Interim Financial Statements

S/A Usina Coruripe Açúcar e Álcool

June 30, 2019
with Independent auditor’s review report on interim financial statements

S/A Usina Coruripe Açúcar e Álcool

Interim financial statements

June 30, 2019

Contents

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A free translation from Portuguese into English of Independent Auditor's Review Report on Individual and Consolidated Interim Financial Statements originally issued in Portuguese

Independent auditor's review report on interim financial statements

The Shareholders, Board of Directors and Officers
S/A Usina Coruripe Açúcar e Álcool
Povoado de Camaçari - AL

Introduction

We have reviewed the individual and consolidated statement of financial position of S/A Usina Coruripe Açúcar e Alcool (the "Company"), as at June 30, 2019, identified as Individual and Consolidated, respectively, and the related individual and consolidated statements of profit or loss, of comprehensive income, of changes in equity and of cash flows for the three-month period then ended, including explanatory information.

The Company management is responsible for the preparation and presentation of these interim financial statements in accordance with Accounting 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). 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 auditing standards 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 individual and consolidated interim financial statements referred to above were not prepared, in all material respects, in accordance with CPC 21 (R1).

Recife, September 20, 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

Statements of financial position
June 30, 2019 and March 31, 2019
(In thousands of reais)

		Individual		Consolidated	
	Note	06/30/2019	03/31/2019	06/30/2019	03/31/2019
Assets					
Current assets					
Cash and cash equivalents	3	**125,048**	315,107	**207,333**	316,304
Trade accounts receivable	4	**61,926**	95,942	**68,951**	96,948
Inventories	5	**682,203**	485,577	**682,554**	485,864
Biological assets	10	**241,207**	236,289	**241,207**	236,289
Taxes recoverable	6	**107,338**	122,436	**107,391**	122,491
Dividends receivable	8	**9,421**	9,421	-	-
Derivative financial instruments	25	**3,250**	-	**3,250**	-
Other receivables	7	**19,060**	37,008	**19,060**	37,008
Total current assets		**1,249,453**	1,301,780	**1,329,646**	1,294,904
Noncurrent assets					
Long-term receivables					
Short-term investments		**1,921**	1,580	**1,921**	1,580
Inventories	5	**65,795**	65,795	**65,795**	65,795
Related parties	8	**96,271**	42,747	**42,411**	42,747
Taxes recoverable	6	**2,836**	1,665	**2,899**	1,740
Other receivables	7	**2,825,854**	2,794,766	**2,825,854**	2,794,766
Judicial deposits		**1,419**	1,415	**1,419**	1,416
Investments	9	**51,486**	44,557	**19,162**	19,190
Right of use	13	**762,321**	-	**762,321**	-
Property, plant and equipment	11	**1,258,925**	1,204,184	**1,268,779**	1,215,321
Intangible assets	12	**1,036**	593	**1,036**	593
Total noncurrent assets		**5,067,864**	4,157,302	**4,991,597**	4,143,148
Total assets		**6,317,317**	5,459,082	**6,321,243**	5,438,052

		Individual		Consolidated	
	Note	06/30/2019	03/31/2019	06/30/2019	03/31/2019
Liabilities					
Current liabilities					
Trade accounts payable		**147,728**	99,515	**147,974**	99,743
Loans and financing	14	**834,234**	905,494	**834,234**	905,494
Leases payable	13	**23,987**	-	**23,987**	-
Land partnership payable	13	**40,501**	-	**40,501**	-
Payroll and social charges		**59,767**	66,621	**60,046**	66,863
Employees' profit sharing		**3,319**	-	**3,319**	-
Taxes payable	15	**18,425**	26,816	**22,086**	29,443
Advances from customers	16	**170,523**	72,686	**170,523**	72,686
Derivative financial instruments	25	**993**	3,785	**993**	3,785
Dividends payable	18	**55,387**	55,387	**55,387**	55,387
Other obligations		**7,434**	4,074	**7,434**	4,074
Total current liabilities		**1,362,298**	1,234,378	**1,366,484**	1,237,475
Noncurrent liabilities					
Loans and financing	14	**1,900,266**	1,821,951	**1,900,266**	1,821,951
Leases payable	13	**451,199**	-	**451,199**	-
Land partnership payable	13	**233,160**	-	**233,160**	-
Taxes payable	15	**115,287**	95,494	**115,287**	95,494
Deferred income tax and social contribution	22	**606,046**	593,420	**606,046**	593,420
Related parties	8	**260**	24,127	**-**	-
Provision for contingencies	17	**9,401**	8,756	**9,401**	8,756
Other obligations		**351,146**	347,217	**351,146**	347,217
Total noncurrent liabilities		**3,666,765**	2,890,965	**3,666,505**	2,866,838
Equity	18				
Capital		**408,845**	408,845	**408,845**	408,845
Treasury shares		**(1,215)**	(1,215)	**(1,215)**	(1,215)
Revaluation reserve		**489**	2,986	**489**	2,986
Equity adjustments		**101,598**	105,293	**101,598**	105,293
Income reserves		**817,830**	817,830	**817,830**	817,830
Accumulated losses		**(39,293)**	-	**(39,293)**	-
Total equity		**1,288,254**	1,333,739	**1,288,254**	1,333,739
Total liabilities and equity		**6,317,317**	5,459,082	**6,321,243**	5,438,052

See accompanying notes.

S/A Usina Coruripe Açúcar e Álcool

Statements of profit or loss
Three-month period ended June 30, 2019
(In thousands of reais)

	Note	Individual 06/30/2019	Individual 06/30/2018	Consolidated 06/30/2019
Net operating revenue	19	**372,419**	300,443	**385,923**
Cost of products sold	20	**(302,615)**	(260,071)	**(303,490)**
Gross profit		**69,804**	40,372	**82,433**
Operating income (expenses)				
Selling expenses	20	**(33,724)**	(24,731)	**(33,724)**
General and administrative expenses	20	**(32,177)**	(31,798)	**(32,204)**
Equity pickup	9	**7,435**	30	**479**
Other operating income (expenses), net		**1,704**	(9,178)	**(10)**
		(56,762)	(65,677)	**(65,459)**
Operating income (expenses) before finance income (costs)		**13,042**	(25,305)	**16,974**
Finance income (costs)				
Finance costs	21	**(123,466)**	(337,649)	**(127,285)**
Finance income	21	**77,565**	29,303	**78,144**
		(45,901)	(308,346)	**(49,141)**
Income before income tax and social contribution		**(32,859)**	(333,651)	**(32,167)**
Income tax and social contribution:				
Current	22	**-**	-	**(692)**
Deferred	22	**(12,626)**	27,771	**(12,626)**
		(12,626)	27,771	**(13,318)**
Loss for the period		**(45,485)**	(305,880)	**(45,485)**
Number of shares		**1,400**	1,400	
Loss per share – R$		**(32,489.29)**	(218,485.71)	

See accompanying notes.

S/A Usina Coruripe Açúcar e Álcool

Statements of comprehensive income
Three-month period ended June 30, 2019
(In thousands of reais)

	Individual		Consolidated
	06/30/2019	**06/30/2018**	**06/30/2019**
Loss for the period	**(45,485)**	(305,880)	**(45,485)**
Other comprehensive income	**-**	-	-
Comprehensive income (loss) for the period	**(45,485)**	(305,880)	**(45,485)**

See accompanying notes.

S/A Usina Coruripe Açúcar e Álcool

Statements of changes in equity
Three-month period ended June 30, 2019 (Individual and Consolidated)
(In thousands of reais)

			Capital reserve	Income reserves				
	Capital	Treasury shares	Revaluation reserve	Legal	Retained profits	Equity adjustments	Retained earnings (accumulate losses)	Total
Balances at March 31, 2018	408,845	(1,215)	13,044	11,600	621,625	120,256	-	1,174,155
Realization of deemed cost (Note 18.b)	-	-	-	-	-	(3,756)	3,756	-
Realization of revaluation reserve (Note 18.b)	-	-	(2,525)	-	-	-	2,525	-
Loss for the period	-	-	-	-	-	-	(305,880)	(305,880)
Balances at June 30, 2018	408,845	(1,215)	10,519	11,600	621,625	116,500	(299,599)	868,275
Balances at March 31, 2019	408,845	(1,215)	2,986	21,944	795,886	105,293	-	1,333,739
Realization of deemed cost (Note 18.b)	**-**	**-**	**-**	**-**	**-**	**(3,695)**	**3,695**	**-**
Realization of revaluation reserve (Note 18.b)	**-**	**-**	**(2,497)**	**-**	**-**	**-**	**2,497**	**-**
Loss for the period	**-**	**-**	**-**	**-**	**-**	**-**	**(45,485)**	**(45,485)**
Balances at June 30, 2019	**408,845**	**(1,215)**	**489**	**21,944**	**795,886**	**101,598**	**(39,293)**	**1,288,254**

See accompanying notes.

S/A Usina Coruripe Açúcar e Álcool

Statements of cash flows
Three-month period ended June 30, 2019
(In thousands of reais)

	Note	Individual		Consolidated
		06/30/2019	06/30/2018	06/30/2019
Operating activities				
Loss before income tax and social contribution		**(32,859)**	(333,651)	**(32,167)**
Adjustments to reconcile pre-tax (loss) to cash:				
Finance charges and exchange differences, net		**(3,695)**	288,488	**100**
Equity pickup	9	**(7,435)**	(30)	**(479)**
Right-of-use depreciation	20	**19,731**	-	**19,731**
Depreciation and amortization	20	**40,866**	38,823	**42,325**
Absorption of harvested sugarcane costs	20	**19,514**	11,039	**19,514**
Absorption of crop handling costs	20	**31,954**	19,701	**31,954**
Changes in the fair value of biological assets	10	**(2,128)**	27,372	**(2,128)**
Set-up (reversal) of provision for contingencies	17	**645**	272	**645**
Residual value of permanent assets written off	11	**122**	4,828	**122**
Residual value of sugarcane crop written off	10	**-**	4,471	**-**
Write-off/disposal of investment	9	**-**	(140)	**-**
Set-up of provision for losses on inventories and allowance for expected credit losses		**-**	4,078	**-**
		66,715	65,251	**79,617**
(Increase) decrease in assets				
Trade accounts receivable		**31,599**	33,895	**25,579**
Inventories		**(151,399)**	(122,841)	**(151,363)**
Taxes recoverable		**13,927**	15,139	**13,940**
Related parties		**-**	117	**-**
Judicial deposits		**(5)**	(165)	**(5)**
Other receivables		**17,673**	3,356	**17,674**
Increase (decrease) in liabilities				
Trade accounts payable		**48,213**	41,687	**48,223**
Payroll and social charges		**(6,853)**	(7,406)	**(6,816)**
Employees' profit sharing		**3,319**	3,429	**3,319**
Taxes payable		**(10,406)**	(14,987)	**(9,892)**
Advances from customers		**97,837**	562	**97,837**
Other obligations		**7,288**	521	**7,288**
		51,193	(46,693)	**45,794**
Income and social contribution taxes paid		**-**	-	**(172)**
Net cash from (used in) operating activities		**117,908**	18,558	**125,239**
Investing activities				
Short-term investments		**(320)**	(257,512)	**(320)**
Redemption of short-term investments		**6**	(80,183)	**6**
Biological assets (handling and planting)	10	**(55,177)**	(82,496)	**(55,177)**
Investment in property, plant and equipment	11	**(140,452)**	-	**(140,627)**
Investment in intangible assets	12	**(29)**	(6)	**(29)**
Other		**506**	-	**506**
Net cash used in investing activities		**(195,466)**	(420,197)	**(195,641)**

S/A Usina Coruripe Açúcar e Álcool

Statements of cash flows (Continued)
Three-month period ended June 30, 2019
(In thousands of reais)

		Individual		Consolidated
	Note	06/30/2019	06/30/2018	06/30/2019
Financing activities				
Loans and financing raised	14	**601,030**	603,258	**601,030**
Repayment of principal - loans and financing	14	**(563,995)**	(145,105)	**(563,995)**
Repayment of interest – loans and financing	14	**(75,580)**	(66,571)	**(75,580)**
Intercompany loans received – principal and interest		**406,573**	-	**-**
Intercompany loans raised/repaid		**(494,458)**	(25)	**(24)**
Repayment/granting of intercompany loans		**13,929**	-	**-**
Net cash from (used in) financing activities		**(112,501)**	391,557	**(38,569)**
Decrease in cash and cash equivalents		**(190,059)**	(10,082)	**(108,971)**
Cash and cash equivalents				
At beginning of period		**315,107**	136,808	**316,304**
At end of period		**125,048**	126,726	**207,333**
Decrease in cash and cash equivalents		**(190,059)**	(10,082)	**(108,971)**

See accompanying notes.

1. Operations

a) Business purpose

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 leased 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, having processed approximately 4,622 thousand tons of sugarcane in the first quarter of the 2019/2020 crop (3,948 thousand tons in the first quarter of the 2018/2019 crop). Northeast region's annual crop season starts in September and ends in March, while in the Southeast, the season starts in April and ends in December, causing fluctuations in the Company's inventories, since approximately 22% (25% for 2018/2019 crop) of the production is located in the Northeast region and 78% (75% for 2018/2019 crop) in the Southeast region. For the first quarter of the 2019/2020 crop, 34% (29% for the first quarter of the 2018/2019 crop) of the sugarcane used in the manufacturing of products derived from the Company's own plantations under sharecropping arrangements, including with shareholders and related companies, and the remaining 66% (71% for the 2018/2019 crop) from third-party suppliers.

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

These individual and consolidated interim financial statements were prepared under various assessment bases used in accounting estimates. The accounting estimates involved in the preparation of the interim financial statements were based on objective and subjective factors, considering management’s judgment for determining the adequate amounts to be recorded in the interim financial statements.

(In thousands of reais)

2. Presentation of financial statements and summary of accounting policies (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 indemnification receivables, as well as analysis of other risks in determining other provisions, including provision for contingencies. The asset and liability financial instruments are recorded at their fair values under finance income (costs) for the period.

Settlement of transactions involving these estimates may result in amounts significantly different from those recorded in the interim financial statements due to the uncertainties inherent in their estimate process. The Company reviews its estimates and assumptions at least on an annual basis.

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 Brazil's National Association of State Boards of Accountancy (CFC). These interim financial statements evidence all material information relevant to the financial statements, and only it, which is consistent with the information used by management in managing the Company.

These interim financial statements were prepared in accordance with accounting principles, practices and criteria consistent with those adopted in the preparation of the annual financial statements for the financial year ended March 31, 2019, described in Note 2 to those annual financial statements. Therefore, these interim financial statements should be read together with the referred to annual financial statements.

The Company's interim financial statements for the three-month period ended June 30, 2019 were authorized for issue as resolved by Company's Directors on September 20, 2019.

2.1 Basis of consolidation of investment in subsidiary

Subsidiaries are all entities over which the Company holds control, fully consolidated from the date on which control is transferred to the Company. Consolidation ceases as from the date the Company no longer holds control over the investee.

Consolidated balances in the financial statements for the three-month period ended June 30, 2019 include the following subsidiaries:

		% Ownership interest		
	Country	**06/30/2019**	**06/30/2018**	**03/31/2019**
Coruripe Energética S.A.	Brazil	**100%**	-	100%

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

2.1 Basis of consolidation of investment in subsidiary (Continued)

The subsidiaries' financial statements are prepared using accounting policies consistent with those adopted by the Company. All intra-group balances, revenues and expenses and unrealized gains and losses, arising from intra-group transactions, are fully eliminated.

Then subsidiaries Demercur S.A. and Coruripe Lux S.A. were divested in a corporate restructuring process on April 10, 2018 and May 24, 2018, respectively. As from those dates, the Company no longer consolidated these companies' operations.

Acquisition of control of Coruripe Energética S.A.

On March 13, 2019, the shareholders approved acquisition of control of Coruripe Energética S.A., through transfer of shares, previously held by the controlling holdings of the Tércio Wanderley Group, by the Company. Therefore, as from that date, the Company began consolidating the operations of Coruripe Energética S.A.

2.2. Changes in significant accounting policies

First-time adoption of CPC 06 (R2) – Leases

Beginning April 1, 2019, the Company adopted CPC 06 (R2) – *Leases*, which introduced a single model to account for leases and sharecropping in the statement of financial position. The asset right-of-use was recognized as an asset and the payment liability, as a liability. The comparative information presented as at March 31, 2019 is in accordance with CPC 06 (R1) and related interpretations, using the modified retrospective approach, and corresponding figures do not need to be restated. The impacts of adoption of this standard are detailed in Note 14. Changes in accounting policies are detailed below:

a) Leases – definition CPC 06 (R2)

The Company used to adopt the lease definition contained in ICPC 03 – *Supplementary Aspects of Leases*. Pursuant to CPC 06 (R2), it now considers as a lease any contract that, in exchange for consideration, transfers to the Company the right to use an asset for a given period of time. Sharecropping agreements were accounted for as leases, despite having a different legal nature.

(In thousands of reais)

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

2.2. Changes in significant accounting policies (Continued)

CPC 06(R2) – Leases (Continued)

b) Lessee

The Company adopted a modified retrospective approach and the following criteria: (i) liabilities: remaining balances of contracts in force on the date of first-time adoption, deducted from the actual interest rate of the Company's loans (weighted average rate of 10.77%); and (ii) assets: amount equivalent to the liability adjusted to present value. No assets and liabilities were recognized for low-value contracts (computers, telephone devices and IT equipment in general) and/or for contracts effective for 12 months or less. Payments related to these contracts were recorded as expenses on a straight-line basis.

c) Lessor

There were no changes in how contracts in which the Company is a lessor are accounted for.

3. Cash and cash equivalents and short-term investments

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

	Individual		Consolidated	
	06/30/2019	03/31/2019	06/30/2019	03/31/2019
Cash	**29**	29	**29**	29
Bank checking account				
In Brazil	**30,191**	30,878	**112,476**	32,075
Abroad	**56,938**	153,793	**56,938**	153,793
	87,158	184,700	**169,443**	185,897
Short-term investments	**37,890**	130,407	**37,890**	130,407
	125,048	315,107	**207,333**	316,304

Short-term investments basically include marketable securities represented mostly by Bank Deposit Certificates (CDB), repurchase agreements, debentures and certificate accounts with lottery prizes, all redeemable within 90 days, with annual remuneration rates ranging from 75% to 102% of CDI at June 30, 2019 (67% to 105.7% of CDI at March 31, 2019).

(In thousands of reais)

4. Trade accounts receivable

Trade accounts receivable are initially stated at present value, less allowance for expected credit losses, where applicable.

The balance of trade accounts receivable is broken down as follows:

	Individual		Consolidated	
	06/30/2019	03/31/2019	06/30/2019	03/31/2019
In Brazil	**59,377**	70,240	**66,402**	71,246
Abroad	**3,011**	26,164	**3,011**	26,164
	62,388	96,404	**69,413**	97,410
(-) Allowance for expected credit losses	**(462)**	(462)	**(462)**	(462)
	61,926	95,942	**68,951**	96,948

The aging list of trade accounts receivable is as follows:

	Individual		Consolidated	
	06/30/2019	03/31/2019	06/30/2019	03/31/2019
Falling due	**59,352**	92,421	**66,377**	93,427
Overdue:				
From 1 to 30 days	**495**	916	**495**	916
From 31 to 90 days	**120**	356	**120**	356
From 91 to 120 days	**284**	127	**284**	127
More than 121 days	**2,137**	2,584	**2,137**	2,584
	62,388	96,404	**69,413**	97,410

Expected credit losses were estimated based on credit risk analysis, which considers the history of losses, the individual situation of the customers, the situation of the economic group to which they belong, the security interest for debts, and assessment of legal advisors. Expected credit losses are deemed sufficient to cover any losses on amounts receivable and the changes in the allowance are shown below:

	Individual	
	06/30/2019	03/31/2019
Opening balance	**(462)**	(1,072)
Set-up	**-**	(1,182)
Reversal	**-**	1,792
Closing balance	**(462)**	(462)

(In thousands of reais)

5. Inventories

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

	Individual		Consolidated	
	06/30/2019	03/31/2019	06/30/2019	03/31/2019
Finished products:				
Sugar	**136,470**	18,299	**136,470**	18,299
Ethanol	**53,773**	12,596	**53,773**	12,596
Molasses	**1,169**	1,306	**1,169**	1,306
Supplies	**52,482**	59,184	**52,833**	59,670
Third-party inventories held by the Company	**-**	7,490	**-**	7,490
	243,894	98,875	**244,245**	99,361
Provision for inventory losses	**(6,591)**	(6,591)	**(6,591)**	(6,790)
	237,303	92,284	**237,654**	92,571
Advances to sugarcane suppliers	**512,570**	460,963	**512,570**	460,963
Provision for losses on advances	**(1,875)**	(1,875)	**(1,875)**	(1,875)
	510,695	459,088	**510,695**	459,088
	747,998	551,372	**748,349**	551,659
Current	**(682,203)**	(485,577)	**(682,554)**	(485,864)
Noncurrent	**65,795**	65,795	**65,795**	65,795

The Company entered into partnerships for acquisition of sugarcane produced in third-party rural properties (also under the sharecropping regime). Agreements are usually signed for a period of up to seven sugarcane cycles. At June 30, 2019, advances to sugarcane suppliers amounting to R$ 512,570 (R$460,963 at March 31, 2019) were equivalent to approximately 6,031 thousand tons of sugarcane (5,553 thousand tons at March 31, 2019), which accounts for 41.8% of the Company's annual production capacity (37.7% at March 31, 2019).

Changes in the provision for inventory losses and advances to sugarcane suppliers are as follows:

	06/30/2019	03/31/2019
Opening balance	(8,466)	(5,570)
Set-up	**-**	(2,896)
Closing balance	**(8,466)**	(8,466)

(In thousands of reais)

6. Taxes recoverable

	Individual		Consolidated	
	06/30/2019	03/31/2019	06/30/2019	03/31/2019
Contribution tax on gross revenue for social security financing (COFINS)	**56,324**	73,037	**56,324**	73,037
Contribution tax on gross revenue for social integration program (PIS)	**11,687**	9,692	**11,687**	9,692
Federal VAT (IPI)	**11,446**	11,529	**11,446**	11,529
State VAT (ICMS) - regular	**11,587**	12,365	**11,587**	12,367
ICMS on fixed assets (CIAP)	**4,083**	2,399	**4,194**	2,522
Corporate income tax (IRPJ) prepaid	**5,996**	5,996	**5,996**	5,996
Social contribution tax on net profit (CSLL) prepaid	**7,502**	7,484	**7,502**	7,484
Other	**1,549**	1,599	**1,554**	1,604
	110,174	124,101	**110,290**	124,231
Current	**(107,338)**	(122,436)	**(107,391)**	(122,491)
Noncurrent	**2,836**	1,665	**2,899**	1,740

The Company filed declaratory judgment action pleading non-existence of legal-tax relationship regarding undue payments made with the Federal Finance Office, claiming exclusion of ICMS from the PIS and COFINS tax base, as well as the right to be fully refunded of the overpaid amounts. The suit filed in 2005 also pleaded the decennial period from the filing of the lawsuit, that is, retroactively to 1995.

On December 13, 2018, a favorable final decision was granted for the Company's claims in proceeding AMS93049 – AL (0003665-31.2005.4.05.8000) for considering the inclusion of ICMS in the PIS and COFINS tax base unconstitutional, and acknowledging the right to offset and/or refund the unduly paid amounts, under the same title, from the period beginning 1995 (10 years prior to filing of the suit) to March 2017, date on which the Federal Supreme Court (STF) judged Special Appeal (RE) No. 574.706, processed as general resonance, through which the inclusion of ICMS in the PIS and COFINS tax base was considered unconstitutional by majority voting.

Accordingly, at March 31, 2019, the Company recognized R$ 35,014 referring to PIS and Cofins credits, duly restated by reference to the SELIC rate from the beginning. The referred to credits were computed based on the ICMS amount separately identified in the shipment invoices, in line with the STF understanding in its aforementioned decision.

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

	Individual	
Year	**06/30/2019**	**03/31/2019**
2020/2021 crop	**1,172**	655
2021/2022 crop	**958**	453
2022/2023 crop	**550**	166
2023/2024 crop	**117**	293
2024/2025 crop onwards	**39**	98
	2,836	1,665

(In thousands of reais)

7. Other receivables (Individual and Consolidated)

		06/30/2019	03/31/2019
Indemnification credits - IAA	(a)	**2,754,085**	2,723,272
Accounts receivable from crop sales	(b)	**62,860**	75,700
Ethanol subsidy receivable (Law No. 13000/14)		**14,000**	14,000
Advances to employees		**5,102**	4,633
Other receivables		**8,867**	14,169
		2,844,914	2,831,774
Current		**(19,060)**	(37,008)
Noncurrent		**2,825,854**	2,794,766

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

Still in the 90s, the Company filed two suits for damages against the Federal Government and the former Sugar and Alcohol Institute ("IAA 4870"), claiming indemnification for losses from sugar and alcohol prices set below the production cost, for all crops from the period from March 1985 to November 1992. Final decisions were handed down in previous years regarding such suits, for which the right to indemnification pleaded by the Company may no longer be modified.

Accordingly, in 2015 the Company prepared calculations to estimate the present value of expected cash flows from these indemnifications and recorded the amount of R$1,602,473 at the time. From then on, the credit amount is restated based on IPCA-E variation in subsequent years. For the year of the 2018/2019 crop, ended March 31, 2019, the Company reviewed the estimated present value of such indemnifications due to changes in certain assumptions used in the calculations. Thus, for the year ended March 31, 2019, as a result of adoption of the new assumptions, the Company accounted for the additional amount of R$1,731,886 retroactively to 2015, concerning the restated present value of the expected cash flows from these indemnifications, totaling R$2,723,272. The amount of R$351,146 (R$347,217 at March 31, 2019) was also recognized corresponding to the provision for payment of lawyers' fees, in addition to maintaining the recognition of deferred income and social contribution tax liabilities, and deferred PIS and Cofins liabilities on the portion of interest and restatement on such credits.

For the current period, the Company recorded R$30,813 (Note 21), corresponding to restatement by the IPCA-E in the period. The restated amount recorded by the Company totals R$2,754,085 at June 30, 2019.

(b) Receivables from crop sales

In June 2016, the Company sold to third-party suppliers 100% of its own ratoon arising from sharecropping in the Campo Florido plant. This sale comprised approximately 20,500 hectares of sugarcane ratoon. The total amount of sales was R$68,705, of which 20.9% amounting to R$14,359 was paid in cash by the suppliers, and the remaining amount of R$54,346 was converted into total recoverable sugar – kg/ATR – 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 contracted payment schedule was 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 is being discounted upon annual sugarcane delivery by 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 June 30, 2019, the amount received referring to sales contracts of ratoon areas totaled R$65,468, with a remaining balance receivable of R$4,980 referring to this transaction, resulting from renegotiation of terms for some contracts which the Company expects to settle during the 2019/2020 crop.

Furthermore, at June 30, 2019, the Company has a balance of R$11,912 (R$12,272 at March 31, 2019) referring to sales of certain ratoon areas in Iturama plant. Under the receipt schedule: 50% during the 2019/2020 crop and the remaining 50% in the 2020/2021 crop. In addition, the Company records balances of R$45,968 (R$45,968 at March 31, 2019) referring to sales of certain ratoon areas in Coruripe/AL plant, with maturities from the 2019/2020 crop onwards, divided into three crops.

8. Related parties

Control

The Company is a wholly-owned subsidiary of Coruripe Holding S.A. The corporate organization chart of the Tércio Wanderley Group, to which the Company belongs, is as follows:

Key management personnel compensation

Total compensation paid to management (including board members and directors) totaled R$2,170 and R$2,298 for the periods ended June 30, 2019 and 2018, respectively.

At June 30, 2019 and March 31, 2018, the Company's balances with related parties are as follows:

(In thousands of reais)

8. **Related parties** (Continued)

		Individual		Consolidated	
		06/30/2019	03/31/2019	06/30/2019	03/31/2019
Current assets					
Dividends receivable					
Coruripe Energética S.A.	(a)	**9,421**	-	**-**	-
		9,421	-	**-**	-
Noncurrent					
Intercompany loan					
Coruripe Energetica S.A.		**53,860**	-	**-**	-
Coruripe Holding S.A.	(a)	**42,411**	42,747	**42,411**	42,747
		96,271	42,747	**42,411**	42,747
Noncurrent liabilities					
Intercompany loan					
Coruripe Energética S.A.	(a)	**260**	24,127	**-**	-
		260	24,127	**-**	-
Statement of profit or loss					
Revenue					
Coruripe Energética S.A.	(b)	**-**	5,127	**-**	-
		-	5,127	**-**	-
Cost					
Coruripe Energética S.A.	(b)	**(1,828)**	(5,127)	**-**	-
GTW Agronegócios S.A.	(c)	**(13,452)**	(45,462)	**(13,452)**	(45,462)
		(15,280)	(50,589)	**(13,452)**	(45,462)
Other operating income					
Coruripe Energética S.A.	(b)	**1,702**	-	**-**	-
		1,702	-	**-**	-
Finance income					
C Engenharia S.A.	(a)	**-**	411	**-**	411
Coruripe Energética S.A.	(a)	**1,590**	(459)	**-**	(459)
Coruripe Holding S.A.	(a)	**(595)**	4,158	**(595)**	4,158
		995	4,110	**(595)**	4,110

Transactions with related parties were carried out under the conditions agreed between the parties, as follows:

(a) The Company has intercompany loans entered into with related entities, subject to interest of 7.7% p.a., with Tax on financial transactions (IOF) applied to loan transactions;

(b) The Company has a purchase and sale agreement whereby it sells raw sugarcane bagasse and purchases steam from Coruripe Energética S.A., effective until March 31, 2023, subject to extensions if so agreed upon by and between the parties. 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 32 sugarcane sharecropping agreements with GTW Agronegócios S.A. and individuals of the Tércio Wanderley Group, on September 28, 2009, effective for 50 years, subject to extensions if so agreed upon by and between the parties. The prices are defined by the parties and 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) of the specific location of each leased plot of land.

(d) The Company has a lease agreement at no cost for lease of the Sugar Transshipment Terminal of Fernandópolis/SP, owned by three personal holdings that control the Tércio Wanderley Group (V.W. Participações e Empreendimentos Ltda., R.W. Participações and Empreendimentos Ltda. and S.M. Participações e Empreendimentos Ltda.). The agreement, effective for 20 years (beginning April 2009), allows the Company to operate, at its expense and not subject to lease rates, the sugar road and rail terminal located in Fernadopólis/SP (truck entrance and train exit to the port of Santos/ SP);

(e) The Company has a contract for free assignment of certain chattels and areas of the Company's industrial plant, in the Iturama unit, in force until December 2022, and in the Campo Florido unit, effective until December 2037, which are used by Coruripe Energética for its renewable electric power generation business.

(In thousands of reais)

9. Investments

	Individual		Consolidated	
	06/30/2019	03/31/2019	06/30/2019	03/31/2019
Noncurrent assets				
Investments				
Coruripe Energética S.A.	**32,324**	25,367	**-**	-
Centro de Tecnologia Canavieira S.A.	**18,558**	18,824	**18,558**	18,824
Empresa Alagoana de Terminais Ltda.	**604**	366	**604**	366
	51,486	44,557	**19,162**	19,190

Information on investments

	Coruripe Energética S.A.		CTC S.A.	
	06/30/2019	03/31/2019	06/30/2019	03/31/2019
Equity	**32,324**	25,367	587,156	595,655
Net income for the period	**6,956**	37,684	7,527	34,220
Number of shares held	**30,465**	30,465	24,021	24,021
% Ownership interest	**100%**	100%	3,16%	3.16%
Investment	**32,324**	25,367	18,558	18,823
Equity pickup	**6,956**	(226)	238	1,081

Changes in investments are as follows:

	06/30/2019	03/31/2019
Opening balance	44,557	18,116
Acquisition of investments	**-**	34,867
Dividends proposed	**-**	(9,421)
Equity pickup	**7,435**	995
Other	**(506)**	-
Closing balance	**51,486**	44,557

10. Biological assets (Individual and Consolidated)

Biological assets comprise planting and cultivation of sugarcane, which will be used as raw material in the production of sugar and ethanol in the next crop. These assets are carried at fair value less costs to sell.

The Company has sugarcane plantations growing in the states of Minas Gerais and Alagoas. The cultivation of sugarcane is treated as a semi-perennial activity that begins with the planting of seedlings in own or third-party land. The first cut occurs after a period from 12 to 18 months after planting, when the cane is cut and the root (ratoon) remains in the soil. The treated ratoon grows again and its production is considered economically feasible, on average, for six to seven cuts.

Sugarcane fair value upon harvesting is determined by the harvested amount, valued according to CONSECANA's system, accumulated to the month and computed based on price performance of the Company's goods for Minas Gerais units; as for the Coruripe unit, CONSECANA-AL performance price is used. The fair value of harvested sugarcane will be the cost of the raw material used in the sugar and ethanol production process.

Planted areas represent only sugarcane crops, not considering the land where these are located.

The fair value of sugarcane crops was determined by using the discounted cash flow method, basically considering:

(a) Cash inflows obtained by multiplying (i) estimated production, measured in kilos of ATR (Total Recoverable Sugar), and (ii) sugarcane future market price, which is estimated based on public data and future price estimates of sugar and ethanol; and

(b) Cash outflows represented by estimated (i) costs required for the biological processing of sugarcane (crops) until harvest; (ii) harvest/cut, loading and transportation (CCT) costs; (iii) capital cost (land, machinery and equipment); (iv) lease and sharecropping costs; and (v) taxes on positive cash flow.

(In thousands of reais)

10. Biological assets (Individual and Consolidated) (Continued)

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

	06/30/2019	03/31/2019
Estimated harvest area (in hectares)		
Northeast	**26,996**	26,996
Southeast	**41,579**	41,322
Forecast productivity (in sugarcane tons per hectare)		
Northeast	**75.27**	75.07
Southeast	**90.30**	90.58
Total quantity of recoverable sugar - ATR (kg)		
Northeast - sharecropping	**135.80**	135.89
Northeast – Lease	**114.09**	114.09
Southeast - sharecropping	**136.15**	136.91
Southeast – Lease	**125.81**	125.81
Projected average ATR price per Kg (R$/kg)		
Northeast	**0.6963**	0.6963
Southeast	**0.6685**	0.6550

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 products sold” in the statement of profit or loss for the year.

Changes in biological assets (sugarcane) are as follows:

	06/30/2019	03/31/2019
Opening balance	236,289	235,485
Changes in fair value (Note 20)	**2,128**	(19,269)
Increases due to crop handling	**55,177**	161,618
Depletion due to harvest (Note 20)	**(76,505)**	(242,400)
Write-off due to sale of crops	**-**	(11,047)
Increases due to plantation	**-**	522
Transfer of property, plant and equipment (Note 13)	**24,118**	111,380
Closing balance	**241,207**	236,289

11. Property, plant and equipment

Property, plant and equipment items are measured at the historical acquisition or construction cost, deemed cost, less accumulated depreciation and accumulated impairment losses, if any.

The Company adopted the provision contained in CPC 37 and, following guidance in ICPC 10 – Interpretation on first-time application to property, plant and equipment and investment property of accounting pronouncements CPC 27, CPC 28, CPC 37 and CPC 43, evaluated its buildings, machinery and equipment for a new deemed cost. The effects of deemed cost led to an increase in property, plant and equipment, matched against equity, net of taxes.

Residual value and useful life of the assets, as well as the depreciation methods, are reviewed at year end, and adjusted prospectively. Depreciation is computed under the straight-line method, and for production equipment the accelerated depreciation method is used, observing the sugarcane crushing period.

The Company performs planned major maintenance activities in its plants on an annual basis. This generally occurs in the off-season periods disclosed in Note 1 for the purpose of inspecting and replacing property, plant and equipment components. Maintenance expenses leading to extension of the economic useful lives of property, plant and equipment items are capitalized, and items suffering wear and tear during the crop are recorded in assets upon replacement and depreciated over the next crop. Maintenance expenses with no impact on the economic useful life of the assets are recognized as expenses when realized. Replaced items are written off.

Impairment of non-financial assets

Property, plant and equipment are annually reviewed to identify evidence of impairment, or whenever events or changes in circumstances indicate impairment.

Land used for planting

As mentioned in Note 8(c), the Company entered into 32 agreements with related party GTW Agronegócios S.A. and individuals of the Tércio Wanderley Group, effective for 50 years. These agreements refer to approximately 32 thousand hectares (32 thousand hectares at March 31, 2019) located in the state of Alagoas and 17 thousand hectares (17 thousand hectares at March 31, 2019) located in the state of Minas Gerais.

(In thousands of reais)

11. **Property, plant and equipment** (Continued)

Breakdown of balances

		Individual			
		06/30/2019			03/31/2019
	Average depreciation rate (% p.a.)	Cost	Accumulated depreciation	Net	Net
Aircraft	10%	**2,026**	**(1,300)**	**726**	776
Buildings and improvements	4%	**311,039**	**(127,800)**	**183,239**	184,562
Furniture and fixtures	8%	**18,489**	**(13,222)**	**5,267**	5,136
Machinery and equipment	5%	**1,295,357**	**(824,848)**	**470,509**	442,299
Facilities	4%	**243,125**	**(129,423)**	**113,702**	99,888
Farming implements	7%	**74,812**	**(43,346)**	**31,466**	30,129
Vehicles	20%	**110,677**	**(92,422)**	**18,255**	11,763
IT equipment	10%	**14,411**	**(10,662)**	**3,749**	3,399
Frequently replaced parts and components	100%	**1,127,297**	**(1,049,335)**	**77,962**	75,945
Construction in progress and advances to suppliers	-	**13,920**	**-**	**13,920**	27,088
		3,211,153	**(2,292,358)**	**918,795**	880,985
Land and properties	-	**19,780**	**-**	**19,780**	19,457
Sugarcane plantation	14.3%	**1,161,212**	**(840,862)**	**320,350**	303,742
		4,392,145	**(3,133,220)**	**1,258,925**	1,204,184

		Consolidated			
		06/30/2019			03/31/2019
	Average depreciation rate (% p.a.)	Cost	Accumulated depreciation	Net	Net
Aircraft	10%	**2,026**	**(1,300)**	**726**	776
Buildings and improvements	4%	**312,799**	**(128,639)**	**184,160**	185,496
Furniture and fixtures	8%	**18,511**	**(13,231)**	**5,280**	5,149
Machinery and equipment	5%	**1,345,989**	**(869,159)**	**476,830**	448,748
Facilities	4%	**244,776**	**(130,718)**	**114,058**	100,250
Farming implements	7%	**74,812**	**(43,346)**	**31,466**	30,129
Vehicles	20%	**110,677**	**(92,422)**	**18,255**	11,763
IT equipment	10%	**14,411**	**(10,662)**	**3,749**	3,399
Frequently replaced parts and components	100%	**1,146,356**	**(1,066,331)**	**80,025**	79,324
Construction in progress and advances to suppliers	-	**14,100**	**-**	**14,100**	27,088
		3,284,457	**(2,355,808)**	**928,649**	892,122
Land and properties	-	**19,780**	**-**	**19,780**	19,457
Sugarcane plantation	14.3%	**1,161,212**	**(840,862)**	**320,350**	303,742
		4,465,449	**(3,196,670)**	**1,268,779**	1,215,321

(In thousands of reais)

11. Property, plant and equipment (Continued)

Changes in balances

	Individual						
	Balance at 03/31/2019	Additions	Write-offs	Depreciation	Transfers	Reclassifications (a)	Balance at 06/30/2019
Aircraft	776	-	-	(50)	-	-	726
Buildings and improvements	184,562	228	-	(2,596)	1,045	-	183,239
Furniture and fixtures	5,136	447	(2)	(314)	-	-	5,267
Machinery and equipment	442,299	35,080	(107)	(12,522)	5,759	-	470,509
Facilities	99,888	5,800	-	(2,443)	10,457	-	113,702
Farming implements	30,129	2,218	-	(881)	-	-	31,466
Vehicles	11,763	8,193	-	(1,701)	-	-	18,255
IT equipment	3,399	103	-	(172)	419	-	3,749
Frequently replaced parts and components	75,945	38,731	-	(40,325)	3,611	-	77,962
Construction in progress and advances to suppliers	27,088	8,590	-	-	(21,291)	(467)	13,920
	880,985	99,390	(109)	(61,004)	-	(467)	918,795
Land and properties	19,457	336	(13)	-	-	-	19,780
Sugarcane plantation	303,742	40,726	-	-	-	(24,118)	320,350
	1,204,184	140,452	(122)	(61,004)	-	(24,585)	1,258,925

(a) Amounts referring to reclassification to biological assets (R$24,118) and intangible assets (R$467).

(In thousands of reais)

11. Property, plant and equipment (Continued)

Balance breakdown (Continued)

	Consolidated						
	Balance at 03/31/2019	Additions	Write-offs	Depreciation	Transfers	Reclassifications (a)	Balance at 06/30/2019
Aircraft	776	-	-	(50)	-	-	726
Buildings and improvements	185,496	228	-	(2,609)	1,045	-	184,160
Furniture and fixtures	5,149	447	(2)	(314)	-	-	5,280
Machinery and equipment	448,748	35,160	(107)	(12,730)	5,759	-	476,830
Facilities	100,250	5,800	-	(2,449)	10,457	-	114,058
Farming implements	30,129	2,218	-	(881)	-	-	31,466
Vehicles	11,763	8,193	-	(1,701)	-	-	18,255
IT equipment	3,399	103	-	(172)	419	-	3,749
Frequently replaced parts and components	79,324	36,755	-	(41,556)	5,502	-	80,025
Construction in progress and advances to suppliers	27,088	10,661	-	-	(23,182)	(467)	14,100
	892,122	99,565	(109)	(62,462)	-	(467)	928,649
Land and properties	19,457	336	(13)	-	-	-	19,780
Sugarcane plantation	303,742	40,726	-	-	-	(24,118)	320,350
	1,215,321	140,627	(122)	(62,462)	-	(24,585)	1,268,779

(a) Amounts referring to reclassification to biological assets (R$24,117) and intangible assets (R$467).

(In thousands of reais)

11. Property, plant and equipment (Continued)

Guarantees

In view of certain loans and financing of the Company, property, plant and equipment items amounting to R$497,317 (R$454,716 at March 31, 2019) are given in guarantee to creditors.

Deemed cost

This refers to adoption of a new deemed cost 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 adoption of the deemed cost are as follows:

	Individual		
	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 June 30, 2019, the remaining balance of surplus included in property, plant and equipment, of the equity adjustment recorded in equity, and the deferred income and social contribution tax liabilities is R$153,895, R$101,598 and R$52,324 (R$159,521, R$105,293 and R$54,228 at March 31, 2019), respectively.

12. Intangible assets (Individual and Consolidated)

Changes in balances

	Balance at 03/31/2019	**Additions**	**Depreciation**	**Reclassifications**	**Balance at 06/30/2019**
Software	593	**29**	**(53)**	**467**	**1,036**
	593	**29**	**(53)**	**467**	**1,036**

(In thousands of reais)

13. Right of use, leases payable and land partnership payable (Individual and Consolidated)

As mentioned in Note 2.2, the Company recognized CPC 06 (R2) on April 1, 2019.

Changes in right of use and lease and sharecropping payable for the period of this interim information were as follows:

	Right of use of vehicles/machinery and equipment	Land partnership	Agriculture-related lease	Right-of-use asset
Adoption on April 1, 2019	**5,421**	**290,323**	**486,308**	**782,052**
Amortization	**(731)**	**(13,037)**	**(5,963)**	**(19,731)**
	4,690	**277,286**	**480,345**	**762,321**
Useful life (years)	**2 to 5**	**2 to 24**	**5 to 40**	

	Individual and Consolidated		
	Lease commitment balance	Present value adjustment of leases	Lease liability
Adoption on April 1, 2019	**2,309,291**	**(1,527,239)**	**782,052**
Taxes (PIS and Cofins)	**(18,910)**	**-**	**(18,910)**
Payments made	**(33,861)**	**-**	**(33,861)**
Allocation of financial charges	**-**	**19,566**	**19,566**
	2,256,520	**(1,507,673)**	**748,847**
Current			**(64,488)**
Noncurrent			**684,359**

Estimated long-term lease and sharecropping balances payable mature as follows:

Year	06/30/2019
From 07/01/2020 to 06/30/2021	**75,620**
From 07/01/2021 to 06/30/2022	**69,230**
From 07/01/2022 to 06/30/2023	**59,757**
From 07/01/2023 to 06/30/2024	**28,893**
From 07/01/2024 to 06/30/2025	**24,880**
From 07/01/2025 to 06/30/2026	**21,496**
From 07/01/2027 to 06/30/2027	**404,483**
	684,359

(In thousands of reais)

14. Loans and financing (Individual and Consolidated)

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

	06/30/2019	03/31/2019
Local currency		
Fixed interest from 2.5% to 13.0% p.a.	**175,915**	162,413
TJLP + 3.0% p.a. 50% of IGPM; 40% of IPCA; and 3.5% to 5.5% p.a. + CDI	**1,428,164**	1,317,921
Total in local currency	**1,604,079**	1,480,334
Foreign currency (US$)		
Libor + 4.5% to 6.65% p.a.	**1,024,859**	1,030,053
Fixed interest from 6.0% to 9.98% p.a.	**105,562**	217,058
Total in foreign currency	**1,130,421**	1,247,111
	2,734,500	2,727,445
Current	**(834,234)**	(905,494)
Noncurrent	**1,900,266**	1,821,951

Changes in loans and financing for the years ended June 30, 2019 and March 31, 2019 are as follows:

	06/30/2019	03/31/2019
Opening balance	2,727,445	2,396,514
Funding	**601,030**	802,321
Interest and exchange differences incurred	**45,600**	481,386
Payment of principal	**(563,995)**	(687,271)
Payment of interest	**(75,580)**	(265,505)
Closing balance	**2,734,500**	2,727,445

The amounts maturing in the long-term are broken down as follows:

Year	06/30/2019	03/31/2019
2020/2021 crop	**83,948**	667,478
2021/2022 crop	**131,285**	625,840
2022/2023 crop	**1,309,678**	511,662
2023/2024 crop	**38,662**	11,662
2024/2025 crop onwards	**336,693**	5,309
	1,900,266	1,821,951

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

(In thousands of reais)

14. Loans and financing (Individual and Consolidated) (Continued)

<u>Covenants</u>

The Company entered into agreements with the financial institutions Santander, Itaú Unibanco, JP Morgan, Banco do Brasil, Citibank, Rabobank, HSBC, Credit Suisse, ABN, Amerra, Sucden, CRA01, CRA02, CRA03, and AF that require the maintenance of economic and financial ratios at certain levels. At March 31, 2020, main financial ratios that the Company needs to meet are the following, all calculated as required by covenants and determined based on the book balances contained in the consolidated financial statements, according to waiver letters approved by the banks and other creditors:

i. Equity to total assets ratio ≥ 20.0%;
ii. Net debt to adjusted EBITDA ratio (excluding capex) ≤ 4.50;
iii. Adjusted EBITDA to net finance cost ratio (excluding foreign exchange differences and provision for present value adjustment IAA/4870) ≥ 2.5;
iv. Net debt to adjusted EBITDA ratio ≥ 3.0;
v. Current liquidity ≥ 1.0; and
vi. Advance limit per exchange contract: USD 100,000 thousand.

For the year ended March 31, 2019, all contractual covenant ratios were met by the Company.

15. Taxes payable

	Individual		Consolidated	
	06/30/2019	03/31/2019	06/30/2019	03/31/2019
Taxes payable in installments:				
Installment payment of ICMS AL	**6,693**	6,994	**6,693**	6,994
Installment payment of ICMS MG	**1,304**	1,682	**1,304**	1,682
Installment payment of federal taxes (PERT)	**-**	-	**-**	-
	7,997	8,676	**7,997**	8,676
Taxes payable:				
Withholding income tax (IRRF)	**1,559**	1,642	**1,572**	1,642
Tax on Financial Transactions (IOF)	**9,170**	6,325	**11,595**	8,683
Social Security Tax (INSS)	**3,609**	4,393	**3,609**	4,393
PIS and COFINS payable	**344**	-	**824**	-
Deferred PIS and COFINS - IAA 4870	**90,610**	89,178	**90,610**	89,178
PIS and Cofins - CPC 06 (R2)	**18,910**	-	**18,910**	-
ICMS payable	**1,108**	2,841	**1,349**	2,841
Provision for IRPJ and CSLL	**-**	8,440	**495**	8,642
Other taxes and contributions	**405**	815	**412**	882
	125,715	113,634	**129,376**	116,261
	133,712	122,310	**137,373**	124,937
Current	**(18,425)**	(26,816)	**(22,086)**	(29,443)
Noncurrent	**115,287**	95,494	**115,287**	95,494

(In thousands of reais)

15. Taxes payable (Continued)

The amounts maturing in the long-term are broken down as follows:

	Individual	
Year	06/30/2019	03/31/2019
2020/2021 crop	**3,724**	1,831
2021/2022 crop	**5,346**	1,687
2022/2023 crop	**5,163**	1,399
2023/2024 crop	**5,750**	1,399
2024/2025 crop onwards	**95,304**	89,178
	115,287	95,494

16. Advances from customers

The Company receives advances from customers, especially from trading companies that sell the sugar produced by the Company. Whenever the sugar is delivered to the warehouse contracted by the trading companies to ship and export the product, the Company receives from 70% to 80% of the product value and the remaining balance is settled after a vessel is nominated or as provided for by the agreement entered into by and between the parties. At June 30, 2019, the Company presented the following balances:

	Individual		Consolidated	
	06/30/2019	03/31/2019	06/30/2019	03/31/2019
Trading companies - sugar	**170,151**	71,699	**170,151**	71,699
Ethanol distributors	**372**	987	**372**	987
	170,523	72,686	**170,523**	72,686

17. Provision for contingencies (Individual and Consolidated)

Provisions are recognized when the Company has a present obligation, legal or constructive, as a result of past events and it is probable that an outflow of funds will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are set up, reviewed and adjusted to reflect the best estimate at the reporting dates.

Probable losses

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

	06/30/2019	03/31/2019
Labor contingencies	**2,577**	4,525
Civil contingencies	**5,521**	4,231
Tax contingencies	**1,303**	-
	9,401	8,756

(In thousands of reais)

17. Provision for contingencies (Individual and Consolidated) (Continued)

Changes in provisions for contingencies are as follows:

	Tax	Civil	Labor	Total
Balances at March 31, 2018	-	4,118	1,339	5,457
Reversals/payments	-	113	3,186	3,299
Balances at March 31, 2019	-	4,231	4,525	8,756
Set-up	**1,303**	**1,290**	**-**	**2,593**
Reversals/payments	**-**	**-**	**(1,948)**	**(1,948)**
Balance at June 30, 2019	**1,303**	**5,521**	**2,577**	**9,401**

Possible losses

Legal claims classified as possible losses, based on the opinion of legal advisors, and for which a provision was not recognized, refer to various civil and labor-related suits brought by individuals and legal entities involving property damages and/or pain and suffering, and labor claims, in the amount of R$143,789 (R$163,692 at March 31, 2019).

	06/30/2019	03/31/2019
Labor contingencies	**3,971**	3,271
Civil contingencies	**50,863**	71,213
Tax contingencies	**88,930**	88,752
Environmental contingencies	**25**	456
	143,789	163,692

The major civil and tax proceedings classified as possible loss by management, based on the opinion of its legal advisors, are described below:

Tax

Proceeding No. 10410.720364/2017-98

Imposition of qualified specific fine, provided for in item 10, article 89 of Law No. 8212/91, arising from disallowance of offset of INSS debts against PIS and COFINS credits between 2014 and 2016, totaling approximately R$78,500. After the tax notice served in March 2017, the Company pushed back the credits used and the debts offset initially, including them in the Tax Settlement Program (PRT).

In addition to the proceeding, the Brazilian IRS decided to impose a qualified specific fine of 150% on the debt, under the allegation that the Company acted in bad faith when conducting the offsets. The decision handed down by the Administrative Board of Tax Appeals (CARF) was favorable to the Brazilian IRS by casting vote. The Company filed a petition at the lower court seeking unlawfulness and elimination of the fine imposed thereon. According to the legal advisors, the likelihood of loss is considered possible.

17. Provision for contingencies (Individual and Consolidated) (Continued)

Possible losses (Continued)

Civil

Proceeding No. 0714498-70.2016.8.02.0001

Legal enforcement action arising from the sale of IPI credits to third parties, disallowed by the Brazilian IRS, in the amount of R$43,367. The plaintiff seeks refund of the credits due to non-compliance with contractual provisions.

The Company and its legal advisors claim the expiry and tacit approval of the credits, as well as non-compliance of contractual exception by the customer buyer. According to the legal advisors, the likelihood of loss is considered possible.

Proceeding No. 071877306.2016.8.02.0001

Legal enforcement action arising from the sale of IPI credits to third parties, disallowed by the Brazilian IRS, in the amount of R$21,342. The plaintiff seeks refund of the credits due to non-compliance with contractual provisions.

The Company and its legal advisors claim the expiry and tacit approval of the credits, as well as non-compliance of contractual exception by the customer buyer. According to the legal advisors, the likelihood of loss is considered possible.

The Company is subject to local, state and federal environmental laws and regulations, and its policy involves strict compliance therewith. Accordingly, management does not anticipate restoration costs or penalties of any type.

18. Equity

a) Capital

At June 30, 2019, fully subscribed and paid-in capital amounts 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

This corresponds to deemed cost surplus of Buildings and facilities and Machinery and equipment. Amounts are recorded net of tax effects and their realization is based on depreciation, write-offs, or disposals of related assets. Realized amounts are transferred to “Retained earnings (accumulated losses)”.

(In thousands of reais)

18. **Equity** (Continued)

Changes in equity adjustment are as follows:

	06/30/2019	03/31/2019
Opening balance	**105,293**	120,256
Realization of deemed cost	**(3,695)**	(14,963)
Closing balance	**101,598**	105,293

c) Revaluation reserve

The Company revalued certain classes of its property, plant and equipment in prior years. At June 30, 2019, the remaining balance of this reserve is R$489 (R$2,986 at March 31, 2019).

d) Allocation of income

According to the Company's articles of incorporation, shareholders are entitled to mandatory minimum dividends of 25% on net income for the year, adjusted in accordance with the Law. Management may also propose the distribution of interim dividends. The Company management proposed the distribution of dividends for the year ended March 31, 2019, as follows:

	2019
Net income for the year	**206,871**
(-) Offset of losses	**-**
	206,871
Legal reserve - 5%	**(10,344)**
	196,527
Realization of revaluation reserve	**10,058**
Realization of deemed cost	**14,963**
Calculation base for distribution	**221,548**
Mandatory minimum dividends - 25%	**55,387**

(In thousands of reais)

19. Net operating revenue

	Individual		Consolidated
	06/30/2019	06/30/2018	06/30/2019
Gross operating revenue			
VHP Sugar	**118,070**	126,140	**118,070**
Sanding Sugar	**11,521**	17,915	**11,521**
Anhydrous Ethanol - Fuel	**95,920**	79,558	**95,920**
Hydrated Ethanol - Fuel	**153,128**	70,020	**153,128**
Power sales - production	**13,315**	11,511	**27,741**
Steam power sales	**181**	211	**181**
Molasses	**16,720**	8,024	**16,720**
Service revenue	**2,175**	2,320	**2,175**
Other sales revenue	**1,836**	3,508	**1,836**
	412,866	319,207	**427,292**
Sales deductions	**(40,447)**	(18,764)	**(41,369)**
Net operating revenue	**372,419**	300,443	**385,923**

20. Cost of products sold and operating expenses

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

	Individual		Consolidated
	06/30/2019	06/30/2018	06/30/2019
Cost of products sold	**(302,615)**	(260,071)	**(303,490)**
Selling expenses	**(33,724)**	(24,731)	**(33,724)**
General and administrative expenses	**(32,177)**	(31,798)	**(32,204)**
	(368,516)	(316,600)	**(369,418)**
Cost of products sold			
Personnel	**(38,512)**	(36,061)	**(38,846)**
Raw materials	**(102,853)**	(84,771)	**(100,447)**
Changes in the fair value of biological assets	**2,128**	(27,372)	**2,128**
Third-party labor and freight	**(11,700)**	(7,996)	**(12,234)**
Fuel and lubricants	**(11,124)**	(8,432)	**(11,124)**
Agricultural inputs	**(16,138)**	(12,938)	**(16,138)**
Maintenance material	**(12,079)**	(9,571)	**(12,079)**
Right-of-use depreciation	**(19,731)**	-	**(19,731)**
Depreciation and amortization	**(38,920)**	(36,924)	**(40,379)**
Absorption of costs: depletion of harvested sugarcane	**(19,514)**	(11,039)	**(19,514)**
Absorption of costs: handling of harvested sugarcane	**(31,954)**	(19,701)	**(31,954)**
Electric power	**(1,735)**	(1,883)	**(1,735)**
Other	**(483)**	(3,383)	**(1,437)**
	(302,615)	(260,071)	**(303,490)**
Selling expenses			
Personnel	**(2,937)**	(1,998)	**(2,937)**
Third-party labor	**(27,775)**	(20,919)	**(27,775)**
Fuel and lubricants	**(39)**	(19)	**(39)**
Maintenance material	**(202)**	(313)	**(202)**
Depreciation and amortization	**(897)**	(867)	**(897)**
Electric power	**(120)**	(116)	**(120)**
Other	**(1,754)**	(499)	**(1,754)**
	(33,724)	(24,731)	**(33,724)**

(In thousands of reais)

20. Cost of products sold and operating expenses (Continued)

	Individual		Consolidated
	06/30/2019	06/30/2018	06/30/2019
General and administrative expenses			
Personnel	**(22,896)**	(21,297)	**(22,904)**
Third-party labor	**(4,582)**	(4,786)	**(4,593)**
Fuel and lubricants	**(178)**	(93)	**(178)**
Agricultural inputs	**(11)**	(9)	**(11)**
Maintenance material	**(744)**	(1,011)	**(744)**
Depreciation and amortization	**(1,049)**	(1,032)	**(1,049)**
Electric power	**(36)**	(32)	**(36)**
Other	**(2,681)**	(3,538)	**(2,689)**
	(32,177)	(31,798)	**(32,204)**

The amount of depreciation, amortization and depletion allocated to inventory and not yet allocated to profit or loss at June 30, 2019 and 2018 is distributed as follows:

	Individual	
	06/30/2019	06/30/2018
Depreciation and amortization of property, plant and equipment	**(20,138)**	(26,373)
Sugarcane depletion	**(9,492)**	(7,889)
Crop handling	**(15,545)**	(14,080)
	(45,175)	(48,342)

21. Finance income (costs)

	Individual		Consolidated
	06/30/2019	06/30/2018	06/30/2019
Finance income			
Gains on derivatives transactions	**3,308**	-	**3,308**
Short-term investment yield	**1,579**	5,502	**2,158**
Foreign exchange gains	**40,662**	8,888	**40,662**
Monetary differences on IAA 4870 credits (Note 7)	**30,813**	13,644	**30,813**
Interest on intercompany loans	**995**	1,201	**995**
Other finance income	**208**	68	**208**
	77,565	29,303	**78,144**
Finance costs			
Losses on operating derivative transactions	**(2,045)**	(48,045)	**(2,045)**
Foreign exchange losses	**(22,120)**	(200,360)	**(22,120)**
Deferred PIS and COFINS on credits - IAA 4870	**(1,433)**	-	**(1,433)**
Monetary restatement of provision for lawyers' fees - IAA 4870	**(3,929)**	-	**(3,929)**
Interest on loans and financing	**(65,455)**	(68,210)	**(65,455)**
Interest on intercompany loans	**-**	-	**(1,591)**
Lease interest - CPC 06 (R2) (Note 13)	**(19,566)**	-	**(19,566)**
Other finance costs	**(8,918)**	(21,034)	**(11,146)**
	(123,466)	(337,649)	**(127,285)**
Finance income (costs)	**(45,901)**	(308,346)	**(49,141)**

(In thousands of reais)

22. Income tax and social contribution

Deferred income tax and social contribution are computed on income tax and social contribution losses and the corresponding temporary differences between the tax bases of tax on assets and liabilities and the carrying amount of the financial statements.

Deferred tax assets are recognized to the extent that it is probable that there will be future taxable profit available to offset temporary differences and/or tax losses, based on deferred income projections prepared considering internal assumptions and future economic scenarios that may, therefore, suffer changes.

Breakdown of deferred income and social contribution taxes, recognized in profit or loss, is as follows:

	Individual		Consolidated
	06/30/2019	06/30/2018	06/30/2019
Current:			
Income tax	-	-	(464)
Social contribution	-	-	(228)
	-	-	(692)
Deferred:			
Income tax	(9,284)	20,420	(9,284)
Social contribution	(3,342)	7,351	(3,342)
	(12,626)	27,771	(12,626)
	(12,626)	27,771	(13,318)

Deferred income tax and social contribution assets and liabilities

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

	Individual	
	06/30/2019	03/31/2019
Assets:		
Temporary differences		
Provision for losses on trade accounts receivable and advances to suppliers	6,687	7,296
Provision for contingencies	3,196	2,977
Income and social contribution tax losses	160,240	160,240
Net losses on derivative financial instruments	-	1,287
Provision for lawyer’s fees – IAA 4870 (Note 8)	119,390	118,054
Fair value of biological assets (Note 11)	-	6,552
	289,513	296,406
Liabilities:		
Revaluation of property, plant and equipment	(252)	(1,538)
Net gains on derivative financial instruments	(767)	-
Adoption of deemed cost (Note 12)	(52,324)	(54,228)
Useful life of property, plant and equipment	(9,565)	(12,609)
Fair value of biological assets (Note 12)	(723)	-
Present value of IAA credits (Note 8)	(831,928)	(821,451)
	(895,559)	(889,826)
Deferred income and social contribution tax liabilities, net	(606,046)	(593,420)

(In thousands of reais)

22. Income tax and social contribution (Continued)

Deferred income tax and social contribution assets and liabilities (Continued)

Deferred tax assets and liabilities are presented net in the statement of financial position when there is a legally enforceable right and the intention to offset them on the calculation of current taxes and when related to the same tax authority.

Total amounts of deferred tax credits expected to be recovered, indicated by taxable profit projections, approved by management, including the expected realization of temporary differences, are as follows:

	Individual	
Year	**06/30/2019**	**03/31/2019**
2019/2020 crop	**54,018**	55,304
2020/2021 crop	**61,121**	62,576
2021/2022 crop	**67,423**	69,028
2022/2023 crop	**64,171**	65,699
2023/2024 crop onwards	**42,780**	43,799
	289,513	296,406

Deferred income tax and social contribution liabilities are substantially realized according to depreciation and write-off of property, plant and equipment which originated them (accelerated depreciation, deemed cost and revaluation). Realization of this liability is estimated at the average rate of 9% per year, according to the depreciation rates of the respective property, plant and equipment items.

In addition, a significant portion of the deferred income and social contribution tax liabilities refers to the measurement of fair value of IAA indemnification credits (Note 8), which should be realized as from the receipt of the indemnification, which was estimated by the Company's legal advisors to occur as from the 2022/2023 crop.

23. Commitments and obligations (Individual)

The Company establishes various commitments in the ordinary course of its business. Following are those worth mentioning in these financial statements:

Sales

The Company has future sugar sales commitments in the foreign market which will be produced and delivered in subsequent crops. Selling prices were not all previously determined, which exposes the Company to market fluctuations. As at June 30, 2019, the Company is covered (fixed prices) for USD117,498 thousand (USD97,279 thousand at March 31, 2019) in connection with future sales. .

(In thousands of reais)

23. Commitments and obligations (Individual) (Continued)

Sales (Continued)

The following quantities are stated in tons:

06/30/2019				
Agreed amount	**Amount contracted as from 04/01/18**	**Amount shipped until 03/31/19**	**Amount to be shipped**	**Maturity**
1,987,905	510,000	(214,027)	2,283,878	Until 2021/2022 crop

03/31/2019				
Agreed amount	**Amount contracted as from 04/01/18**	**Amount shipped until 03/31/19**	**Amount to be shipped**	**Maturity**
1,778,500	1,021,000	(811,595)	1,987,905	Until 2021/2022 crop

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 has been calculated based on an estimate of the 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.

Purchase commitments by harvest, in tons, at June 30 and March 31, 2019, are as follows:

Crop	06/30/2019	03/31/2019
2019/2020 crop	**8,750,000**	8,750,000
2020/2021 crop	**8,750,000**	8,750,000
2021/2022 crop	**8,750,000**	8,750,000
2022/2023 crop	**8,750,000**	8,750,000
2023/2024 crop onwards	**35,000,000**	35,000,000
	70,000,000	70,000,000

23. Commitments and obligations (Individual) (Continued)

Purchases (Continued)

At June 30 and March 31, 2019, regular sugarcane crushing capacity for the following harvest, considering all units of the Company, is approximately 14,400 thousand tons (unaudited).

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 (AL) for 20 years and effective as from January 2, 2006, in the aggregate amount of R$159,954 with adjustable power rate tariffs. In addition, it also has agreements for the supply of electric power related to the units located in Minas Gerais, entered into with EDP Comercialização e Serviços de Energia Ltda., with two agreements as follows: agreement 01 with a supply period from April 1, 2018 to December 31, 2018, beginning again on April 1, 2019 to December 31, 2019, in the aggregate amount of R$30,984 (two-year agreement 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 to November 30, 2019, in the aggregate amount of R$63,520 (two-year agreement with adjustable power rate tariffs).

Guarantees given to sugarcane suppliers

The Company provides guarantees for various financing lines of its sugarcane suppliers taken out from financial institutions. At June 30, 2019, these commitments amounted to R$193,756 (R$236,079 in 2019). 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 vital for: (i) continuous monitoring exposure levels in relation to volume of sales; (ii) estimate of each risk's value based on the limits of foreign exchange exposure and sugar sale prices determined; and (iii) estimate of future cash flows and determination of limits for approval and contracting financial instruments in order to determine price of products and hedging against foreign exchange fluctuation 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 sugar price fluctuation in the international market, and foreign exchange differences. The Company engages in no transactions involving financial instruments for speculation purposes.

<u>Market risk</u>

a) *<u>Currency risk</u>*

Management has 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.

In order to manage its currency risk, the Company uses forward contracts, swap and NDFs. 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 crops.

(In thousands of reais)

24. Risk management and derivative financial instruments (Individual and Consolidated) (Continued)

Market risk (Continued)

a) *Currency risk* (Continued)

Assets and liabilities exposed to currency fluctuation

The table below summarizes foreign currency-denominated assets and liabilities (mainly US dollars - US$), recorded in the consolidated statement of financial position at June 30, 2019:

	Individual			
	06/30/2019		03/31/2019	
	R$	US$	R$	US$
Assets				
Cash and cash equivalents (Note 3)	**56,938**	**14,859**	153,793	39,471
Trade accounts receivable (Note 4)	**3,011**	**786**	26,164	6,714
	59,949	**15,645**	179,957	46,185
Liabilities				
Loans and financing (Note 14)	**(1,130,421)**	**(295,003)**	(1,247,111)	(320,067)
Derivative financial instruments (Note 24)	**(993)**	**(259)**	(3,785)	(971)
	(1,131,414)	**(295,262)**	(1,250,896)	(321,038)
Net exposure	**(1,071,465)**	**(279,617)**	(1,070,939)	(274,853)

These assets and liabilities were restated and recorded in the financial statements at June 30, 2019 at the exchange rate prevailing at that date, with R$3.8319 per US$1.00 for assets and liabilities (R$3.8964 per US$1.00 at March 31, 2019), representing a 1.7% decrease in relation to the previous year.

b) *Volatility risk related to the price of commodities*

The Company is exposed to the risk of changes in the commodity prices of manufactured products such as sugar and ethanol. At June 30, 2019, the prices of 381,422 (304,903 at March 31, 2019) tons of sugar were determined with commercial partners for future delivery scheduled as from April 2019, priced at an average of 13.97 ¢/lb. (14.47 ¢/lb. at March 31, 2019) (US dollar cents per pound weight) with POL premium included.

24. Risk management and derivative financial instruments (Individual and Consolidated) (Continued)

Market risk (Continued)

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

The Company makes it a practice to raise 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) Sensitivity analysis required

The accounting practices adopted in Brazil establish that companies must disclose, in a specific note, qualitative and quantitative information about all their financial instruments, whether or not recorded as assets or liabilities in these companies' statement of financial position.

The Company's financial instruments are represented by cash and cash equivalents, accounts receivable and payable, judicial deposits, and loans and financing, recorded at amortized cost and at fair value through profit or loss, and whose amounts at June 3o, 2019 approximate market value. In addition, the Company operates with derivative financial instruments, which are recorded at fair value through profit or loss. Major risks relating to Company operations are pegged to Selic, Interbank Deposit Certificates (CDI) and US dollar fluctuation.

Loans refer to operations whose recorded amount approximates market value of these financial instruments. CDI investments are recorded at market value, at the rates disclosed by the corresponding financial institutions. Other investments mostly refer to Bank Deposit Certificates and repurchase agreements. Therefore, the amount recorded for these investments does not differ from market value.

(In thousands of reais)

24. Risk management and derivative financial instruments (Individual and Consolidated) (Continued)

Market risk (Continued)

d) *Sensitivity analysis required* (Continued)

In order to check sensitivity of the indexes to which the Company was exposed as at June 30 and March 31, 2019, different scenarios were defined, using the last interest rates and inflation rates accumulated in the last twelve months (Scenario I) and, as from this scenario, variations of 25% (Scenario II) and of 50% (Scenario III) were calculated, to analyze the increase and decrease of these rates. For each scenario, a net position was calculated (finance income less finance costs), not taking into consideration the tax effect. Base date used was March 31, 2019, projecting one year and checking sensitivity to TJLP, Libor, Selic, CDI, and to US dollar, in each scenario.

As at June 30 and March 31, 2019, the scenario considers an annual weighted average rate referring to floating interest for Company loans and financing of 9.76%, and for short-term investments and loans and financing pegged to CDI, CDI of accumulated 6.003% realized in the last 12 months. In both cases, simulations were conducted, considering 25% and 50% increase and decrease. The results of this sensitivity analysis are as follows:

Interest rate sensitivity

Instrument/operations	Probable scenario	Risk	Probable scenario	25%	50%	- 25%	- 50%
Loans and financing	6.40%	CDI increase	**5,514**	**1,378**	**2,757**	**(1,378)**	**(2,757)**
Loans and financing	2.66%	Libor increase	**2,298**	**575**	**1,149**	**(575)**	**(1,149)**
Short-term investments	6.40%	CDI decrease	**1,241**	**310**	**620**	**(310)**	**(620)**
Projected net income (loss)			**9,053**	**2,263**	**4,526**	**(2,263)**	**(4,526)**

(In thousands of reais)

24. Risk management and derivative financial instruments (Individual and Consolidated) (Continued)

Market risk (Continued)

d) Sensitivity analysis required (Continued)

The probable scenario considers the position as at March 31, 2019. The effects of the possible and remote scenarios that would be posted to profit or loss as income (costs) relating to exchange differences are as follows:

Exchange fluctuation effects

Instrument/operations	Current rate	Risk	Probable scenario	25%	50%	- 25%	- 50%
Loans and financing	3.8319	Dollar increase	**1,130,421**	**282,605**	**565,511**	**(282,605)**	**(565,511)**
Cash and cash equivalents	3.8319	Dollar decrease	**56,938**	**14,234**	**28,469**	**(14,234)**	**(28,469)**
Trade accounts receivable	3.8319	Dollar decrease	**3,011**	**753**	**1,506**	**(753)**	**(1,506)**
Projected net income (loss)			**1,190,370**	**297,592**	**595,486**	**(297,592)**	**(595,486)**

Sensitivity on variation of fair value of derivative financial instruments

Instrument/operations	Risk	Probable scenario	25%	50%	- 25%	- 50%
Price risk						
Goods' derivatives						
Futures contracts						
Sale and purchase commitments*	Increase in sugar price	**540,594**	**675,742**	**810,891**	**(405,445)**	**(270,297)**
Currency risk						
Futures contracts:						
Sale and purchase commitments	Dollar increase	**11,515**	**2,879**	**5,758**	**(2,879)**	**(5,758)**

* Amount equivalent to balance to be determined referring to existing contract based on NY sugar stock exchange and dollar rate at 06/31/2019

(In thousands of reais)

24. Risk management and derivative financial instruments (Individual and Consolidated) (Continued)

Market risk (Continued)

e) *Derivative financial instruments*

	06/30/2019	03/31/2019
Current assets		
Derivatives not designated as hedge		
Non-deliverable forwards (NDF)	**3,250**	-
	3,250	-
Current liabilities		
Derivatives not designated as hedge		
Non-deliverable forwards (NDF)	**(993)**	3,785
	(993)	3,785

The Company uses derivative operations 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 June 30 and March 31, 2019 for derivatives used by the Company to hedge against the currency risk are as follows:

June 30, 2019	Maturity	Fair value	Profit or loss (*)
Currency risk			
Liabilities – Forward contracts:			
Sales commitments and swap contracts	From 06/22/2018 to 05/15/2019	**(993)**	**(993)**
			(993)

(*) Amount matched against profit or loss referring to outstanding contracts at March 31, 2019.

March 31, 2019	Maturity	Fair value	Profit or loss (*)
Currency risk			
Liabilities – Forward contracts:			
Sales commitments and swap contracts	From 06/22/2018 to 05/15/2019	(3,785)	(3,785)
			(3,785)

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

24. Risk management and derivative financial instruments (Continued)

Credit risk

A substantial portion of Company sales is to a select group of highly-qualified counterparties such as trading companies, large fuel distribution companies, electric power distribution companies and large supermarket chains.

Credit risk is managed under specific rules for accepting customers, credit analysis and establishment of exposure limits per customers including, where applicable, requirement of a letter of credit from first-tier banks and security interest on the amounts granted. Management is of the belief that credit risk is substantially covered by the allowance for expected credit losses.

Individual risk limits are determined based on internal or external classifications, in accordance with the limits established by Company management. Use of these credit limits is continuously monitored. No credit limit was exceeded in the period and management expects no loss due to default of these counterparts at an amount above the amount for which the allowance was set up.

The Company operates with goods' derivatives in the OTC market with selected counterparts. The Company operates with derivatives at commodities' exchange rate and in OTC contracts registered with B3, especially with the main Brazilian and foreign banks awarded investment-grade rating by international rating agencies.

OTC derivative operations performed by the Company require no guarantee margin.

Credit risk on cash and cash equivalents is mitigated by means of a conservative distribution of the instruments used, always backed by CDB (Note 3). This distribution follows strict criteria for allocation and exposure to counterparts, which are the main Brazilian and foreign banks mostly awarded investment-grade rating by international rating agencies.

Liquidity risk

The finance department monitors ongoing projections of the Company's liquidity requirements so as to ensure that the Company has cash sufficient to meet its operational needs.

(In thousands of reais)

24. Risk management and derivative financial instruments (Continued)

Liquidity risk (Continued)

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 abovementioned forecasts. At March 31, 2019 and 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.

The following table analyzes the Company's financial liabilities, by maturity ranges, corresponding to the remaining period in the statement of financial position to the contractual maturity date.

June 30, 2019	2020/2021 crop	2021/2022 crop	2022/2023 crop	2023/2024 onwards crop	Total
Loans and financing	**385,258**	**887,320**	**644,065**	**817,857**	**2,734,500**
Derivative financial instruments	**993**	**-**	**-**	**-**	**993**
Taxes payable in installments	**3,724**	**5,346**	**5,163**	**101,054**	**115,287**
Trade accounts payable	**147,728**	**-**	**-**		**147,728**
	537,703	**892,666**	**649,228**	**918,911**	**2,998,508**

March 31, 2019	2019/2020 crop	2020/2021 crop	2020/2021 crop	2022/2023 onwards crop	Total
Loans and financing	905,494	667,478	625,840	528,633	2,727,445
Derivative financial instruments	3,785	-	-	-	3,785
Taxes payable in installments	2,360	1,831	1,687	2,798	8,676
Trade accounts payable	99,515	-	-	-	99,515
	1,011,154	669,309	627,527	531,431	2,839,421

Capital management

The objectives of the Company in managing its capital are to safeguard its ability to continue as a going concern in order to provide returns to its shareholders and benefits to other stakeholders, and to maintain an optimal capital structure to reduce this cost.

(In thousands of reais)

24. Risk management and derivative financial instruments (Continued)

Capital management (Continued)

The Company monitors capital based on the financial leverage ratio, which corresponds to net debt expressed as a percentage of total capital. Net debt corresponds to total loans and financing (including short and long-term balances, as presented in the statement of financial position) less cash and cash equivalents. Total capital is determined by adding equity and net debt, as presented in the statement of financial position.

There were no changes to the capital structure objectives, policies or processes during the years ended March 31, 2019 and 2018. Financial leverage ratios as at June 30 and March 31, 2019 are as follows:

		06/30/2019	03/31/2018
Loans and financing (Note 14)		**2,734,500**	2,727,445
Less: Cash and cash equivalents (Note 3)		**(135,048)**	(315,107)
Net debt	(a)	**2,599,453**	2,412,338
Total equity	(b)	**1,288,254**	1,333,739
Total capital	(c) = (a) + (b)	**3,813,254**	3,746,077
Financial leverage ratio - %	(a) / (c)	**68**	181

Fair value

Fair value of financial assets and liabilities is the amount for which an asset or a liability may be exchanged or settled, between parties willing to carry out a fair market transaction, rather than in a sale or distressed liquidation. The following methods and assumptions were used to estimate fair value.

Cash and cash equivalents, trade accounts receivable, and loans and financing approximate the carrying amount mostly due to their short-term maturity.

Market value of other loans and financing substantially approximates the amounts recorded in the financial statements, since these financial instruments are subject to floating interest rates.

24. Risk management and derivative financial instruments (Continued)

Fair value (Continued)

The fair value of available-for-sale financial assets derives from market prices quoted in active markets, if any.

The Company takes out derivative financial instruments from several counterparties, particularly financial institutions with an investment level classification. Derivatives evaluated by using observable market data mainly refer to currency forwards and swap contracts. The most frequently applied valuation techniques include forwards and swap pricing models, using present value calculation. The models include various data, including the quality of the counterparties' credit, spot exchange rate, forward rates and interest rate curves.

As at June 30 and March 31, 2019, the carrying amount and market value of financial instruments did not differ significantly, except derivative financial instruments mentioned earlier.

Fair value hierarchy

The Company classifies and discloses the fair value of financial instruments based on measurement techniques:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs, other than quoted prices, which are observable for the asset or liability, either directly or indirectly;
- Level 3: techniques that use data that has a significant impact on fair value recorded, which are not based on observable market data.

(In thousands of reais)

24. Risk management and derivative financial instruments (Continued)

Fair value hierarchy (Continued)

	Individual and Consolidated			
	06/30/2019	**Level 1**	**Level 2**	**Level 3**
Financial assets and liabilities				
Short-term investments	**39,811**	**39,812**	**-**	**-**
Derivative financial instruments, net	**(993)**	**-**	**(993)**	**-**
Loans and financing - foreign currency	**1,130,421**	**1,130,421**	**-**	**-**

	Individual and Consolidated			
	03/31/2019	**Level 1**	**Level 2**	**Level 3**
Financial assets and liabilities				
Short-term investments	131,987	131,987	-	-
Derivative financial instruments, net	3,785	-	3,785	-
Loans and financing - foreign currency	1,247,111	1,247,111	-	-

25. Insurance coverage

At June 30 and March 31, 2019, the Company and its subsidiary had insurance policies against property damage (machinery breakage, electrical damage, fire, lightning, explosions of any nature and implosions) to all of their sugar and ethanol inventories and to buildings, equipment, facilities and agricultural machinery of plants located in Northeastern and Southeastern Brazil, in addition to risks related to civil liability, for total insured amount of R$624,000 (R$624,000 at March 31, 2019). This insurance coverage is considered sufficient by management, based on the opinion of the insurance advisors, to cover losses, if any.

The Company expects no difficulties in renewing all insurance policies and believes that this coverage is reasonable in terms of amounts and compatible with the industry standards in Brazil.

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