

Consolidated Financial Statements

USINA ITAJOBÍ Açúcar e Energia

March 31, 2019

Brasil S.A.

with Independent Auditor's Report

Independent auditor's report on consolidated financial statements

To the Shareholders and Officers

**USINA ITAJOBÍ Açúcar e Energia
Brasil S.A.** Olímpia - SP

Opinion

We have audited the consolidated financial statements of USINA ITAJOBÍ Açúcar e Energia Brasil S.A. (the "Company"), which comprise the statement of financial position as at March 31, 2019, and the statement of operations, of comprehensive income (loss), of changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of USINA ITAJOBÍ Açúcar e Energia Brasil S.A. as at March 31, 2019, and its consolidated financial performance and cash flows for the year then ended in accordance with the accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Basis for opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities, under those standards, are further described in the "Auditor's responsibilities for the audit of consolidated financial statements" section of our report. We are independent of the Company and its subsidiaries and comply with the relevant ethical principles set forth in the Code of Professional Ethics for Accountants, the professional standards issued by the Brazil's National Association of State Boards of Accountancy (CFC) and we have fulfilled our other ethical responsibilities under these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matter

Individual financial statements

The Company prepared a complete set of individual financial statements for the year ended March 31, 2019, in accordance with accounting practices adopted in Brazil and in accordance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB), presented separately, for which a separate unmodified auditor's report was issued dated June 19, 2019.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB), and for such internal controls as Management determines is necessary to enable the preparation of these consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of consolidated financial statements

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

As part of the audit conducted in accordance with Brazilian and International standards on auditing, we exercise professional judgment and maintain professional skepticism throughout the planning and performance of the audit. We also:

- Identify and assess risks of material misstatements of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions or misrepresentations or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and its subsidiaries' internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast substantial doubt as to the Company's and its subsidiaries' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and its subsidiaries to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the corresponding transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the management, supervision and performance of the group audit and, as a consequence, for the audit opinion.

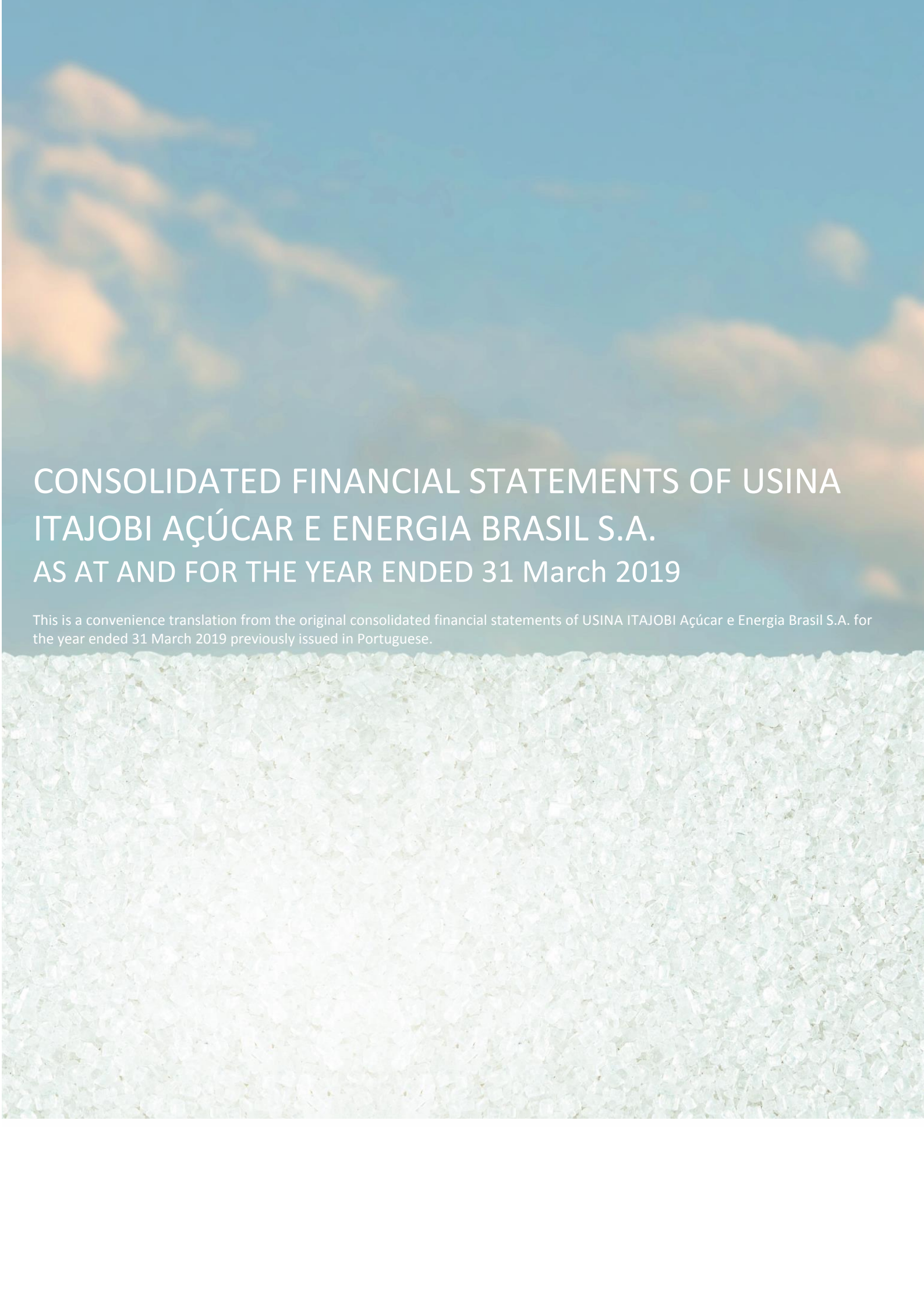
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

São Paulo, June 19, 2019

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



Uilian Dias Castro de Oliveira
Accountant CRC-1SP223185/O-3



CONSOLIDATED FINANCIAL STATEMENTS OF USINA ITAJOBÍ AÇÚCAR E ENERGIA BRASIL S.A. AS AT AND FOR THE YEAR ENDED 31 March 2019

This is a convenience translation from the original consolidated financial statements of USINA ITAJOBÍ Açúcar e Energia Brasil S.A. for the year ended 31 March 2019 previously issued in Portuguese.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF USINA ITAJOBÍ AÇÚCAR E ENERGIA BRASIL S.A.

(MILLIONS OF R\$)

ASSETS	Notes	31 March 2019	31 March 2018
Cash and cash equivalents	17.1.2	1 349	811
Trade receivables	17.1.1	433	403
Inventories	8	451	463
Biological assets	9	324	286
Other current financial assets	17.1.3	176	335
Current income tax receivables	7.2	121	124
Other current assets		3	2
TOTAL CURRENT ASSETS		2 857	2 424
Deferred tax assets	7.2	95	61
Non-consolidated investment	17.1	6	7
Non-current financial assets with related parties	21.2	2	2
Other non-current financial assets	17.1.3	207	136
Investments in associates and joint ventures	10	49	49
Property, plant and equipment	11	3 159	3 054
Goodwill	13	1 035	1 058
Other intangible assets		45	17
TOTAL NON-CURRENT ASSETS		4 598	4 384
TOTAL ASSETS		7 455	6 808

(MILLIONS OF R\$)

LIABILITIES AND EQUITY	Notes	31 March 2019	31 March 2018
Short-term borrowings	17.2.1	890	900
Trade payables	17.2	411	162
Other current financial liabilities	17.2.3	335	474
Current income tax payables	7.2	16	1
Other current liabilities		18	(0)
CURRENT LIABILITIES		1 670	1 537
Long-term borrowings	17.2.1	3 497	2 239
Deferred tax liabilities	7.2	9	110
Long-term provisions	15	44	48
Non-current financial liabilities with related parties	21.2	17	15
Other non-current financial liabilities	17.2.3	29	31
NON-CURRENT LIABILITIES		3 596	2 443
TOTAL LIABILITIES		5 266	3 980
Issued capital	16.1	2 640	2 640
Reserves (accumulated losses)		(6)	428
Accumulated other comprehensive income (loss)		(412)	(250)
EQUITY ATTRIBUTABLE TO THE PARENT		2 222	2 818
Non-controlling interests		(33)	10
TOTAL EQUITY		2 189	2 828
TOTAL EQUITY AND LIABILITIES		7 455	6 808

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF OPERATIONS OF USINA ITAJOBÍ AÇÚCAR E ENERGIA BRASIL S.A.

		For the year ended	
	Notes	31 March 2019	31 March 2018 restated
(MILLIONS OF R\$)			
Net revenue	4	3 071	3 650
Cost of sales	5	(2 649)	(2 872)
Distribution expenses	5	(242)	(274)
General and administrative expenses	5	(305)	(314)
Other operating income (loss)	5	(81)	38
Operating income (expense)		(206)	228
Financial expenses	6.1	(469)	(607)
Financial income	6.1	206	426
Net financial income (expense)		(263)	(181)
Share of profit of associates and joint ventures	10	1	1
Net income (loss) before taxes		(469)	48
Income taxes	7.1	68	(15)
NET INCOME (LOSS)		(401)	33
<i>Attributable to owners of the parent</i>		<i>(371)</i>	<i>28</i>
<i>Attributable to non-controlling interests</i>		<i>(30)</i>	<i>5</i>
(R\$)			
Earnings (loss) per share	16.2	(0,67)	0,05

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS) OF USINA ITAJOBÍ AÇÚCAR E ENERGIA BRASIL S.A.

(MILLIONS OF R\$)	For the year ended	
	31 March 2019	31 March 2018
NET INCOME (LOSS)	(401)	33
<i>Attributable to owners of the parent</i>	<i>(371)</i>	<i>28</i>
<i>Attributable to non-controlling interests</i>	<i>(30)</i>	<i>5</i>
Items that are or may be reclassified to profit or loss		
Cash-flow hedge reserve *	(159)	117
<i>of which income tax effect</i>	82	(61)
Foreign currency translation reserve **	(16)	6
Other comprehensive income (loss), net of taxes	(175)	123
TOTAL COMPREHENSIVE INCOME (LOSS)	(576)	156
<i>Attributable to owners of the parent</i>	<i>(533)</i>	<i>154</i>
<i>Attributable to non-controlling interests</i>	<i>(43)</i>	<i>2</i>

* of which companies accounted for under the equity method

* * of which companies accounted for under the equity method

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED IN 31 March 2019

(MILLIONS OF R\$)	Issued Capital	Reserves	Cash-flow hedge	Foreign Currency Translation	Accumulated other comprehensive income	TOTAL EQUITY ATTRIBUTABLE TO THE PARENTS	NON-CONTROLLING INTERESTS	TOTAL EQUITY
As at 1 April 2018 restated	2 640	428	(108)	(141)	(250)	2 818	10	2 828
Net income (loss)		(371)			0	(371)	(30)	(401)
Other comprehensive income (loss)		0	(153)	(9)	(162)	(162)	(13)	(175)
Comprehensive income		(371)	(153)	(9)	(162)	(533)	(43)	(576)
Dividends		(63)				(63)		(63)
As at 31 March 2019	2 640	(6)	(261)	(151)	(412)	2 222	(33)	2 189

Attributable to non-controlling interests

(MILLIONS OF R\$)	Reserve s	Cash-flow hedge	Foreign Currency Translation	Accumulated other comprehensive income	NON-CONTROLLING INTERESTS
As at 1 April 2018 restated	3	13	(6)	7	10
Net income (loss)	(30)			0	(30)
Other comprehensive income (loss)		(6)	(7)	(13)	(13)
Comprehensive income	(30)	(6)	(7)	(13)	(43)
As at 31 March 2019	(27)	7	(13)	(6)	(33)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED IN 31 March 2018

(MILLIONS OF R\$)	Issued Capital	Reserves	Cash-flow hedge	Foreign Currency Translation	Accumulated other comprehensive income	TOTAL EQUITY ATTRIBUTABLE TO THE PARENTS	NON-CONTROLLING INTERESTS	TOTAL EQUITY
As at 1 April 2017	2 996	68	(227)	(148)	(376)	2 688	6	2 694
Net income (loss)		28			0	28	5	33
Other comprehensive income (loss)			119	7	126	126	(3)	123
Comprehensive income		28	119	7	126	154	2	156
Dividends		(24)				(24)		(24)
Capital increase		1				1		1
Capital increase of USINA ITAJOBÍ Commodities							2	2
Capital decrease of USINA ITAJOBÍ Açúcar e Energia Brazil S.A.	(356)	356						
Others		(1)				(1)		(1)
As at 31 March 2018 restated	2 640	428	(108)	(141)	(250)	2 818	10	2 828

Attributable to non-controlling interests

(MILLIONS OF R\$)	Reserve s	Cash-flow hedge	Foreign Currency Translation	Accumulated other comprehensive income	NON-CONTROLLING INTERESTS
As at 1 April 2017	(4)	15	(5)	10	6
Net income (loss)	5			0	5
Other comprehensive income (loss)		(2)	(1)	(3)	(3)
Comprehensive income	5	(2)	(1)	(3)	2
Capital increase of USINA ITAJOBÍ Commodities	2				2
Others					
As at 31 March 2018 restated	3	13	(6)	7	10

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS OF USINA ITAJOBÍ AÇÚCAR E ENERGIA BRASIL S.A.

(MILLIONS OF R\$)	Notes	31 March 2019	31 March 2018
Net income (loss)		(401)	33
<i>Adjustments to reconcile net income (loss) to cash provided by (used in) operating activities:</i>			
Share of profit of associates and joint ventures	10	0	(1)
Amortization and depreciation	5.2	587	590
Fair value adjustments on biological assets	9	79	137
Other fair value adjustments through the statement of operations		(8)	9
Gain (loss) on disposals of assets		2	8
Income tax expense (income)		(68)	15
Net financial expenses		255	202
Impact of the changes in working capital :		217	428
<i>of which decrease (increase) in trade and other receivables</i>		143	551
<i>of which (decrease) increase in trade and other payables</i>		171	(98)
<i>of which decrease (increase) in inventory</i>		(97)	(25)
Change in other accounts with no cash impact		70	10
Cash provided by operating activities		733	1 431
Income taxes paid		(10)	(85)
Net cash provided by operating activities		723	1 346
Purchases of property, plant and equipment and intangibles assets		(741)	(778)
Acquisition of financial assets		(18)	4
Change in loans and advances granted		1	0
Financing interest received		46	48
Dividends received		2	2
Net cash used in investing activities		(710)	(724)
Capital increase		0	2
<i>of which USINA ITAJOBÍ</i>		0	2
<i>Commodities Brazil of which CTC</i>		0	0
Borrowings issues	17.2.1	2 386	1 487
Borrowings repayments	17.2.1	(1 518)	(2 163)
Financing interest paid		(258)	(233)
Change in financial assets with related parties		(0)	0
Change in financial liabilities with related parties		0	(1)
Dividends paid to equity holders of the parent	16.3	(87)	0
Net cash used in financing activities		523	(908)
Impact of exchange rate on cash and cash equivalents in foreign currency		4	0
Net change in cash and cash equivalents, net of bank overdrafts		538	(286)
Cash and cash equivalents, net of bank overdrafts at 1 April 2018 restated	17.1.2	811	1 097
Cash and cash equivalents, net of bank overdrafts at 31 March 2019	17.1.2	1 349	811
Net change in cash and cash equivalents, net of bank overdrafts		538	(286)

The accompanying notes are an integral part of these consolidated financial statements.

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1. Corporate information, basis of presentation, accounting standards and use of estimates and judgments

1.1 Corporate information

USINA ITAJOBÍ Açúcar e Energia Brasil S.A. (the “Company”) is a Brazilian company, primarily engaged in the cultivation of sugarcane and production and sale of sugar, ethanol, energy and other sugarcane by-products, agricultural undertakings, import and export of assets, products, power generation and raw materials and holding equity interests in other companies.

Sugarcane planted from August to November requires a ripening period of 12 months before harvesting, and the ripening period for sugarcane planted from January to May is 18 months. The harvest period normally extends from April to November. Production is sold throughout the year and is not subject to seasonal variations but only to usual market variations in supply and demand.

Currently, the Company and its subsidiaries (the “Group”) operate seven plants. The existing plants and their locations are as follows:

- Cruz Alta unit - Olímpia - SP.
- Severínia unit - Severínia - SP.
- São José unit - Colina - SP.
- Andrade unit - Pitangueiras - SP.
- Tanabi unit - Tanabi - SP.
- Mandu unit - Guaíra - SP.
- Vertente unit - Guaraci - SP.

The Company also controls an operating unit located in Marromeu, Mozambique.

The consolidated financial statements for the year ended March 31st, 2019 were prepared by the Company and were authorized for issue by the Board of Executive Officers of the Company at its meeting on June 19, 2019.

The Company is a subsidiary of USINA ITAJOBÍ Internacional S.A., a Brazilian entity headquartered in São Paulo, Brazil and USINA ITAJOBÍ Participations S.A.S., a French entity headquartered in Origny-Sainte-Benoîte, France.

Registered office: Rodovia Assis Chateaubriand, km 155 - Olímpia - São Paulo - Brazil.

1.2 Basis of presentation

The Group’s consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (IASB) and in accordance with accounting practices adopted in Brazil (“BRGAAP”), as at March 31st, 2019.

The BRGAAP include those established in the Brazilian Corporate Law as well as the Pronouncements, Instructions and Interpretations issued by the Brazilian Accounting Pronouncements Committee (“CPC”).

The accounting policies, described in Note 2, are consistent with those applied by the Group for the year ending 31 March 31, 2018, with the exception of those described in paragraph 1.3 below, and resulting from the first application of the standard IFRS 15 (CPC47) (Revenue from Contracts with Customers) and IFRS 9 (CPC 48) (Financial Instruments). IFRIC interpretation 22 (ICPC 21) (Foreign Currency Transactions and Advance Considerations) and Amendment to IFRS 2 (CPC 10) on the Classification and Measurement of Share-based Payment, and the Annual Improvements to the 2014-2016 IFRS Cycles, mandatorily applicable as from 1 January 2018, have no impact on the Group's financial statements.

For the preparation of the consolidated financial statements the Company has adopted all the accounting pronouncements and interpretations issued by CPC.

The consolidated financial statements include the following direct and indirect subsidiaries:

- USINA ITAJOBÍ Açúcar e Energia Cruz Alta S.A. (“Cruz Alta”) - direct subsidiary with 100% interest.
- USINA ITAJOBÍ Açúcar e Energia São José S.A. (“São José”) - direct subsidiary with 100% interest.
- USINA ITAJOBÍ Açúcar e Energia Andrade S.A. (“Andrade”) - direct subsidiary with 100% interest.
- Andrade Agricultura Ltda. (“Andrade Agricultura”) - indirect subsidiary through Andrade with 51.9% interest.
- USINA ITAJOBÍ Sena Limited, formerly USINA ITAJOBÍ Ocean Indien, (“TSL”) - direct subsidiary located in Mauritius with 100% interest.
- Societe Marromeu Limited (“SML”) - direct subsidiary located in Mauritius with 75% interest.
- Usina Vertente Ltda. (“Vertente”) - indirect subsidiary through Cruz Alta with 50% interest.
- Teapar (“Teapar”) - indirect participation through Cruz Alta with 35% interest.
- Sena Holding Limited (“SHL”) - subsidiary located in Mauritius with 99.09% interest.
- Companhia de Sena S.A. (“Companhia de Sena”) - indirect subsidiary through Sena Holding Limited., located in Mozambique, with 94.15% interest.
- São José Agricultura Ltda. (“São José Agricultura”) - indirect participation through São José with 32% interest.
- Sena Lines (“Sena Lines”) – indirect subsidiary through USINA ITAJOBÍ Sena Limited with 94.2% interest, located in Mozambique.
- Agrícola Rodeio (“Agrícola Rodeio”) – indirect subsidiary through Cruz Alta, with 100% interest.
- Centro de Tecnologia Canavieira (“CTC”) – is an associate company through USINA ITAJOBÍ Açúcar e Energia Brasil, São José and Vertente with respectively 3.86%, 0.41% and 0.30% interest.
- USINA ITAJOBÍ Commodities do Brasil S.A. – indirect subsidiary through USINA ITAJOBÍ Açúcar e Energia Brasil S.A. and Andrade with respectively 51.0% and 30.0% interest.

The financial statements of SHL and controlled for purposes of equity and consolidation are prepared in accordance with the IFRS and in local currency, which is the functional currency of the Company, being subsequently translated to the Brazilian currency (Reais) – currency of disclosure. Additionally, for the case of firms in another country, Management decided to consider the financial statements of these subsidiaries on February 28, 2019, with a lag of 30 days for purposes of equity and consolidation.

For the reported periods the compulsory standards and interpretations published by IASB are also similar to the accounting standards and interpretations endorsed by the European Union. Consequently, Group accounts are also compliant with the accounting standards and interpretations endorsed by the European Union.

The consolidated financial statements have been prepared on a historical cost basis, except for biological assets, derivatives and non-consolidated investments which are measured at fair value.

The accounting methods set out below have been applied consistently to all periods presented in the consolidated financial statements, and uniformly across Group entities.

The consolidated financial statements are presented in millions of Reais and all values are rounded to the nearest million except when otherwise indicated. In certain circumstances, this may lead to non-material differences between the sum of the figures and the sub-totals that appear in the tables.

The Group presents assets and liabilities in statement of financial position based on a current/non-current classification.

An asset is current when it is:

- Expected to be realized or intended to sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when it is:

- Expected to be settled in normal operating cycle
- Held primarily for the purpose of trading
- Due to be settled within twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

The Group's financial year runs from April 1st to March 31st.

1.3 Standards and interpretations compulsory as of 1 April 2018

The following standards and interpretations and revised standards became effective as of 1 April 2018 restated and have no material impact on the Group annual consolidated financial statements.

Standard or Interpretation	Standard / Amendment / Interpretation Name	Effective date*
IFRS 15 (CPC 47)	Revenue from Contracts with Customers	01/01/2018
IFRS 9 (CPC 48)	Financial Instruments	01/01/2018
Amendment to IAS40 (CPC 28)	Transfers of investment property	01/01/2018
Amendment to IFRS 2 (CPC 10)	Clarifications of classification and measurement of share-based payment	01/01/2018
Annual improvements 2014-2016	Annual improvements to IFRS 2014-2016 cycles	01/01/2018

* : effective for the financial year beginning on or after this effective date

First application of IFRS 15 (CPC 47)

On May 28, 2014, IASB issued a new standard on revenue recognition that replaces existing principles IFRS requirements, including IAS 11 (CPC 17 (R1)) and IAS 18 (CPC 30), and is applicable as from 1st January, 2018.

The Group is applying this standard since April 1st, 2018 and has opted for the retrospective transition method, by restating comparative periods.

The only restatements resulting from the application of IFRS 15 (CPC 47) correspond to reclassifications between revenue and cost of sales related to services performed for customers in the context of a contractual relationship, for some agreements in Mozambique.

As of March 31, 2019, due to the application of this new IFRS rule, we have booked an impact of R\$ (7) million in the net revenue with counterpart in cost of sales (there is no effect on Adjusted EBITDA). The group has decided to apply IFRS 15 (CPC 47) retrospectively, therefore we have restated the net revenue and cost of sales at end of March 2018, decreasing it of R\$ (6) million.

The application of IFRS 15 (CPC 47) has no effect on the operating, investing, financing cash flows of the consolidated cash flow statement.

First application of IFRS 9 (CPC 48)

The Group has adopted IFRS 9 (CPC 48) on April 1st, 2018 according to the retrospective method, with the option not to restate the consolidated financial statement for the previous financial year ended 31st March 2018. IFRS 9 (CPC 48) replaces IAS 39 (CPC 38).

The main changes for the Group are as follows:

- The time value of the options documented as hedging operation is now compulsorily treated as a cost of hedging: changes in the fair value of the time value are recognized in "other comprehensive income (loss)" and then recycled on the same item and at the same time than the hedged item. Previously, they were recognized as "other financial income and expenses". The impact of retrospective restatement is closed to zero.

- Classification and valuation of financial assets are now based on the characteristics of the financial instrument and the Group's business management. The category of available-for-sale financial assets, which allowed under IAS 39 (CPC 38) to recognize fair value on securities in other comprehensive income, with recycling to profit & loss in the event of significant impairment loss or disposal, disappears. The classification of financial assets whose cash flows are not only representative of the payment of principal and interest (SPPI) should be recognized at fair value through profit & loss. However, IFRS 9 (CPC 48) introduces an option that can be irrevocably exercised at the origin, investment by investment, allowing the investments in equity instruments measured at fair value through "other comprehensive income (loss)" without subsequent recycling in profit or loss, even in the case of disposal. At the transition date, the classification of financial assets was defined as follows:
 - o When the capital instrument is held for trading, its remeasurements are recorded under "other financial income and expenses"
 - o When the capital instrument is not held for trading and, optionally, its revaluation is recorded in "other comprehensive income (loss)".
- IFRS 9 (CPC 48) establishes a new impairment model, which leads to a transition from provisioning the incurred credit losses to prospective impairment model based on the Expected Credit Losses (ECL).

IFRS 9 (CPC 48) has no material impact on our financial statements.

1.4 Standards and interpretations compulsory after 31 March 2019 with no early application elected by the Group

Amongst these standards and interpretations, the following might affect the Group's future consolidated financial statements.

Standard or Interpretation	Standard / Amendment / Interpretation Name	Effective date*
IFRS 16 (CPC 06 (R2))	Leases	01/01/2019
Amendments to IFRS 9 (CPC48)	Prepayment features with negative compensation	01/01/2019
Amendments to IAS 28 (CPC 28)	Long-term Interests in Associates and Joint Ventures	01/01/2019
Amendments to IAS 19 (CPC 33)	Plan Amendment, Curtailment or Settlement	01/01/2019
Annual improvements 2015-2017	Annual improvements to IFRS 2015-2017 cycles	01/01/2019

** effective for the financial year beginning on or after this effective date*

The Group has not completed its assessment of the impact of those pronouncements on the consolidated result, financial position or cash-flow of the Group.

The Group launched at the end of 2017 its project for the implementation of IFRS 16 (CPC 06 (R2)) relating to leases, which applies to accounting periods beginning on or after January 1, 2019, i.e. April 1st, 2019 for the Group. When entering into a lease involving fixed payments, this standard requires that a liability be recognized in the balance sheet, measured at the discounted present value of future lease payments and offset against a right of use amortized over the lease term.

IFRS 16 (CPC 06 (R2)) will be applied as of April 1st, 2019 using what is known as the “modified retrospective” transition method, under which a liability is recognized at the transition date for an amount equal to the present value of the residual lease payments alone, offset against a right-of-use asset adjusted for the amount of prepaid lease payments or within accrued expenses; all the impacts of the transition will be deducted from equity. The amount of the liability depends quite heavily on the assumptions used for the lease term and discount rate..

The Group has implemented a dedicated IT solution to gather lease data and run the calculations required by the standard. The Group is in the process of completing its inventory of leases and gathering the information required to calculate the liability at the transition date.

The impact on the balance sheet (recognition of an asset and financial liability) related to IFRS 16 (CPC 06 (R2)) first application will range between R\$ 400 million and R\$ 540 million. If the Standard had been applied as of April 1st, 2018, the adjusted EBITDA of the Group for the year 2018/19 would have been positively impacted for an amount comprised between R\$ 85 million and R\$ 115 million.

The Group, for its sugar activities, has entered into agricultural partnership contracts. These contracts include some specificities that are currently analyzed by the Group and local accounting regulators.. If the conclusion of this analysis conclude to the recognition of these agreements, an additional impact on the balance sheet comprised between R\$ 675 million and R\$ 1,115 million could be accounted for. If the Standard had been applied as of April 1st, 2018, the adjusted EBITDA of the Group for the year 2018/19 would have been positively impacted for an amount comprised between R\$ 200 million and R\$ 265 million.

If the modified retrospective transition method is applied, the standard doesn’t allow the restatement of comparative fiscal year. Nevertheless, the Group plans to prepare restated data for fiscal year 2018/19 for its financial communication requirements.

1.5 Use of estimates and judgments

In preparing the Group consolidated financial statements, Management makes estimates, insofar as many elements included in the financial statements cannot be measured with precision. Management revises these estimates if the underlying circumstances evolve or in light of new information or experience. Consequently, estimates used to prepare consolidated financial statements for the year ended 31 March 2019 may change subsequently.

1.5.1 Judgments

Group management uses its judgment to define appropriate accounting policies to apply to certain transactions when the current IFRS standards and interpretations do not specifically deal with related accounting issues:

- As IFRS and BR GAAP do not provide any specific guidance for business combinations of entities under common control, the Group applied the “pooling of interests” method when required.

1.5.2 Estimates

Management makes significant estimates in the determination of assumptions used for accounting for the following areas:

Note	Estimate	Nature of disclosure
Note 7	Income taxes	Assumptions used for the recognition of deferred tax assets arising from the carryforward of unused tax losses.
Note 9	Biological assets	Key assumptions used to determine the fair value of standing cane (estimated yield, quantity of sugar per ton of cane, sugar price, among others).
Note 11	Property, plant and equipment	Assumptions used to measure property, plant & equipment acquired in business combinations. Assumptions used to determine the useful life of the assets.
Note 13	Goodwill	Assumptions used to determine the fair value of the assets and liabilities acquired, the fair value of the consideration received and therefore the goodwill.
Note 14	Impairment tests	Level of grouping of CGUs for goodwill impairment test. Key assumptions used to determine recoverable amounts: value in use (discount rate, perpetual growth rate, expected cash flows), market value (revenue and EBITDA multiples for comparable companies or transactions, cash flows)
Note 15	Provisions	Provisions for claims and litigation: assumptions underlying risk assessment and measurement.
Note 17	Financial assets and liabilities	Assumptions used to determine the fair value of the different categories of financial instruments.

2. Significant accounting principles

2.1 Consolidation

Subsidiaries are fully consolidated from the date of acquisition, being the effective date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Entities are fully consolidated if the Group has all the following:

- power over the investee; and
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect the amount of the investor's returns.

Control is deemed to exist when the Group has power:

- over more than one half of the voting rights of the other entity by virtue of an agreement;
- to govern the financial and operating policies of the other entity under a statute or agreement;
- to appoint or remove the majority of the Members of the Board of Directors or equivalent governing body of the other entity; or
- to cast the majority of votes at meetings of the Board of Directors or equivalent governing body of the other entity.

The consolidated financial statements are prepared based on the financial statements of the consolidated subsidiaries, which are prepared for the same reporting period as the parent company. Adjustments are made when necessary to bring the accounting policies in line with those of the group. All material intra-group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

A change in the ownership interest of a subsidiary without a change of control is accounted for as an equity transaction.

Losses are attributed to the non-controlling interest even if that results in a deficit balance.

If the Group loses control of a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interest

- Reclassifies the foreign currency translation reserve, recorded in equity, to income statement
- Reclassifies the parent's share of components previously recognized in other comprehensive income to income statement
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any gain or loss in income statement

2.2 Joint ventures and associates

A joint venture is a type of joint arrangement whereby the parties that have joint control of the entity have rights to its net assets. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the entity but is not control or joint control of those policies. Significant influence is presumed when the percentage in voting rights exercisable by the Group exceeds 20% and does not lead to control or joint control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

When assessing an investor's power over an investee, potential voting rights are taken into account if they are substantive, i.e., if they confer upon the investor the practical ability to direct the relevant activities of the investee on a timely basis.

The Group's investments in its associates and joint ventures are accounted for using the equity method.

Under the equity method, the investment in the associate is initially carried at its cost of acquisition determined at the date of acquisition. After acquisition, the carrying value of the investment in the statement of financial position is adjusted for the changes in Group's share of net assets, including comprehensive income for the period.

Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is never amortized.

The statement of operations reflects the Group's share of the results of operations of the associate or joint venture. Any change in Other Comprehensive Income of those investees is presented as part of the Group's Other Comprehensive Income. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture. The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax in the subsidiaries of the associate or joint venture.

The financial statements of the associate and joint ventures are prepared for the same reporting period as the parent company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

If the Group's share in the losses of an associate or a joint venture is greater than or equal to its investment in the associate, including any non-secured receivable, the Group does not recognize additional losses, unless it has an obligation to or made already payments in the name of the associate.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on the Group's investment in its associates. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the income statement.

When an investment ceases to be an associate or a joint venture, the Group measures and recognizes any remaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

Entities in which the Group does not exercise a significant influence are measured at fair value and classified as non-consolidated investments.

A list of joint ventures and associates at 31 March 2019 and 31 March 2018 is presented in Note 10.

2.3 Translation of the financial statements expressed in foreign currencies

Group entities outside Brazil use their domestic currency as their functional currency, note on trading companies and translate their financial statements to the Group's presentation currency (Brazilian Real – R\$) based on:

- the average annual exchange rate for income and expenses on the statement of operations,
- the exchange rate at March 31st for assets and liabilities on the statement of financial position.

The resulting translation differences are recognized in "Foreign currency translation" in shareholders' equity, and also presented as "Other comprehensive income" in the statement of comprehensive income (loss). The share attributable to non-controlling interests is presented in "Non-controlling interests" in the shareholders' equity.

Those amounts are fully reclassified to profit or loss when the related investment is: (i) fully disposed of or liquidated, (ii) partially disposed of (loss of control, loss of joint control or loss of significant influence). In case of partial disposal without any significant economic consequences as described above, a partial reclassification of "Foreign currency translation reserve" is recognized on a prorata basis.

The average and year-end exchange rates used in translating the financial statements for the presentation currency are the following:

Foreign currency / Brazilian Real ratios			Average rate For the year ended		End of year rate	
			31 March 2019	31 March 2018	31 March 2019	31 March 2018
USA	Dollar	USD	0,2647	0,3112	0,2567	0,3017
Mozambique	Mozambican Metical	MZN	16,0114	19,0295	16,2529	18,7377

2.4 Transactions in foreign currencies

On initial recognition, transactions denominated in foreign currencies are translated into the subsidiary's functional currency at the exchange rate prevailing at the date of the transaction.

At year-end, financial assets and liabilities are translated at the year-end exchange rate, or at the hedged rate, if applicable; foreign exchange differences resulting from these translations are recorded in income statement under the heading "Financial income and expenses".

Subsidiaries benefits from long term loans subject to foreign variation. In accordance with IAS 21 (CPC 02 (R2)) "The Effects of Changes in Foreign Exchange Rates", those loans could be qualified as investment in a foreign operation. In that case, exchange differences should be recognized in Other comprehensive income in the consolidated financial statements, while in the individual financial statement the effects of changes in foreign exchange rates should be booked in the income statement. As a consequence, statement of changes in equity can be different between reserves and other comprehensive income when compared individual and consolidated financial statements.

2.5 Business combinations and goodwill

Business combinations are accounted for using the acquisition method.

Goodwill is initially measured at cost being the excess of the consideration transferred and the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed, measured at fair value. If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Goodwill corresponding to consolidated entities is presented in the separate line "Goodwill" in the consolidated statement of financial position. Goodwill for entities consolidated according to the equity method is included within "Investments in associates".

For each business combination, the acquirer shall decide to measure the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date.

If the business combination is achieved in stages, the carrying amount of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit and loss.

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be a financial asset or liability will be recognized in accordance with IFRS 9 (CPC 48) either in profit or loss or in Other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

2.6 Non-current assets (or disposal group) held for sale and related liabilities

Non-current assets (or disposal groups) and related liabilities immediately available for sale and for which sale is highly probable within twelve months are classified under the line items "Non-current assets (or disposal groups) classified as "held for sale" and "Liabilities directly associated with non-current assets classified as held for sale" in the statement of financial position.

When several assets are intended to be sold during a single transaction, the group of assets is considered as a whole, as are the associated liabilities.

Sale is highly probable when the Group management is committed to a plan for the sale of the non-current asset or disposal group and an active programme to seek a buyer has been launched.

When a loss of control of a subsidiary is highly probable, all assets and related liabilities of the subsidiary shall be classified as held for sale, regardless of whether the entity will retain some interest in the former subsidiary after the sale.

Non-current assets (or disposal groups) classified as held for sale are measured at the lower of their carrying amount or fair value less costs to sell. Property, plant & equipment and intangible assets once classified as held for sale are not depreciated or amortized.

2.7 Intangible assets

Intangible assets include:

- Patents acquired,
- Recognised brands acquired that are distinguishable from other brands, whose value can be tracked over time,
- Computer software,
- Qualifying development expenses.

Acquired patents and computer software are measured at their acquisition cost and are depreciated over their useful life. Software is depreciated using a straight-line method over its expected useful life ranging from 1 to 5 years.

Brands with indefinite useful lives are not amortised and are subject to annual impairment tests.

Amortisation and impairment losses are recognised in operating income.

In accordance with the provisions of IAS 38 "Intangible Assets" (CPC 04), research and development expenses are recorded in expenses in the year incurred, with the exception of qualifying development expenses that meet the capitalisation criteria outlined in the standard.

2.8 Property, plant and equipment

Property, plant and equipment are measured at cost (purchase price plus incidental costs needed to place the assets in service) or at production cost plus any costs directly attributable to bringing the asset

to the location and condition necessary for it to be capable of operating in a manner intended by the management except in the context of a business combination.

When certain components of Property, plant & equipment acquired have different useful lives, the components approach is applied and these components are depreciated over their respective useful lives.

Costs corresponding to the replacement or renovation of parts of property, plant and equipment are recorded as a new asset, and the carrying amount of these parts that are replaced is eliminated.

The Group performs regular major maintenance activities in its industrial facilities on an annual basis, with the purpose of inspecting and replacing parts of property, plant and equipment. The annual major maintenance costs include labour, materials, external services, general and other overhead expenses incurred during the inter-crop period. The Group utilizes the built-in overhaul method to account for the annual costs of major maintenance activities. Thus the estimated cost of the portion of the total cost of a property, plant and equipment which must be replaced on an annual basis is recorded as a separate component of the cost of property, plant and equipment and depreciated over its separate estimated useful life. It is then replaced in connection with the annual major maintenance activities. Costs of normal periodic maintenance are expensed as incurred since the parts replaced do not enhance or maintain the crushing capacity or provide improvements.

In accordance with IAS 23 (CPC 20), interest on loans used to purchase property, plant and equipment of a material individual amount and with a significant construction life are recognised as an increase in the asset's acquisition cost.

Sugarcane plantation costs are part of a tangible assets. They are valued at cost and depreciated over their useful life.

Depreciation is calculated on a straight-line basis over the expected useful life of each asset:

Buildings	20-40 years
Fixtures and improvements to buildings	10-20 years
Technical installations, equipment and industrial tools	10-15 years
Bearer plants	5-6 years
Office equipment	5 years
Transportation equipment	5 years

2.9 Impairment of assets

In accordance with IAS 36 "Impairment of Assets" (CPC 01), goodwill, property plant and equipment and intangible assets are subject to impairment tests whenever events or changes of circumstances indicate that their carrying amount may not be recoverable. Goodwill and intangible assets that have an indefinite useful life are subject to an impairment test, at least once a year or more frequently if there are indications of impairment. The Group performs annual impairment tests during the last quarter of its financial year.

For the purposes of measuring impairment, assets are combined into cash-generating units (CGUs). These CGUs correspond to the smallest groups of assets generating cash flows clearly independent from those generated by other CGUs.

Goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the business combinations in which the goodwill was recorded.

An impairment test consists of comparing the carrying amount of an asset, a CGU or a group of CGUs to its recoverable value, which is the higher of its fair value less costs to sell and value in use.

Value in use is obtained by adding the discounted pre-tax values of the cash flows expected from use of the asset (or group of assets) and the terminal value.

Cash flows used as the basis for calculating value in use derive from CGU's medium-term business plans. The assumptions used for growth in total revenue and terminal cash flows are considered reasonable and consistent with market data available for each CGU.

Fair value less costs to sell corresponds to the amount that might be obtained from the sale of an asset (or group of assets) in an arm's length transaction, less costs directly related to the sale.

If the recoverable value is lower than the carrying amount of the asset (or group of assets), an impairment loss is recognized in the statement of operations for the difference and allocated first to goodwill. Impairment losses recognized against goodwill may not be reversed in subsequent periods.

2.10 Finance lease and operating lease arrangements

The Group uses lease arrangements as a lessee. At the inception of the lease, the Group assesses the substance of the lease arrangement to determine its classification. A lease arrangement that has the effect of transferring to the Group substantially all the risks and rewards of ownership of the leased asset is considered a finance lease.

At the beginning of the finance lease, the leased asset is recognized on the statement of financial position in the caption "Property, plant and equipment" for an amount equal to the fair value of the leased asset or, if lower, the present value of minimum future lease payments. A corresponding debt is recorded as a liability. The discount rate used to calculate the present value of the minimum future lease payments is the interest rate implicit in the lease agreement if it can be measured, otherwise the Group's marginal borrowing rate. The initial direct costs incurred are added to the amount recognized as an asset.

Items of property, plant and equipment thus recognized are depreciated on a straight-line basis over the asset's expected useful life measured according to the same criteria as those used for tangible assets owned by the Group, or over the lease term, if shorter.

Leases that do not qualify as finance leases are classified as operating leases. Operating lease expenses are recorded in the income statement over the lease term on a straight-line basis.

2.11 Biological assets

IAS 41 – Agriculture (CPC 29), covers the accounting treatment of agricultural activities. Agricultural activity is the management of the biological assets transformation for sale or into agricultural products. These biological assets (sugarcane) and the related agricultural products (harvested sugarcane) must be recognized at fair value less estimated expenses at the point of sale. The Group to satisfy this measurement rule is valuing its standing cane at fair value less cost to sell and classified it in current biological assets.

Changes in fair value are recognized in the cost of sales.

The bearer plants are measured, in accordance with IAS 16 (CPC 27), at historical cost and recognized in the balance sheet in Property, Plant and Equipment.

2.12 Inventories

Physical inventories in the processing activities are valued at the lower of cost and spot prices prevailing at the end of the reporting period. Cost is determined using the weighted average method or the “first in, first out” method, depending on the product. In addition stock held for trading are measured at fair value less costs to sell.

On initial recognition raw materials and consumables are recognized at purchase price plus other expenses incurred in bringing the inventories to their present location and condition (transportation, commissions, among others).

Manufactured products are valued at production cost, including the cost of materials consumed, depreciation of production inputs, and direct or indirect production expenses excluding finance cost.

An impairment is recognized when:

- The gross value calculated as defined above exceeds the market value or realisable value;
- Products have been subject to significant deterioration.

2.13 Financial assets

IFRS 9 (CPC 48) provides a single approach for the classification and measurement of financial assets, based on the characteristics of the financial instrument and the Group's management intention. So :

- financial assets whose cash flows are only representative of the payment of principal and interest are measured at amortized cost if they are managed only for the purpose of collecting these flows;
- in other cases, financial assets are measured at fair value through profit or loss, excepted for equity instruments (investments,) that are not held for trading and whose changes in value affect optionally "other comprehensive income (loss)".

These principles are reflected as follows on the assets presented in the Group's balance sheet:

Financial assets include the following accounting categories: non-consolidated equity investments, financial investments, loans and receivables and derivative financial instruments.

At the acquisition date, the Group determines the classification of the financial asset in one of these accounting categories.

- Non-consolidated investments and financial investments at fair value

This category mainly includes non-consolidated equity investments and debt securities that do not meet the definitions of other categories of financial assets.

The Group has chosen to recognize the change in fair value of its equity investments in other comprehensive income because they meet the definition of equity instrument and are not held for trading except shares held in investment funds that have their change in fair value recognized in financial result.

Investments are recorded at their fair value at the closing date. Securities that have no quoted market price in an active market and if their fair value cannot be reliably measured are carried at cost less impairment losses generally calculated on the proportion of capital held.

- Loans and receivables

Trade and other receivables and loans are recorded at amortized cost, which corresponds to their nominal value. The portion of receivables and loans that are not covered by credit insurance generate the recognition of an impairment loss as soon as the invoice is issued, up to the expected losses at the maturity date. This reflects the probability of default of the counterparties and the expected loss rate, evaluated, as appropriate, on the basis of historical statistics, information provided by the credit reporting agencies, or ratings given by the rating agencies.

When the maturity of receivables and loans is greater than one year, a present value calculation is performed. The effects of this calculation are recorded in financial result according to the effective interest rate method.

Loans and receivables are subject to impairment tests. An impairment loss is recognized in the income statement if the carrying value amount exceeds the recoverable value and there is objective evidence that the asset or group of assets is impaired.

The group factors some of its receivables. In accordance with IFRS 9 (CPC 48), the Group derecognizes receivables when the contractual right to receive cash flows have been transferred (i.e. sold), as well as substantially all the risks and rewards of ownership.

Dilution risk is excluded from the analysis of the transfer of risk to the extent that it is defined and circumscribed, especially where it is correctly distinguished from late-payment risk.

Receivables sold with recourse in the event of non-payment are not derecognized. Costs to sell receivables are expensed in operating items.

- Derivative financial assets

Accounting rules and policies for derivative instruments are presented in note 2.17.

2.14 Cash and cash equivalents

Cash and cash equivalents include cash, deposits in bank, short term deposits (maturity less than three months from the acquisition date) with no significant risk of loss of value in case of a change in interest rate, money market funds that are by nature very liquid and subject to insignificant risk of change in value.

2.15 Provisions

Provisions are recognized when there is an obligation (legal, contractual or constructive) to a third party provided that it may be estimated reliably and is probable to result in an outflow of resources.

If the amount or maturity cannot be estimated reliably or where it is not probable that a present obligation exists, then it is a contingent liability.

Where the effect of the time value of money is material, the amount of the provision is determined using the present value of the expected future expenditures. The discount rate used to determine the present value shall reflect the time value of money and the specific risks related to the liability being measured. The effect of this discounting is recorded in financial expenses.

A restructuring provision is recognized when the reorganization has been subject to an announcement and a detailed plan or execution has begun.

2.16 Financial liabilities

This category includes:

- Financial liabilities at amortised cost
 - Financial liabilities designated at fair value through profit or loss
 - Financial liabilities classified as held for trading including derivatives liabilities (excluding hedging derivatives)
 - Commitments to purchase non-controlling interests.
- Measurement and recognition of financial liabilities at amortised cost

With the exception of financial liabilities designated at fair value and derivatives measured and recognized at fair value, borrowings and other financial liabilities are measured and recognized initially at fair value, then at amortised cost, according to the effective interest rate method.

In accordance with the Group accounting policy, USINA ITAJOBÍ Açúcar e Energia Brasil S.A. is considering in its cash flows statement its financial interest paid as cash flows from financing activities.

- Measurement and recognition of compound instruments

Compound instruments are separated into liability and equity components based on the terms of the contract. On issuance of the compound instruments, the fair value of the liability component is determined using a market rate for an equivalent of non-compound instruments. This amount is classified as a financial liability measured at amortized cost (net of transaction costs) until it is extinguished on conversion or redemption.

The remainder of the proceeds is allocated to the conversion option that is recognized and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the compound instruments based on the allocation of proceeds to the liability and equity components when the instruments are initially recognized.

- Measurement and recognition of financial liabilities designated at fair-value through the statement of operations

When a financial liability is designated to be recognized at fair value in its entirety – as in the case of a liability with an embedded derivative – the Group records the liability at fair value, with changes in fair value recognized in financial expense or income.

- Commitments to purchase non-controlling interests

According to IAS 32 (CPC 39), put options granted unconditionally to third parties holding non-controlling interests in fully consolidated subsidiaries must be considered as a financial liability.

The Group recognises put options granted to third parties holding non-controlling interests under financial liabilities at the fair value of the option, with an offsetting entry to reduce non-controlling interests.

Any variance between the fair value of the liability and the relevant non-controlling interests is recognised in equity attributable to owners of the parent.

The liability is estimated in line with the prices or formulas defined in the relevant agreements. When the formulas are based on an income multiple after deducting debt, the amount of the liability relative to the option is estimated according to the income and net debt forecasts for the option exercise period.

Subsequent changes in the fair value of these liabilities, including the effects of discounting, are recognised in equity.

The related share in reserves and income is also reflected in the Group/Non-controlling interests split in the financial statements.

2.17 Derivatives

The Group uses derivative instruments to manage and reduce its exposure to risks of changes in interest rates, exchange rates, commodity prices and energy prices.

Derivative instruments are measured at fair value in the statement of financial position, whether or not they qualify for hedge accounting under IFRS 9 (CPC 48), on the financial assets and liabilities caption.

When they do, derivative instruments are accounted for in accordance with the cash flow hedge or the fair value hedge accounting.

A cash flow hedge is a hedge of the exposure to changes in the value of highly probable future cash flows.

A fair value hedge is a hedge of the exposure to changes in the value of assets and liabilities.

Qualified derivative instruments relating to foreign exchange, interest rates, commodity prices and energy prices eligible to hedge accounting are accounted as either fair value hedges or cash flow hedges.

In the case of cash flow hedges, the effective portion of changes in the fair value of the hedging instrument is posted directly to other comprehensive income, while the change in the fair value of the ineffective portion is recognized in income. Amounts recognized in other comprehensive income items are recycled to profit and loss in the same period in which the hedged item itself affects income.

The time value of the options documented as cash flow hedge is treated as a cost of the hedging: changes in the fair value of the time value are recognized in "other comprehensive income" and then recycled in operating or financial income at the same time as the hedged item.

In the case of fair value hedge, the financial assets or liabilities hedged by the derivatives are remeasured to the extent of the hedged item. Changes in value of hedged item are recognized in the income statement of the period and are offset by symmetrical changes of the derivatives.

Derivative instruments that do not meet the definition of hedging instruments are qualified as "held for trading". Changes in the fair value of held for trading derivatives are recognized in the statement of operations.

Derivative instruments held for trading are not held for speculative purposes.

The changes in fair value of derivatives classified as "held for trading" as well as the ineffective portion of derivatives qualified as cash flow hedge are recognized in profit & loss, the results of closed derivatives qualified as "held for trading" or as hedging are classified as:

- Financial expenses and income when the underlying risk is classified as financial income and expenses (interest rate and financial exchange rate)

In operating expenses and income, when the underlying risk is classified as operating expenses and income (Commodities - ie raw materials, finished products, energy and operational change).

2.18 Reserves

The nature and purpose of each reserve are the following:

Cash flow hedge reserve (OCI)

The cash flow hedge reserve contains the effective portion of the cash flow hedge relationships incurred as at the reporting date net of tax. Further information on the accounting methods applicable to the use of this reserve are disclosed in Note 2.17.

Foreign currency translation (FCT) reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries. Further information on the accounting methods applicable to the use of this reserve are disclosed in Note 2.3.

2.19 Income taxes

Income taxes in the consolidated statement of operations include the current and the deferred income taxes.

- Current income taxes

Current income taxes are calculated based on taxable income for the year. Taxable income for the year differs from net income before tax reported in the consolidated income statement because it excludes income or expenses that are taxable or deductible, respectively, in other periods, as well as income or expenses that are never taxable or deductible.

Current income tax assets or liabilities are recognized on the statement of financial position using tax rates that have been enacted at year-end.

- Deferred income taxes

Pursuant to IAS 12 (CPC 32), deferred taxes are based on temporary differences between the book values of assets and liabilities, and their tax bases.

Deferred income taxes are calculated based on the tax rate expected to apply during the financial year when the asset will be realised or the liability settled, and are classified into non-current assets and liabilities. The effects of changes in tax rates from one period to the next are recognized in the statement of operations for the period when the change occurs, except to the extent that it relates to items previously recognized outside the consolidated income statement.

Unused tax losses can be carried forward indefinitely and are not subject to inflation adjustment. The expected recovery of all deferred tax assets is supported by the taxable income projections, which have been approved by the Group's management.

These projections of future taxable income include several estimates related to the performance of the European, Brazilian and other international economies, exchange rate fluctuations, sales volume, sales price, tax rates, which may differ from actual data and amounts.

Deferred tax assets resulting from temporary differences, tax losses and deferrable tax credits are limited to the estimated recoverable tax amount. This position is examined at each year-end, according to the taxable income forecast of the relevant tax entities.

Pursuant to IAS 12 (CPC 32), deferred tax assets and liabilities are not discounted.

Deferred taxes are recognized in the income statement unless they are related to items recognized in Other comprehensive income. In such case deferred taxes are also recognized in other comprehensive income.

2.20 Revenue

Revenue derived from the sale of products or merchandise is recognized when the entity has transferred to the buyer the significant risk and rewards of ownership of products and merchandise and when it is probable that the economic benefits associated with the transaction will flow to the Group. Selling prices are fixed based on purchase orders or contractual arrangements.

Revenue deriving from the sale of services is recognized when service has been rendered.

Revenue is recognized net of rebates, commercial benefits granted and sales taxes (VAT, ICMS, PIS and COFINS). Shipping and handling costs are classified as distribution expenses in the statement of operations.

3. Main acquisitions, disposals and change in scope of consolidation

There is no significant acquisition, disposal or change in scope during the year.

4. Net revenue

Net revenue is mainly made up of sales of goods.

Net revenue is broken down as follows:

(MILLIONS OF R\$)	For the year ended	
	31 March 2019	31 March 2018 restated
Sugar	1 628	2 387
Alcohol and Ethanol	1 206	1 018
Co-products	2	2
Energy	220	229
Other	15	14
Net revenue	3 071	3 650

5. Expenses by nature

The analysis of expenses by nature is as follows:

(MILLIONS OF R\$)	Note	For the year ended	
		31 March 2019	31 March 2018 restated
Raw materials and consumables used		(1 295)	(1 442)
External expenses		(792)	(719)
Employee benefits expenses	5.1	(544)	(593)
Depreciation and amortization	5.2	(587)	(590)
Other operating income (expenses), net	5.3	(59)	(78)
Total operating expenses		(3 277)	(3 422)
Cost of sales		(2 649)	(2 872)
Distribution expenses		(242)	(274)
General and administrative expenses		(305)	(314)
Other operating income (expenses), net		(81)	38
Total operating expenses		(3 277)	(3 422)

External expenses are mainly related to transportation costs, maintenance costs and external services.

5.1 Employee benefits expenses

(MILLIONS OF R\$)	For the year ended	
	31 March 2019	31 March 2018 restated
Wages and salaries	(489)	(526)
Taxes on wages and salaries	(53)	(61)
Other employee expenses	(2)	(6)
Employee benefits expenses	(544)	(593)

5.2 Amortization

(MILLIONS OF R\$)	For the year ended	
	31 March 2019	31 March 2018 restated
Amortization of property, plant and equipment (Note 11)	(575)	(585)
Amortization of intangibles assets	(12)	(5)
Amortization	(587)	(590)

5.3 Other operating loss, net

(MILLIONS OF R\$)	For the year ended	
	31 March 2019	31 March 2018 restated
Taxes	35	11
Change in fair value of derivatives	1	(9)
Provisions and depreciations	3	(9)
Legal proceedings	(41)	(40)
Other (net)	(57)	(31)
Other operating income (expenses)	(59)	(78)

The line “Other” mainly included in 2019 an impairment of property, plant and equipments and an impairment loss of goodwill on cash generating unit Sugar Mozambique for respectively R\$ (42) million and R\$ (27) million.

6. Net financial expenses

6.1 Financial expenses and income

(MILLIONS OF R\$)	For the year ended	
	31 March 2019	31 March 2018
Interest expenses	(288)	(241)
Fair value loss on financial assets and liabilities through income statement	(7)	0
Fair value loss on Derivatives	0	(1)
Foreign exchange losses	(160)	(356)
Other financial expenses	(13)	(9)
Financial expenses	(469)	(607)
Interest income	9	1
Fair value gain on Derivatives	15	1
Foreign exchange gains	144	373
Other financial income	37	51
Financial income	206	426
NET FINANCIAL INCOME (EXPENSES)	(263)	(181)
<i>Of which: net interest income (expenses)</i>	(279)	(240)
<i>Of which: foreign exchange gains and losses</i>	(16)	17

6.2 Gains and losses on financial assets and liabilities

For the year ended 31 March 2019							
(MILLIONS OF R\$)	Net interest income (expense)	Net foreign exchange income (expense)	Net gain (loss) of fair value	Others financial income / (expenses)	Total Financial Income (expenses)	Operating income (expenses)	OCI
Trade receivables		(2)			(2)		
Cash and cash equivalent		148			148		
Other financial assets (excluding derivatives)	7				7	0	
Borrowings	(288)	(161)	(7)		(456)		(80)
Trade payables		0			0		
Other financial liabilities (excluding derivatives)	1	(1)			(1)		
Derivatives	2		15		17	1	(161)
Other		(0)		24	24		0
Total	(279)	(16)	8	24	(263)	1	(241)
Effect of deferred taxes on OCI							82
Total OCI net of taxes							(159)

For the year ended 31 March 2018 restated							
(MILLIONS OF R\$)	Net interest income (expense)	Net foreign exchange income (expense)	Net gain (loss) of fair value	Others financial income / (expenses)	Total Financial Income (expenses)	Operating income (expenses)	OCI
Trade receivables		(2)			(2)		
Cash and cash equivalent		(54)			(54)		
Borrowings	(211)	103	0		(108)		99
Trade payables		(1)			(1)		
Other financial liabilities (excluding derivatives)	(29)	(29)			(58)		
Derivatives		0	(0)		(0)	(9)	79
Other		0		42	42		0
Total	(240)	17	(0)	42	(181)	(9)	178
Effect of deferred taxes on OCI							(61)
Total OCI net of taxes							117

7. Income tax

7.1 Income tax recognized in the statement of operations

The breakdown of income taxes is presented as follows:

(MILLIONS OF R\$)	For the year ended	
	31 March 2019	31 March 2018
Current income tax	(23)	(38)
Deferred income tax	91	23
Total	68	(15)

The reconciliation between applicable and effective tax rate is presented below:

(MILLIONS OF R\$)	For the year ended	
	31 March 2019	31 March 2018
Net income (loss)	(401)	33
Share of profit of associates	1	1
Income tax income (expense)	68	(15)
Income (loss) before income tax and share of profit of associates	(470)	47
<i>Brazil's statutory income tax rate</i>	<i>34%</i>	<i>34%</i>
Income tax based on Brazil's statutory rate	160	(16)
Fiscal losses without recognition of deferred tax assets on carry forward tax losses	(24)	(3)
Utilisation of previously unrecognized tax losses	-	4
Effect of different tax rates	(58)	(14)
Other non-deductible expenses for tax purposes	(10)	14
Effective income tax	68	(15)
<i>Effective income tax rate</i>	<i>14%</i>	<i>32%</i>

7.2 Income tax in the statement of financial position

The position of current and deferred income tax in the statement of financial position are the following:

(MILLIONS OF R\$)	For the year ended	
	31 March 2019	31 March 2018
Current income tax assets	121	124
Current income tax liabilities	(16)	(1)
Total current income taxes	105	123
Deferred income taxes assets	95	61
Deferred income taxes liabilities	(9)	(110)
Total deferred income taxes	86	(49)

The net deferred tax amount to R\$ 86 million (assets) of which R\$ 132 million comes from the recognition of tax loss carry-forward.

The breakdown of deferred taxes on the statement of financial position is presented as follows :

(MILLIONS OF R\$)	31 March 2019	31 March 2018
Deferred tax assets	95	61
Deferred tax assets through the statement of operations	0	0
Deferred tax assets through other comprehensive income	95	61
Deferred tax liabilities	(9)	(110)
Deferred tax liabilities through the statement of operations	(19)	(110)
Deferred tax liabilities through other comprehensive income	7	0
Others deferred tax liabilities recognised	3	0
Total	86	(49)

(MILLIONS OF R\$)	31 March 2019	31 March 2018
Differences between carrying value and tax basis	(46)	(139)
Property, plant and equipment and intangible assets	(149)	(131)
Biological assets	5	(23)
Financial assets and liabilities	53	(22)
Others	45	37
Tax losses unused and recognized as deferred tax assets	132	90
Total	86	(49)

The variation in deferred taxes is presented below:

(MILLIONS OF R\$)	Net deferred taxes
At 31 March 2017	178
Amount charged to the statement of operations	23
Amount charged to other comprehensive income	(75)
Other	(175)
At 31 March 2018	(49)
Amount charged to the statement of operations	91
Amount charged to other comprehensive income	41
Other	3
At 31 March 2019	86

The line “other” as of March 31, 2018 corresponds to the off setting allocation of the debt Refis on tax loss carry forwards for R\$ 177 million.

7.3 Deferred tax assets from tax losses carried-forward

Recognized deferred tax assets arising from the carry-forward of unused tax losses are mostly located in Sugar & Energy Brazil entities.

The expected recovery of deferred tax credits from tax losses carry-forwards indicated by the taxable income projections approved by Management of the Group is as follows:

(MILLIONS OF R\$)	31 March 2019	31 March 2018
N+1	0	0
N+2	14	25
N+3	30	31
N+4	42	25
N+5	46	9
N+6 and thereafter	0	0
Total	132	90

As income tax credits or expenses result not only from taxable income but also from the tax and corporate structure of the Group, the existence of non taxable income, non deductible expenses, tax exemptions and incentives, and various other variables, the projected utilization of tax loss carry-forwards should not be considered indicative of the Group’s future net income.

7.4 Unrecognized tax losses carried-forward

Unrecognized deferred tax assets arising from the carry-forward of unused tax losses amounted to R\$ 33 million at 31 March 2019 (compared to R\$ 16 million at 31 March 2018) in the consolidated financial statements in accordance with the accounting policies described in Note 2.19.

8. Inventories

(MILLIONS OF R\$)	31 March 2019	31 March 2018
Raw materials and advances to raw material suppliers	335	332
Finished and semi-finished products	116	131
Net inventories	451	463

Changes in inventories are presented as follows:

(MILLIONS OF R\$)	
As at 31 March 2017	461
Variation of inventories through cost of sales	(13)
Others	(2)
Change due to fair value harvested	13
Effect of foreign currency exchange differences	4
As at 31 March 2018	463
Variation of inventories through the cost of sales	(7)
Change due to fair value harvested	(10)
Other change in fair value *	0
Effect of foreign currency exchange differences	5
As at 31 March 2019	451

* Other change in fair value due to the adjustment at fair value of inventories of USINA ITAJOBÍ Commodities Brasil

9. Biological assets

Changes in the net amount of the biological assets are as follows:

<i>(MILLIONS OF R\$)</i>	
As at 31 March 2017	406
Change due to harvest	(396)
Change in fair value	285
Effect of foreign currency exchange differences	2
Other	(11)
As at 31 March 2018	286
Change due to harvest	(271)
Change in fair value	306
Effect of foreign currency exchange differences	3
As at 31 March 2019	324

Fair value adjustment recognised through statement of operation at end of March 2019 amounts to R\$ (79) million (R\$ (137) million last year).

The volume of own sugar cane crushed amounts to 9 403 thousand tons for the year ended 31 March 2019 (8 702 thousand tons for the year ended 31 March 2018).

Standing Cane

The following assumptions have been used in the determination of the fair value of standing cane:

As at 31 March 2019	Unit	Brazil	Mozambique
Expected area to harvest	hectares	125 912	8 672
Estimated yields	tons of cane per hectare	83	55
Quantity of Total Recoverable Sugar	kg per ton of cane	136	
Quantity of Sugar	Kg Sugar per ton of cane		9,2
Value of one kg of Total Recoverable Sugar	KR\$	0,6	
Value of one kg of Sugar	KR\$		1,6
As at 31 March 2018	Unit	Brazil	Mozambique
Expected area to harvest	hectares	111 425	8 046
Estimated yields	tons of cane per hectare	84	60
Quantity of Total Recoverable Sugar	kg per ton of cane	136	
Quantity of Sugar	Kg Sugar per ton of cane		10,6
Value of one kg of Total Recoverable Sugar	KR\$	0,6	
Value of one kg of Sugar	KR\$		1,8

10. Investments in associates and joint ventures

Main investments in associates and joint ventures as at 31 March 2019 are as follows:

(MILLIONS OF R\$)		Group voting rights (in %)	Investment in associates and joint ventures	
			31 March 2019	31 March 2018
São José Agricultura	Sugarcane plantation	32,00%	4	4
Teapar	Port services operator for sugar export sales	35,00%	19	20
Centro de Tecnologia Canavieira	Research and development of varieties of cane sugar	4,57%	26	25
Total			49	49

(MILLIONS OF R\$)		Share of profit of associates and joint ventures	
		31 March 2019	31 March 2018 restated
São José Agricultura		0	0
Teapar		(0)	1
Centro de Tecnologia Canavieira		1	(0)
Total		1	1

11. Property, plant and equipment

Changes in property, plant and equipment is presented as follows:

(MILLIONS OF R\$)	Land	Buildings	Tools, Equipment and Installations	Furnishings, IT and Transportation	Bearer plants	Other Property, Plant and Equipment	Non-Current Assets in Progress	TOTAL
Gross amount as at 31 March 2017	42	808	2 791	305	1 855	75	155	6 030
Additions	0	1	204	2	222	15	334	778
Reclassifications	0	135	(229)	16	9	0	(298)	(367)
Disposals	0	(2)	(20)	(16)	0	(0)	0	(38)
Effect of foreign currency exchange differences	3	4	15	1	9	8	0	40
Other changes	0	(1)	(0)	0	0	0	0	(1)
Gross amount as at 31 March 2018	45	945	2 761	308	2 095	98	190	6 442
Additions	0	0	237	3	269	0	231	740
Reclassifications	7	42	(102)	83	(1 277)	(100)	(165)	(1 512)
Disposals	0	(0)	(8)	(3)	0	0	0	(11)
Effect of foreign currency exchange differences	4	5	20	(0)	13	12	0	54
Other changes	0	0	1	(1)	(0)	0	(1)	(1)
Gross amount as at 31 March 2019	56	992	2 909	390	1 100	10	255	5 712

(MILLIONS OF R\$)	Land	Buildings	Tools, Equipment and Installations	Furnishings, IT and Transportation	Bearer plants	Other Property, Plant and Equipment	Non-Current Assets in Progress	TOTAL
Amortization and impairment as at 31 March 2017	(8)	(205)	(1 360)	(249)	(1 311)	(39)	0	(3 172)
Amortization expense	(1)	(34)	(342)	(21)	(183)	(4)	0	(585)
Reclassifications	(0)	0	367	1	(9)	0	0	360
Eliminated on disposals	0	1	16	15	0	0	0	31
Effect of foreign currency exchange differences	(1)	(1)	(8)	(1)	(6)	(5)	0	(23)
Amortization and impairment as at 31 March 2018	(9)	(240)	(1 328)	(254)	(1 509)	(48)	0	(3 388)
Amortization expense	(1)	(40)	(332)	(21)	(181)	(0)	0	(575)
Impairment losses	(8)	(8)	(18)	(7)	0	(1)	0	(42)
Reclassifications	0	0	193	(52)	1 277	55	0	1 473
Eliminated on disposals	0	0	7	3	(0)	0	0	10
Effect of foreign currency exchange differences	(1)	(1)	(11)	0	(9)	(9)	0	(31)
Amortization and impairment as at 31 March 2019	(19)	(289)	(1 489)	(331)	(422)	(3)	0	(2 553)
Net amount as at 31 March 2017	34	603	1 430	56	544	36	155	2 859
Net amount as at 31 March 2018	35	706	1 433	54	586	49	190	3 054
Net amount as at 31 March 2019	37	703	1 420	59	678	7	255	3 159

- Financial year 2019 and 2018

Main additions of the year in Brazil are:

- R\$ 228 million in various operational investments (R\$ 333 million in 2018);
- R\$ 264 million in bearer plants (R\$ 212 million in 2018);
- R\$ 234 million in maintenance costs (R\$ 197 million in 2018).

12. Lease commitments

12.1 Finance leases

As at March 31, 2019, there are no significant financing lease agreements.

12.2 Operating leases

Operating leases expenses in 2019 amount to R\$ 104 million, compared with R\$ 77 million in 2018.

USINA ITAJOBÍ Açúcar e Energia Brasil and its subsidiaries entered into lease agreements of rural properties used to produce sugarcane. These agreements are effective for the entire current sugarcane production cycle, followed by six more years (2nd cycle) with right to renewal by USINA ITAJOBÍ Açúcar e Energia Brasil and its subsidiaries for one more production cycle, also plus one extra year. Accordingly, these agreements can be effective through 15 December 2029.

USINA ITAJOBÍ Açúcar e Energia Brasil and its subsidiaries entered into lease agreements of vehicles, machinery and equipment for harvest and transport of sugarcane. These agreements are effective up to six years.

The minimum future payments by year of maturity are as follows:

(MILLIONS OF R\$)	Minimum future payments
Financial year 2019/2020	89
Financial year 2020/2021	50
Financial year 2021/2022	42
Next financial years until 2030/2031	317
Total	498

13. Goodwill

13.1 Goodwill by cash generating unit

Goodwill has been allocated to the following Cash Generating Units (CGUs) for the purpose of impairment tests:

(MILLIONS OF R\$)	31 March 2019	31 March 2018
Sugar & Energy Brazil	1 035	1 035
Sugar Mozambique	(0)	23
Total net goodwill	1 035	1 058

13.2 Changes in goodwill

Changes in goodwill were as follows:

(MILLIONS OF R\$)	
Gross amount as at 31 March 2017	1 364
Effect of foreign currency exchange differences	2
Gross amount as at 31 March 2018	1 366
Effect of foreign currency exchange differences	8
Gross amount as at 31 March 2019	1 374
(MILLIONS OF R\$)	
Impairment as at 31 March 2017	(307)
Effect of foreign currency exchange differences	(1)
Impairment as at 31 March 2018	(308)
Impairment provision recognized in the year	(26)
Effect of foreign currency exchange differences	(5)
Impairment as at 31 March 2019	(339)
Net amount as at 31 March 2017	1 057
Net amount as at 31 March 2018	1 058
Net amount as at 31 March 2019	1 035

14. Impairment tests

14.1 Key assumptions

Impairment tests are performed annually during the last quarter of the financial year, or each time the Group identifies a triggering event.

The Group calculates the recoverable value of a CGU based on forecasted future cash flows, with the exception of the Holding companies CGU, whose recoverable value is measured at fair value less costs to sell.

The key assumptions used to calculate the value of the CGUs are the following:

2018/2019	Sugar & Energy Brazil	Sugar Mozambique
Basis used for determination of recoverable value	Value in use	Value in use
Source	5 years business plan discounted cashflows	7 years business plan discounted cashflows
Growth rate used for terminal value	4,0%	3,3%
Post-tax discount rate	11,3%	14,0%
Pre-tax discount rate	14,8%	14,5%
2017/2018	Sugar & Energy Brazil	Sugar Mozambique
Basis used for determination of recoverable value	Value in use	Value in use
Source	5 years business plan discounted cashflows	9 years business plan discounted cashflows
Growth rate used for terminal value	3,5%	5,0%
Post-tax discount rate	10,4%	13,5%
Pre-tax discount rate	13,7%	14,0 %

The recoverable amount is determined by reference to the value in use, using the discounted cash flows model based on management's estimated budget information which takes into consideration assumptions related to each business, using market available information as well as past performance.

The main assumptions and estimates involved are in the sugar and ethanol activities: expected sugar and ethanol sales prices, costs related to energy and other macroeconomics factors.

In order to take into account the business characteristics of Mozambique operations, and in accordance with IAS 36 (CPC 01), Management elected to use cash flow projections over a five and seven-year period respectively (plus a terminal value after that). The Group considers that periods are appropriate in the context of its CGU Sugar Mozambique, given the expected time to ramp-up their agricultural performance and achieve full potential.

14.2 Impairment recognized during the year

An impairment provision of R\$ 69 million has been recognized on Sugar Mozambique CGU as of 31 March 2019 (Note 5.3).

14.3 Sensitivity analysis

The value in use of the CGUs Sugar Mozambique and Sugar & Energy Brazil decreased compared to previous year due to the significant drop in sugar prices. Despite this, the value in use remains higher than the net tested assets book value.

However, a significant change in the markets and / or external assumptions used to determine the value in use, for example an extended period of very low sugar prices, could lead the Group to reconsider the need to update its impairment tests.

During the last quarter of the 2018/2019 financial year, the sensitivity analysis of the recoverable value of the main CGUs was based on the following assumptions:

- In CGU Sugar & Energy Brazil, value in use was close to the carrying amount and therefore material changes in the business and/or external assumptions retained to determine value in use would have lead the Group to reconsider the need for impairment.

A one-point increase or decrease in the post-tax discount rate would have decreased the recoverable amount by R\$ 845 million, or increased it by R\$ 643 million, respectively, with the recognition of a R\$ 105 million impairment loss in the first case, all else being equal.

A half-point increase or decrease in the perpetuity growth rate used to determine terminal value would have increased the recoverable amount by R\$ 306 million, or decreased it by R\$ 267 million, respectively, without the recognition of an additional impairment loss, all else being equal.

A one-point increase or decrease in the EBITDA margin rate would have increased the recoverable amount by R\$ 228 million, or decreased it by R\$ 228 million, respectively, without the recognition of an additional impairment loss, all else being equal.

- In CGU Sugar Mozambique, value in use was close to the carrying amount and therefore material changes in the business and/or external assumptions retained to determine value in use would have lead the Group to reconsider the need for impairment.

A one-point increase or decrease in the post-tax discount rate would have decreased the recoverable amount by R\$ 39 million, or increased it by R\$ 31 million, respectively, with the recognition of a R\$ 31 million impairment loss in the first case, all else being equal.

A half-point increase or decrease in the perpetuity growth rate used to determine terminal value would have increased the recoverable amount by R\$ 13 million, or decreased it by R\$ 9 million, respectively, with the recognition of a R\$ 9 million impairment loss in the second case, all else being equal.

A one-point increase or decrease in the EBITDA margin rate would have increased the recoverable amount by R\$ 9 million, or decreased it by R\$ 9 million, respectively, with the recognition of a R\$ 4 million impairment loss in second case, all else being equal.

15. Provisions

Provisions are set aside for the following contingencies:

(MILLIONS OF R\$)	Current		Non-current	
	31 March 2019	31 March 2018	31 March 2019	31 March 2018
Labor provision	0	0	32	42
Environment	0	0	9	3
Other	0	0	3	3
Total	0	0	44	48

Changes in provisions, during the year, are presented below:

(MILLIONS OF R\$)	Labor	Tax	Environment	Other	Total
As at 31 March 2017	32	1	4	3	40
Additional provisions recognized during the year	13	0	0	1	14
Amounts used	(3)	(1)	(1)	(1)	(6)
As at 31 March 2018	42	0	3	3	48
Additional provisions recognized during the year	1	0	8	0	9
Amounts used	(11)	0	(2)	0	(13)
As at 31 March 2019	32	0	9	3	44

The table below presents a summary of claims with probable and possible loss involving the Group:

As at 31 March 2019	Probable		Possible	
	Number of claims	Provision *	Number of claims	Claims with possible losses *
Labor	378	32	1 021	148
Tax	0	0	353	1 531
Environment	27	9	187	31
Other	12	3	77	33
Total	417	44	1 638	1 743

* In millions of R\$

As at 31 March 2018	<u>Probable</u>		<u>Possible</u>	
	Number of claims	Provision *	Number of claims	Claims with possible losses *
Labor	767	42	993	222
Tax	3	0	221	1 248
Environment	12	3	172	49
Other	5	3	71	29
Total	787	48	1 457	1 548

* In millions of R\$

There is no dispute known to Management carrying material risks that could affect the Group's profit or financial position which has not been recognized as at 31 March 2019.

Disputes hereby are described to our best knowledge at the date of completion of consolidated financial statements.

Labor

Brazilian subsidiaries of the group have to face labor claims. The principal demands in respect of these labor claims are related to: (i) time while commuting; (ii) overtime during lunch breaks; (iii) health hazard allowances and risk premiums; and (iv) indemnification related to labor accidents. The risk of loss in these cases is generally linked to the facts involved in each case.

Provisions are recorded for a total amount to R\$ 32 million as at 31 March 2019 (R\$ 42 million as at 31 March 2018).

Environment

The sugarcane industry requires constant intervention in the environment and may occasionally affect and have an influence on protected vegetation, soil water and water bodies or cause air pollution. The Group is currently party to recurrent administrative and judicial proceedings, related to sugarcane burning other than those expressly permitted by local regulations. In such cases the environmental authorities have opted to impose penalties to the Group merely based on the fact that it had purchased or harvested the sugarcane after the burning. According to the best knowledge of the group, no major claim procedure has been identified.

Tax claims

The Company faces tax claims involving mainly: offset and refunds of unratified federal taxes (IRPJ / CSLL / PIS / COFINS); ICMS collection related to the reduction of the tax rate applied to VHP and VVHP sugars; ICMS collection related to Tax Assessment (LPD – Daily Entry Book); ICMS collection related to tax reversal in diesel oil operations.

16. Equity

16.1 Issued capital and share premium

	Number of shares	Issued Capital (MILLIONS OF R\$)
Balance as at 31 March 2017	601 128 646	2 996
Capital decrease	0	(356)
Balance as at 31 March 2018	601 128 646	2 640
Balance as at 31 March 2019	601 128 646	2 640

16.2 Earnings (loss) per share

The average number of ordinary shares used in the calculation of earnings per share is 601 128 646 shares for the years ended 31 March 2019 and 2018.

For the year ended 31 March 2019 and 2018, there is no difference between diluted and basic earnings per share.

The earnings (loss) per share for the year ended 31 March 2019 and 2018, amounted to R\$ (0.66672) and R\$ 0.05433, respectively.

16.3 Dividends proposed and paid

These consolidated financial statements reflect only the mandatory minimum dividend, as requested by Brazilian Corporate Law and the Company's bylaws.

In accordance with the above regulation, shareholders are entitled to receive annual mandatory minimum payment of 25% of the annual individual statutory net income adjusted for the following items: (i) allocation to Legal Reserve; (ii) movements on the Contingencies reserve; (iii) allocation to the tax incentives fund and (iv) realization of the Unrealized Income Reserve.

Minimum dividend calculation is based on the net result of the Parent Company of the consolidated Group USINA ITAJOBÍ Açúcar e Energia Brasil S.A and as it is a loss, no minimum payment will be proposed to the Shareholder's meeting.

According to the Shareholder's meeting of July 26, 2018, R\$ 87 million of dividends have been paid for the year ended 31 March 2018 out of which R\$ 24 million of mandatory minimum dividends, based on the net result of the Parent Company of the consolidated Group USINA ITAJOBÍ Açúcar e Energia Brasil S.A. as of March 31, 2018.

17. Financial assets and liabilities

17.1 Financial assets

As at 31 March 2019 (MILLIONS OF R\$)	Notes	Investments at fair value through OCI	Loans and receivables at amortised cost	Financial assets at fair value through statement of operations	Financial instruments qualified as cash flow hedge	Total
Trade receivables	17.1.1		433			433
Cash and cash equivalent	17.1.2			1 349		1 349
Other current financial assets	17.1.3		147	1	28	176
Total current financial assets			580	1 350	28	1 958
Non-consolidated investment		6				6
Non-current financial assets with related parties	21.2		2			2
Other non-current financial assets	17.1.3		204		3	207
Total non-current financial assets		6	206		3	215
Total financial assets		6	786	1 350	31	2 173

As at 31 March 2018 (MILLIONS OF R\$)	Notes	Available-for sale	Loans and receivables at amortised cost	Financial assets at fair value through statement of operations	Financial instruments qualified as cash flow hedge	Total
Trade receivables	17.1.1		403			403
Cash and cash equivalent	17.1.2			811		811
Other current financial assets	17.1.3		165	1	169	335
Total current financial assets			568	812	169	1 549
Available-for sale		7				7
Non-current financial assets with related parties	21.2		2			2
Other non-current financial assets	17.1.3		136			136
Total non-current financial assets		7	138			145
Total financial assets		7	706	812	169	1 694

17.1.1 Trade receivables

As at 31 March 2019 and 31 March 2018, trade receivables were as follows:

(MILLIONS OF R\$)	31 March 2019	31 March 2018
Trade receivables	442	411
Allowance	(9)	(8)
Net trade receivables	433	403

Past due trade receivables were as follows:

(MILLIONS OF R\$)	31 March 2019	31 March 2018
Trade receivables	442	411
Not overdue	420	395
Overdue	22	16
Overdue from 1 to 30 days	13	8
Overdue from 61 to 90 days	1	0
Overdue from 91 to 180 days	1	0
Overdue more than 360 days	7	8
Allowance	(9)	(8)
Total	433	403

17.1.2 Cash and cash equivalents

Changes in cash and cash equivalents are presented in the consolidated statement of cash flows which is part of the consolidated financial statements.

The net cash presented in the consolidated statement of cash flows is as follows:

<i>(MILLIONS OF R\$)</i>	31 March 2019	31 March 2018
Cash and cash equivalents	1 349	811
Net cash	1 349	811

At 31 March 2019, cash and cash equivalents can be analysed as follows:

<i>(MILLIONS OF R\$)</i>	31 March 2019
Certificates of deposit	883
Money Market funds (SICAV)	308
Term accounts or deposits	7
Total Marketable securities	1 197
Cash	152
Total Cash and Cash equivalents	1 349

17.1.3 Other financial assets

<i>(MILLIONS OF R\$)</i>	Current		Non-current	
	31 March 2019	31 March 2018	31 March 2019	31 March 2018
Tax receivables	93	130	67	22
Financial assets pledged as collateral	7	0	0	0
Derivatives	28	170	3	0
Paid deposit	0	0	55	56
Advance payments	16	4	11	9
Trade notes and accounts receivable > 1 year			23	20
Accrued Income	0	1	0	0
Others	32	30	48	29
Other Financial assets	176	335	207	136

Derivative assets are composed of the positive fair value of derivatives. See the details in note 18.2.

The details of financial assets pledged as collateral is broken down as follows:

As at 31 March 2019 <i>(MILLIONS OF R\$)</i>	Sugar	Total
Initial margin	7	7
Margin variation	0	0
Total	7	7

As at 31 March 2018 <i>(MILLIONS OF R\$)</i>	Sugar	Total
Initial margin	-37	-37
Margin variation	-1	-1
Total	-38	-38

17.2 Financial liabilities

The categories of financial liabilities are presented in the tables below:

As at 31 March 2019					
(MILLIONS OF R\$)	Notes	Financial liabilities at amortised cost	Financial liabilities at fair value through statement of operations	Financial instruments qualified as cash flow hedge	Total
Short-term borrowings	17.2.1	756	5	129	890
Trade payables		411			411
Current financial liabilities with related parties	21.2	0			0
Other current financial liabilities	17.2.3	322	0	13	335
Total current financial liabilities		1 488	5	142	1 635
Long-term borrowings	17.2.1	3 237	0	260	3 497
Non current financial liabilities with related parties	21.2	17			17
Other non-current financial liabilities	17.2.3	21	0	8	29
Total non-current financial liabilities		3 275	0	268	3 543
Total financial liabilities		4 763	5	410	5 178

As at 31 March 2018					
(MILLIONS OF R\$)	Notes	Financial liabilities at amortised cost	Financial liabilities at fair value through statement of operations	Financial instruments qualified as cash flow hedge	Total
Short-term borrowings	17.2.1	724	0	176	900
Trade payables		162			162
Current financial liabilities with related parties	21.2	0			0
Other current financial liabilities	17.2.3	459	3	12	474
Total current financial liabilities		1 345	3	188	1 536
Long-term borrowings	17.2.1	2 068	0	171	2 239
Non current financial liabilities with related parties	21.2	15			15
Other non-current financial liabilities	17.2.3	31	0	0	31
Total non-current financial liabilities		2 114	0	171	2 285
Total financial liabilities		3 459	3	359	3 821

17.2.1 Borrowings

The different credit lines of the borrowings are presented below.

In million of R\$ as at 31 March 2019							
INDEX	Currency	Type	Current	Non-current	Total	Average interest rate	Maximum maturity
a / CDI	BRL	Working capital, CRA and other ST/LT	15	809	824	6,9%	15/01/2025
b / LIBOR	USD	Export pre-financing and LT financings	559	1 683	2 242	6,0%	31/01/2024
c / TJLP	BRL	Investment financing (BNDES)	37	516	553	9,4%	15/05/2028
d / UMBNDES	USD	Investment financing (BNDES)	13	41	55	8,2%	17/07/2023
e / IGPM	BRL	Securitização (PESA)	1	2	4	13,1%	01/11/2022
f / IPCA	BRL	CRA - <i>Certificado de Recebíveis do Agronegócio</i>	5	224	229	6,1%	15/10/2024
TOTAL FLOATING			631	3 276	3 907	6,7%	
i / Fixed rate	BRL	Investment financing (Finame)	10	28	38	3,4%	18/11/2024
	BRL	Investment financing (BNDES-PSI)	47	54	101	6,6%	15/07/2021
	BRL	Investment financing (PCA)	5	21	26	7,5%	15/07/2030
	BRL	Working Capital (RPL and Custeio)	214	150	364	8,3%	20/07/2020
TOTAL FIXED			277	253	530	7,6%	
TOTAL GROSS DEBT BEFORE AMORTIZED COSTS			908	3 528	4 436	6,8%	
Amortized cost			(17)	(32)	(49)		
Total GROSS DEBT			890	3 497	4 387		
Cash and cash equivalents					(1 349)		
TOTAL NET FINANCIAL DEBT					3 038		
Related parties financial assets					(2)		
Related parties financial liabilities					18		
TOTAL NET FINANCIAL DEBT INCLUDING RELATED-PARTIES					3 054		

In million of R\$ as at 31 March 2018							
INDEX	Currency	Type	Current	Non-current	Total	Average interest rate	Maximum maturity
a / CDI	BRL	Working capital and other ST/LT	99	314	413	7,0%	20/05/2020
b / LIBOR	USD	Export pre-financing and LT financings	570	1 599	2 169	5,1%	31/01/2023
c / TJLP	BRL	Investment financing (BNDES)	32	132	164	9,7%	17/07/2023
d / UMBNDES	USD	Investment financing (BNDES)	11	46	57	8,0%	17/07/2023
e / IGPM	BRL	Securitização (PESA)	1	4	5	5,3%	01/11/2022
TOTAL FLOATING			713	2 095	2 808	5,7%	
i / Fixed rate	BRL	Investment financing (Finame)	10	39	49	3,5%	18/11/2024
	BRL	Investment financing (BNDES-PSI)	49	102	151	6,6%	15/07/2021
	BRL	Investment financing (PCA)	5	23	28	7,5%	15/07/2030
	BRL	Working Capital (RPL and Custeio)	78	0	78	8,5%	04/10/2018
	BRL	Export prepayment and LT Financings	53	0	53	3,6%	22/06/2018
TOTAL FIXED			195	164	359	6,2%	
TOTAL GROSS DEBT BEFORE AMORTIZED COSTS			908	2 258	3 166	5,8%	
Amortized cost			(8)	(19)	(27)		
Total GROSS DEBT			900	2 239	3 139		
Cash and cash equivalents					(811)		
TOTAL NET FINANCIAL DEBT					2 328		
Related parties financial assets					(2)		
Related parties financial liabilities					15		
TOTAL NET FINANCIAL DEBT INCLUDING RELATED-PARTIES					2 341		

Financings available in the Group

The financings of the Group are predominantly bank loans and funding through capital markets, through the issuance of Agrobusiness Receivables Certificates (CRA).

Following the new financing contracts concluded during the last financial year, as at 31 March 2019 the Group benefits from a major BNDES project financing loan, two major export pre-financing loans, four CRAs and several bilateral short-term and medium-term credit lines.

All average rates listed below are weighted by outstanding amounts.

The average interest rate of the Group's financings as at 31 March 2019 is 6,8%.

Borrowings on a floating rate basis are based on a variable reference rate (Euribor, Libor USD, etc.) to which a contractual margin is added. The effective interest rate is the sum of both items and changes over time, but an average interest rate on a yearly basis can be calculated as per the above table.

a / Short and mid Term CDI based financings of Brazilian subsidiaries (CDI – Brazilian Overnight Interbank Deposit rate)

As at 31 March 2019 the bulk of Tereos's CDI based on debt was in the form working capital and structured financings, with an average interest rate of 6.9%.

During the year, the Company made new funding through capital markets, through the issuance of Agribusiness Receivables Certificates (CRA) by Vert Securitization Company, in the amount of R\$ 171 million with semiannual interest payments equivalent to 103% of the cumulative variation of the CDI, with half amortization of principal in October 2021 and half in October 2022.

Starting in January 2019 to March 2019, the Company issued a sequence of the CRA, in the total amount of R\$ 325 million with semiannual interest payments equivalent to 100% of the cumulative variation of the CDI rate + 0.7%, with half amortization of principal in January 2024 and half in January 2025.

The outstanding amount of CDI based financings was R\$ 824 million as at 31 March 2019 (R\$ 413 million as at 31 March 2018).

b / LIBOR-based USD financings

In order to extend maturities on working capital financings and improve natural hedge of income from USD-based exports, the Group structured its Brazilian financing with a significant portion of medium-term USD denominated export pre-financing contracts at LIBOR plus a margin, either on a club deal basis or on bilateral basis. The margin on the USD floating rate loans ranges from 1.6% to 4.8% with an average of 3.2%. Most of these financings are secured by the assignment of future export receivables and their respective final maturity dates range from 2020 to 2023.

The Mozambican debt is denominated in USD. The outstanding amount of the bank debt as at 31 March 2019 is USD 12 million (R\$ 45 million), this loan bearing an interest rate of LIBOR + 1.6%.

The total outstanding amount of LIBOR-based USD financings was R\$ 2 242 million as at 31 March 2019 (R\$ 2 169 million as at 31 March 2018).

c / Medium-Term / Long-Term financings based on TJLP (Taxa de juros de longo prazo – long-term state interest rate)

Medium-term/Long-term financings consist of equipment financing facilities from BNDES (based on TJLP + margin + BNDES base rate). These financings are denominated in BRL for a total amount of R\$ 553 million as at 31 March 2019. The margins applied range from 2.9% to 4.6% with an average of 3.4%.

d / UMBNDES

UMBNDES-based financing refers to a specific line of BNDES financing based on a basket of currencies (average of the loans in international currencies of the BNDES - "Cesta de moedas") plus a margin plus BNDES base rate. The outstanding amount was R\$ 55 million as at 31 March 2019 (R\$ 57 million as at 31 March 2018). The margins applied range from 3.3% to 3.6% with an average of 3.5%.

e / IGP-M (Índice Geral de Preços do Mercado – General Market Price Index of Brazil) based long-term financings

A special program was entered into by Andrade for the securitization of its debt to financial institutions. This program allows the company to have long-term financings up to 20 years being guaranteed by National Treasury Certificates (CTN's). CTN's are government bonds issued at a discounted rate, serving exclusively as collateral for the payment of the principal. This financing is in BRL, interest based on IGP-M, the General Market Price Index of Brazil, adjusted annually for annual interest payments. Margins range from 4.2% to 4.8% with an average of 4.8%. At maturity the amount of CTN should approximate the amount of the financing obligations. As at 31 March 2019, this debt represented an amount of R\$ 4 million (R\$ 5 million as at 31 March 2018).

f / IPCA (Índice Nacional de Preços ao Consumidor Amplo– Special Amplified Consumer Prince Index) based long-term CRA issuing

During the year, the Company made new funding through capital markets, through the issuance of Agribusiness Receivables Certificates (CRA) by Vert Securitization Company, in the amount of R\$ 221 million, with annual payments of interest equivalent to IPCA + 5,8069% and half repayment of principal in October 2023 and half in October 2024.

The outstanding amount of IPCA based financings was R\$ 229 million as at March 31st, 2019.

g/ Fixed rate financings

Fixed-rate BRL financings consist of (i) BNDES capex financings such as FINEM (*Financiamento a Empreendimentos*), FINAME (*Financiamento de Máquinas e Equipamentos*) and PCA (*Programa de Construção e Ampliação de Armazéns*) and (ii) bilateral working capital credit facilities.

Long-term debts at fixed rate in BRL are basically equipment financings (BNDES – Finame) for which the interest rates vary from 2.5 to 10.0% with an average of 5.7%. Loans are secured by pledge over the equipment financed. The outstanding amount of FINAME is R\$ 38 million and the outstanding amount of the BNDES financing (FINEM – *Financiamento a Empreendimentos*) is R\$ 101 million as at 31 March 2019.

Working capital credit lines (*custeio*) are specific financings denominated in BRL, borrowed to local financial institutions, bearing an average interest rate of 8.3%. The outstanding amount was R\$ 364 million as at 31 March 2019.

PCA lines (*Programa de Construção e Aplicação de Armazéns*), specific financings in BRL borrowed through local financial institutions, bearing an average interest rate of 7.5%. The outstanding amount was R\$ 26 million as at 31 March 2019.

The average interest rate of fixed rate financings is 7.6% and total outstanding was R\$ 530 million as at 31 March 2019.

Average interest rate

The global average interest rate is at 6.8% as at March 31st, 2019. The global average interest rate was at 5.7% as of March 31st, 2018.

Foreign currency breakdown

The foreign currency breakdown of the debt of the Group as at 31 March 2019, is as follows:

Currency	BRL	USD	GBP	EUR	MZN	ZAR	Total
M R\$ as of 31 March 2019	2 139	2 297	0	0	0	0	4 436

Reconciliation of changes in financial debt with the cash flow statement

Changes in financial debt are presented as follows:

(MILLIONS OF R\$)	31 March 2019	31 March 2018
Gross financial debt Opening	3 139	3 696
Change with effect on cash	896	(673)
Borrowings issues	2 386	1 487
Borrowings repayments	(1 518)	(2 163)
Change in treasury liabilities	28	3
Change with no effect on cash	352	116
Change in fair value	346	111
Effect of exchange rate on financial debt in foreign currency	8	6
Other	(2)	(1)
Gross financial debt Closing	4 387	3 139

17.2.2 Covenants

The ratios below relate to covenants of USINA ITAJOBÍ Açúcar e Energia Brasil S.A. and its

Type as at 31 March 2019	Definition	Triggering level
Gearing	Consolidated Net Debt USINA ITAJOBÍ Açúcar e Energia Brasil Group. / Consolidated Equity USINA ITAJOBÍ Açúcar e Energia Brasil Group	max 1.25
	Consolidated Net Debt USINA ITAJOBÍ Açúcar e Energia Brasil Group. / Consolidated Equity USINA ITAJOBÍ Açúcar e Energia Brasil Group (Itaú only)	max 1.50
Liquidity	Consolidated Current Assets USINA ITAJOBÍ Açúcar e Energia Brasil Group / Consolidated Current Liabilities USINA ITAJOBÍ Açúcar e Energia Brasil Group	Min. 1.0
Interest Coverage	Consolidated Adjusted EBITDA USINA ITAJOBÍ Açúcar e Energia Brasil Group / Consolidated Net Financial Expenses USINA ITAJOBÍ Açúcar e Energia Brasil Group	Min. 2.0

The Group is in compliance with all its debt covenants at the date of issue of these financial statements, except the covenant “Consolidated net debt USINA ITAJOBÍ Açúcar e Energia Brasil Group/Consolidated Equity USINA ITAJOBÍ Açúcar e Energia Brasil Group”. The Group obtained a “waiver” from banks before closing for all concerned credit line (R\$ 553 million) excepted for a credit line (R\$ 118 million) with early repayment on April 2019. This credit line is classified as current financial debt as at March 31, 2019.

17.2.3 Other financial liabilities

(MILLIONS OF R\$)	Current		Non-current	
	31 March 2019	31 March 2018	31 March 2019	31 March 2018
Taxes payables	20	31	1	1
Received advances	178	210	0	0
Staff and social security payables	78	85	0	0
Derivatives	13	14	8	0
Dividends payable	0	24	0	0
Accrued payables	0	0	0	30
Other	46	110	20	0
Other financial liabilities	335	474	29	31

The line “Other” is mainly related to trade payables.

18. Fair values

The fair values of financial assets and liabilities are the same as their carrying amount except for borrowings for which the fair value at 31 March 2019 is presented in the table below.

The fair value is the price that would be received to sell an asset or paid to transfer a liability in orderly transaction between market participants at the measurement date.

The following methods and assumptions were used to estimate the fair values:

- The fair value of cash and cash equivalent, trade receivables, trade payables, and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.
- When long-term fixed-rate and variable-rate borrowings are at fair value, the fair value is based on the estimation of discounted cash flows incurred by the payments of interest and reimbursement. For each type of borrowing we determined a discount rate by comparison with interest rate used for similar transactions realized during the last period.
- The fair value of non-consolidated investments is derived from quoted market prices in active markets, if available. Investment in equity instruments that do not have a quoted market price in active market and whose fair value cannot be reliably measured are measured at cost less impairment generally calculated in relation to the proportion of equity held.
- The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Derivatives measured using valuation techniques with market observable inputs are mainly interest rate swaps, foreign exchange forward contracts, commodity forward contracts and commodities options. The most frequently applied valuation techniques include forward pricing and swap models, which use present value calculations.
- The Group measures biological assets at fair value less estimated expenses at the point of sale.

The Group uses the following hierarchy for determining and disclosing the fair value of financial assets and liabilities and biological assets:

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

As at 31 March 2019 the Group held the following items:

(MILLIONS OF R\$)	Level 1	Level 2	Level 3	Total
Financial assets at fair value	17	14	0	31
Interest rate derivatives (OTC)				
Swaps	0	5	0	5
Foreign exchange derivatives (OTC)				
Forwards	0	9	0	9
Commodities derivatives				
Futures (listed)	17	0	0	17
Non-consolidated investment	0	0	6	6
Cash and cash equivalents	1 349	0	0	1 349
Biological assets	0	0	324	324
Financial liabilities at fair value	0	(4 825)	0	(4 825)
Financial debt	0	(4 415)	0	(4 415)
Interest rate derivatives (OTC)				
Swaps	0	(5)	0	(5)
Foreign exchange derivatives (OTC)				
Forwards	0	(15)	0	(15)
USD borrowings qualified as CFH	0	(390)	0	(390)
Commodities derivatives				
Futures (listed)	(0)	0	0	(0)
Total of financial assets and liabilities at fair value on a recurring basis	1 366	(396)	0	970
Total of financial assets and liabilities at fair value on a non-recurring basis	0	(4 415)	330	(4 085)
Total of financial assets and liabilities at fair value	1 366	(4 811)	330	(3 115)

The methodology adopted by the Group to determine the fair value of assets and liabilities that belong to the level 2 of the fair value hierarchy is as follows:

- Loans, borrowings and interest rate derivatives are valued using the discounted future cash flows method. This method uses interest rates and interest rate curves directly observable on the market at valuation date;
- Foreign exchange derivatives (forwards) are valued on the basis of a recalculation, at valuation date, of the forward exchange rate at maturity of the contract. This recalculation uses exchange rates and interest rate curves directly observable on the market at the valuation date;
- Any interest rate option, foreign exchange option or commodity option is valued using the Black & Scholes model. This model uses the implied volatility of the underlying asset at valuation date;
- Counterparty risk is measured using the CDS quoted on the market at valuation date or, failing that, using the data available on the secondary market (credit spread of listed securities).

18.1 Change in levels and focus on level 3

The methodology adopted by the Group to determine the fair value of biological assets in level 3 is presented in note 9.

Over the year ended 31 March 2019, there were no reclassification of assets and liabilities measured at fair value from or to level 1 or level 2.

The fair value variation of biological assets can be presented as follows :

(MILLIONS OF R\$)	Level 3 Biological assets
Fair value as at 31 March 2018	286
Gain (loss) in the statement of operations (**)	35*
Gain (loss) in the other comprehensive income	3
Fair value as at 31 March 2019	324

* Correspond to the increase in tilling costs, the change due to harvest and the fair value variation

** Included in cost of sales

18.2 Derivatives

Break down by types of derivatives is as follows :

In R\$ million, as at 31 March 2019		Notional Amount	Assets	Fair value Liabilities	Net
Interest rate vanilla swaps	Hedge	1 490	5	(5)	-
FX forward contracts	Hedge	865	9	(15)	(6)
Commodities futures	Hedge	367	17	-	17
USD Borrowings qualified as CFH	Hedge	1 956	-	(390)	(390)
Total		4 678	31	(410)	(379)

In R\$ million, as at 31 March 2018		Notional Amount	Assets	Fair Value Liabilities	Net
Interest rate vanilla swaps	Hedge	453	3	(10)	(7)
Interest rate vanilla swaps	Trading	(90)	-	(1)	(1)
FX forward contracts	Hedge	542	34	(1)	33
Commodities futures	Hedge	481	133	0	133
Commodities futures	Trading	(95)	-	(2)	(2)
USD Borrowings qualified as CFH	Hedge	2 501	-	(347)	(347)
Total		3 792	170	(361)	(191)

Derivatives impacts are presented as follows :

		At 31 March 2019		
Change through Comprehensive Income or through statement of operations	Category	Income / (expenses)		OCI
		Fair value	OCI recycling	
Interest rate derivatives	Trading	1		
	Hedge	14	(4)	(7)
Foreign exchange derivatives	Trading	(2,9)		
	Hedge		(48)	(42)
	USD loan qualified as cash flow hedge		(111)	(80)
Commodity derivatives	Trading	1		
	Hedge	(0)	171	(112)
Total:		16	9	(241)
Effect of deferred taxes on OCI				82
Total OCI net of taxes:				(159)

19. Risk management

In the context of its operational and financial activities, the Group is exposed to the following financial risks:

- Market risks: interest rate risk, foreign exchange risk, commodities risk and energy risk;
- Liquidity risks

19.1 Market risk management

The Group manages its financial risks at the level of each subsidiary or on a central basis, depending on the type of transaction. Market risks are managed through the use of derivative instruments in accordance with Group procedures.

19.1.1 Interest rate risk management

The Group's exposure to interest rate risk is generated primarily by its borrowings at floating rates which impact future financial results.

In order to optimize its interest risk hedging policy, the Group can use derivative instruments in the form of vanilla swaps. Interest rate hedge policy is defined at Group level. Transactions are negotiated locally, and approved locally and centrally, according to Group procedures.

The notional amounts and fair values of interest rate derivatives by maturity breakdown are as follows:

In R\$ million	Notional				Fair value
As at 31 March 2019	less than 1 year	1 to 5 years	more than 5 years	TOTAL	
Vanilla swaps	530	959	0	1490	(1)
in cash-flow hedge	530	959	0	1490	(1)
at fair value through profit or loss	0	0	0	0	0
Total interest rate	530	959	0	1490	(1)
- of which fixed base derivatives	40	150	0	190	3
- of which Libor based derivatives	490	809	0	1300	(4)

12% of the Group's borrowings was fixed rate debt as at 31 March 2019, 88% was floating rate debt. 28.7% of the Group's debt was short-term and 71.3% was medium and long-term as at 31 March 2019.

Sensitivity of the statement of operations and of other comprehensive income (loss):

The analysis is taking into account any movement in respective interest rates and determines what would be the impact of the variation of the interest rates variation on the statement of operations or comprehensive income in the different scenarios. The table below summarises financial exposures to interest rate variation.

Description as at 31 March 2019	Notional	Impacts in a probable scenario		Impacts in a possible scenario		Impacts in a stress scenario	
In R\$ million		+10%	-10%	+25%	-25%	+50%	-50%
Borrowings at floating rate not hedged	3 544	(11)	16	(31)	36	(64)	70
Interest rate derivatives							
Cash-flow hedge (Other comprehensive income impact)	1 490	3	(4)	8	(8)	16	(16)
Total		(8)	12	(23)	28	(48)	54
of which impact on Statement of operations		(12)	17	(34)	39	(71)	77
of which impact on other comprehensive income		4	(5)	11	(12)	22	(23)

All floating interest rates were shocked in two ways considering a variation of +/- 10% as reasonable scenarios based on observations of market conditions. All other variables of the underlying amounts were held constant.

Underlying amounts contain unhedged borrowings taken at floating rate and fair value of interest rate derivatives.

The impacts of these possible variations would be accounted in statement of operations except the fair value of interest rate derivatives accounted for as cash-flow hedge with variations impacting other comprehensive income.

19.1.2 Foreign exchange risk management

To hedge exposures to the foreign exchange risk, the Group uses derivative instruments, primarily outright forward contracts maturing in less than 12 months and USD borrowings to cover foreign exchange variation on sugar sales. These instruments are qualified as cash flow hedge.

The notional amounts and fair values of foreign exchange derivatives by maturity breakdown are as follows:

In R\$ million	Notional				Fair value
As at 31 March 2019	less than 1 year	1 to 5 years	more than 5 years	TOTAL	
Forwards / NDF	709	156	0	865	(7)
in cash-flow hedge	709	156	0	865	(7)
USD Borrowings qualified as CFH	373	1583	0	1956	(390)
Total FX	1082	1739	0	2821	(397)
- of which USD / BRL derivatives	1082	1739	0	2821	(397)
- of which EUR / BRL derivatives	0	0	0	0	0

Sensitivity of the statement of operations and of other comprehensive income (loss):

The analysis considers the impacts of the variation of the underlying foreign exchange rates on the statement of operations and in other comprehensive income in the different scenarios.

Description as at 31 March 2019	Notional	Impacts in a probable scenario		Impacts in a possible scenario		Impacts in a stress scenario	
In R\$ million		+10%	-10%	+25%	-25%	+50%	-50%
Assets and Liabilities	449	45	(45)	112	(112)	224	(224)
Net of financial assets and liabilities (P&L impact)	449	45	(45)	112	(112)	224	(224)
FX Derivatives (including USD borrowings qualified in CFH)	865	(83)	124	(207)	207	(415)	415
Trading (Statement of operations impact)	-	-	-	-	-	-	-
Cash-flow hedge (Other comprehensive income impact)	865	(83)	124	(207)	207	(415)	415
Commodities Derivatives	367	(35)	35	(88)	88	(175)	175
Trading (Statement of operations impact)	-	-	-	-	-	-	-
Cash-flow hedge (Other comprehensive income impact)	367	(35)	35	(88)	88	(175)	175
Interest Rate Derivatives	1 490	3	(4)	8	(8)	16	(16)
Trading (Statement of operations impact)	190	(1)	1	(3)	3	(6)	7
Cash-flow hedge (Other comprehensive income impact)	1 300	4	(5)	11	(12)	22	(23)
Total		(70)	111	(175)	174	(349)	349
of which impact on Statement of operations		44	(44)	109	(109)	218	(218)
of which impact on other comprehensive income		(114)	155	(284)	283	(567)	567

All foreign currency denominated items were included into the analysis as well as the impact on the fair value of commodities derivatives which are denominated in USD, typically sugar.

The above table shows the sensitivity of the Group's statement of operations and other comprehensive income to possible variations on the underlying currency pairs (EUR/USD, EUR/GBP, USD/BRL).

Sensitivity analysis was prepared considering a +/- 10% variation to be reasonable based on general market observations. All other variables were held constant.

The different scenarios presents the impacts on the statement of operations except by the derivatives accounted for as cash-flow hedge whose impacts would be in other comprehensive income.

19.1.3 Commodities risk management

To hedge its commodities prices risk, several Group entities, depending on their activities, may buy and sell commodities future/forward contracts. The commodities negotiated are: raw and white sugar for USINA ITAJOBÍ Açúcar e Energia Brasil S.A. representing their final products.

Most derivatives are qualified as cash flow hedge instruments.

The commodities transactions are executed at subsidiaries' level and reviewed by the Commodity Risk Committees at USINA ITAJOBÍ Açúcar e Energia Brasil S.A.

The notional amounts of the commodities derivatives by maturity are as follows:

In R\$ million	Notional				Fair value
As at 31 March 2019	less than 1 year	1 to 5 years	more than 5 years	TOTAL	
Futures	374	(7)	-	367	17
in cash-flow hedge	374	(7)	-	367	17
at fair value through profit or loss	0	-	-	0	0
Total commodities	374	(7)	0	367	17
- of which sugar derivatives	374	(7)	0	367	17

Sensitivity of the statement of operations and of other comprehensive income:

Description as at 31 March 2019	Notional	Impacts in a probable scenario		Impacts in a possible scenario		Impacts in a stress scenario	
In R\$ million		+10%	-10%	+25%	-25%	+50%	-50%
Sugar derivatives							
Cash-flow hedge (Other comprehensive income impact)	367	(35)	35	(88)	88	(175)	175
TOTAL IMPACT SUGAR PRICE	367	(35)	35	(88)	88	(175)	175
Total	-	(35)	35	(88)	88	(175)	175
of which impact on Statement of operations		-	-	-	-	-	-
of which impact on other comprehensive income		(35)	35	(88)	88	(175)	175

The impacts of the different scenarios are disclosed as impacting the statement of operations except those on commodities derivatives accounted for as cash-flow hedge which impacts would be through other comprehensive income.

19.2 Liquidity risk management

The Group finances itself predominantly by short-, medium and long-term bank loans as described above.

Liquidity management and financing of the Group are performed in coordination with the Corporate Financing and Treasury Department of USINA ITAJOBÍ that is in charge of handling this risk at the USINA ITAJOBÍ Group level.

The main principles of the USINA ITAJOBÍ Group's policy in terms of liquidity risk management rely mostly on the diversification of the financing instruments in terms of type, tenor and source of funding, and access to the longest maturities available on the market.

As such the Group finances itself with USD funding from the bank market, on the local “bond” market (*Certificados de Recebíveis do Agronegócio*), and when possible, also uses BNDES / Finaime programs which give access to long maturities in R\$.

During the financial year 2017/2018, the Group successfully completed the refinancing of part of its USD-LIBOR based export pre-financings through the arrangement in January 2018 of a new club deal for USD 310 million, syndicated with a pool of 11 banks, which allowed it to extend the average tenor of its financings. Besides, it successfully placed Agribusiness Receivable Certificates (*Certificados de Recebíveis do Agronegócio* - CRA) with Brazilian investors for a total amount of R\$ 313 million in May 2017 with a 3-year maturity.

The Group’s debt amortization profile is mainly tied to the maturities of the USD syndicated loans and BNDES loans.

The Group’s indebtedness is subject to fluctuations due to the seasonal nature of its businesses, which may generate cash surplus for short periods. The Group’s policy is to make investments only in bank deposits or in liquid money market funds.

The undiscounted contractual cash outflows (interest, amortizations and final maturities) on the outstanding amount of the financial liabilities and derivatives by maturity date were as follows:

In R\$ million As at March 31 March 2019	less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	more than 5 years	TOTAL
Principal	879	1341	745	571	396	504	4436
Fixed interest payment commitments	129	82	47	26	13	21	316
Floating interest payment commitments	138	112	79	54	36	37	456
Total non-derivative liabilities	1 146	1 535	871	650	445	562	5 208
Net flows on swap	2	(1)	(1)	(0)	0	0	(0)
Total derivatives	2	(1)	(1)	(0)	0	0	(1)
Total interest payment commitments including derivatives	270	193	124	79	48	58	772

In R\$ million As at 31 March 2018	less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	more than 5 years	TOTAL
Principal	908	570	959	421	284	24	3 166
Fixed interest payment commitments	98	65	41	22	8	5	239
Floating interest payment commitments	73	58	34	13	5	-	183
Total non-derivative liabilities	1 079	693	1 034	456	297	29	3 588
Net flows on swap	(10)	1	1	0	0	0	(8)
Total derivatives	(10)	1	1	0	0	0	(8)
Total interest payment commitments including derivatives	161	124	76	35	13	5	414

20. Unrecognized contractual commitments

Commitments given (MILLIONS OF R\$)	31 March 2019
Purchases of sugarcane	2 770
Assets covered by commitments	37
Operating leases	498

Purchases of sugarcane

USINA ITAJOBÍ Açúcar e Energia Brasil entered into contracts for the purchase of sugarcane produced in third parties' rural properties, amounting approximately 5.6 million tons per crop to be delivered from 2019 to 2024. As of March 31st, 2019 the commitment is estimated at R\$ 2 770 million, based on the average price until March 31st, 2019 of R\$ 81.89 per ton of sugarcane.

Assets covered by commitments

The Group pledged properties and vehicles in the amount of R\$ 37 million as collateral for tax claims.

Operating leases

USINA ITAJOBÍ Açúcar e Energia Brasil entered into lease agreements of rural properties used to cultivate sugarcane. This agreement is effective for the entire sugarcane production cycle (6-year term), followed by other 2 cycles. The Company can also extend the lease agreement for another production cycle, plus one extra year. Accordingly, this agreement is effective until December 15th, 2029 (see note 12.2).

21. Related parties

USINA ITAJOBÍ S.C.A. is the ultimate parent company of USINA ITAJOBÍ France, USINA ITAJOBÍ Participations, USINA ITAJOBÍ Appro, USINA ITAJOBÍ Finance, USINA ITAJOBÍ Commodities Suisse and Océan Indien Participations.

21.1 Operating transactions with related parties

Transactions have been carried out with the following entities:

(MILLIONS OF R\$)		For the year ended	
		Sales	Purchases
Entities controlled by USINA ITAJOBÍ G			
b/ USINA ITAJOBÍ Commodities Suisse	31 March 2019	120	0
	31 March 2018	453	2
a/ USINA ITAJOBÍ Participations	31 March 2019	4	70
	31 March 2018	0	42
USINA ITAJOBÍ Internacional	31 March 2019	0	1
	31 March 2018	0	0
Loiret & Haentjens	31 March 2019	0	0
	31 March 2018	0	0
USINA ITAJOBÍ Amido e Adoçantes Br	31 March 2019	2	0
	31 March 2018	0	0
USINA ITAJOBÍ Starch & Sweeteners Europe SAS	31 March 2019	0	1
	31 March 2018	0	0
USINA ITAJOBÍ Commodities France (e	31 March 2019	18	0
	31 March 2018	0	0

(MILLIONS OF R\$)		Receivables	Payables
Entities controlled by the Group			
a/USINA ITAJOBÍ Participations	As of 31 March 2019	4	21
	As of 31 March 2018	0	17
b/ USINA ITAJOBÍ Commodities Suisse	As of 31 March 2019	4	0
	As of 31 March 2018	4	2
USINA ITAJOBÍ Amido e Adoçantes Br	As of 31 March 2019	2	0
	As of 31 March 2018	1	0
USINA ITAJOBÍ Starch & Sweeteners Ei	As of 31 March 2019	0	2
	As of 31 March 2018	0	1

a/ An intra-group service agreement was entered into on April 1st, 2016 by and between USINA ITAJOBÍ Participations as service provider, and the Company and its subsidiaries. The agreement sets forth the terms and conditions under which USINA ITAJOBÍ Participations will provide to the beneficiaries certain services, in particular in IT, administrative, strategy, insurance, financing and treasury, accounting and consolidation, communication, business development, legal and tax areas. In consideration for the provision of such services, USINA ITAJOBÍ Participations will receive compensation equal to the direct and/or indirect costs incurred by USINA ITAJOBÍ Participations in connection with the provision of such services, plus a 9% margin.

b/ Some operational activities (sugar sales out of the Brazilian market) of USINA ITAJOBÍ Açúcar e Energia Brasil Group are performed with USINA ITAJOBÍ Commodities Suisse (a subsidiary of USINA ITAJOBÍ Cooperation) at market conditions.

21.2 Financing transactions with related parties

Main financing transactions have been carried out with the following entities:

(MILLIONS OF R\$)		Financial assets	Financial liabilities
Associates of the Group			
Sao Jose Agricultura	As at 31 March 2019	1	0
	As at 31 March 2018	1	0
Other entities			
Other entities	As at 31 March 2019	1	17
	As at 31 March 2018	1	15

There is no significant interest received or paid to related parties for years ended 31 March 2019 and 2018.

The related parties financial assets and liabilities are classified in the statement of financial position as follows:

(MILLIONS OF R\$)	31 March 2019	31 March 2018
Non current financial assets with related parties	2	2
Non current financial liabilities with related parties	(17)	(15)
Total net related party financial assets (liabilities)	(15)	(13)

Reconciliation of changes in related parties with the cash flow statement

Changes in related parties are presented as follows:

(MILLIONS OF R\$)	31 March 2019	31 March 2018
Current account with related parties Opening	(13)	(12)
Change with effect on cash	0	1
Change of the period	0	1
Change without effect on cash	(2)	(2)
Effect of foreign currency exchange differences	(2)	(2)
Current account with related parties Closing	(15)	(13)

22. Scope of consolidation

Company name		31 March 2019		31 March 2018	
		% of interest	Consolidation Method	% of interest	Consolidation Method
USINA ITAJOBÍ Açúcar e Energia Brasil S.A.		Parent			
Agrícola Rodeio	Brazil	100,00	Controlled entity	100,00	Controlled entity
USINA ITAJOBÍ Açúcar e Energia Andrade	Brazil	100,00	Controlled entity	100,00	Controlled entity
Andrade Agricultura Ltda	Brazil	51,90	Controlled entity	51,90	Controlled entity
Compania de Sena	Mozambique	94,15	Controlled entity	94,15	Controlled entity
USINA ITAJOBÍ Açúcar e Energia Cruz Alta SA	Brazil	100,00	Controlled entity	100,00	Controlled entity
Compania Energética São José	Brazil	100,00	Controlled entity	100,00	Controlled entity
Sena Holding Limited	Mauritius	99,09	Controlled entity	99,09	Controlled entity
Sena Lines	Mozambique	94,20	Controlled entity	94,20	Controlled entity
Societe Marromeu Limited	Mauritius	75,00	Controlled entity	75,00	Controlled entity
USINA ITAJOBÍ Sena Limited	Mauritius	100,00	Controlled entity	100,00	Controlled entity
USINA ITAJOBÍ Commodities Brazil	Brazil	81,00	Controlled entity	81,00	Controlled entity
Usina Vertente	Brazil	50,00	Controlled entity	50,00	Controlled entity
Centro de Tecnologia Canavieira	Brazil	4,42	Associates / Equity method	4,42	Associates / Equity method
São José Agricultura	Brazil	32,00	Associates / Equity method	32,00	Associates / Equity method
Teapar	Brazil	35,00	Associates / Equity method	35,00	Associates / Equity method