Interim Financial Statements

S/A Usina Coruripe Açúcar e Álcool

December 31, 2019
with Independent Auditor’s Review Report

S/A Usina Coruripe Açúcar e Álcool

Interim Financial Statements

December 31, 2019

Contents

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A free translation from Portuguese into English of Independent Auditor's Review Report on individual and consolidated interim financial statements originally issued in Portuguese

Independent Auditor's Review Report

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

Introduction

We have reviewed the individual and consolidated statements of financial position of S/A Usina Coruripe Açúcar e Álcool S.A. ("Company") as at December 31, 2019, identified as individual and consolidated, respectively, and the related individual and consolidated statements of profit or loss and of comprehensive income (loss) for the three- and nine-month periods then ended, of changes in equity and of cash flows for the nine-month period then ended, including a summary of significant accounting policies and other explanatory notes.

Management is responsible for the preparation and fair presentation of these interim financial statements in accordance with the accounting practices adopted in Brazil. Our responsibility is to express a conclusion on this interim financial statement based on our review.

Scope of review

We conducted our review in accordance with Brazilian and International Standards on Review Engagements. A review on interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information does not fairly present, in all material respects, the Company's individual and consolidated financial position as at December 31, 2019, its individual and consolidated operating performance and its individual and consolidated cash flows for the period then ended, in accordance with the accounting practices adopted in Brazil.

Recife, March 2, 2020.

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

Henrique Piereck de Sá
Accountant CRC PE023398/O-3

S/A Usina Coruripe Açúcar e Álcool

Statement of financial position
December 31, 2019 and March 31, 2019
(In thousands of reais)

		Individual		Consolidated	
	Note	**12/31/2019**	**03/31/2019**	**12/31/2019**	**03/31/2019**
Assets					
Current assets					
Cash and cash equivalents	3	**262,085**	315,107	**264,815**	316,304
Trade accounts receivable	4	**65,993**	95,942	**68,893**	96,948
Inventories	5	**840,446**	485,577	**840,746**	485,864
Biological assets	10	**247,293**	236,289	**247,293**	236,289
Taxes recoverable	6	**97,747**	122,436	**97,801**	122,491
Dividends receivable		**-**	9,421	-	-
Derivative financial instruments	25	**3,420**	-	**3,420**	-
Other receivables	7	**19,498**	37,008	**19,528**	37,008
Total current assets		**1,536,482**	1,301,780	**1,542,496**	1,294,904
Noncurrent assets					
Long-term receivables					
Short-term investments		**2,440**	1,580	**2,440**	1,580
Inventories	5	**126,175**	65,795	**126,175**	65,795
Transactions with related parties	8	**47,609**	42,747	**44,194**	42,747
Taxes recoverable	6	**2,289**	1,665	**2,327**	1,740
Other receivables	7	**2,937,496**	2,794,766	**2,937,496**	2,794,766
Judicial deposits		**1,262**	1,415	**1,262**	1,416
Investments	9	**67,659**	44,557	**20,120**	19,190
Rights-of-use	13	**747,637**	-	**747,637**	-
Property, plant and equipment	11	**1,409,155**	1,204,184	**1,417,965**	1,215,321
Intangible assets	12	**925**	593	**925**	593
Total noncurrent assets		**5,342,647**	4,157,302	**5,300,541**	4,143,148
Total assets		**6,879,129**	5,459,082	**6,843,037**	5,438,052

	Note	Individual		Consolidated	
		12/31/2019	**03/31/2019**	**12/31/2019**	**03/31/2019**
Liabilities and equity					
Current liabilities					
Trade accounts payable		**186,217**	99,515	**186,525**	99,743
Loans and financing	14	**1,101,867**	905,494	**1,101,867**	905,494
Leases payable	13	**53,025**	-	**53,025**	-
Agricultural partnership payable	13	**35,331**	-	**35,331**	-
Payroll and related charges		**55,953**	66,621	**56,219**	66,863
Employees' profit sharing		**9,957**	-	**9,957**	-
Taxes payable	15	**20,641**	26,816	**24,575**	29,443
Advances from customers	16	**293,946**	72,686	**293,946**	72,686
Derivative financial instruments	25	**5,121**	3,785	**5,121**	3,785
Proposed dividends	18	**-**	55,387	**-**	55,387
Transactions with related parties	8	**6,149**	-	**-**	-
Other obligations		**6,925**	4,074	**6,925**	4,074
Total current liabilities		**1,775,132**	1,234,378	**1,773,491**	1,237,475
Noncurrent liabilities					
Loans and financing	14	**1,916,491**	1,821,951	**1,916,491**	1,821,951
Leases payable	13	**448,210**	-	**448,210**	-
Agricultural partnership payable	13	**227,539**	-	**227,539**	-
Taxes payable	15	**105,587**	95,494	**105,587**	95,494
Deferred income and social contribution taxes	23	**643,785**	593,420	**643,785**	593,420
Transactions with related parties	8	**34,451**	24,127	**-**	-
Provisions for contingencies	17	**7,781**	8,756	**7,781**	8,756
Other obligations		**371,864**	347,217	**371,864**	347,217
Total noncurrent liabilities		**3,755,708**	2,890,965	**3,721,257**	2,866,838
Equity	18				
Capital		**408,845**	408,845	**408,845**	408,845
Treasury shares		**(1,215)**	(1,215)	**(1,215)**	(1,215)
Revaluation reserve		**-**	2,986	**-**	2,986
Equity adjustments		**91,704**	105,293	**91,704**	105,293
Income reserves		**873,217**	817,830	**873,217**	817,830
Accumulated losses		**(24,262)**	-	**(24,262)**	-
Total equity		**1,348,289**	1,333,739	**1,348,289**	1,333,739
Total liabilities and equity		**6,879,129**	5,459,082	**6,843,037**	5,438,052

See accompanying notes.

S/A Usina Coruripe Açúcar e Álcool

Statement of profit or loss
Nine- and three-month periods ended December 31, 2019
(In thousands of reais)

		Individual				Consolidated	
		Nine-month period ended		Three-month period ended		Nine-month period ended	Three-month period ended
	Note	12/31/2019	12/31/2018	12/31/2019	12/31/2018	12/31/2019	12/31/2019
Net operating revenue	19	**1,430,278**	1,395,523	**560,825**	624,190	**1,473,054**	**573,337**
Cost of sales	20	**(1,055,602)**	(1,082,869)	**(382,966)**	(463,811)	**(1,063,752)**	**(384,716)**
Gross profit		**374,676**	312,654	**177,859**	160,379	**409,302**	**188,621**
Operating income (expenses)							
Selling expenses	20	**(97,638)**	(81,131)	**(30,305)**	(27,045)	**(97,638)**	**(30,305)**
General and administrative expenses	20	**(98,898)**	(98,013)	**(33,306)**	(29,236)	**(98,997)**	**(33,345)**
Equity pickup	9	**31,631**	739	**9,729**	750	**1,436**	**600**
Other operating income/(expenses), net		**1,149**	18,833	**3,166**	(2,059)	**1,086**	**3,134**
		(163,756)	(159,572)	**(50,716)**	(57,590)	**(194,113)**	**(59,916)**
Operating income before finance income/(costs)		**210,920**	153,082	**127,143**	102,789	**215,189**	**128,705**
Finance income (costs)							
Finance costs	21	**(595,674)**	(887,168)	**(185,165)**	(296,919)	**(595,798)**	**(182,989)**
Finance income	21	**394,282**	1,015,868	**188,353**	866,232	**392,126**	**185,172**
		(201,392)	128,700	**3,188**	569,313	**(203,672)**	**2,183**
Income before income and social contribution taxes		**9,528**	281,782	**130,331**	672,102	**11,517**	**130,888**
Income and social contribution taxes:							
Current	23	**-**	(505)	**-**	-	**(1,989)**	**(557)**
Deferred	23	**(50,365)**	(122,299)	**(17,796)**	(145,584)	**(50,365)**	**(18,519)**
		(50,365)	(122,804)	**(17,796)**	(145,584)	**(52,354)**	**(19,076)**
Net income (loss) for the period		**(40,837)**	158,978	**112,535**	526,518	**(40,837)**	**111,812**

See accompanying notes.

S/A Usina Coruripe Açúcar e Álcool

Statement of comprehensive income (loss)
Nine- and three-month periods ended December 31, 2019
(In thousands of reais)

	Individual				Consolidated	
	Nine-month period ended		Three-month period ended		Nine-month period ended	Three-month period ended
	12/31/2019	**12/31/2018**	**12/31/2019**	**12/31/2018**	**12/31/2019**	**12/31/2019**
Net income (loss) for the period	**(40,837)**	158,978	**112,535**	526,518	**(40,837)**	**111,812**
Other comprehensive income (loss)	**-**	-	-	-	-	-
Comprehensive income (loss) for the year	**(40,837)**	158,978	**112,535**	526,518	**(40,837)**	**111,812**

See accompanying notes.

S/A Usina Coruripe Açúcar e Álcool

Statement of changes in equity
Nine-month period ended December 31, 2019 (Individual and Consolidated)
(In thousands of reais)

			Capital reserve	Income reserves				
	Capital	**Treasury shares**	**Revaluation reserve**	**Legal reserve**	**Retained profits**	**Equity adjustments**	**Retained earnings (accumulated losses)**	**Total**
Balances at March 31, 2018	408,845	(1,215)	13,044	11,600	621,625	120,256	-	1,174,155
Reversal of mandatory minimum dividends (Note 18.d)	-	-	-	-	8,100	-	-	8,100
Realization of deemed cost (Note 18.b)	-	-	-	-	-	(11,269)	11,269	-
Realization of revaluation reserve (Note 18.c)	-	-	(7,561)	-	-	-	7,561	-
Net income for the period	-	-	-	-	-	-	158,978	158,978
Balances at December 31, 2018	408,845	(1,215)	5,483	11,600	629,725	108,987	177,808	1,341,233
Balances at March 31, 2019	**408,845**	**(1,215)**	**2,986**	**21,944**	**795,886**	**105,293**	**-**	**1,333,739**
Reversal of mandatory minimum dividends (Note 18.d)	**-**	**-**	**-**	**-**	**55,387**	**-**	**-**	**55,387**
Realization of deemed cost (Note 18.b)	**-**	**-**	**-**	**-**	**-**	**(13,589)**	**13,589**	**-**
Realization of revaluation reserve (Note 18.c)	**-**	**-**	**(2,986)**	**-**	**-**	**-**	**2,986**	**-**
Loss for the period	**-**	**-**	**-**	**-**	**-**	**-**	**(40,837)**	**(40,837)**
Balances at December 31, 2019	**408,845**	**(1,215)**	**-**	**21,944**	**851,273**	**91,704**	**(24,262)**	**1,348,289**

See accompanying notes.

S/A Usina Coruripe Açúcar e Álcool

Statement of cash flows
Nine-month periods ended December 31, 2019
(In thousands of reais)

		Individual		Consolidated
	Note	12/31/2019	12/31/2018	12/31/2019
Operating activities				
Income before income and social contribution taxes		**9,528**	281,782	**11,517**
Adjustments to reconcile loss before income and social contribution taxes to cash:				
Financial charges and exchange differences, net		**284,207**	(318,954)	**287,065**
Equity pickup	9	**(31,631)**	(739)	**(1,436)**
Depreciation of rights-of-use	20	**59,246**	-	**59,246**
Depreciation and amortization	20	**148,252**	163,778	**152,072**
Absorption of sugarcane harvested costs	20	**61,041**	47,098	**61,041**
Absorption of costs of cultural treatments	20	**96,709**	114,172	**96,709**
Changes in fair value of biological assets	10	**3,349**	19,442	**3,349**
Set-up (reversal) of provision for contingencies	17	**(975)**	4,078	**(975)**
Net book value of permanent asset disposals	11	**15,700**	3,299	**15,700**
Net book value of sugarcane harvest disposals	10	**2,211**	5,615	**2,211**
Write-off/disposal of investments	9	**-**	10,381	**-**
Set-up of provision for losses on inventories and accounts receivable		**-**	(140)	**-**
		647,636	329,812	**689,498**
(Increase) decrease in assets				
Trade accounts receivable		**39,518**	(20,800)	**37,625**
Inventories		**(329,912)**	(322,519)	**(329,929)**
Taxes recoverable		**24,065**	(5,465)	**24,103**
Transactions with related parties		**-**	117	**-**
Judicial deposits		**151**	1,698	**151**
Other receivables		**(125,218)**	(11,703)	**(125,254)**
Increase (decrease) in liabilities				
Trade accounts payable		**86,701**	33,955	**86,783**
Payroll and related charges		**(10,668)**	(5,459)	**(10,639)**
Employees' profit sharing		**9,957**	10,287	**9,957**
Taxes payable		**20,370**	61,135	**21,072**
Advances from customers		**221,260**	84,118	**221,260**
Transactions with related parties		**-**	23,097	**-**
Other obligations		**27,498**	100,685	**27,501**
Cash from operating activities		**611,359**	278,958	**649,129**
Income and social contribution taxes paid		**-**	-	**(1,384)**
Net cash from operating activities		**611,359**	278,958	**647,745**
Investing activities				
Short-term investments		**(860)**	(1,614,634)	**(860)**
Short-term investments redeemed		**-**	1,735,293	**-**
Biological assets (treatments and planting)	10	**(146,423)**	(140,286)	**(146,423)**
Investments in property, plant and equipment	11	**(482,430)**	(247,037)	**(483,923)**
Investments in intangible assets	12	**(51)**	(40)	**(51)**
Dividends received		**17,444**	-	**-**
Advanced dividends		**6,149**	-	**-**
Net cash used in investing activities		**(606,171)**	(266,704)	**(631,257)**

S/A Usina Coruripe Açúcar e Álcool

Statement of cash flows (Continued)
Nine-month periods ended December 31, 2019
(In thousands of reais)

		Individual		Consolidated
	Note	**12/31/2019**	**12/31/2018**	**12/31/2019**
Financing activities				
Loans and financing taken out	14	**1,280,534**	820,730	**1,280,534**
Amortization of principal of loans and financing	14	**(1,019,315)**	(573,244)	**(1,019,315)**
Amortization of interest on loans and financing	14	**(230,086)**	(202,960)	**(230,086)**
Payment of leases and sharecropping (CPC 06 (R2))	13	**(99,110)**	-	**(99,110)**
Raising/amortization of intercompany loans		**722,237**	11,581	**-**
Amortization/grant of intercompany loans		**(712,470)**	-	**-**
Net cash from financing activities		**(58,210)**	56,107	**(67,977)**
Increase (decrease) in cash and cash equivalents		**(53,022)**	68,361	**(51,489)**
Cash and cash equivalents				
At beginning of period		**315,107**	136,808	**316,304**
At end of period		**262,085**	205,169	**264,815**
Increase (decrease) in cash and cash equivalents		**(53,022)**	68,361	**(51,489)**

See accompanying notes.

1. Operations

a) Business purpose

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

The Company also counts on a combined road and rail transport terminal leased in Fernandópolis, state of São Paulo, and an administration office in Maceió, state of Alagoas.

The Company has five plants, one in the city of Coruripe, State of Alagoas, and four in the cities of Campo Florido, Carneirinho, Iturama and Limeira do Oeste, State of Minas Gerais, and processed approximately 12,446 thousand tons of sugarcane in the 2019/2020 harvest (11,603 thousand tons accumulated until December of the 2018/2019 harvest). Northeast region's annual crop season starts in September and ends in March, while Southeast region's starts in April and ends in December, causing fluctuations in the Company's inventories, as approximately 23% (2018/2019: 25%) of the production is located in Northeast region and 77% (2018/2019 harvest: 75%) in Southeast region. In the accumulated until December of 2019/2020 harvest, 32% (in the accumulated until December of 2018/2019 harvest: 33.5%) of the sugarcane used to manufacture the products derive from farms relating to sharecropping, including partnerships with shareholders and related parties and 68% (in the accumulated until December of 2018/2019 harvest: 66.5%) from third-party suppliers.

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

These individual and consolidated financial statements were prepared under various measurement bases used in accounting estimates. Accounting estimates involved in the preparation of the interim financial statements were based on both objective and subjective factors and use of professional judgment by management to determine the adequate amount to be recorded in the interim financial statements.

(In thousands of reais)

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

Significant items subject to these estimates and assumptions include the selection of useful lives of property, plant and equipment and their recoverability in operations, measurement of financial assets at fair value, present value of indemnification credits, actual rate of leases and sharecropping payable as well as other risk analyses to determine other provisions, including provision for contingencies. Asset and liability financial instruments are recorded at their fair values in finance income (costs) for the period.

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

The interim financial statements are prepared and presented in accordance with CPC 21 (R1) – Interim Financial Statements, issued by the Brazilian FASB (CPC) and approved by Brazil's National Association of State Boards of Accountancy (CFC). All significant information included in these interim financial statements, and only such information, is evidenced and corresponds to the information used by management for managing the Company's activities.

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

Authorization to issue Company financial statements for the nine-month periods ended December 31, 2019 was provided by resolution of the Executive Board on March 2, 2020.

2.1 Basis of consolidation and investment in subsidiary

Subsidiaries are all entities controlled by the Company, and are fully consolidated from the date on which the control is transferred to the Company. The consolidation is ceased from the date on which the Company no longer has the ownership control.

The balances consolidated in financial statements for the year ended December 31, 2019 include the following subsidiary:

		(%) Interests held		
	Country	**12/31/2019**	**12/31/2018**	**03/31/2019**
Coruripe Energética S.A.	Brazil	**100%**	-	100%

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

2.1 Basis of consolidation and investment in subsidiary (Continued)

The financial statements of the subsidiaries are prepared using accounting practices consistent with those of the Company. All intercompany balances, revenues and expenses and unrealized gains and losses arising from intercompany transactions are fully eliminated.

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

Acquisition of control over Coruripe Energética S.A.

On March 13, 2019, the shareholders approved acquisition of control over Coruripe Energética S.A. through transfer of 100% of its shares, previously held by the holding companies that control Tércio Wanderley Group, to the Company. As such, as from such date, the Company includes in its consolidated financial statements the operations of Coruripe Energética S.A.

2.2. Changes in the key accounting policies

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

As from April 01, 2019, the Company adopted CPC 06 (R2) – Leases, which introduced a single model for accounting for leases and sharecropping in the statement of financial position. The right-of-use asset was recognized as an asset and the payment obligation as a liability. Information for comparison purposes presented for March 31, 2019 was prepared in accordance with CPC 06 (R1) and related interpretations, using the modified retrospective approach, without the requirement to represent the corresponding amounts. Detailed information on the impacts of adoption of this pronouncement are presented in Note 13. Detailed information on changes in accounting policies is as follows:

a) Leases - CPC 06 (R2) definition

The Company used to adopt the definition of leases provided by ICPC 03 – Supplementary Aspects of Lease Operations. Currently, in accordance with CPC 06 (R2), the Company treats as leases all contracts which, by means of consideration, transfer to the Company the right to control the use of an asset for a certain period. Agricultural partnership agreements were accounted for as leases, although these agreements are of a different legal nature.

(In thousands of reais)

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

2.2. Changes in the key accounting policies (Continued)

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

b) Lessee

The Company adopted the modified retrospective approach and the following criteria: (i) liabilities: balances remaining of agreements in effect at first-time adoption date, discounted based on the actual interest rate to which Company loans are subject (weighted average rate of 10.77% p.a.); and (ii) assets: amount equivalent to liabilities adjusted at present value.

No assets or liabilities were recorded for agreements referring to low-value items (computers, telephones, and IT equipment in general) and/or agreements whose period of effectiveness is limited to 12 months. Payments associated with these agreements were recorded as expenses on a straight-line basis.

c) Lessor

Accounting for contracts in which the Company figures as lessor was not changed.

3. Cash and cash equivalents and short-term investments

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

	Individual		Consolidated	
	12/31/2019	03/31/2019	12/31/2019	03/31/2019
Cash	**124**	29	**124**	29
Bank checking accounts				
In Brazil	**17,855**	30,878	**20,585**	32,075
Abroad	**104,543**	153,793	**104,543**	153,793
	122,522	184,700	**125,252**	185,897
Short-term investments	**139,563**	130,407	**139,563**	130,407
	262,085	315,107	**264,815**	316,304

Short-term investments basically include marketable securities represented mostly by Bank Deposit Certificates (CDB), repurchase agreements, debentures and certificate accounts with lottery prizes, all redeemable within 90 days, with annual remuneration rate which, at December 31, 2019, ranged from 78% to 105% of the Interbank Deposit Certificate (CDI) (March 31, 2019: 67% to 105.7% of CDI).

(In thousands of reais)

4. Trade accounts receivable

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

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

	Individual		Consolidated	
	12/31/2019	03/31/2019	12/31/2019	03/31/2019
In Brazil	**65,029**	70,240	**67,929**	71,246
Abroad	**1,426**	26,164	**1,426**	26,164
	66,455	96,404	**69,355**	97,410
(-) Allowance for doubtful accounts	**(462)**	(462)	**(462)**	(462)
	65,993	95,942	**68,893**	96,948

The aging list of trade accounts receivable is as follows:

	Individual		Consolidated	
	12/31/2019	03/31/2019	12/31/2019	03/31/2019
Falling due	**62,518**	92,421	**65,417**	93,427
Overdue:				
From 1 to 30 days	**1,517**	916	**1,517**	916
From 31 to 90 days	**386**	356	**386**	356
From 91 to 120 days	**2**	127	**2**	127
More than 121 days	**2,032**	2,584	**2,032**	2,584
	66,455	96,404	**69,354**	97,410

Changes in allowance for doubtful accounts were as follows:

	12/31/2019	03/31/2019
Opening balance	**(462)**	(1,072)
Set-up	**-**	(1,182)
Reversal	**-**	1,792
Closing balance	**(462)**	(462)

Pursuant to CPC 48, the Company considers expected losses for calculating the increase in credit risk. In accordance with referred to pronouncement, it is assumed that credit risk of financial assets increases significantly as from initial recognition, when the contractual payments are overdue for more than 30 days. Accordingly, the Company classified all receivables based on the earliest overdue security using a matrix for provision for losses defined taking into consideration:

- Historical default rates on the expected life of accounts receivable;
- Adjustment to forward-looking estimates, in accordance with the variation forecasted in Company internal projections; and
- The credit operations of a customer were classified considering the receivable that presented the higher risk (overdue for a longer period).

(In thousands of reais)

4. Trade accounts receivable (Continued)

In the case of renegotiated receivables (acknowledgement of debt), the provision will be reversed when the mount is effectively received.

To establish whether accounts receivable may be recovered, the Company takes into consideration any change in the customer's credit quality from the date when the credit was initially granted to period closing date.

5. Inventories

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

	Individual		Consolidated	
	12/31/2019	**03/31/2019**	**12/31/2019**	**03/31/2019**
Finished products:				
Sugar	**173,396**	18,299	**173,396**	18,299
Ethanol	**25,007**	12,596	**25,007**	12,596
Molasses	**785**	1,306	**785**	1,306
Supplies	**77,397**	59,184	**77,698**	59,670
Third-party inventories held by the Company	**128,915**	7,490	**128,915**	7,490
	405,500	98,875	**405,801**	99,361
Provision for inventory losses	**(6,591)**	(6,591)	**(6,591)**	(6,790)
	398,909	92,284	**399,210**	92,571
Advances to sugarcane suppliers	**569,587**	460,963	**569,587**	460,963
Provision for losses on advances	**(1,875)**	(1,875)	**(1,875)**	(1,875)
	567,712	459,088	**567,712**	459,088
	966,621	551,372	**966,922**	551,659
Current	**(840,446)**	(485,577)	**(840,746)**	(485,864)
Noncurrent	**126,175**	65,795	**126,176**	65,795

The Company entered into partnerships for acquisition of sugarcane produced in third-party rural properties (also under the sharecropping regime). Agreements are usually signed for a period of up to seven sugarcane cycles. At December 31, 2019, advances to sugarcane suppliers amounting to R$ 569,587 (R$ 460,963 at March 31, 2019) were equivalent to approximately 6,191 thousand tons of sugarcane (5,553 thousand tons at March 31, 2019), which accounts for 43% of the Company's production capacity (37.7% at March 31, 2019).

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

	12/31/2019	**03/31/2019**
Opening balance	(8,466)	(5,570)
Set-up	-	(2,896)
Closing balance	**(8,466)**	(8,466)

(In thousands of reais)

6. Taxes recoverable

	Individual		Consolidated	
	12/31/2019	**03/31/2019**	**12/31/2019**	**03/31/2019**
Contribution Tax on Gross Revenue for Social Security Financing (COFINS)	**49,577**	73,037	**49,577**	73,037
Contribution Tax on Gross Revenue for Social Integration Program (PIS)	**7,733**	9,692	**7,733**	9,692
Federal VAT (IPI)	**11,582**	11,529	**11,582**	11,529
State VAT (ICMS) - regular	**11,879**	12,365	**11,879**	12,367
ICMS on fixed assets (CIAP)	**3,551**	2,399	**3,638**	2,522
Corporate Income Tax (IRPJ) prepaid	**4,019**	5,996	**4,019**	5,996
Social Contribution Tax on Net Profit (CSLL) prepaid	**7,540**	7,484	**7,540**	7,484
Other	**4,155**	1,599	**4,160**	1,604
	100,036	124,101	**100,128**	124,231
Current	**(97,747)**	(122,436)	**(97,801)**	(122,491)
Noncurrent	**2,289**	1,665	**2,327**	1,740

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

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

Thus, in the prior period, the Company recognized the amount of R$35,014 referring to PIS and COFINS credits, duly updated by reference to the SELIC as from its origin. The aforementioned credits were calculated based on the ICMS amount disclosed in shipping invoices, aligned with STF’s understanding in the decision above.

(In thousands of reais)

7. Other receivables (Individual)

		12/31/2019	03/31/2019
Indemnification credits - IAA	(a)	**2,916,581**	2,723,272
Accounts receivable from crop sales	(b)	**9,912**	75,700
Ethanol subsidy receivable (Law No. 13000/14)		**14,000**	14,000
Advances to employees		**6,311**	4,633
Other receivables		**10,190**	14,169
		2,956,994	2,831,774
Current		**(19,498)**	(37,008)
Noncurrent		**2,937,496**	2,794,766

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

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

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

In the current period, the Company recorded the amount of R$ 193,308 (Note 21), corresponding to restatement by the IPCA-E in the period. As at December 31, 2019, this amount totals R$ 2,916,581.

(b) Receivables from crop sales

As at December 31, 2019, the Company recorded R$ 9,912 (R$ 12,272 at March 31, 2019) referring to sales of certain ratoon areas in Iturama plant, whose contracted receipt schedule is divided as follows: 50% in 2019/2020 harvest and 50% in 2020/2021 harvest.

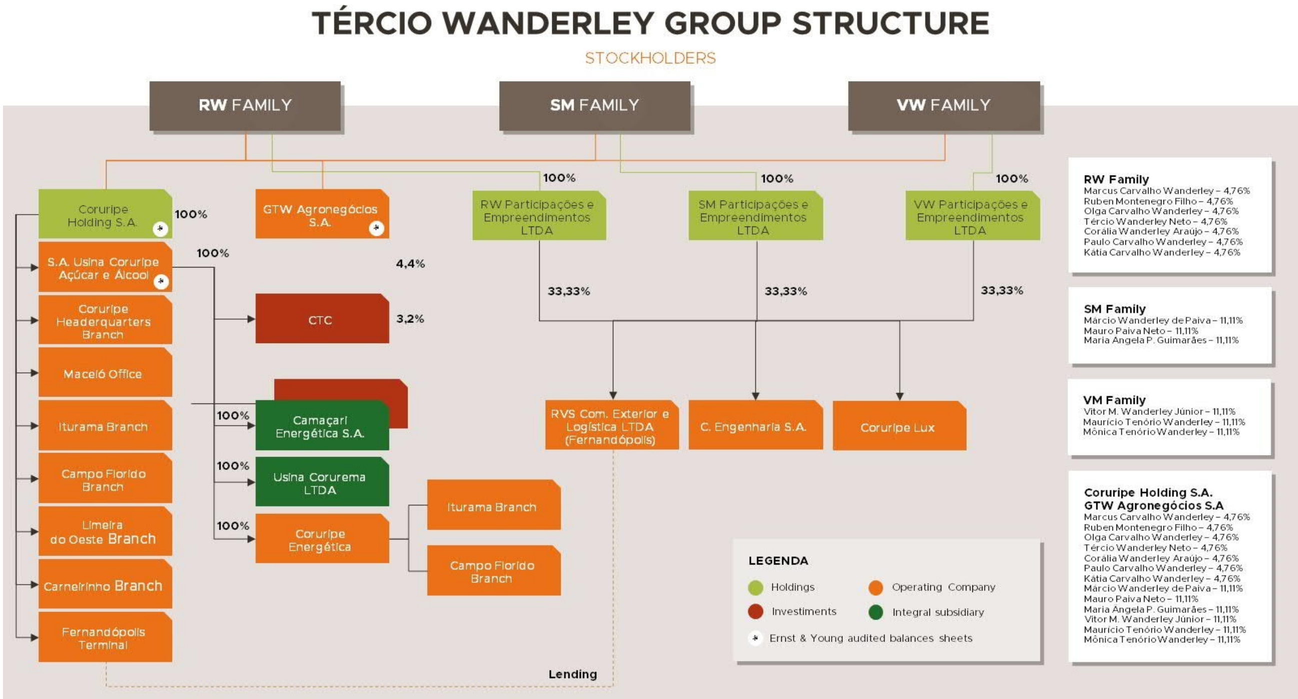
S/A Usina Coruripe Açúcar e Álcool

Notes to interim financial statements (Continued)
December 31, 2019
(In thousands of reais)

8. Transactions with related parties

<u>Control</u>

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



<u>Key management personnel compensation</u>

Total compensation paid to management (including board members and directors) totaled R$6,029 and R$6,276 for the periods ended December 31, 2019 and 2018, respectively.

As at December 31, 2019, key management personnel comprised 4 (4 at December 31, 2018) members of the Board of Directors and 7 (7 at December 31, 2018) directors. The Company grants its directors and officers no share-based compensation, post-employment benefits or labor agreement termination benefits other than those provided for by applicable legislation.

(In thousands of reais)

8. Transactions with related parties (Continued)

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

		Individual		Consolidated	
		12/31/2019	03/31/2019	12/31/2019	03/31/2019
Assets					
Noncurrent assets					
Intercompany loans					
Coruripe Energética S.A.	(a)	**3,415**	-	**-**	-
Coruripe Holding S.A.	(a)	**44,194**	42,747	**44,194**	42,747
		47,609	42,747	**44,194**	42,747
Liabilities					
Current liabilities					
Coruripe Energética S.A.		**6,149**	-	**-**	-
		6,149	-	**-**	-
Noncurrent liabilities					
Intercompany loans					
Coruripe Energética S.A.	(a)	**34,451**	24,127	**-**	-
		34,451	24,127	**-**	-
Statement of profit or loss					
Revenue					
Coruripe Energética S.A.	(b)	**5,275**	5,127	**-**	-
		5,275	5,127	**-**	-
Cost					
Coruripe Energética S.A.	(b)	**(5,610)**	(5,127)	**-**	-
GTW Agronegócios S.A.	(c)	**(37,631)**	(45,462)	**(37,631)**	(45,462)
		(43,241)	(50,589)	**(37,631)**	(45,462)
Finance income					
C Engenharia S.A.	(a)	**-**	411	**-**	411
Coruripe Energética S.A.	(a)	**73**	(459)	**-**	(459)
Coruripe Holding S.A.	(a)	**1,074**	4,158	**1,074**	4,158
		1,147	4,110	**1,074**	4,569

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

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

(b) The Company has a purchase and sale agreement whereby it sells raw sugarcane bagasse and purchases steam from its affiliate Coruripe Energética S.A., effective until March 31, 2023, subject to extensions if so agreed upon by the parties. The prices were defined by the parties and are annually restated based on the accumulated IGP-M rate variation for the period;

(c) This refers to 32 sugarcane sharecropping agreements with GTW Agronegócios S.A. and individuals of Tércio Wanderley Group, on September 28, 2009, effective for 50 years, subject to extensions if so agreed upon by the parties. The prices are defined by the parties and annually restated based on the Total Recoverable Sugar (ATR) rate variation, as disclosed by the São Paulo State Council of Sugarcane, Sugar and Ethanol Producers (Consecana/SP) of the specific location of each leased plot of land.

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

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

(In thousands of reais)

9. Investments

	Individual		Consolidated	
	12/31/2019	03/31/2019	12/31/2019	03/31/2019
Noncurrent assets				
Investments				
Coruripe Energética S.A.	**47,539**	25,367	**-**	-
Centro de Tecnologia Canavieira S.A.	**19,034**	18,824	**19,034**	18,824
Empresa Alagoana de Terminais Ltda.	**1,086**	366	**1,086**	366
	67,659	44,557	**20,120**	19,190

Information on investments:

	Coruripe Energética S.A.		CTC S.A.	
	12/31/2019	03/31/2019	12/31/2019	03/31/2019
Equity	**47,539**	25,367	**579,621**	595,655
Net income for the period	**30,195**	37,684	**22,581**	34,220
Number of shares held	**30,465**	30,465	**24,021**	24,021
% - interest held	**100%**	100%	**3.16%**	3.16%
Investment	**47,539**	25,367	**19,034**	18,824
Equity pickup	**30,195**	(226)	**714**	1,081

Changes in investments are as follows:

	12/31/2019	03/31/2019
Opening balance	44,557	18,116
Acquisition of investments	**-**	34,867
Dividends proposed	**(8,023)**	(9,421)
Equity pickup	**31,631**	995
Other	**(506)**	-
Closing balance	**67,659**	44,557

10. Biological assets (Individual and Consolidated)

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

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

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

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

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

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

(b) Cash outflows represented by estimates of (i) costs necessary for the biological transformation of the sugarcane (crop handling) up to the harvest; (ii) costs with harvesting/cutting, loading and transport; (iii) capital costs (land and machinery and equipment); (iv) costs of leases and sharecropping; and (v) taxes on positive cash flows.

(In thousands of reais)

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

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

	12/31/2019	03/31/2019
Estimated harvest area (in hectares)		
Northeast	**27,406**	26,996
Southeast	**43,603**	41,322
Forecast productivity (in sugarcane tons per hectare)		
Northeast	**74.66**	75.07
Southeast	**85.70**	90.58
Total quantity of recoverable sugar - ATR (kg)		
Northeast - Sharecropping	**135.80**	135.89
Northeast – Lease	**114.09**	114.09
Southeast - Sharecropping	**136.15**	136.91
Southeast – Lease	**125.81**	125.81
Projected average ATR price per Kg (R$/kg)		
Northeast	**0.6845**	0.6963
Southeast	**0.6763**	0.6550

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

Changes in biological assets (sugarcane) are as follows:

	12/31/2019	03/31/2019
Opening balance	236,289	235,485
Changes in fair value (Note 20)	**(3,349)**	(19,269)
Increases due to crop handling	**146,423**	161,618
Depletion due to harvest (Note 20)	**(201,968)**	(242,400)
Write-off due to sale of crops	**(2,211)**	(11,047)
Increases due to plantation	**-**	522
Transfer of property, plant and equipment (Note 11)	**72,109**	111,380
Closing balance	**247,293**	236,289

11. Property, plant and equipment

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

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

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

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

<u>Impairment of non-financial assets</u>

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

<u>Land used for planting</u>

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

(In thousands of reais)

11. Property, plant and equipment (Continued)

Breakdown of balances

		Individual			
		12/31/2019			03/31/2019
	Average depreciation rate (% p.a.)	Cost	Accumulated depreciation	Net	Net
Aircrafts	10%	**2,026**	**(1,401)**	**625**	776
Buildings and improvements	4%	**311,360**	**(133,012)**	**178,348**	184,562
Furniture and fixtures	8%	**20,152**	**(13,822)**	**6,330**	5,136
Machinery and equipment	5%	**1,287,337**	**(832,605)**	**454,732**	442,299
Facilities	4%	**244,836**	**(134,627)**	**110,209**	99,888
Farming implements	7%	**76,297**	**(44,892)**	**31,405**	30,129
Vehicles	20%	**110,336**	**(89,624)**	**20,712**	11,763
IT equipment	10%	**15,157**	**(11,015)**	**4,142**	3,399
Frequently replaced parts and components	100%	**1,266,792**	**(1,135,690)**	**131,102**	75,945
Construction in progress and advances to suppliers	-	**74,600**	**-**	**74,600**	27,088
		3,408,893	**(2,396,688)**	**1,012,205**	880,985
Land and properties	-	**19,780**	**-**	**19,780**	19,457
Sugarcane plantation	14.3%	**1,266,023**	**(888,853)**	**377,170**	303,742
		4,694,696	**(3,285,541)**	**1,409,155**	1,204,184

		Consolidated			
		12/31/2019			03/31/2019
	Average depreciation rate (% p.a.)	Cost	Accumulated depreciation	Net	Net
Aircrafts	10%	**2,026**	**(1,401)**	**625**	776
Buildings and improvements	4%	**313,120**	**(133,876)**	**179,244**	185,496
Furniture and fixtures	8%	**20,174**	**(13,832)**	**6,342**	5,149
Machinery and equipment	5%	**1,338,039**	**(877,172)**	**460,867**	448,748
Facilities	4%	**246,487**	**(135,936)**	**110,551**	100,250
Farming implements	7%	**76,297**	**(44,892)**	**31,405**	30,129
Vehicles	20%	**110,336**	**(89,624)**	**20,712**	11,763
IT equipment	10%	**15,157**	**(11,015)**	**4,142**	3,399
Frequently replaced parts and components	100%	**1,266,792**	**(1,135,690)**	**131,102**	79,324
Construction in progress and advances to suppliers	-	**95,084**	**(19,059)**	**76,025**	27,088
		3,483,512	**(2,462,497)**	**1,021,015**	892,122
Land and properties	-	**19,780**	**-**	**19,780**	19,457
Sugarcane plantation	14.3%	**1,266,023**	**(888,853)**	**377,170**	303,742
		4,769,315	**(3,351,350)**	**1,417,965**	1,215,321

(In thousands of reais)

11. Property, plant and equipment (Continued)

Changes in balances (Individual)

	Individual						
	Balance at 03/31/2019	Additions	Write-offs	Depreciation	Transfers	Reclassifications (a)	Balance at 12/31/2019
Aircrafts	776	**-**	**-**	**(151)**	**-**	**-**	**625**
Buildings and improvements	184,562	**445**	**-**	**(7,809)**	**1,149**	**-**	**178,348**
Furniture and fixtures	5,136	**2,242**	**(4)**	**(1,044)**	**-**	**-**	**6,330**
Machinery and equipment	442,299	**50,803**	**(6,938)**	**(37,628)**	**6,196**	**-**	**454,732**
Facilities	99,888	**7,320**	**-**	**(7,648)**	**10,649**	**-**	**110,209**
Farming implements	30,129	**4,238**	**(264)**	**(2,698)**	**-**	**-**	**31,405**
Vehicles	11,763	**13,941**	**(7)**	**(4,985)**	**-**	**-**	**20,712**
IT equipment	3,399	**773**	**-**	**(540)**	**510**	**-**	**4,142**
Frequently replaced parts and components	75,945	**176,374**	**-**	**(126,680)**	**5,463**	**-**	**131,102**
Construction in progress and advances to suppliers	27,088	**71,947**	**-**	**-**	**(23,967)**	**(468)**	**74,600**
	880,985	**328,083**	**(7,213)**	**(189,182)**	**-**	**(468)**	**1,012,205**
Land and properties	19,457	**336**	**(13)**	**-**	**-**	**-**	**19,780**
Sugarcane plantation	303,742	**154,011**	**(8,474)**	**-**	**-**	**(72,109)**	**377,170**
	1,204,184	**482,430**	**(15,700)**	**(189,182)**	**-**	**(72,577)**	**1,409,155**

(a) Amounts referring to reclassification to biological assets (R$72,109) and intangible assets (R$468).

(In thousands of reais)

11. Property, plant and equipment (Continued)

Changes in balances (Continued)

	Consolidated						
	Balance at 03/31/2019	Additions	Write-offs	Depreciation	Transfers	Reclassifications (a)	Balance at 12/31/2019
Aircrafts	776	-	-	(151)	-	-	625
Buildings and improvements	185,496	445	-	(7,846)	1,149	-	179,244
Furniture and fixtures	5,149	2,242	(4)	(1,045)	-	-	6,342
Machinery and equipment	448,748	50,878	(6,938)	(39,095)	6,274	-	460,867
Facilities	100,250	7,320	-	(7,668)	10,649	-	110,551
Farming implements	30,129	4,238	(264)	(2,698)	-	-	31,405
Vehicles	11,763	13,941	(7)	(4,985)	-	-	20,712
IT equipment	3,399	773	-	(540)	510	-	4,142
Frequently replaced parts and components	79,324	176,374	-	(129,680)	5,378		131,102
Construction in progress and advances to suppliers	27,088	73,365	-	(3,294)	(24,045)	(468)	76,025
	892,122	329,576	(7,213)	(193,002)	-	(468)	1,021,015
Land and properties	19,457	336	(13)	-	-	-	19,780
Sugarcane plantation	303,742	154,011	(8,474)	-	-	(72,109)	377,170
	1,215,321	483,923	(15,700)	(193,002)	-	(72,577)	1,417,965

(a) Amounts referring to reclassification to biological assets (R$72,109) and intangible assets (R$468).

(In thousands of reais)

11. Property, plant and equipment (Continued)

Guarantees

In view of certain loans and financing of the Company, property, plant and equipment items amounting to R$437,298 (R$ 454,716 at March 31, 2019) are given in guarantee to creditors.

Deemed cost

This refers to adoption of a new deemed cost for certain classes of property, plant and equipment, duly supported by an appraisal report prepared by a specialized company, under the terms of ICPC 10 – Interpretation on First-time Application to Property, Plant and Equipment and Investment Property. The accounting effects of the Company's adoption of deemed cost are as follows:

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

At December 31, 2019, the remaining balance of surplus included in property, plant and equipment, of the equity adjustment recorded in equity, and the deferred income and social contribution tax liabilities is R$ 138,945, R$ 91,704 and R$ 47,241 (R$ 159,521, R$ 105,293 and R$ 54,228 at March 31, 2019), respectively.

12. Intangible assets (Individual and Consolidated)

Changes in balances

	Balance at 03/31/2019	**Additions**	**Amortization**	**Reclassification**	**Balance at 12/31/2019**
Software	593	**51**	**(189)**	**468**	**925**
	593	**51**	**(189)**	**468**	**925**

(In thousands of reais)

13. Right-of-use, leases payable and sharecropping payable (Individual and Consolidated)

As described in Note 2.2, the Company adopted CPC 06 (R2) as from its effectiveness date, i.e. April 01, 2019.

Changes in right-of-use, leases and sharecropping payable in the interim financial statements are as follows:

	Vehicles/machinery and equipment	Sharecropping	Agricultural leases	Right-of-use assets
Adoption on April 01, 2019	**5,421**	**290,323**	**486,308**	**782,052**
New lease agreements	**-**	**20,144**	**4,687**	**24,831**
	5,421	**310,467**	**490,995**	**806,883**
Amortization	**(2,194)**	**(39,149)**	**(17,903)**	**(59,246)**
	3,227	**271,318**	**473,092**	**747,637**
Useful life (years)	**2 a 5**	**2 a 24**	**5 a 40**	

	Lease commitments	Present value adjustment of leases	Lease liabilities
Adoption on April 01, 2019	**2,309,291**	**(1,527,239)**	**782,052**
New lease agreements	**40,916**	**(16,085)**	**24,831**
	2,350,207	**(1,543,324)**	**806,883**
Amounts paid	**(99,110)**	**-**	**(99,110)**
Recognition of financial charges	**-**	**56,332**	**56,332**
	2,251,097	**(1,486,992)**	**764,105**
Current			**(88,356)**
Noncurrent			**675,749**

Aging list of estimated leases payable and sharecropping payable – noncurrent is as follows:

Year	12/31/2019
From 07/01/2020 to 06/30/2021	**72,255**
From 07/01/2021 to 06/30/2022	**66,150**
From 07/01/2022 to 06/30/2023	**57,098**
From 07/01/2023 to 06/30/2024	**27,607**
From 07/01/2024 to 06/30/2025	**23,773**
From 07/01/2025 to 06/30/2026	**20,539**
From 07/01/2027 to 06/30/2027	**408,327**
	675,749

(In thousands of reais)

14. Loans and financing (Individual and Consolidated)

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

	12/31/2019	03/31/2019
Local currency		
Fixed interest from 2.5% to 13.0% p.a.	**158,456**	162,413
TJLP + 3.0% p.a. 50% of IGPM; 40% of IPCA; and 3.5% to 5.5% p.a. + CDI	**1,666,053**	1,317,921
Total in local currency	**1,824,509**	1,480,334
Foreign currency (US$)		
Libor + 4.5% to 6.65% p.a.	**1,020,904**	1,030,053
Fixed interest from 6.0% to 9.98% p.a.	**172,945**	217,058
Total in foreign currency	**1,193,849**	1,247,111
	3,018,358	2,727,445
Current	**(1,101,867)**	(905,494)
Noncurrent	**1,916,491**	1,821,951

Changes in loans and financing are as follows:

	12/31/2019	03/31/2019
Opening balance	2,727,445	2,396,514
Funding	**1,280,534**	802,321
Interest and exchange differences incurred	**259,780**	481,386
Payment of principal	**(1,019,315)**	(687,271)
Payment of interest	**(230,086)**	(265,505)
Closing balance	**3,018,358**	2,727,445

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

Year	12/31/2019	03/31/2019
2020/2021 crop	**16,856**	667,478
2021/2022 crop	**694,300**	625,840
2022/2023 crop	**574,581**	511,662
2023/2024 crop	**57,616**	11,662
2024/2025 crop onwards	**573,138**	5,309
	1,916,491	1,821,951

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

(In thousands of reais)

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

Covenants

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

i. Equity to total assets ratio ≥ 20.0%;
ii. Net debt to adjusted EBITDA ratio (excluding capex) ≤4.5;
iii. Adjusted EBITDA to net finance cost ratio (excluding foreign exchange differences and provision for present value adjustment IAA/4870) ≥ 2.5;
iv. Net debt to adjusted EBITDA ratio ≥ 3.0;
v. Current liquidity ≥ 1.0; and
vi. Limit of advances per exchange contract: USD100,000 thousand.

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

15. Taxes payable

	Individual		Consolidated	
	12/31/2019	03/31/2019	12/31/2019	03/31/2019
Taxes payable in installments:				
Installment payment of ICMS AL	**6,069**	6,994	**6,069**	6,994
Installment payment of ICMS MG	**1,470**	1,682	**1,470**	1,682
Federal installment payments	**2,744**	-	**2,744**	-
	10,283	8,676	**10,283**	8,676
Taxes payable:				
Withholding income tax (IRRF)	**2,969**	1,642	**2,969**	1,642
Tax on Financial Transactions (IOF)	**8,601**	6,325	**11,477**	8,683
Social Security Tax (INSS)	**3,582**	4,393	**3,582**	4,393
PIS and COFINS payable	**303**	-	**106**	-
Deferred PIS and COFINS - IAA	**98,168**	89,178	**98,168**	89,178
ICMS payable	**2,180**	2,841	**2,180**	2,841
Provision for IRPJ and CSLL	**-**	8,440	**530**	8,642
Other taxes and contributions	**339**	815	**867**	882
	115,945	113,634	**119,879**	116,261
	126,228	122,310	**130,162**	124,937
Current	**(20,641)**	(26,816)	**(24,575)**	(29,443)
Noncurrent	**105,587**	95,494	**105,587**	95,494

(In thousands of reais)

15. Taxes payable (Continued)

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

Year	12/31/2019	03/31/2019
2020/2021 crop	**2,523**	1,831
2021/2022 crop	**1,887**	1,687
2022/2023 crop	**21,520**	1,399
2023/2024 crop	**20,449**	1,399
2024/2025 crop onwards	**59,208**	89,178
	105,587	95,494

16. Advances from customers (Individual)

The Company receives advances from customers, especially trading companies that sell the sugar produced by the Company. Whenever the sugar is delivered to the warehouse contracted by the trading companies for embarking the product for export, the Company receives from 70% to 80% of the product amount and the remaining balance is settled after the ship is assigned or after a period established by contract. As at December 31, 2019, the Company recorded the following balances:

	12/31/2019	03/31/2019
Trading companies – sugar	**241,803**	71,699
Alcohol distribution companies	**52,143**	987
	293,946	72,686

17. Provision for contingencies (Individual and Consolidated)

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

Probable losses

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

	12/31/2019	03/31/2019
Labor contingencies	**3,343**	4,525
Civil contingencies	**4,235**	4,231
Tax contingencies	**203**	-
	7,781	8,756

(In thousands of reais)

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

Changes in provisions for contingencies are as follows:

	Tax	Civil	Labor	Total
Balance at March 31, 2018	-	4,118	1,339	5,457
Reversals/payments	-	113	3,186	3,299
Balance at March 31, 2019	-	4,231	4,525	8,756
Set-up	**1,303**	**1,290**	**546**	**3,139**
Reversals/payments	**(1,100)**	**(1,286)**	**(1,728)**	**(4,114)**
Balance at December 31, 2019	**203**	**4,235**	**3,343**	**7,781**

Possible losses

Legal claims classified as probable losses, based on the opinion of legal advisors, and for which a provision was not recognized, refer to various civil and labor-related suits brought by individuals and legal entities involving property damages and/or pain and suffering, and labor claims, in the amount of R$ 233,142 (R$ 224,814 at March 31, 2019).

	12/31/2019	03/31/2019
Labor contingencies	**2,656**	3,271
Civil contingencies	**49,268**	71,213
Environmental contingencies	**-**	456
Tax contingencies	**181,218**	149,874
	233,142	224,814

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

Tax

Proceeding No. 10410.720364/2017-98

Imposition of qualified specific fine, provided for in item 10, article 89 of Law No. 8212/91, arising from disallowance of offset of INSS debts against PIS and COFINS credits between 2014 and 2016, amounting to approximately R$ 110,544 (R$ R$ 78,500 at March 31, 2019). After the notice in March 2017, the Company pushed back the credits used and the debts offset initially, including them in the Tax Settlement Program (PRT).

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

(In thousands of reais)

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

Possible losses (Continued)

Civil

Proceeding No. 0714498-70.2016.8.02.0001

Legal enforcement actions arising from the sale of IPI credits to third parties, disallowed by the Brazilian IRS, in the amount of R$ 47,367 (R$ 64,709 at March 31, 2019). The plaintiff seeks refund of the credits due to non-compliance with contractual provisions.

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

18. Equity

a) Capital

As at December 31, 2019 and March 31, 2019, subscribed and paid-in capital amounts to R$408,845, comprising 1,400 common registered shares, with no par value, all of which are held by Coruripe Holding S.A.

b) Equity adjustment: Deemed cost

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

Changes in equity adjustment are as follows:

	12/31/2019	03/31/2019
Opening balance	**105,293**	120,256
Realization of deemed cost	**(13,589)**	(14,963)
Closing balance	**91,704**	105,293

c) Revaluation reserve

The Company revalued certain classes of its property, plant and equipment in prior years. As at December 31, 2019, this balance was fully realized (R$ 2,986 at March 31, 2019).

(In thousands of reais)

18. Equity (Continued)

d) Allocation of income

On July 12, 2019, the shareholders resolved at the Annual Shareholders' Meeting not to distribute dividends to shareholders given the restructuring of the Company's debt in June 2016. As such, the shareholders decided to reverse the mandatory minimum dividends amounting to R$ 55,387.

19. Net operating revenue

	Individual				Consolidated	
	Nine-month period ended		Three-month period ended		Nine-month period ended	Three-month period ended
	12/31/2019	12/31/2018	12/31/2019	12/31/2018	12/31/2019	12/31/2019
Gross operating revenue						
VHP Sugar	**612,087**	666,247	**263,889**	328,291	**612,087**	**263,889**
Sanding sugar	**80,895**	76,194	**39,417**	38,538	**80,895**	**39,417**
Anhydrous ethanol - Fuel	**370,799**	334,768	**156,760**	149,456	**370,799**	**156,760**
Hydrated ethanol - Fuel	**383,632**	269,103	**111,223**	100,632	**383,632**	**111,223**
Power sales - production	**41,823**	71,939	**13,196**	17,515	**86,947**	**26,152**
Steam power sales	**984**	898	**408**	301	**984**	**407**
Molasses	**34,672**	24,761	**3,394**	4,345	**34,672**	**3,394**
Service rendering	**5,995**	5,710	**1,249**	1,061	**5,995**	**1,249**
Revenue from power - resale	**420**	-	**420**	-	**952**	**952**
Other sales revenues	**9,868**	19,224	**2,459**	5,206	**9,868**	**2,459**
	1,541,175	1,468,844	**592,415**	645,345	**1,586,831**	**605,902**
Sales deductions	**(110,897)**	(73,321)	**(31,590)**	(21,155)	**(113,777)**	**(32,565)**
Net operating revenue	**1,430,278**	1,395,523	**560,825**	624,190	**1,473,054**	**573,337**

(In thousands of reais)

20. Cost of sales and operating expenses

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

	Individual				Consolidated	
	Nine-month period ended		Three-month period ended		Nine-month period ended	Three-month period ended
	12/31/2019	12/31/2018	12/31/2019	12/31/2018	12/31/2019	12/31/2019
Cost of sales	**(1,055,602)**	(1,082,869)	**(382,966)**	(463,811)	**(1,063,752)**	**(384,716)**
Selling expenses	**(97,638)**	(81,131)	**(30,305)**	(27,045)	**(97,638)**	**(30,305)**
General and administrative expenses	**(98,898)**	(98,013)	**(33,306)**	(29,236)	**(98,997)**	**(33,345)**
	(1,252,138)	(1,262,013)	**(446,577)**	(520,092)	**(1,260,387)**	**(448,366)**
Cost of sales						
Power – resale	**(199)**	-	**(199)**	-	**(479)**	**(479)**
Personnel	**(113,860)**	(225,912)	**(19,086)**	(132,289)	**(114,936)**	**(19,476)**
Raw materials	**(449,878)**	(314,809)	**(185,332)**	(67,636)	**(444,405)**	**(184,924)**
Changes in the fair value of biological assets	**(3,349)**	(19,442)	**(7,203)**	6,292	**(3,349)**	**(7,203)**
Third-party labor and freight	**(26,046)**	(28,344)	**(2,758)**	(12,013)	**(27,065)**	**(2,888)**
Rent and lease	**-**	(23,230)	**-**	(23,230)	**-**	**-**
Fuel and lubricants	**(22,712)**	(33,004)	**(4,667)**	(15,305)	**(22,712)**	**(4,667)**
Agricultural inputs and chemical products	**(41,135)**	(45,948)	**(10,743)**	(20,071)	**(41,135)**	**(10,743)**
Maintenance material	**(29,087)**	(35,315)	**(7,845)**	(16,757)	**(29,087)**	**(7,845)**
Depreciation of rights-of-use	**(59,246)**	-	**(19,785)**	-	**(59,246)**	**(19,784)**
Depreciation and amortization	**(142,479)**	(158,114)	**(66,219)**	(78,482)	**(146,298)**	**(67,200)**
Absorption of costs: depletion of harvested sugarcane	**(61,041)**	(47,098)	**(23,524)**	(22,587)	**(61,041)**	**(23,524)**
Absorption of costs: handling of harvested sugarcane	**(96,708)**	(114,172)	**(32,021)**	(60,740)	**(96,708)**	**(32,021)**
Electric power	**(6,283)**	(8,199)	**(2,781)**	(4,772)	**(6,283)**	**(2,781)**
Other	**(3,579)**	(29,282)	**(804)**	(16,221)	**(6,008)**	**(1,181)**
	(1,055,602)	(1,082,869)	**(382,966)**	(463,811)	**(1,063,752)**	**(384,716)**
Selling expenses						
Personnel	**(8,526)**	(6,251)	**(2,675)**	(1,935)	**(8,526)**	**(2,675)**
Third-party labor and freight	**(81,303)**	(68,434)	**(25,172)**	(22,646)	**(81,303)**	**(25,172)**
Fuel and lubricants	**(118)**	(75)	**(52)**	(37)	**(118)**	**(52)**
Maintenance material	**(675)**	(637)	**(248)**	(175)	**(675)**	**(248)**
Depreciation and amortization	**(2,673)**	(2,620)	**(897)**	(887)	**(2,673)**	**(897)**
Electric power	**(611)**	(512)	**(244)**	(208)	**(611)**	**(244)**
Other	**(3,732)**	(2,602)	**(1,018)**	(1,157)	**(3,732)**	**(1,018)**
	(97,638)	(81,131)	**(30,305)**	(27,045)	**(97,638)**	**(30,305)**
General and administrative expenses						
Personnel	**(63,836)**	(60,151)	**(19,371)**	(16,672)	**(63,844)**	**(19,371)**
Third-party labor and freight	**(18,527)**	(14,313)	**(8,751)**	(2,299)	**(18,582)**	**(8,772)**
Fuel and lubricants	**(439)**	(326)	**(93)**	(119)	**(439)**	**(93)**
Agricultural inputs	**(22)**	(24)	**(8)**	(9)	**(22)**	**(8)**
Maintenance material	**(2,047)**	(2,895)	**(651)**	(938)	**(2,047)**	**(651)**
Depreciation and amortization	**(3,100)**	(3,044)	**(1,017)**	(1,000)	**(3,100)**	**(1,017)**
Electric power	**(103)**	(99)	**(36)**	(36)	**(103)**	**(36)**
Other	**(10,824)**	(17,161)	**(3,379)**	(8,163)	**(10,860)**	**(3,397)**
	(98,898)	(98,013)	**(33,306)**	(29,236)	**(98,997)**	**(33,345)**

(In thousands of reais)

20. Cost of sales and operating expenses (Continued)

Depreciation, amortization and depletion allocated in inventories and not yet posted to P&L as at December 31, 2019 and 2018 are as follows:

	Individual				Consolidated	
	Nine-month period ended		Three-month period ended		Nine-month period ended	Three-month period ended
	12/31/2019	12/31/2018	12/31/2019	12/31/2018	12/31/2019	12/31/2019
Depreciation and amortization	**(41,119)**	(40,473)	**3,348**	5,916	**(41,119)**	**3,348**
Sugarcane plantation depletion	**(17,111)**	(12,018)	**3,739**	2,280	**(17,111)**	**3,739**
Crop handling	**(27,108)**	(29,134)	**8,807**	2,034	**(27,108)**	**8,807**
	(85,338)	(81,625)	**15,894**	10,230	**(85,338)**	**15,894**

21. Finance income (costs)

	Individual				Consolidated	
	Nine-month period ended		Three-month period ended		Nine-month period ended	Three-month period ended
	12/31/2019	12/31/2018	12/31/2019	12/31/2018	12/31/2019	12/31/2019
Finance income						
Gains from operating derivative transactions	**3,556**	12,249	**2,665**	9,657	**3,556**	**2,665**
Short-term investment yield	**6,778**	10,892	**2,802**	1,308	**8,037**	**2,963**
Foreign exchange gains	**189,049**	224,753	**118,489**	111,633	**185,634**	**115,074**
Monetary differences on IAA 4870 credits (Note 7)	**193,308**	763,982	**63,441**	742,195	**193,308**	**63,441**
Interest on intercompany loans	**1,074**	3,570	**753**	1,146	**1,074**	**826**
Other finance income	**516**	422	**202**	293	**517**	**203**
	394,282	1,015,868	**188,353**	866,232	**392,126**	**185,172**
Finance costs						
Losses on operating derivative transactions	**(8,782)**	(50,714)	**9,783**	17,615	**(8,782)**	**9,783**
Foreign exchange losses	**(236,852)**	(418,852)	**(79,954)**	(63,298)	**(236,852)**	**(79,954)**
Deferred PIS and COFINS on credits - IAA 4870	**(8,989)**	(74,210)	**(2,950)**	(74,210)	**(8,989)**	**(2,950)**
Monetary restatement of provision for lawyers' fees - IAA 4870	**(24,647)**	(97,408)	**(8,089)**	(97,408)	**(24,647)**	**(8,089)**
Interest on loans and financing	**(202,047)**	(208,176)	**(61,594)**	(67,917)	**(202,047)**	**(61,594)**
Interest on leases - CPC 06 (R2) (Note 13)	**(58,929)**	-	**(19,672)**	-	**(58,929)**	**(19,672)**
Other finance costs	**(55,428)**	(37,808)	**(22,689)**	(11,701)	**(55,552)**	**(20,513)**
	(595,674)	(887,168)	**(185,165)**	(296,919)	**(595,798)**	**(182,989)**
Finance income (costs)	**(201,392)**	128,700	**3,188**	569,313	**(203,672)**	**2,183**

(In thousands of reais)

22. Segment information (Consolidated)

Management defined Company operating segments, based on the reports used for strategic decision making, reviewed by the key decision makers, to wit: the executive board, the CEO and the board of directors. These analyses are conducted by segmenting the business under the perspective of the products sold by the Company, as follows:

(i) Sugar
(ii) Ethanol
(iii) Power
(iv) Molasses

Performance of the operating segments are analyzed based on the statement of profit or loss per product:

	12/31/2019					
	Sugar	**Ethanol**	**Power**	**Molasses**	**Not segmented**	**Total**
Net operating revenue	**696,294**	**654,361**	**79,986**	**27,572**	**14,841**	**1,473,054**
Cost of sales	**(579,745)**	**(447,389)**	**(27,417)**	**(16,319)**	**7,118**	**(1,063,752)**
Gross profit	**116,549**	**206,972**	**52,569**	**11,253**	**21,959**	**409,302**
Operating income (expenses)						
Selling expenses	**(88,376)**	**(8,453)**	**(378)**	**(280)**	**(151)**	**(97,638)**
General and administrative expenses	**(48,142)**	**(45,243)**	**(2,573)**	**(1,906)**	**(1,133)**	**(98,997)**
Equity pickup	**-**	**-**	**-**	**-**	**1,430**	**1,436**
Other operating expenses, net	**-**	**-**	**-**	**-**	**1,086**	**1,086**
	(136,519)	**(53,696)**	**(2,951)**	**(2,186)**	**1,238**	**(194,113)**
Operating income (loss)	**(19,970)**	**153,276**	**49,618**	**9,067**	**23,197**	**215,189**
Other income and expenses not segmented	**-**	**-**	**-**	**-**	**(203,672)**	**(203,672)**
Income (loss) before income and social contribution taxes	**(19,970)**	**153,276**	**49,618**	**9,067**	**(180,475)**	**11,517**
Income and social contribution taxes	**-**	**-**	**-**	**-**	**(51,044)**	**(51,044)**
Net income (loss) for the period	**(19,970)**	**153,276**	**49,618**	**9,067**	**(231,519)**	**(39,527)**

(In thousands of reais)

22. Segment information (Consolidated) (Continued)

	12/31/2018					
	Sugar	**Ethanol**	**Power**	**Molasses**	**Not segmented**	**Total**
Net operating revenue	762,387	527,505	63,312	19,437	22,882	1,395,523
Cost of sales	(595,781)	(376,810)	(31,881)	(12,413)	(65,983)	(1,082,869)
Gross profit	166,605	150,695	31,430	7,025	(43,102)	312,654
Operating income (expenses)						
Selling expenses	(69,706)	(10,640)	(471)	(145)	(170)	(81,131)
General and administrative expenses	(53,545)	(37,049)	(4,447)	(1,365)	(1,607)	(98,013)
Equity pickup	-	-	-	-	739	739
Other operating income, net	-	-	-	-	18,833	18,833
	(123,251)	(47,689)	(4,918)	(1,510)	17,795	(159,572)
Operating income (loss)	43,355	103,007	26,513	5,515	(25,307)	153,082
Other income and expenses not segmented	-	-	-	-	128,700	128,700
Income before income and social contribution taxes	43,355	103,007	26,513	5,515	103,393	281,782
Income and social contribution taxes	-	-	-	-	(122,804)	(122,804)
Net income (loss) for the period	43,355	103,007	26,513	5,515	(19,411)	158,978

(In thousands of reais)

23. Income and social contribution taxes

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

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

Breakdown of deferred income and social contribution taxes, recognized in P&L, is as follows:

	Individual				Consolidated	
	Nine-month period ended		Three-month period ended		Nine-month period ended	Three-month period ended
	12/31/2019	12/31/2018	12/31/2019	12/31/2018	12/31/2019	12/31/2019
Current:						
Income tax	**-**	(369)	**-**	-	**(1,322)**	**(366)**
Social contribution tax	**-**	(136)	**-**	-	**(667)**	**(191)**
	-	(505)	**-**	-	**(1,989)**	**(557)**
Deferred:						
Income tax	**(37,033)**	(89,926)	**(13,616)**	(107,047)	**(37,033)**	**(13,616)**
Social contribution tax	**(13,332)**	(32,373)	**(4,903)**	(38,537)	**(13,332)**	**(4,903)**
	(50,365)	(122,299)	**(18,519)**	(145,584)	**(50,365)**	**(18,519)**

Deferred income and social contribution tax assets and liabilities

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

	Individual	
	12/31/2019	03/31/2019
Assets:		
Temporary differences		
Provision for losses on trade accounts receivable and advances to suppliers	**6,687**	7,296
Provision for contingencies	**2,645**	2,977
Income and social contribution tax losses	**160,240**	160,240
Net losses on derivative financial instruments	**578**	1,287
Provision for lawyer's fees – IAA 4870 (Note 7)	**125,962**	118,054
Fair value of biological assets (Note 10)	**1,140**	6,552
	297,252	296,406
Liabilities:		
Revaluation of property, plant and equipment	**-**	(1,538)
Adoption of deemed cost (Note 11)	**(47,241)**	(54,228)
Useful life of property, plant and equipment	**(6,620)**	(12,609)
Present value of IAA credits (Note 7)	**(887,176)**	(821,451)
	(941,037)	(889,826)
Deferred income and social contribution tax liabilities, net	**(643,785)**	(593,420)

(In thousands of reais)

23. Income and social contribution taxes (Continued)

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

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

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

	Individual	
Year	**12/31/2019**	**03/31/2019**
2019/2020 crop	**55,141**	55,304
2020/2021 crop	**62,392**	62,576
2021/2022 crop	**68,825**	69,028
2022/2023 crop	**65,506**	65,699
2023/2024 crop onwards	**45,388**	43,799
	297,252	296,406

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

In addition, a significant portion of the deferred income and social contribution tax liabilities refers to evaluation of fair value of IAA indemnification credits (Note 7), which should be realized as from the receipt of the indemnification, which was estimated by the Company's legal advisors to occur as from the 2022/2023 crop.

24. Commitments and obligations (Individual)

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

Sales

The Company has future sugar sales commitments in the foreign market which will be produced and delivered in subsequent crops. Selling prices were not all previously determined, which exposes the Company to market fluctuations. As at December 31, 2019, the Company is covered for the 2019/2020 crop (fixed prices) for USD 238,284 thousand (USD 97,279 thousand at March 31, 2019) in connection with future sales.

(In thousands of reais)

24. Commitments and obligations (Individual) (Continued)

Sales (Continued)

The following quantities are stated in tons:

12/31/2019				
Agreed amount	**Amounts contracted as from 04/01/19**	**Amount shipped until 12/31/19**	**Amount to be shipped**	**Maturity**
1,987,905	**747,095**	**(513,129)**	**2,221,871**	**Until 2022/2023 crop**

03/31/2019				
Agreed amount	**Amounts contracted as from 04/01/19**	**Amount shipped until 03/31/2018**	**Amount to be shipped**	**Maturity**
1,778,500	1,021,000	(811,595)	1,987,905	Until 2021/2022 crop

Purchases

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

Purchase commitments per crop, in tons, at December 31, 2019 and March 31, 2019, are shown below:

Crop	12/31/2019	03/31/2019
2019/2020 crop	**8,450,000**	8,750,000
2020/2021 crop	**8,750,000**	8,750,000
2021/2022 crop	**8,750,000**	8,750,000
2022/2023 crop	**8,750,000**	8,750,000
2023/2024 crop onwards	**35,000,000**	35,000,000
	69,700,000	70,000,000

24. Commitments and obligations (Individual) (Continued)

Purchases (Continued)

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

Electric power supply agreement

The Company entered into an agreement with Eletrobras, within PROINFA (Alternative Electric Power Sources Incentive Program), for the supply of electric power generated by its Biomass Thermopower Plant located in the city of Coruripe (AL) for 20 years and effective as from January 2, 2006, in the aggregate amount of R$ 159,954 with adjustable power rate tariffs. In addition, it also has agreements for the supply of electric power related to the units located in Minas Gerais, entered into with EDP Comercialização e Serviços de Energia Ltda., with two agreements as follows: agreement 01 with a supply period from April 1, 2018 to December 31, 2018, beginning again on April 1, 2019 to December 31, 2019, in the aggregate amount of R$30,984 (two-year agreement with adjustable power rate tariffs), and agreement 02 with a supply period from April 1, 2018 to November 30, 2018, beginning again on April 1, 2019 to November 30, 2019, in the aggregate amount of R$63,520 (two-year agreement with adjustable power rate tariffs), and agreement entered into with Focus Energia LTDA, with a supply period from May 01, 2019 to November 30, 2019, in the aggregate amount of R$ 20,527 (with adjustable power rate tariffs).

Guarantees given to sugarcane suppliers

The Company provides guarantees for various financing lines of its sugarcane suppliers taken out with financial institutions. As at December 31, 2019, these commitments amounted to R$200,003 (R$ 236,079 in 2019). All guarantees provided by the Company are matched against equivalent Rural Product Notes (sugarcane) of producers, pledge of sugarcane and, in certain cases, the land of the supplier, guaranteeing any non-compliance with the obligations of producers so collateralized.

25. Risk management and derivative financial instruments

The Company is exposed to market risks, including currency risk, commodity price volatility risk, interest rate risk, credit risk and liquidity risk. Management believes that risk management is vital for: (i) continuous monitoring exposure levels in relation to volume of sales; (ii) estimate of each risk's value based on the limits of foreign exchange exposure and sugar sale prices determined; and (iii) estimate of future cash flows and determination of limits for approval and contracting financial instruments in order to determine price of products and hedging against foreign exchange variation and price volatility.

Derivative financial instruments are taken out solely for the purpose of pricing and hedging the Company's sugar export transactions and financial liabilities against currency risk and sugar price fluctuation in the international market, and foreign exchange differences. The Company engages in no transactions involving financial instruments for speculation purposes.

Market risks

a) *Currency risk*

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

In order to manage its currency risk, the Company uses forward contracts, swap and NDFs. The Company's risk management policy is to hedge the highest possible volume of cash flows, especially related to exports and debts within 24 months or in two crops.

(In thousands of reais)

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

Market risks (Continued)

a) *Currency risk* (Continued)

Assets and liabilities exposed to currency fluctuation

The table below summarizes foreign currency-denominated assets and liabilities (mainly US dollars - US$), recorded in the consolidated statement of financial position at December 31, 2019:

	Individual			
	12/31/2019		03/31/2019	
	R$	US$	R$	US$
Assets				
Cash and cash equivalents (Note 3)	**104,543**	**25,937**	153,793	39,471
Trade accounts receivable (Note 4)	**1,426**	**354**	26,164	6,714
Derivative financial instruments (Note 25)	**3,420**	**848**	-	-
	109,389	**27,139**	179,957	46,185
Liabilities				
Loans and financing (Note 14)	**(1,193,849)**	**(296,189)**	(1,247,111)	(320,067)
Derivative financial instruments (Note 25)	**(5,121)**	**(1,271)**	(3,785)	(971)
	(1,198,970)	**(297,460)**	(1,250,896)	(321,038)
Net exposure	**(1,089,581)**	**(270,321)**	(1,070,939)	(274,853)

These assets and liabilities were restated and recorded in the financial statements at December 31, 2019 at the exchange rate prevailing at that date, with R$ 4.0307 per US$1.00 for assets and liabilities (R$ 3.8964 per US$1.00 at March 31, 2019), representing a decrease of 3.44% in relation to the previous year.

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

The Company is exposed to the risk of changes in the commodity prices of manufactured products such as sugar and ethanol. At December 31, 2019, 816,093 (304,903 at March 31, 2019) tons of sugar were priced with commercial partners expected to be delivered as from April 2019 with a fixed average price of 13.24 ¢/lb (14.47 ¢/lb at March 31, 2019) (US dollar cents per pound weight) with POL premium included.

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

Market risks (Continued)

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

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

d) Sensitivity analysis required

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

The Company's financial instruments are represented by cash and cash equivalents, accounts receivable and payable, judicial deposits, and loans and financing, recorded at amortized cost and fair value through profit or loss and whose amounts as at December 31 and March 31, 2019 approximate market value. In addition, the Company operates with derivative financial instruments, which are recorded at fair value through profit or loss. Major risks relating to Company operations are pegged to Selic, Interbank Deposit Certificates (CDI) and US dollar fluctuation.

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

(In thousands of reais)

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

Market risks (Continued)

d) Sensitivity analysis required (Continued)

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

As at December 31 and March 31, 2019, the scenario considers an annual weighted average rate referring to floating interest for Company loans and financing of 9.05%, and for short-term investments and loans and financing pegged to CDI, CDI of accumulated 4.40% realized in the last 12 months. In both cases, simulations were conducted, considering increase and decrease of 25% and 50%. The results of this sensitivity analysis are as follows:

Interest rate sensitivity

Instrument/operations	Probable scenario	Risk	Probable scenario	25%	50%	- 25%	- 50%
Loans and financing	4.40%	CDI increase	**3,382**	**845**	**1,691**	**(845)**	**(1,691)**
Loans and financing	1.95%	Libor increase	**3,165**	**791**	**1,582**	**(791)**	**(1,582)**
Short-term investments	4.40%	CDI decrease	**2,523**	**631**	**1,261**	**(631)**	**(1,261)**
Projected net income (loss)			**9,070**	**2,267**	**4,535**	**(2,267)**	**(4,535)**

(In thousands of reais)

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

Market risks (Continued)

d) Sensitivity analysis required (Continued)

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

Exchange fluctuation effects

Instrument/operations	Current rate	Risk	Probable scenario	25%	50%	- 25%	- 50%
Loans and financing	4.0304	Dollar increase	**1,193,849**	**298,462**	**596,925**	**(298,462)**	**(596,925)**
Cash and cash equivalents	4.0304	Dollar decrease	**104,543**	**26,136**	**52,272**	**(26,136)**	**(52,272)**
Trade accounts receivable	4.0304	Dollar decrease	**1,426**	**357**	**713**	**(357)**	**(713)**
Projected net income (loss)			**1,299,818**	**324,955**	**649,909**	**(324,955)**	**(649,909)**

Sensitivity on variation of fair value of derivative financial instruments

Instrument/operations	Risk	Probable scenario	25%	50%	- 25%	- 50%
Price risk						
Goods' derivatives						
Futures contracts						
Sale and purchase commitments*	Increase in sugar price	**39,722**	**49,653**	**59,584**	**(29,792)**	**(19,861)**
Currency risk						
Futures contracts:						
Sale and purchase commitments	Dollar increase	**(1,700)**	**(66,208)**	**(132,350)**	**66,074**	**132,216**

* Variation only on the balance contracted rather than fixed balance
* Amount equivalent to balance to be determined referring to existing contract based on NY sugar stock exchange and dollar rate on 12/31/2019

(In thousands of reais)

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

Market risks (Continued)

e) *Derivative financial instruments*

	12/31/2019	03/31/2019
Current assets		
Derivatives not designated as hedge		
Non-deliverable forwards (NDF)	**3,420**	-
	3,420	-
Current liabilities		
Derivatives not designated as hedge		
Non-deliverable forwards (NDF)	**(5,121)**	3,785
	(5,121)	3,785
	(1,701)	3,785

The Company uses derivative operations to manage cash flow risks arising from export revenues denominated in US dollars and other export financing, net of other foreign currency denominated cash flows. The consolidated positions outstanding at December 31 and March 31, 31 and 2019 for derivatives used by the Company to hedge against the currency risk are as follows:

Balance at December 31, 2019	Maturity	Fair value	P&L (*)
Currency risk			
Liabilities – Forward contracts:			
Sales commitments and swap contracts	From 01/24/2020 to 02/25/2021	**(1,701)**	**(1,701)**
			(1,701)

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

March 31, 2019	Maturity	Fair value	P&L (*)
Currency risk			
Liabilities – Forward contracts:			
Sales commitments and swap contracts	From 06/22/2018 to	(3,785)	(3,785)
			(3,785)

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

25. Risk management and derivative financial instruments (Continued)

Credit risk

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

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

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

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

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

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

Liquidity risk

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

(In thousands of reais)

25. Risk management and derivative financial instruments (Continued)

Liquidity risk (Continued)

Any cash surplus held by the operating entities, in addition to the balance required for working capital management purposes, is invested in interest-earning current accounts, time deposits, short-term deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient margins as determined by the above-mentioned forecasts. At March 31, 2019 and 2018, the Company held investments represented mainly by repurchase agreements backed by government bonds and fixed-income funds at the Interbank Deposit Certificate (CDI) rate, with high liquidity characteristics and market circulation, expecting to readily generate cash inflows to manage liquidity risk.

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

December 31, 2019	2019/2020 crop	2020/2021 Crop	2021/2022 Crop	2022/2023 Crop	2023/2024 crop onwards	Total
Loans and financing	**1,101,867**	**16,856**	**694,300**	**574,581**	**630,754**	**3,018,358**
Derivative financial instruments	**5,121**	**-**	**-**	**-**	**-**	**5,121**
Taxes payable in installments	**2,863**	**2,523**	**1,887**	**1,887**	**1,122**	**10,283**
Trade accounts payable	**186,217**	**-**	**-**	**-**	**-**	**186,217**
	1,296,068	**19,379**	**696,187**	**576,468**	**631,876**	**3,219,978**

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

Capital management

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

(In thousands of reais)

25. Risk management and derivative financial instruments (Continued)

Capital management (Continued)

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

In the current period, Company objectives, policies and processes did not change. As at December 31 and March 31, 2019, financial leverage ratios are as follows:

		12/31/2019	03/31/2019
Loans and financing (Note 14)		**3,018,358**	2,727,445
Less:			
Cash and cash equivalents (Note 3)		**(262,085)**	(315,107)
Short-term investments		**(2,440)**	(1,580)
Net debt	(a)	**2,753,833**	2,410,758
Total equity	(b)	**1,349,599**	1,333,739
Total capital	(c) = (a) + (b)	**4,103,432**	3,744,497
Financial leverage ratio - %	(a) / (c)	**67**	64

Fair value

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

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

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

25. Risk management and derivative financial instruments (Continued)

Fair value (Continued)

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

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

As at December 31 and March 31, 2019, book value and market value of financial instruments did not differ significantly, except derivative financial instruments mentioned earlier.

Fair value hierarchy

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

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

(In thousands of reais)

25. Risk management and derivative financial instruments (Continued)

Fair value hierarchy (Continued)

	Individual and Consolidated			
	12/31/2019	**Level 1**	**Level 2**	**Level 3**
Financial assets and liabilities				
Short-term investments	**139,480**	**139,480**	**-**	**-**
Derivative financial instruments, net	**1,701**	**-**	**1,701**	**-**
Loans and financing - foreign currency	**1,193,849**	**1,193,849**	**-**	**-**

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

26. Insurance coverage

At December 31, 2019 and March 31, 2019, the Company had insurance policies against property damage (machinery breakage, electrical damage, fire, lightning, explosions of any nature and implosions) to all of their sugar and ethanol inventories and to buildings, equipment, facilities and agricultural machinery of plants located in Northeastern and Southeastern Brazil, in addition to risks related to civil liability, for total insured amount of R$761,484 (R$ 624,000 at March 31, 2019). This insurance coverage is considered sufficient by management, based on the opinion of the insurance advisors, to cover losses, if any.

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

* * *