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

ATVOS AGROINDUSTRIAL PARTICIPAÇÕES S.A.
(Under court-ordered reorganization)

Independent auditor's report

Financial statements
As at March 31, 2019

ATVOS AGROINDUSTRIAL PARTICIPAÇÕES S.A.
(Under court-ordered reorganization)

Financial statements
As at March 31, 2019

Contents

Tel.: +55 16 3620 5769
Fax: + 55 16 3620 5048
www.bdo.com.br

Av. Presidente Vargas 2.121
Cjs 2002, 2003 e 2004 Centro
Ribeirão Preto – SP - 14020-260

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

To the
Shareholders and Management of
Atvos Agroindustrial Participações S.A. (Under court-ordered reorganization)
São Paulo - SP

Qualified opinion on the individual and consolidated financial statements

We have audited the individual and consolidated financial statements of Atvos Agroindustrial S.A. - Under court-ordered reorganization (the Company), identified as parent company and consolidated, respectively, which comprise the statement of financial position as at March 31, 2019 and the respective statements of operations, comprehensive income (loss), changes in equity and cash flows for the year then ended, as well as the corresponding notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matters described on the paragraph "Basis for a qualified opinion on the individual and consolidated financial statements", the accompanying financial statements present fairly, in all material respects, the individual and consolidated financial position of Atvos Agroindustrial S.A. – Under court-ordered reorganization as at March 31, 2019, its individual and consolidated financial performance and its individual and consolidated cash flows for the year then ended, in accordance with the Brazilian accounting practices.

Basis for a qualified opinion on the individual and consolidated financial statements

Going concern

The Company and its subsidiaries incurred losses in the amount of R$ 1,467,089 thousand during the year ended March 31, 2019 with consolidated current liabilities exceeding consolidated current assets by R$ 8,556,283 thousand at that date. In addition, as described in Notes 1.1.c and 27 of the financial statements, the Company and its subsidiaries filed a request for court-ordered reorganization on May 29, 2019 at the 1st Court of Bankruptcies and Reorganization of the Judicial District of the City and State of São Paulo. Pursuant to Law No. 11.101/2005, the Company and its subsidiaries are required to present a Court-ordered reorganization plan within 60 days from the publication of the decision, occurred on June 07, 2019, including itemizing the means for the reorganization that will be used and demonstrating their economic feasibility and valuation of its assets and rights. Despite the fact that the Company and other companies under court-ordered reorganization are normally keeping their activities and focused on the common objective of ensuring financial stability and improving its businesses, the court-ordered reorganization plan is being prepared and the Group's ability to continue as a going concern will depend on approval of the mentioned plan at the General Creditors' Meeting, which will take place in the coming months. Accordingly, we were unable to determine, at the current stage of the process, the result of this matter, its impacts on the individual and consolidated financial statements, as well as to conclude if the assumption of the continuity as a going concern and the bases used in the preparation of these financial statements are appropriate.

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

Emphasis

"Operação Lava Jato" (Car Wash Operation)

We draw attention to Note 1.1.e, which mentions that since 2014 investigations and other legal procedures have been conducted by the Public Prosecutor's Office, as well as by other public authorities, in the context of the denominated "Operação Lava Jato" (Car Wash Operation), which is investigating former executives and executives, former employees and employees of the Odebrecht Group, of which the Company and its subsidiaries are part. On December 01, 2016, Odebrecht S.A., indirect parent company of the Company, formalized a leniency deal, already approved by the 5th Coordination and Review Chamber of the Federal Public Prosecutor's Office and by the 13th Federal Court in Curitiba on May 22, 2017 producing its respective civil effects. The Company and its subsidiaries are not subscribers to the mentioned Deal and have not assumed responsibility for the payment of the established financial penalty, for not having illegal involvement in the reported facts, according to the best understanding of its management. Accordingly, there are no reasons to determine that the Company and its subsidiaries will be affected by the mentioned investigations. Our opinion is not qualified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the individual and consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matters described on the sections "Basis for a qualified opinion on the individual and consolidated financial statements" and "Emphasis", we determined that these matters are the key audit matters to be communicated in our report.

Biological assets measured at fair value

As disclosed in Notes 2.14 and 13 to the financial statements, the Company quarterly calculates the fair value of its biological assets through the discounted cash flow method. This method determines that Management adopt assumptions, also quarterly reviewed, based on information generated by internal reports and external sources.

Adjustments to the assumptions used in the calculation of the biological assets may produce significant effects on the financial statements, in the captions "Biological assets" under Current Assets and in "Cost of goods sold" in Income (loss) for the year.

Audit response

We have evaluated for the year ended March 31, 2019 the calculation of the discounted cash flow method, analyzed the integrity of information, tested and evaluated the internal controls involved in the preparation of the information used and also the adequacy of the methodology applied in the calculation of prices used by the Company.

Our work revealed that the assumptions and methodology used for the valuation of biological assets are reasonably consistent with the market practice, as well as with the prior period.

Evaluation of recoverability of assets with finite useful life and long-term assets

As described in Note 14, the Company and its subsidiaries have recorded in the consolidated financial statements, under intangible assets, the amounts of R$ 1,833,158 thousand, as at March 31, 2019, mainly referring to business combinations made in previous years and grant rights of the electricity SPEs (Special Purpose Companies). The Company gathered the conditions for basing the assumptions to be used in the analysis of impairment of non-financial assets, which involves significant judgment on future results, and assumes the success of the approval of the Court Ordered Reorganization Plan (PRJ) as a whole.

Audit response

Our audit procedures included:

- Evaluating and questioning the projections of future cash flows, prepared by Management, and of the process used in its preparation;
- Reviewing the arithmetic calculations of the value in use, which includes the review of the discount rate used;
- Reviewing the disclosures prepared by the Company related to these matters.

Based on the results of the audit procedures referred to above, we did not identify audit adjustments, or control points related to this matter and, therefore, considered reasonable the balances and disclosures on this matter made in the financial statements, individual and consolidated, taken as a whole.

Management of risks, derivatives and hedge accounting	Audit response
According to Note 4 to the financial statements, the Company uses certain strategies to hedge its future cash flows against the impact of relevant variables, such as exchange rate fluctuations and volatility of prices in the market. These strategies consist in hiring specific derivative financial instruments for each type of risk (future, swap, forward, etc.). Some of these financial instruments are called hedging instruments linked to a specific, determined and documented risk, for the purpose of recognizing at the same point in time the result of the impacts of the instrument (derivative or non-derivative) and of the object, which is known as hedge accounting.	We obtained knowledge on the financial instruments used by the Company, on its controls over the process of planning and designation of instruments for hedge accounting. We sent external confirmation letter to financial institutions, reviewed the documentation and recalculated the valuation of derivatives. Additionally, we evaluated the adequacy of the disclosures made by Management in the Company's financial statements. Based on the evidences found, we have considered the valuation and accounting of the hedging derivatives, as well as their disclosure in the notes, acceptable in the context of the financial statements.

Revenue recognition	Audit response
The recognition of revenue by the Company involves different revenue flows due to the varied contractual characteristics linked to those revenues. The Company's sales are made with different types of delivery to the buyer, such as "Cost, Insurance and Freight - CIF", "Free on Board - FOB", and Sales for Future Delivery. For the recognition of revenue, in addition to aspects such as the occurrence of transactions, it is necessary to verify the exact moment of the sale, the "sales cutoff", when the seller transfers all risks and benefits of ownership to the buyer.	We obtained understanding of the business flows and of aspects of the contracts used by the Company, we tested and evaluated the internal controls involved in the process, and performed tests by sampling to confirm both the occurrence and the appropriate cutoff of transactions. Based on the evidences found, we have considered that the policies and practices adopted for the revenue recognition are adequate for the context of the financial statements.

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

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

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

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

Auditor's responsibilities for the audit of the individual and consolidated financial statements

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

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

- Identify and assess the risks of material misstatement of the individual and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our qualified opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and its subsidiaries' internal controls;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management;
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and its subsidiaries' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the individual and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and its subsidiaries to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the combined financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the individual and consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

Ribeirão Preto, July 30, 2019.

BDO RCS Auditores Independentes SS
CRC 2 SP 013846/O-1

Francisco de Paula dos Reis Júnior
Accountant CRC 1 SP 139268/O-6

Contents

Atvos Agroindustrial Participações S.A. – Under court-ordered reorganization
Statements of financial position as at March 31
In thousands of Brazilian reais

		Parent company		Consolidated	
Assets	**Note**	**03.31.19**	**03.31.18**	**03.31.19**	**03.31.18**
Current					
Cash and cash equivalents	6 (a)	1,407	30,866	93,069	156,223
Financial investments	6 (b)	2	-	22,215	53,745
Trade accounts receivable	7	1,453	840	186,094	130,075
Inventories	8	1,497	3,977	777,679	811,866
Biological assets	13	-	-	361,937	515,522
Recoverable taxes	9	5,975	6,428	382,887	522,435
Related-party transactions	10 (a)	1,303,598	1,228,563	1,212,311	1,217,928
Other receivables		1,287	331	76,019	55,607
		1,315,219	1,271,005	3,112,211	3,463,401
Noncurrent					
Financial investments	6 (b)	-	-	7,525	69,883
Inventories	8	-	-	322,004	255,707
Recoverable taxes	9	1,720	1,811	114,781	174,937
Court deposits		8	8	60,644	60,831
Related-party transactions	10 (a)	2,561,389	2,960,660	1,856,988	1,730,789
Other receivables		-	-	3,110	4,309
		2,563,117	2,962,479	2,365,052	2,296,456
Investments	11 (b)	2,956,193	3,945,517	113,762	113,762
Fixed assets	12	242	280	7,720,171	8,054,682
Intangible assets	14	119,089	141,798	1,833,158	1,881,891
		5,638,641	7,050,074	12,032,143	12,346,791
Total assets		6,953,860	8,321,079	15,144,354	15,810,192

Atvos Agroindustrial Participações S.A. – Under court-ordered reorganization
Statements of financial position as at March 31
In thousands of Brazilian reais

		Parent company		Consolidated	
	Note	**03.31.19**	**03.31.18**	**03.31.19**	**03.31.18**
Liabilities and equity					
Current					
Trade accounts payable		29,993	1,055	578,461	336,463
Loans and financing	15	1,731,758	13,938	10,274,368	219,034
Payroll and charges		177	163	86,673	82,155
Taxes payable	16 (a)	2,297	1,370	62,198	41,451
Taxes in installments	16 (b)	-	142	13,365	12,721
Advances from clients	17	399,378	540,903	555,444	811,167
Related-party transactions	10 (a)	9,321	7,373	74,031	35,830
Other payables		652	14	23,954	10,227
		2,173,576	564,958	11,668,494	1,549,048
Noncurrent					
Loans and financing	15	-	1,401,438	207,732	9,316,416
Related-party transactions	10 (a)	1,051,016	1,314,544	70,296	70,296
Taxes in installments	16 (b)	-	-	19,489	17,472
Provision for contingencies	25 (a)	-	-	963	11,461
Advances from clients	17	-	-	2	12,025
Provision for losses on Investments	11 (c)	562,577	427,497	-	-
Other payables		-	-	10,687	10,851
		1,613,593	3,143,479	309,169	9,438,521
Total liabilities		3,787,169	3,708,437	11,977,663	10,987,569
Equity					
Capital stock	20 (a)	11,234,078	11,124,462	11,234,078	11,124,462
Capital reserve		301,472	301,472	301,472	301,472
Asset and liability valuation adjustment		(519,644)	(300,048)	(519,644)	(300,048)
Accumulated losses		(7,849,215)	(6,513,244)	(7,849,215)	(6,513,244)
		3,166,691	4,612,642	3,166,691	4,612,642
Non-controlling interest		-	-	-	209,981
Total equity		3,166,691	4,612,642	3,166,691	4,822,623
Total liabilities and equity		6,953,860	8,321,079	15,144,354	15,810,192

Atvos Agroindustrial Participações S.A. - Under court-ordered reorganization
Statements of operations
For the years ended March 31
In thousands of Brazilian reais, unless otherwise stated

	Note	Parent company		Consolidated	
		03.31.19	03.31.18	03.31.19	03.31.18
Net revenue	21	198,656	511,942	4,280,928	4,242,719
Fair value of biological assets	13	-	-	(130,271)	9,134
Cost of products sold	22	(173,463)	(461,731)	(3,973,971)	(3,689,908)
Gross profit		25,193	50,211	176,686	561,945
Selling expenses	22	-	-	(9,451)	(11,540)
General and administrative expenses	22	(31,426)	(29,594)	(302,930)	(332,284)
Other operating expenses, net		(690)	(429)	(44,653)	(49,741)
Operating income (loss) before income (loss) from ownership interest and financial income (loss)		(6,923)	20,188	(180,348)	168,380
Income (loss) from ownership interest	11	(1,311,450)	507,180	-	-
Financial revenues	23	32,190	30,567	147,734	100,374
Financial expenses	23	(178,776)	(85,483)	(1,386,505)	(1,184,043)
(Loss) income before income and social contribution taxes		(1,464,959)	472,452	(1,419,119)	(915,289)
Current income and social contribution taxes		-	-	(5)	(21,882)
Deferred income and social Contribution taxes	18 (d)	(2,130)	6,941	(47,965)	1,430,875
Income/ (loss) for the year		(1,467,089)	479,393	(1,467,089)	493,704
Attributable to:					
Company's shareholders				(1,467,089)	479,393
Non-controlling interest				-	14,311
				(1,467,089)	493,704
Diluted (loss) earnings per share - In Brazilian Reais	20 (e)			(0.000002)	0.000001

Atvos Agroindustrial Participações S.A. - Under court-ordered reorganization
Statements of comprehensive income (loss)
For the years ended March 31
In thousands of Brazilian reais

		Parent company		Consolidated	
	Note	**03.31.19**	**03.31.18**	**03.31.19**	**03.31.18**
(Loss) income for the year		(1,467,089)	479,393	(1,467,089)	493,704
Other comprehensive income (loss):					
Items to be later reclassified to income (loss):					
Export hedge – exchange rate gains (losses)	4.1 (a)(i)	(219,596)	(45,014)	(219,596)	(45,014)
Total comprehensive income (loss)		(1,686,685)	434,379	(1,686,685)	448,690
Attributable to:					
Company's shareholders				(1,686,685)	434,379
Non-controlling interest				-	14,311
				(1,686,685)	448,690

Atvos Agroindustrial Participações S.A. - Under court-ordered reorganization
Statements of changes in equity
In thousands of Brazilian reais

	Note	Capital stock	Capital reserve	Asset and liability valuation adjustment	Accumulated losses	Total (Attributable to: controlling shareholders)	Non-controlling interest	Total equity
Balances as at March 31, 2017		11,124,462	301,472	(255,034)	(6,992,807)	4,178,093	195,840	4,373,933
Comprehensive income (loss):								
Export hedge – exchange rate gains (losses)		-	-	(45,014)	-	(45,014)	-	(45,014)
Gains on ownership interest in subsidiaries, net		-	-	-	170	170	(170)	-
Income for the year		-	-	-	479,393	479,393	14,311	493,704
Balances as at March 31, 2018		11,124,462	301,472	(300,048)	(6,513,244)	4,612,642	209,981	4,822,623
Increase in capital stock	20 (a)	109,616	-	-	-	109,616	-	109,616
Comprehensive income (loss):								
Export hedge – exchange rate gains (losses)		-	-	(219,596)	-	(219,596)	-	(219,596)
Ownership interest acquired from non-controlling shareholders		-	-	-	-	-	(209,981)	(209,981)
Realization of revaluation, net		-	-	-	313	313	-	313
Gain on ownership interest in subsidiaries, net		-	-	-	130,805	130,805	-	130,805
Loss for the year		-	-	-	(1,467,089)	(1,467,089)	-	(1,467,089)
Balances as at March 31, 2019		11,234,078	301,472	(519,644)	(7,849,215)	3,166,691	-	3,166,691

Atvos Agroindustrial Participações S.A. - Under court-ordered reorganization
Statements of cash flows
For the years ended March 31
In thousands of Brazilian reais

	Parent company		Consolidated	
	03.31.19	**03.31.18**	**03.31.19**	**03.31.18**
Cash flows from operating activities				
(Loss) income for the year before income and social contribution taxes	(1,464,959)	472,452	(1,419,119)	(915,289)
Adjustments				
Adjustment to market value, net	(26)	-	(1,208)	678
Adjustment to present value	92	39	37,191	35,802
Depreciation and amortization (including harvest of biological assets)	23,119	12,886	1,546,768	1,416,442
Interest and exchange and monetary variations, net	229,005	157,885	956,674	904,161
Fair value of biological assets	-	-	130,271	(9,134)
Income (loss) from ownership interest	1,311,450	(507,180)	-	-
Net realizable value of inventories	-	-	1,278	-
Sundry provisions	-	-	(3,539)	8,673
Residual value of fixed assets written off	5	27	3,411	4,875
	98,686	136,109	1,251,727	1,446,208
Changes in operating assets and liabilities				
Trade accounts receivable	(613)	929	(56,019)	136,499
Inventories	2,480	(3,977)	(38,065)	(71,725)
Recoverable taxes	2,604	(692)	208,299	153,798
Court deposits	-	22	187	(5,571)
Other receivables	(956)	(273)	(19,213)	10,756
Trade accounts payable	28,938	(1,025)	241,998	21,193
Payroll and charges	14	(39)	4,118	7,177
Taxes payable	927	432	20,741	(9,689)
Taxes in installments	(142)	7,234	2,661	15,712
Provision for contingencies	-	-	(6,959)	(12,325)
Advances from clients	(141,525)	(203,637)	(267,746)	(231,733)
Other payables	10,681	(23,168)	43,716	(4,723)
Cash from operations	1,094	(88,085)	1,385,445	1,455,577
Interest paid	(108,893)	(172,963)	(211,290)	(893,797)
Taxes paid	-	-	(6,532)	(33,559)
Net cash from operating activities – carried forward	(107,799)	(261,048)	1,167,623	528,221

Atvos Agroindustrial Participações S.A. - Under court-ordered reorganization

Statements of cash flows
For the years ended March 31
In thousands of Brazilian reais **(continued)**

	Parent company		Consolidated	
	03.31.19	**03.31.18**	**03.31.19**	**03.31.18**
Net cash from operating activities – brought forward	(107,799)	(261,048)	1,167,623	528.221
Cash flows from investing activities				
Financial investments	499	-	95,597	(65,660)
Loans raised with (granted to) subsidiaries	55,467	(505,137)	(114,067)	(65,618)
Capital increase in subsidiaries and affiliates	-	(33,015)	-	-
Acquisitions of fixed assets	(52)	(26)	(662,024)	(627,595)
Acquisitions of intangible assets	(325)	(160)	(1,525)	(1,676)
Land care costs of biological assets	-	-	(475,395)	(467,369)
Acquisition of subsidiary, net of cash acquired	3	-	9	-
Net cash from Investing activities	55,592	(538,338)	(1,157,405)	(1,227,918)
Cash flows from financing activities				
Raising of loans and financing	266,211	857,650	508,656	1,114,407
Amortization of loans and financing - principal	(243,463)	(30,002)	(582,028)	(496,640)
Net cash from financing activities	22,748	827,648	(73,372)	617,767
(Decrease) increase in cash and cash equivalents	(29,459)	28,262	(63,154)	(81,930)
Cash and cash equivalents at beginning of year	30,866	2,604	156,223	238,153
Cash and cash equivalents at end of year	1,407	30,866	93,069	156,223

1 General information

1.1. Operations

(a) Atvos Agroindustrial Participações S.A. – Under court-ordered reorganization (“Atvos Par” or “Company”) is part of the group of bioenergy companies controlled by the Odebrecht Group ("ODB") and is mainly engaged in holding interest in companies that produce biomass- and sugarcane-based sugar and ethanol, carrying out its activities in Brazil or abroad, either directly or through its operating subsidiaries.

(b) Atvos Par (“Atvos Group”), through its subsidiaries, has 9 operating units in the states of São Paulo, Mato Grosso, Mato Grosso do Sul and Goiás. Its subsidiaries have an installed crushing capacity of 37 million tonnes of sugarcane per annum, with 26.7 million tonnes processed in the 18/19 crop season (25.8 million in the 17/18 crop season).

(c) Ever since its creation in 2007, Atvos Group has invested in the sector through acquisitions and construction of units, in addition to renewing and expanding its sugarcane plantation. More than R$ 12,6 billion were invested, which reassures the commitment with the construction of a better and more sustainable world.

Actions to maintain financial health, increase in productivity and growth of Atvos Group are being carried out, highlighting:

(i) a gradual and responsible increase in investment level, prioritizing planting selectivity with focus on expansion and renovation areas, thus privileging productivity gains, as a result of the evolution of the agricultural processes, changes in planting mix focusing on 15-month sugarcane, and the use of new implements/equipment that promote an increased average crop yield and acceleration of the learning curve; (ii) development of the agricultural partnership program with suppliers to decrease the Company’s own sugarcane volume, which, in addition to providing financial sustainability to suppliers, also lowers investments in crop formation and maintenance; (iii) decrease in the volume of industrial investments, since the last plants started their operations by the end of 2011 and the expansion of Eldorado Unit, with grinding capacity increased from 2.1 to 3.5 million tons of sugarcane, was concluded in July 2015; (iv) decrease in agricultural costs, and optimization of routes for harvesting, loading and transporting sugarcane; (v) dilution of fixed costs due to greater efficiency and utilization of agricultural teams, in addition to increased occupancy of the plants; (vi) monetization of tax credits of ICMS (State VAT), PIS (tax on sales) and COFINS (tax on sales); (vii) maintenance of the structured program of cost reduction, reaching annual and recurring gains in the amount of R$ 200 million; and (viii) structuring of operations, directly with customers and suppliers, for the reduction of working capital needs.

The policy established by Petrobras in September 2016 for fuel prices, linking the price of gasoline A (refinery) to the price of international gasoline, has given more predictability to domestic market, which facilitates the Company’s planning in determining the price of its products.

All of the actions described, directly or indirectly, aim to balance the Company's and its subsidiaries’ cash flows and shall be mostly maintained in the next crop seasons, and it is also expected:

(i) maintenance and strengthening of Petrobras' fuel price policy; (ii) positive effects arising from implementation of RenovaBio, which is an important instrument to maintain the competitiveness of ethanol against gasoline; and (iii) concession of incentives to the industry, by the federal government, through reduction of the tax burden and access to more affordable financing facilities and with lower cost for investments in the operation, especially for formation and maintenance of sugar cane crop.

The 18/19 crop season has gone through: (i) sharp volatility in ethanol and sugar prices; (ii) truckers’ strike in May / 19, significantly impacting agro-industrial operations and, consequently, the Company’s and its subsidiaries’ cash flows; and (iii) severe weather conditions with drought and excessive rainfall, resulting in losses on sugarcane crop productivity. The positive factor was the high consumption of ethanol in Brazil, growing 18% in comparison with the 17/18 crop season.
Due to the negative effects on the 18/19 crop season, previously mentioned, with significant impacts on the Company’s and its subsidiaries’ cash flows, Atvos began, at the end of 2018, a process of restructuring of its debts with the main creditors, seeking the definitive balance of its capital structure and future cash flows.
Initially, the negotiations with creditors evolved satisfactorily, but despite all the efforts and progress made by the Management and creditors, the stalemate in negotiations with one specific creditor, directly affecting

the discussions with other creditors, ultimately precluded that Atvos' Financial Restructuring would be completed through an out-of-court agreement. As a result, on May 29, 2019, the Company, its parent company Atvos Agroindustrial S.A., and the subsidiaries Agro Energia Santa Luzia S.A., Brenco Companhia Brasileira de Energia Renovável S.A, Destilaria Alcídia S.A., Pontal Agropecuária S.A, Rio Claro Agroindustrial S.A., Usina Eldorado S.A. and Usina Conquista do Pontal S.A jointly filed a request for court-ordered reorganization at the 1st Court of Bankruptcies and Reorganization of the Judicial District of the City and State of São Paulo, based on Law No. 11.101/2005 (“LRF”), with the purpose of keeping the ability to continue as a going concern, ensuring financial balance and, mainly, reaffirming Atvos' commitment to its more than 10,000 members, their families, communities, partners, suppliers and customers with whom the Company and its subsidiaries work together. The request was filed under No 1050977-09.2019.8.26.0100 and assigned to the Judge of the 1st Court of Bankruptcies and Reorganization of the Judicial District of the City and State of São Paulo which authorized the Court-ordered Reorganization pursuant to a decision published on June 7, 2019.

The court decision which approved the court-ordered reorganization, among other measures, determined:

(i) Appointment of consulting company - Alvarez & Marsal - to act as trustee in the court-ordered reorganization process, pursuant to article 52, I, of LRF; (ii) Suspension of all ongoing actions and executions against Atvos Group, for a period of one hundred eighty (180) days, as from the publication of the decision which approved the court-ordered reorganization, pursuant to article 6 of LRF; (iii) Issuance of notice, pursuant to article 52, paragraph 1 of LRF, with a period of thirty (30) days for presentation of qualifications and / or divergences of credits under the court-ordered reorganization; and (iv) Presentation of Atvos Group's court-ordered reorganization plan within sixty (60) days, as from the publication of the decision which approved the court-ordered reorganization, pursuant to article 53 of LRF.

(d) Management understands that the mentioned actions, which support the expansion of Atvos Group's cash generation, are representative of the recoverability of the Company and its subsidiaries and are sufficient to (i) guarantee the Company’s and its subsidiaries’ going concern; and (ii) prepare a viable court-ordered reorganization plan to be submitted to the creditors' approval, seeking to balance the net working capital for the next crop seasons.

(e) Lava Jato

As publicly known, since 2014 investigations and other legal procedures have been conducted by the Federal Public Prosecutor’s Office (“MPF”), as well as by other public authorities, in the context of the denominated "Operação Lava Jato" (Car Wash Operation) and other related operations, which investigate illegal acts that involve companies, former executives and executives of the Odebrecht Group, of which the Company is part.

Also, in the context of Operação Lava Jato and other related operations, on December 1, 2016, Odebrecht S.A., as the parent company of the companies that are part of the mentioned economic group, entered into a Leniency Deal with the Brazilian MPF, taking responsibility for all illegal acts committed for the benefit of those companies, except for Braskem S.A. - which entered into a deal individually. The deal entered into by Odebrecht S.A. was approved by the Court on May 22, 2017. Additionally, Odebrecht S.A. also entered into a Leniency Deal with the Government Accountability Office and with the Office of the Attorney General on July 09, 2018.

The Leniency Deal entered into in Brazil is part of a Global Deal in which the competent authorities of Brazil’s, the United States’ and Switzerland’s jurisdictions participated.

To the extent that the Company (i) was not notified of any investigation related to it regarding Operação Lava Jato, promoted by internal regulatory bodies or international organizations against the Company and / or its executives; (ii) has not been the subject of precautionary measures of any nature in the context of Operação Lava Jato; (iii) had no administrator charged, accused or convicted so far; and (iv) there is no way to determine whether it will be affected by the results of that Deal or by any of its developments and future consequences; Management believes that such effects, should they occur, shall not materially impact the Company and its subsidiaries and, consequently, the financial statements as at March 31, 2019.

1.2. Corporate restructuring

In conclusion to the changes initiated in the 17/18 crop season, as part of the commitments assumed by the Company and its subsidiaries with the Banks regarding the financial restructuring process concluded in June 2016, during the 18/19 crop season, at the Extraordinary General Meeting, it was approved the merger, at accounting cost, of the indirect subsidiary OER Mineiros Energia S.A. ("OER Mineiros") by the direct subsidiary Brenco Companhia Brasileira de Energia Renovável S.A. ("Brenco"), holding 82.98% of interest in OER Mineiros. This change did not result in a capital increase or issuance of new shares, given that the merging company already held 100% of the merged company's equity, since the investment held by the minority shareholder of OER Mineiros was capitalized at Brenco in the 18/19 crop season.

2 Presentation of the financial statements

The financial statements were prepared in accordance with the provisions of the Brazilian Corporation Law and the pronouncements issued by the Brazilian Accounting Pronouncements Committee (CPCs).

Compared to the previous year, some reclassifications were made in the statement of operations, from "General and administrative expenses" to "Other operating expenses, net" in the amount of R$ 31,023 in the Consolidated, with the purpose of improving the presentation of the financial statements.
The Company's Management authorized the issue of the financial statements as at March 31, 2019 on July 30, 2019.

2.1 Summary of main accounting practices

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

2.2 Basis of preparation

The individual and consolidated financial statements have been prepared and are being presented together, according to the accounting practices adopted in Brazil, including the pronouncements issued by the Brazilian Accounting Pronouncements Committee (CPC) and evidence all material information specific to the financial statements, which is consistent with the information used by management.

The individual and consolidated financial statements have been prepared under the historical cost as base value and in case of available-for-sale financial assets, other financial assets and financial liabilities (including derivative instruments) and biological assets are adjusted to reflect the measurement at fair value.

Additionally, the preparation of financial statements requires the use of certain critical accounting estimates and requires exercise of judgment by the management in the process of applying the accounting policies of the Company and its subsidiaries. More complex areas and those requiring a great deal of judgment, as well as those whose estimates and assumptions are significant to the financial statements are disclosed in Note 3.

Except for the matter described below, the accounting practices adopted in these individual and consolidated financial statements are the same ones adopted in the financial statements of March 31, 2018. IASB issued amendments, directly reflected in the Technical Pronouncements:

. IFRS 9 / CPC 48 – Financial Instruments: It replaced the guidance in IAS 39 / CPC 38 and addresses (i) classification of financial instruments in one of three categories: amortized cost, fair value through other comprehensive income (loss) (VJORA) and fair value through income (loss) (VJR); (ii) new model of impairment for financial assets; and (iii) flexibility of requirements for adopting hedge accounting, as mentioned in Note 2.6. Below, the categories of the previous standard qualified with new classification according to IFRS 9 (CPC 48):

In thousands of Brazilian reais, unless otherwise stated

Financial assets	Classification as per CPC 38	New classification As per CPC 48
Cash and cash equivalents	Loans and receivables	Amortized cost
Financial investments	Loans and receivables Held-to-maturity	Fair value through income (loss)
Trade accounts receivable	Loans and receivables	Amortized cost
Others	Loans and receivables	Amortized cost

. IFRS 15/ CPC 47 - Revenue from Contracts with Customers: It addresses a single model for revenue recognition, and replaced guidance in IAS 18 / CPC 30 - Revenues, IAS 11 / CPC 17 - Construction Contracts and IFRIC 13 - Customer Loyalty Program. The main change is related to revenue recognition, replacing the principle of risks and benefits with the principle of control.

. IFRIC 22 / ICPC 21 - Transactions in Foreign Currency – It establishes the principles for the recognition, measurement, presentation and disclosure of non-monetary assets and liabilities arising from advanced receipts or payments in foreign currency.

. IFRS 16 / CPC 06 (R2) - Leases – It brings new concepts from lessee's point of view and introduces a single accounting model. In the proposed model, the lessee shall recognize all leases as part of the statement of financial position in a fixed asset account, under the caption "Right of Use", with an offsetting entry to liability, measured at present value.

The Company and its subsidiaries are evaluating the adoption of this pronouncement and the possible impacts on their financial statements.

Except for CPC 06, which will be initially adopted by the Company and its subsidiaries as from April 01, 2019, the other standards were adopted as from April 01, 2018 and did not generate any significant change related to the criteria previously applied.

2.3 Consolidation

(a) Consolidated financial statements

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

.

(i) Subsidiaries

Subsidiaries are all entities over which the Company has direct or indirect power to govern the financial and operating policies with the objective of obtaining benefits from their activities, generally accompanying a shareholding of more than 50%. The existence and effect of potential voting rights are considered when assessing whether the Company controls another entity, when applicable. The financial statements of the subsidiaries are included in the consolidated financial statements as from the date on which control is transferred to the Company up to the date on which control no longer exists.

The Company and its subsidiaries apply the acquisition method to account for business combinations, unless otherwise stated. The balances of assets and liabilities incurred and equity instruments issued by the Company are transferred for the acquisition of a subsidiary at fair value. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement, when applicable. Acquisition-related costs are accounted for in income (loss) for the year as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Company recognizes any non-controlling interest on an acquisition-by-acquisition basis, at fair value or at the non-controlling interest's proportionate share of the fair value of the identifiable net assets, in accordance with the respective business combination.

In thousands of Brazilian reais, unless otherwise stated

The excess of assets and liabilities transferred and fair value at the acquisition date of any prior ownership interest in the acquired company in relation to the fair value of ownership of the Company or its subsidiaries in the group of identifiable net assets acquired is recorded as goodwill. For acquisitions in which the Company attributes fair value to non-controlling interests, the determination of goodwill also includes the value of any non-controlling interest in the acquiree, and the goodwill is determined considering the participations of the Company or its subsidiaries and non-controlling interests. When the amount of assets and liabilities transferred is less than the fair value of the net assets of the acquired company, the difference is recognized directly in the statement of operations.

Unrealized transactions, balances and gains in transactions with and between subsidiaries of the Company are eliminated. The accounting policies of the subsidiaries are changed, when necessary, to guarantee consistency with the accounting policies adopted by the parent company.

(ii) Consolidated entities

The consolidated financial statements include the financial statements of the Company and its subsidiaries, with the following direct and indirect shareholdings maintained as at March 31:

Direct subsidiary	Location (Country/ State)	03.31.19	03.31.18
Agro Energia Santa Luzia S.A. ("Santa Luzia") (i)	Brazil/MS	100.00%	100.00%
Brenco Companhia Brasileira de Energia Renovável S.A. ("Brenco") (i)	Brazil	100.00%	100.00%
Destilaria Alcídia S.A. ("DASA") (i)	Brazil/SP	100.00%	100.00%
Odebrecht Agroindustrial International Corp. ("ODB Int.")	IVB	100,00%	100.00%
Pontal Agropecuária S.A. ("Pontal") (i)	Brazil/SP	100.00%	100.00%
Rio Claro Agroindustrial S.A. ("Rio Claro") (i)	Brazil/GO	100.00%	100.00%
Usina Eldorado S.A. ("Eldorado") (i)	Brazil/MS	100.00%	100.00%
Usina Conquista do Pontal S.A. ("UCP") (i)	Brazil/SP	100.00%	100.00%
Indirect subsidiary			
OER Mineiros Energia S.A. ("OER Mineiros") (ii)	Brazil/RJ	-	82.98%

(i) Companies under court-ordered reorganization as mentioned in Note 1.1.
(ii) Company merged by its shareholder during the 18/19 crop season, as mentioned in Note 1.2.

The main activities of the direct subsidiaries are as follows:

DASA, Eldorado and UCP: their main activities are the cultivation and processing of sugarcane for production and trade in the domestic and foreign markets of ethanol and very high polarization (VHP) sugar, in addition to the cogeneration and commercialization of electricity generated from biomass.
Pontal: its main activities are the cultivation and processing of sugarcane for production and the sale of ethanol and VHP sugar in the domestic and foreign markets, in addition to the cogeneration of biomass-based electric power, and it may also invest in other companies. Currently it is in the non-operating stage.

Brenco, Rio Claro and Santa Luzia: their main activities are the cultivation and processing of sugarcane for production and sales of ethanol in the domestic and foreign markets, in addition to the cogeneration and commercialization of electricity generated from biomass.

ODB Int.: It is an offshore company which is located in the British Virgin Islands (BVI) and engaged in the resale in foreign markets of sugar and ethanol produced by the Company's operating subsidiaries.

(b) Operation after the sale of energy cogeneration assets

The energy cogeneration assets belonging to all of the Company's direct operating subsidiaries ("Plants") were sold at the end of the 2013/14 crop season to the energy-producing Special Purpose Companies (“SPEs”) controlled by Odebrecht Energia Renovável S.A. ("OER"). In addition to a purchase and sale agreement between the parties, this transaction also included the establishment of two other instruments: (i) an Operating Consortium Agreement (the "Agreement"); and (ii) a Contract for the Operation and Maintenance of the SPE's Thermal Power Plants (UTE) (the "Contract").

The Agreement has established the terms and conditions that govern the relationship of the Consortium members (Plants and SPEs), including the rights, obligations and responsibilities of each party.

Within the scope of the Consortium, the Plants have provided inputs in sufficient quantity and quality for the cogeneration of electric energy, in accordance with the technical features of the energy-producing equipment and the obligations undertaken through the Renewable Energy Auction ("LER").

The SPEs, through the UTEs, have provided, on an exclusive basis, equipment for the cogeneration of electricity, in favor of the consortium, throughout the entire effective period of the operating agreement linked to the date when the concession granted by the National Electric Power Agency (ANEEL) terminates. The SPEs must also pay all costs relating to the operation and maintenance of equipment.

Within the scope of the Agreement, the Plants were entitled to receive enough energy for their own use, thus ensuring the performance of their operating activities, whereas the SPEs had the right to sell 100% of their surplus energy.

The Agreement has also governed specific aspects arising from the volume of electric energy generated in relation to the original plan established between the Plants and the SPEs.

The Contract has established the Plants' commercial commitment to carry out the operation and scheduled and non-scheduled maintenance of the UTE's equipment. For this service provision, the Plants were remunerated at amounts set forth in the contracts, which were adjusted by the variation of the Amplified Consumer Price Index (IPCA) rate on an annual basis.

On December 22, 2016, the Plants became the major shareholders of the SPE's, later incorporating them during the 17/18 and 18/19 crop seasons as described in Note 1.2 above. As a result of these corporate changes, the contracts previously mentioned, within the scope of the Consortium between the Plants and the SPEs, have expired.

(c) Individual financial statements

In the individual financial statements of the Parent Company, the subsidiaries are accounted for under the equity method.

2.4 Foreign-currency translation

(a) Functional and reporting currency

Items included in the financial statements of the Company and of each of its subsidiaries are measured using the currency of the primary economic environment in which the entities operate (the "functional currency"). The individual and consolidated financial statements are presented in Brazilian Reais, which is the Company's functional currency, and also the reporting currency of the Company and its subsidiaries.

(b) Transactions and balances

Transactions in foreign currency are translated into the functional currency at the exchange rates in effect on the dates of the transactions or evaluation, when the items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of operations, except when related to instruments designated in cash flow hedges, when included in "Asset and liability valuation Adjustments", under Equity (deficit) (Equity in 2018).

Foreign exchange rate gains and losses that relate to loans and financing, when not related to cash flow hedges, are recorded in the statement of operations within finance costs as "Interest payable", "Foreign exchange losses" and "Monetary losses", whereas earnings on cash and cash equivalents are recorded in the statement of operations in finance income as "Income from financial investments", as mentioned in Note 23.

2.5 Cash and cash equivalents

Cash and cash equivalents include cash, bank deposits and other highly-liquid short-term investments, with maturities of 90 days or less and subject to an insignificant risk of change in value.

Overdraft accounts, when used, are shown within "Loans and financing" in current liabilities in the statements of financial position.

2.6 Financial assets

2.6.1 Classification

The Company and its subsidiaries classify their financial assets, upon initial recognition, in the following categories: at amortized cost, at fair value through other comprehensive income (loss) or at fair value through income (loss) (VJR), according to CPC 48 (IFRS 9) – Financial instruments (see Note 2.2). The classification shall take into account the company's business model for the management of financial assets and the characteristics of the contracted cash flows.

2.6.2 Recognition and measurement

Regular purchases and sales of financial assets are recognized on the negotiation date, the date on which the Company and its subsidiaries undertake to buy or sell an asset. Investments are firstly recognized at their fair value, plus the transaction costs for all financial assets not classified at fair value through income (loss). Financial assets at fair value through income (loss) are initially recognized at fair value, and transaction costs are charged to the statement of operations. Financial assets are written off when the rights to receive cash flows from investments have expired or have been transferred; in the latter case, provided that all risks and benefits of ownership have been substantially transferred.
Financial assets measured at amortized cost and financial assets measured at fair value through income (loss) are subsequently accounted for at their fair value. Loans and receivables are stated at amortized cost, using the effective interest rate method.

Gains or losses from changes in fair value of financial assets measured at fair value through income (loss) are presented in the statement of operations as “adjustment to market value” (Note 23).

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the statement of operations as “Gains and losses on investment securities”.

Interest measured at fair value through income (loss), calculated using the effective interest rate method is recognized in the statement of operations as part of other revenues.

The Company and its subsidiaries assess at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for financial assets measured at fair value through income (expected loss — measured as the difference between the acquisition cost and the projected fair value, less any impairment loss on that financial asset previously recognized in income (loss) — is removed from equity and recognized in the statement of operations. For equity instruments, impairment losses recognized in profit or loss for the year are not reversed.

2.6.3 Financial instruments offset

Financial assets and liabilities are offset and the net amount is reported on the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle them on a net basis or simultaneously realize the asset and settle the liability.

2.6.4 Impairment of financial assets

For the assets measured at amortized cost, the Company and its subsidiaries assess at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired or there is objective evidence of future losses. A financial asset or group of assets is considered impaired, and result in impairment losses, only when there is objective evidence of impairment as the result of one or more events happening after the initial recognition of the asset (a "loss event") and the loss event has an impact on estimated future cash flows of the financial asset or group of assets, which can be reliably estimated.

The criteria that the Company and its subsidiaries use to determine if there is objective evidence of impairment loss include:

(i) Relevant financial difficulty from the issuer or debtor;

(ii) A breach of contract, such as a default or delinquency in interest or principal payments;

(iii) if the Company and its subsidiaries, for economic or legal reasons relating to the borrower's financial difficulty, grant to the borrower a concession that a lender would not otherwise consider;

(iv) It is probable that the borrower declares bankruptcy or goes into other kind of financial reorganization;

(v) The disappearance of an active market for that financial asset due to financial difficulties; or;

(vi) Observable data indicating a measurable reduction in future cash flows estimated from a portfolio of financial assets since the initial recognition of those assets, although the reduction cannot be identified through the individual financial assets in the portfolio, including:

. Adverse changes in the payment situation of the loan borrowers in the portfolio; and

. National or local economic conditions that are co-related with the default on assets of the portfolio.

The amount of any loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the loss amount is recognized in the statement of operations. If a loan or investment held to maturity has a variable interest rate, the discount rate to measure an impairment loss is the effective interest rate determined according to the respective agreement. As practice, the Company and its subsidiaries can measure impairment based on the fair value of an asset using an observable market price.

If, in a subsequent period, the amount of impairment loss is reduced and this reduction can be objectively related to an event which occurred after impairment being recognized (as an improvement in debtor’s credit rating) a reversal of the loss previously recognized will be recorded in statement of operations.

2.7 Derivatives and hedge activities

Initially, derivatives are recognized at fair value on the date on which a derivative contract is entered into and, subsequently, they are revalued. The method for recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument. For this case, the method depends on the nature of the item being hedged.

Non-derivative financial instruments are foreign currency-denominated debts obtained by the Company's subsidiaries with the purpose of financing exports. These debts are classified as cash-flow hedges and are recognized under liabilities at their amortized cost, with periodical variations due to appreciation or depreciation of Brazilian Real against foreign currencies recorded in Equity as "Asset and liability valuation adjustments". The direct subsidiaries do not adopt hedge accounting because hedge instruments are contracted for the Company's and its subsidiaries' consolidated operations, so such accounting practice cannot be used in the financial statements of each subsidiary. Accordingly, the individual financial statements of the subsidiaries are adjusted for the purposes of equity in the results of subsidiaries and consolidation, in order to align Atvos Group's accounting practices (parent company). Similar to the derivatives classified as hedge, these changes in profit or loss for the year are recognized by offsetting the corresponding variation in its export revenues.

The Company and its subsidiaries may designate derivative or non-derivative financial instruments as either:

. hedges of the fair value of recognized assets or liabilities or a firm commitment (fair-value hedges); or
. hedges of a particular risk associated with a recognized asset or liability or a highly probable forecast transaction (cash-flow hedges).

The Company and its subsidiaries document at the inception of the transaction the relationship between the hedging instruments and the hedged items, as well as their risk-management objectives and strategy for undertaking various hedging transactions. The Company and its subsidiaries also document their assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The full fair value of a hedging derivative is classified as a non-current asset or liability, when the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability, when the remaining maturity of the hedged item is less than 12 months. Derivatives held for trading are classified as current assets and liabilities.

Foreign currency-denominated loans designated for hedge accounting are classified in current liabilities at amortized cost. Amounts to be settled in more than 12 months are recorded in non-current liabilities (Note 2.17).

For hedging purposes, the Company's subsidiaries follow the Market Risk Management policy of the Group Atvos, and classify the applicable financial instruments as cash-flow hedges. The subsidiaries consider highly effective instruments that offset between 80% and 125% of the change in price of the item for which the hedge was contracted. Under the hedge policy, tests are conducted periodically in order to evidence the effectiveness of the hedges.

(a) Fair value Hedge

Changes in the fair value of derivatives that are designated and qualified as fair-value hedges are recorded in the statement of operations, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The Company and its subsidiaries only apply fair-value-hedge accounting for hedging of fixed-interest risk on loans. The Company recognizes as "finance income or costs" in the statement of operations the gain or loss relating to the effective portion of interest rate swaps hedging fixed rate loans, the gain or loss relating to the ineffective portion and the changes in the fair value of the hedged fixed rate loans attributable to interest rate risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item, for which the effective interest rate method is used, is amortized to income (loss) over the period to maturity.

(b) Cash flow Hedge

The effective portions of changes in the fair value of derivatives and foreign exchange variations of foreign currency-denominated borrowings that are designated and qualified as cash-flow hedges are recognized in equity, as "Asset and liability valuation adjustments". The gain or loss relating to the ineffective portion is immediately recognized in financial income (loss) for the year (Note 23).

Amounts accumulated in equity are reclassified to income (loss) in the periods when hedged items affect income (loss) (for example, when the forecast sale that is hedged takes place). The Company recognizes as "financial revenue and expense" (Note 23) the gain or loss relating to the effective portion of interest rate swaps hedging floating-rate borrowings and the gain or loss relating to the ineffective portion.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in the statement of operations. When a forecast transaction is no longer expected to occur, the gain or loss that was reported in equity is immediately transferred to "financial revenue and expenses" (Note 23).

(c) Derivatives measured at fair value through income (loss)

Certain derivative instruments do not qualify for hedge-accounting. Changes in the fair value of any of these derivative instruments are recognized immediately as financial income (loss) for the year (Note 23).

2.8 Trade accounts receivable

Trade accounts receivable consist of amounts receivable from the sale of merchandise over the normal course of the activities of the Company and its subsidiaries. If the collection period is one year or less, trade accounts receivable are classified in current assets. Otherwise, and if applicable, they are stated in noncurrent assets.

They are initially recognized at fair value and subsequently measured at amortized cost using the effective interest rate method, less allowance for doubtful accounts. Actually, they are normally recognized at their billed amount, adjusted by impairment, if applicable.

2.9 Inventories

Inventories are stated at the average cost of purchase or production or at the amounts advanced, which are lower than replacement or realizable values.

Maintenance expenses, as long as not available to be capitalized, and depreciation of agricultural and industrial machinery and equipment, incurred during inter-crop periods are recorded in Inventories and allocated to the sugar and ethanol production cost for the next crop season.

2.10 Court deposits

For recognized liabilities, court deposits are monetarily restated and presented as a deduction from the corresponding liabilities, if applicable, when they cannot be redeemed unless there is a favorable outcome for the Company and its subsidiaries in the dispute. If no corresponding liability is recorded, court deposits are presented in noncurrent assets.

2.11 Other assets

Other assets are presented at realizable value, including, when applicable, accrued earnings and monetary adjustments or, in the case of prepaid expenses, at cost.

2.12 Intangible assets

(a) Goodwill

Goodwill is represented by the positive difference between the amount paid and/or payable for the acquisition of a business and the net fair value of the assets and liabilities of the acquired subsidiary. Goodwill was accounted for in subsidiaries prior to March 31, 2009, that is, prior to the changes in the accounting practices, and is represented by the difference between the amount paid and the equity of the acquired company. Goodwill on acquisitions of subsidiaries is included in "Intangible assets", in the consolidated financial statements. If negative goodwill is determined, the amount is recorded as a gain in the statement of operations on the date of acquisition.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

For impairment-testing, goodwill is allocated to the cash-generating units (CGUs) or groups of CGUs that are expected to benefit from the business combination from which the goodwill arose.
The Company's management considers that each industrial park (total of five parks) corresponds to a CGU, composed of one or two industrial units that operate coordinately.

(b) Software

Acquired software licenses are capitalized according to costs incurred to acquire the software and make it ready for use. These costs are amortized during their estimated useful lives or expected use of assets.

Software maintenance costs are expensed as incurred, and development costs that are directly attributable to the design and testing of identifiable and unique software products are recognized as intangible assets.

Software development costs recognized as assets are amortized during their estimated useful lives or expected use of assets.

2.13 Fixed assets

Land comprises rural properties where sugarcane is grown and the land where the subsidiaries' industrial and administrative units are established, not subject to the effects of depreciation.

Production plants (plants that will be used as product supplies), according to CPC 27/IAS 16, are accounted for in a similar way to a machine in a production process and, therefore, are classified as fixed assets and measured at cost less accumulated depreciation and impairment loss.

Buildings and improvements substantially relate to construction of industrial buildings, administrative offices and other improvements to rural properties. Agricultural machinery and equipment comprises the purchase costs of agricultural machinery and equipment used in planting, cultivating and harvesting.

Fixed asset items are stated at revalued amounts up to December 31, 2002, in the case of the direct subsidiaries DASA and Pontal, and at historical cost for all other subsidiaries, less accumulated depreciation, as permitted by Law 11.638/07 and CPC Pronouncement 13 - "First-time Adoption of Law 11.638/07".

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow and when the item's cost can be reliably measured. The carrying amount of items or spare parts is written off. All other repairs and maintenance costs are allocated to income (loss) for the year as they are incurred. When they are incurred in an inter-crop period, these expenses are classified as Inventories under the account "inter-crop period costs to be recognized" and allocated to production cost during the next crop season.

The residual values and useful lives of assets are reviewed and adjusted if appropriate, at each year end. The carrying value of an asset is immediately written down to its recoverable amount if the carrying value of the asset is greater than its estimated recoverable amount (Note 2.15).

Gains and losses on disposals are calculated by comparing the disposal amounts with the book value and recorded in income (loss). When revalued assets are sold, the amounts included in the revaluation surplus are transferred to accumulated losses.

Interest costs on funds obtained to finance the construction of assets or certain projects are capitalized during the period necessary to perform and prepare the asset or project for the intended use, when applicable.

2.14 Biological assets

Biological assets comprise agricultural products under development (timber cane), which will be used as the raw material for sugar and ethanol production. Biological assets are measured at fair value.

Significant assumptions used in the determination of the fair value of biological assets are stated in Note 13.

Biological assets are recognized at their fair values on the reporting dates. The gain or loss from changes in the fair value of biological assets is the difference between the fair value at the beginning and end of the year, being presented in the statement of operations as "Fair value of biological assets".

2.15 Impairment of non-financial assets

Assets with indefinite useful lives, such as goodwill, are not subject to amortization and are annually tested for impairment. The assets which are subject to amortization are tested for impairment whenever events or circumstances indicate that their carrying value may not be recoverable. An impairment loss is recognized to the extent the carrying amount of the asset exceeds its recoverable amount. The latter is the higher of the fair value of an asset less selling costs or its value in use. For impairment testing purposes, assets are grouped at the lowest levels for which there are identifiable cash flows (CGUs).

Non-financial assets other than goodwill that were adjusted due to impairment are periodically reviewed for possible reversal of the impairment.

2.16 Trade accounts payable

Trade accounts payable are obligations payable for assets or services acquired from suppliers in the ordinary course of business. They are classified as current liabilities if payment is due in the period of up to twelve months (or in the ordinary operating cycle of business, although longer than one year). Otherwise, accounts payable are presented as noncurrent liabilities.

They are initially recognized at fair value and subsequently measured at amortized cost using the effective interest rate method. In fact, considering the short maturity, they are normally recognized at the corresponding billed amount.

2.17 Loans and financing

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

Fees paid on raising of funds are recognized as transaction costs to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the settlement occurs. When there is no evidence as to the probability that the debt is partially or fully settled, the fee is capitalized as an advance on liquidity services and amortized during the term of the loan and/or financing it refers to.

Financial instruments, including debentures, which are mandatorily redeemable on a specific date, are classified as a liability. The remuneration on debentures is recognized in the statement of operations as financial expense.

Loans and financing are classified as current liabilities, including in cases of non-compliance with contractual terms that imply the early maturity of all liabilities, unless the Company and its subsidiaries have an unconditional right to defer the settlement of a liability for a period longer than 12 months after the balance sheet date.

2.18 Provisions

Provisions for legal claims (labor, civil, environmental and tax) are recognized when the Company and its subsidiaries have a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. The provisions are not recognized in regard to future operating losses.

In the case a series of similar obligations exist, the likelihood of settlement is determined considering the class of obligations as a whole. A provision is recognized even when the likelihood of settlement related to any individual item included in the same class of obligations is small.

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

2.19 Income and social contribution taxes

The current income and social contribution taxes are calculated at the balance sheet date where the Company and its subsidiaries generate taxable income.

Deferred income and social contribution taxes are calculated on income and social contribution tax losses and the corresponding temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases applying the rates of legislation in force. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available to utilize temporary differences and/or tax losses, considering projections of future results based on internal assumptions and future economic scenarios, which are, therefore, subject to change.

The Company applies Law No. 12. 973/14 for the calculation of income and social contribution taxes. These provisions extinguished the Transitional Tax System (RTT) established by Law No. 11.638/07, providing definitive regulations on tax effects arising from the accounting standards introduced by the adoption of CPC pronouncements, in accordance with accounting practices adopted in Brazil.

Deferred tax assets and liabilities are presented net in the balance sheet when there is a legally enforceable right and the intention to offset them upon the calculation of current taxes, generally when related to the same legal entity and the same tax authority.

The rates of income and social contribution taxes applied to the calculation of current and deferred taxes follow the current legislation, currently corresponding to 25% for income tax and 9% for social contribution tax.

2.20 Revenue recognition

(a) Sales of goods

Revenue is the fair value of the consideration received or receivable for trading products over the Company's and its subsidiaries' normal course of activities. These are stated net of taxes, freight, returns, rebates and discounts, as well as net of the eliminations of the sales between companies of the Group, in the consolidated.

The Company and its subsidiaries recognize revenue when the amount of revenue can be reliably measured, when it is probable that future economic benefits will result from the transaction and when specific criteria have been met for each of the activities. The Company and its subsidiaries base their estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(b) Financial revenues

Financial revenue is recognized according to the elapsed time using the effective interest rate method. When a receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument. Subsequently, as time elapses, interest is incorporated into receivables against interest income. This interest income is calculated at the same effective interest rate used to determine the recoverable amount, that is, the original rate of the receivable.

2.21 Leases

Leases of which a relevant portion of the risks and benefits of ownership remain with the lessor are classified as operating leases. Payments made for operating leases (net of any incentive received by the lessor) are recognized to the statement of operations using the straight-line method over the lease period.

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

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

As mentioned in Note 2.2, CPC 06, effective as from April 01, 2019, will bring changes in the adoption of lease concepts.

2.23 Customers' advances

Customer's advances refer to future delivery of products, and can be extended for one or more crop seasons, if agreed between the parties.

2.23 Other operating expenses, net

These mainly consist of provisions for losses on lawsuits (labor, civil, environmental and tax).

3 Critical accounting estimates and judgments

These are continuously evaluated and are based on historical experience and on other factors, including expectations of future events considered reasonable for the circumstances.
Based on assumptions, the Company and its subsidiaries make estimates concerning the future. The resulting accounting estimates will rarely be equal to the related actual results. The estimates and assumptions with a significant risk of causing a material adjustment in the carrying amounts of assets and liabilities in the next year are discussed below:

(a) Fair value of biological assets

The fair value of biological assets is determined by application of assumptions established in discounted cash flow models, as described in Notes 2.14 and 13.

(b) Estimated impairment of goodwill and other assets

The Company and its subsidiaries test impairment of goodwill and other assets, as mentioned in Note 2.12 (a).

(c) Income and social contribution taxes and other taxes

The Company and its subsidiaries recognize deferred assets and liabilities based on the differences between the book value presented in the financial statements and tax basis of assets and liabilities, using the tax rates in effect. Deferred tax assets are regularly reviewed when it comes to recoverability, considering the history of profit generated and projected future taxable income, according to a technical feasibility study.

(d) Fair value of derivatives and other financial instruments

The fair value of financial instruments not traded in active markets is calculated using valuation techniques. The Company and its subsidiaries use judgment to select among a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. The Company and its subsidiaries have used discounted cash flow analysis for the calculation of the fair value of various available-for-sale financial assets that are not traded in active markets.

(e) Review of recoverable useful life of fixed assets

The recoverability of assets used in the activities of the Company and its subsidiaries is assessed whenever events or changes in circumstances indicate that the carrying amount of an asset or a group of assets may not be recoverable based on future cash flows. If the carrying amount of these assets is higher than their recoverable value, the net value is adjusted and the useful lives revised to new levels.

(f) Provision for contingencies

The Company and its subsidiaries are parties to labor, civil, environmental and tax litigation at various levels. Provisions for contingencies, to cover expected losses from ongoing proceedings, are established and updated based on management's assessment, according to the opinion of its legal counselors, and require a high level of judgment on the matters involved.

4 Financial risk management

4.1 Financial risk factors

The Company's subsidiaries carry out financial instrument transactions primarily to mitigate the market risks arising from variations in prices of international sugar, ethanol and electricity, in addition to fluctuations in exchange rates of international interest.

Risk management is governed by a formal Financial and Economic Risk Management Policy duly approved by the Board of Directors and under the responsibility of the Risk Management Committee, comprised of the officers in charge of the main areas involved in the process, such as finance (which includes the risk management area), sales and agroindustrial operations. The policy sets forth the characteristics of risk management and establishes reports and control systems to monitor risks, methodologies to calculate exposures, limits, criteria for assuming counterparty and liquidity risks, and approved financial instruments for trading.

The purpose of risk management is to protect the cash flows. The aim is to control the key exposures to financial and commercial risks arising from transactions by reducing volatility through derivative instruments. For this purpose, derivative instruments are only used in positions that are opposite to the operational exposure.

For exposures relating to agricultural commodity operations and interest rates, the strategy is based on taking positions in derivative financial instruments for a term of 24 months and up to the end of agreements, respectively.

Approved derivative financial instruments to manage such risks include options, futures, non-deliverable forward (NDFs) and swap contracts. The use of such instruments is subject to in-depth analyses of pricing, competitive quotations, accounting impact and other monitoring methodologies, in particular mathematical models adopted for the ongoing monitoring of exposures, as well as other risk management methodologies, such as “Value at Risk” and “Cash Flow at Risk”.

The Company regularly monitors and assesses its derivative contracts, and adjusts its strategy in accordance with market conditions. Derivative instruments may be used to modify the return on transactions based on judgment which concerns the most suitable conditions and seeks to match the rights obtained as a result of the derivative instrument with the liabilities represented by the transactions entered into. The use of derivative financial instruments in order to modify the return on transactions is limited to the amount of the underlying investment or commitment. Leveraged or speculative positions in derivatives are not taken.

Periodic changes in the fair value of derivatives are recognized as financial revenue and expense in the period in which they occur, except when the derivative has been designated and qualified as a hedge for accounting purposes on the transaction date.

Derivatives may be designed as hedges for hedge Accounting. Designation is not mandatory and, in general, derivatives are designated as hedges when the application of hedge-accounting provides material improvements in the demonstration of the offsetting effects of derivatives on the changes in hedged items.

To determine the estimated fair value of derivatives, the subsidiaries use quotations for similar transactions or public information available in the financial market, as well as valuation methodologies generally accepted and employed by counterparties; the criteria are not modified without an appropriate reason. The estimates do not necessarily mean that the transactions could be carried out in the market at the indicated amounts. The use of different market information and/or valuation methodologies may have a relevant effect in the estimated market value.

(a) Market risk

(i) Exchange rate risk

The subsidiaries are exposed to exchange rate gains (losses) related to amounts receivable resulting from revenues from exports, ethanol prices with indirect impacts of US dollar, foreign currency debt, production costs linked to the Total Recoverable Sugar (ATR) indicator of the Council of Sugar Cane, Sugar and Alcohol Producers for the State of São Paulo (CONSECANA), and from costs of agricultural inputs indexed to US dollar, which are managed, when necessary and according to assumptions established in the Financial and Economic Risk Management Policy, through a hedge strategy with contracts of (NDFs - non-deliverable forwards) and debt payment flows that are hedged through swap contracts. It is important to point out that the decisions are taken based on net income (loss) (assets less liabilities) of the exposure to exchange rate. All transactions are entered into with prime financial institutions.

To hedge their operating results, the subsidiaries evaluate, through statistical models, where applicable, whether contracted derivatives are highly correlated with changes in the Brazilian Real/US Dollar exchange rate, thus providing a hedge against changes in the foreign exchange rate that impact cash flows. When applicable, the subsidiaries classify these exchange derivatives as "Cash Flow Hedge" for accounting purposes, presented at fair value in Assets or Liabilities and recognizing the changes in fair value of the effective hedges in Equity, under the caption "Asset and liability Valuation Adjustment (AAP) for later recognition to income (loss) for the same period in which the "hedged" transactions are recognized.

The Company's subsidiaries have allocated non-derivative financial liabilities to hedge accounting of exports denominated in US dollars, issued with external parties, at consolidated level, as a hedging instrument for flows of future exports also at consolidated level. Accordingly, the impact of exchange rate fluctuations on future cash flows in US dollar derived from these exports is offset against the exchange rate fluctuation of the allocated non-derivative financial liabilities, partially eliminating the volatility of the consolidated income (loss).

For the year ended March 31, 2019, non-derivative financial liabilities designated as instruments to hedge highly probable future export flows had a negative effect on the Company's equity of R$ 219,596 (in 2018 a negative effect of R$ 45,014) with a corresponding effect on the Company's equity.

The subsidiaries record in "financial income (loss)", as "ineffective portion of hedges", any changes in the fair value of hedge transactions which are not considered as highly effective. The effectiveness of hedges is estimated through statistical correlation methods or the extent to which the transaction changes are offset by the changes in the fair market value of derivatives.

The fair value of NDFs is estimated based on the discounted cash flow of the transactions.

As at March 31, 2019 and 2018, the Company's subsidiaries did not have transactions hedging foreign exchange rate gains (losses) recorded in the account "Settlement of foreign exchange forward contracts" nor operating income (loss) from hedging foreign exchange transactions. Also, the Company did not maintain outstanding transactions at the reporting date or income (loss) recorded in equity.

(ii) Cash flow and fair value interest rate risk

The subsidiaries are exposed to the risk that a variation in floating interest rates may result in an increase in the financial expense with payments of future interest. The debt in Brazilian currency is primarily subject to changes in the long-term interest rate (TJLP), the fixed rates in Brazilian Reais and the daily Interbank Deposit Certificate (CDI) rate, offset by investments in Bank Certificates of Deposit (CDB). The debt in foreign currency at floating rates is primarily subject to LIBOR fluctuations.

As at March 31, 2019 and 2018, there were no hedge transactions of interest rate for future events, measured as effective and recorded in equity.

As at March 31, 2019 and 2018, there were no transactions recorded as financial expenses in the caption "Settlement of interest rate hedges, SWAPs".

During the same years, no financial loss was recognized in the caption "Ineffective portion of hedges". For swap contracts not designated for hedge accounting, the Company and its subsidiaries did not record financial income (loss) in the account "Losses on derivatives not designated for hedge accounting".

As at March 31, 2019 and 2018, there were no outstanding swap contracts not designated for hedge-accounting.

(iii) Sugar price risk

The subsidiaries are exposed to changes in the price of sugar in the foreign markets, chiefly relating to operating revenues from the sale of products. Changes in the price of sugar are actively managed through future agreements and options of Sugar #11 on the New York Board of Trade - NYBOT (ICE-NY). In compliance with its Financial and Economic Risk Management policy, the management of the Company and its subsidiaries is authorized to contract fixed-price sugar transactions, backed by up to 100% of the expected production for the current crop and no more than 50% of the production for the following crop season. Transactions exceeding 50% of the expected production for the following crop may only be contracted upon approval in forum defined according to corporate governance.

The Risk Management Committee believes that the derivatives used have a high correlation with the variation of the price of the products, which makes Sugar #11 derivatives effective for offsetting fluctuations in the price of sugar, so as to provide protection against price declines in the benchmark value of revenues. The fair value of Sugar #11 derivatives is estimated based on public information available in the financial market.

Most sugar derivatives are classified as "cash-flow Hedges" for accounting purposes. For transactions classified in this way, the changes in the fair value of effective hedges are recorded in equity, in the "Asset and liability valuation adjustments" account, for subsequent recognition in the statement of operations in the same period as the hedged transactions are realized. Changes in the fair value of hedge transactions that are not considered highly effective are recognized in financial income (loss), in the account "Losses on derivatives not designated as hedges". The effectiveness of hedges is estimated through statistical correlation methods or the extent to which the transaction changes are offset by the changes in the fair market value of derivatives.

In the year ended March 31, 2019, there were no transactions of derivative financial instruments classified as "cash-flow hedges". In 2018, R$ 72,365 was accounted for as revenue in operating income (loss), in the account "Gain on hedge transactions related to shipments" (Note 21).

As at March 31, 2019 and 2018, the Company and its subsidiaries have no outstanding sugar-hedge transactions, maturing in future years.

Additionally, as at March 31, 2019 and 2018, there were no delays in shipments designated as hedged items, recorded in equity. In the same years, there was no recognition of financial income (loss) under the caption ("Ineffective portion of hedge accounting").

As at March 31, 2019 and 2018, the Company and its subsidiaries did not recognize derivative instruments with futures and options.

(iv) Ethanol price risk

The subsidiaries are exposed to the fluctuations of ethanol price in the domestic market related to the operating revenues from the sale of the product. The hedging of the exposure to changes in the ethanol price is carried out, when necessary, through financial instruments which have direct and indirect adhesion and correlation with prices of ethanol or futures contracts of hydrous ethanol on the São Paulo Futures, Commodities and Securities Exchange (BM&FBovespa).

When applicable, public sources in the financial market are used to measure the fair value of derivatives.

As at March 31, 2019 and 2018, the Company and its subsidiaries had no outstanding hedge contracts, as well as no hedge results recorded in equity, and did not recognize gains or losses arising from ethanol price hedge transactions during the year.

(b) Credit risk

Credit risk with counterparts is generated by deposits and inflows in financial derivatives with banks and financial institutions. The Company's subsidiaries manage their credit risks by carrying out transactions only with prime financial institutions to which international agencies, such as Fitch Rating, Standard & Poor's and Moody's Investor have assigned ratings, and which have been duly approved by the Board of Directors, pursuant to the Financial Risk Management policy.

Should changes occur in the financial institutions' outlook for credit risks, the transactions to be contracted or already contracted must be approved by the Risk Management Committee.

Transactions carried out on the NYBOT (ICE-NY) and the BM&FBovespa are considered transactions whose counterparty risk is accepted by the subsidiaries.

In thousands of Brazilian reais, unless otherwise stated

(c) Liquidity risk

This is the risk that the Company and its subsidiaries will not have liquid funds sufficient to meet their financial commitments, due to the mismatching of terms or volumes in expected receipts and payments.

In order to manage the liquidity of cash in local and foreign currency, assumptions of future disbursements and receipts are established, according to rules established in Atvos' Financial and Economic Risk Management Policy, including adoption of minimum cash, being systematically monitored by the financial department. Details on liquidity risk management plans are described in Note 1

(d) Components of asset and liability valuation adjustments ("AAP") due to hedge transactions and financial liabilities

Considering the participation in the equity of subsidiaries, derivatives designated for Hedge Accounting gave rise to accumulated AAP balances, recorded in equity. These were considered in the parent company's equity, net of taxes.

Foreign exchange variations in financial liabilities designated as hedge instruments also gave rise to accumulated AAP balances. These results are adjusted in each subsidiary's financial statements for purposes of calculation of equity in the results of subsidiaries and consolidation, so that these financial statements can be aligned with the accounting practices adopted by the Company, that is, hedge accounting (Note 2.7).

4.2 Capital management

The purpose of the capital management practices of the Company and its subsidiaries is to ensure the ongoing growth of the business based on an appropriate capital structure, by adopting a policy of monitoring the gearing ratio, which corresponds to the net debt as a percentage of total capital. Net debt is calculated as total borrowings from financial institutions (including current and non-current borrowings as shown in the consolidated statement of financial position) less cash and cash equivalents and financial investments. The total capital is calculated through the sum of equity, as shown in the consolidated statement of financial position, with net debt.

The financial leverage indexes for the years ended March 31, 2019 and 2018 are presented as follows:

	Consolidated	
	03.31.19	03.31.18
Capital management		
Total loans and financing from financial institutions	10,113,101	9,236,748
Less: Cash and cash equivalents and financial investments	(122,809)	(279,851)
Net debt	9,990,292	8,956,897
Total equity	3,166,691	4,822,623
Total capital	13,156,983	13,779,520
Financial leverage index - %	75.93%	65.00%

Capital is managed considering the consolidated position, not the parent entity.

In thousands of Brazilian reais, unless otherwise stated

5 Financial instruments by category

	Consolidated		
	Classification	03.31.19	03.31.18
Assets, according to statement of financial position			
Trade accounts receivable	Amortized cost	186,094	130,075
Financial investments	Fair value through income (loss)	29,740	123,628
Cash and cash equivalents	Amortized cost	93,069	156,223
Others (i)	Amortized cost	3,148,428	3,008,633
		3,457,331	3,418,559

(i) These are composed by balances of current and noncurrent assets recorded under the captions "Other receivables and related parties".

	Consolidated	
	Liabilities at amortized cost	
	03.31.19	03.31.18
Liabilities, according to statement of financial position:		
Loans and financing	10,482,100	9,535,450
Trade accounts payable and other obligations, excluding legal obligations (ii)	844,102	545,822
	11,326,202	10,081,272

(ii) These comprise the balances of the current and noncurrent liabilities recorded in the accounts "Trade accounts payable", "Salaries and social charges", "Other payables" and "Related parties".

In thousands of Brazilian reais, unless otherwise stated

6 Cash and cash equivalents and financial investments

(a) Cash and cash equivalents

	Parent company		Consolidated	
	03.31.19	03.31.18	03.31.19	03.31.18
Cash and banks	905	30,866	46,704	70,978
Cash and equivalents – In Brazil	502	-	46,365	85,245
	1,407	30,866	93,069	156,223

(b) Financial investments

	Consolidated	
	03.31.19	03.31.18
Fair value through income (loss)		
Investments in domestic currency	29,740	123,628
Current assets	(22,215)	(53,745)
Noncurrent assets	7,525	69,883
Fair value through income (loss)		
Deducted from noncurrent liabilities (Note 15) CTN (a) IGPM (b)	174,097	150,751

(a) CTN – Brazilian Treasury Certificates
(b) IGPM – General Market Price Index

In thousands of Brazilian reais, unless otherwise stated

7 Trade accounts receivable

	Consolidated	
	03.31.19	03.31.18
Accounts receivable – in Brazilian Reais		
From clients	163,181	112,192
From related parties	381	-
Accounts receivable – in US Dollars		
From clients (2019 -US$ 408 thousand and 2018 - US$ 8 thousand)	1,598	26
From related parties (2019 -US$ 5,340 thousand and 2017 - US$ 5,372 thousand)	20,934	17,857
	186,094	130,075

Accounts receivable are due in less than three months and their fair value approximates the carrying amount at March 31, 2019.

The Company's maximum exposure to credit risk at the reporting date is the accounting value of each class of accounts receivable referred to above.

8 Inventories

	Consolidated	
	03.31.19	03.31.18
Finished goods	55,181	36,535
	12,139	-
	67,320	36,535
Advances to suppliers		
Sugarcane (agricultural partnership)	416,177	396,200
Inputs and others	10,580	2,999
	426,757	399,199
Costs of the inter-crop period to recognize	431,888	494,072
Inputs, ancillary and maintenance materials warehouse	173,718	137,767
	605,606	631,839
Total	1,099,683	1,067,573
Current assets	(777,679)	(811,866)
Non-current assets - Advances to sugarcane suppliers (agricultural partnership)	322,004	255,707

Advances to sugarcane suppliers include advances associated with agricultural partnership agreements. These advances are classified between current and noncurrent assets based on management's expectation regarding the realization of the balances through the future delivery of sugarcane by these partners.

In thousands of Brazilian reais, unless otherwise stated

9 Recoverable taxes

	Parent company		Consolidated	
	03.31.19	03.31.18	03.31.19	03.31.18
Contribution for the Social Security Funding (COFINS)	749	544	175,357	384,064
State VAT (ICMS)	804	181	144,230	132,568
Contribution to the Social Integration Program (PIS)	162	117	34,512	86,774
Withholding Income Tax (IRRF) (i)	3,841	5,201	103,762	47,176
Other recoverable taxes	2,139	2,196	39,807	46,790
Total	7,695	8,239	497,668	697,372
Current assets	(5,975)	(6,428)	(382,887)	(522,435)
Noncurrent assets	1,720	1,811	114,781	174,937

Recoverable COFINS, ICMS and PIS balances arise from trade transactions, recognized in the acquisition of fixed asset items and inputs.

Recoverable taxes were classified as current and noncurrent in accordance with management's best expectation of realization, through their offset against future taxes due and their reimbursement in cash, according to the current legislation.

The Company and its direct subsidiaries have monetized the accumulated PIS and COFINS credits, through offsetting of the debts of these taxes and of other federal taxes. As at December 31, 2016, with the end of the effective period of Law No. 12.859, of September 10, 2013, which established deemed credit of PIS and COFINS at R$ 120 per m^3 of sold ethanol, the credits have been flowing in a most accelerate way.

(i) It mainly refers to income tax withheld at source on return from financial investments and prepayments made that may be offset against IRPJ/CSLL payable or any other federal taxes.

10 Related-party transactions

The Company maintains balances and carries out transactions with its parent company, subsidiaries and other related parties. These transactions are conducted in the interest of Atvos Group as a whole, not necessarily of one sole entity. The main balances and transactions are as follows:

In thousands of Brazilian reais, unless otherwise stated

(a) Balances

		Parent company		Consolidated	
	Note	03.31.19	03.31.18	03.31.19	03.31.18
In specific account:					
Trade accounts receivable – Foreign market					
Odebrecht S.A. and its subsidiaries ("ODB")	(a)	-	-	20,934	17,857
Trade accounts receivable – Domestic market					
Usina Conquista do Pontal S.A. ("UCP")	(b)	534	167	-	-
Destilaria Alcídia S.A ("DASA")	(b)	284	167	-	-
Usina Eldorado S.A. ("Eldorado")	(b)	231	236	-	-
Agroenergia Santa Luzia S.A. ("Santa Luzia")	(b)	118	19	-	-
Brenco Companhia Brasileira de Energia Renovável S.A. ("Brenco")	(b)	173	118	-	-
Pontal Agropecuária S.A ("Pontal")	(b)	113	-	-	-
Atvos Agroindustrial S.A ("Atvos")	(b)	1	-	1	-
Rio Claro Agroindustrial S.A. ("Rio Claro")	(b)	-	113	-	-
OER Mineiros Energia S.A ("OER Mineiros")	(b)	-	19	-	-
Odebrecht S.A. and its subsidiaries ("ODB")	(a)	-	-	380	-
		1,454	839	381	-
Related-party transactions					
Atvos Agroindustrial Investimentos S.A. ("Atvos Inv")	(c)	1,085,961	1,085,961	1,085,961	1,085,961
Atvos Agroindustrial S.A ("Atvos")	(d)	122,351	124,284	122,351	122,351
Destilaria Alcídia S.A ("DASA")	(e)	26,36	5,101	-	-
Brenco Companhia Brasileira de Energia Renovável S.A. ("Brenco")	(e)	26,142	6,732	-	-
Rio Claro Agropecuária S.A ("Rio Claro")	(e)	14,703	2,715	-	-
Odebrecht S.A. and its subsidiaries ("ODB")	(a)	2,422	2,422	3,581	9,509
Atvos Agroindustrial S.A. ("Atvos")	(e)	13,19	-	-	-
OER Mineiros Energia S.A ("OER Mineiros")	(e)		414	-	-
Pontal Agropecuária S.A ("Pontal")	(e)	1,195	382	-	-
Atvos Agroindustrial Investimentos S.A. ("Atvos Inv")	(e)	418	64	418	64
Odebrecht Terras S.A. ("ODB Terras")	(e)	-	43	-	43
Agroenergia Santa Luzia S.A. ("Santa Luzia")	(e)	39	-	-	
Usina Conquista do Pontal S.A. ("UCP")	(e)	11	37	-	-
		1,292,792	1,228,155	1,212,311	1,217,928

In thousands of Brazilian reais, unless otherwise stated

	Note	Parent company		Consolidated	
		03.31.19	03.31.18	03.31.19	03.31.18
CPR-F Intercompany					
Brenco Companhia Brasileira de Energia Renovável S.A. (“Brenco”)	(f)	10,806	408	-	-
		1,303,598	1,228,563	1,212,311	1,217,928
In noncurrent assets					
Related-party transactions					
Brenco Companhia Brasileira de Energia Renovável S.A. (“Brenco”)	(g)	835,186	1,178,343	-	-
Destilaria Alcídia S.A. (“DASA”)	(g)	741,135	770,313	-	-
Rio Claro Agroindustrial S.A. (“Rio Claro”)	(g)	492,452	489,972	-	-
Atvos Agroindustrial S.A (“Atvos”)	(d)	223,018	301,423	436,331	301,423
Odebrecht Agroindustrial International Corp. (“ODB Int.”)	(g)	47,408	47,105	-	-
Agroenergia Santa Luzia S.A. (“Santa Luzia”)	(g)	45,075	-	-	-
Pontal Agropecuária S.A. (“Pontal”)	(g)	24,695	21,958	-	-
Odebrecht Terras S.A. (“ODB Terras”)	(h)	-	-	-	5,596
Atvos Agroindustrial Investimentos S.A. (“Atvos Inv”)	(g)	10,839	9,965	10,839	9,965
Atvos Agroindustrial Investimentos S.A. (“Atvos Inv”)	(h)	-	-	5,596	-
Odebrecht S.A. and its subsidiaries (“ODB”)	(i)	-	-	1,404,222	1,413,805
		2,419,808	2,819,079	1,856,988	1,730,789
CPR-F Intercompany					
Brenco Companhia Brasileira de Energia Renovável S.A. (“Brenco”)	(f)	141,581	141,581	-	-
		2,561,389	2,960,660	1,856,988	1,730,789

In thousands of Brazilian reais, unless otherwise stated

	Note	Parent company 03.31.19	Parent company 03.31.18	Consolidated 03.31.19	Consolidated 03.31.18
In current liabilities					
In specific account:					
Trade accounts payable:					
Usina Conquista do Pontal S.A. (“UCP”)	(l)	28,782	-	-	-
Odebrecht S.A. and its subsidiaries (“ODB”)	(a)	40	-	86	-
Atvos Agroindustrial S.A (“Atvos”)	(e)	-	-	-	56
		28,822	-	86	56
Loans and financing					
Odebrecht S.A. and its subsidiaries (“ODB”)	(j)	9,059	8,271	123,260	55,412
		9,059	8,271	123,260	55,412
Related-party transactions					
Odebrecht Agroindustrial International Corp. (“ODB Int.”)		7,958	7,311	-	-
Odebrecht S.A. and its subsidiaries (“ODB”)	(a)	38	46	239	433
Usina Conquista do Pontal S.A. (“UCP”)	(e)	-	12	-	-
Usina Eldorado S.A. (“Eldorado”)	(e)	1,325	3	-	-
Agroenergia Santa Luzia S.A. (“Santa Luzia”)	(e)	-	1	-	-
Atvos Agroindustrial S.A. (“Atvos”)	(e)	-	-	43,816	13,730
Atvos Agroindustrial S.A. (“Atvos”)	(k)	-	-	29,976	21,667
		9,321	7,373	74,031	35,830
Advances from clients					
Odebrecht S.A. and its subsidiaries (“ODB”)	(a)	-	-	1,630	196,105
Odebrecht Terras S.A. (“ODB Terras”)	(e)	-	-	-	245
		-	-	1,630	196,350
In noncurrent liabilities					
In specific account:					
Advances from clients					
Atvos Agroindustrial Investimentos S.A. (“Atvos Inv”)	(a)	-	-	1	-
Odebrecht S.A. and its subsidiaries (“ODB”)	(a)	-	-	2	12,026
		-	-	3	12,026
Loans and financing					
Odebrecht S.A. and its subsidiaries (“ODB”)	(j)	-	-	207,731	298,702
		-	-	207,731	298,702
Related-party transactions					
Usina Conquista do Pontal S.A. (“UCP”)	(g)	686,846	986,251	-	-
Usina Eldorado S.A. (“Eldorado”)	(g)	364,170	244,659	-	-
Agroenergia Santa Luzia S.A. ("Santa Luzia")	(g)	-	55,124	-	-
OER Mineiros Energia S.A (“OER Mineiros”)	(g)	-	28,510	-	-
Atvos Agroindustrial S.A. (“Atvos”)	(k)	-	-	70,296	70,296
		1,051,016	1,314,544	70,296	70,296

In thousands of Brazilian reais, unless otherwise stated

(b) Transactions

		Parent company		Consolidated	
	Note	03.31.19	03.31.18	03.31.19	03.31.18
Deferred Income and Social Contribution taxes					
Odebrecht S.A. and its subsidiaries ("ODB")	(i)	-	-	(9,584)	1,413,805
Sales of goods and services					
Destilaria Alcídia S.A. ("DASA")	(b)	120	170	-	-
Usina Conquista do Pontal S.A. ("UCP")	(b)	120	170	-	-
Brenco - Companhia Brasileira de Energia Renovável S.A. ("Brenco")	(b)	120	140	-	-
Agro Energia Santa Luzia S.A. ("Santa Luzia")	(b)	120	140	-	-
Rio Claro Agroindustrial S.A. ("Rio Claro")	(b)	120	120	-	-
Usina Eldorado S.A. ("Eldorado")	(b)	120	120	-	-
Atvos Agroindustrial S.A. ("Atvos")	(b)	120	120	120	120
Atvos Agroindustrial Investimentos S.A. ("Atvos Inv")	(b)	120	120	120	120
Bahiamido S.A. ("Bahiamido")	(b)	-	60	-	60
Pontal Agropecuária S.A. ("Pontal")	(b)	120	-	-	-
Odebrecht S.A. and its subsidiaries ("ODB")	(a)	-	-	473,031	299,303
Purchases of goods and services					
Usina Conquista do Pontal S.A. ("UCP")	(l)	(75,458)	(322,237)	-	-
Usina Eldorado S.A. ("Eldorado")	(l)	(62,081)	(111,825)	-	-
Rio Claro Agroindustrial S.A. ("Rio Claro")	(l)	(297)	-	-	-
Corporate expenses					
Atvos Agroindustrial S.A ("Atvos")	(e)	-	-	(107,428)	-
Financial expenses					
Atvos Agroindustrial S.A ("Atvos")	(d)	-	-	(8,309)	-
Odebrecht S.A. and its subsidiaries ("ODB")	(j)	(787)	(788)	(9,191)	(17,685)
Other operating revenues and expenses, net					
Odebrecht S.A. and its subsidiaries ("ODB")	(a)	-	(3)	-	(3,595)

(a) Refers to transactions among the companies of the Odebrecht S.A. group.

(b) Refers to the annual remuneration entered into in contract, to the administrator of the current account operation Atvos Par and its subsidiaries, as described in Note 10 (g), below.

(c) Refers to transfer of funds with Atvos Inv.

(d) Refers to transfer of funds with Atvos.

(e) Refers mainly to the contract for expenses entered into in 2009 between Atvos Par, Atvos, Atvos Inv. and subsidiaries, with the purpose of adequately allocating the related expenditures to each of the beneficiaries.

(f) Refers to transfer of funds raised by the Company, as mentioned in Note 15(f).

(g) Refers to the balances among Atvos Par, Atvos, Atvos Inv. and its subsidiaries based on an intercompany account agreement that aims to simplify, through onlendings or withdrawals of financial resources, the business relationships existing between the companies and those that demand joint management of funds. This arrangement is called a "single cash" agreement, and the existing credit or debt balances are not subject to finance charges. Atvos Par, manager of the single cash, transfers monthly the financial revenues and expenses recorded in its financial statements arising from movements in single cash, proportionally to the credit and debit positions existing between Atvos Par and the other companies.

(h) Refers to credit from its direct subsidiary Santa Luzia.

(i) Refers to an onerous assignment of income and social contribution tax losses to the companies of Odebrecht Group, as mentioned in Note 17 (a) (i).

(j) Refers to financial transactions among the companies of the Odebrecht S.A. group.

(k) Refers to transfer of funds raised by Atvos as debentures.

(l) Refers to business transactions carried out among the direct subsidiaries.

In thousands of Brazilian reais, unless otherwise stated

11 Investments in subsidiaries

(a) Information on investments

	Number of shares or units held					Ownership interest		Net income (loss) for the year		Equity (d	
				03.31.19	03.31.18						
Investments	Shares ON(a)	Shares PN(b)	Shares	Total	Total	03.31.19	03.31.18	03.31.19	03.31.18	03.31.19	03.31.18
(i) Direct											
Brenco Brasil	260,351,150,356,968	-	-	260,351,150,356,968	238,946,159,871,968	100.00	100.00	(593,650)	551,063	484,470	864.072
DASA	27,950,598,051,395	99,360	-	27,950,598,150,755	27,950,598,150,755	100.00	100.00	(133,137)	(118,829)	(560,187)	(427.345)
Eldorado	1,025,235,736	-	-	1,025,235,736	1,025,235,736	100.00	100.00	(62,746)	(29,256)	1,413,805	1.476.551
ODB Int.	6,650,000	-	-	6,650,000	6,650,000	100.00	100.00	(2,238)	4,888	(9,837)	(7.598)
Pontal	61,664,003	34,310	-	61,698,313	61,698,313	100.00	100.00	(3,772)	2,426	268	4.021
Rio Claro	100,165,112,276,000	-	-	100,165,112,276,000	100,165,112,276,000	100.00	100.00	(158,839)	110,356	242,962	401.800
Santa Luzia	93,432,472,283,522	-	-	93,432,472,283,522	93,432,472,283,522	100.00	100.00	(109,571)	(104,421)	670,335	779.906
UCP	95,985,897,817,571	-	-	95,985,897,817,571	95,985,897,817,571	100.00	100.00	(274,815)	69,916	62,249	337.064
(ii) Indirect											
OER Mineiros (*)	-	-	-	-	750,056,206	-	82.98	-	81,736	-	1,233,732

(a) Shares ON – Common registered shares

(b) Shares PN – Preferred registered shares

(*) Company merged during the 18/19 crop season, as mentioned in Note 1.2.

In thousands of Brazilian reais, unless otherwise stated

(b) Changes in investments

	Eldorado	Rio Claro	Santa Luzia	Pontal	UCP	Brenco	OER (*)	CTC Centro de Tecnologia Canavieira	Parent Company 03.31.19	Parent Company 03.31.18	Consolidated 03.31.19	Consolidated 03.31.18
Initial balance	1,476,550	402,541	779,906	4,022	340,253	864,072	-	78,173	3,945,517	3,312,257	113,762	113,762
Asset and liability valuation adjustment– Hedge Accounting	-	(8,268)	(6,991)	-	76,544	(119,625)	-	-	(58,340)	(20,977)	-	-
Ownership interest in the subsidiaries' income (loss)	(62,746)	(150,571)	(102,580)	(3,772)	(351,359)	(474,025)	(31,022)	-	(1,176,075)	621,064	-	-
Capital increase	-	-	-	-	-	214,050	-	-	214,050	33,015	-	-
Subsidiary's contribution	-	-	-	-	-	-	109,616	-	109,616	-	-	-
Revaluation adjustment	-	-	-	19	-	-	-	-	19	-	-	-
Gain on ownership interest in subsidiaries	-	-	-	-	-	-	130,805	-	130,805	158	-	-
Merger of subsidiary	-	-	-	-	-	-	(209,399)	-	(209,399)	-	-	-
Final balance of investments	1,413,804	243,702	670,335	269	65,438	484,472	-	78,173	2,956,193	3,945,517	113,762	113,762

(*) It was received as payment of capital through share contribution and merged during the 18/19 crop season, see (d) as follows:

(c) Change in provision for losses on investments

	DASA	ODB International	Parent company 03.31.19	Parent company 03.31.18
Initial balance of investments	(419,899)	(7,598)	(427,497)	(313,625)
Ownership interest in the subsidiaries' income (loss)	(133,137)	(2,238)	(135,375)	(113,884)
Revaluation adjustment	295	-	295	-
Gain and loss from ownership interest in subsidiaries	-	-	-	12
Final balance of provision for losses on investments	(552,741)	(9,836)	(562,577)	(427,497)

In thousands of Brazilian reais, unless otherwise stated

(d) Merger of investment - OER

According to the Minutes of the Extraordinary General Meeting held on December 03, 2018, Odebrecht Energia Renovável S.A. - ("OER") was merged at accounting cost by the Company. The merger did not result in an increase in capital stock or issue of new shares, since the merging company already held 100% of the equity of the merged company.

Assets	
Current	2,538
Noncurrent	
Investments	214,050
Total merged assets	216,588
Liabilities	
Current	7,189
Total merged liabilities	7,189
Net assets	209,399

12. Fixed assets

(a) Breakdown

	Consolidated				%
			03.31.19	03.31.18	Annual average depreciation rates
	Cost	Accumulated depreciation	Net	Net	
Industrial equipment and facilities	4,872,550	(1,639,752)	3,232,798	3,395,643	4.58
Bearer plant	5,877,642	(3,860,284)	2,017,358	2,039,004	16.67
Buildings and improvements	2,067,809	(412,232)	1,655,577	1,710,729	2.52
Agricultural machinery and equipment	843,611	(491,849)	351,762	346,000	9.10
Leasehold improvements	265,562	(120,527)	145,035	165,235	7.07
Fair value of bearer plant	499,543	(410,921)	88,622	147,484	20.00
Land	83,662	-	83,662	83,662	-
Bearer plant in formation	56,996	-	56,996	57,029	-
Vehicles	147,337	(108,240)	39,097	47,242	7.09
Furniture and fixtures	91,969	(60,488)	31,481	35,191	5.91
IT equipment	26,927	(20,551)	6,376	6,366	15.63
Ongoing constructions (i)	3,442	-	3,442	13,282	4.58
Advances to suppliers (ii)	7,965	-	7,965	7,815	16.67
	14,845,015	(7,124,844)	7,720,171	8,054,682	

(i) As at March 31, 2019, these mainly referred to construction and assembly works performed in the agricultural and industrial areas of the Company's subsidiaries; measures to ensure conformity with the regulatory standards; purchases of agricultural equipment; expansions of the vinasse mains; and irrigation, among other things.

(ii) Advances to suppliers mainly referred to agreements with companies that supply the equipment necessary for the assembly/expansions mentioned in the item above.

In thousands of Brazilian reais, unless otherwise stated

(b) Changes in fixed assets

	03.31.18	Additions	Write-offs	Transfers	Depreciation	03.31.19
Industrial equipment and facilities	3,395,643	32,494	(59)	51,840	(247,120)	3,232,798
Bearer plant	2,039,004	11,492	-	536,637	(569,775)	2,017,358
Buildings and improvements	1,710,729	878	(91)	3,708	(59,647)	1,655,577
Agricultural machinery and equipment	346,000	63,117	(2,822)	6,096	(60,629)	351,762
Leasehold improvements	165,235	237	-	835	(21,272)	145,035
Bearer plant – AVM	147,484	-	-	-	(58,862)	88,622
Land	83,662	-	-	-	-	83,662
Bearer plant in formation	57,029	536,604	-	(536,637)	-	56,996
Vehicles	47,242	107	(257)	115	(8,110)	39,097
Furniture and fixtures	35,191	785	(7)	292	(4,780)	31,481
IT equipment	6,366	2,146	-	479	(2,615)	6,376
Constructions in progress	13,282	53,525	-	(63,365)	-	3,442
Advances to suppliers	7,815	325	(175)	-	-	7,965
	8,054,682	701,710	(3,411)	-	(1,032,810)	7,720,171

	03.31.17	Additions	Write-offs	Transfer	Depreciation	03.31.18
Industrial equipment and facilities	3,584,029	28,533	(502)	27,892	(244,309)	3,395,643
Bearer plant	1,992,811	-	-	560,371	(514,178)	2,039,004
Buildings and improvements	1,768,154	2,254	(95)	311	(59,895)	1,710,729
Agricultural machinery and equipment	333,388	65,710	(3,989)	9,810	(58,919)	346,000
Leasehold improvements	183,536	1,186	-	1,498	(20,985)	165,235
Bearer plant – AVM	220,045	-	-	-	(72,561)	147,484
Land	83,662	-	-	-	-	83,662
Bearer plant in formation	77,648	539,752	-	(560,371)	-	57,029
Vehicles	55,395	1,519	(168)	102	(9,606)	47,242
Furniture and fixtures	38,630	2,579	(121)	(528)	(5,369)	35,191
Constructions in progress	24,377	26,000	-	(37,095)	-	13,282
IT equipment	6,800	2,084	-	68	(2,586)	6,366
Advances to suppliers	9,873	-	-	(2,058)	-	7,815
	8,378,348	669,617	(4,875)	-	(988,408)	8,054,682

In thousands of Brazilian reais, unless otherwise stated

(c) Other information

Fixed asset items are pledged in guarantee for loans and financing.

13 Biological assets

As at March 31, 2019, the Company's direct subsidiaries had approximately 310,000 hectares of sugarcane plantations in the states of São Paulo, Mato Grosso, Mato Grosso do Sul and Goiás. These were measured at their fair value since they were already established and ready for harvesting.

Biological assets correspond to agricultural products under development (sugarcane), produced by the production plant (bearer plant), which will be used as a raw material for the production of sugar and ethanol when harvested.

(a) Main assumptions used in the calculation of fair value

The fair value of formed sugarcane plantation was determined using the discounted cash flow method, considering the following main premises:

(i) Cash inflows obtained through calculations considering: (i) sugarcane productivity in the crop season, measured in tons; (ii) sugar concentration level (Total recoverable sugar (“ATR”)) expected for future crops season; (iii) value of ATR per tons of sugarcane, calculated using the methodology of CONSECANA, which takes into consideration the production mix of sugar and ethanol (hydrous and anhydrous) in the market and the future prices estimated for each of these products; and

(ii) Cash outflows represented by estimates of: (i) costs required for the biological transformation of the sugarcane (crop treatments of the ratoon cane); (ii) costs of harvesting, transshipment and transport; (iii) capital costs (land, machinery and equipment); and (iv) taxes on positive cash flows.

Based on estimates of revenues and costs, the Company determines the cash flow to be generated every year and applies a discount rate to bring the biological assets to present value. Changes in fair value are recorded in biological assets under current assets, with a corresponding entry to "Fair value of biological assets" in the statement of operations.

Changes in the fair value of biological assets are amortized according to the harvesting of sugarcane and in proportion to the productivity estimated for the crop seasons.

The models and assumptions used in the determination of fair value represent the Management’s best estimates on balance sheet date, being quarterly reviewed and adjusted, if applicable.

(b) Breakdown

				Consolidated
			03.31.19	03.31.18
	Cost	Write-off per accumulated harvest	Net	Net
Biological asset (sugarcane)	979,967	(485,155)	494,812	504,572
Changes in fair value	826,308	(959,183)	(132,875)	10,950
	1,806,275	(1,444,338)	361,937	515,522

In thousands of Brazilian reais, unless otherwise stated

(c) Changes in biological assets

	03.31.18	Additions	Amortization	03.31.19
Biological asset (sugarcane)	504,572	475,395	(485,155)	494,812
Changes in fair value	10,950	(130,271)	(13,554)	(132,875)
	515,522	345,124	(498,709)	361,937

	03.31.17	Additions	Amortization	03.31.18
Biological asset (sugarcane)	428,237	467,369	(391,034)	504,572
Changes in fair value	50,059	9,134	(48,243)	10,950
	478,296	476,503	(439,277)	515,522

14 Intangible assets

(a) Breakdown

	Parent company				
			03.31.19	03.31.18	%
	Cost	Accumulated amortization	Net	Net	Average annual amortization rate
Goodwill on investments	117,286	-	117,286	117,286	
Usage rights:					
Software	66,529	(64,726)	1,803	24,512	20
	183,815	(64,726)	119,089	141,798	

	Consolidated				
			03.31.19	03.31.18	%
	Cost	Accumulated amortization	Net	Net	Average annual amortization rate
Goodwill on investments	288,284	-	288,284	288,284	
Tax assets	58,081	-	58,081	58,081	
Usage rights:					
Grant	1,595,678	(114,681)	1,480,997	1,507,150	1.58
Software	86,462	(80,962)	5,500	27,990	7.87
Environmental licenses	4,780	(4,484)	296	386	3.38
	2,033,285	(200,127)	1,833,158	1,881,891	

In thousands of Brazilian reais, unless otherwise stated

(b) Changes in intangible assets - consolidated

	03.31.18	Additions	Amortization	03.31.19
Goodwill on investments (i)				
Eldorado	135,698	-	-	135,698
DASA	83,452	-	-	83,452
UCP	26,084	-	-	26,084
Pontal	21,954	-	-	21,954
Rio Claro	7,749	-	-	7,749
Brenco	9,546	-	-	9,546
Santa Luzia	3,801	-	-	3,801
	288,284	-	-	288,284
Tax assets (ii)				
DASA	40,651	-	-	40,651
UCP	13,437	-	-	13,437
Rio Claro	3,993	-	-	3,993
	58,081	-	-	58,081
Usage rights:				
Grant (iii)	1,507,150	-	(26,153)	1,480,997
Software	27,990	1,525	(24,015)	5,500
Environmental licenses	386	-	(90)	296
	1,535,526	1,525	(50,258)	1,486,793
	1,881,891	1,525	(50,258)	1,833,158

	03.31.17	Additions	Amortization	03.31.18
Goodwill on investments (i)				
Eldorado	135,698	-	-	135,698
DASA	83,452	-	-	83,452
UCP	26,084	-	-	26,084
Pontal	21,954	-	-	21,954
Rio Claro	7,749	-	-	7,749
Brenco	9,546	-	-	9,546
Santa Luzia	3,801	-	-	3,801
	288,284	-	-	288,284
Tax assets (ii)				
DASA	40,651	-	-	40,651
UCP	13,437	-	-	13,437
Rio Claro	3,993	-	-	3,993
	58,081	-	-	58,081
Usage rights:				
Grant (iii)	1,528,465	-	(21,315)	1,507,150
Software	39,825	1,676	(13,511)	27,990
Environmental licenses	612	-	(226)	386
	1,568,902	1,676	(35,052)	1,535,526
	1,915,267	1,676	(35,052)	1,881,891

(i) Goodwill on consolidated investments included in intangible assets is based on expected future profitability and is subject to annual impairment tests, as mentioned in Note 2.12 (a).

(ii) Tax assets refer to the portion of the economic benefit of the goodwill based on the expectation of future profitability which was accrued upon the acquisition of these companies by its parent company Atvos Par. Subsequently, the companies merged, on a downstream basis, the portion of the net assets of Atvos Par., keeping in assets only that portion related to the tax benefit.

(iii) It refers to a grant given by the Brazilian Electricity Regulatory Agency (ANEEL) to electricity SPEs, to produce, conduct and supply electricity. As mentioned in Note 1.2, the SPEs, except OER Mineiros, were merged by their parent companies during the 17/18 crop season.

(iv) t mainly refers to expenses incurred for software implementation (ERP) in the Company and its subsidiaries.

In thousands of Brazilian reais, unless otherwise stated

15 Loans and financing

Loans and financing are stated net of costs incurred in the transaction (Note 2.17).

Type	Note	Average of annual finance charges	Parent company 03.31.19	Parent company 03.31.18	Consolidated 03.31.19	Consolidated 03.31.18	Original maturities (before Court-ordered reorganization)
Domestic Currency							
Finem	(a)	Facilities to TJLP and facilities to TJLP + interest of 3.70%	-	-	3,858,577	3,571,584	
		UMBNDES + currency basket charges + interest of 4.27%	-	-	711,239	564,130	2020 to 2029
		Annual CDI 120.00%and other facilities of 5.03%	-	-	215,755	211,219	
			-	-	4,785,571	4,346,933	
Lines of credit:							
CCE - Export Credit Note	(b)	Interest of 115.00% of CDI	21,575	-	1,431,923	1,308,924	2019 to 2029
NCE - Export Credit Note	(c)	Interest of 115.00% of CDI	-	-	856,997	803,110	2029
Agro industrial Credit	(d)	Interest of 115.00% of CDI	509,526	475,291	638,657	597,760	2029
Credit line – working capital	(e)	Interest of 122.89% of CDI; other facilities with interests of 12.50%	-	-	546,212	470,924	2020 to 2029
CDCA and CPR -F	(f)	Interest of 115.00% of CDI	131,208	119,074	331,624	357,301	2029
Related-party transactions	10 (a)	Interest of 125.00% of CDI	-	-	298,702	298,702	2021
Regularized working capital	(g)	TJLP + Interest of 5.00%	-	-	254,953	232,117	2029
Finame (Machinery and Equipment Financing)	(h)	TJLP + 5.54%; and other facilities with interests of 5.73%	-	-	151,764	195,490	2019 to 2024
Prorenova	(i)	Interest of 4.06% and facilities to TJLP + interest of 3.70%	-	-	89,207	82,114	2029
Working capital	(j)		-	-	23,230	-	2021
Debentures	(k)	Selic + 2.50%, IPCA + 8.39%	7,174	8,271	7,168	8,268	2019 to 2028
Lease	(l)		-	-	3,180	6,244	-
(-) Discount to present value of lease			-	-	(1,731)	(2,082)	
Working capital		Facilities adjusted by IGPM + 9.20%	-	-	109	113	2023
Refinancing PESA	(m)	TJLP + interest of 2.32%	-	-	21	21	2019
FCO	(n)	Interest of 8.50%	-	-	1	12,909	2019
			669,483	602,636	4,632,017	4,371,915	
PESA – Contract balance	(o)	IGPM + interest of 5.33%	-	-	195,511	188,342	2020 to 2023
(-) Discount to present value			-	-	(19,177)	(33,729)	
(-) Investments in National Treasury Certificates (CTNs)		IGPM + interest of 12.00%	-	-	(174,097)	(150,751)	
			-	-	2,237	3,862	
Carried forward – total domestic currency			669,483	602,636	9,419,825	8,722,710	

In thousands of Brazilian reais, unless otherwise stated

			Parent company		Consolidated		
Type	Note	Average of annual finance charges	03.31.19	03.31.18	03.31.19	03.31.18	Original maturities (before Court-ordered reorganization)
Brought forward			669,483	602,636	9,419,825	8,722,710	
Foreign currency		Exchange rate gain (loss) and interest:					
Debentures	(j)	Interest of 19.00%	1.062.275	812,740	1,062,275	812,740	2020
Total foreign currency			1,062,275	812,740	1,062,275	812,740	
			1,731,758	1,415,376	10,482,100	9,535,450	
		Current liabilities	(1,731,758)	(13,938)	(10,274,368)	(219,034)	
		Noncurrent liabilities	-	1,401,438	207,732	9,316,416	

Key:

BNDES: National Bank for Economic and Social Development

CDI: Interbank Deposit Rate

CTN: Brazilian Treasury Certificate

IGPM: General Market Price Index

LIBOR: London Interbank Offered Rate

PESA: Special Asset Recovery Program

TJLP: Long-term interest rate

UMBNDES: BNDES Monetary Unit

In thousands of Brazilian reais, unless otherwise stated

	Consolidated	
	03.31.19 (i)	03.31.18
2019	-	435,327
2020	93,598	1,242,854
2021	114,134	936,722
2022	-	973,168
2023	-	956,937
2024 to 2029	-	4,771,408
	207,732	9,316,416

(i) Due to the non-compliance with certain contractual clauses, particularly those determining early maturity of the debt, in view of the current status of the Company and its subsidiaries, resulting in the request for court-ordered reorganization, as per Note 1, the balances of these liabilities were reclassified to current liabilities until the process of renegotiation with creditors under the Court-ordered Reorganization Plan is completed and approved.

(a) Credit facilities obtained for the purpose of financing investments in the industrial and agricultural segments.

(b) Borrowings for the purpose of financing the production of assets for export.

(c) Borrowings for the purpose of financing the production of assets for export.

(d) Credit facilities for the purpose of financing the agribusiness activities and costing.

(e) Credit facilities for working-capital purposes.

(f) The Rural Producer Financial Notes (CPRFs) were issued for the purpose of increasing working capital, expanding the crop.

The issued CPR-Fs backed the private issue of Agribusiness Credit Right Certificates (CDCAs), guaranteed by the flow of receivables of the ethanol supply contracts entered into by the subsidiaries.

(g) BNDES on-lending facilities obtained from a bank consortium.

(h) BNDES on-lending facility for the purpose of financing the acquisitions of agricultural machines, equipment and fleet.

(i) BNDES on-lending facility, for the purpose of financing the renovation and implementation of new sugarcane plantations.

(j) Credit facilities contracted for financing working capital that were transferred to ODB Group in the 18/19 crop season.

(k) Private issue of debentures, being:

(i) 686,000 debentures, divided into 2 series of 343,000, issued on April 16, 2010.

(ii) 829,150,000 debentures convertible into shares, with secured guarantee, in a single series for private placement, issued on June 28, 2017.

In thousands of Brazilian reais, unless otherwise stated

(l) Refers to lease as mentioned in Note 2.21.

(m) The Company's subsidiary DASA formally agreed with BNDES to withdraw from the Program, including the consolidation, confession and rescheduling of the debt arising from Rural Credit Note 003/97 and Rural Bond 005/98 issued in favor of the now extinct Banco Crefisul S.A.

(n) FCO on-lending credit facility for the purpose of financing the purchase of assets and services for implementation of the plant located in the city of Alto Taquari.

(o) Debt securitization with financial institutions, by means of the purchase of CTNs in the secondary market, as collateral for the payment of the principal. The securitized financing will be automatically settled on their maturity dates upon the redemption of the CTNs, which are in the custody of the creditor financial institutions.

Capitalization of interest

As described in Note 2.13, it is the practice of the direct subsidiaries of the Company to capitalize charges on borrowings during the period of construction of assets and realization of projects, by applying the weighted average rate of financial charges on the debt to the balance of assets under construction. This amount is limited to the charges incurred during the year.

Fair value of loans

As at March 31, 2019, the fair value of loans and financing is R$ 10.956.772 and approximates, substantially, the book balances of R$ 10.804.882 (accounting balance net of the transaction costs, discounts to present value and investments with CTNs).

Guarantees

Borrowings are guaranteed by sureties, pledge of plantations, granting of credit rights and/or secured fiduciary sale of assets.

16 Taxes payable and paid in installments

(a) Taxes payable

	Parent company		Consolidated	
	03.31.19	03.31.18	03.31.19	03.31.18
State VAT ("ICMS")	2	2	23,567	6,886
Social Security Contribution ("INSS")	24	23	17,301	13,936
Withholding Income Tax - ("IRRF")	60	47	4,255	11,065
Contribution for the Social Security Funding - ("COFINS")	1,809	1,087	1,911	1,108
Tax on Services ("ISS")	54	8	344	1,515
Contribution to the Social Integration Program - ("PIS")	304	177	317	176
Other taxes payable	44	26	14,503	6,765
	2,297	1,370	62,198	41,451

In thousands of Brazilian reais, unless otherwise stated

(b) Taxes in installments

Taxes paid in installments were classified between current and non-current in accordance with the maturity dates of the installments.

	Consolidated	
	03.31.19	03.31.18
State VAT (“ICMS”)	32,854	30,022
Special tax regularization program - ("PERT")	-	171
	32,854	30,193
Current liabilities	(13,365)	(12,721)
Noncurrent liabilities	19,489	17,472

17 Customers’ advances

As at March 31, 2019, the Company had the amount of R$ 555,446 in Consolidated (R$ 823,192 as at March 31, 2018) recorded as current and noncurrent liabilities, under the caption Customers’ advances, which mainly refer to the receivables from foreign customers for the acquisition of sugar. When applicable, the balance of accounts receivable and customers’ advances are presented at net amount.

18 Deferred Income and Social Contribution Taxes

(a) Breakdown

Credits

	Consolidated			
	Income tax		Social Contribution Tax	
Description	03.31.19	03.31.18	03.31.19	03.31.18
Income and social contribution tax losses (i)	6,643,447	5,105,785	6,657,135	5,119,473
Temporary differences:				
Deferred charges - pre-operating phase	26,706	93,321	26,706	93,321
Changes in fair value of biological assets	137,309	44,634	137,309	44,634
Changes in fair value of agricultural product	2,737	894	2,737	894
Sundry provisions	177,760	231,702	177,760	231,702
Other adjustments	-	9	-	9
	6,987,959	5,476,345	7,001,647	5,490,033
Potential tax credit	1,746,990	1,369,086	630,148	494,103
Unrecorded tax credit	(1,605,952)	(1,173,614)	(579,374)	(423,733)
	141,038	195,472	50,774	70,370

Debts

	Consolidated			
	Income tax		Social Contribution Tax	
Description	03.31.19	03.31.18	03.31.19	03.31.18
Temporary differences:				
Changes in fair value of biological assets	93,739	203,525	93,739	203,525
Changes in fair value of agricultural product	2,034	2,525	2,034	2,525
Discount to present value -PESA	1,755	33,729	1,755	33,729
Incentive-based accelerated depreciation (ii)	242,712	251,789	242,712	251,789
Amortization of goodwill	204,276	288,160	204,276	288,160
Other adjustments	19,637	2,160	19,637	2,160
	564,153	781,888	564,153	781,888
Total deferred tax debts	141,038	195,472	50,774	70,370

In thousands of Brazilian reais, unless otherwise stated

(i) Deferred tax on income and social contribution tax losses and temporary differences is recognized taking into consideration the analysis of future taxable income, in accordance with studies based on internal and external assumptions and current macroeconomic and business scenarios approved by the management of the Company and its subsidiaries.

Therefore, deferred tax assets are limited to those amounts whose use is supported by projections of future taxable income discounted to present value, prepared by management; when applicable, the Company also considers the limitation for offsetting of tax losses of 30% of taxable income of each year, in addition to the tax benefits of tax exemption and reduction.

During 2017, the Company and its subsidiaries made an onerous assignment of income and social contribution tax losses to companies of Odebrecht Group, under the rules established in the Tax Regularization Program ("PRT") and Special Tax Regularization Program ("PERT") established by Temporary Executive Acts No. 766/2017 and Law No. 13.496 / 2017, respectively. After the consolidation of the PERT debts, the total amount assigned is R$ 4,878,875.

(ii) The Company's subsidiaries use the benefit of the rural incentive-based accelerated depreciation, established in article 314 of Decree No. 3.000/99, which consists in the full use of tax credits, in the year, arising from expenses incurred in the formation of sugarcane plantation and acquisition of agricultural implements recorded as fixed assets.

(b) The deferred tax assets and liabilities were attributed as follows:

	Credits		Debts	
	03.31.19	03.31.18	03.31.19	03.31.18
Temporary differences:				
Income and social contribution tax losses	135,116	218,630	-	-
Adjustments of Law No. 11.638/2007:				
Deferred charges - pre-operating phase	9,081	31,729	-	-
Discount to present value -PESA	-	-	(597)	(11,469)
Changes in fair value of biological assets	46,685	15,176	(31,872)	(69,198)
Changes in fair value of agricultural product	930	304	(692)	(859)
Incentive-based accelerated depreciation	-	-	(82,522)	(85,608)
Amortization of goodwill	-	-	(69,454)	(97,974)
Other adjustments	-	3	(6,675)	(734)
	191,812	265,842	(191,812)	(265,842)

(c) By legal entity, net - consolidated

	Credits		Debts		Balance	
Company	03.31.19	03.31.18	03.31.19	03.31.18	03.31.19	03.31.18
Atvos Par	3	-	(3)	-	-	-
Eldorado	74,301	87,067	(74,301)	(87,067)	-	-
Santa Luzia	57,767	56,349	(57,767)	(56,349)	-	-
Rio Claro	21,961	30,216	(21,961)	(30,216)	-	-
Brenco	16,188	39,998	(16,188)	(39,998)	-	-
DASA	5,297	39,761	(5,297)	(39,761)	-	-
UCP	15,071	10,095	(15,071)	(10,095)	-	-
Pontal	1,224	2,356	(1,224)	(2,356)	-	-
	191,812	265,842	(191,812)	(265,842)	-	-

In thousands of Brazilian reais, unless otherwise stated

(d) Changes in deferred taxes during the year (consolidated):

	03.31.18	Offset of income and social contribution tax losses	Investee	Recognized in income (loss)	03.31.19
Contribution of Odebrecht Energia Renovável	-	-	35,489	(35,489)	-
Temporary differences:					
Adjustments of Law No. 11.638/2007:					
Deferred charges - pre-operating phase	31,729	-	-	(14,008)	17,721
Changes in fair value of biological assets	(54,022)	-	-	24,777	(29,245)
Changes in fair value of agricultural product	(555)	-	-	-	(555)
Incentive-based accelerated depreciation	(85,609)	-	-	3,086	(82,523)
Discount to present value -PESA	(11,468)	-	-	4,948	(6,520)
Income tax losses	218,630	12,476	-	(59,494)	171,612
Amortization of goodwill	(97,974)	-	-	28,520	(69,454)
Other adjustments	(731)	-	-	(305)	(1,036)
	-	12,476	35,489	(47,965)	-

	03.31.17	Offset of income and social contribution tax losses	Recognized in income (loss)	03.31.18
Temporary differences:				
Adjustments of Law No. 11.638/2007:				
Deferred charges - pre-operating phase	45,888	-	(14,160)	31,728
Changes in fair value of biological assets	(91,835)	-	37,813	(54,022)
Changes in fair value of agricultural product	(555)	-	-	(555)
Discount to present value -PESA	(15,670)	-	4,202	(11,468)
Incentive-based accelerated depreciation	(128,082)	-	42,474	(85,608)
Income tax losses	283,497	(1,431,026)	1,366,159	218,630
Amortization of goodwill	(93,092)	-	(4,882)	(97,974)
Other adjustments	-	-	(731)	(731)
	151	(1,431,026)	1,430,875	-

19 Private pension plan

The Company and its subsidiaries are sponsors of ODEPREV - Odebrecht Previdência ("ODEPREV"), a private pension plan established by the parent company of Odebrecht S.A. ODEPREV offers its participants a defined contribution plan, under which monthly and sporadic participant contributions and annual and monthly sponsor contributions are accumulated and the monthly and sporadic contributions of participants and monthly and annual contributions of the sponsors are managed.

With respect to the payment of benefits under this plan, the obligation of ODEPREV is limited to the total value of the quotas held by the participants, totaling 943 employees as at March 31, 2019 (712 employees – 2018). To comply with the regulations for a defined-contribution plan, the plan will not be able to require any obligation or responsibility on the part of the sponsoring companies to assure minimum levels of benefits to the participants who retire. The contributions of the subsidiaries for the year ended March 31, 2019 totaled R$ 1,969 (R$ 1,490 - 2018) and of participants R$ 4,236 (R$ 3,547 - 2018).

As this is a defined contribution plan, where the full risk of receiving benefits lies with the participants, the Company's management determined not to apply the provisions of CPC 33 (R1) - Employee Benefits.

20 Equity

(a) Capital stock

On November 07, 2018, the Extraordinary General Meeting approved a capital increase in the amount of R$ 109,616, through the contribution of its parent company Atvos Agroindustrial S.A., related to shares of Odebrecht Energia Renovável S.A., with the consequent issuance of 10,961. 570,000 shares. As part of a corporate optimization process, OER was merged by the Company on December 3, 2018, as per note 11 (d).

The Company's subscribed capital stock amounts to R$ 11.234.078 divided into 802,929,005,476,996 common registered shares without par value.

(b) Asset and liability valuation adjustment

This account was introduced by Law No. 11.638/07 in order to record those amounts included in equity not yet recorded in income (loss) for the year. The impacts of these amounts on the statement of operations will occur at the time of their actual realization. As at March 31, 2019 and 2018, it basically corresponds to hedge accounting of non-derivative financial liabilities (Note 4.1(d)).

(c) Income reserve

The legal reserve is calculated at 5% of the net profit for the year, prior to any appropriation, and should not exceed 20% of capital stock, in accordance with Law No. 6.404/76, when applicable.

(d) Appropriation of net income

According to the Company's bylaws, income (loss) for the year ends as at March 31 of each year, after deduction of accumulated losses and provision for income tax and social contribution tax, profit sharing eventually granted to its directors will be deducted, observing the legal limits, by means of resolution of the Annual General Meeting, which will only approve the distribution of such shares after the payment of minimum dividends, corresponding to not less than 25% of net income, after deduction of statutory reserve.

(e) Earnings (losses) per share

In accordance with CPC 41 –- Earnings per share, the table below reconciles the (loss) income for the year with the amounts used to calculate loss per basic and diluted share:

	03.31.19	03.31.18
Loss (Income) for the year attributable to the shareholders of the Company	(1,467,089)	479,393
Weighted average of outstanding shares (in thousands)	796,292,000,048	791,967,435,424
Basic and diluted loss (earnings) per share – In Brazilian Reais	(0.000002)	0.000001

In thousands of Brazilian reais, unless otherwise stated

21 Gross and net revenue

	Consolidated	
	03.31.19	03.31.18
Gross Revenue		
Domestic market	4,778,935	4,145,364
Foreign market	243,021	675,653
Gain on hedge transactions related to shipments	-	72,365
Other revenues	36,918	30,172
	5,058,874	4,923,554
Taxes on sales	(601,205)	(485,282)
Freight on sales	(147,919)	(162,805)
Storage	(17,512)	(18,901)
Returns	(11,310)	(13,847)
Net revenue	4,280,928	4,242,719

22. Expenses and costs of goods sold by nature

	Consolidated	
	03.31.19	03.31.18
Industrial cost (i)	(2,477,773)	(2,304,556)
Personnel expenses	(146,058)	(179,187)
General and administrative expenses	(35,344)	(46,932)
Third-party services	(80,410)	(86,615)
	(261,812)	(312,734)
Depreciation and amortization:		
Amortization of fair value of biological assets	(26,432)	(70,196)
Amortization of plantation	(562,302)	(436,813)
Amortization of agricultural inter-crop period	(12,852)	(16,023)
Amortization of industrial inter-crop period	(92,812)	(76,527)
Amortization of maintenance of ratoon cane	(464,838)	(381,403)
Amortization of fair value of bearer plant	(44,725)	(65,796)
Depreciation of assets and others (ii)	(342,806)	(369,684)
	(1,546,767)	(1,416,442)
	(4,286,352)	(4,033,732)

(i) Includes expenditures with workforce, services, materials, inputs, cutting, transshipment and transport (CCT), agricultural partnerships and other industrial costs.

(ii) In the account "Depreciation of assets and others", the amount of R$ 50,569 (R$ 31,096 – 2018) is included, corresponding to the depreciation of furniture and equipment of the administrative sectors of the Company and its direct subsidiaries, which comprise the caption "Administrative and general expenses" in the Statement of operations for the year.

In thousands of Brazilian reais, unless otherwise stated

23 Financial revenues and expenses

	Parent company		Consolidated	
	03.31.19	03.31.18	03.31.19	03.31.18
Financial revenues:				
Interest gains	437	302	65,222	35,425
Exchange rate gains	31,454	21,283	54,880	41,410
Monetary gains	-	-	16,043	1,539
Return on financial investments	2	8,970	6,813	21,315
Adjustment to market value	26	-	1,208	-
Other financial revenues	271	12	3,568	685
	32,190	30,567	147,734	100,374
Financial expenses:				
Interest losses	(41,366)	(45,589)	(1,078,349)	(997,291)
Monetary losses	-	-	(137,491)	(46,610)
Exchange rate losses	(100,351)	(18,762)	(68,829)	(51,068)
Adjustment to present value	(92)	(39)	(37,191)	(35,802)
Amortization of transaction costs	(16,120)	(11,848)	(26,065)	(23,527)
Taxes and charges on financial transactions	(13,851)	(9,231)	(19,702)	(15,304)
Bank commissions and expenses	(251)	(11)	(1,833)	(3,233)
Adjustment to market value	-	-	-	(678)
Other financial expenses	(6,745)	(3)	(17,045)	(10,530)
	(178,776)	(85,483)	(1,386,505)	(1,184,043)

24 Insurance coverage

The Company and its subsidiaries contract insurance in accordance with the insurance and guarantees policy currently in effect established by Management.

As at March 31, 2019, the Company and its subsidiaries had an operational insurance program with the following insurance coverage: (i) Operational Risks - "All Risks" (coverage against fires, lightning and explosions of any nature, all sugar and ethanol inventory, buildings, equipment and facilities), as well as loss of profit (coverage against business interruption, due to Material Damage covered by the policy) with coverage for Atvos Agroindustrial Group of R$ 1,250,000, with risk value of R$ 10,461,807 (ii) General Civil Liability, with a maximum indemnity limit of R$ 120,000 (iii) Sundry risks of agricultural machinery and equipment, with risk value of R$ 653,796 (iv) Material damages of vehicle fleet, at market value.

The insurance contracted is deemed sufficient by management to cover possible losses, taking into account the nature of its activities, the risks involved in the operations and the advice of insurance consultants.

25 Provisions for contingencies

(a) Accrued contingencies

Refers to provision to cover probable losses arising from administrative proceedings and lawsuits, as summarized below:

	Consolidated	
	03.31.19	03.31.18
Labor claims	58,476	68,270
Civil lawsuits	8,751	7,091
Tax proceedings	5,964	1,431
Environmental proceedings	5,030	4,971
	78,221	81,763
Court deposits	(77,258)	(70,302)
Noncurrent liabilities	963	11,461

In thousands of Brazilian reais, unless otherwise stated

(b) Unaccrued contingencies

Some subsidiaries are defendants in tax, civil and labor claims, which were not provided for, as the likelihood of an unfavorable outcome was considered remote or only possible by management and the legal advisors. Possible contingencies not provided for were as follows:

	Consolidated	
	03.31.19	03.31.18
Tax proceedings (i)	812,799	349,259
Civil claims (ii)	56,424	51,639
Environmental lawsuits	40,113	46,964
Labor proceedings	27,373	66,833
	936,709	514,695

The variation observed in the tax proceedings is mainly due to: (i) the collection of ICMS on rate difference in GO totaling approximately R$ 71 million, from operations of acquisitions of assets from other states; (ii) collection of fine on IRPJ / CSLL estimates totaling approximately R$ 94 million; and (iii) assessment of tax deficiency amounting to approximately R$ 134 million related to social security contributions calculated on amounts that are not included in gross revenue from sale of the plants' production.

(ii) Among civil lawsuits, are:

(a) On May 21, 2009, the subsidiary Brenco was served with a summons to respond to the Ordinary Action for Termination of the Agricultural Service Agreement, entered into on May 8, 2007 with Andrela União Agrícola Ltda., accompanied by a claim for pain and suffering and property damages. The subsidiary recorded at that time a provision of R$ 10 million. As at March 31, 2013, the provision was reversed in accordance with the accounting expert's report favorable to Brenco and the opinion of the legal advisors. The production of agronomy expert evidence was carried out with a report partially favorable to Andrela, however without quantifying the alleged damage. Currently, the decision on the validity of the report of the agronomy expert is being waited for. Management maintained the likelihood of possible loss, in the amount of R$ 10 million.

(b) On February 3, 1958, the São Paulo State Finance Department filed a discriminatory claim against the owners of properties located in the 15th Perimeter of Pontal do Paranapanema, where indirect subsidiary DASA's industrial facilities are located and where some properties of Pontal Agropecuária are located.

The purpose of the claim was to obtain a declaration that such land should be returned on the grounds of alleged forgery of signature on the origin record of ownership of the farm from which all the properties involved were allotted, an event that allegedly occurred in 1856. The requests formulated in the claim were judged grounded in final court (Supreme Court of Brazil), with final and unappealable decision on November 18, 2016. The filing of the claims for collection of the properties in lower courts is currently awaited and depends on the initiative of the State Government of São Paulo.

Along with the discriminatory claim, a Law permitting regularization of real estate through the payment of 10% of the value of the bare land, was enacted in 2013. DASA and Pontal obtained favorable decisions in an administrative proceeding and have already made the payment for regularization of the areas. Subsequently, DASA and Pontal became aware of new decisions issued by the Department of Justice and Defense of Citizenship, which revoked the previous decisions, rejecting the regularization without any superseding event. Against the new decisions, DASA and Pontal filed administrative appeals and writ of mandamus. In the lower courts, the writ of mandamus filed by Pontal was deemed grounded on 01/22/2019, while the writ of mandamus filed by DASA was considered groundless on 04/09/2019. Appeals were filed and, currently, await judgement by the Court of Appeals of the State of São Paulo.

In thousands of Brazilian reais, unless otherwise stated

DASA and Pontal understand that the collection of the area by the State of São Paulo is unlikely for two reasons (i) pending administrative and judicial discussion on the regularization of the property; and (ii) economic unfeasibility of the collection, given that the amount of the indemnifiable improvements existing in the areas significantly exceed the amount of the properties themselves. Thus, DASA and Pontal maintain the expectation that the areas will be regularized and will not be subject to the effect of the discriminatory claim.

In addition, the variation in civil contingencies refers substantially to the lawsuit involving Planner Trustee DTVM Ltda., as trustee of the Company's 2^{nd} Issue of Debentures, more specifically to a request related to the loss of suit fees. Management, based on the opinion of its legal advisors, does not recognize the liability as due and considers the probability of a favorable outcome in the action as possible.

(i) The variation observed in labor lawsuits is mainly due to impacts of labor reform, since the claims more accurately reflect the reality of the events.

26 Commitments (consolidated)

Certain subsidiaries have entered into future contracts. The contracts mentioned are those with specific conditions, which, in turn, have required the recognition of provisions in the consolidated financial statements:

(i) Contract of ethanol and VHP sugar transport service

During the 18/19 crop season, the Company and its direct subsidiaries entered into service rendering contracts, effective until 2020, for the transportation of 1,274 thousand m^3 of ethanol and for the transportation of 190 thousand tonnes of VHP sugar.

(ii) Sugarcane transshipment and transport service contracts

The position of the effective contracts as at March 31, 2019 is as follows:

Company	Minimum volume per crop season in Tons - thousand	Duration of the agreement - Years
UCP	3,941	6
Eldorado	3,220	6
Sta. Luzia	4,848	5
Rio Claro	3,344	1
Brenco	11,763	1

(iii) Commitments with operating leases

The Company's subsidiaries lease various agricultural equipment and trucks to support the operation, with characteristics of operating lease. These contracts have clauses relating to cancellation that oblige the parties to give six months advance notice and clauses about termination fines.
The total minimum payments of the leases according to the contracts were:

In thousands of Brazilian reais, unless otherwise stated

	Consolidated	
	03.31.19	03.31.18
In one year	102,217	61,337
From one year to five years	128,763	102,379
Over five years	42,666	-
	273,646	163,716

27 Subsequent Events

On May 29, 2019, the Company filed a request for court-ordered reorganization at the 1st Court of Bankruptcies and Reorganization of the Judicial District of the City and State of São Paulo. For more details See Note 1.

* * *