Unaudited Interim Financial Statements

S/A Usina Coruripe Açúcar e Álcool

December 31, 2018
with independent auditor's report on review of interim financial statements

S/A Usina Coruripe Açúcar e Álcool

Unaudited interim financial statements

December 31, 2018

Contents

Building a better
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A free translation from Portuguese into English of independent auditor's report on review of interim financial statements originally issued in Portuguese.

Independent auditor's report on review of interim financial statements

The Shareholders, Board of Directors and Officers
S/A Usina Coruripe Açúcar e Álcool
Povoado de Camaçari – State of Alagoas

Introduction

We have reviewed the statement of financial position of S/A Usina Coruripe Açúcar e Álcool ("Company") as at December 31, 2018, and the related statements of operations and of comprehensive income (loss) for the three and nine-month periods then ended, and of changes in equity and of cash flows for the nine-month period then ended, including the explanatory notes.

Management is responsible for the preparation and presentation of these interim financial statements in accordance with Technical Pronouncement CPC 21 (R1) - Interim Financial Statement ("CPC 21 (R1)"). Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of review

We conducted our review in accordance with Brazilian and International Standards on Review Engagements (NBC TR 2410 and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Brazilian and International Standards on Auditing and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements referred to above were not fairly prepared, in all material respects, in accordance with CPC 21 (R1).

Emphasis - Restatement of corresponding amounts

As mentioned in Note 2.2, as a result of a correction of errors, the corresponding amounts of previous years, presented for comparison purposes, were adjusted and are being restated in accordance with CPC 23 - Accounting Policies, Change in Estimates and Correction of Errors and CPC 26 (R1) - Presentation of Financial Statements. Our conclusion is not modified in respect of this matter.

Recife, February 27, 2019.

ERNST & YOUNG
Auditores Independentes S.S.
CRC-2SP015199/O-6

Henrique Piereck de Sá
Accountant CRC PE023398/O-3

S/A Usina Coruripe Açúcar e Álcool

Statement of financial position
December 31 (unaudited) and March 31, 2018
(In thousands of reais)

	Note	12/31/2018	3/31/2018	4/1/2017
Assets			(restated)	
Current assets				
Cash and cash equivalents	3	**205,169**	136,808	181,843
Short-term investments	3.1	**-**	109,454	46,656
Accounts receivable	4	**91,368**	72,154	90,907
Inventories	5	**828,931**	493,478	507,635
Biological assets	11	**224,758**	235,485	251,784
Taxes recoverable	6	**107,092**	100,194	138,188
Transactions with related parties	9	**-**	11,170	32,286
Derivative financial instruments	24	**3,979**	239	12,321
Other assets	8	**37,046**	52,988	77,271
Total current assets		**1,498,343**	1,211,970	1,338,891
Noncurrent assets				
Long-term receivables				
Temporary investments	3.1	**717**	3,074	-
Advances to suppliers	5	**65,795**	-	-
Transactions with related parties	9	**75,296**	72,209	66,619
Taxes recoverable	6	**1,540**	930	1,446
Judicial deposits		**2,328**	4,025	5,678
Other assets	8	**2,737,989**	1,973,845	1,888,380
Investments	10	**18,734**	18,116	17,314
Property, plant and equipment	12	**1,179,216**	1,223,245	1,260,377
Intangible assets		**574**	565	356
Total noncurrent assets		**4,082,189**	3,296,009	3,240,170
Total assets		**5,580,532**	4,507,979	4,579,061

	Note	12/31/2018	3/31/2018	4/1/2017
			(restated)	
Liabilities and equity				
Current liabilities				
Accounts payable	13	**128,773**	94,818	178,151
Loans and financing	14	**1,005,549**	467,324	336,462
Payroll and related charges		**60,614**	66,073	62,780
Profit sharing		**10,287**	-	23,790
Taxes payable	15	**19,643**	45,973	137,791
Advances from customers		**87,594**	3,476	6,170
Derivative financial instruments	24	**21,973**	497	2,599
Dividends	17	**-**	8,100	44,860
Other liabilities		**5,657**	2,379	3,312
Total current liabilities		**1,340,090**	688,640	795,915
Noncurrent liabilities				
Loans and financing	14	**1,849,165**	1,929,190	2,046,212
Taxes payable	15	**94,404**	13,565	18,524
Deferred income and social contribution taxes	22	**580,518**	451,087	392,655
Provisions for contingencies	16	**8,756**	5,457	6,091
Transactions with related parties	9	**23,213**	-	-
Provision for losses with investments		**-**	140	83
Other liabilities	8	**343,153**	245,745	238,183
Total noncurrent liabilities		**2,899,209**	2,645,184	2,701,748
Equity	17			
Capital		**408,845**	408,845	408,845
Treasury shares		**(1,215)**	(1,215)	(1,215)
Revaluation reserve		**5,483**	13,044	23,617
Equity valuation adjustment		**108,987**	120,256	135,811
Income reserves		**660,155**	633,225	514,340
Retained earnings		**158,978**	-	-
Total equity		**1,341,233**	1,174,155	1,081,398
Total liabilities and equity		**5,580,532**	4,507,979	4,579,061

See accompanying notes.

S/A Usina Coruripe Açúcar e Álcool

Statement of operations
Three and nine-month periods ended December 31, 2018
(In thousands of reais, except earnings (loss) per share, expressed in reais)

		Nine-month period ended		Three-month period ended	
	Note	**12/31/2018**	**12/31/2017**	**12/31/2018**	**12/31/2017**
			(restated)		(restated)
Net revenue	18	**1,395,523**	1,496,752	**624,190**	571,907
Cost of sales	19	**(1,082,869)**	(1,160,849)	**(463,811)**	(469,668)
Gross profit		**312,654**	335,903	**160,379**	102,239
Operating income (expenses)					
Selling expenses	19	**(81,131)**	(90,588)	**(27,045)**	(32,886)
General and administrative expenses	19	**(98,013)**	(98,791)	**(29,236)**	(31,369)
Equity pickup	10	**739**	(52)	**750**	-
Other operating income (expenses), net	21	**18,833**	11,538	**(2,059)**	(108)
		(159,572)	(177,893)	**(57,590)**	(64,363)
Income (loss) before finance income and expenses and income tax		**153,082**	158,010	**102,789**	37,876
Finance expenses	20	**(887,168)**	(385,797)	**(296,919)**	(151,736)
Finance income	20	**1,015,868**	162,792	**866,484**	58,768
		128,700	(223,005)	**569,565**	(92,968)
Income (loss) before income taxes		**281,782**	(64,995)	**672,534**	(55,092)
Income tax and social contribution:					
Current		**(505)**	(31)	**-**	-
Deferred	22	**(122,299)**	22,834	**(145,584)**	(5,753)
		(122,804)	22,803	**(145,584)**	(5,753)
Income (loss) for the period		**158,978**	(42,192)	**526,770**	(60,845)
Earnings (loss) per share - in reais		**113,555.71**	(30,137.14)	**376,264.29**	(43,460.71)

See accompanying notes.

S/A Usina Coruripe Açúcar e Álcool

Unaudited statement of comprehensive income (loss)
Three and nine-month periods ended December 31, 2018
(In thousands of reais)

	Nine-month period ended		Three-month period ended	
	12/31/2018	**12/31/2017**	**12/31/2018**	**12/31/2017**
		(restated)		(restated)
Income (loss) for the period	**158,978**	(42,192)	**526,770**	(60,845)
Other comprehensive income	**-**	-	**-**	-
Comprehensive income (loss) for the period	**158,978**	(42,192)	**526,770**	(60,845)

See accompanying notes.

S/A Usina Coruripe Açúcar e Álcool

Unaudited statement of changes in equity
Nine-month period ended December 31, 2018
(In thousands of reais)

					Income reserves				
	Note	Capital	Treasury shares	Revaluation reserve	Legal	Retained profits	Equity adjustment	Retained earnings (accumulated losses)	Total
Balances at March 31, 2017 (restated)		408,845	(1,215)	23,617	11,270	503,070	135,811	-	1,081,398
Reversal of mandatory minimum dividends		-	-	-	-	44,860	-	-	44,860
Realization of deemed cost		-	-	-	-	-	(11,798)	11,798	-
Realization of revaluation reserve		-	-	(7,994)	-	-	-	7,994	-
Loss for the period		-	-	-	-	-	-	(42,192)	(42,192)
Balances at December 31, 2017 (restated)		408,845	(1,215)	15,623	11,270	547,930	124,013	(22,400)	1,084,066
Balances at March 31, 2018 (restated)		408,845	(1,215)	13,044	11,600	621,625	120,256	-	1,174,155
Reversal of mandatory minimum dividends	17.e	**-**	**-**	**-**	**-**	**8,100**	**-**	**-**	**8,100**
Realization of deemed cost	17.b	**-**	**-**	**-**	**-**	**-**	**(11,269)**	**11,269**	**-**
Realization of revaluation reserve	17.c	**-**	**-**	**(7,561)**	**-**	**-**	**-**	**7,561**	**-**
Income for the period		**-**	**-**	**-**	**-**	**-**	**-**	**158,978**	**158,978**
Balances at December 31, 2018		**408,845**	**(1,215)**	**5,483**	**11,600**	**629,725**	**108,987**	**177,808**	**1,341,233**

See accompanying notes.

S/A Usina Coruripe Açúcar e Álcool

Unaudited statement of cash flows
Nine-month period ended December 31, 2018
(In thousands of reais)

	Note	12/31/2018	12/31/2017
			(restated)
Operating activities			
Income (loss) before income tax and social contribution		**281,782**	(64,995)
Adjustments to reconcile income (loss) before income tax and social contribution to cash:			
Finance charges and foreign exchange variations, net		**(318,954)**	394,638
Equity pickup	10	**(739)**	52
Depreciation and amortization	19	**163,778**	143,256
Absorption of sugarcane harvest costs	19	**47,098**	33,030
Absorption of sugarcane crop management costs	19	**114,172**	106,874
Changes in fair value of biological assets	11	**19,442**	23,783
Set-up of allowance for doubtful accounts and provision for inventory losses		**4,078**	-
Set-up (Reversal) of provision for contingencies	16	**3,299**	(634)
Residual value of permanent assets written off	12	**5,615**	15,830
Residual value of sugarcane harvest written off	11	**10,381**	9,419
Investment in subsidiary written off	10	**(140)**	-
		329,812	661,253
(Increase) decrease in assets			
Accounts receivable		**(20,800)**	15,458
Inventories		**(322,519)**	(306,800)
Taxes recoverable		**(5,465)**	25,819
Transactions with related parties		**117**	-
Judicial deposits		**1,698**	1,695
Other assets		**(11,703)**	(5,651)
Increase (decrease) in liabilities			
Accounts payable		**33,955**	(17,485)
Payroll and related charges		**(5,459)**	(4,489)
Profit sharing		**10,287**	(2,798)
Taxes payable		**61,135**	(24,203)
Advance from customers		**84,118**	101,834
Transaction with related parties		**23,097**	-
Other liabilities		**100,685**	8,341
Net cash from operating activities		**278,958**	452,974
Investing activities			
Short-term investments		**(1,614,634)**	(24,528)
Redemption of short-term investments		**1,735,293**	-
Biological assets (crop and crop management)		**(140,286)**	(126,472)
Property, plant and equipment	12	**(247,037)**	(196,995)
Intangible assets		**(40)**	(4)
Net cash used in investing activities		**(266,704)**	(347,999)

S/A Usina Coruripe Açúcar e Álcool

Statement of cash flows (Continued)
Three- and nine-month periods ended December 31, 2018
(In thousands of reais)

	Note	12/31/2018	12/31/2017
			(restated)
Financing activities			
Proceeds from loans and financing	14	**820,730**	670,775
Payment of principal - loans and financing	14	**(573,244)**	(569,051)
Payment of interest – loans and financing	14	**(202,960)**	(213,304)
Intercompany loans received – principal and interest		**11,581**	-
Intercompany loans granted		**-**	(68)
Net cash flow from (used in) financing activities		**56,107**	(111,648)
Increase (decrease) in cash and cash equivalents		**68,361**	(6,673)
Cash and cash equivalents			
At beginning of period		**136,808**	181,843
At end of period		**205,169**	175,170
Increase (decrease) in cash and cash equivalents		**68,361**	(6,673)

See accompanying notes.

1. Operations

a) Business purpose and operations

S/A Coruripe Açúcar e Álcool (“Company”) is a privately-held corporation incorporated on February 2, 1925, with headquarters in the city of Coruripe, State of Alagoas, engaged in: a) manufacturing of sugarcane and its by-products; b) import and export of products related to its activities, including as a trade export company; c) project development of Clean Development Mechanisms (CDM) for generation and sale of Certified Emission Reductions (CERs) and/or Verified Emission Reductions (VERs); d) generation and sale of electric power, live steam, exhaust steam and all by-products arising from cogeneration of electric power; e) performance of other related activities; and f) holding interest in other companies, regardless of the economic sectors in which they operate. The Company also has a bus/train station in the city of Fernandópolis, State of São Paulo, and an administrative office in the city of Maceió, State of Alagoas.

The Company has five plants, one in the city of Coruripe, State of Alagoas, and four in the cities of Campo Florido, Carneirinho, Iturama and Limeira do Oeste, State of Minas Gerais, and should process approximately 13,210 thousand tons of sugarcane in the 2018/2019 crop (13,939 thousand tons in the 2017/2018 crop). For the third quarter ended December 31, 2018, the Company had processed 11,603 thousand tons (12,596 thousand tons as at December 31, 2018). The period of annual sugar cane harvest in the Northeast extends from September to March, whilst in the southeast it begins in April and ends in December, causing fluctuations in the Company's inventories, since approximately 26% of the production is located in the Northeast region (20% in the 2017/2018 cycle) and 74% in the Southeast region (80% in the 2017/2018 cycle). Approximately 40% of the 2018/2019 sugarcane crop (39% of the 2017/2018 sugarcane crop) used in the manufacturing of products derives from the Company's own plantations in agricultural partnerships, including partnerships with shareholders and related companies, and 60% (61% in the 2017/2018 crop) derives from third-party suppliers.

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

These individual and consolidated interim financial statements were prepared under various measurement bases used in accounting estimates. Accounting estimates involved in the preparation of the interim financial statements were based on both objective and subjective factors, in line with management’s judgment for determining the appropriate amount to be recorded in the interim financial statements.

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

Significant items subject to these estimates and assumptions include the selection of useful lives and recoverability of property, plant and equipment in operations, fair value measurement of financial assets, present value of compensatory credits, as well as analysis of other risks in determining other provisions, including provision for contingencies. Asset and liability financial instruments are recorded at their fair values in finance income (costs) for the year.

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

The interim financial statements were prepared and are presented in accordance with CPC 21 (R1) - Interim Financial Reporting, issued by the Brazilian Financial Accounting Standards Board (CPC) and approved by the National Association of State Boards of Accountancy (CFC). The interim financial statements evidence all the relevant information specific to the financial statements, and only such information is consistent with the information used to manage the Company's operations.

These interim financial statements were prepared according to accounting principles, practices and criteria consistent with those adopted in the preparation of the annual financial statements for the fiscal year ended March 31, 2018, described in Note 2 to those statements. Accordingly, these interim financial statements must be read together with the Company’s annual financial statements referred to above.

Subsidiaries Demercur S.A. and Coruripe Lux S.A. were divested on April 10, 2018 and May 24, 2018, respectively, under a corporate restructuring process. The Company has ceased to consolidate these entities’ operations since then. Accordingly, as of December 31, 2018, the consolidated financial statements and the corresponding consolidated amounts are not being presented, as there is no comparability.

The Company’s interim financial statements for the nine-month period ended December 31, 2018 were authorized for issue as resolved by Company’s Executive Board on February 27, 2019.

(In thousands of reais)

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

2.1 Standards, amendments to and interpretations of standards not yet effective

- CPC 06 - Leases: This standard requires a lessee to recognize leases in the statement of financial position, with a liability representing its obligation to make lease payments and an intangible asset representing its right to use the underlying leased asset. The definition of a lease covers all contracts that convey the right to use and control an identifiable asset, including all rent agreements and potentially some components of service agreements. The standard is effective for years beginning on or after January 1, 2019. The Company is studying the impact of adopting this standard as of April 1, 2019 on its financial statements.

2.2 Restatement of corresponding amounts

The Company's Management is restating the financial statements for the year ended March 31, 2018 and opening balances as at April 1, 2017 due to the correction of errors regarding the accrual method in prior years that were accounted for during the nine-month period ended in December 31, 2018. These adjustments are presented retrospectively in accordance with CPC 23 - Accounting Policies, Change in Estimate and Correction of Errors and CPC 26 (R1) - Presentation of Financial Statements, and have the following impacts on the Company's financial statements in relation to the amounts previously stated:

	Statement of profit or loss	Statement of financial position	
	12/31/2017	3/31/2018	4/1/2017
Balances as originally stated	(50,266)	769,146	687,620
(i) Accounting for present value of credits from IAA compensatory claims	22,023	995,508	964,875
(ii) Deferred income and social contribution taxes on present value of IAA compensatory credits	(7,488)	(338,473)	(328,057)
(iii) Deferred Pis and Cofins on finance income from inflation adjustments to IAA compensatory credits	(1,024)	(6,281)	(4,857)
(iv) Provision for lawyers' fees on IAA compensatory claims	(5,437)	(245,745)	(238,183)
	8,074	405,009	393,778
Restated balances	(42,192)	1,174,155	1,081,398

The impacts of these changes on the individual and consolidated balance sheets as at March 31, 2018 and April 1, 2017, as well as the impacts on the statement of profit or loss for the nine-month period ended December 31, 2017 are shown below:

(In thousands of reais)

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

2.2 Restatement of corresponding amounts (Continued)

Statement of financial position

	3/31/2018		
	Originally stated	**Adjustments**	**Restated**
Assets			
Current assets	1,211,970	-	1,211,970
Noncurrent assets			
Other assets (i)	978,337	995,508	1,973,845
Other noncurrent assets	1,322,164	-	1,322,164
Total assets	3,512,471	995,508	4,507,979
Liabilities and equity			
Current liabilities	688,640	-	688,640
Noncurrent liabilities			
Taxes payable (iii)	7,284	6,281	13,565
Deferred income and social contribution taxes (ii)	112,614	338,473	451,087
Other liabilities (iv)	-	245,745	245,745
Other noncurrent liabilities	1,934,787	-	1,934,787
	2,054,685	590,499	2,645,184
Equity			
Equity	769,146	405,009	1,174,155
Total liabilities and equity	3,512,471	995,508	4,507,979

	4/1/2017		
	Originally stated	**Adjustments**	**Restated**
Assets			
Current assets	1,338,891	-	1,338,891
Noncurrent assets			
Other assets (i)	923,505	964,875	1,888,380
Other noncurrent assets	1,351,790	-	1,351,790
Total assets	3,614,186	964,875	4,579,061
Liabilities			
Current liabilities	795,915	-	795,915
Noncurrent liabilities			
Taxes payable (iii)	13,667	4,857	18,524
Deferred income and social contribution taxes (ii)	64,598	328,057	392,655
Other liabilities (iv)	-	238,183	238,183
Other noncurrent liabilities	2,052,386	-	2,052,386
	2,130,651	571,097	2,701,178
Equity			
Equity	687,620	393,778	1,081,398
Total liabilities and equity	3,614,186	964,875	4,579,061

(In thousands of reais)

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

2.2 Restatement of corresponding amounts (Continued)

Statement of profit or loss

	12/31/2017		
	Originally stated	Adjustments	Restated
Net revenue	1,496,752	-	1,496,752
Cost of sales	(1,160,849)	-	(1,160,849)
Gross profit	335,903	-	335,903
Operating income (expenses)	(177,893)	-	(177,893)
Income before finance income and expenses	158,010	-	158,010
Finance income and expenses	(238,567)	15,562	(223,005)
Income before income tax and social contribution	(80,557)	15,562	(64,995)
Income tax and social contribution:			
Current	(31)	-	(31)
Deferred	30,322	(7,488)	22,834
	30,291	(7,488)	22,803
Loss for the period	(50,266)	8,074	(42,192)

Statement of cash flows

Operating activities			
Loss before income tax and social contribution	(80,557)	15,562	(64,995)
Adjustments to reconcile income (loss) before income tax and social contribution to cash:			
Finance charges and foreign exchange variations, net	416,661	(22,023)	394,638
Other adjustments	331,610	-	331,610
	667,714	(6,461)	661,253
(Increase) decrease in assets			
Other assets	(269,479)	-	(269,479)
Increase (decrease) in liabilities			
Taxes payable	(25,228)	1,025	(24,203)
Other payables	2,905	5,436	8,341
Other liabilities	77,062	-	77,062
Net cash flow from operating activities	452,974	-	452,974
Net cash flow used in investing activities	(347,999)	-	(347,999)
Net cash flow used in financing activities	(111,648)	-	(111,648)
Decrease in cash and cash equivalents	(6,673)	-	(6,673)
Cash and cash equivalents:			
At beginning of period	181,843	-	181,843
At end of period	175,170	-	175,170
Decrease in cash and cash equivalents	(6,673)	-	(6,673)

(In thousands of reais)

3. Cash and cash equivalents

Cash and cash equivalents include cash amounts and bank deposits, in Brazil and abroad.

	12/31/2018	3/31/2018
Cash and cash equivalents:		
Cash	**113**	30
Bank checking accounts:		
In Brazil	**43,910**	109,743
Abroad	**151,128**	27,035
Short-term investments		
In local currency	**10,018**	-
	205,169	136,808

Short-term investments basically include securities represented mostly by Bank Deposit Certificates (CDB), repurchase agreements, debentures, and certificate accounts with lottery prizes, all redeemable within 90 days, with annual yields rate ranging from 65% to 105.70% of CDI at December 31, 2018.

3.1. Short-term investments

	12/31/2018	3/31/2018
Short-term investments:		
In local currency	**717**	112,528
	717	112,528
Current	**-**	(109,454)
Noncurrent	**717**	3,074

4. Accounts receivable

Accounts receivable are stated at cost, less the allowance for doubtful accounts. The breakdown of trade accounts receivable is as follows:

	12/31/2018	3/31/2018
In Brazil	**83,511**	72,208
Abroad	**10,111**	1,018
	93,622	73,226
(-) Allowance for doubtful accounts	**(2,254)**	(1,072)
	91,368	72,154

(In thousands of reais)

4. Accounts receivable (Continued)

The aging list of trade accounts receivable is broken down as follows:

	12/31/2018	3/31/2018
Falling due	**89,863**	70,241
Past due:		
From 1 to 30 days	**1,047**	463
From 31 to 90 days	**160**	284
From 91 to 120 days	**-**	7
Above 121 days	**2,552**	2,231
	93,622	73,226

The allowance for doubtful accounts reflects an expected loss on accounts receivable, based on the default rate of the past 12 months per customer, per invoice, and per maturity.

As of April 1, 2018, the allowance has been recorded in accordance with CPC 48. Until March 31, 2018, the allowance for doubtful accounts referred substantially to receivables overdue for more than 180 days, except for accounts receivable from customers in default with security interest and for which the Company has entered into formal renegotiation agreements.

5. Inventories

Inventories are carried at average acquisition or production cost, adjusted by a provision for impairment, where applicable.

	12/31/2018	3/31/2018
Finished products:		
Sugar	**148,727**	13,373
Ethanol	**151,789**	8,055
Molasses	**297**	1,453
Storeroom	**54,355**	60,460
Third-party inventories held by the Company	**48,383**	13,558
	403,551	96,899
Provision for inventory losses	**(6,591)**	(3,695)
	396,960	93,204
Advances to sugarcane suppliers	**499,641**	402,149
Provision for losses on advances	**(1,875)**	(1,875)
	497,766	400,274
	894,726	493,478
Current	**(828,931)**	(493,478)
Noncurrent	**65,795**	-

(In thousands of reais)

5. **Inventories** (Continued)

The Company entered into partnerships for acquisition of sugarcane produced in third-party rural properties (also under the sharecropping regime). At December 31, 2018, advances to sugarcane suppliers amounting to R$499,641 (R$402,149 at March 31, 2018) were equivalent to approximately 5,503 thousand tons of sugarcane (4,413 thousand tons at March 31, 2018), which account for 39% (30% at March 31, 2018) of the Company's production capacity.

6. Taxes recoverable

	12/31/2018	3/31/2018
Contribution Tax on Gross Revenue for Social Security Financing (COFINS)	**50,690**	59,935
Contribution Tax on Gross Revenue for Social Integration Program (PIS)	**15,057**	4,019
Federal VAT (IPI)	**11,367**	8,512
State VAT (ICMS) - regular	**14,294**	15,017
ICMS on fixed assets (CIAP)	**2,290**	930
Corporate Income Tax (IRPJ) prepaid	**3,784**	3,784
Social Contribution Tax on Net Profit (CSLL) prepaid	**7,395**	7,433
Other	**3,755**	1,494
	108,632	101,124
Current	**(107,092)**	(100,194)
Noncurrent	**1,540**	930

Tax balances recoverable arise from commercial transactions and prepayments.

Long-term tax credits expected to be realized are as follows:

Year	9/30/2018	3/31/2018
Harvest 2019/2020	**669**	439
Harvest 2020/2021	**458**	335
Harvest 2021/2022	**289**	131
Harvest 2023/2023 onward	**124**	25
	1,540	930

(In thousands of reais)

7. Unrecognized contingent credits

Based on the opinion of its legal advisors, the Company identified, in prior years, overpaid amounts of taxes and contributions and previously unused tax credits. After this review, the Company filed the following major lawsuits:

a) IPI – Input materials

This refers to a common civil action claiming the right to IPI credits on input materials, raw materials, intermediate products and packaging material whether or not subject to taxation, tax exempt or subject to a zero tax rate, in the amount of R$ 92,035. Interim relief was granted and a lower court decision held the claim valid. The suit currently awaits consideration from the Federal Regional Court – 5th Chapter.

b) IPI - Export Premium Credit

This refers to a common civil action claiming the right to IPI credits as established by Decree Law No. 491/69, in the original amount of R$ 195,648.

8. Other receivables

		12/31/2018	3/31/2018	4/1/2017
			(restated)	
Compensatory credits - IAA 4870	(a)	**2,691,393**	1,927,410	1,868,104
Accounts receivable from crop sales	(b)	**51,570**	68,221	59,760
Ethanol grant receivable (Law No. 13000/14)		**14,000**	14,000	14,000
Advances to employees		**6,914**	6,088	4,819
Other receivables		**11,158**	11,114	19,418
		2,775,035	2,026,833	1,966,101
Current		**(37,046)**	(52,988)	(77,721)
Noncurrent		**2,737,989**	1,973,845	1,888,380

(a) Suits for damages against the Federal Government – IAA 4870

Back in the 1990's, the Company filed two Suits for Damages against the Federal Government and the former Instituto de Açúcar e Álcool (Sugar and Alcohol Institute) ("IAA 4870"), seeking compensation for losses caused by fixed sugar and ethanol prices below the production costs, for all crops related to the period from March 1985 to November 1992. These lawsuits became final in previous years, which means that the right to compensation sought by the Company can no longer be modified.

Thus, in 2015, the Company prepared calculations to estimate the present value of the cash flows expected from this compensation and then recorded the amount of R$ 1,602,473. From then on, the Company began to update the value of the credit by reference to changes in the IPCA-E rate in subsequent years. During the current period, the Company recognized the amount of R$ 27,604 (Note 20), corresponding to the IPCA-E update in the period.

8. Other receivables (Continued)

(a) Suits for damages against the Federal Government – IAA 4870 (Continued)

At December 31, 2018, the Company reviewed the estimated present value of this compensation due to changes in some of the assumptions used in the calculations. Accordingly, as at December 31, 2018, as a result of the application of these new assumptions, the Company recorded the amount of R$ 736,378 (Note 20), related to the update of the present value of the expected cash flows of these indemnities, totaling R$ 2,691,393. In addition, the Company recognized the amount of R$ 343,153 corresponding to the provision for payment of attorney's fees, with R$ 97,408 being recorded in the current period (Note 20); moreover, the Company records deferred income and social contribution taxes, and deferred PIS and Cofins on the amount of interest and monetary adjustment on said credits.

(b) Receivables from crop sales

In June 2016, the Company sold to third-party suppliers 100% of its own ratoon arising from partnerships in the Campo Florido plant. The sale comprises approximately 20,500 hectares of sugarcane ratoon. The total sales amounted to R$68,705, including 20.9%, amounting to R$14,359, paid in cash by the suppliers, and the remaining amount of R$54,346 was converted into total recoverable sugar – ATR (kg) – for the price of R$0.5050 per kg/ATR totaling 106,930,730 kg/ATR to be paid in 3 equal and successive installments of 35,643,577 kg per crop, and the agreed payment schedule will be as follows:

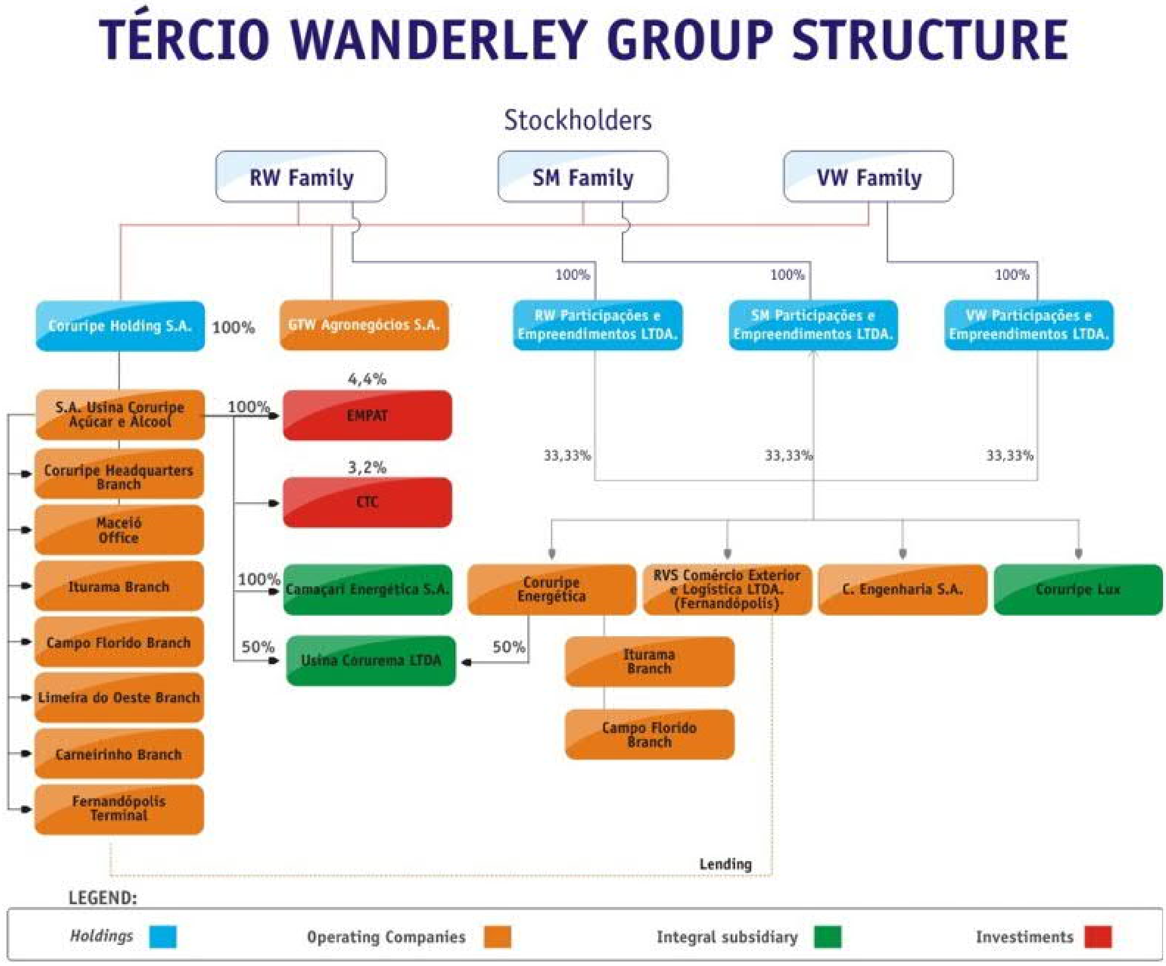
2016/2017 crop – 35,643,577 KG/ATR
2017/2018 crop – 35,643,577 KG/ATR
2018/2019 crop – 35,643,577 KG/ATR

The amount will be discounted upon the annual sugarcane delivery by the suppliers. The ATR price per kg for future payments according to the schedule per crop was indexed to the value of KG/ATR as disclosed by the São Paulo State Council of Sugarcane, Sugar and Ethanol Producers (Consecana – SP) at March 31 every year. At December 30, 2018, the amount receivable from contracts for the sale of ratoon areas amounted to R$51,570, including R$19,192 referring to the sales of ratoon areas in Campo Florido plant, R$11,255 referring to the sales of some ratoon areas in the Iturama plant (approximately 72% of the total 41% receivable is scheduled to be received during the 2018/2019 crop and the remaining 28% to be received during the 2019/2020 crop), and R$21,123 referring to the sales of some ratoon areas in the Coruripe/AL plant, falling due as of the 2019/2020 crop.

9. Transaction with related parties

Control

The Company is a wholly-owned subsidiary of Coruripe Holding S.A., which does not have any other subsidiaries. The corporate organization chart of the Tércio Wanderley Group, to which the Company belongs, is as follows:



(In thousands of reais)

9. Transaction with related parties (Continued)

Key management personnel compensation

Total compensation paid to management (including directors and officers) totaled R$6,276 and R$8,233 for the nine-month periods ended December 31, 2018 and 2017, respectively.

At December 31, 2018 and March 31, 2018, the Company's balances with related parties are as follows:

		12/31/2018	3/31/2018
Current assets			
Intercompany loans			
C Engenharia S.A.		**-**	11,170
		-	11,170
Noncurrent assets			
Intercompany loans			
Demercur S.A.		**-**	100
Coruripe Holding S.A.	(a)	**75,296**	72,109
		75,296	72,209
Noncurrent liabilities			
Intercompany loans			
Coruripe Energética S.A.	(d)	**23,213**	-
		23,213	-

In addition, during the nine-month periods ended December 31, 2018 and 2017, the Company recorded the following amounts arising from transactions with related parties:

		12/31/2018	12/31/2017
Statement of profit or loss			
Revenue			
Coruripe Energética S.A.	(b)	**4,996**	5,082
		4,996	5,082
Cost			
Coruripe Energética S.A.	(b)	**(4,996)**	(5,278)
GTW Agronegócios S.A.	(c)	**(33,875)**	(27,585)
		(38,871)	(32,863)
Finance income			
C Engenharia S.A.	(a)	**411**	1,186
Coruripe Holding S.A.	(a)	**3,159**	3,094
Coruripe Energética S.A.	(a)	**(24)**	9
		3,546	4,289

(In thousands of reais)

9. **Transaction with related parties** (Continued)

Transactions with related parties were carried out under the terms and conditions agreed upon by the parties, as follows:

(a) The Company has intercompany loans entered into with its parent Coruripe Holding S.A., subject to interest of 7.7% p.a., with IOF applied to loan transactions;

(b) The Company has an agreement for the purchase and sale of in-kind sugarcane bagasse and steam power with its affiliate Coruripe Energética S.A., effective until March 31, 2023, subject to extensions if so mutually agreed upon by the parties thereto. The prices were defined by the parties and are annually restated based on the accumulated IGP-M rate variation for the period;

(c) This refers to sugarcane partnership agreements with associate GTW Agronegócios S.A., on September 28, 2009, effective for 50 years, subject to extensions if so mutually agreed upon by the parties thereto. The prices were defined by the parties and are annually restated based on the Total Recoverable Sugar (ATR) rate variation, as disclosed by the São Paulo State Council of Sugarcane, Sugar and Ethanol Producers (Consecana/SP).

(d) The Company has a loan agreement with Coruripe Energética S.A., subject to interest of 7.7% p.a. and IOF on loan transactions, and is adjusted annually in accordance with cumulative changes in the IGP-M rate for the period

10. Investments

	12/31/2018	3/31/2018
Noncurrent assets		
Investments		
Centro de Tecnologia Canavieira S.A. (i)	**18,365**	17,567
Coruripe Lux S.A. (ii)	**-**	121
Empresa Alagoana de Terminais Ltda. (i)	**369**	428
	18,734	18,116

(i) Non-consolidated investees, valued under the equity method in the financial statements.

(ii) Subsidiaries Demercur S.A. and Coruripe Lux S.A. were divested on April 10, 2018 and May 24, 2018, respectively, under a corporate restructuring process. The Company has ceased to consolidate these entities' operations since then.

Changes in investments are as follows:

	12/31/2018	3/31/2018
Opening balance	18,116	51,392
Investment write-off	**(121)**	(33,009)
Equity pickup	**739**	(267)
Closing balance	**18,734**	18,116

(In thousands of reais)

11. Biological assets

The following assumptions were used to determine fair value using the discounted cash flow method:

	12/31/2018	**3/31/2018**
Estimated harvest area (in hectares)		
Northeast	**26,441**	26,499
Southeast	**42,220**	43,062
Forecast output (in sugarcane tons per hectare)		
Northeast	**74.15**	75.60
Southeast	**89.47**	92.36
Total Recoverable Sugar - ATR (kg)		
Northeast – sharecropping	**135.00**	135.00
Northeast - lease	**114.09**	114.09
Southeast – sharecropping	**136.50**	134.57
Southeast - lease	**125.81**	125.81
Projected average ATR price per Kg (R$/kg)		
Northeast	**0.6927**	0.7301
Southeast	**0.6306**	0.6907

Based on the estimates of revenue and costs, the Company determines the future cash flows to be generated and adjusts them to present value, using a discount rate compatible with the remuneration of the investment in the circumstances. Changes in fair value are recorded as biological assets with a corresponding entry to the sub account "Changes in fair value of biological assets", under "Cost of sales" in the statement of profit or loss for the year.

Changes in biological assets (sugarcane) are as follows:

	12/31/2018	**3/31/2018**
Opening balance	235,485	251,784
Changes from:		
Changes in fair value	**(19,442)**	(24,530)
Increases due to cultivation	**133,855**	152,287
Increases due to plantations	**6,431**	74
Reductions due to harvest	**(202,423)**	(213,562)
Write-offs from the sale of crops	**(10,381)**	(9,709)
Transfers of PP&E (Note 12)	**81,233**	79,141
Closing balance	**224,758**	235,485

(In thousands of reais)

12. Property, plant and equipment

a) Balance breakdown

		12/31/2018			3/31/2018
	Average depreciation rates (% p.a.)	Cost	Accumulated depreciation	Net	Net
Aircraft	10%	**2,026**	**(1,199)**	**827**	979
Buildings and improvements	4%	**308,403**	**(122,619)**	**185,784**	192,932
Furniture and fixtures	8%	**17,943**	**(12,614)**	**5,329**	5,504
Machinery and equipment	5%	**1,252,156**	**(804,034)**	**448,122**	454,331
Facilities	4%	**226,864**	**(124,872)**	**101,992**	105,474
Agricultural tools	7%	**72,745**	**(42,306)**	**30,439**	29,029
Vehicles	20%	**104,188**	**(90,949)**	**13,239**	8,788
IT equipment	10%	**13,312**	**(10,329)**	**2,983**	3,124
Frequently replaced parts and components	100%	**1,031,195**	**(982,744)**	**48,451**	99,645
Construction in progress and advances to suppliers	-	**21,985**	**-**	**21,985**	16,855
		3,050,817	**(2,191,666)**	**859,151**	916,661
Land and properties	-	**18,817**	**-**	**18,817**	18,828
Sugarcane plantation	14.3%	**1,087,846**	**(786,598)**	**301,248**	287,756
		4,157,480	**(2,978,264)**	**1,179,216**	1,223,245

b) Changes in balances

	Balance at 3/31/2018	Additions	Write-offs	Depreciation	Transfer	Reclassification (a)	Balance at 12/31/2018
Aircraft	979	**-**	**-**	**(152)**	**-**	**-**	**827**
Buildings and improvements	192,932	**11**	**-**	**(7,735)**	**576**	**-**	**185,784**
Furniture and fixtures	5,504	**760**	**(31)**	**(929)**	**25**	**-**	**5,329**
Machinery and equipment	454,331	**18,903**	**(890)**	**(36,745)**	**12,523**	**-**	**448,122**
Facilities	105,474	**1,519**	**-**	**(7,028)**	**2,027**	**-**	**101,992**
Agricultural tools	29,029	**4,286**	**(11)**	**(2,865)**	**-**	**-**	**30,439**
Vehicles	8,788	**8,860**	**(72)**	**(4,337)**	**-**		**13,239**
IT equipment	3,124	**335**	**-**	**(480)**	**4**	**-**	**2,983**
Frequently replaced parts and components	99,645	**92,661**	**-**	**(143,855)**	**-**	**-**	**48,451**
Construction in progress and advances to suppliers	16,855	**20,377**	**-**	**-**	**(15,155)**	**(92)**	**21,985**
	916,661	**147,712**	**(1,004)**	**(204,126)**	**-**	**(92)**	**859,151**
Land and properties	18,828	**-**	**(11)**	**-**	**-**	**-**	**18,817**
Sugarcane plantation	287,756	**99,325**	**(4,600)**	**-**	**-**	**(81,233)**	**301,248**
	1,223,245	**247,037**	**(5,615)**	**(204,126)**	**-**	**(81,325)**	**1,179,216**

(a) These refer to the reclassification to biological assets (R$81,233) and intangible assets (R$92) accounts.

(In thousands of reais)

12. Property, plant and equipment (Continued)

b) Changes in balances (Continued)

In view of certain loans and financing of the Company, property, plant and equipment amounting to R$458,960 (March 31, 2018: R$437,298) are given in guarantee to creditors.

Revaluation

In Special Shareholders' Meeting held on December 1, 2003, revaluation of part of the Company's property, plant and equipment was approved in the amount of R$ 407,337, as follows:

	12/1/2003		
	Net book value	Revaluation	Revalued amount
Land and properties	15,656	112,201	127,857
Buildings and improvements	26,695	36,495	63,190
Machinery, facilities and agricultural tools	32,938	254,930	287,868
Vehicles and aircraft	5,662	3,711	9,373
	80,951	407,337	488,288

At December 31, 2018, the remaining balance of surplus included in property, plant and equipment, of the revaluation reserve recorded in equity and the deferred income and social contribution tax liabilities is R$ 8,307, R$ 5,483 and R$ 2,824 (R$ 19,763, R$ 13,044 and R$ 6,719 at March 31, 2018), respectively.

Deemed cost

This refers to the adoption of a new deemed cost in 2009 for certain classes of property, plant and equipment, duly supported by an appraisal report prepared by a specialized company, under the terms of ICPC 10 – Interpretation on first-time application to property, plant and equipment and investment property. The accounting effects of the Company's adopting the deemed cost are as follows:

	Net book value	Surplus	Deemed cost
Buildings and other properties	165,043	31,521	196,564
Industrial machinery, devices and equipment	420,423	475,409	895,832
	585,466	506,930	1,092,396

At December 31, 2018, the remaining balance of surplus included in property, plant and equipment, of the revaluation reserve recorded in equity and the deferred income and social contribution tax liabilities is R$ 165,119, R$ 108,987 and R$ 56,131 (R$ 182,207, R$ 120,256 and R$ 61,936 at March 31, 2018), respectively.

(In thousands of reais)

13. Accounts payable

At December 31, 2018, the Company has trade accounts payable to domestic suppliers amounting to R$ 128,773 (R$ 94,818 at March 31, 2018) mostly for sugar cane acquired from the Company's farmer partners.

14. Loans and financing

Loans and financing are recognized initially at fair value, net of transaction costs incurred, and are subsequently carried at amortized cost.

	12/31/2018	3/31/2018
Local currency		
Fixed interest from 2.5% to 13.0% p.a.	**163,541**	159,579
TJLP + 3.0% p.a. 50% of IGPM; 40% of IPCA; and 3.5% to 5.5% p.a. + CDI	**1,352,020**	1,260,857
Total in local currency	**1,515,561**	1,420,436
Foreign currency (US$)		
Libor + 4.5% to 6.65% p.a.	**1,125,273**	932,751
Fixed interest from 6.0% to 9.98% p.a.	**213,880**	43,327
Total in foreign currency	**1,339,153**	976,078
	2,854,714	2,396,514
Current	**(1,005,549)**	(467,324)
Noncurrent	**1,849,165**	1,929,190

These loans are guaranteed by shareholders' collateral signatures, pledge of financed assets, promissory notes and accounts receivable for exports.

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

Year	12/31/2018	3/31/2018
Harvest 2019/2020	**35,261**	469,245
Harvest 2020/2021	**666,019**	518,667
Harvest 2021/2022	**624,734**	466,973
Harvest 2022/2023	**523,151**	464,477
Harvest 2023/2024 onwards	**-**	9,828
	1,849,165	1,929,190

(In thousands of reais)

14. Loans and financing (Continued)

Changes in loans and financing for the nine-month period ended December 31, 2018 and for the year ended March 31, 2018 are as follows:

	12/31/2018	3/31/2018
Opening balance	2,396,514	2,382,674
Funding	**820,730**	696,676
Interest and exchange variations incurred	**413,674**	314,145
Payment of principal	**(573,244)**	(736,315)
Payment of interest	**(202,960)**	(260,666)
Closing balance	**2,854,714**	2,396,514

Covenants

The Company has entered into agreements with several financial institutions that require meeting certain economic and financial ratios. At March 31, 2019, main financial indices that the Company needs to meet are the following, all calculated as required by covenants and based on the book balances contained in these financial statements:

i. Equity to total assets ratio ≥ 18%;
ii. Net debt to adjusted EBITDA ratio (excluding capex) ≤ 5.0;
iii. Adjusted EBITDA to net finance costs (excluding foreign exchange differences) ≥ 2.5%;
iv. Current liquidity ≥ 1.0;
v. Total guarantees given ≤ R$290,000; and
vi. Limit of advances per foreign exchange contract: USD 100,000.

For the year ended March 31, 2018, all contract covenant ratios were met and complied with by the Company.

(In thousands of reais)

15. Taxes payable

	12/31/2018	3/31/2018	4/1/2017
Taxes payable in installments		(restated)	
Installment payment of ICMS AL	**7,283**	8,145	9,160
Installment payment of ICMS MG	**2,043**	1,714	514
Tax payment in installments - Law No. 12996/14 (former Law No.	**2,787**	9,773	10,280
	12,113	19,632	19,954
Taxes payable:			
Withholding Income Tax (IRRF) payable	**3,484**	4,843	2,408
Tax on Financial Transactions (IOF) payable	**6,324**	6,325	4,494
Social Security Tax (ISS) payable	**3,484**	3,327	86,304
PIS and Cofins payable	**144**	41	41
Deferred PIS and Cofins - IAA 4870	**87,696**	12,162	9,404
ICMS payable	**228**	210	511
Provision for IRPJ and CSLL	**-**	12,334	31,793
Other taxes and contributions	**574**	664	1,406
	101,934	39,906	136,361
	114,047	59,538	156,315
Current	**(19,643)**	(45,973)	(137,791)
Noncurrent	**94,404**	13,565	18,524

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

Year	12/31/2018	3/31/2018
Harvest 2019/2020	**1,811**	1,867
Harvest 2020/2021	**1,776**	1,354
Harvest 2021/2022 onwards	**90,817**	10,344
	94,404	13,565

(In thousands of reais)

16. Provision for contingencies

The Company, based on the assessment of its legal advisors, maintains the following provisions for probable losses:

	12/31/2018	3/31/2018
Labor contingencies	**4,525**	1,339
Civil contingencies	**4,231**	4,118
	8,756	5,457

Changes in provisions for contingencies are as follows:

	Tax	Civil	Environmental	Labor	Total
Balance at March 31, 2017	558	4,118	76	1,339	6,091
Reversals/payments	(558)	-	(76)	-	(634)
Balance at March 31, 2018	-	4,118	-	1,339	5,457
Set-up	**-**	**113**	**-**	**3,186**	**3,299**
Balance at December 31, 2018	**-**	**4,231**	**-**	**4,525**	**8,756**

Possible losses

The legal claims classified as probable losses, based on the opinion of legal advisors, and for which a provision has not been recognized, refer to several civil- and labor-related suits brought by individuals and legal entities involving damages and/or pain and suffering and labor claims in the approximate amount of R$163,692 (R$163,659 at March 31, 2018).

	12/31/2018	3/31/2018
Labor contingencies	**3,271**	5,879
Civil contingencies	**71,213**	68,046
Environmental contingencies	**456**	30
Tax contingencies	**88,752**	89,704
	163,692	163,659

The Company is subject to local, state and federal environmental laws and regulations. Accordingly, Management does not anticipate repair costs or penalties of any type.

17. Equity

a) Capital

At December 31 and March 31, 2018, fully subscribed and paid-in capital amounted to R$ 408,845, comprising 1,400 common registered shares, with no par value, all held by Coruripe Holding S.A.

b) Equity adjustment: Deemed cost

As mentioned in Note 12, this corresponds to the appreciation in deemed costs of Buildings and facilities and Machinery and equipment. Amounts are recorded net of tax effects and their realization is based on depreciation, write-off or disposal of related assets. Realized amounts are transferred to "Retained earnings (accumulated losses)."

c) Revaluation reserve

As mentioned in Note 12, the Company revalued certain classes of its property, plant and equipment in prior years. At December 31, 2018, the remaining balance in this reserve was R$5,483 (R$13,044 at March 31, 2018).

d) Income reserves

i) Legal reserve

The legal reserve is recorded based on the allocation of 5% of net income for the year, limited, however, to 20% of total capital.

e) Profit allocation

At July 30, 2018, the shareholders resolved at the Annual Shareholders' Meeting that, given the restructuring of the Company's debt, in June 2016, no dividends will be paid out to shareholders. Accordingly, the shareholders ratified all the terms of the debt restructuring agreement, and reclassified the amount of R$8,100, referring to mandatory minimum dividends, to equity.

(In thousands of reais)

18. Net revenue

	Nine-month period ended		Three-month period ended	
	12/31/2018	**12/31/2017**	**12/31/2018**	**12/31/2017**
VHP Sugar	**666,247**	815,296	**328,291**	285,076
Unrefined sugar	**76,194**	83,662	**38,538**	28,949
Anhydrous Ethanol - Fuel	**334,768**	312,039	**149,456**	129,826
Hydrated Ethanol - Fuel	**269,103**	233,020	**100,632**	121,096
Sale of energy	**71,939**	35,363	**17,515**	10,906
Steam power sales	**898**	769	**301**	297
Molasses	**24,761**	27,920	**4,345**	4,814
Service revenue	**5,710**	5,162	**1,061**	1,989
Other sales revenues	**19,224**	36,628	**5,207**	16,168
	1,468,844	1,549,859	**645,346**	599,121
Sales deductions	**(73,321)**	(53,107)	**(21,156)**	(27,214)
Net operating revenue	**1,395,523**	1,496,752	**624,190**	571,907

19. Cost of sales and operating expenses

Operating costs and expenses are broken down by nature as follows:

	Nine-month period ended		Three-month period ended	
	12/31/2018	**12/31/2017**	**12/31/2018**	**12/31/2017**
Cost of sales	**(1,082,869)**	(1,160,849)	**(463,811)**	(469,668)
Selling expenses	**(81,131)**	(90,588)	**(27,045)**	(32,886)
General and administrative expenses	**(98,013)**	(98,791)	**(29,236)**	(31,369)
	(1,262,013)	(1,350,228)	**(520,092)**	(533,923)

(In thousands of reais)

19. Cost of sales and operating expenses (Continued)

	Nine-month period ended		Three-month period ended	
	12/31/2018	**12/31/2017**	**12/31/2018**	**12/31/2017**
Cost of sales				
Personnel	**(225,912)**	(247,224)	**(139,588)**	(137,635)
Raw material	**(314,809)**	(322,976)	**(67,636)**	(42,617)
Changes in fair value of biological assets (Note 11)	**(19,442)**	(23,783)	**6,291**	(22,882)
Chemical products	**(8,869)**	(14,783)	**(4,271)**	(7,832)
Outsourced labor	**(28,344)**	(53,119)	**(12,757)**	(18,414)
Rent and lease	**(23,230)**	(13,482)	**(11,382)**	(5,364)
Fuel and lubricants	**(33,004)**	(42,536)	**(15,305)**	(22,071)
Agricultural inputs	**(45,948)**	(53,124)	**(24,669)**	(25,105)
Maintenance material	**(35,315)**	(63,073)	**(16,757)**	(30,835)
Depreciation and amortization	**(158,114)**	(137,258)	**(78,482)**	(70,607)
Absorption of costs: depletion of harvested sugarcane	**(47,098)**	(33,030)	**(22,587)**	(14,410)
Absorption of costs: handling of harvested sugarcane	**(114,172)**	(106,874)	**(60,740)**	(43,954)
Electric power	**(8,199)**	(12,504)	**(4,772)**	(7,575)
Freight and cartage	**(1,163)**	(2,749)	**(419)**	(998)
Workers' transportation programs	**(17,058)**	(24,047)	**(9,983)**	(13,091)
Taxes and charges	**(1,272)**	(6,166)	**(457)**	(4,989)
Courses, conferences and seminars	**(145)**	(185)	**(28)**	159
Travel and lodging	**(162)**	(234)	**(55)**	38
Other	**(613)**	(3,702)	**(214)**	(1,486)
	(1,082,869)	(1,160,849)	**(463,811)**	(469,668)

	Nine-month period ended		Three-month period ended	
	12/31/2018	**12/31/2017**	**12/31/2018**	12/31/2017
Selling expenses				
Personnel	**(6,251)**	(6,356)	**(2,160)**	(2,126)
Outsourced labor	**(5,494)**	(6,577)	**(1,330)**	(1,909)
Rent and lease	**(283)**	(249)	**(85)**	(117)
Fuel and lubricants	**(75)**	(123)	**(37)**	(32)
Maintenance material	**(637)**	(790)	**(175)**	(198)
Depreciation	**(2,620)**	(2,689)	**(887)**	(881)
Electric power	**(512)**	(438)	**(208)**	(106)
Freight and cartage	**(62,940)**	(71,565)	**(21,316)**	(26,972)
Workers' transportation programs	**(238)**	(231)	**(81)**	(77)
Taxes and charges	**(437)**	(81)	**(183)**	(10)
Courses, conferences and seminars	**(2)**	-	**(1)**	-
Travel and lodging	**(104)**	(92)	**(37)**	(27)
Commissions and brokerage fees	**(1,427)**	(1,252)	**(512)**	(374)
Other	**(111)**	(145)	**(33)**	(57)
	(81,131)	(90,588)	**(27,045)**	(32,886)

(In thousands of reais)

19. Cost of sales and operating expenses (Continued)

	Nine-month period ended		Three-month period ended	
	12/31/2018	**12/31/2017**	**12/31/2018**	**12/31/2017**
General and administrative expenses				
Personnel	**(60,151)**	(58,181)	**(19,559)**	(18,818)
Outsourced labor	**(14,313)**	(19,128)	**(2,394)**	(5,391)
Rent and lease	**(1,650)**	(1,109)	**(591)**	(477)
Fuel and lubricants	**(326)**	(263)	**(119)**	(85)
Agricultural inputs	**(24)**	(12)	**(9)**	(7)
Maintenance material	**(2,895)**	(2,613)	**(938)**	(821)
depreciation	**(3,044)**	(3,309)	**(1,000)**	(1,051)
Electric power	**(99)**	(87)	**(36)**	(31)
Freight and cartage	**-**	(57)	**95**	(37)
Workers' transportation programs	**(1,374)**	(1,678)	**(429)**	(503)
Taxes and charges	**(3,823)**	(3,068)	**(864)**	(774)
Courses, conferences and seminars	**(991)**	(1,182)	**(303)**	(293)
Travel and lodging	**(2,128)**	(2,215)	**(874)**	(908)
Commissions and brokerage fees	**(738)**	(592)	**(261)**	(227)
Other	**(6,457)**	(5,297)	**(1,954)**	(1,946)
	(98,013)	(98,791)	**(29,236)**	(31,369)

The amount of depreciation, amortization and depletion allocated to inventories and not yet appropriated to profit or loss at December 31, 2018 and 2017 is distributed as follows:

	Nine-month period ended		Three-month period ended	
	12/31/2018	**12/31/2017**	**12/31/2018**	**12/31/2017**
Depreciation and amortization of property, plant and equipment	**(40,473)**	(45,478)	**2,917**	6,381
Depletion of cane fields	**(12,018)**	(10,944)	**2,280**	(1,522)
Crop handling	**(29,134)**	(35,411)	**2,034**	(3,572)
	(81,625)	(91,833)	**7,231**	1,287

(In thousands of reais)

20. Finance income and expenses

	Nine-month period ended		Three-month period ended	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Finance income		(restated)		(restated)
Gains on financial derivative transactions	**-**	2,753	**-**	2,753
Gains on operational derivative transactions	**12,249**	2,091	**9,657**	1,535
Investment yields	**10,892**	9,670	**1,308**	2,737
Foreign exchange gains	**224,753**	99,498	**111,633**	17,609
Monetary differences on IAA 4870 credits (Note 8)	**27,604**	20,509	**6,068**	9,161
Adjustment to present value of compensation for damage - IAA 4870 (Note 8)	**736,378**	22,023	**736,378**	22,023
Interest on intercompany loans	**3,570**	4,285	**1,136**	1,429
Other finance income	**422**	1,963	**304**	1,521
	1,015,868	162,792	**866,484**	58,768
Finance expenses				
Losses on financial derivative transactions	**-**	(973)	**-**	(973)
Losses on operational derivative transactions	**(50,714)**	(1,225)	**17,615**	194
Foreign exchange losses	**(418,852)**	(149,326)	**(63,298)**	(66,675)
Pis and Cofins on compensation for damage - IAA 4870	**(74,210)**	(1,024)	**(74210)**	(1,024)
Monetary adjustment of provision for lawyers' fees - IAA 4870	**(97,408)**	(5,437)	**(97,408)**	(5,437)
Interest on loans and financing	**(208,176)**	(203,991)	**(67,917)**	(64,586)
Other finance costs	**(37,808)**	(23,821)	**(11,701)**	(13,235)
	(887,168)	(385,797)	**(296,919)**	(151,736)
Finance income (costs)	**128,700**	(223,005)	**569,565**	(92,968)

21. Other operating income (loss), net

	Nine-month period ended		Three-month period ended	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Windfall revenues	**535**	328	**99**	-
Income from sale of scrap	**7,273**	6,997	**1,824**	2,508
Proceeds from the sale of permanent assets	**835**	3,396	**437**	105
Write-off of residual cost on sale of permanent assets	**(1,016)**	(3,056)	**(486)**	1,558
Income from sale of ratoon	**6,555**	32,527	**5,960**	2,907
Write-off of cost/accumulated depletion on sale of ratoon	**(14,981)**	(22,198)	**(5,910)**	(2,861)
Previously unused PIS and COFINS credits	**22,598**	-	**-**	-
Other income (expenses), net	**(2,966)**	(6,456)	**(3,983)**	(4,325)
	18,833	11,538	**(2,059)**	(108)

(In thousands of reais)

22. Income tax and social contribution

Breakdown of deferred income tax and social contribution recognized in profit of loss for the period is as follows:

	Nine-month period ended		Three-month period ended	
	12/31/2018	**12/31/2017**	**12/31/2018**	**12/31/2017**
Deferred:				
Income tax	**(89,926)**	16,790	**(107,047)**	(4,230)
Social contribution	**(32,373)**	6,044	**(38,537)**	(1,523)
	(122,299)	22,834	**(145,584)**	(5,753)

Deferred income and social contribution tax assets and liabilities

Breakdown of deferred income and social contribution taxes is as follows:

	12/31/2018	**3/31/2018**	**4/1/2017**
Assets:		(restated)	
Temporary differences			
Allowance for doubtful accounts and provision for advances to suppliers	**7,296**	6,545	6,684
Provision for contingencies	**2,977**	1,855	2,260
Income and social contribution tax losses	**160,240**	166,085	231,768
Net losses on derivative financial instruments	**6,118**	87	-
Provision for lawyers’ fees - IAA 4870 (Note 8)	**116,672**	-	-
Fair value of biological assets (Note 11)	**6,611**	8,340	-
	299,914	182,912	240,712
Liabilities:			
Revaluation of property, plant and equipment (Note 12)	**2,824**	6,719	12,166
Net gains on derivative financial instruments	**-**	-	3,305
Adoption of deemed cost (Note 12)	**56,131**	61,936	69,963
Useful lives of property, plant and equipment	**10,864**	14,486	14,464
Fair value of biological assets (Note 13)	**-**	-	2,776
Fair value of IAA 4870 credits (Note 8)	**810,613**	550,858	530,693
	880,432	633,999	633,367
Deferred income and social contribution tax liabilities, net	**580,518**	451,087	392,655

The change in deferred income and social contribution taxes is as follows:

	12/31/2018	**3/31/2018**
Opening balance	451,087	392,655
Set-up	**136,563**	-
Realization	**-**	122,757
Compensation - PERT	**(7,132)**	(64,325)
Closing balance	**580,518**	451,087

(In thousands of reais)

22. Income tax and social contribution (Continued)

Recovery of all deferred tax credits, indicated by projections of taxable profit approved by management, including expected realization of temporary differences, is estimated as follows:

Year	12/31/2018	3/31/2018
Harvest 2018/2019	-	22,682
Harvest 2019/2020	**56,209**	34,281
Harvest 2020/2021	**63,600**	38,789
Harvest 2021/2022	**70,157**	42,788
Harvest 2022/2023 onwards	**109,948**	44,372
	299,914	182,912

23. Commitments and obligations

The Company establishes various commitments in the ordinary course of its business. Significant commitments to be disclosed in these financial statements are set out as under:

Sales

The Company has future sugar sales commitments in the foreign market which will be produced and delivered in subsequent harvests. Selling prices were not all previously determined, which exposes the Company to market fluctuations. At December 31, 2018, the Company is covered (fixed prices) for USD 226,100,281 (USD 62,057,000 at March 31, 2018) in connection with future sales.

Purchases

The Company has several sugarcane purchase agreements with third parties, in order to ensure part of its production in following harvests. The amount of sugarcane to be acquired was calculated based on the estimated quantity to be crushed by area. The amount to be paid by the Company will be determined at the end of each harvest, according to the amount of sales made and proportionally to the volume crushed of sugarcane and Total Recoverable Sugar (ATR) of each purchase.

(In thousands of reais)

23. Commitments and obligations (Continued)

Purchases (Continued)

Purchase commitments per crop, in tons, at December 31, 2018 and March 31, 2018, are shown below:

Crop	12/31/2018	3/31/2018
Harvest 2018/2019	**8,630,000**	8,630,000
Harvest 2019/2020	**8,630,000**	8,630,000
Harvest 2020/2021	**8,630,000**	8,630,000
Harvest 2021/2022 onward	**34,520,000**	34,520,000
	60,410,000	60,410,000

Electric power supply agreement

The Company entered into an agreement with Eletrobras, within PROINFA (Alternative Electric Power Sources Incentive Program), for the supply of electric power generated by its Biomass Thermopower Plant located in the city of Coruripe (head office), for 20 years, in the overall amount of R$159,954, subject to adjustable power rate tariffs, and two agreements with EDP Comercialização e Serviços de Energia Ltda. for the supply of electric power to the units located in Minas Gerais as follows: agreement 01 with a supply period from April 1, 2018 to December 31, 2018, beginning again on April 1, 2019 and ending on December 31, 2019, in the amount of R$30,984 (amount for the agreement's two-year term with adjustable power rate tariffs), and agreement 02 with a supply period from April 1, 2018 to November 30, 2018, beginning again on April 1, 2019 and ending on November 30, 2019, in the amount of R$63,520 (amount for the agreement’s two-year term with adjustable power rate tariffs).

Guarantees given to sugarcane suppliers

The Company provides guarantees for various financing lines of its sugarcane suppliers taken out with financial institutions. At December 31, 2018, these commitments amounted to R$199,837 (R$224,074 at March 31, 2018). All guarantees provided by the Company are matched against equivalent Rural Product Notes (sugarcane) of producers, pledge of sugarcane and, in certain cases, the land of the supplier, guaranteeing any non-compliance with the obligations of producers so collateralized.

24. Risk management and derivative financial instruments

The Company is exposed to market risks, including currency risk, commodity price volatility risk, interest rate risk, credit risk and liquidity risk. Management believes that the risk management is critical to: (i) continuous monitoring of exposure levels in relation to the volume of sales agreed in contracts; (ii) estimates of the value of each risk based on the established limits of foreign currency exposure and sugar selling prices; and (iii) future cash flow forecasts and the definition of approval authority levels to contract financial instruments for product pricing and hedging against exchange differences and price volatility.

Derivative financial instruments are taken out solely for the purpose of pricing and hedging the Company's sugar export transactions and financial liabilities against currency risk and against sugar price fluctuation in the international market and foreign exchange differences. No transactions with financial instruments are carried out for speculative purposes.

Market risks

a) Currency risk

Management established a policy that requires Group companies to manage their currency risk in order to reduce the potential impact entailed by this currency mismatch in their cash flows.

Currency forward contracts, swaps, Non-Derivable Forwards (NDF) and options strategy are used to manage currency risk. The Company's risk management policy is to hedge the highest possible volume of cash flows, especially related to exports and debts within 24 months or in two harvests.

Assets and liabilities subject to foreign exchange differences

The table below summarizes foreign currency-denominated assets and liabilities (mainly US dollars - US$), recorded in the statement of financial position at December 31, 2018 and March 31, 2018:

	12/31/2018		3/31/2018	
	R$	**US$000**	**R$**	**US$000**
Assets				
Cash and cash equivalents (Note 3)	**151,128**	**39,006**	**27,035**	8,134
Accounts receivable (Note 4)	**10,111**	**2,610**	**1,018**	306
	161,239	**41,616**	**28,053**	8,440
Liabilities				
Loans and financing (Note 14)	**(1,339,153)**	**(345,632)**	**(976,078)**	(292,974)
	(1,339,153)	**(345,632)**	**(976,078)**	(292,974)
Net exposure	**(1,177,914)**	**(304,016)**	**(948,025)**	(284,534)

24. Risk management and derivative financial instruments (Continued)

Market risks (Continued)

a) Currency risk

These assets and liabilities were restated and recorded in the financial statements at December 31, 2018 at the exchange rate in effect on that date, of R$3.8745 per US$1.00 for assets and liabilities (R$3.1681 per US$1.00 at March 31, 2017).

b) Commodity price volatility risk

The Company is exposed to the risk of changes in the commodity prices of manufactured products such as sugar and ethanol. At December 31, 2018, the prices of 754,404 (173,740 at March 31, 2018) tons of sugar were determined with commercial partners for delivery as of April 2018, priced at an average 13.59 ¢/lb (16.20 ¢/lb at March 31, 2018) (US dollar cents per pound weight) with POL premium included.

c) Cash flow or fair value risk associated with interest rate

The Company adopts the practice of raising loans and financing mainly pegged to floating rates. Regarding loans and financing in local currency, the risk of fluctuation in interest rates is naturally mitigated as investments are all remunerated at floating rates. As for loans and financing in foreign currency, the Company partially hedges debts of this nature using derivative financial instruments.

d) Market risk sensitivity analysis

The Company prepares a sensitivity analysis of foreign currency denominated assets and liabilities outstanding at year end, according to the chart presented in item 24(a).

24. Risk management and derivative financial instruments (Continued)

Market risks (Continued)

d) Market risk sensitivity analysis (Continued)

Given the exposure to the risk of rate fluctuation, the Company presents the following three scenarios of changes in the US dollar and respective future profit or loss that would be generated: (i) probable scenario, which is adopted by the Company: dollar rate at R$3.8745 at December 31, 2018; (ii) possible scenario: according to market practice and Company management deliberation, this scenario considers a 5% increase in the dollar rate, to R$4.0682; and (iii) remote scenario, in which the dollar rate increases by 10% in relation to the rate used in the probable scenario, to R$4.2619.

The currency used in the sensitivity analysis and the respective scenarios are as follows:

	12/31/18		
Currency	**Probable scenario**	**Possible scenario**	**Remote scenario**
US Dollar	**3.8745**	**4.0682**	**4.2619**

	3/31/18		
Currency	**Probable scenario**	**Possible scenario**	**Remote scenario**
US Dollar	3.3235	3.4896	3.6558

Changes in the net exposure amounting to US$304,016 thousand at December 31, 2018 (US$284,534 thousand at March 31, 2018), according to the previously stated scenario, are as follows:

	12/31/2018				
Instruments	**Exposure USD (000)**	**Risk**	**Probable scenario**	**Possible scenario**	**Remote scenario**
Financial instruments – assets	**41,616**	Decrease in USD rate	**-**	**8,061**	**16,122**
Financial instruments – liabilities	**(345,632)**	Increase in USD rate	**-**	**(66,949)**	**(133,898)**
	(304,016)		**-**	**(58,888)**	**(117,776)**

24. Risk management and derivative financial instruments (Continued)

Market risks (Continued)

d) Market risk sensitivity analysis (Continued)

	3/31/2018				
Instruments	**Exposure USD (000)**	**Risk**	**Probable scenario**	**Possible scenario**	**Remote scenario**
Financial instruments – assets	8,440	Decrease in USD rate	-	1,402	2,805
Financial instruments – liabilities	(292,974)	Increase in USD rate	-	(48,663)	(97,355)
	(284,534)		-	(47,261)	(94,550)

e) Derivative financial instruments

	12/31/2018	**3/31/2018**
Current assets		
Derivatives		
Non-Deliverable Forwards (NDF)	**3,979**	239
	3,979	239
Current liabilities		
Derivatives		
Non-Deliverable Forwards (NDF)	**21,973**	497
	21,973	497

The Company uses derivative transactions to manage cash flow risks arising from export revenues denominated in US dollars and other export financing, net of other foreign currency denominated cash flows. The consolidated positions outstanding at December 31, 2018 and March 31, 2018 for derivatives used by the Company to hedge against the currency risk are as follows:

December 31, 2018	**Maturity**	**Fair value**	**Profit or loss (*)**
Currency risk			
Assets – Forward contracts:			
Sales commitments and swap contracts	From 1/1/2019 to 1/30/2020	**3,979**	**3,979**
			3,979
Liabilities – Forward contracts:			
Sales commitments and swap contracts	From 1/1/2019 to 1/30/2020	**(21,973)**	**(21,973)**
			(21,973)

(*) Amount matched against profit or loss referring to outstanding contracts at December 31, 2018.

(In thousands of reais)

24. Risk management and derivative financial instruments (Continued)

e) Derivative financial instruments (Continued)

March 31, 2018	Maturity	Fair value	Profit or loss (*)
Currency risk			
Assets – Forward contracts:			
Sales commitments and swap contracts	From 5/31/2017 to 11/15/2017	239	239
			239
Liabilities – Forward contracts:			
Sales commitments and swap contracts		(497)	(497)
			(497)

(*) Amount matched against profit or loss referring to outstanding contracts at March 31, 2018.

Credit risk

Credit risk is managed by entering into transactions solely with first-tier financial institutions that meet the Company's risk assessment criteria. The Company monthly controls its exposure to derivatives and investments with maximum concentration criteria observing the financial institution's rating.

As for the customer credit risk, the Company annually assesses the credit risk associated with each of them, and also, whenever a new customer is included, by setting an individual credit limited in view of the identified risk.

Liquidity risk

The financial department monitors the continuous projections for liquidity requirements of the Company to ensure that it has sufficient cash to meet its operating needs.

Any cash surplus held by the operating entities, in addition to the balance required for working capital management purposes, is invested in interest-earning current accounts, time deposits, short-term deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient margins as determined by the above-mentioned forecasts. At December 31, 2018 and March 31, 2018, the Company held investments represented mainly by repurchase agreements backed by government bonds and fixed-income funds at the Interbank Deposit Certificate (CDI) rate, with high liquidity characteristics and market circulation, expecting to readily generate cash inflows to manage liquidity risk.

24. Risk management and derivative financial instruments (Continued)

Capital management

The Company's objectives in managing its capital are to safeguard its ability to continue as a going concern in order to provide return for shareholders and benefits for other stakeholders, as well as to maintain an optimal target capital structure to reduce the cost of capital. To maintain or adjust the capital structure, the Company may review the policy on dividend payment to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce its indebtedness, for example.

Consistent with other companies in the industry, the Company monitors capital based on net debt/EBITDA ratio. The Company considers a ratio of up to 3.5 to be ideal, i.e., net debt corresponds to 3.5 times the EBITDA.

The Company takes out derivative financial instruments from several counterparties, particularly financial institutions with an investment grade rating. Derivatives valued using valuation techniques with market observable inputs are mainly currency forward contracts and swap contracts. The most frequently used valuation techniques include swap and forward contract pricing models, using present value calculations. The models include various data, including the quality of the counterparties' credit, spot and forward currency rates, and interest rate curves.

At December 31, 2018 and March 31, 2018, there were no significant differences between the carrying amount and market value of financial instruments, except for the aforementioned derivative instruments.

Fair value

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used for the fair value estimate.

Cash and cash equivalents, trade accounts receivable, trade accounts payable, and other short-term liabilities, which approximate their related carrying amounts mostly because of the short-term maturity of these instruments.

The market values of other loans and financing substantially approximate the amounts recorded in the interim financial statements given that these financial instruments are subject to floating interest rates.

24. Risk management and derivative financial instruments (Continued)

Capital management

The fair value of financial assets available for sale is obtained through market prices quoted in active markets, if any.

25. Insurance coverage

At December 31, 2018 and March 31, 2018, the Company had insurance policies against property damage (machinery breakage, electrical damage, fire, lightning, explosions of any kind and implosions) for all of the sugar and ethanol inventories and for buildings, equipment, facilities and agricultural machinery of plants located in Brazil's Northeast and Southeast, in addition to risks related to civil liability, for a total insured amount of R$515,258 thousand (R$108,892 thousand at March 31, 2018). The insurance coverage is considered sufficient by management, based on the opinion of the insurance advisors, to cover any losses.

The Company does not expect any difficulties in renewing the insurance policies.

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