-value asset leases

The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is, leases whose lease term is equal to or less than 12 months from the start date and that do not contain a purchase option). The low-value asset recognition exemption is also applied to leases of office equipment considered to be of low value. Short-term lease and low-value asset lease payments are recognized as expenses using the straight-line method over the lease term.

(In thousands of reais - R$)

3. Accounting policies (Continued)

o) New or revised pronouncements with first-time adoption at March 31, 2020

CPC 06 (R2) replaces the previous version (R1) of the lease standard and ICPC 03 - Supplementary Aspects of Leases. The standard establishes the principles for recognition, measurement, presentation and disclosure of leases and requires lessees to recognize most leases in the statement of financial position.

The lessor's accounting in accordance with CPC 06 (R2) remains substantially unchanged from the previous version of the standard. Lessors will continue to classify leases as operating or finance leases, using principles similar to those in the previous version of the standard and, therefore, CPC 06 (R2) has no impact on leases in which the Company is a lessor.

As of January 1, 2019, the Company applied NBC TG 06 (R3)/CPC 06 (R2)/IFRS 16 - Leases, using the modified retrospective approach, which does not require the comparative presentation of previous periods.

The measurement of the right-of-use asset corresponds to the initial value of the lease liability plus the initial direct costs incurred. Management opted to use the practical expedient and not consider the initial costs in the initial measurement of the right-of-use asset, maintaining the value of the initial lease liability. Depreciation is calculated on a straight-line basis according to the remaining lease term.

Of the agreements that fell under the scope of the standard, management considered as a lease component only the fixed minimum lease amount referring to the administrative office for purposes of assessing the liability. Measurement of the lease liability corresponds to the total future fixed lease payments. The discount rate considers assumptions that take into account the weighted average spread of current debt raised in the last 12 months, to which a percentage on the DI future curve is applied. The Company considered a discount rate of 13.5%, which reflects the credit risk and the applicable guarantees in the spread mentioned.

The Company recorded right-of-use assets in the PP&E group of accounts and lease liabilities in other provisions. The effect of adoption on the financial statements is shown below:

Right of use - lease	Amount
Balance at March 31, 2019	-
Lease recognized upon transition to CPC 06 (R2)/IFRS16	**26.370**
Addition of lease recognized in the period	**-**
Amortization of right of use (rent)	**(2.749)**
Balance at March 31, 2020	**23.621**

(In thousands of reais - R$)

3. Accounting policies (Continued)

o) New or revised pronouncements with first-time adoption at March 31, 2020 (Continued)

Lease liabilities	Amount
Balance at March 31, 2019	
Lease recognized upon transition to CPC 06 (R2)/IFRS16	36.170
Addition of lease recognized in the period	**-**
Write-off due to payment of lease liabilities	**(4.685)**
PVA recognized upon transition to IFRS 16	**-**
Addition of PVA recognized in the period	**4.685**
Write-off of accumulated interest (PVA)	**-**
Balance at March 31, 2020	**36.170**
Current	**2.180**
Noncurrent	**33.990**

Result of lease	Amount
Balance at March 31, 2018	-
Rent expenses	**-**
Amortization of right of use	**2.749**
Finance costs - accumulated interest (PVA)	**4.685**
Balance at March 31, 2020	**7.434**

IFRIC 23 - Uncertainty over income tax treatments

IFRIC 23 describes how to determine an accounting and tax position when there is uncertainty over income tax treatments. The interpretation requires that the Company:

Determine whether uncertain tax positions are assessed separately or as a group; Assess whether it is possible for tax authorities to accept the use of uncertain tax treatment, or proposed use, by an entity in its income tax returns.

If accepted, the Company should determine its tax and accounting position in line with the tax treatment used in its income tax returns. If not, the Company should reflect the effect of the uncertainty in determining its tax and accounting position.

At March 31, 2020, there were no impacts on the Company’s information.

(In thousands of reais - R$)

3. Accounting policies (Continued)

o) New or revised pronouncements with first-time adoption at March 31, 2020 (Continued)

Other standards and interpretations not yet effective

A series of new standards will be effective for years beginning after January 1, 2020. The Company did not adopt these standards in the preparation of these financial statements.

The following amended standards and interpretations should not have a significant impact on the Company's financial statements:

- Changes in references to the conceptual framework in IFRS standards.
- Definition of a business (amendments to CPC 15/IFRS 3).
- Definition of materiality (amendments to CPC 26/IAS1 and 23/IAS 8).
- IFRS 17 - Insurance contracts.

4. Cash and cash equivalents

	2020	**2019**
Banks	**6,137**	559
Total	**6,137**	559

(In thousands of reais - R$)

5. Trade accounts receivable

	2020	2019
Domestic trade accounts receivable	**33,403**	24,644
Foreign trade accounts receivable	**25**	25
	33,428	24,669
Allowance for doubtful accounts	**(436)**	-
Total	**32,992**	24,669
Aging list		
Falling due	**31,299**	20,422
Overdue		
Within 30 days	**453**	1,199
From 31 to 60 days	**94**	-
From 61 to 90 days	**367**	3,048
From 91 to 180 days	**575**	-
Above 181 days	**640**	-
Total	**33,428**	24,669

At March 31, 2020, amounts overdue for more than 61 days refer substantially to tooling from GM, Renault and Volkswagen, in the respective amounts of R$1,025, R$119 and R$40 (R$3,000 referring to GM in 2019).

The Company has a policy for doubtful accounts, whereby an allowance is recorded after an appropriate and detailed case-by-case analysis in a joint effort with the legal department, where the history of each customer is considered for setting up the allowance.
The policy determines the following criteria for establishing an allowance:

- 25% for due dates over 90 days;
- 50% for due dates over 180 days; and
- 100% for due dates over 360 days.

With respect to tooling receivables (molds in production), considering the business duration and its particulars, specific rules should be applied, as follows:

- 25% for due dates over 180 days;
- 50% for due dates over 360 days; and
- 100% for due dates above 2 years.

(In thousands of reais - R$)

5. Trade accounts receivable (Continued)

Changes in the allowance for doubtful accounts are as follows:

	2020	2019
Balance at beginning of year	**-**	-
Additions	**(436)**	-
Balance at end of year	**(436)**	-

6. Inventories

	2020	2019
Raw materials	**9,661**	6,628
Work-in-process	**2,857**	1,539
Finished products	**5,222**	3,289
Advances on projects (tooling) (a)	**14,530**	47,187
Other materials (b)	**2,370**	1,927
	34,640	60,570
Obsolete items	**(463)**	(372)
Total	**34,177**	60,198

(a) Advances on projects (tooling) equivalent to advances from suppliers account, in which the expenses incurred are for the purpose of making "Molds" for new products. The balance decreases as the invoices are issued. In 2020, expenses/advances occurred in relation to two major projects, PSA Smart and Renault HHA.

(b) This account consists substantially of balances of materials in transit and reserves for inventory losses.

Changes in the provision for obsolescence are as follows:

	2020	2019
Changes in obsolete items		
Prior-period balance	**(372)**	(746)
Additions	**(342)**	(216)
Write-offs	**251**	590
Current period balance	**(463)**	(372)

	2020	2019
GM - BSUV	**-**	28,009
GM - GVT	**1,023**	19,030
Daimler	**-**	133
Renault HHA	**11,792**	-
PSA - Smart	**1,585**	-
Other	**130**	15
	14,530	47,187

(In thousands of reais - R$)

6. **Inventories** (Continued)

The Company analyzes the realizable value of inventories based on market conditions and also on indicators of its customers. When there is evidence from the market in which it operates or from customers that sales will present negative margins, the Company makes a provision for onerous contracts (see Note 12).

A provision for obsolescence is established by the Company based on analysis of daily consumption of sales and production of products in the last 12 months.

Based on this analysis, the Company classifies the items as follows:

- Prod: products that are still produced and sold regularly;
- Service: These are the products that automakers do not buy regularly, but are necessary to keep inventories to meet demands of spare parts, for a period of up to 10 years;
- Obsolete: These are products that have no prospect of sale or reuse.

The items classified as “Obsolete” refer to items for which there were no sales or production activities in the period under analysis, therefore the Company sets up provision for 100% of inventories of these items. The items classified as "Service" are not regularly purchased, but the Company needs to keep them in stock for a period of 10 years, in order to meet a future eventuality and replacement established in contracts. In the case of these items, the logistics sector conducts an analysis of the time in which they remain in stock, and checks with the dealerships the expectations for acquisition of these products. Based on this information, the provision can reach up to 50%.

7. Related parties

The main balances with related parties are reflected in the financial statements as follows:

	2020		**2019**	
	Assets	**Liabilities**	**Assets**	**Liabilities**
SMRC Barcelona	**180**	**-**	-	-
SMRC Argentina	**612**	**-**	66	-
SMRC Automotive B.V.	**-**	**(2,649)**	-	(173)
Total	**792**	**(2,649)**	66	(173)

(a) Refers to expenses with Brazilian employees working in the respective countries.

(b) Refers to cost sharing.

7. **Related parties** (Continued)

Management compensation

Key management personnel is represented by the Company’s senior management.

In the year ended March 31, 2020, compensation paid or payable for the services rendered by these professionals, including labor charges, totaled R$2,682 (R$2,462 in 2019).

(In thousands of reais - R$)

8. Property, plant and equipment

	Land	Buildings	IT equipment	Facilities	Machinery and equipment	Furniture and fixtures	Vehicles	Construction in progress	Total
Annual depreciation rate		4%	20%	10%	10%	10%	20%		
Acquisition cost:									
Balances at March 31, 2018	-	103	3,024	1,864	55,996	23	6	4,618	65,634
Additions	650	1,814	213	181	12,388	30	-	9,771	25,047
Write-offs	-	-	-	-	(1,995)	-	-	-	(1,995)
Balances at March 31, 2019	650	1,917	3,237	2,045	66,389	53	6	14,389	88,686
Additions	**-**	**26,370**	**-**	**-**	**-**	**-**	**-**	**13,503**	**39,873**
Transfers	**-**	**9,437**	**661**	**1,781**	**1,219**	**20**	**-**	**(13,118)**	**-**
Write-offs	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Balances at March 31, 2020	**650**	**37,724**	**3,898**	**3,826**	**67,608**	**73**	**6**	**14,774**	**128,559**
Accumulated depreciation:									
Balances at March 31, 2018	-	(2)	(1,953)	(1,703)	(26,894)	(23)	(6)	-	(30,581)
Depreciation	-	(49)	(404)	(122)	(6,328)	(5)	-	-	(6,908)
Write-offs	-	-	-	-	967	-	-	-	967
Balances at March 31, 2019	-	(51)	(2,357)	(1,825)	(32,255)	(28)	(6)	-	(36,522)
Depreciation	**-**	**(3,003)**	**(497)**	**(152)**	**(5,908)**	**(6)**	**-**	**-**	**(9,566)**
Write-offs	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Balances at March 31, 2020	**-**	**(3,054)**	**(2,854)**	**(1,977)**	**(38,163)**	**(34)**	**(6)**	**-**	**(46,088)**
Balances at March 31, 2019	650	1,866	880	220	34,134	25	-	14,389	52,164
Balances at March 31, 2020	**650**	**34,670**	**1,044**	**1,849**	**29,445**	**39**	**-**	**14,774**	**82,471**

(In thousands of reais - R$)

9. Trade accounts payable

	2020	2019
Local suppliers	**28,938**	29,150
International suppliers	**6,692**	1,797
Suppliers in transit	**2,844**	1,904
Total	**38,474**	32,851

10. Advances from customers

	2020	2019
GM	**-**	2,004
Continental	**57**	500
Revenues from future services (b)	**715**	-
Projects to be billed (a)	**17,650**	23,464
Total	**18,422**	25,968

(a) Unbilled projects of new products (tooling, i.e., molds of new product models that the Company will sell to customers. In 2020, expenses/advances occurred in relation to two major projects, PSA Smart and Renault HHA.

(b) The changes refer to advance billing of tooling with future delivery to the customer Renault HHA.

	2020	2019
Renault - HHA	**12,173**	-
VW - Scania	**-**	125
PSA - Smart	**5,265**	-
GM - BSUV	**-**	14,121
GM - GVT	**204**	8,962
Daimler	**-**	255
Other	**8**	1
	17,650	23,464

(In thousands of reais - R$)

11. Labor obligations and social charges

	2020	2019
Salaries payable	**97**	94
Profit sharing payable	**1,052**	1,040
Accrued vacation pay	**1,546**	2,849
Accrued 13th monthly salary pay	**665**	671
Retirement plan payable	**96**	96
Directors' bonus	**4,542**	4,063
Other deductions payable	**126**	147
Employees' withholding income tax (IRRF) payable	**338**	361
Unemployment Compensation Fund (FGTS) payable	**499**	522
Social Security Tax (INSS) payable	**2,152**	2,143
Total	**11,113**	11,986

12. Provision for onerous contracts

	2020	2019
Current liabilities		
Provision for onerous contracts	**2,400**	3,645
Noncurrent liabilities		
Provision for onerous contracts - NC	**747**	2,721
Total	**3,147**	6,366

The Onerous contracts account refers to projects closed with automakers that will generate negative sales margins due to a decrease in production. This reduction in production hinges on certain external factors, but the main one is the automaker's communication that the car model in which there are parts produced will go out of line and will no longer be produced. Parts already produced or in production by the Company will only be used for replacement purposes (see Note 18). Segregation of the balance is based on the time of contract, where contracts older than one year are classified as noncurrent liabilities.

13. Other provisions

	2020	2019
Current		
Provision for expenses	**4,295**	4,292
Provision for rent	**-**	1,118
Lease (a)	**2,180**	-
Provision for guarantee	**259**	489
Provision for freight	**-**	237
Total	**6,734**	6,136

(In thousands of reais - R$)

13. Other provisions (Continued)

Noncurrent		
Rent provision	**9,800**	10,309
Lease (a)	**24,190**	-
Total	**33.990**	10,309

(a) The provision for rent refers to the accounting for the linearization of the liabilities of the rental contract referring to the Company's headquarters - Guarulhos / SP. The rental agreement has a grace period for the first 27 months, so payments will start from April / 19. The Company fully recorded in the income for the year of March 31, 2019, the amount of R $ 11,427 related to the linearization of rents, of which R $ 6,845 refers to linearized rental expenses related to the 1st period. from December 2016 to March 31, 2018. In May19, we started to account for the linearization of the additional of the rented building and in Feb20 we started to account for the rules to meet IFRS16.

Provision for expenses includes overhead, retroactive pricing for suppliers, projects and launching.

14. Provision for contingencies

	2020	**2019**
Labor contingencies	**6,721**	6,494
Tax contingencies (a)	**1,032**	3,696
Total	**7,753**	10,190

	2018	**Provisions**	**Reversals**	**2019**	**Provisions**	**Reversals**	**2020**
Labor	6,612	-	(118)	6,494	**227**	**-**	**6,721**
Tax	-	3,696	-	3,696	**1,032**	**(3,696)**	**1,032**
Total	6,612	3,696	(118)	10,190	**1,259**	**(3,696)**	**7,753**

(a) The decrease in tax contingencies refers to the process of exclusion of ICMS from the PIS and COFINS tax base and, in October 2018, Private Letter Ruling Cosit No. 13 was published on the Brazilian IRS website, with the criteria and procedures to be observed for the purpose of excluding ICMS from the PIS/Pasep and COFINS tax base, under the cumulative or non-cumulative regime. In Nov/19 and Dec/19, this provision was written off.

At March 31, 2020, the Company is aware of other civil, tax and labor contingencies. Based on the assessment of legal advisors, the likelihood of loss estimated as possible amounted to R$1,259 (R$1,774 in 2019), considering the historical average of monitored proceedings adjusted to current estimates, for which the Company management understands that a provision for losses, if any, is unnecessary.

(In thousands of reais - R$)

15. Equity

Capital

At March 31, 2020 and 2019, subscribed capital amounts to R$85,630 and is represented by 85,630,119 units of interest with a par value of R$1.00 each, held as follows:

Members	Units of interest	R$
SMRC Automotive Holding South America B.V.	85,630,118	85,629
SMRC Automotive Modules South America Minority Holdings B.V.	1	1
	85,630,119	**85,630**

Throughout the year ended March 2019, four capital increases were made totaling R$15,116, increasing capital from R$70,514 to R$85,630, represented by 15,116 new units of interest, with a par value of R$1.00 each.

16. Operating revenue, net

	2020	2019
Sale of products - domestic market	**354,038**	322,914
Sale of services/tooling	**79,441**	45,620
Gross revenue	**433,479**	368,534
Sales deductions		
Sales taxes	**(89,158)**	(73,413)
Total	**344,321**	295,121

17. Cost of goods sold

	2020	2019
Cost of goods sold	**(159,386)**	(142,613)
Cost of services/tooling	**(54,621)**	(31,888)
Personnel	**(50,015)**	(44,410)
Depreciation	**(9,541)**	(6,747)
Other costs	**(48,152)**	(44,590)
	(321,715)	(270,248)

(In thousands of reais - R$)

18. Expenses by type

	2020	2019
ADM personnel	**(14,583)**	(16,067)
Outsourced services	**(2,899)**	(2,136)
New business	**(501)**	(7,388)
Travel expenses	**(1,335)**	(1,599)
Transportation expenses	**(138)**	(155)
Vehicle rental	**(289)**	(314)
Depreciation	**(24)**	(24)
Labor proceedings	**(3,740)**	(82)
Onerous contracts (a)	**3,218**	3,817
Other income (expenses) (b)	**4,808**	45
	(15,483)	(23,903)

(a) Onerous contracts (expected negative margin on product sales) - the amount corresponds to the reversal of provisions from previous years based on sales made.

(b) The balance recorded in 2020 results from cost sharing expenses incurred in the amount of R$(10,014) and income refers to recovery of credit from the proceeding related to exclusion of ICMS from the PIS and COFINS tax base, totaling R$14,382.

19. Finance income (costs)

	2020	2019
Finance income		
Other finance income	**140**	54
	140	54
Finance costs		
Interest, penalties and adjustment	**(6,784)**	(1,558)
	(6,784)	(1,558)
Finance income (costs), net	**(6,644)**	(1,504)

(In thousands of reais - R$)

20. Income and social contribution taxes

Deferred income and social contribution taxes

Deferred income and social contribution taxes break down as follows:

	2020	2019
Accumulated losses	**1,614**	-
	1,614	-
Opening balance of deferred tax assets	**-**	-
Changes in P&L for the year	**1,614**	-

The Company, relying on expected generation of future taxable profits, as determined in technical studies approved by management, recognized tax credits on temporary differences. The book value of deferred tax assets is reviewed by the Company on an annual basis and the resulting adjustments have not been significant in relation to management's initial projection.

Based on expected generation of future taxable profits determined by technical study, the Company estimates to recover tax credits in the following years:

	2020
2021	**-**
2022	**422**
2023	**1,192**
	1,614

Estimates of recovery of tax credits were based on taxable profit projections, considering various financial and business assumptions at the close of 2020. As such, estimates may not materialize in the future in view of uncertainties inherent in these projections.

Reconciliation of income and social contribution tax expenses

At March 31, reconciliation between income and social contribution tax expenses at the statutory and effective rates is as follows:

(In thousands of reais - R$)

20. Income and social contribution taxes (Continued)

Reconciliation of income and social contribution tax expenses (Continued)

	2020	2019
Loss before income and social contribution taxes	**479**	(534)
Combined tax rate	**34%**	34%
Tax at the combined rate	**(163)**	181
Changes in temporarily non-deductible provisions		
Permanent and temporary exclusions (additions)*	**1,129**	(1,207)
Other	**(60)**	66
(-) Income tax exemption limit (R$24)	**24**	-
Income and social contribution taxes in the year	**930**	(960)

(*) Given that taxable profits are not projected for 2019, deferred taxes were not accrued.

21. Financial instruments

The Company's financial instruments are presented in accordance with Accounting Pronouncements CPC 38, 39 and 40, and are represented by cash and cash equivalents, short-term investments, accounts receivable and payable. They are stated at cost plus income or charges incurred, which at March 31, 2020 and 2019, approximate market values, and are not expected to generate a loss for the Company.

a) Valuation of financial instruments

Financial assets and liabilities are stated at cost and include the respective recognition of income and expenses through the statement of financial position date, which approximate market value due to their short-term nature.

In the years ended March 31, 2020 and 2019, the Company did not carry out transactions with derivatives in US dollars, only in Chinese yuan.

b) Credit risk

Credit risk refers to risk of a counterparty not meeting its contractual obligations, resulting in financial losses to the Company. The Company's sales policy is subject to the credit policies established by management and are designed to minimize any issues arising from customer default.

21. Financial instruments (Continued)

c) Currency and interest rate risk

The Company's results are subject to variations, since part of its payables is denominated in foreign currency, mainly the US dollar, Chinese yuan, euro, and Japanese yen.

At March 31, 2020 and 2019, rights and obligations in foreign currency are as follows:

	2020			**2019**		
	Foreign currency			**Foreign currency**		
	Type	**In thousands**	**R$**	**Type**	**In thousands**	**R$**
Accounts receivable						
US dollar	**USD**	**159**	**825**	USD	224	881
Sterling pounds	**GBP**	**-**	**-**	GBP	2	12
Accounts payable						
US dollar	**USD**	**(878)**	**(4,570)**	USD	(451)	(1,771)
Japanese yen	**JPY**	**(810)**	**(39)**	JPY	(455)	(16)
Euro	**EUR**	**(93)**	**(532)**	EUR	(40)	(176)
Chinese yuan	**CNY**	**(5,713)**	**(4,199)**	CNY	(10)	(6)
Total obligations			**(8,515)**			(1,076)

At March 31, 2020, the Company is basically exposed to risk of fluctuation in the US dollar and the Chinese yuan. There are no derivative instruments to hedge US dollar transactions, however, in the case of the Chinese yuan, the Company conducts a derivative transaction in the amount of CNY4,998 maturing on April 24, 2020.

22. Events after the reporting period

COVID-19 has a potential future impact as a subsequent event, currently requiring no adjustment, in compliance with Accounting Pronouncement CPC 24 (correlated with IAS 10).

The Company assessed the impacts and concluded that most of the operations affected were not a consequence of the epidemic, but a result of the measures taken for its containment, such as advance of collective vacation leave at the plant and the remote work for all employees, with a view to ensuring the health of the team and reduce chances of contact with people infected with Covid-19. The Company opted to continue conducting certain tasks, such as meetings, which take place via conference calls.

22. Events after the reporting period (Continued)

The Company created a Crisis Committee to monitor risks in relation to the Coronavirus and establish preventive guidelines in order to contribute to the safety, health and integrity of all its employees, the public with which it relates, and society as a whole. Additionally, management is mapping possible future impacts on the supply of inputs and evaluating the supply of safety stock. Production was not affected until the date of issue of the financial statements and it is not possible to estimate possible disruptions in the production chain.

In this context, the Company informs that, to date, there have been no significant or material impacts on its business related to COVID-19 or to any other subsequent event that could justify changes to the information related to the year ended March 31, 2020.

In April 2020, the Company raised funds in the total amount of R$6,000 from the financial institution Deutsche Bank for purposes of working capital and financing its operations, with maturity on 10/21/2020 and bearing interest of (100% of CDI) + 4.50% p.a.