

Raízen Energia S.A.

Financial statements at March 31, 2019 and independent auditors' report

(A free translation of the original report in Portuguese, as filed with the Brazilian Securities Commission (CVM), containing individual and consolidated financial statements prepared in accordance with the accounting practices adopted in Brazil and in accordance with International Financial Reporting Standards (IFRS) issued by International Accounting Standards Board - IASB)

Content

Independent auditors' report on the individual and consolidated financial statements	3
Statements of financial position	11
Statements of income	13
Statements of comprehensive income	14
Statements of changes in equity	15
Statements of cash flows - indirect method	16
Statements of added value	17
Notes from Management to financial statements	18



KPMG Auditores Independentes

Rua Arquiteto Olavo Redig de Campos, 105, 6º andar - Torre A

04711-904 - São Paulo/SP - Brasil

Caixa Postal 79518 - CEP 04707-970 - São Paulo/SP - Brasil

Telefone +55 (11) 3940-1500, Fax +55 (11) 3940-1501

www.kpmg.com.br

Independent auditors' report on the individual and consolidated financial statements

(A free translation of the original report in Portuguese, as filed with the Brazilian Securities Commission (CVM), containing individual and consolidated financial statements prepared in accordance with accounting practices adopted in Brazil and in accordance with International Financial Reporting Standards (IFRS) issued by International Accounting Standards Board - IASB)

To the Board of Directors and Shareholders of Raízen Energia S.A.

São Paulo – SP

Opinion

We have audited the individual and consolidated financial statements of Raízen Energia S.A. ("Company"), identified as Parent Company and Consolidated, respectively, which comprise the statement of financial position as at March 31, 2019 and the related statements of income, comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying individual and consolidated financial statements present fairly, in all material respects, the individual and consolidated financial position of Raízen Energia S.A. as at March 31, 2019, and of its individual and consolidated financial performance and its cash flows for the year then ended, in accordance with Accounting Practices Adopted in Brazil and 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 "Auditors' Responsibilities for the Audit of the individual and consolidated financial statements" section of our report. We are independent of the Company and its subsidiaries in accordance with the relevant ethical requirements included in the Accountant Professional Code of Ethics ("*Código de Ética Profissional do Contador*") and in the professional standards issued by the Federal Accounting Council ("*Conselho Federal de Contabilidade*"), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide our opinion.

Key audit matters

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

Evaluation of recoverability of goodwill based on future profitability generated in business combinations

See Notes 2.3 (k) and 12 of individual and consolidated financial statements

Key audit matter	How our audit addressed this matter
Business combinations made by the Company resulted in the recognition of goodwill based on expected future profitability, the recoverable amount of which should be evaluated annually. The evaluation of the recoverable value of the Company's cash-generating units involves significant judgments in determining the assumptions used in the projections of cash flows, including commodity sales prices such as sugar, exchange rates, growth and discount rates, and may result in impact on the individual and consolidated financial statements. For these reasons, we consider this matter significant in our audit.	Our procedures included: ■ The evaluation of the design of key internal controls related to the preparation and review of the business plan, budget, technical studies and impairment analysis provided by the Company. ■ We have evaluated, with the assistance of our corporate finance specialists, the reasonableness of the key assumptions in the preparation of the projected discounted cash flows and, we performed a sensitivity analysis over the key assumptions used by the Company. ■ We compared the budgets approved for the year ended March 31, 2019 with the actual amounts calculated in order to verify the Company's ability to project future results. ■ We compared the recoverable amount calculated based on discounted cash flows to the accounting balances per cash-generating units. ■ We also evaluated the adequacy of the disclosures made in the individual and consolidated financial statements, mainly those related to the assumptions used in calculating the recoverable value of goodwill of the cash-generating units.

	– As a result of the evidences obtained from the summarized abovementioned procedures, we consider that the balance of goodwill originated in business combinations, in relation to its recoverability, as well as the respective disclosures are acceptable in the context of the individual and consolidated financial statements taken as a whole for the year ended March 31, 2019.
Measurement of biological assets	
See Notes 2.3(g) and 7 of the individual and consolidated financial statements	
Key audit matter	How our audit addressed this matter
The Company measures its biological assets at fair value and this measurement requires critical judgment in the determination of the assumptions, which include, among others, the future price of sugar, sugar cane productivity, harvest area and discount rate. Due to the relevance of the estimates made to measure the fair value of biological assets and the impact that eventual changes in the assumptions and estimates used in the measurement of this amount would have in the individual and consolidated financial statements we consider this matter significant in our audit.	Our procedures included: ■ We evaluated the design and the operational effectiveness of the Company's key internal controls related to the measurement of the fair value of biological assets. ■ We have evaluated, with the assistance of our corporate finance specialists, the reasonableness of the main assumptions used by the Company to measure the fair value and compare it with available historical information and observable market data, as well, we performed a sensitivity analysis over the key assumptions used by the Company. ■ We also evaluated the disclosures made in the individual and consolidated financial statements, specifically in relation to the assumptions used. As a result of the evidences obtained from the summarized abovementioned procedures, we consider that the measurement of the biological assets balances, as well as the respective disclosures, are acceptable, in the context of the individual and consolidated financial statements taken as a whole, for the year ended March 31, 2019.

Valuation of derivative financial instruments and designation of hedge accounting

See Notes 2.3(c) and 24 of individual and consolidated financial statements

Key audit matter	How our audit addressed this matter
Due to the relevance of the operations with derivative financial instruments used by the Company to hedge the risks of commodity, currency and interest rate fluctuations, and based on the complexity and judgments involved in measuring the fair value of the derivatives as well as determining a hedge ratio and its effectiveness and, the significant impacts that possible changes in the hedge designations may cause, we consider this matter to be significant in our audit.	Our procedures included: ■ We evaluated the design and effectiveness of the Company's key internal controls related to the calculation of the fair value of derivative financial instruments and the documentation prepared for the designation of hedge accounting. ■ We have evaluated, with the assistance of our specialists in financial instruments, the adequacy of the documentation supporting the hedge relationships as well as the reasonableness of the main assumptions used by the Company to calculate the fair value of derivatives financial instruments, using information from recent market transactions, discounted cash flow and credit risk of the Company and its counterparties. ■ We also evaluated if the disclosures in the individual and consolidated financial statements considering the relevant information. As a result of the evidences obtained from the summarized abovementioned procedures, we consider that the balances of derivatives financial instruments, as well as the respective disclosures, are acceptable in the context of the individual and consolidated financial statements for the year ended March 31, 2019.

Realization of deferred income tax and social contribution assets

See Notes 2.3(n) and 15(b) of individual and consolidated financial statements

Key audit matter	How our audit addressed this matter
The tax credit arising from temporary differences, tax losses carry forward and negative basis of social contribution is recorded to the extent that the Company considers probable that it will generate future taxable income. The estimate of generation of future taxable income requires certain assumptions, significant judgment and interpretation of tax laws, which are the base for recoverability estimate for the deferred tax assets. The amount of deferred tax assets recognized can vary significantly if different assumptions are applied to the projection of future taxable income and depends on the capacity of using the tax loss carry forwards, which may materially impact the individual and consolidated financial statements. For these reasons, we consider this matter significant in our audit.	Our procedures included: ■ The evaluation of the design of the key internal controls related to the preparation and review of the business plan, budget, technical studies and analysis of projections of future taxable income prepared by the Company. ■ We have evaluated, with the assistance of our corporate finance specialists, the assumptions and methodology used by the Company in preparing future taxable income projections, especially those related to expectations of commodity sales prices, operating and administrative costs and the consistency of these assumptions with the business plans of the Company, as well, we performed a sensitivity analysis over the significant assumptions used by the Company. ■ We compared the approved business plans for the year ended March 31, 2019 with the actual amounts calculated in order to verify the Company's ability to project future results. ■ With the assistance of our tax specialists, we consider the appropriateness of the fiscal basis used for the calculation of the deferred taxes, applying the current tax laws. ■ We also evaluated whether the projections indicated sufficient future taxable income against which tax losses carry forwards and unused tax losses carry forwards and deductible temporary differences recognized as deferred tax assets can be used. ■ We also evaluated the adequacy of the disclosures made in the individual and consolidated financial statements, considering the relevant information.

	As a result of the evidences obtained from the summarized abovementioned procedures, we consider that the value of the deferred tax assets, in relation to its recoverability, as well as the respective disclosures, are acceptable, in the context of the individual and consolidated financial statements taken as a whole, for the year ended March 31, 2019.
Other matters - Statements of added value	

The Individual and consolidated statement of added value (DVA) for the year ended March 31, 2019, prepared under responsibility of Company's management, and presented as supplementary information for IFRS purposes, have been subject to audit procedures jointly performed with the audit of Company's individual and consolidated financial statements. In order to form our opinion, we evaluated whether those statements are reconciled with the individual and consolidated financial statements and accounting records, as applicable, and whether their format and contents are in accordance with criteria determined in the Technical Pronouncement CPC 09 - Statement of Added Value. In our opinion, the statements of value added have been fairly prepared, in all material respects, in accordance with the criteria determined by the aforementioned Technical Pronouncement, and are consistent with the overall individual and consolidated financial statements.

Other information accompanying individual and consolidated financial statements and the auditors' report

Management is responsible for the other information comprising the management report.

Our opinion on the individual and consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the individual and consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the individual and consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the individual and consolidated financial statements

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

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

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

Auditors' Responsibilities for the Audit of the individual and consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the individual and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the individual and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal 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 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 significant doubt on the Company's and subsidiaries ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the individual and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company and subsidiaries to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the individual and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we complied with relevant ethical requirements, including the applicable requirements of independence, and communicate all potential relationships or matters that could materially affect our independence, including, where applicable, the related safeguards.



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

São Paulo, May 17, 2019.

KPMG Auditores Independentes

CRC 2SP014428/O-6

(Original signed in Portuguese)

Ulysses M. Duarte Magalhães

Accountant CRC 1RJ092095/O-8

RAÍZEN ENERGIA S.A.

Statement of financial position at March 31 (In thousands of reais – R\$)

	Note	Parent company		Consolidated	
		2019	2018	2019	2018
Assets					
Current assets					
Cash and cash equivalents	3	537,241	106,390	3,189,859	3,321,777
Restricted cash	4	84,687	25,748	134,966	91,109
Derivative financial instruments	24	239,512	169,317	788,279	243,538
Trade accounts receivable	5	232,031	215,994	974,024	602,365
Inventories	6	477,554	423,944	789,371	752,562
Biological assets	7	654,348	775,289	813,995	947,815
Recoverable income and social contribution taxes	15.a.1	386,692	554,599	418,302	584,435
Recoverable taxes		133,467	106,095	221,494	206,889
Other financial assets	8	265,860	408,379	306,457	408,379
Related parties	9	1,247,672	579,199	2,413,896	750,419
Dividends receivable	10.d.iv	61,802	93,641	-	-
Other receivables		258,357	246,803	318,492	308,231
Total current assets		4,579,223	3,705,398	10,369,135	8,217,519
Non-current assets					
Derivative financial instruments	24	514,076	213,614	562,684	242,541
Other financial assets	8	324,827	484,971	526,969	502,433
Recoverable income and social contribution taxes	15.a.1	388,813	275,513	414,230	300,930
Recoverable taxes		52,052	47,406	77,369	55,634
Related parties	9	359,409	312,079	3,416,858	3,019,804
Deferred income and social contribution taxes	15.b	437,132	145,350	390,400	82,766
Judicial deposits	16	241,435	216,313	381,020	349,586
Other receivables		203,517	140,383	232,020	169,457
Investments	10	5,606,301	5,427,452	572,918	346,461
Property, plant and equipment	11	6,094,306	5,676,639	9,846,271	9,432,324
Intangible assets	12	1,472,164	1,464,739	1,841,711	1,810,841
Total non-current assets		15,694,032	14,404,459	18,262,450	16,312,777
Total assets		20,273,255	18,109,857	28,631,585	24,530,296

See the accompanying notes to the financial statements.

RAÍZEN ENERGIA S.A.

Statement of financial position at March 31 (In thousands of reais – R\$)

(Continued)

	Note	Parent company		Consolidated	
		2019	2018	2019	2018
Liabilities					
Current liabilities					
Loans and financing	14	1,384,892	1,223,870	1,506,095	1,504,014
Derivative financial instruments	24	227,548	111,414	766,549	181,648
Suppliers	13	751,447	677,303	4,189,363	2,001,873
Payroll and related charges payable		342,072	367,128	399,418	429,569
Income and social contribution taxes payable	15.a.2	-	-	22,655	90,115
Taxes payable		48,909	82,619	157,343	174,118
Dividends payable	18.b	7,164	17,082	10,011	17,082
Related parties	9	1,263,016	652,945	656,335	491,234
Advances from clients	5	22,715	16,133	71,640	36,741
Other liabilities		89,074	87,405	126,561	147,665
Total current liabilities		4,136,837	3,235,899	7,905,970	5,074,059
Non-current liabilities					
Loans and financing	14	4,994,057	3,858,030	10,570,881	9,275,582
Derivative financial instruments	24	366,026	31,598	379,050	59,703
Taxes payable		168,344	162,134	177,611	173,226
Related parties	9	1,812,752	1,548,801	398,863	379,894
Provision for legal disputes	16	337,665	264,378	436,786	340,506
Deferred income and social contribution taxes	15.b	-	-	267,504	217,762
Other liabilities		154,811	183,880	156,894	185,397
Total non-current liabilities		7,833,655	6,048,821	12,387,589	10,632,070
Total liabilities		11,970,492	9,284,720	20,293,559	15,706,129
Equity	18				
Capital		6,511,193	6,505,526	6,511,193	6,505,526
Capital reserves		1,089,121	1,089,121	1,089,121	1,089,121
Equity valuation adjustments		(228,801)	(3,386)	(228,801)	(3,386)
Income reserves		931,250	1,233,876	931,250	1,233,876
		8,302,763	8,825,137	8,302,763	8,825,137
Interest of non-controlling shareholders		-	-	35,263	(970)
Total equity		8,302,763	8,825,137	8,338,026	8,824,167
Total liabilities and equity		20,273,255	18,109,857	28,631,585	24,530,296

See the accompanying notes to the financial statements.

RAÍZEN ENERGIA S.A.

Statements of income

Years ended March 31

(In thousands of reais - R\$, except income per share)

	Note	Parent company		Consolidated	
		2019	2018	2019	2018
Net operating revenue	19	6,946,851	6,994,240	22,405,637	14,752,380
Costs of products sold and services provided	21	(6,250,751)	(6,008,608)	(20,711,290)	(12,474,167)
Gross income		696,100	985,632	1,694,347	2,278,213
Operating revenue (expenses)					
Selling	21	(663,906)	(648,974)	(849,198)	(813,950)
General and administrative	21	(446,938)	(473,690)	(593,416)	(620,409)
Other operating income, net	22	217,165	65,171	544,481	128,504
Equity accounting result	10	922,951	888,147	30,985	(21,423)
		29,272	(169,346)	(867,148)	(1,327,278)
Income before financial results and income and social contribution taxes		725,372	816,286	827,199	950,935
Financial results					
Financial expenses	23	(760,686)	(656,268)	(996,675)	(875,762)
Financial income	23	278,784	301,070	570,141	646,169
Exchange variation, net	23	(38,423)	(23,584)	(70,635)	(23,136)
Net effect of the derivatives	23	85,267	60,042	148,891	89,588
		(435,058)	(318,740)	(348,278)	(163,141)
Income before income and social contribution taxes		290,314	497,546	478,921	787,794
Income and social contribution taxes	15.a				
Current		(13)	25,299	(146,886)	(254,594)
Deferred		177,800	119,949	140,987	109,607
		177,787	145,248	(5,899)	(144,987)
Net income for the year		468,101	642,794	473,022	642,807
Attributable to:					
Company's controlling shareholders		468,101	642,794	468,101	642,794
Company's non-controlling shareholders		-	-	4,921	13
		468,101	642,794	473,022	642,807
Net income per common share					
Basic and diluted	18.f			0.064	0.088

See the accompanying notes to the financial statements.

RAÍZEN ENERGIA S.A.

Statements of comprehensive income Years ended March 31 (In thousands of reais – R\$)

	Parent company		Consolidated	
	2019	2018	2019	2018
Net income for the year	468,101	642,794	473,022	642,807
Comprehensive income				
Items that will not be reclassified to profit or loss				
Equity valuation adjustment - Actuarial losses	(1,218)	(428)	(1,524)	(529)
Equity valuation adjustment - Actuarial losses (reflected effect of subsidiaries)	(209)	(69)	-	-
Deferred taxes on adjustments (Note 15.b)	414	145	511	177
	(1,013)	(352)	(1,013)	(352)
Items that are or may be reclassified to statements of income or loss				
Net result from financial instruments designated as				
Hedge accounting	(335,840)	66,975	(335,840)	66,975
Effect of foreign currency translation - CTA	(2,748)	(3,765)	(2,748)	(3,765)
Deferred taxes on adjustments (Note 15.b)	114,186	(22,770)	114,186	(22,770)
	(224,402)	40,440	(224,402)	40,440
Other components of the comprehensive income for the year	(225,415)	40,088	(225,415)	40,088
Total comprehensive income for the year	242,686	682,882	247,607	682,895
Attributable to:				
Company's controlling shareholders	242,686	682,882	242,686	682,882
Company's non-controlling shareholders	-	-	4,921	13
Total comprehensive income for the year	242,686	682,882	247,607	682,895

See the accompanying notes to the financial statements.

RAÍZEN ENERGIA S.A.

Statements of changes in equity Years ended March 31 (In thousands of reais – R\$)

	Attributable to the parent company's shareholders									
	Capital reserves				Income reserves				Interest of non-controlling shareholders	
	Capital	Capital reserve	Goodwill special reserve	Equity valuation adjustments	Tax incentive reserve	Legal	Profit retention	Retained earnings	Total	Total equity
Balances at March 31, 2017	6,456,346	846,010	243,111	(43,474)	235,457	170,982	1,476,723	-	9,385,155	(963) 9,384,192
Comprehensive income for the year										
Net income for the year	-	-	-	-	-	-	-	642,794	642,794	13 642,807
Equity valuation adjustments - Hedge accounting (Note 24.e)	-	-	-	44,205	-	-	-	-	44,205	- 44,205
Equity valuation adjustments - Actuarial liabilities	-	-	-	(352)	-	-	-	-	(352)	- (352)
Effect of foreign currency translation - CTA	-	-	-	(3,765)	-	-	-	-	(3,765)	- (3,765)
	-	-	-	40,088	-	-	-	642,794	682,882	13 682,895
Contributions made by (distributions to) Company shareholders										
Initial recognition of non-controlling interest - Biogás	-	-	-	-	-	-	-	20	20	(20) -
Redemption and allocation of dividends to holders of preferred shares (Note 18.b)	49,180	-	-	-	-	-	(39,422)	(11,841)	(2,083)	- (2,083)
Formation of tax incentive reserve of subsidiaries (Note 18.d.ii)	-	-	-	-	74,733	-	-	(74,733)	-	- -
Payment of dividends (Note 18.b)	-	-	-	-	-	-	(1,248,081)	-	(1,248,081)	- (1,248,081)
Minimum mandatory dividends (Note 18.b)	-	-	-	-	-	-	12,485	(5,241)	7,244	- 7,244
Formation of reserves (Note 18.d)	-	-	-	-	-	32,140	518,859	(550,999)	-	- -
	49,180	-	-	-	74,733	32,140	(756,159)	(642,794)	(1,242,900)	(20) (1,242,920)
Balances at March 31, 2018	6,505,526	846,010	243,111	(3,386)	310,190	203,122	720,564	-	8,825,137	(970) 8,824,167
First-time adoption of IFRS 9 (Note 2.3.c)	-	-	-	-	-	-	-	(163)	(163)	- (163)
Balances at April 1, 2018	6,505,526	846,010	243,111	(3,386)	310,190	203,122	720,564	(163)	8,824,974	(970) 8,824,004
Comprehensive income for the year										
Net income for the year	-	-	-	-	-	-	-	468,101	468,101	4,921 473,022
Equity valuation adjustments - Hedge accounting (Note 24.e)	-	-	-	(221,654)	-	-	-	-	(221,654)	- (221,654)
Equity valuation adjustments - Actuarial liabilities	-	-	-	(1,013)	-	-	-	-	(1,013)	- (1,013)
Effect of foreign currency translation - CTA	-	-	-	(2,748)	-	-	-	-	(2,748)	- (2,748)
	-	-	-	(225,415)	-	-	-	468,101	242,686	4,921 247,607
Distributions to Company's shareholders										
Business combination (Note 27.1.ii)	-	-	-	-	-	-	-	-	-	30,000 30,000
Capital increase (Note 10.d.i)	-	-	-	-	-	-	-	-	-	4,159 4,159
Redemption and allocation of dividends to holders of preferred shares (Note 18.b)	5,667	-	-	-	-	-	-	(7,164)	(1,497)	- (1,497)
Formation of tax incentive reserve of subsidiaries (Note 18.d.ii)	-	-	-	-	97,716	-	-	(97,716)	-	- -
Payment of dividends (Note 18.b)	-	-	-	-	-	-	(720,564)	(42,836)	(763,400)	(2,847) (766,247)
Formation of reserves (Note 18.d)	-	-	-	-	-	23,397	296,825	(320,222)	-	- -
	5,667	-	-	-	97,716	23,397	(423,739)	(467,938)	(764,897)	31,312 (733,585)
Balances at March 31, 2019	6,511,193	846,010	243,111	(228,801)	407,906	226,519	296,825	-	8,302,763	35,263 8,338,026

See the accompanying notes to the financial statements.

RAÍZEN ENERGIA S.A.

Statements of cash flows - indirect method Year ended March 31 (In thousands of reais – R\$)

	Parent company		Consolidated	
	2019	2018	2019	2018
Cash flow from operating activities				
Income before income and social contribution taxes	290,314	497,546	478,921	787,794
Adjustments:				
Depreciation and amortization (Note 21.a)	1,644,753	1,650,659	2,108,939	2,136,639
Net loss arising from change in fair value and realization of fair value gain or loss of biological assets (Note 21.a)	239,335	373,609	261,158	367,432
Equity accounting results of subsidiaries taxes and associated companies (Note 10)	(922,951)	(888,147)	(30,985)	21,423
Capital gain due to increase in ownership interest (Note 22)	(109,467)	-	(109,467)	-
Interest, monetary and exchange-variations, net	443,349	468,632	355,304	486,725
Results determined in the sales of biological and fixed assets	(1,225)	2,879	2,792	15,112
Results with commercial operations (Note 22)	27,290	19,464	(22,574)	7,574
Fair value of liability financial instruments (Note 23)	52,140	20,253	57,807	20,253
Reversal formation of estimated loss from allowance for doubtful accounts	761	(114)	3,856	182
Net formation of provision for legal disputes and contingencies	60,603	61,452	86,487	78,592
Unrealized net gain on derivative transactions	(354,605)	(567,466)	(419,616)	(583,050)
Credits from indemnity suits (Note 22)	-	-	(221,373)	-
Recognition of extemporaneous tax credits, net (Note 22)	(5,434)	(43,236)	(9,594)	(55,045)
Reversal of estimated loss from obsolescence of inventories	(1,484)	(44,463)	(1,163)	(54,277)
Reversal of estimated loss in investments, fixed and intangible assets, net (Note 22)	(133,573)	(15,726)	(136,692)	(14,263)
Income (loss) from the sale of investments (Note 10.e.iii)	-	(53,747)	-	(53,747)
Income from investment grant – ICMS	-	-	(92,341)	(76,885)
Other	119	-	37	(19,900)
Changes in assets and liabilities				
Trade accounts receivable and advances from clients	53,525	(194,982)	233,943	(319,479)
Inventories	(30,987)	(39,157)	(14,106)	(132,751)
Restricted cash	(51,864)	138,457	(43,779)	159,684
Derivative financial instruments	122,824	545,714	147,670	540,739
Judicial deposits	(19,162)	(23,163)	(21,965)	(28,549)
Suppliers and advances to suppliers	(23,874)	103,104	1,589,038	1,011,214
Recoverable and payable taxes	32,642	(67,698)	137,238	(16,749)
Related parties	209,931	111,165	(1,355,662)	(175,695)
Payroll and related charges payable	(25,055)	44,491	(30,200)	56,541
Provision for legal disputes	(34,201)	(18,727)	(43,698)	(26,788)
Other assets and liabilities, net	(52,435)	17,368	(62,833)	68,534
Payment of income and social contribution taxes on net income	-	-	(210,569)	(146,238)
Net cash generated by operating activities	1,411,269	2,098,167	2,636,573	4,055,022
Cash flow from investment activities				
Acquisitions of companies, net of acquired cash (Note 27.1)	(25,845)	(792,494)	(38,577)	(792,494)
Additions to investment (Note 10.d.i and Note 10.e.i)	(71,366)	(121,347)	(25,732)	(121,347)
Additions to property, plant and equipment and intangible assets	(1,560,635)	(1,360,895)	(1,936,232)	(1,675,495)
Dividends received from subsidiaries (Note 10.b)	1,042,276	653,720	-	-
Cash received upon redemption of capital from subsidiaries (Note 10.e.ii)	-	430,256	-	-
Cash received upon disposal of fixed assets	18,376	20,347	15,238	16,694
Additions to biological assets	(594,227)	(486,014)	(671,212)	(555,785)
Cash received in the sale of net investment (Note 10.e.iii)	-	96,338	3,662	96,338
Amortizations of interest of PPEs obtained - intragroup	-	-	126,810	97,901
Net cash used in investment activities	(1,191,421)	(1,560,089)	(2,526,043)	(2,934,188)
Cash flow from financing activities				
Funding of loans and financing - Third-parties	3,337,912	1,151,455	4,133,125	1,339,614
Amortizations of principal of loans and financing - third-parties	(1,670,579)	(719,780)	(3,164,313)	(1,220,476)
Payment of interest on loans and financing - third-parties	(383,663)	(376,542)	(583,178)	(622,723)
Redemption of (investments in) financial investments linked to financing (Restricted cash)	(1,280)	-	13,149	571
Payment of dividends (Note 18.b)	(780,482)	(1,320,185)	(780,482)	(1,320,185)
Amortizations of interest of PPEs obtained - intragroup	(68,907)	(49,080)	-	-
Net asset management - intragroup	(229,266)	333,948	(13,212)	563,736
Net cash generated (used) in financing activities	203,735	(980,184)	(394,911)	(1,259,463)
Net increase (Decrease) in cash and cash equivalents	423,583	(442,106)	(284,381)	(138,629)
Cash and cash equivalents at the beginning of the year	106,390	555,852	3,321,777	3,437,612
Effect of exchange variation on cash and cash equivalents	7,268	(7,356)	152,463	22,794
Cash and cash equivalents at the end of year	537,241	106,390	3,189,859	3,321,777

Supplementary information to the cash flow is shown in Note 28.

See the accompanying notes to the financial statements.

RAÍZEN ENERGIA S.A.

Statements of added value Years ended March 31 (In thousands of reais – R\$)

	Parent company		Consolidated	
	2019	2018	2019	2018
Income				
Gross sales of products and services	7,500,120	7,433,195	23,960,173	15,844,028
Returns of sales, discounts and rebates	(17,571)	(19,774)	(44,050)	(31,266)
Formation reversal of estimated loss from allowance for doubtful accounts	(761)	114	(3,856)	(182)
Other operating revenue, net	83,592	49,445	407,789	114,241
	<u>7,565,380</u>	<u>7,462,980</u>	<u>24,320,056</u>	<u>15,926,821</u>
Inputs acquired from third parties				
Costs of products sold and services provided	(3,036,150)	(2,798,262)	(16,741,661)	(8,521,465)
Materials, energy, outsourced services and other	(778,254)	(807,411)	(953,640)	(973,690)
Loss arising from change in the fair value and realization of the capital gain or loss of biological assets	(239,335)	(373,609)	(261,158)	(367,432)
Reversal of estimated loss in fixed and intangible assets, net	133,573	15,726	136,692	14,263
Net reversal of estimated loss from obsolescence of inventories	1,484	44,463	1,163	54,277
	<u>(3,918,682)</u>	<u>(3,919,093)</u>	<u>(17,818,604)</u>	<u>(9,794,047)</u>
Gross added value	3,646,698	3,543,887	6,501,452	6,132,774
Depreciation and amortization	<u>(1,644,753)</u>	<u>(1,650,659)</u>	<u>(2,108,939)</u>	<u>(2,136,639)</u>
Net added value produced	<u>2,001,945</u>	<u>1,893,228</u>	<u>4,392,513</u>	<u>3,996,135</u>
Added value received as transfers				
Equity accounting result	922,951	888,147	30,985	(21,423)
Financial revenue	278,784	301,070	570,141	646,169
Gain from exchange-rate changes	102,024	35,730	115,778	29,585
Gain on derivative operations	151,304	141,982	195,495	148,816
	<u>1,455,063</u>	<u>1,366,929</u>	<u>912,399</u>	<u>803,147</u>
Added value payable	<u>3,457,008</u>	<u>3,260,157</u>	<u>5,304,912</u>	<u>4,799,282</u>
Distribution of added value				
Personnel				
Direct remuneration	772,249	799,772	1,075,138	1,102,838
Benefits	275,834	233,792	325,691	288,020
FGTS	102,639	100,252	120,969	118,351
	<u>1,150,722</u>	<u>1,133,816</u>	<u>1,521,798</u>	<u>1,509,209</u>
Taxes, duties and contributions				
Federal	257,916	164,855	1,024,186	773,247
Deferred Federal taxes	(177,800)	(119,949)	(140,987)	(109,607)
State	278,919	230,350	655,597	551,613
Municipal	8,355	6,151	10,846	7,928
	<u>367,390</u>	<u>281,407</u>	<u>1,549,642</u>	<u>1,223,181</u>
Third-party capital remuneration				
Financial expenses	760,686	656,268	996,675	875,762
Loss from exchange-rate changes	140,447	59,314	186,413	52,721
Loss on derivative operations	66,037	81,940	46,604	59,228
Rental and leases	459,291	404,618	491,345	436,387
	<u>1,426,461</u>	<u>1,202,140</u>	<u>1,721,037</u>	<u>1,424,098</u>
Remuneration of own capital				
Dividends	44,334	-	44,334	-
Retained earnings	468,101	642,794	473,022	642,807
Non-controlling interest in retained earnings	-	-	(4,921)	(13)
	<u>512,435</u>	<u>642,794</u>	<u>512,435</u>	<u>642,794</u>
Distributed added value	<u>3,457,008</u>	<u>3,260,157</u>	<u>5,304,912</u>	<u>4,799,282</u>

See the accompanying notes to the financial statements.

RAÍZEN ENERGIA S.A.

Notes from management to financial statements March 31, 2019
(In thousands of reais, unless otherwise indicated)

1. Operations

Raízen Energia S.A. (“Company”, “Group”, “Raízen Energia” or “RESA”) is a publicly-held company enrolled in the Brazilian Securities and Exchange Commission (“CVM”) in Category B, headquartered at Brigadeiro Faria Lima Avenue, number 4.100, 11° floor, Parte V, Itaim Bibi, São Paulo - SP. The Company was established on June 1, 2011 and is indirectly and jointly controlled by Royal Dutch Shell (“Shell”) and Cosan Limited (“Cosan”).

The term Raízen, when mentioned, corresponds to the establishment of a joint venture between Shell and Cosan, in the ethanol, sugar and energy segment.

The Company and its subsidiaries are mainly engaged in producing and marketing sugar and ethanol, including abroad through its subsidiaries Raízen Trading LLP and Raízen International Universal Corporation, and co-generating energy produced from sugarcane bagasse at its 26 mills located in Brazil's Center-Southern Region and trading business of electricity.

Sugarcane farming requires a period ranging from 12 to 18 months for maturing and harvesting and generally starts between the months of April and May, and usually ends between November and December, period in which sugar and ethanol are also produced. Production is sold during the whole year and does not fluctuate over the seasons, but is affected by normal market supply and demand. Because of its production cycle, the Company's fiscal year starts on April 1 and ends on March 31.

On March 29, 2018, RESA and Raízen Araraquara Açúcar e Álcool Ltda. sold Terminal Exportador de Álcool de Santos Ltda. to the group UltraCargo Operações Logísticas e Participações Ltda. For further details, see Note 10.e.iii.

During the years ended March 31, 2019 and 2018, the Company and its subsidiaries underwent the following internal restructuring and business combinations: i) Acquisition of Santa Candida and Paraíso plants, from Tonon Bioenergia S.A., Tonon Holding S.A. and Tonon Luxembourg S.A., all under court-ordered reorganization; ii) Acquisition of RWXE Participações S.A ownership interest; iii) Acquisition of Ryballa Participações Ltda.; iv) Free assignment of ownership interest in Raízen-Geo Biogás S.A. to Geo Energética participações S.A.; v) Partial spin-off of Benalcool Açúcar e Álcool Ltda. to RESA. Details of these transactions are described in note 27.

2. Significant accounting policies

2.1. Preparation basis

The individual and consolidated financial statements have been prepared and is being presented in conformity with accounting practices adopted in Brazil, which include the Brazilian Corporation Law (“LSA”), the standards issued by the Brazilian Securities and Exchange Commission (“CVM”) and pronouncements of the Accounting Pronouncements Committee (“CPC”), which are in accordance with the international accounting standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and evidence all relevant information of the financial statements, and only them, is consistent with those used by Management in its Administration.

The presentation of the Statement of Added Value (“SAV”), individual and consolidated, is required by Brazilian Corporate Law and accounting practices adopted in Brazil applicable to public companies. The IFRS do not require the submission of this statement. Accordingly, in conformity with IFRS, this statement is presented as supplementary information, without prejudice to financial statements as a whole.

RAÍZEN ENERGIA S.A.

Notes from management to financial statements March 31, 2019 **(In thousands of reais, unless otherwise indicated)**

The issue of financial statements was authorized by the Management on May 17, 2019.

a) Measuring basis

The individual and consolidated financial statements were prepared using historical cost as the value base, except, when applicable, for the valuation of certain assets and liabilities such inventories, biological assets, related parties, financial instruments (including derivative instruments) and loans and financing, which are measured at fair value.

b) Functional and presentation currency

These individual and consolidated financial statements are being presented in Brazilian Reais, functional currency of the Company. All balances have been rounded to the nearest value, except otherwise indicated. The financial statements of each subsidiary included in the consolidation of the Company, as well as those utilized as a basis to account for investments under the equity method, are prepared based on the functional currency of each company. For the subsidiaries located abroad, the financial statements have been translated into Reais based on the foreign exchange rate in effect at the end of the year and the results were calculated by the average monthly rate during the year. Translation effects are recognized in equity of these subsidiaries.

c) Significant judgments, estimates and assumptions

The preparation of Company's individual and consolidated financial statements requires Management to make judgments and estimates and adopt assumptions that affect the amounts presented for income, expenses, assets and liabilities in the base date of the financial statements.

These estimates and assumptions are reviewed in a continuous manner. Reviews in relation to accounting estimates are recognized in the period in which the estimates are reviewed and in any future periods affected.

Should there be a significant change in the facts and circumstances on which the estimates and assumptions made are based, there may be a material impact on the results and financial position of the Company and its subsidiaries.

The significant accounting estimates and assumptions are set out below:

Income tax, social contribution and other taxes payable

The Company is subject to income tax and social contribution, when applicable, in all countries in which it operates. Significant judgment is required to determine the provision for income taxes in these various countries.

In many operations, the final determination of the tax is uncertain. When applicable, the Company also recognizes provisions to cover certain situations in which it is probable that additional tax amounts will be owed. When final result of such issues differs from initially estimated and recorded amounts, these differences affect current and deferred tax liabilities and income and comprehensive income in the period in which definitive value is determined.

RAÍZEN ENERGIA S.A.

Notes from management to financial statements March 31, 2019
(In thousands of reais, unless otherwise indicated)

Deferred income and social contribution tax

Deferred income tax and social contribution assets are recognized for all tax loss carryforwards not utilized to the extent that it is probable that there will be future taxable income to allow their use in the future. In addition, the Company recognizes deferred taxes based on temporary differences determined based on tax basis and book value of certain assets and liabilities, using prevailing rates. Substantial judgment from Management is required to determine the amount of the deferred income tax and social contribution assets that can be recognized, based on the reasonable term and amount of future taxable income, along with future tax rationalization.

Deferred income tax assets and liabilities are presented at net value in balance sheet only when there is the legal right and the intention of offsetting them upon calculation of current taxes, generally related to the same legal entity and the same tax authority. For further details on deferred taxes, see Note 15.

Biological assets

Biological assets are measured at fair value on the reporting date, and the effects of changes in fair value between the periods are recognized directly in the cost of products sold. For further information on the assumptions used, see Note 7.

Property, plant and equipment and intangible assets, including goodwill

The accounting treatment given to property, plant and equipment and intangible assets includes estimates to determine the useful life period for depreciation and amortization purposes, in addition to the fair value at acquisition date of the assets acquired through business combinations.

The Company annually tests recoverable amounts of goodwill and intangible assets with undefined useful life. Fixed and intangible assets with defined life are subject to depreciation and amortization are impairment tested whenever events or changes in circumstances indicate that the book value may not be recoverable.

The determination of the recoverable amount of the cash-generating unit to which the goodwill was allocated also includes the use of estimates and assumptions and requires a significant degree of Management's judgment.

Provision for legal disputes

The Company and its subsidiaries recognize a provision for tax, civil, environmental and labor contingencies. Determination of the likelihood of loss includes evaluation of evidences available, hierarchy of laws, available jurisprudence, most recent court decisions and their relevance thereof in legal system, as well as evaluation of internal and external attorneys. Such provisions are reviewed and adjusted to take into account changes in circumstances, such as statute of limitations applicable, tax inspection conclusions or additional exposures identified based on new matters or court decisions.

RAÍZEN ENERGIA S.A.

Notes from management to financial statements March 31, 2019 (In thousands of reais, unless otherwise indicated)

Fair value of financial instruments

When the fair value of the financial assets and liabilities presented in the statements of financial position cannot be obtained from active markets, it is determined by using valuation method, including the discounted cash flow method. The data for these methods are based on those adopted by the market, whenever it is possible. However, when such data are not available, a certain level of judgment is required to establish the fair value. Judgment includes considerations on the data utilized, such as liquidity, credit and volatility risk. Changes in the assumptions related to these factors can affect the fair value presented for the financial instruments. For more details on financial instruments, see Note 24.

2.2. Basis of consolidation

The consolidated financial statements include financial statements of Raízen Energia and its subsidiaries for the years ended March 31, 2019 and 2018. The direct and indirect subsidiaries are listed below:

	2019		2018	
	Direct	Indirect	Direct	Indirect
Agrícola Ponte Alta Ltda. ("Agrícola Ponte Alta")	91.21%	8.79%	91.21%	8.79%
Benálcool Açúcar e Alcool Ltda. ("Benálcool")	100.00%	-	100.00%	-
Bioenergia Araraquara Ltda. ("Bio Araraquara")	-	100.00%	-	100.00%
Bioenergia Barra Ltda. ("Bio Barra")	99.99%	0.01%	99.99%	0.01%
Bioenergia Caarapó Ltda. ("Bio Caarapó")	-	100.00%	-	100.00%
Bioenergia Costa Pinto Ltda. ("Bio Costa Pinto")	-	100.00%	-	100.00%
Bioenergia Gasa Ltda. ("Bio Gasa")	-	100.00%	-	100.00%
Bioenergia Jataí Ltda. ("Bio Jataí")	-	100.00%	-	100.00%
Bioenergia Maracáí Ltda. ("Bio Maracáí")	-	100.00%	-	100.00%
Bioenergia Rafard Ltda. ("Bio Rafard")	-	100.00%	-	100.00%
Bioenergia Serra Ltda. ("Bio Serra")	-	100.00%	-	100.00%
Bioenergia Tarumã Ltda. ("Bio Tarumã")	-	100.00%	-	100.00%
Bioenergia Univalem Ltda. ("Bio Univalem")	-	100.00%	-	100.00%
Raízen Centroeste Açúcar e Alcool Ltda. ("Raízen Centroeste")	47.37%	52.63%	47.37%	52.63%
Raízen Araraquara Açúcar e Alcool Ltda. ("Raízen Araraquara")	99.99%	0.01%	99.99%	0.01%
Raízen Ásia PT Ltd. ("Raízen Ásia")	-	100.00%	-	100.00%
Raízen Biotecnologia S.A. ("Biotecnologia")	100.00%	-	100.00%	-
Raízen Caarapó Açúcar e Alcool Ltda. ("Raízen Caarapó")	31.48%	68.52%	31.48%	68.52%
Raízen Energy Finance Ltd. ("Raízen Energy Finance")	100.00%	-	100.00%	-
Raízen Fuels Finance S.A. ("Raízen Fuels")	100.00%	-	100.00%	-
Raízen International Universal Corp. ("RIUC")	100.00%	-	100.00%	-
Raízen North América, Inc. ("Raízen North América")	-	100.00%	-	100.00%
Raízen Paraguaçu Ltda. ("Raízen Paraguaçu")	100.00%	-	100.00%	-
Raízen Trading LLP ("Raízen Trading")	100.00%	-	100.00%	-
São Joaquim Arrendamentos Agrícolas Ltda. ("São Joaquim")	-	100.00%	-	100.00%
Unimodal Ltda. ("Unimodal")	53.17%	20.24%	53.17%	20.24%
Raízen-Geo Biogás S.A. ("Biogás")	85.00%	-	85.00%	-
Raízen Biogás SPE Ltda. ("Raízen Biogás SPE")	99.90%	0.10%	99.90%	0.10%
RWEX Participações S.A. ("RWEX") (i)	-	70.00%	-	-
WX Energy Comercializadora de Energia Ltda. ("WX Energy") (i)	-	70.00%	-	-
Raízen GD Ltda. (ii)	99.99%	0.01%	-	-

- (i) On July 5, 2018, RESA, through its subsidiary Bio Barra, signed a shareholders' agreement with the company WX Energy Participações Ltda. As a result of this transaction, now holds 70% of RWEX. As a result of this operation, the Company indirectly holds a 70% stake in the company WX Energy, which in turn is wholly owned by RWEX. See Note 27.1.ii.
- (ii) The Company, through its subsidiaries Bio Barra and Raízen Araraquara, signed a shareholders' agreement on November 13, 2018 to hold a 100% stake in Raízen GD Ltda.

RAÍZEN ENERGIA S.A.

Notes from management to financial statements March 31, 2019
(In thousands of reais, unless otherwise indicated)

The subsidiaries are fully consolidated from the date of control acquisition, and continue to be consolidated up to the date when control no longer exists. The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, and utilizing accounting policies consistent and, when required, with the policies adopted by the Parent Company.

Balances maintained between consolidated companies, income and expenses, unrealized gains and losses, arising from transactions between companies, are eliminated.

The accounting policies described below have been consistently applied to all the years presented in these individual and consolidated financial statements.

2.3. Summary of significant accounting policies

a) Revenue recognition

IFRS 15 (CPC 47) – Revenue from contracts with costumers establishes a comprehensive framework for determining whether, how much and when revenue is recognized. IFRS 15 (CPC 47) replaces current guidelines for revenue recognition in IAS 18 - Revenue (CPC 30), IAS 11 - Construction Contracts (CPC 17) and IFRIC 13 - Customer Loyalty Programs.

As disclosed in the annual financial statements of March 31, 2018, the Company did not identify any material impacts on the recognition of its revenues. The Company has adopted IFRS 15 using the cumulative effect (without practical expedients), with the effect of initially applying this standard recognized at the date of initial application. Consequently, the information as of March 31, 2018 was not restated - accordingly, it is presented as formerly reported according to CPC 30 / IAS 18, CPC 17 / IAS 11 and related interpretations. Moreover, the disclosure requirements of CPC 47/IFRS 15 in general were not applied to comparative information.

Revenues from sales of products or goods, including resales of products in the foreign market made by subsidiaries Raízen Trading LLP and Raízen International Universal Corporation, are recognized when the entity delivers products and goods to the client and as a result, transfers to the buyer the control of products and goods in a specific moment. Selling prices are established based on purchase orders or contracts. Goods or services whose revenue is deferred are recorded within "Other obligations" and accounted for as revenues upon transfer of control in a specific moment of goods or services to the client.

Revenues from sales of the electric power co-generated is recorded based on the energy available in the network and the tariffs specified in the supply agreements, or the current market price, according to each case. Due to the billing flow, the electric power produced and sold through auction is initially calculated as prepaid income, recognized in the statement of income for the year when it is available to be used by clients.

Revenue is presented net of taxes (Excise Tax) ("IPI"), Value-added Tax on Sales and Services ("ICMS"), Social Integration Program ("PIS"), Social Contribution on Revenues ("COFINS"), National Institute of Social Security ("INSS") and other, returns, rebates and discounts, as well as eliminations of sales between Group's companies in the case of consolidated financial statements.

RAÍZEN ENERGIA S.A.

Notes from management to financial statements March 31, 2019
(In thousands of reais, unless otherwise indicated)

b) Foreign currency transactions

Foreign currency transactions are initially recognized by the Company's entities at the functional currency rate prevailing on the date of the transaction or at the valuation dates, when the items are remeasured.

Monetary assets and liabilities denominated in a foreign currency are converted into reais using the foreign exchange rates prevailing at the balance sheet date, and foreign exchange gains and losses arising from the settlement of these transactions and the translation at year-end exchange rates are recognized in the statement of income within "Financial income (losses)", unless they qualify as hedge accounting, in which case they are recognized in Statement of Comprehensive Income.

Non-monetary items that are measured at the historical cost in a foreign currency are translated using the translation rate of the transaction start date. Non-monetary assets that are measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value is determined.

c) Financial instruments – Initial recognition and subsequent measurement

IFRS 9 (CPC 48) – Financial Instruments retains a large part of the existing requirements of IAS 39 (CPC 38) Financial Instruments: Recognition and Measurement for the classification and measurement of financial liabilities. However, the above standard eliminates the old categories of IAS 39 (CPC 38) – Financial Instruments: Recognition and Measurement for financial assets: (i) held-to-maturity, (ii) loans and receivables and (iii) available for sale.

IFRS 9 (CPC 48) sets out, among others, new requirements for: classification and measurement of financial assets, measurement and recognition of impairment losses on financial assets, hedge accounting and disclosure.

In accordance with the transitional provisions of IFRS 9 (CPC 48), RESA did not restate its prior-year financial statements and, when applicable, the differences in the book values of financial assets and financial liabilities resulting from the adoption of IFRS 9 (CPC 48) on April 1, 2018, were recognized in retained earnings in equity.

All financial assets and liabilities are initially recognized when the Company becomes a party to the instrument's contractual provisions.

RAÍZEN ENERGIA S.A.

Notes from management to financial statements March 31, 2019 (In thousands of reais, unless otherwise indicated)

The table below summarizes the impacts on the adoption of IFRS 9 (CPC 48)

- Statements of financial position at March 31, 2018:

	Disclosed at 03/31/2018	Adjustment due to first-time adoption of IFRS 9	Note	Parent company Balance at 04/01/2018
Assets				
Trade accounts receivable	215,994	(28)	5	215,966
Deferred income and social contribution taxes	145,350	9	15.b.3	145,359
Investments (reflex effect)	5,427,452	(144)	10	5,427,308
	<u>5,788,796</u>	<u>(163)</u>		<u>5,788,633</u>
Equity				
Retained earnings	-	(163)		(163)
	<u>-</u>	<u>(163)</u>		<u>(163)</u>
				Consolidated
	Disclosed at 03/31/2018	Adjustment due to the first-time adoption of IFRS 9	Note	Balance at 04/01/2018
Assets				
Trade accounts receivable	602,365	(221)	5	602,144
Deferred income and social contribution taxes	82,766	58	15.b.3	82,824
	<u>685,131</u>	<u>(163)</u>		<u>684,968</u>
Equity				
Retained earnings	-	(163)		(163)
	<u>-</u>	<u>(163)</u>		<u>(163)</u>

- Other information

On April 1, 2018, there were no impacts on the statements of income, comprehensive income, changes in equity, cash flows and added value as a result of the amendments made to the new IFRSs mentioned above.

(i) Financial assets

Measurement

In the initial recognition, a financial asset is classified as measured: (i) at amortized cost; (ii) at fair value through other comprehensive income; or (iii) at fair value through profit or loss.

Financial assets are not reclassified after initial recognition, unless the Company changes the business model for the management of financial assets, in which case all affected financial assets are reclassified on the first day of the reporting period subsequent to the change in the business model.

A financial asset is measured at amortized cost if it meets both conditions below and is not designated as measured at fair value through profit or loss: (i) it is maintained within a business model whose objective is to maintain financial assets to receive contractual cash flows; (ii) and its contractual terms generate, at specific dates, cash flows that are related only to payment of principal and interest on the outstanding principal amount.

RAÍZEN ENERGIA S.A.

Notes from management to financial statements March 31, 2019 **(In thousands of reais, unless otherwise indicated)**

A financial asset is measured at fair value through other comprehensive income if it meets both conditions below and is not designated as measured at fair value through profit or loss: (i) it is maintained within a business model whose objective is achieved both by the receipt of contractual cash flows and by the sale of financial assets; and (ii) its contractual terms generate, on specific dates, cash flows that are only payments of principal and interest on the outstanding principal amount.

All financial assets not classified as measured at amortized cost or at fair value through other comprehensive income, as described above, are classified at fair value through profit or loss.

Assessment of business model

The Company carries out an evaluation of the purpose of the business in which a financial asset is held in the portfolio, since this better reflects the way in which the business is managed and the information is provided to management.

The information considered is comprised by: (i) the policies and goals established for the portfolio and practical operation of these policies. They include the question of whether management's strategy focuses on obtaining contractual interest revenues, maintaining a certain interest rate profile, matching the duration of financial assets with the duration of related liabilities or expected cash outflows, or the realization of cash flows through the sale of assets; (ii) how the performance of the portfolio is evaluated and reported to the Company's management; (iii) risks that affect the performance of the business model (and the financial assets held in that business model) and the manner in which those risks are managed; how business managers are remunerated – for example, if the remuneration is based on the fair value of managed assets or in contractual cash flows obtained; and (v) the sales rate, volume and timing of sales of financial assets in prior periods, the reasons for such sales and future sales expectations.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales, which is consistent with the ongoing recognition of the Company's assets.

Financial assets held for trading or managed with a performance evaluated based on fair value are measured at fair value through profit or loss.

Assessment whether the contractual cash flows represent solely payments of principal and interest

For the purpose of assessing contractual cash flows, the principal is defined as the fair value of the financial asset at the initial recognition. "Interest" is defined as a consideration for the amount of cash at the time and for the credit risk associated to the outstanding principal value during a certain period and for other risks and base costs of loans (for example, liquidity risk and administrative costs), as well as for the profit margin.

The Company considers the contractual terms of the instruments to evaluate whether the contractual cash flows are only payments of principal and interest. It includes evaluating whether the financial asset contains a contractual term that could change the time or amount of the contractual cash flows so that it would not meet this condition. In making this evaluation, the Company considers the following: (i) contingent events that change the amount or timing of cash flows; (ii) terms that may adjust the contractual rate, including variable rates; (iii) the prepayment and the extension of the term; and

RAÍZEN ENERGIA S.A.

Notes from management to financial statements March 31, 2019 (In thousands of reais, unless otherwise indicated)

(iv) the terms that limit the Company's access to cash flows of specific assets (for example, based on the performance of an asset).

Impairment of financial assets

The main impact of the adoption is associated with the replacement of the “incurred loss” model of IAS 39 - Financial Instruments: *Recognition and Measurement* (CPC 38 - Financial Instruments: *Recognition and Measurement*) with an “expected credit loss” model. Such impairment model applies to financial assets measured at amortized cost, contractual assets and debt instruments measured at fair value through other comprehensive income, but is not applicable to investments in equity instruments.

The expected loss matrix adopts by the Company, considers the grouping of clients with similar default characteristics, by sales channel and rating (client risk rating, measured internally).

On April 1, 2018, the impact of the adoption of the new standard was R\$ 28 and R\$ 221, in the Parent Company and Consolidated, respectively.

Classification and measurement of financial assets

The adoption of IFRS 9 (CPC 48) had no impact on accounting policies of the Company in connection with financial liabilities and derivative financial instruments.

The impact of IFRS 9 (CPC 48) on classifications of financial assets did not generate any measurement impacts, as shown below based on the balances by class of financial assets on April 1, 2018, whose balance is similar to that disclosed in the annual financial statements as of March 31, 2018:

			Consolidated
Financial assets	Original classification in accordance with IAS 39 (CPC 38)	New classification in accordance with IFRS 9 (CPC 48)	
Cash and cash equivalents, except for investments	Loans and receivables	Amortized cost	969,570
Interest earnings bank deposits	Fair value through profit or loss	Fair value through profit or loss	2,352,207
Restricted cash, except for restricted financial investments	Loans and receivables	Amortized cost	15,418
Restricted financial investments	Fair value through profit or loss	Fair value through profit or loss	75,691
Trade accounts receivable	Loans and receivables	Amortized cost	602,365
Derivative financial instruments	Fair value through profit or loss	Fair value through profit or loss	486,079
Related parties	Loans and receivables	Amortized cost	3,770,223
Other financial assets	Loans and receivables	Amortized cost	910,812
			<u>9.182.365</u>

(ii) Financial liabilities

They are measured at amortized cost and fair value through profit or loss. As of March 31, 2018, in the case of the Company, they included loans and financing, balances payable to suppliers and related parties and derivative financial instruments.

(iii) Offset of financial instruments – net presentation

Assets and liabilities are presented net in the balance sheet if, and only if, there is a current legal and enforceable right to offset the recognized amounts and if the intention of offsetting, or realizing the asset and settling the liability simultaneously.

RAÍZEN ENERGIA S.A.

Notes from management to financial statements March 31, 2019
(In thousands of reais, unless otherwise indicated)

(iv) Derecognition (write-off)

A financial asset is written off when: (i) The rights to receive cash flows from the asset expire and (ii) the Company transfers rights to receive cash flows from the asset or assumes an obligation to pay the cash flows received in full to a third party under a “pass-through” arrangement; and (a) the Company transfer substantially all risks and rewards of the assets, or (b) the Company neither transfers nor retains substantially all the risks and rewards related to the asset, but transfers the control over the asset.

(v) Derivative financial instruments and hedge accounting

The new hedge accounting requirements were applied prospectively. The cash flow hedge relationships of highly probable future exports or imports for the purposes of IAS 39 (CPC 38) were considered continuous hedge relationships for the purposes of IFRS 9 (CPC 48), since they also qualify for hedge accounting in accordance with the new pronouncement.

Initial recognition and subsequent measurement

The Company uses derivative financial instruments, such as non-deliverable forwards, commodity forward contracts and swaps to provide protection against the risk of change in the foreign exchange rates, prices of commodities, respectively. The derivative financial instruments designated in hedging operations are initially recognized at fair value on the date on which the derivative is obtained, and are subsequently remeasured also at fair value. Derivatives are presented as financial assets when the fair value of the instrument is positive; and as financial liabilities when the fair value is negative.

On September 25, 2018 Raízen initiated a swap transaction, due on January 22, 2027 used for exchange protection of the "Senior Notes 2027" Bond issued by Raízen on January 20, 2017. This protection instrument, in addition to the plain vanilla swap standard terms, contains a specific clause that extinguishes certain Raízen rights in case of occurrence of default events of the "Senior Notes 2027" Bond issued by the company itself.

Any gains or losses resulting from changes in the fair value of derivatives during the year are recognized directly in the statement of income, with the exception of the effective portion of the hedge designated as cash flow hedge, which is recognized directly in equity in other comprehensive income.

Even with the adoption of IFRS 9 (CPC 48), the Company opted to maintain the hedge accounting practice pursuant to IAS 39 (CPC 38), under the transition method prescribed by IFRS 9 (CPC 48).

Thus, for hedge accounting purposes, there are the following classifications: (i) fair value hedge, in providing protection against exposure to changes in the fair value of recognized asset or liability or of unrecognized firm commitment, or of identified part of such asset, liability or firm commitment, which is attributable to a particular risk and may affect the result; (ii) cash flow hedge, in providing protection against a change in the cash flows that is attributable to a particular risk associated with a recognized asset or liability or with a forecast transaction that is highly likely and that might affect the result; or (iii) hedge of a net investment in a foreign operating unit.

On initial recognition of a hedge relationship, the Company formally classifies and documents the hedge relationship to which they wish to apply hedge accounting, as well as the objective and the risk management strategy of company management to put the hedge into effect.

RAÍZEN ENERGIA S.A.

Notes from management to financial statements March 31, 2019
(In thousands of reais, unless otherwise indicated)

The documentation includes: (i) the identification of the hedge instrument, (ii) the hedged item or transaction, (iii) the nature of the risk to be hedged, (iv) the prospective demonstration of the efficacy of the hedge relationship and (v) the way in which the Company intends to assess the efficacy of the hedge instrument for purposes of offsetting the exposure to changes in the fair value of the hedged item or cash flows related to the hedged risk. As regards cash flow hedge, the nature of the high probability of the foreseen transaction to be hedged, as well as the foreseen periods of transfer of the gains or losses resulting from the hedge instruments from equity to income, are also included in the documentation of the hedge relationship.

These hedges are expected to be highly effective to offset changes in the fair value or cash flows, being permanently evaluated to verify whether they were indeed highly effective over the course of all the base periods for which they were intended.

In practice, main hedges that meet accounting hedge criteria are as follows:

Cash flow hedge

The effective portion of the gain or loss on the hedging instrument is initially recorded directly in equity or other comprehensive income (loss), while any ineffective portion is recognized directly in financial income (loss).

Amounts recognized in other comprehensive income are transferred to the income statement when the hedged transaction affects profit or loss, such as when the hedged financial revenue or interest expense is recognized, or when a forecast sale occurs. When the hedged item is the cost of a non-financial asset or liability, the amounts recognized in equity are transferred to the initial book value of the non-financial asset or liability.

If the forecast transaction or firm commitment is no longer expected to occur, the amounts previously recognized in equity are transferred to the statement of income. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognized in comprehensive income (loss) remains deferred in equity within "Reserve for other comprehensive income (loss)" until the forecast transaction or firm commitment affects profit or loss.

The types of derivative financial instruments designated as hedge accounting are presented in Note 24.

Fair value hedge and fair value option of certain financial liabilities

The Company designates certain debts, mainly, related to Export Prepayment ("PPE") with third parties and related parties as liabilities measured at fair value through profit or loss, in order to eliminate, or significantly reduce, inconsistencies in measurement that would otherwise result in the recognition of gains or losses on the loans and derivatives on different bases. As a result, fluctuations of loans fair value are recognized in caption Financial income, in line "Fair value of liability financial instruments", classified in "Financial expenses" group.

RAÍZEN ENERGIA S.A.

Notes from management to financial statements March 31, 2019
(In thousands of reais, unless otherwise indicated)

d) Inventories

Inventories are valued at the average acquisition or production cost, not exceeding the ethanol inventory of Raízen Trading which is valued at fair value, restated as the commodities price in the market, not exceeding the net realizable value. Costs of finished products and products in process include raw material, direct labor costs and other direct costs as well as respective direct production expenses (based on regular operating capacity) less loan costs. The net realizable value is the sales price estimated for the normal course of the businesses, less estimated completion execution costs and selling expenses.

The estimated losses for slow-moving or obsolete warehouse inventories are constituted when these inventories have not moved for a period of 2 years and are not considered strategic by the Management.

e) Related parties

Raízen Group, in which the Company is inserted, has a fully integrated system for the cash flow management of its companies and subsidiaries.

Some of the main instruments used for cash management between the Group's companies, applicable to the Company, we emphasize:

(i) Financial Resource Management (Contrato de Gestão de Recursos Financeiros, or "GRF") Agreement - an operation used between companies domiciled in Brazil
RESA, as centralizer of the Group's corporate activities, is responsible for cash management based on this agreement.

These operations are presented in the statement of cash flows, on a net basis, within "Cash flows from financing activities".

(ii) Export Prepayment ("PPEs") Agreements – an operation used between companies domiciled in Brazil and companies domiciled abroad

In certain situations, companies from the Group domiciled abroad obtain funds in the international financial market then on-lend these funds to companies from the Group domiciled in Brazil, in the form of PPE agreements. Such agreements are formalized backed by sufficient export volumes to pay off the amounts under the agreements.

These operations are presented in the statement of cash flows from investment when granted (outflow of funds) and when received (inflow of funds) in the statement of cash flows for financing.

Transactions with related parties are carried out under reasonable and commutative terms, in line with those that prevail in the market or under which the Company would enter into agreements with third parties.

f) Investment in associated companies and subsidiaries (individual financial statement)

Investments in entities over which the Company has significant influence are accounted for under the equity method. They are initially calculated in balance sheet at cost, plus changes after the acquisition of the ownership interest.

RAÍZEN ENERGIA S.A.

Notes from management to financial statements March 31, 2019 **(In thousands of reais, unless otherwise indicated)**

The statement of income reflects the share in the results from operations of associated companies and subsidiaries based on the equity accounting method. When a change is directly recognized in the equity of the associated company or subsidiary, the Company will recognize its share in the changes and report such fact in the statement of changes in equity, when applicable.

After applying the equity accounting method, the Company determines whether it is necessary to recognize additional impairment on the Company's investment in its associated company or subsidiary. The Company determines, at each balance sheet closing date, if there is objective evidence that investment in the associated company or subsidiary suffered impairment loss. If so, the Company calculates the amount of impairment loss as the difference between the recoverable value of the associated company or subsidiary and the book value and recognizes the amount in the statement of income.

When there is loss of significant influence on the associated company, the Company recognizes investment at fair value.

Unrealized results from transactions between the Company and its associated companies and joint ventures are eliminated to the extent of the Company's interest. The accounting policies of associated companies are amended as required, to ensure compliance with policies adopted by the Company.

g) Biological assets

Biological assets refer to sugarcane crops.

Sugarcane crops are measured at fair value, excluding the land on which they are located, under the discounted cash flow method.

For sugarcane, the Company uses future cash flows in accordance with the productivity cycle projected for each harvest, taking into consideration the estimated useful life of assets, the prices of total recoverable sugar, estimated productivities, estimated costs to be incurred with production, harvesting, loading and transportation per planted hectare.

Changes in fair values between periods are allocated to in Statement of Income under "Cost of products sold" caption.

Any land belonging to the Company and its subsidiaries where biological assets are produced is accounted in property, plant and equipment caption.

h) Property, plant and equipment

Property, plant and equipment items (sugarcane planting included) are stated at historical acquisition or construction cost less accumulated depreciation and impairment losses, when applicable.

The cost includes expenditures that are directly attributable to the acquisition of assets. The cost of assets built by the Company includes materials and direct labor, as well as any other costs attributable to bringing the assets to the location and condition requires for them to operate in the manner intended by Management, and loan costs on qualifiable assets. Borrowing costs relating to funds raised for works in progress are capitalized until the projects are concluded.

RAÍZEN ENERGIA S.A.

Notes from management to financial statements March 31, 2019 (In thousands of reais, unless otherwise indicated)

The Company and its subsidiaries perform the main maintenance activities scheduled for their manufacturing units on an annual basis. This usually occurs between the months from January to March, with the objective of inspecting and replacing components.

The main annual maintenance costs include costs of labor, materials, outsourced services and overhead allocated during the off-season period. These costs are classified as frequent replacement parts and components, in property, plant and equipment, and are fully amortized in the following crop season.

The cost of an equipment item that must be replaced on an annual basis is accounted for as a component of the equipment costs and depreciated over the following crop. The costs of normal periodic maintenance are accounted for in expenses when incurred as the replaced components do not improve the production capacity of the asset or introduce refinements in the equipment. Lands are not depreciated.

As of March 31, 2019 and 2018 depreciation of such assets was calculated based on estimated useful life wear and tear for each asset. The annual weighted average depreciation rates are as follows:

<u>Class of fixed assets</u>	Average annual interest
Buildings and improvements	2%
Machinery, equipment and facilities	5%
Furniture and fixtures	10%
IT equipment	21%
Vehicles, vessels and aircrafts	8%
Sugarcane planting	20%

Residual values and the useful lives of material assets are reviewed and adjusted, if adequate, at the end of each year.

i) Leases

Whether a contract is, or contains, a lease is determined based on the substance of the contract at the inception date.

Under financial lease contracts where all risks and benefits are transferred to the Company, incidental to ownership of the leased asset, they are capitalized at the inception of the lease at the fair value of the leased property, or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in the statement of income. A leased asset is depreciated during its useful life or the term of the lease, the shorter of the two, save when there is evidence that the leased assets will be acquired on the agreement's expiry.

Operating lease agreements are recognized as operating expenses in the statement of income on a straight-line basis over the term of the lease.

RAÍZEN ENERGIA S.A.

Notes from management to financial statements March 31, 2019
(In thousands of reais, unless otherwise indicated)

j) Intangible assets

i) Goodwill

Goodwill is represented by the positive difference between the paid or payable amount for the acquisition of a business and the net fair value of assets and liabilities of the acquired company. Goodwill in the acquisition of subsidiaries is disclosed in Intangible Assets caption in consolidated financial statements.

The goodwill is maintained at cost value, less possible impairment losses, when applicable, and the accounting test is carried out at least every year. For impairment testing purposes, goodwill acquired in a business combination is, from the acquisition date, allocated to each cash-generating units of the Company that are expected to benefit from the business combination, regardless of other assets or liabilities of the acquiree being allocated to those units.

ii) Intangible assets with defined useful life

Intangible assets with defined useful lives are carried at cost, less accumulated amortization and accumulated impairment losses, when applicable. On March 31, 2019 and 2018 the annual weighted average amortization rates are as follows:

<u>Class of intangible assets</u>	<u>Average annual interest</u>
Software license	20%
Agricultural Partnership Agreements	9%
Sugarcane supply agreements	10%
Public concession rights of use	20%
Technology	10%
Other	38%

Residual values and the useful lives of material assets are reviewed and adjusted, if adequate, at the end of each year.

k) Impairment of non-financial assets:

The Company and its subsidiaries assess every year whether there are indicators of an asset's loss of value. In the event such indicators are identified, the Company estimates the asset's recoverable amount. The recoverable value of an asset is the greater among: (a) fair value less costs that would be incurred to sell it, and (b) its value in use. When required, value in use is usually determined based on the discounted cash flow (before taxes) from the continued use of the asset until the end of its useful life.

Regardless of the existence of impairment indicators, goodwill and intangible assets with an indefinite useful life, if any, are tested for impairment at least once a year.

When the book value of an asset exceeds its recoverable value, the loss is recognized as an operating expense in the statement of income.

RAÍZEN ENERGIA S.A.

Notes from management to financial statements March 31, 2019
(In thousands of reais, unless otherwise indicated)

l) Provisions

Provisions are recognized when: (i) the Company has a present or non-formalized obligation because of past events; (ii) it is likely that an outflow of funds will be required to settle the obligation; and (iii) the amount can be reliably estimated.

m) Employee benefits

The Company has a defined contribution and partial defined benefit plan, in which maintains a private pension plan for all its employees.

The Company recognizes a liability based on a methodology that considers a number of factors determined by actuarial estimates, which employ assumptions for defining pension plan costs or income.

Gains and losses arising from adjustments and changes in actuarial assumptions are stated directly in equity as other comprehensive income, when they occur.

Past costs of services are immediately recognized in the income figures.

The Company recognizes an estimated loss when it is contractually compelled or when there is a past practice that created a constructive obligation.

n) Income tax and social contribution

Income (expenses) tax and social contribution expenses of the year include current and deferred taxes. Income taxes are recognized in the statement of income, except to the extent they are related to items directly recognized in equity or comprehensive income, when applicable. In that case, the tax amount is also recorded in equity or comprehensive income.

The current and deferred income tax and social contribution charge is calculated based on enacted, or substantially enacted, tax acts, at the statements of financial position date of countries in which the Company's entities operate and generate taxable income. Management periodically evaluates the positions taken by the Company in the calculations of income tax with respect to situations in which applicable tax regulation is subject to interpretations; and establishes provisions when appropriate, on the basis of amounts expected to be paid to the tax authorities.

Income tax is computed on taxable income at the rate of 15%, plus a 10% surtax for income exceeding R\$ 240 in the 12-month period, whereas social contribution is computed at the rate of 9% on taxable income, recognized on the accrual basis.

That is, on a compound basis, the Company is subject to a theoretical tax rate equivalent to 34%.

Deferred income tax and social contribution relating to tax losses, social contribution negative base and temporary differences are shown as net in the statements of financial position when there is a legal right and an intention to offset these on calculation current taxes normally related with the same legal entity and the same tax authority. Accordingly, deferred tax assets and liabilities in different entities or countries are in general presented separately, and not at net value. Deferred taxes are calculated based on the tax rates in force when they are realized or reviewed annually.

RAÍZEN ENERGIA S.A.

Notes from management to financial statements March 31, 2019 **(In thousands of reais, unless otherwise indicated)**

Tax assets are only recognized to the extent that it is probable that future taxable income will be available against which these temporary differences can be offset.

Prepayments or amounts that can be offset are presented in current and non-current assets, in accordance with their expected realization.

o) Capital and remuneration to shareholders

The capital is comprised of common and preferred shares. Incremental expenses attributed directly to share issues, if any, are shown as a deduction from equity, as an additional capital contribution, net of tax effects.

The only class A preferred share as well as each common share, is entitled to one vote on resolutions by Company's shareholders' meetings, as well as R\$ 0.01 (one centavo) fixed annual dividends.

Class B preferred shares issued by the Company have no voting rights or intended to refund assets, chiefly represented by tax benefits contributed by shareholder Cosan, as these are employed by the Company. C preferred shares, previously issued by the Company for shareholder Shell, were fully redeemed in Extraordinary Shareholders' Meeting held on July 31, 2017.

Class D preferred shares have no voting rights and are entitled to a fixed annual dividend by the shareholder Shell.

Remuneration to shareholders is paid as dividends and/or interest on own capital based on limits defined by the Company's Bylaws and prevailing laws.

p) Business combinations

The Company applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is equal to the fair value of the assets transferred, liabilities assumed and equity instruments issued by the Company. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement, when applicable. Acquisition-related costs are recorded in the statement of income as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Company recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Non-controlling interests to be recognized are determined for each acquisition carried out.

The excess of the consideration transferred plus the acquisition date fair value of any previous ownership interest in the acquiree over the fair value of the Company's share of the identifiable net assets acquired is recorded as goodwill. For acquisitions in which the Company attributes fair value to non-controlling interests, the determination of goodwill also includes the value of any non-controlling interest in the acquiree, and the goodwill is determined considering the Company's and non-controlling interest. When the consideration transferred is less than the fair value of the net assets of the acquired subsidiary, the difference is recognized directly in the statement of income for the year as bargain purchase.

RAÍZEN ENERGIA S.A.

Notes from management to financial statements March 31, 2019
(In thousands of reais, unless otherwise indicated)

q) Segment information

An operating segment is a component of the Company which engages in business activities from which it may earn revenues and incur expenses, including income and expenses relating to transactions with other components of the Company. All operating income (loss) of the operating segments are frequently reviewed by the Company's CEO and Board of Directors for decisions regarding the resources to be allocated to the segment to be taken and to assess their performance, for which individual financial information is available.

The Company has a single business segment: Ethanol, Sugar and Bioenergy, as disclosed in Note 20.

r) Statement of added value

Statement of added value has been prepared in accordance with accounting pronouncement CPC 09 – Statement of Added Value, also issued by Accounting Pronouncement Committee.

s) Other standards adopted for the first time for the period starting on or after January 1, 2018 (in the case of the Company, as from April 1, 2019).

The following standard, standard change and interpretation were also adopted for the first time beginning as of April 1, 2018; however, it had no relevant effect on the Organization's financial statements:

IFRIC 22 (ICPC 21) – Foreign Currency Transactions and Advance defines that the date of transaction for effects of determination of the exchange rate should be the date on which the entity first recognizes the non-monetary asset or liability derived from the early payment or receipt.

The Company opted for the prospective adoption of the aforementioned standard, whose analysis indicated immaterial impacts on the adoption.

2.4. New IFRS and IFRIC Interpretations (IASB Financial Reporting Interpretations Committee) applicable to financial information

The following new standards and interpretations were issued by the IASB but are not yet effective for the year ended March 31, 2019. The early adoption of standards, although accepted by the IASB, is not allowed in Brazil by the Accounting Pronouncement Committee (CPC).

IFRS 16 - Leases (CPC 06 (R2))

IFRS 16 (CPC 06 (R2)) introduces a single model of accounting of leases in the statement of financial position to lessees. A lessee recognizes an asset of right of use that represents its right to use the leased asset, and a lease liability that represents its obligation to make lease payments. Optional exemptions are available for short-term leases and low value items. The lessor's accounting remains similar to the current standard, that is, lessors continue to classify leases as financial or operating leases.

IFRS 16 (CPC 06 (R2)) replaces the current lease standards, including IAS 17 - Commercial Lease Operations and ICPC 03 (IFRIC 4, SIC 15 and SIC 27) - Complementary Aspects of Commercial Lease Operations and it is effective for fiscal years starting or after January 1, 2019 (in case of the Group, as of April 1, 2019).

RAÍZEN ENERGIA S.A.

Notes from management to financial statements March 31, 2019 **(In thousands of reais, unless otherwise indicated)**

In light of this accounting standard, the most significant impact identified is that the Company will recognize new assets and liabilities for its operating leases, whose impacts are between R \$ 3,500,000 and R \$ 4,000,000. In addition, the nature of the expenses related to these leases will be changed, since IFRS 16 (CPC 06 (R2)) replaces the line operating lease expense due to depreciation of the right of use and interest on the lease liabilities, whose rate nominal discount will correspond to approximately 100% of the CDI

The Company opted for the cumulative effect approach as a transition methodology; that is, without the need to restate comparative information. Calculations will be based on the lease liability on the transition date.

ICPC 22 / IFRIC 23 – Uncertainties in relation to tax treatments

This interpretation clarifies how to apply recognition and measurement requirements of CPC 32 - Income taxes (IAS 12 - Income Taxes) in case there is uncertainty treatments on income tax and social contribution on net income. In these circumstances, the Company must recognize and measure its current or deferred tax assets or liabilities by applying requirements of CPC 32/ IAS 12, based on taxable income (tax loss), tax bases, taxable losses not used, tax credits not used, and tax rates, determined in accordance with this interpretation. This interpretation will become effective as of annual periods started as of or after January 1, 2019 (in case of the Company, as of April 1, 2019) and impacts are being evaluated by Management. The Company does not expect relevant effects.

Besides the aforementioned standards, there are no IFRS or IFRIC interpretations that are effective and as Management's current understanding, may result in relevant impacts to the Company.

RAÍZEN ENERGIA S.A.

Notes from management to financial statements March 31, 2019 (In thousands of reais, unless otherwise indicated)

3. Cash and cash equivalents

	Index	Average yield rate		Parent company		Consolidated	
		2019	2018	2019	2018	2019	2018
Funds in banks and in cash				379,415	42,240	1,544,831	906,245
Values awaiting foreign exchange closure (1)				157,368	63,106	162,854	63,325
Interest earnings bank deposits							
Investment funds (2)	CDI	97.27%	99.11%	-	-	290,603	999,756
Bank deposit certificate (CDB) and repurchase and resale agreements (3)	CDI	99.02%	100.19%	458	437	1,191,571	1,351,844
Other investments	-	-	-	-	607	-	607
				<u>537,241</u>	<u>106,390</u>	<u>3,189,859</u>	<u>3,321,777</u>
Domestic (domestic currency)				50,189	61,962	1,563,169	2,423,919
Abroad (foreign currency) (Note 24.d)				<u>487,052</u>	<u>44,428</u>	<u>1,626,690</u>	<u>897,858</u>
				<u>537,241</u>	<u>106,390</u>	<u>3,189,859</u>	<u>3,321,777</u>

- (1) Refer basically to receiving foreign currency funds from overseas clients, for which obtaining foreign exchange from financial institutions was not yet concluded until the balance sheet date, and to foreign funds intended to settle debts related to export performance.
- (2) Refer to investment in fixed income funds managed by first-class financial institutions, divided into quotas with daily earnings and liquidity.
- (3) Refer to fixed income investments such as CDBs and Repurchase Agreements in first-class financial institutions with daily yield and liquidity.

4. Restricted cash

	Index	Average yield rate		Parent company		Consolidated	
		2019	2018	2019	2018	2019	2018
Financial investments linked to financing (1)	CDI	100.02%	100.02%	628	-	40,565	50,663
Investments related to derivative operations (Note 24.g)(2)	CDI	101.34%	100.65%	40,699	25,028	40,699	25,028
Margin on derivative operations (Note 24.g)(3)	-	-	-	<u>43,360</u>	<u>720</u>	<u>53,702</u>	<u>15,418</u>
				<u>84,687</u>	<u>25,748</u>	<u>134,966</u>	<u>91,109</u>
Domestic (domestic currency)				41,327	25,028	81,264	75,691
Abroad (foreign currency) (Note 24.d)				<u>43,360</u>	<u>720</u>	<u>53,702</u>	<u>15,418</u>
				<u>84,687</u>	<u>25,748</u>	<u>134,966</u>	<u>91,109</u>

- (1) Correspond to LFTs (Financial Treasury Bills) with prime banks, held by virtue of National Bank of Economic and Social Development ("BNDES") financing and with redemption subject to payment of certain portions of the mentioned financing.
- (2) Refer to investments such as CDBs and overseas public bonds with first-class financial institutions, employed in transactions with derivative financial instruments.
- (3) Margin deposits in derivative operations refer to margin requirements by counterparts in transactions with derivative instruments, and are exposed to US dollar exchange fluctuations (Note 24.g).

RAÍZEN ENERGIA S.A.

Notes from management to financial statements March 31, 2019
(In thousands of reais, unless otherwise indicated)

5. Trade accounts receivable

	Parent Company		Consolidated	
	2019	2018	2019	2018
Domestic	232,065	217,899	701,569	452,856
Abroad (Note 24.d)	2,732	1,759	297,104	176,330
Estimated loss from allowance for doubtful accounts	(2,766)	(3,664)	(24,649)	(26,821)
	<u>232,031</u>	<u>215,994</u>	<u>974,024</u>	<u>602,365</u>

The Company did not pledge any trade as a guarantee. The maximum exposure to credit risk on the statement of financial position date is the book value of each kind of trade accounts receivable.

The aging analysis of trade accounts receivable is as follows:

	Parent company		Consolidated	
	2019	2018	2019	2018
Falling due	225,692	215,595	938,405	571,745
Overdue (days):				
Up to 30	1,518	129	9,000	3,771
31–90	4,840	270	10,403	24,340
91–180	-	35	11,446	2,452
>180	2,747	3,629	29,419	26,878
	<u>9,105</u>	<u>4,063</u>	<u>60,268</u>	<u>57,441</u>
	<u>234,797</u>	<u>219,658</u>	<u>998,673</u>	<u>629,186</u>

The expected loss in allowance for doubtful accounts was estimated based on credit risk analysis, which contemplates loss history, individual situation of clients, situation of the corporate group to which they belong, real guarantees for debts and the assessment of the legal advisors. Allowance for doubtful accounts is considered sufficient by the Company's Management to cover possible losses on amounts receivable; movement is as follows:

	Parent company	Consolidated
March 31, 2017	<u>(3,778)</u>	<u>(26,470)</u>
Estimated loss	(1,634)	(3,152)
Write-off	1,748	2,970
Exchange-rate change	-	(169)
March 31, 2018	<u>(3,664)</u>	<u>(26,821)</u>
First-time adoption of IFRS 9 (Note 2.3.c)	(28)	(221)
Estimated loss	(2,200)	(8,159)
Write-off	3,126	11,159
Exchange-rate change	-	(607)
March 31, 2019	<u>(2,766)</u>	<u>(24,649)</u>

RAÍZEN ENERGIA S.A.

Notes from management to financial statements March 31, 2019 (In thousands of reais, unless otherwise indicated)

As of March 31, 2019, the Company had the amounts of R\$ 22,715 and R\$ 71,640 in Parent Company and Consolidated, respectively, (R\$ 16,133 and R\$ 36,741, in Parent Company and Consolidated, respectively as of March 31, 2018) recorded in current liabilities, under “Advances from clients” caption, which substantially refer to the receipts from foreign clients for acquisition of sugar. When applicable, accounts receivable and advances from clients are presented net.

6. Inventories

	Parent company		Consolidated	
	2019	2018	2019	2018
Finished goods:				
Sugar	64,239	26,380	91,586	55,215
Ethanol	245,707	255,451	481,174	521,225
Products in process	-	876	-	1,333
Warehouse and others	184,229	159,342	238,378	197,719
Estimated loss with inventories' obsolescence and realization	(16,621)	(18,105)	(21,767)	(22,930)
	<u>477,554</u>	<u>423,944</u>	<u>789,371</u>	<u>752,562</u>

The movement in the estimated loss for net realizable value and obsolescence is as follows and was calculated in the statement of income under the caption Cost of products sold and services provided:

	Parent	Consolidated
Balance at March 31, 2017	(62,568)	(77,207)
Estimated loss	(16,382)	(18,626)
Reversal	60,845	72,903
Balance at March 31, 2018	(18,105)	(22,930)
Estimated loss	(10,707)	(11,891)
Reversal / Realization	12,191	13,054
Balance at March 31, 2019	<u>(16,621)</u>	<u>(21,767)</u>

7. Biological assets

The Company's biological assets correspond to uncut sugarcane cultivated in sugarcane crops that will be used as raw material for production of sugar, ethanol and bioenergy at harvest time. Fair value is evaluated using the cash flow discounted at present value method. Valuation model considers present value of cash flows expected to be generated, including two-year projections, considering estimates for the cutting effective date of uncut sugarcane.

Planted areas refer only to sugarcane plantations, and do not consider planted land and are recognized as property, plant and equipment. The following assumptions were used in the determination of the fair value:

	Parent company		Consolidated	
	2019	2018	2019	2018
Estimated harvest area (hectares)	379,236	391,017	435,341	447,277
Amount of ATR per hectare	10.05	10.16	10.18	10.27
Average ATR price per Kg projected (R\$/Kg)	0.62	0.60	0.62	0.60

RAÍZEN ENERGIA S.A.

Notes from management to financial statements March 31, 2019 (In thousands of reais, unless otherwise indicated)

As of March 31, 2019, cash flows were discounted at 6.72% (6.37% as of March 31, 2018) which is the WACC (Weighted Average Capital Cost) of the Company.

The Company periodically reviews assumptions used to calculate biological assets, adjusting it in case there are significant changes in relation to those previously projected.

Movement in biological assets (sugarcane) is detailed below:

	Parent company	Consolidated
Balance at March 31, 2017	1,105,800	1,276,321
Additions of sugarcane treatments	506,219	579,081
Absorption of harvested sugarcane costs	(475,846)	(552,881)
Change in fair value	190,883	272,564
Realization of fair value	(564,503)	(640,006)
Business combinations	12,736	12,736
Balance at March 31, 2018	775,289	947,815
Additions of sugarcane treatments	613,898	694,500
Absorption of harvested sugarcane costs	(507,364)	(577,183)
Change in fair value	(54,078)	5,335
Realization of fair value	(183,419)	(266,494)
Business combination (1)	10,022	10,022
Balance at March 31, 2019	654,348	813,995

(1) Refers to: i) Acquisition of Santa Candida and Paraíso plants in the amount of R\$ 2,288; see Note 27.1.i; ii) Acquisition of Ryballa in the amount of R\$ 7,734, see Note 27.1.iii.

Fair value estimate could increase (decrease) if:

- Estimated ATR price was higher (lower);
- Estimated productivity (tons per hectare and ATR quantity) was higher (lower); and
- Discount rate was lower (higher)

The Company's sugarcane planting operations are exposed to changes from climate changes, pests and diseases, forest fires and other forces of nature.

Weather conditions may historically cause fluctuations in the sugar and alcohol industry and therefore in Companies operating income because they affect crops by means of increasing or reducing harvests. Moreover, Company's businesses are subject to seasonal fluctuations determined by the sugar cane growth cycle in Brazil's Center-Southern region.

RAÍZEN ENERGIA S.A.

Notes from management to financial statements March 31, 2019 (In thousands of reais, unless otherwise indicated)

8. Other financial assets

	Parent company		Consolidated	
	2019	2018	2019	2018
Credits from indemnity suits - refundable (1)	89,916	83,769	89,916	83,769
Credits from indemnity suits - own (2)	-	-	221,373	-
National Treasury Certificates - CTN (3)	500,770	809,580	521,943	827,042
Other	1	1	194	1
	590,687	893,350	833,426	910,812
Current	(265,860)	(408,379)	(306,457)	(408,379)
Non-current	324,827	484,971	526,969	502,433

- (1) Receivables from legal disputes on which a final judgment favorable to RESA was passed made, which were not part of the net assets contributed by Cosan to set up the Group. Therefore, RESA recognized a liability in the same amount, classified as current and non-current liabilities in the related parties (Note 9.c) caption, given that RESA has the obligation to reimburse those receivables to Cosan when they are actually collected. These credits yield IPCA-E (Special Amplified Consumer Price Index) and Selic rate change plus annual interest of 6% as applicable.
- (2) Receivables from a final judgment in favor of Raízen Araraquara, a subsidiary of the Company, relating to the lawsuit of the Instituto do Açúcar e do Alcool ("IAA") against the Federal Government, filed by Copersucar in 1990. The lawsuit involves the awarding of compensation for losses caused to the mills by the Federal Government when setting prices below market prices. The amount of R\$ 221,373 was recognized in the year ended March 31, 2019 under the heading of Other operating income (expenses), net (Note 22).
- (3) Brazilian Treasury Certificates are government bonds issued by the Brazilian Treasury within the Special Agriculture Industry Securitization Program - PESA, with a 20-year original maturity (falling due between 2018 and 2023) and which pledged to secure its related financing transaction called PESA. These bonds bear annual compound interest of 12%, plus the IGP-M (General Market Price Index). Their value on maturity date tends to be equivalent to the principal value of the debt due under PESA and to be used for settlement. During the year ended March 31, 2019, the Company redeemed R\$ 380,984 for PESA's settlement.

RAÍZEN ENERGIA S.A.

Notes from management to financial statements March 31, 2019
(In thousands of reais, unless otherwise indicated)

9. Related parties

a) Summary of related party balances

	Parent company		Consolidated	
	2019	2018	2019	2018
Assets				
Assets classification per currency:				
Domestic (domestic currency)	1,425,032	803,832	1,188,455	916,444
Abroad (foreign currency) (Note 24.d)	182,049	87,446	4,642,299	2,853,779
	<u>1,607,081</u>	<u>891,278</u>	<u>5,830,754</u>	<u>3,770,223</u>
Asset management (1)				
Raízen Combustíveis S.A. and its subsidiaries	154,277	12,160	154,277	12,160
Bioenergia Barra Ltda.	542,254	27,429	-	-
Raízen Biogás Ltda	34,342	922	-	-
Raízen Paraguaçu Ltda	-	3,622	-	-
Agrícola Ponte Alta Ltda.	-	1,932	-	-
Other	3	1,941	-	-
	<u>730,876</u>	<u>48,006</u>	<u>154,277</u>	<u>12,160</u>
Commercial and administrative operations (2)				
Raízen Combustíveis S.A. and its subsidiaries	63,265	125,040	1,731,751	408,632
Nova América Agrícola Caarapó Ltda.	-	-	110,952	119,694
Shell Trading US Company	-	-	83,924	1,265
Raízen and Wilmar Sugar Pte. Ltd.	-	-	56,047	825
Agroterenas S.A.	-	-	34,338	39,324
Rumo Group	21,046	20,459	21,304	20,609
Shell Trading Rotterdam	-	-	12,709	-
Cosan S.A. Indústria e Comércio	12,208	9,726	12,208	9,726
Comgás – Companhia de Gás de São Paulo	11,843	13,017	11,843	13,017
Philipinas Shell Petroleum Corp.	-	-	5,056	4,007
Raízen International Universal Corporation	62,726	86,827	-	-
Raízen Paraguaçu Ltda.	17,253	61,231	-	-
Raízen Araraquara Açúcar e Alcool Ltda.	5,303	7,363	-	-
Raízen Centroeste Açúcar e Alcool Ltda.	4,534	4,273	-	-
Unimodal Ltda.	3,617	3,617	-	-
Raízen Trading LLP	118,994	407	-	-
Other	9,633	9,143	18,155	6,438
	<u>330,422</u>	<u>341,103</u>	<u>2,098,287</u>	<u>623,537</u>
Financial operations (3)				
Raízen Combustíveis S.A. and its subsidiaries	-	-	2,963,729	2,572,495
Corporate restructuring				
Geo Energética Participações S.A (Note 10.d.i)	-	-	1,663	-
Framework operations (4)				
Cosan S.A Indústria e Comércio	545,454	501,957	612,469	561,819
Shell Brazil Holding B.V	329	212	329	212
	<u>545,783</u>	<u>502,169</u>	<u>612,798</u>	<u>562,031</u>
	<u>1,607,081</u>	<u>891,278</u>	<u>5,830,754</u>	<u>3,770,223</u>
Current assets	<u>(1,247,672)</u>	<u>(579,199)</u>	<u>(2,413,896)</u>	<u>(750,419)</u>
Non-current assets	<u>359,409</u>	<u>312,079</u>	<u>3,416,858</u>	<u>3,019,804</u>

RAÍZEN ENERGIA S.A.

Notes from management to financial statements March 31, 2019 (In thousands of reais, unless otherwise indicated)

	Parent company		Consolidated	
	2019	2018	2019	2018
Liabilities				
Classification of liabilities per currency:				
Domestic (domestic currency)	1,128,001	746,536	826,730	753,119
Abroad (foreign currency) (Note 24.d)	1,947,767	1,455,210	228,468	118,009
	<u>3,075,768</u>	<u>2,201,746</u>	<u>1,055,198</u>	<u>871,128</u>
Asset management (1)				
Raízen Combustíveis S.A. and its subsidiaries	244,530	103,403	244,530	103,403
Bioenergia Barra Ltda and its subsidiaries	175,973	101,115	-	-
Raízen Caarapó Açúcar e Alcool Ltda.	27,837	10,269	-	-
Raízen Centrooeste Açúcar e Alcool Ltda.	37,959	533	-	-
Raízen Araraquara Açúcar e Alcool Ltda.	37,492	451	-	-
Agrícola Ponte Alta Ltda.	67,101	-	-	-
WX Energy Comercializadora de Energia Ltda.	77,533	-	-	-
Raízen Paraguaçu Ltda.	30,893	-	-	-
Benálcool Açúcar e Alcool Ltda.	1,397	-	-	-
	<u>700,715</u>	<u>215,771</u>	<u>244,530</u>	<u>103,403</u>
Commercial and administrative operations (2)				
Shell Trading US Company	-	-	148,501	114,143
Raízen and Wilmar Sugar Pte. Ltd	-	-	79,967	299
Raízen Combustíveis S.A. and its subsidiaries	17,459	30,635	34,360	43,829
Rumo Group	18,694	21,371	20,891	24,014
Nova América Agrícola Caarapó Ltda.	-	-	19,464	9,731
Agroterenas S.A.	-	-	15,703	12,934
Nova América Agrícola Ltda.	-	-	9,769	9,428
Propriedades Agrícola Radar and its subsidiaries	5,375	5,091	5,375	5,091
Cosan S.A. Indústria e Comércio	1,826	7,094	1,826	7,094
Raízen Internacional Universal Corporation	312,668	7,595	-	-
Raízen Trading LLP.	99,736	157,001	-	-
Raízen Paraguaçu Ltda.	12,303	21,841	-	-
Bioenergia Barra Ltda and its subsidiaries	6,580	4,042	-	-
Agrícola Ponte Alta Ltda.	44	19,665	-	-
Other	14,336	13,622	11,144	11,462
	<u>489,021</u>	<u>287,957</u>	<u>347,000</u>	<u>238,025</u>
Financial operations (3)				
Shell Finance B.V.	-	3,567	-	3,567
Cosan S.A. Indústria e Comércio	-	3,032	-	3,032
Raízen Fuels Finance Limited	1,535,363	1,287,047	-	-
	<u>1,535,363</u>	<u>1,293,646</u>	<u>-</u>	<u>6,599</u>
Corporate restructuring				
Logum Logística S.A. (Note 10.d.iii)	-	61,457	-	61,457
Uniduto Logística S.A. (Note 10.d.iii)	-	14,281	-	14,281
Raízen Biogás Ltda. (Note 10.d.i)	9,426	-	-	-
	<u>9,426</u>	<u>75,738</u>	<u>-</u>	<u>75,738</u>
Framework operations (4)				
Cosan S.A Indústria e Comércio	334,167	315,891	458,507	436,535
Agrícola Ponte Alta S.A.	1,915	1,915	-	-
	<u>336,082</u>	<u>317,806</u>	<u>458,507</u>	<u>436,535</u>
Preferred shares (5)				
Cosan S.A Indústria e Comércio	5,161	10,828	5,161	10,828
	<u>3,075,768</u>	<u>2,201,746</u>	<u>1,055,198</u>	<u>871,128</u>
Current liabilities	<u>(1,263,016)</u>	<u>(652,945)</u>	<u>(656,335)</u>	<u>(491,234)</u>
Non-current liabilities	<u>1,812,752</u>	<u>1,548,801</u>	<u>398,863</u>	<u>379,894</u>

RAÍZEN ENERGIA S.A.

Notes from management to financial statements March 31, 2019 (In thousands of reais, unless otherwise indicated)

(1) Asset management

The amount recorded in assets refers to funds made available to companies as a form of managing financial resources. On these transactions, the Company recorded financial income in the amount of R\$ 40,147 and R\$ 21,121 (R\$ 42,066 and R\$ 32,704 in the year ended March 31, 2018), Parent Company and Consolidated, respectively, according to the cash financial management, under the terms of the resource management agreement.

The amount recorded in liabilities refers to funds received from the companies as a form of managing financial resources. On these transactions, the Company recorded financial expenses in the amount of R\$ 64,887 and R\$ 26,741 (R\$ 58,483 and R\$ 15,778 in the year ended March 31, 2018), Parent Company and Consolidated, respectively, according to the cash financial management, under the terms of the resource management agreement.

(2) Commercial and administrative operations

Amount recorded in assets refers to commercial transactions for sale of products such as: sugar, ethanol and other materials, as well as advances for acquisition of sugar cane and port lifting transactions.

Amount recorded in liabilities refers to reimbursement of administrative expenses, rendering of services, advances from clients for export of sugar and purchase of products such as: sugar, sugarcane, diesel, and ethanol.

(3) Financial operations

As of March 31, 2019 and 2018, the amount recorded in assets refers to export prepayment agreements ("PPE") receivable from Raízen Combustíveis S.A., as stated below:

Contract	Currency	Principal value in foreign currency	Maturity	Annual effective average interest rate	Index	Consolidated	
						2019	2018
PPE	USD	219,000	04/27/2020	4.29%	Libor	853,988	725,140
PPE	USD	350,000	01/20/2027	5.49%	-	1,378,404	1,175,749
		569,000				2,232,392	1,900,889
PPE	Euro (€)	66,000	10/15/2021	3.09%	-	292,949	271,996
PPE	Euro (€)	40,000	01/20/2022	1.90%	Euribor	175,669	160,664
PPE	Euro (€)	60,000	01/21/2022	2.19%	Euribor	262,719	238,946
		166,000				731,337	671,606
						2,963,729	2,572,495
					Current	(20,091)	(17,407)
					Non-current	2,943,638	2,555,088

RAÍZEN ENERGIA S.A.

Notes from management to financial statements March 31, 2019 (In thousands of reais, unless otherwise indicated)

As of March 31, 2019 and 2018, the amount recorded in liabilities refers mainly to export prepayment agreements ("PPE") due to Raízen Fuels as shown below:

Contract	Currency	Principal value in foreign currency	Maturity	Annual effective average interest rate	Index	Parent company	
						2019	2018
PPE (1)	USD	200,000	04/30/2024	4.51%	Libor	779,900	762,904
PPE (1)	USD	31,000	04/27/2020	4.29%	Libor	121,381	-
PPE	USD	25,000	01/20/2027	5.49%	-	84,795	273,718
PPE (1)	USD	125,000	01/20/2027	5.49%	-	549,287	250,425
		381,000				1,535,363	1,287,047
					Current	(6,886)	(5,747)
					Non-current	1,528,477	1,281,300

- (1) The Company assigns certain PPE as liability measured at fair value through profit or loss. Accordingly, the said export prepayment is increased by the fair value evaluation in the amount of R\$ 64,359 (R\$ 20,253 on March 31, 2018), with a negative impact in the income (loss) of R\$ 44,106 (negative - R\$ 25,310 as of March 31, 2018), see Note 23.

(4) Framework agreement

As of March 31, 2019, amounts recorded in assets and liabilities refer to amounts spent or payable, fully reimbursable, resulting from establishment of Raízen (Note 1).

(5) Preferred shares

The balance of preferred shares payable, recorded in liabilities, refers to tax benefit amounts to reimburse Cosan, when effectively utilized by the Company, determined at balances of tax losses and negative basis of social contribution and tax benefit on amortization of goodwill ("GW").

During the year ended March 31, 2019, the Company proposed the allocation of R\$ 5,667 of dividends to the holders of Class B preferred shares. See Note 18.b.

RAÍZEN ENERGIA S.A.

Notes from management to financial statements March 31, 2019 (In thousands of reais, unless otherwise indicated)

b) Summary of related-party transactions (4)

	Parent company		Consolidated	
	2019	2018	2019	2018
Sale of products, net of returns				
Raízen Combustíveis S.A. and its subsidiaries	554,252	460,139	7,133,545	2,691,947
Raízen and Wilmar Sugar Pt	-	-	1,384,680	2,223,935
Shell Trading US Company	-	139,777	430,822	280,725
Raízen International Universal	1,624,151	2,182,152	-	-
Raízen Trading LLP	1,217,638	553,869	-	-
Raízen Paraguaçu Ltda.	147,884	68,171	-	-
Other	198,471	28,657	77,004	61,716
	3,742,396	3,432,765	9,026,051	5,258,323
Purchase of goods and services				
Shell Trading US Company	-	-	(1,560,087)	(791,819)
Raízen Combustíveis S.A. and its subsidiaries	(538,665)	(474,295)	(607,966)	(537,235)
Rumo Group (i)	(282,116)	(340,195)	(313,507)	(389,676)
Agroterenas S.A.	-	-	(252,940)	(271,178)
Nova América Agrícola Caarapó Ltda.	-	-	(184,306)	(139,572)
Raízen Araraquara Açúcar e Alcool Ltda.	(89,981)	(34,635)	-	-
Raízen Trading LLP	(459,400)	(321,233)	-	-
Agroterenas S.A. Terra	-	-	(8,407)	(9,533)
Shell Trading Rotterdam	-	-	-	(9,988)
Cosan Lubrificantes e Especialidades S.A.	(15,159)	(14,740)	(20,560)	(18,734)
Shell Brasil Petróleo	(6,408)	(5,340)	(7,776)	(6,433)
CTC - Centro de Tecnologia Canavieira Ltda.	(10,736)	(6,722)	(11,716)	(7,225)
Raízen Paraguaçu Ltda.	(25,334)	(87,880)	-	-
Other	(44,668)	(92,136)	(195,392)	(210,460)
	(1,472,467)	(1,377,176)	(3,162,657)	(2,391,853)
Renewed collection of shared expenses (1)				
Raízen Combustíveis S.A. and its subsidiaries	131,492	142,258	131,492	142,258
Companhia de Gás de São Paulo	34,952	33,868	34,952	33,868
Rumo Group (i)	28,716	26,969	28,716	26,969
Raízen Paraguaçu Ltda.	22,715	25,639	-	-
Bioenergia Barra Ltda and its subsidiaries	9,287	8,637	-	-
Raízen Caarapó Açúcar e Alcool Ltda.	7,608	4,304	-	-
Cosan Lubrificantes e Especialidades S.A.	6,595	6,801	6,596	6,801
Other	22,421	20,994	6,541	7,528
	263,786	269,470	208,297	217,424
Land leases (2)				
Radar group (iii)	(72,179)	(78,069)	(72,179)	(78,069)
Janus Group	(29,397)	(31,224)	(29,397)	(31,224)
Tellus group	(22,299)	(24,322)	(22,299)	(24,322)
Aguassanta Group (ii)	(12,134)	(11,625)	(12,134)	(11,625)
Barrapar Participações S.A.	(21)	(64)	(21)	(64)
	(136,030)	(145,304)	(136,030)	(145,304)
Net financial income (3)				
Raízen Internacional Universal	1,848	21,014	-	-
Raízen Combustíveis S.A. and its subsidiaries	(5,620)	16,926	512,415	336,531
Nova América Agrícola Caarapó Ltda.	-	-	7,040	8,257
Agroterenas S.A.	-	-	618	1,441
Shell Finance B.V.	3,567	(4,578)	3,567	(4,578)
Raízen Trading LLP	(11,561)	(9,704)	-	-
Cosan S.A. Indústria e Comércio	(2,132)	(7,837)	(2,132)	(7,837)
Bioenergia Barra Ltda and its subsidiaries	3,584	(22,268)	-	-
Raízen Fuels Finance Limited	(315,763)	(132,761)	-	-
Other	(23,553)	(9,714)	13	1,543
	(349,630)	(148,922)	521,521	335,357

(i) The term Rumo Group refers to the railway and port operations represented by the companies Rumo S.A., Elevações Portuárias S.A., Logisport Armazéns Gerais S.A., Rumo Malha Sul S.A., Rumo Malha Oeste S.A., Rumo Malha Paulista S.A., Rumo Malha Norte S.A., ALL América Latina Logística Rail Management, Portofer Transporte Ferroviário Ltda. and Brado Logística S.A.

(ii) The term Aguassanta group refers to land lease transactions for the planting of sugarcane with entities Aguassanta Agrícola Ltda., Aguassanta Participações S.A., Aguapar Agrícola Ltda., Palermo Agrícola S.A. and Vila Santa Empreendimentos Imobiliários Ltda.

RAÍZEN ENERGIA S.A.

Notes from management to financial statements March 31, 2019 (In thousands of reais, unless otherwise indicated)

(iii) The term Radar group refers to land lease transactions for the planting of sugarcane, and main entities in the group are Radar Propriedades Agrícolas S.A., Nova Agrícola Ponte Alta S.A., Nova Amaralina S.A., Terras da Ponte Alta, Nova Santa Barbara Agrícola S.A., Radar II Propriedades Agrícolas S.A., Vale da Ponte Alta S.A., Proud Participações S.A. and Bioinvestments Negócios S.A.

- (1) Expenses incurred by shared corporate, management and operating costs reimbursed from related parties;
- (2) Expenses incurred with land leased from related parties, outside Raízen Group;
- (3) It mainly refers to charges produced by the as a way of administering financial resources, due the financial management of cash and PPE.
- (4) Transactions with related parties are entered into under reasonable and cumulative conditions, in line with those prevailing in the market or that the Company would contract with third parties.

c) Summary of shareholder Cosan's recoverable and chargeable balances

	Parent company		Consolidated	
	2019	2018	2019	2018
Current assets				
Other financial assets (Note 8)	-	11,967	-	11,967
Other receivable (i)	55,053	47,252	64,807	55,503
	<u>55,053</u>	<u>59,219</u>	<u>64,807</u>	<u>67,470</u>
Non-current assets				
Judicial deposits (Note 16)	121,788	121,436	234,389	231,865
Other financial assets (Note 8)	89,916	71,802	89,916	71,802
Other receivable (i)	67,410	63,434	69,395	65,398
	<u>279,114</u>	<u>256,672</u>	<u>393,700</u>	<u>369,065</u>
Total assets	<u>334,167</u>	<u>315,891</u>	<u>458,507</u>	<u>436,535</u>
Current liabilities				
Taxes payable	8,442	2,770	10,876	5,144
Reimbursable tax credits (ii)	177,859	187,368	204,892	205,429
	<u>186,301</u>	<u>190,138</u>	<u>215,768</u>	<u>210,573</u>
Non-current liabilities				
Reimbursable tax credits (ii)	167,859	165,050	176,950	175,910
Provision for legal disputes (Note 16)	191,294	146,769	219,751	175,336
	<u>359,153</u>	<u>311,819</u>	<u>396,701</u>	<u>351,246</u>
Total liabilities	<u>545,454</u>	<u>501,957</u>	<u>612,469</u>	<u>561,819</u>

i. Refer mainly to legal expenses receivable from the shareholder.

ii. Refer mainly to tax credits to be reimbursed to shareholder.

d) Other significant information involving related parties

Committed Back-up Credit Facility Agreement

In the year ended March 31, 2019 the Company transferred to Raízen Combustíveis S.A the Revolving Committed Back-up Credit Facility Agreement granted by Shell Finance (Netherlands) B.V. and Cosan S.A. Indústria e Comércio in the amount of US\$ 700.00. The aforementioned credit facility had not been used at the end of the year as of March 31, 2019.

RAÍZEN ENERGIA S.A.

Notes from management to financial statements March 31, 2019
(In thousands of reais, unless otherwise indicated)

e) Directors and members of the Board of Directors

Fixed and variable remuneration to key management personnel, including statutory officers and members of the Board of Directors that is recognized in income (loss) for the year is as follows:

	<u>2019</u>	<u>2018</u>
Regular remuneration	(55,341)	(51,401)
Bonuses and other variable remuneration	<u>(35,521)</u>	<u>(39,489)</u>
Total remuneration	<u>(90,862)</u>	<u>(90,890)</u>

The Company shares the corporate, managerial and operational structures and costs of its related party Raízen Combustíveis S.A. ("RCSA"). Key management personnel and other administrative jobs are performed mainly by employees of the Company. Accordingly, as of March 31, 2019, RCSA reimbursed to the Company throughout the shared structure, including key management personnel and other employees, the amount of R\$ 51,275 (R\$ 64,535 in the year ended in 2018).

f) Other significant information involving related parties

The Company is the guarantor of certain debts and derivative financial instruments of its related party RCSA.

RAÍZEN ENERGIA S.A.

Management notes to interim financial information on March 31, 2019

(In thousands of reais, unless otherwise indicated)

10. Investments

a) Parent company

	Investments (1)				Equity in net income of subsidiaries		
	Country	Business	Percentage of Interest	2019	2018	2019	2018
<u>Book value</u>							
Agrícola Ponte Alta Ltda.	Brazil	Ethanol trade	91.21%	836,221	912,330	104,492	105,617
Benálcool Açúcar e Álcool Ltda.	Brazil	Holding	100.00%	3,678	54,318	1,373	177,152
Centro de Tecnologia Canavieira S.A.	Brazil	R&D	19.04%	113,496	107,928	4,519	2,784
Raízen Caarapó Açúcar e Álcool Ltda.	Brazil	Sugar and ethanol plant	31.48%	227,637	211,580	16,121	12,416
Raízen Centroeste Açúcar e Álcool Ltda.	Brazil	Ethanol plant	47.37%	652,085	684,613	55,120	72,828
Logum Logística S.A. (7)	Brazil	Logistics	30.00%	314,269	132,986	(19,400)	(29,521)
Raízen Araraquara Açúcar e Álcool Ltda. (3)	Brazil	Sugar and ethanol plant	99.99%	915,932	824,956	211,026	24,995
Raízen Fuels Finance S.A.	Luxembourg	Financing	100.00%	54,799	39,887	7,748	7,702
Raízen International Universal Corporation	British Virgin Islands	Ethanol and sugar trade	100.00%	28,485	-	32,274	-
Raízen and Wilmar Sugar PTE Ltd.	Singapore	Trading of sugar	50.00%	35,601	13,448	19,011	12,735
Raízen Energy Finance Ltd.	Cayman Islands	Financing	100.00%	38,161	32,566	(18)	(9)
Raízen Paraguaçu Ltda. (3)	Brazil	Sugar and ethanol plant	100.00%	955,494	999,354	96,994	155,944
TEAS - Terminal Exportador de Alcool de Santos Ltda. (5)	Brazil	Port terminal	-	-	-	-	2,946
Bionergia Barra Ltda.	Brazil	Cogeneration of energy	99.99%	747,890	810,408	250,152	334,674
Uniduto Logística S.A.	Brazil	Logistics	46.48%	48,709	31,416	26,723	(7,504)
Raízen-Geo Biogás S.A. (Note 10.d.i)	Brazil	Biogas plant	85.00%	21,887	-	(1,636)	-
Raízen Trading LLP	United Kingdom	Trading	100.00%	216,773	181,878	117,237	(24,350)
Ryballa Participações Ltda. (6)	Brazil	Sugar and ethanol plant	100.00%	-	-	1,215	-
Subtotal				5,211,117	5,037,668	922,951	848,409
<u>Investment goodwill (4)</u>							
Benálcool Açúcar e Álcool Ltda.			100.00%	49,202	49,202	-	-
Raízen Araraquara Açúcar e Álcool Ltda.			99.99%	197,013	197,013	-	-
Raízen Tarumã Ltda.			100.00%	92,379	92,379	-	-
Uniduto Logística S.A.			46.48%	5,676	5,676	-	-
Centro de Tecnologia Canavieira S.A.			19.04%	45,514	45,514	-	-
At Ryballa Participações Ltda. (6)			100.00%	5,400	-	-	-
Subtotal				395,184	389,784	-	-
Total investments				5,606,301	5,427,452	922,951	848,409
<u>Provision for negative equity in subsidiaries and associated companies (2)</u>							
Raízen International Universal Corporation	British Virgin Islands	Ethanol and sugar trade	100.00%	-	(118)	-	39,802
Unimodal Ltda.	Brazil	Logistics	53.17%	(1,923)	(1,923)	-	-
Raízen-Geo Biogás S.A.	Brazil	Biogas plant	85.00%	-	(41)	-	(63)
Other	Brazil	-	-	(3)	(3)	-	(1)
Total provision for shareholders' deficit				(1,926)	(2,085)	-	39,738
						922,951	888,147

(1) Investments assessed under the equity method; (2) Classified in the non-current liabilities, under "Other obligations" caption; (3) As of March 31, 2019, balances of investments include a portion allocated to goodwill from merger of Curupay and acquisition of Usina Zanin in the amounts of R\$ 94,723 and R\$ 62,933 (Negative) (R\$ 103,383 and R\$ 59,105 (negative) as of March 31, 2018), respectively. Goodwill amortizations of said recognitions, classified in Parent company as equity in investees, totaled R\$ 8,661 and R\$ 3,826 (R\$ 11,869 and R\$ 3,711 on March 31, 2018), respectively; (4) Goodwill on the purchase of shares; (5) On March 29, 2018, TEAS was sold to Grupo Ultra. (6) The Company acquired the company Ryballa on October 8, 2018 through a purchase agreement with Agro Pecuária Furlan S.A., and now holds 100% of its direct interest. See Note 27.1.iii. (7) As of March 31, 2019, the estimated impairment loss included R\$ 131,792 in the investment. See Note 10.d.ii.

RAÍZEN ENERGIA S.A.

Management notes to interim financial information on March 31, 2019

(In thousands of reais, unless otherwise indicated)

(b) Consolidated

	Investments (1)				Equity in net income of subsidiaries		
	Country	Business	Equity interest percentage	2019	2018	2019	2018
<u>Book value</u>							
Centro de Tecnologia Canavieira S.A.	Brazil	R&D	19.58%	116,717	110,989	4,651	2,863
Logum Logística S.A. (3)	Brazil	Logistics	30.00%	314,269	132,986	(19,400)	(29,521)
Uniduto Logística S.A.	Brazil	Logistics	46.48%	48,709	31,416	26,723	(7,500)
Raízen and Wilmar Sugar PTE Ltd.	Singapore	Trading	50.00%	35,601	13,448	19,011	12,735
Subtotal				515,296	288,839	30,985	(21,423)
<u>Investment goodwill (2)</u>							
Uniduto Logística S.A.			46.48%	5,676	5,676	-	-
Centro de Tecnologia Canavieira S.A.			19.58%	51,946	51,946	-	-
Subtotal				57,622	57,622	-	-
Total investments				572,918	346,461	30,985	(21,423)

(1) Investments assessed under the equity method; (2) Goodwill on the purchase of shares; (3) As of March 31, 2019, the estimated impairment loss included R\$ 131,792 in the investment. See Note 10.d.ii.

RAÍZEN ENERGIA S.A.

Management notes to the interim financial information March 31, 2019 (In thousands of reais, unless otherwise indicated)

Movement in interest in subsidiaries and associated companies:

	<u>Parent company</u>	<u>Consolidated</u>
Balance at March 31, 2017	<u>5,629,786</u>	<u>244,429</u>
Equity accounting results	848,409	(21,423)
Additions to investment (Note 10.e.i)	123,058	123,058
Write-off for disposal of ownership interest (Note 10.e.iii)	(47,865)	-
Write-off due to capital decrease (Note 10.e.ii)	(430,256)	-
Dividends declared	(702,367)	-
Other	<u>6,687</u>	<u>397</u>
Balance at March 31, 2018	<u>5,427,452</u>	<u>346,461</u>
Equity accounting results	923,039	30,985
Additions to investment (Note 10.d.i)	82,374	26,793
Dividends declared	(1,010,437)	-
Effect of foreign currency translation - CTA	45,682	-
Revaluations to investment (Note 10.d.ii)	241,259	241,259
First-time adoption of IFRS 9 (Note 2.3.c)	144	-
Decreases in investment (Note 10.d.iii)	(103,570)	(75,738)
Other	<u>358</u>	<u>3,158</u>
Balance at March 31, 2019	<u>5,606,301</u>	<u>572,918</u>

Movement in provision for deficit equity in subsidiaries and associated companies:

	<u>Parent company</u>
Balance at March 31, 2017	<u>(40,813)</u>
Equity accounting results	39,738
Capital gain due to dilution of ownership interest	20
Effect of foreign currency translation - CTA	(1,030)
Balance at March 31, 2018	<u>(2,085)</u>
Equity accounting results	(88)
Other	247
Balance at March 31, 2019	<u>(1,926)</u>

There are no cross-holdings between the parent company and the investees.

RAÍZEN ENERGIA S.A.

Management notes to the interim financial information

March 31, 2019

(In thousands of reais, unless otherwise indicated)

c) **Summarized financial information of associated companies, considering adjustments to equity value, when applicable.**

• March 31, 2019

	Logum Logística S.A. (1)/(2)	Uniduto Logística Ltda. (1)/(2)	Centro de Tecnologia Canavieira S.A. (2)/(4)	Iogen Energy Corporation (3)	Raízen and Wilmar Sugar PTE Ltd. (4)
Assets	2,101,565	104,814	789,042	29,267	593,148
Liabilities	(1,054,003)	(7)	(192,949)	(296,033)	(521,946)
Equity	<u>1,047,562</u>	<u>104,807</u>	<u>596,093</u>	<u>(266,766)</u>	<u>71,202</u>
Net operating revenue	169,620	-	180,452	-	2,082,119
Net income (loss)	(99,780)	(1,288)	23,730	(909)	38,272

• March 31, 2018

	Logum Logística S.A. (1)/(2)	Uniduto Logística Ltda. (1)/(2)	Centro de Tecnologia Canavieira S.A. (2)/(4)	Iogen Energy Corporation (3)	Raízen and Wilmar Sugar PTE Ltd. (4)
Assets	2,287,895	98,340	801,551	34,594	93,584
Liabilities	(1,015,609)	(30,743)	(234,701)	(265,464)	(66,688)
Equity	<u>1,272,286</u>	<u>67,597</u>	<u>566,850</u>	<u>(230,870)</u>	<u>26,896</u>
Net operating revenue	93,834	-	90,011	-	2,804,380
Net income/(loss)	(140,515)	(200)	14,619	(1,214)	25,398

(1) The fiscal year of these investees ends on December 31;

(2) Significant influence over these companies has been defined, mainly, based on the Company's right to elect key management personnel and to decide on their significant operational and some strategic issues.

(3) Jointly controlled entity in which the Company interest is 50% in common shares, whose fiscal year ends on August 31. The Company did not form an estimated loss for equity in net income of subsidiaries, given that it has no legal or constructive obligations to make payments on account of that company.

(4) Year ended March 31, every year.

d) **Transactions occurred in 2019**

i) **Additions to investment**

Capital increase in Logum Logística S.A. ("Logum")

In the year ended March 31, 2019, capital increases were resolved, approved and subscribed totaling R\$ 104,400. The sum underwritten by the Company in these transactions totaled R\$ 20,880, fully paid-in in cash.

RAÍZEN ENERGIA S.A.

Management notes to the interim financial information

March 31, 2019

(In thousands of reais, unless otherwise indicated)

Capital increases in Uniduto Logística S.A. (“Uniduto”)

In the year ended March 31, 2019, capital increases were resolved, approved and subscribed totaling R\$ 10,440. The sum underwritten by the Company in these transactions totaled R\$ 4,852, fully paid-in in cash.

In these operations, there were no changes in the percentage of interest in capital of the investee, since all shareholders effected capital contributions in proportion to their existing holding.

Capital increase at Biogás

As of August 31, 2018, Company’s capital increase was resolved, approved and subscribed totaling R\$ 27,724. Of this amount, R\$ 521 were paid in by the Company on the same date as contribution of assets; R\$ 7,796 (R\$ 6,548 for the Company and R\$ 1,248 for the minority shareholder) were paid in on September 15, 2018 through direct deposit; R\$ 8,318 (R\$ 7,070 by the Company and R\$ 1,248 by the minority shareholder) were paid on October 15, 2018, and R\$ 11,089 (R\$ 9,426 by the Company and R\$ 1,663 by the minority shareholder) will be paid on by April 1, 2019. See Note 9.

Acquisition of Ryballa

On October 8, 2018, RESA acquired investee Ryballa from company Agro Pecuária Furlan S.A. for the amount of R\$ 32,016, and investment and goodwill amount to R\$ 26,616 and R\$ 5,400, respectively. Further details on this transaction in note 27.1.iii.

Capital increase of the Centro de Tecnologia Canavieira (“CTC”)

During the CTC’s Board of Directors’ Meeting held on December 14, 2018 a R\$ 5,652 capital increase in CTC was approved, without an issue of new shares. On February 06, 2019, the capital increase was paid in and ratified by the Board of Directors. Accordingly, the Company recognized an investment of R\$ 1,061, according to the interest held by it.

ii) Revaluation of investment

According to accounting annual evaluation of investment recoverability at Logum pursuant to IAS 36 (CPC 01) - Asset Impairment and IAS 28 (CPC 18) - Investments in Associated Company and Subsidiary, on December 31, 2018, the Company recognized estimated impairment losses, previously recorded, in the amount of R\$162,384, being R\$131,792 in income (loss) for the year under “Other operating income (expenses)” caption (Note 22), referring to direct interest in Logum, and R\$30,592 under “Equity in investees” caption, referring to RESA’s indirect interest in Logum via associated company Uniduto.

In the year ended March 31, 2019, Logum obtained capital contributions from the shareholders, completed its corporate restructuring process and contracted a long-term loan. These main factors allowed Logum to implement and develop Phase I of the project, by balancing the capacity to collect and deliver fuels and having access to the largest consumer center in the country, the metropolitan region of São Paulo. Furthermore, Logum negotiated supply agreements and signed contracts to use Transpetro's infrastructure with Petrobras. Thus, the current infrastructure of the project is the backbone of the next business plan stages, which will increase volumes as system gains capillarity, connecting ethanol producers and consumers.

RAÍZEN ENERGIA S.A.

Management notes to the interim financial information

March 31, 2019

(In thousands of reais, unless otherwise indicated)

These factors and assumptions were considered sufficient and resulted in a positive cash flow projection for the project, higher than the investment's accounting balances.

Moreover, upon completion of the corporate restructuring, RESA obtained an additional shareholding from former shareholders of Logum, its associated company, generating a gain in the ownership interest of R\$ 109,467, recognized as a contraentry to profit (loss) for the year under "Other operating income (expenses)" (Note 22).

At the end of these operations, the Company started to hold direct and indirect ownership interest of 30% and 34.65%, respectively, in Logum (20.81% and 25.65% as of March 31, 2018).

iii) Decreases in investment

Capital decrease to be paid-up at Logum

On December 27, 2018, the shareholders, as a result of the agreed corporate restructuring, decided to cancel the subscribed but not paid-in capital in Logum and due to this, RESA recognized a decrease in the investment of R\$ 61,457. Impacts were recorded in caption "Related parties", see note 9.

Capital decrease to be paid-up - Uniduto

On December 27, 2018, Logum's shareholders, as a result of the agreed corporate restructuring, the shareholders decided to cancel the subscribed but not paid-in capital. Due to this, the capital to be paid by RESA in Uniduto for the indirect interest in Logum was also canceled, representing a reduction in RESA's investment in Uniduto, in the amount of R\$ 14,281. Impacts were recorded in caption "Related parties", see note 9.

Ryballa Merger

On January 2, 2019, Ryballa was merged into RESA. As a result of this transaction, the Company recognized a reduction of R\$ 27,832 in investment. Further details on this transaction in note 27.1.iii.

RAÍZEN ENERGIA S.A.

Management notes to the interim financial information

March 31, 2019

(In thousands of reais, unless otherwise indicated)

iv) Dividends declared

Subsidiary	Determination period	Assigned	Received	Allocation date	Receipt date	Dividends
						Receivable
Raízen Trading	2017/2018 crop	87,060	(87,060)	03/31/2018	06/22/2018	-
Bio Barra	2017/2018 crop	3,347	(3,347)	03/31/2018	03/22/2019	-
Raízen Paraguaçu	2017/2018 crop	1,406	(1,406)	03/31/2018	03/22/2019	-
Agrícola Ponte Alta	2017/2018 crop	801	(801)	03/31/2018	03/22/2019	-
Benálcool	2017/2018 crop	533	(533)	03/31/2018	03/22/2019	-
Raízen Centroeste	2017/2018 crop	472	(472)	03/31/2018	03/22/2019	-
Raízen Caarapó	2017/2018 crop	22	(22)	03/31/2018	03/22/2019	-
Raízen Trading	2017/2018 crop	58,407	(58,407)	06/22/2018	06/22/2018	-
Bio Barra	2017/2018 crop	310,000	(310,000)	09/27/2018	10/30/2018	-
Raízen Paraguaçu	2017/2018 crop	140,000	(140,000)	09/27/2018	10/25/2018	-
Agrícola Ponte Alta	2017/2018 crop	125,868	(125,868)	10/29/2018	10/24/2018	-
Benálcool	2017/2018 crop	52,000	(52,000)	09/27/2018	09/28/2018	-
Raízen Centroeste	2017/2018 crop	71,055	(71,055)	09/27/2018	10/24/2018	-
Agrícola Ponte Alta	2018/2019 crop	54,725	(54,725)	03/22/2019	03/28/2019	-
Raízen Araraquara	2018/2019 crop	120,000	(120,000)	03/22/2019	03/28/2019	-
Raízen Centroeste	2018/2019 crop	16,580	(16,580)	03/22/2019	03/28/2019	-
Bio Barra	2018/2019 crop	2,500	-	03/22/2019	-	2,500
Raízen Trading	2018/2019 crop	58,450	-	03/22/2019	-	58,450
Benálcool	2018/2019 crop	14	-	03/22/2019	-	14
Raízen Caarapó	2018/2019 crop	60	-	03/22/2019	-	60
Raízen Paraguaçu	2018/2019 crop	778	-	03/22/2019	-	778
		<u>1,104,078</u>	<u>(1,042,276)</u>			<u>61,802</u>

RAÍZEN ENERGIA S.A.

Management notes to the interim financial information

March 31, 2019

(In thousands of reais, unless otherwise indicated)

e) Transactions occurred in 2018

i) Additions to investment

Capital increase in Logum Logística S.A. (“Logum”)

During the year ended March 31, 2018, Company’s capital increase was resolved, approved and subscribed totaling R\$ 498,000. The company recorded in this operation pursuant to its interest. The amount of R\$ 97,889 was paid in the form of current account credit, and R\$ 1,711 on the settlement for advance for future capital increase.

At the end of these operations, the Company started to hold direct and indirect ownership interest of 20.81% and 25.65%, respectively, in Logum (21.28% and 26.23% as of March 31, 2017).

Capital increases in Uniduto Logística S.A. (“Uniduto”)

In the year ended March 2018, the Company’s capital increase was resolved, approved and subscribed totaling R\$ 49,800. The Company recorded the amount of R\$ 23,146 in this transaction, according to its interest and paid-up by means of credit in current account.

In these operations, there were no changes in the percentage of interest in capital of the investee, since all shareholders effected capital contributions in proportion to their existing holding.

Capital increase at Raizen and Wilmar Sugar PTE. Ltd. (“RaW”)

On September 30, 2016, a capital increase of US\$ 200, corresponding to R\$ 623 was decided, upon subscription of 200,000 shares of US\$ 1 each. On April 3, 2017, the Company paid up in this operation, the amount of US\$ 100, corresponding to R\$ 312 by means of credit in current accounts, proportional to its interest of 50%.

ii) Investment reductions

Capital decrease in Raízen Centroeste

On November 22, 2017, the subsidiary Raízen Centroeste decided in common agreement with its shareholders Agrícola Ponte Alta and RESA, to reduce its capital by R\$ 500,000. According to its interest, the Company recorded the amount of R\$ 236,850 for this operation, received as credit in current account as of November 30, 2017.

Capital decrease in Agrícola Ponte Alta

On March 26, 2018, the subsidiary Agrícola Ponte Alta decided in common agreement with its shareholders Raízen Araraquara Açúcar e Alcool and RESA, to reduce the capital by R\$ 163,100. According to its interest, the Company recorded the amount of R\$ 148,762 for this operation, received as credit in current account as of March 28, 2018.

RAÍZEN ENERGIA S.A.

Management notes to the interim financial information

March 31, 2019

(In thousands of reais, unless otherwise indicated)

Capital decrease in Benálcool

The partial spin-off of the subsidiary Benálcool occurred on March 29, 2018, reducing its capital by R\$ 331,000. The Company recorded the amount of R\$ 44,644 for this operation, received as credit in current account as of March 29, 2018. The remainder amount, representing R\$ 286,356, was recognized as an investment at Raízen Trading, which was then directly controlled by RESA.

iii) Disposal of ownership interest (investments)

On March 29, 2018, RESA and Raízen Araraquara sold TEAS, a company in which they held 99.99% and 0.01% of the capital, respectively. The buyer was the group UltraCargo Operações Logísticas e Participações Ltda. The adjusted final sale price of the transaction was R\$ 106,430, whereas an amount of R\$ 100,000 was received in cash via a current account credit on March 29, 2018, and the remaining balance of R\$ 6,430 was recognized on the same date as other receivables arising mainly from adjustments in working capital and net debt. In the year ended March 31, 2018, the Company received R\$ 3,662.

The calculation of the accounting impacts in RESA's consolidated is as follows:

Captions	Total
Final price	106,430
Write-off of net assets	(47,865)
Write-off of goodwill (Note 12)	(4,818)
Capital gain (Note 22)	<u>53,747</u>

The breakdown of net assets written-off by the sale is as follows:

Captions	Total
Cash and cash equivalents	3,662
Recoverable income tax and social contribution	1,967
Recoverable taxes and contributions	1,862
Deferred income tax and social contribution (Note 15.b.3)	1,054
Judicial deposits	72
Property, plant and equipment (Note 11)	39,261
Provision for legal disputes	(13)
	<u>47,865</u>

RAÍZEN ENERGIA S.A.

Notes from management to financial statements March 31, 2019 (In thousands of reais, unless otherwise indicated)

11. Property, plant and equipment

a) Parent company

	Lands and rural properties	Buildings and improvements	Machinery, equipment and facilities	Aircrafts, vessels and vehicles	Furniture, fixtures and IT equipment	Works in progress	Frequently replaced parts and accessories	Sugarcane planting	Other	Total
Cost:										
March 31, 2017	9,329	712,528	3,870,431	479,939	145,814	276,107	816,556	3,736,443	19,711	10,066,858
Additions	-	1,586	15,418	2,871	972	487,278	486,490	427,590	-	1,422,205
Business combination	5,586	74,640	228,136	25,923	1,032	-	-	115,830	-	451,147
Write-offs	-	(4,455)	(124,950)	(30,160)	(12,909)	(1,178)	-	-	(735)	(174,387)
Transfer between cost and depreciation	-	-	-	-	-	-	(343,417)	-	-	(343,417)
Transfers (2)	-	41,099	263,857	36,283	12,473	(370,884)	2,562	-	34	(14,576)
Reversal of estimated net loss (3)	-	33	14,958	(98)	833	-	-	-	-	15,726
March 31, 2018	14,915	825,431	4,267,850	514,758	148,215	391,323	962,191	4,279,863	19,010	11,423,556
Additions	-	2,844	20,258	943	1,918	531,110	523,072	579,019	-	1,659,164
Business combination (1)	-	-	(6,290)	(3,217)	-	(521)	-	20,948	-	10,920
Write-offs	-	(7)	(44,044)	(33,946)	(8,920)	-	-	-	(4,087)	(91,004)
Transfer between cost and depreciation	-	-	-	-	-	-	(510,411)	-	-	(510,411)
Transfers (2)	-	118,969	283,980	37,916	40,329	(517,816)	-	-	144	(36,478)
Reversal of estimated net loss (3)	-	(2)	1,927	(141)	-	-	-	-	-	1,784
March 31, 2019	14,915	947,235	4,523,681	516,313	181,542	404,096	974,852	4,879,830	15,067	12,457,531
Accumulated depreciation:										
March 31, 2017	-	(234,155)	(1,464,729)	(220,638)	(92,183)	-	(343,417)	(2,739,367)	(19,404)	(5,113,893)
Depreciation expense for the year	-	(23,826)	(191,966)	(37,424)	(16,407)	-	(510,410)	(347,334)	(260)	(1,127,627)
Write-offs	-	4,329	109,849	25,148	11,509	-	-	(325)	651	151,161
Transfer between cost and depreciation	-	-	-	-	-	-	343,417	-	-	343,417
Transfers (2)	-	(426)	248	(231)	431	-	-	-	3	25
March 31, 2018	-	(254,078)	(1,546,598)	(233,145)	(96,650)	-	(510,410)	(3,087,026)	(19,010)	(5,746,917)
Depreciation expense for the year	-	(27,379)	(234,432)	(44,668)	(18,161)	-	(504,671)	(370,695)	(5)	(1,200,011)
Write-offs	-	5	37,326	25,073	7,473	-	-	-	3,976	73,853
Transfer between cost and depreciation	-	-	-	-	-	-	510,410	-	-	510,410
Transfers (2)	-	(3,169)	6,479	(659)	(3,211)	-	-	-	-	(560)
March 31, 2019	-	(284,621)	(1,737,225)	(253,399)	(110,549)	-	(504,671)	(3,457,721)	(15,039)	(6,363,225)
Net residual value:										
March 31, 2019	14,915	662,614	2,786,456	262,914	70,993	404,096	470,181	1,422,109	28	6,094,306
March 31, 2018	14,915	571,353	2,721,252	281,613	51,565	391,323	451,781	1,192,837	-	5,676,639

(1) Refers to: i) the final adjustments in the allocation of the acquisition price of Santa Candida and Paraíso plants in the amount of (R\$ 9,507). See Note 27.1.i; ii) Contribution of capital in Raízen Biogás through the transfer of assets in the amount of (R\$ 521), see Note 10.d.i; iii) Acquisition of Ryballa in the amount of R\$ 20,948, see Note 27.1.iii.

(2) Relates to the transfers between classes of property, plant and equipment and of intangible assets.

(3) Refers to reversal of estimated net loss in fixed assets, recognized in income (loss) for the year under "Other operating income (expenses), net" caption (Note 22).

RAÍZEN ENERGIA S.A.

Notes from management to financial statements March 31, 2019 (In thousands of reais, unless otherwise indicated)

b) Consolidated

	Lands and rural properties	Buildings and improvements	Machinery, equipment and facilities	Aircrafts, vessels and vehicles	Furniture, fixtures and IT equipment	Works in progress	Frequently replaced parts and accessories	Sugarcane planting	Other	Total
Cost:										
March 31, 2017	35,211	1,303,010	7,977,550	553,010	176,600	609,729	1,066,581	4,382,729	33,413	16,137,833
Additions	-	4,063	27,784	3,107	1,298	614,153	629,503	478,359	-	1,758,267
Business combination	5,586	74,640	228,136	25,923	1,032	-	-	115,830	-	451,147
Write-off for disposal of ownership interest (4)	(1,366)	(17,800)	(34,740)	-	(36)	(9)	-	-	-	(53,951)
Write-offs	-	(4,469)	(156,578)	(35,088)	(16,878)	(3,989)	-	-	(5,489)	(222,491)
Transfer between cost and depreciation	-	-	-	-	-	-	(452,743)	-	-	(452,743)
Transfers (2)	300	120,534	497,699	39,068	15,656	(691,626)	2,560	-	1,221	(14,588)
Reversal of estimated net loss (3)	-	33	13,419	(124)	935	-	-	-	-	14,263
Other	(1,805)	-	900	1	53	-	-	-	-	(851)
March 31, 2018	37,926	1,480,011	8,554,170	585,897	178,660	528,258	1,245,901	4,976,918	29,145	17,616,886
Additions	-	3,359	27,117	1,384	4,386	709,476	664,582	640,521	(3)	2,050,822
Business combination (1)	-	66	(6,277)	(3,217)	79	-	-	20,948	-	11,599
Write-offs	-	(7)	(55,279)	(32,114)	(9,124)	-	-	-	(4,087)	(100,611)
Transfer between cost and depreciation	-	-	-	-	-	-	(665,300)	-	-	(665,300)
Transfers (2)	-	169,317	361,185	37,901	45,579	(656,038)	-	-	5,312	(36,744)
Reversal of estimated net loss (3)	-	-	5,148	(241)	(7)	-	-	-	-	4,900
Other	-	-	-	-	75	-	-	-	-	75
March 31, 2019	37,926	1,652,746	8,886,064	589,610	219,648	581,696	1,245,183	5,638,387	30,367	18,881,627
Accumulated depreciation:										
March 31, 2017	-	(373,644)	(2,830,987)	(256,582)	(112,345)	-	(452,743)	(3,253,454)	(31,451)	(7,311,206)
Depreciation expense for the year	-	(38,070)	(373,999)	(42,881)	(19,325)	-	(665,301)	(391,099)	(794)	(1,531,469)
Write-offs	-	4,353	138,241	27,822	15,213	-	-	(346)	5,402	190,685
Transfer between cost and depreciation	-	-	-	-	-	-	452,743	-	-	452,743
Write-off for disposal of ownership interest (4)	-	4,434	10,229	-	27	-	-	-	-	14,690
Transfers (2)	-	(752)	597	(263)	396	-	-	-	17	(5)
March 31, 2018	-	(403,679)	(3,055,919)	(271,904)	(116,034)	-	(665,301)	(3,644,899)	(26,826)	(8,184,562)
Depreciation expense for the year	-	(43,591)	(421,071)	(50,540)	(21,344)	-	(648,027)	(411,733)	(1,811)	(1,598,117)
Write-offs	-	5	43,944	27,009	7,647	-	-	-	3,976	82,581
Transfer between cost and depreciation	-	-	-	-	-	-	665,301	-	-	665,301
Transfers (2)	-	(6,404)	10,426	(1,171)	(3,409)	-	-	-	(1)	(559)
March 31, 2019	-	(453,669)	(3,422,620)	(296,606)	(133,140)	-	(648,027)	(4,056,632)	(24,662)	(9,035,356)
Net residual value:										
March 31, 2019	37,926	1,199,077	5,463,444	293,004	86,508	581,696	597,156	1,581,755	5,705	9,846,271
March 31, 2018	37,926	1,076,332	5,498,251	313,993	62,626	528,258	580,600	1,332,019	2,319	9,432,324

(1) Refers to: i) Final adjustments in the allocation of the acquisition price of Santa Candida and Paraíso plants in the amount of (R\$ 9,507), see Note 27.1.i; ii) Acquisition of RWXE in the amount of R\$ 158, see Note 27.1.ii; iii) Acquisition of Ryballa in the amount of R\$ 20,948, see Note 27.1.i.iii.

(2) Relates to the transfers between classes of property, plant and equipment and of intangible assets.

(3) Refers to reversal of estimated net loss in fixed assets, recognized in income (loss) for the year under "Other operating income (expenses), net" caption (Note 22).

(4) Refers to the sale of TEAS. For further details, see Note 10.e.iii.

RAÍZEN ENERGIA S.A.

Notes to the Financial Statements

March 31, 2019

(In thousands of reais, unless otherwise indicated)

Constructions in progress

The balance of constructions in progress refers mainly to: i) stillage concentration project; ii) project for reception of chopped sugarcane and separation of straw for co-generation of energy; iii) installation of tanks to expand ethanol storage capacity; and iv) new conversion plant of stillage into Biogas and; v) investments to maintain and improve processing, agricultural automation, as well as in Security, Health and Environment.

In the year ended March 31, 2019, several projects were completed in the total amount of R\$ 633,254.

Borrowing cost capitalization

During year ended March 31, 2019 the costs of loans capitalized in the Parent Company and Consolidated were R\$ 23,183 and R\$ 29,719 (R\$ 19,321 and R\$ 32,680 as of March 31, 2018), respectively. The annual weighted average rates of debt financial charges for the Parent Company and Consolidated, used for capitalization of interest in the balance of construction in progress were 6.57% and 6.65% as of March 31, 2019 (7.28% and 7.48% as of March 31, 2018), respectively.

Financial lease

As March 31, 2019, the machinery and equipment classes include net residual values of R\$ 11,123 (R\$ 24,344 as of March 31, 2018), Parent Company and Consolidated in which the Company is the lessee under a financial lease.

Property, plant and equipment provided as collateral and industrial equipment purchase commitments

As of March 31, 2019, loans and financing are secured by land, building and machinery in the total amount of R\$ 454,991 and R\$ 922,895 (R\$ 642,821 and R\$ 1,093,646 as of March 31, 2018), in the Parent Company and Consolidated, respectively.

RESA has contracts to purchase industrial equipment with the purpose of maintenance and expansion of plants, as well as to meet the needs of electric energy cogeneration projects, totaling R\$ 38,697 (R\$ 37,778 as of March 31, 2018).

RAÍZEN ENERGIA S.A.

Notes to the Financial Statements

March 31, 2019

(In thousands of reais, unless otherwise indicated)

12. Intangible assets

a) Parent company

	Software license	Goodwill	Agricultural Partnership Agreements	Sugarcane supply agreements	Technology (5)	Total
Cost or evaluation:						
March 31, 2017	185,135	1,213,357	18,411	26,011	179,876	1,622,790
Additions	2,518	-	-	-	3,853	6,371
Business combinations (3)	-	410,137	-	-	-	410,137
Write-off for disposal of ownership interest (4)	-	(4,818)	-	-	-	(4,818)
Transfers (2)	14,578	-	-	-	-	14,578
March 31, 2018	202,231	1,618,676	18,411	26,011	183,729	2,049,058
Additions	54	-	-	-	1,407	1,461
Business combinations (1)	-	21,135	-	-	-	21,135
Transfers (2)	36,478	-	-	-	-	36,478
March 31, 2019	238,763	1,639,811	18,411	26,011	185,136	2,108,132
Accumulated amortization:						
March 31, 2017	(107,626)	(368,026)	(12,251)	(12,736)	(35,975)	(536,614)
Amortization expenses for the year	(23,598)	-	(3,225)	(2,870)	(17,987)	(47,680)
Transfers (2)	(25)	-	-	-	-	(25)
March 31, 2018	(131,249)	(368,026)	(15,476)	(15,606)	(53,962)	(584,319)
Amortization expenses for the year	(27,746)	-	(2,686)	(3,405)	(18,372)	(52,209)
Transfers (2)	560	-	(249)	249	-	560
March 31, 2019	(158,435)	(368,026)	(18,411)	(18,762)	(72,334)	(635,968)
Net residual value:						
March 31, 2019	80,328	1,271,785	-	7,249	112,802	1,472,164
March 31, 2018	70,982	1,250,650	2,935	10,405	129,767	1,464,739

(1) Refers to the final adjustments in the allocation of the acquisition price of Santa Candida and Paraíso plants. See Note 27.1.i.

(2) Relates to the transfers between classes of property, plant and equipment and of intangible assets.

(3) Refers to acquisition of Santa Cândida and Paraíso plants. For further details, see Note 27.1.i.

(4) Refers to the sale of TEAS. For further details, see Note 10.e.iii.

(5) Refers to technology developed by Iogen to produce second-generation ethanol ("E2G"). These technologies are represented by contractual rights including, among others, RESA's exclusive marketing of those rights in the locations where it operates. The average period of amortization will be 10 years, which is the expected return period of the technologies developed for the production of E2G.

RAÍZEN ENERGIA S.A.

Notes to the Financial Statements

March 31, 2019

(In thousands of reais, unless otherwise indicated)

b) Consolidated

	Software license	Goodwill	Agricultural Partnership Agreements	Sugarcane supply agreements	Contractual relationships with clients	Public concession rights of use	Technology (5)	Other (6)	Total
Cost or evaluation:									
March 31, 2017	205,906	1,538,446	18,411	181,516	-	12,541	179,876	24,377	2,161,073
Additions	2,518	-	-	-	-	-	3,853	-	6,371
Business combination (3)	-	410,137	-	-	-	-	-	-	410,137
Write-off for disposal of ownership interest (4)	(50)	(4,818)	-	-	-	-	-	-	(4,868)
Write-offs	(13)	-	-	-	-	-	-	-	(13)
Transfers (2)	14,587	-	-	-	-	-	-	-	14,587
Other	-	-	-	-	-	-	-	379	379
March 31, 2018	222,948	1,943,765	18,411	181,516	-	12,541	183,729	24,756	2,587,666
Additions	130	-	-	-	-	-	1,407	(75)	1,462
Business combination (1)	3	34,965	-	-	16,196	-	-	-	51,164
Transfers (2)	36,672	-	-	-	-	-	-	72	36,744
Other	-	-	-	-	-	-	-	1,358	1,358
March 31, 2019	259,753	1,978,730	18,411	181,516	16,196	12,541	185,136	26,111	2,678,394
Accumulated amortization:									
March 31, 2017	(127,573)	(431,380)	(12,250)	(79,689)	-	(10,787)	(35,975)	(20,378)	(718,032)
Amortization expenses for the year	(23,906)	-	(3,226)	(11,506)	-	(1,408)	(17,988)	(828)	(58,862)
Write-off for disposal of ownership interest (4)	50	-	-	-	-	-	-	-	50
Write-offs	13	-	-	-	-	-	-	-	13
Transfers (2)	6	-	-	-	-	-	-	-	6
March 31, 2018	(151,410)	(431,380)	(15,476)	(91,195)	-	(12,195)	(53,963)	(21,206)	(776,825)
Amortization expenses for the year	(28,050)	-	(2,686)	(10,966)	-	(346)	(18,369)	-	(60,417)
Transfers (2)	559	-	(249)	249	-	-	-	-	559
March 31, 2019	(178,901)	(431,380)	(18,411)	(101,912)	-	(12,541)	(72,332)	(21,206)	(836,683)
Net residual value:									
March 31, 2019	80,852	1,547,350	-	79,604	16,196	-	112,804	4,905	1,841,711
March 31, 2018	71,538	1,512,385	2,935	90,321	-	346	129,766	3,550	1,810,841

(1) Refers to: i) Final adjustments in the allocation of the acquisition price of Santa Candida and Paraíso plants in the amount of R\$ 21,135, see Note 27.1.i; ii) Acquisition of RWXE in the amount of R\$ 24.629, see Note 27.1.ii; iii) Acquisition of Ryballa in the amount of R\$ 5,400, see Note 27.1.i.iii.

(2) Relates to the transfers between classes of property, plant and equipment and of intangible assets.

(3) Refers to acquisition of Santa Cândida and Paraíso plants. For further details, see Note 27.1.i.

(4) Refers to the sale of TEAS. For further details, see Note 10.e.iii.

(5) Refers to technology developed by Iogen to produce second-generation ethanol ("E2G"). These technologies are represented by contractual rights including, among others, RESA's exclusive marketing of those rights in the locations where it operates. The average period of amortization will be 10 years, which is the expected return period of the technologies developed for the production of E2G.

(6) Intangible assets recorded at Raízen Trading corresponding to the client portfolio and licenses acquired in business combinations for operations in Europe and the United States.

RAÍZEN ENERGIA S.A.

Notes to the Financial Statements

March 31, 2019

(In thousands of reais, unless otherwise indicated)

Goodwill

Refers to goodwill paid for expected future profitability, amortized on a straight-line basis up to March 31, 2009, when, as required by IAS 38 (CPC 04) - Intangible Assets, it was no longer amortized. On March 31, 2019 and 2018, goodwill balance is as follows:

Goodwill	Parent company		Consolidated	
	2019	2018	2019	2018
Upon acquisition of Costa Rica Canavieira Ltda.	57,169	57,169	57,169	57,169
Upon acquisition of Cerrado Açúcar e Alcool S.A.	24,660	24,660	24,660	24,660
Upon acquisition of former Cosan S.A. Açúcar e Alcool (current RESA)	558	558	558	558
Upon acquisition of Univalem S.A. Açúcar e Alcool	5,018	5,018	5,018	5,018
Upon acquisition of Usina Açucareira Bom Retiro S.A.	81,575	81,575	81,575	81,575
Upon acquisition of Usina Benálcool	100,046	100,046	149,247	149,247
Upon acquisition of Usina Santa Luíza	42,348	42,348	42,348	42,348
Upon acquisition of Usina Zanin Açúcar e Alcool	-	-	98,380	98,380
Upon acquisition of Vertical	-	-	4,313	4,313
Upon acquisition of Corona Group	380,003	380,003	380,003	380,003
Upon acquisition of Destivale Group	42,494	42,494	42,494	42,494
Upon acquisition of Mundial Group	87,435	87,435	87,435	87,435
Upon establishment of FBA – Franco Brasileira S.A. Açúcar e Alcool	4,407	4,407	4,407	4,407
Upon merger of Curupay S.A. Participações	-	-	109,841	109,841
Upon capital payment at Mundial	14,800	14,800	14,800	14,800
In acquisition of Santa Cândida and Paraíso plants (Note 27.1.i)	431,272	410,137	431,272	410,137
Upon acquisition of Participações S.A. (Note 27.1.ii)	-	-	8,430	-
Upon acquisition of Ryballa Participações Ltda. (Note 27.1.iii)	-	-	5,400	-
	1,271,785	1,250,650	1,547,350	1,512,385

Impairment analysis for cash generating units containing goodwill

The Company tests goodwill for impairment at least on an annual basis.

Goodwill is allocated to the Cash-generating Units (CGUs) identified according to the operating region, as follows:

Operating region	Consolidated	
	2019	2018
Piracicaba	144,144	138,744
Jaú	431,830	410,695
Araraquara	545,391	545,391
Araçatuba	303,401	303,401
Assis	109,841	109,841
Other	12,743	4,313
	1,547,350	1,512,385

The Company, to determine recoverable value, uses the value in use method, which is based on projection of expected discounted cash flows of cash generating units determined by Management based on budgets that take into consideration assumptions related to each CGU using information available in the market and prior performances. Discounted cash flows were prepared over a period of 20 years, according to the reasonable recovery time of the assets related to the activities of the Company's economic industry. Actual growth rate was not considered in the cash flow period nor in perpetuity, based on past performance and on expected market development. The discount rate used was 6.72% per annum (6.37% on March 31, 2018).

RAÍZEN ENERGIA S.A.

Notes to the Financial Statements

March 31, 2019

(In thousands of reais, unless otherwise indicated)

The main assumptions adopted were as follows: expected sales price of commodities in the long-term, productivity of agricultural areas, performance of Total Recoverable Sugar (“ATR”), and operating and administrative costs. Every cash flow was discounted at rates that reflect specific risks related to relevant assets in each cash generating unit.

As a result of annual tests, no expense for impairment of assets and goodwill was recognized in the years ended March 31, 2019 and 2018. As aforementioned, determination of assets recoverability depends on the accomplishment of certain assumptions that are influenced by market, technological, and economic conditions prevailing at the time in which said recoverability is tested and, therefore, it is not possible to determine if recoverability losses will occur in the future and, in case they occur, if they will be material.

13. Suppliers

	Parent company		Consolidated	
	2019	2018	2019	2018
Materials and services (i)	437,626	419,437	2,029,805	998,682
Sugarcane (i)	182,925	155,140	231,161	196,393
Suppliers – Agreement (ii)	130,896	102,726	1,928,397	806,798
	<u>751,447</u>	<u>677,303</u>	<u>4,189,363</u>	<u>2,001,873</u>
Domestic (domestic currency)	748,721	676,570	1,310,441	903,780
Abroad (foreign currency) (Note 24.d)	<u>2,726</u>	<u>733</u>	<u>2,878,922</u>	<u>1,098,093</u>
	<u>751,447</u>	<u>677,303</u>	<u>4,189,363</u>	<u>2,001,873</u>

- (i) The balance payable to suppliers of materials and services mostly consists of acquisition of machinery and equipment for production facilities, as sourcing of products for resale.
- (ii) The Company has agreements related to payments to financial institutions (“Agreements”) that permit certain suppliers to advance their receivables referring to products and services rendered to the Company, directly with financial institutions. In said Agreements, supplier may choose to grant or not and the financial institutions decide whether to acquire or not said credit, without interference from the Company. Using the Agreements does not imply any change in notes issued by the supplier, and the same original value and payment term conditions are maintained, which, as average, is around 60 to 90 days, period that is consistent with the Company’s recurring operating cycle.

RAÍZEN ENERGIA S.A.

Notes to the Financial Statements

March 31, 2019

(In thousands of reais, unless otherwise indicated)

14. Loans and financing

Description	Final maturity	Index	Financial charges		Parent company		Consolidated	
			Annual effective average interest rate		2019	2018	2019	2018
			2019	2018				
Classification of debts per currency:								
Denominated in Reais					5,314,078	5,115,058	6,318,396	6,798,773
Denominated in US Dollar and Euro (Note 24.d)					1,101,943	-	5,798,674	4,045,946
					6,416,021	5,115,058	12,117,070	10,844,719
Type of debts (1):								
BNDES	Mar/24	URTJLP	9.23%	9.28%	29,916	147,552	31,217	743,555
BNDES	Aug/30	Pre-fixed	3.92%	3.94%	336,657	430,773	565,752	742,341
BNDES	Apr/24	UMBND	6.68%	6.79%	11,795	12,688	35,531	45,589
Debentures	Oct/18	CDI	-	7.38%	-	406,691	-	406,691
Debentures	Oct/20	IPCA + interest	10.52%	10.17%	430,795	413,677	430,795	413,677
PPE	Aug/25	USD + Libor	3.96%	3.56%	1,101,943	-	1,299,758	167,930
Term Loan Agreement	Apr/24	USD + Libor	3.86%	3.49%	-	-	1,755,952	1,496,434
Senior Notes Due 2027 (“Senior 2027”)	Jan/27	Dollar (USA)	5.30%	5.30%	-	-	2,012,038	1,699,276
Resolution 2471 (PESA)	Apr/23	IGP-M	9.42%	8.67%	564,690	947,779	594,381	975,224
PESA	Oct/25	Pre-fixed	3.00%	3.00%	53	61	53	61
Credit Notes	Oct/20	CDI	6.86%	6.85%	171,205	257,355	171,205	257,355
Finame/Leasing	Jan/25	Pre-fixed	6.59%	6.73%	49,634	68,504	76,477	102,392
Finame/Leasing	Mar/21	URTJLP	10.32%	10.02%	89	133	89	133
Rural credit	Apr/20	Pre-fixed	6.05%	-	370,389	-	370,389	-
Certificate of Agribusiness Receivables (CRA)	Mar/25	CDI	6.28%	6.29%	2,353,003	2,054,205	2,804,834	2,508,072
CRA	Mar/26	IPCA + interest	8.85%	9.23%	995,853	375,640	1,237,673	603,685
Schuldschein	Oct/21	Fixed - EUR	2.88%	2.88%	-	-	292,621	273,159
Schuldschein	Sep/22	Euribor	1.87%	1.85%	-	-	438,304	409,145
					6,416,022	5,115,058	12,117,069	10,844,719
Expenses incurred with the placement of the securities:								
BNDES					(1,740)	(2,124)	(2,606)	(3,278)
CRA					(21,313)	(29,729)	(21,313)	(38,989)
Debentures					(539)	(1,266)	(539)	(1,266)
PPE					(13,481)	(39)	(13,642)	(1,317)
Term Loan Agreement					-	-	(574)	(7,155)
Senior Notes Due 2027					-	-	(1,419)	(2,035)
Schuldschein					-	-	-	(11,083)
					(37,073)	(33,158)	(40,093)	(65,123)
					6,378,949	5,081,900	12,076,976	10,779,596
Current					(1,384,892)	(1,223,870)	(1,506,095)	(1,504,014)
Non-current					4,994,057	3,858,030	10,570,881	9,275,582

- (1) Loans and financing are usually secured by Company's promissory notes. In certain cases, they also have collaterals from its subsidiaries and Raízen Combustíveis S.A., in addition to real guarantees such as: i) credit rights deriving from contracts for energy trading (BNDES); ii) CTN (note 8) and mortgage of land (PESA); iii) fixed assets (Note 11); and iv) financed assets pledged in guarantee (Finame).

RAÍZEN ENERGIA S.A.

Notes to the Financial Statements

March 31, 2019

(In thousands of reais, unless otherwise indicated)

Installments falling due in the long term, less the amortizations of expenses incurred with the placement of securities, have the following schedule:

Months:	2019	
	Parent	Consolidate
13–24	1,089,194	2,319,144
25–36	815,628	1,326,476
37–48	64,047	838,056
49–60	975,397	1,265,183
61–72	1,114,937	1,896,418
73–84	924,368	923,519
85–96	2,639	1,994,238
>97	7,847	7,847
	<u>4,994,057</u>	<u>10,570,881</u>

a) BNDES

Correspond to funds raised by the Company and its subsidiaries destined to financing co-generation projects, greenfield, renewal and implementation of new sugarcane fields (Prorenova) and construction of plant for E2G production.

In year ended March 31, 2019, the Company and its subsidiaries made payments in the amount of R\$ 1,000,050, being R\$ 930,090 of principal and R\$ 69,960 of interest.

On March 31, 2019, the Company and its subsidiaries had available credit facilities of financing from BNDES, unused, amounting to R\$ 450,519 (R\$ 115,758 as of March 31, 2018). The use of these credit facilities depends on the fulfillment of certain contractual conditions.

b) Debentures

In October 2013, CVM granted to the Company, registration of its 1st Public Issuance of Simple Debentures through which 750,000 simple, unsecured debentures, not convertible into shares were issued in three series, with par value of R\$1,000, totaling R\$750,000.

The net proceeds from the issuance of debentures, in the amount of R\$ 747,710, were fully used to: (i) strengthen Company's cash in relation to 1st-series debentures and 2nd-series debentures; and (ii) pay part of Company's investment costs related to 2013/2014 crop both in agricultural and industrial areas, pursuant to the terms of Law no. 12,431, in relation to 3rd series debentures.

	Index	Annual interest rate	Annual effective average interest rate	Principal	Date of receipt	Maturity
1st	CDI	0.89%	7.34%	105,975	10/25/2013	10/01/2018 (i)
2nd	CDI	0.94%	7.39%	340,000	10/28/2013	10/01/2018 (i)
3rd	IPCA	6.38%	10.52%	304,025	10/29/2013	Oct/20

(i) As of October 11, 2018, the Company settled the 1st and 2nd series debentures executed into in October 2013 in the amount of R\$ 433,272, and R\$ 392,988 - principal and R\$ 40,284 - interest.

RAÍZEN ENERGIA S.A.

Notes to the Financial Statements

March 31, 2019

(In thousands of reais, unless otherwise indicated)

c) PPE (export prepayment)

The Company entered into PPE contracts with several financial institutions for financing of future sugar export as follows:

Engagement	Company	Bank	Annual effective average interest rate	Maturity	Amount	
					R\$	US\$
Dec-15	Raízen Paraguaçu	ING Bank S.A.	4.70% p.a. + US Dollar	Dec-20	192,740	50,000
Aug-18	Raízen Energia	The Bank of Nova Scotia	3.89% p.a. + US Dollar	Aug-24	613,378	150,000
Aug-18	Raízen Energia	BNP Paribas	3.74% p.a. + US Dollar	Aug-25	515,675	125,000

d) Term Loan Agreement (Syndicated loan)

On March 30, 2015, Raízen Luxembourg S.A (subsequently merged by Raízen Fuels) contracted a loan from a syndicate comprised of several global commercial banks in the amount of US\$ 450,000 thousand. Said contract is subject to USD exchange-rate change and quarterly Libor interest plus annual fixed interest of 1.2%, resulting in effective average interest rate of 4.02% p.a. with quarterly maturity and maturity dates on April 27, 2020.

On March 25, 2019, Raízen Fuels contracted a new syndicated loan in the amount of US\$ 200,000, liquidating part of the loan above. Said contract is subject to quarterly Libor interest plus annual fixed interest rate of 1.05% p.a., resulting in an effective average interest rate of 3.65% p.a. with quarterly interest and maturity dates on April 30, 2024. Through this contract Raízen Fuels also obtained a Revolving Credit Facility in the amount of US\$ 300.000 with maturity date on April 2024. In the year ended March 31, 2019 the mentioned credit facility had not been used yet.

e) Senior notes due 2027

On January 20, 2017, Raízen Fuels issued Senior Notes in the international market according to "Regulations S and 144A", in the amount of US\$ 500,000 thousand, which are subject to interest of 5.30% p.a., payable on a half-annual basis in January and July every year and payment of principal in January 2027.

As provided for in Offering Memorandum of the issuance, net funds obtained in the ambit of the Offer were used for prepayment of existing debts.

f) PESA

In the period from 1998 to 2000, the Company and its subsidiaries renegotiated with several financial institutions its debts related to financing of agricultural costs, reducing their financial cost to annual interest rates lower than 9.42%, ensuring amortization of debt with granting and transfer of National Treasury Certificates, redeemable upon debt settlement, using incentive promoted by Brazilian Central Bank Resolution No. 2,471, of February 26, 1998. Said debt may be automatically settled through redemption of CTN's and compliance with contract provisions.

In the year ended March 31, 2019, the Company offset PESA contracts in the amount of R\$ 380,984 through redemptions of the CTNs, see Note 8.

RAÍZEN ENERGIA S.A.

Notes to the Financial Statements

March 31, 2019

(In thousands of reais, unless otherwise indicated)

g) Credit Notes

Credit notes will be settled through exports to be made up to 2020 and are subject to average interest of 6.86% p.a. payable on a half-annual basis.

h) Finame

Refer to financing operations of machinery and equipment, through several financial institutions and intended for fixed asset investments. These financings are subject to effective interest of 6.59% p.a., monthly paid and are guaranteed by lien of the financed assets.

i) Rural credit

On April 18, 2018, the Parent Company entered into several agricultural credit agreements in the amount of R\$ 350,000 with Banco Bradesco S.A. for use in soil preparation, planting and crop treatments. Interest of 6.05% p.a., with maturity as of April 2020, is levied on contracts.

j) CRA

Engagement	Issuer	Issue	Series	Maturity	Interest rate	Principal	Funding expenditures
Oct-14	Gaia Agro Securitizadora S.A.	10th	1st	Dec-19	100% CDI	573,013	10,696
Oct-14	Gaia Agro Securitizadora S.A. (1)	10th	2nd	Dec-21	5.69% p.a. + IPCA	101,987	1,887
Jun-15	Gaia Agro Securitizadora S.A.	14th	Single	Jun-21	100% CDI	675,000	12,492
May-16	RB Capital Companhia de Securitização	1st	3rd	May-22	98% CDI	465,706	9,328
May-16	RB Capital Companhia de Securitização (1)	1st	4th	May-23	6.17% p.a. + IPCA	209,294	4,191
May-17	RB Capital Companhia de Securitização	1st	6th	Apr-23	96% CDI	738,814	13,273
May-17	RB Capital Companhia de Securitização (1)	1st	7th	Apr-24	4.73% p.a. + IPCA	230,877	4,192
Mar-19	RB Capital Companhia de Securitização	6th	1st	Mar-25	96% CDI	300,000	6,585
Mar-19	RB Capital Companhia de Securitização (1)	6th	2nd	Mar-26	4.04% p.a. + IPCA	600,000	13,170

(1) Raising expenditures were fully recognized in the Company's income (loss) due to contracting of swap.

Funds raised will be used in activities of Raízen Energia and its subsidiaries, which are substantially related to agribusiness, in the ordinary course of its business, which is understood as transactions, investments and financing needs related to production, trading, processing or industrialization of agricultural products and inputs or of machinery and inputs used in agricultural activity.

k) Advances on exchange contracts ("ACC")

Engagement	Bank	Purpose	Annual effective average	Maturity	Amount	
					R\$	US\$
May-18	BNP Paribas Brasil S.A.	Export of goods	3.39% p.a. + USD	Mar-19	186,310	50,000
Jul-18	Banco Santander Brasil S.A.	Export of goods	3.04% p.a. + USD	Jan-19	192,955	50,000
Aug-18	BNP Paribas Brasil S.A.	Export of goods	3.22% p.a. + USD	Feb-19	285,166	70,000
Sep-18	Banco do Brasil S.A.	Export of goods	3.27% p.a. + USD	Mar-19	125,961	30,000
Dec-18	Banco Santander Brasil S.A.	Export of goods	3.30% p.a. + USD	Mar-19	183,906	47,000

In the year ended March 31, 2019, the Company settled all advances on forward exchange.

RAÍZEN ENERGIA S.A.

Notes to the Financial Statements

March 31, 2019

(In thousands of reais, unless otherwise indicated)

l) Schuldschein

Engagement	Bank	Company	Annual effective	Maturity	Amount	
					R\$	€
Oct-14	Citibank, N.A., London branch	Raízen Fuels	2.88% p.a. + Euro €	Oct-21	201,043	66,000
Jan-15	Citibank, N.A., London branch	Raízen Fuels	1.69% p.a. + Euro €	Jan-22	121,052	40,000
Sep-15	Citibank, N.A., London branch	Raízen Fuels	1.99% p.a. + Euro €	Sep-22	264,164	60,000

Covenants

The Company and its subsidiaries are not subject to comply with financial ratios, being subject only to certain covenants in loans and financing contracts, such as “cross-default” and “negative pledge”.

Fair value

On March 31, 2019 and 2018, book value and fair value of loans are as follows:

Description	Classification	Book value		Fair value (3)		Parent company	
		Financial results (2)					
		2019	2018	2019	2018	2019	2018
PPE	Fair value through profit or loss	1,075,519	-	1,101,850	-	(6,081)	-
CRA	Fair value through profit or loss	1,083,990	-	1,085,943	-	(1,953)	-
		<u>2,159,509</u>	<u>-</u>	<u>2,187,793</u>	<u>-</u>	<u>(8,034)</u>	<u>-</u>

Description	Classification	Book value		Fair value (3)		Consolidated	
		Financial results (2)					
		2019	2018	2019	2018	2019	2018
Senior Notes Dues 2027 (1)	Fair value through profit or loss	492,213	209,921	535,822	230,174	(23,359)	(20,253)
PPE	Fair value through profit or loss	1,273,000	-	1,300,514	-	(27,514)	-
CRA	Fair value through profit or loss	1,231,236	-	1,237,673	-	(6,437)	-
Term Loan Agreement	Fair value through profit or loss	120,885	-	121,382	-	(497)	-
		<u>3,117,334</u>	<u>209,921</u>	<u>3,195,391</u>	<u>230,174</u>	<u>(57,807)</u>	<u>(20,253)</u>

(1) The fair value of Senior 2027 is based on the price quotation on the secondary market. As of March 31, 2019, face value is 102.41% (101.23% on March 31, 2018).

(2) Refers to the impact of fair value on financial income, as shown in Note 23.

(3) These debts are presented plus fair value evaluation in the amount of R\$ 8,034 and R\$ 78,060 (zero and R\$ 20,253 as of March 31, 2018) Parent Company and Consolidated, respectively.

Other loans and financing do not have a value quoted, but the fair value is close to the book value due to their exposure to variable interest rates and insignificant changes in the Company's credit risk which may be accrued by comparing securities quoted and aforementioned.

RAÍZEN ENERGIA S.A.

Notes to the Financial Statements

March 31, 2019

(In thousands of reais, unless otherwise indicated)

15. Income tax and social contribution

a) Reconciliation of income and social contribution tax credit (expense):

	Parent company		Consolidated	
	2019	2018	2019	2018
Income before income tax and social contribution	290,314	497,546	478,921	787,794
Income tax and social contribution at nominal rate (34%)	(98,707)	(169,166)	(162,833)	(267,850)
Adjustments for calculation of effective rate:				
Difference between deemed income and taxable income rates (i)	-	-	37,598	63,884
Special regime for the reintegration of tax amounts for exporting companies - ("Reintegra")	4,396	30,661	4,481	32,812
Investment grant – ICMS (Note 18.d.ii)	-	-	31,662	26,141
Exchange variation on investees abroad	17,201	3,227	17,201	6,335
Capital gain due to dilution of ownership interest	(3,483)	-	(3,483)	-
Gifts, donations, class association	(961)	(539)	(2,601)	(3,622)
Taxation at universal basis related to investments abroad	(53,422)	(18,646)	(11,109)	(4,897)
Equity accounting results	313,803	301,970	10,535	(7,284)
Credit with claims for damages	-	-	75,267	-
Other	(1,040)	(2,259)	(2,617)	9,494
Credit (expense) and social contribution taxes (current and deferred)	<u>177,787</u>	<u>145,248</u>	<u>(5,899)</u>	<u>(144,987)</u>
Effective rate	-61.24%	-29.19%	1.23%	18.40%

(i) Organizations with co-generation activity determined IRPJ and CSLL at deemed income. This type of taxation considers investments of a percentage of income as taxable income, as determined by the law, generating a difference in relation to IRPJ and CSLL nominal rate.

a.1) Recoverable income tax and social contribution

	Parent company		Consolidated	
	2019	2018	2019	2018
Taxes on income ("IRPJ")	614,791	629,331	660,464	674,506
Social contribution (CSLL)	160,714	200,781	172,068	210,859
	<u>775,505</u>	<u>830,112</u>	<u>832,532</u>	<u>885,365</u>
Current	(386,692)	(554,599)	(418,302)	(584,435)
Non-current	<u>388,813</u>	<u>275,513</u>	<u>414,230</u>	<u>300,930</u>

a.2) Income tax and social contribution payable

	Consolidated	
	2019	2018
IRPJ	19,467	66,488
CSLL	<u>3,188</u>	<u>23,627</u>
	<u>22,655</u>	<u>90,115</u>

RAÍZEN ENERGIA S.A.

Notes to the Financial Statements

March 31, 2019

(In thousands of reais, unless otherwise indicated)

b) Deferred income tax and social contribution in assets and liabilities:

b.1) Parent company

	2019				2018
	Base	IRPJ 25%	CSLL 9%	Total	Total
<u>Non-current assets (liabilities)</u>					
Tax losses					
Tax losses	1,582,212	395,553	-	395,553	234,988
Negative basis for social contribution	1,550,700	-	139,563	139,563	84,596
Temporary differences:					
Provision for legal disputes	582,500	145,625	52,425	198,050	171,333
Exchange variation on the cash basis	664,115	166,029	59,770	225,799	172,256
Estimated loss for realization of assets	136,044	34,011	12,244	46,255	89,646
Remuneration and employee benefits	191,285	47,822	17,215	65,037	72,598
Sundry provisions and other temporary differences	218,397	54,599	19,656	74,255	59,152
Total deferred tax assets		843,639	300,873	1,144,512	884,569
Biological assets	(24,874)	(6,217)	(2,240)	(8,457)	(89,206)
Cost of capitalized loans	(130,668)	(32,667)	(11,760)	(44,427)	(41,989)
Capital gains	(119,709)	(29,927)	(10,774)	(40,701)	-
Result unrealized with derivatives	(188,238)	(47,060)	(16,941)	(64,001)	(107,848)
Fixed assets' useful life review	(910,779)	(227,694)	(81,971)	(309,665)	(269,323)
Amortized tax goodwill	(706,262)	(176,566)	(63,563)	(240,129)	(230,853)
Total deferred tax liabilities		(520,131)	(187,249)	(707,380)	(739,219)
Total deferred assets - Assets, net		323,508	113,624	437,132	145,350

RAÍZEN ENERGIA S.A.

Notes to the Financial Statements

March 31, 2019

(In thousands of reais, unless otherwise indicated)

b.2) Consolidated

	2019			2018
	Base	IRPJ 25%	CSLL 9%	Total
Non-current assets (liabilities)				
Tax losses				
Tax losses	1,705,716	426,429	-	426,429
Negative basis for social contribution	1,674,211	-	150,679	150,679
Temporary differences:				
Provision for legal disputes	661,376	165,344	59,524	224,868
Exchange variation on the cash basis	671,600	167,900	60,444	228,344
Provision on write-off of goodwill	166,656	41,664	14,999	56,663
Estimated loss for realization of assets	204,326	51,082	18,389	69,471
Remuneration and employee benefits	208,529	52,133	18,767	70,900
Sundry provisions and other temporary differences	299,247	74,812	26,932	101,744
Total deferred tax assets		979,364	349,734	1,329,098
Biological assets	(100,894)	(25,224)	(9,080)	(34,304)
Cost of capitalized loans	(244,359)	(61,090)	(21,992)	(83,082)
Capital gains	(119,709)	(29,927)	(10,774)	(40,701)
Result unrealized with derivatives	(195,759)	(48,940)	(17,618)	(66,558)
Fixed assets' useful life review	(1,763,503)	(440,875)	(158,716)	(599,591)
Fair value of the fixed asset	(233,044)	(58,261)	(20,974)	(79,235)
Amortized tax goodwill	(890,385)	(222,596)	(80,135)	(302,731)
Total deferred tax liabilities		(886,913)	(319,289)	(1,206,202)
Total deferred taxes		92,451	30,445	122,896
Deferred taxes - Assets, net				390,400
Deferred taxes - Liabilities, net				(267,504)
Total deferred taxes				122,896

b.3) Net movement in deferred taxes:

	Parent company		Consolidated	
	2019	2018	2019	2018
Balance at the beginning of the year	145,350	45,962	(134,996)	(166,144)
Income in profit or loss	177,800	119,949	140,987	109,607
Deferred taxes on other comprehensive income	114,600	(22,625)	114,697	(22,593)
First-time adoption of IFRS 9 / CPC 48 (Note 2.3.c)	9	-	58	-
Write-off for disposal of ownership interest	(627)	-	-	(1,054)
Use of tax losses and negative basis for social contribution for REFIS settlement (1)	-	-	-	(35,530)
Other	-	2,064	2,150	(19,282)
Balance at the end of the year	437,132	145,350	122,896	(134,996)

- (1) As of November 24, 2017, Raízen Centroeste sold tax loss to Cosan in the amount of R\$ 35,530 to be used in REFIS, Law 13043/2014. As contra entry, received in current currency the amount of R\$ 26,627, with negative goodwill of 25%, recognized in financial income.

RAÍZEN ENERGIA S.A.

Notes to the Financial Statements

March 31, 2019

(In thousands of reais, unless otherwise indicated)

b.4) Realization of deferred income tax and social contribution:

When evaluating deferred taxes' recovery capacity, future taxable income projections and movements in temporary differences approved by Management are considered. Possibility of using tax losses and negative bases' balances does not expire, but the use of these losses accumulated in prior years is limited to 30% of taxable annual income.

On March 31, 2019, the Company expects to realize deferred tax assets as follows, including tax loss assets, negative basis and temporary differences:

	<u>Parent company</u>	<u>Consolidated</u>
Years:		
2019/2020 crop	171,866	188,067
2020/2021 crop	240,650	276,699
2021/2022 crop	133,358	140,700
2022/2023 crop	132,759	140,616
2023/2024 crop	176,468	207,779
2024/2025 crop	<u>289,411</u>	<u>375,237</u>
Total	<u><u>1,144,512</u></u>	<u><u>1,329,098</u></u>

As of March 31, 2019, subsidiaries Biotecnologia and Raízen Biogás stated a balance of tax loss and negative basis of social contribution amounting to R\$ 29 and R\$ 1,950 (R\$ 29 and R\$ 0 as of March 31, 2018), respectively, for which no deferred tax asset was established, as their recovery is not recovered as probable.

RAÍZEN ENERGIA S.A.

Notes to the Financial Statements

March 31, 2019

(In thousands of reais, unless otherwise indicated)

16. Provision for legal disputes and judicial deposits

Breakdown of legal disputes considered as probable loss

As of March 31, 2019 and 2018, the balances of lawsuits are as follows:

	Parent company		Consolidated	
	2019	2018	2019	2018
Tax	113,742	44,860	124,036	53,523
Civil	25,883	27,581	39,869	33,096
Labor	198,040	191,937	272,881	253,887
	<u>337,665</u>	<u>264,378</u>	<u>436,786</u>	<u>340,506</u>
Non-reimbursable legal disputes	146,371	117,609	217,035	165,170
Reimbursable legal disputes (Note 9.c)	191,294	146,769	219,751	175,336

When Raízen was setup it was agreed that Cosan would reimburse the Company for legal disputes that were ongoing before its formation, thus, Company should reimburse Cosan regarding the judicial deposits made on the date before its formation. As of March 31, 2019 and 2018, balances of judicial deposits are as follow:

	Parent company		Consolidated	
	2019	2018	2019	2018
Tax	165,034	150,307	283,063	265,036
Civil	8,340	8,569	8,587	9,104
Labor	68,061	57,437	89,370	75,446
	<u>241,435</u>	<u>216,313</u>	<u>381,020</u>	<u>349,586</u>
Own judicial deposits	119,647	94,877	146,631	117,721
Refundable judicial deposits (note 9.c)	121,788	121,436	234,389	231,865

i) Non-reimbursable legal disputes

	Parent company		
	Tax	Civil	Labor
March 31, 2018	<u>8,893</u>	<u>4,460</u>	<u>104,256</u>
Provision in the year	2,076	2,902	79,095
Write-offs/reversals (i)	(193)	(1,429)	(48,489)
Payments	(708)	(108)	(33,388)
Monetary restatement (ii)	7	1,468	27,529
March 31, 2019	<u>10,075</u>	<u>7,293</u>	<u>129,003</u>

(i) Includes the reversal of inflation adjustment in the amount of (R\$ 20,402), calculated at the income (loss) for the year under "Financial income (loss)" caption.

(ii) Calculated in income (loss) for the year in "Financial income (loss)" caption.

RAÍZEN ENERGIA S.A.

Notes to the Financial Statements

March 31, 2019

(In thousands of reais, unless otherwise indicated)

	Consolidated		
	Tax	Civil	Labor
March 31, 2018	16,103	5,712	143,355
Provision in the year	3,501	6,350	111,655
Write-offs/reversals (i)	(291)	(1,679)	(67,204)
Payments	(706)	(107)	(42,885)
Monetary restatement (ii)	142	4,487	38,602
March 31, 2019	18,749	14,763	183,523

(i) Includes the reversal of inflation adjustment in the amount of (R\$ 26,769), calculated at the income (loss) for the year under "Financial income (loss)" caption.

(ii) Calculated in income (loss) for the year in "Financial income (loss)" caption.

ii) Reimbursable legal disputes (i)

	Parent company		
	Tax	Civil	Labor
March 31, 2018	35,967	23,121	87,681
Provision in the year	22,904	1,658	21,120
Write-offs / reversals (ii)	(14,076)	(7,709)	(34,215)
Payments	-	(1,615)	(21,018)
Monetary restatement	58,872	3,135	15,469
March 31, 2019	103,667	18,590	69,037

(i) The movement does not have and will never have effect on profit or loss, due to Company's right to reimbursement.

(ii) Includes the reversal of inflation adjustment in the amount of R\$ 36,507.

	Consolidated		
	Tax	Civil	Labor
March 31, 2018	37,420	27,384	110,532
Provision in the year	23,010	2,073	26,014
Write-offs / reversals (ii)	(14,091)	(7,709)	(41,864)
Payments	-	(1,615)	(23,924)
Monetary restatement	58,948	4,973	18,600
March 31, 2019	105,287	25,106	89,358

(i) The movement does not have and will never have effect on profit or loss, due to Company's right to reimbursement.

(ii) Includes the reversal of inflation adjustment in the amount of R\$ 40,361.

RAÍZEN ENERGIA S.A.

Notes to the Financial Statements

March 31, 2019

(In thousands of reais, unless otherwise indicated)

(iii) Total legal disputes

	Parent company			
	Tax	Civil	Labor	Total
March 31, 2018	44,860	27,581	191,937	264,378
Provision in the year	24,980	4,560	100,215	129,755
Write-offs/reversals	(14,269)	(9,138)	(82,704)	(106,111)
Payments	(708)	(1,723)	(54,406)	(56,837)
Monetary restatement	58,879	4,603	42,998	106,480
March 31, 2019	113,742	25,883	198,040	337,665
	Consolidated			
	Tax	Civil	Labor	Total
March 31, 2018	53,523	33,096	253,887	340,506
Provision in the year	26,511	8,423	137,669	172,603
Write-offs/reversals	(14,382)	(9,388)	(109,068)	(132,838)
Payments	(706)	(1,722)	(66,809)	(69,237)
Monetary restatement	59,090	9,460	57,202	125,752
March 31, 2019	124,036	39,869	272,881	436,786

a) Tax

	Parent company		Consolidated	
	2019	2018	2019	2018
Social Security Charges (INSS) (i)	2,847	-	4,477	1,608
Value-added tax on sales and services ("ICMS") (ii)	34,052	27,525	38,423	31,702
Social Integration Program ("PIS") and Contribution for Social Security Funding ("COFINS")	204	-	204	-
Excise tax ("IPI") (iii)	58,515	854	58,798	1,137
Lawyers' fees	10,076	8,707	13,939	11,243
Other	8,048	7,774	8,195	7,833
	113,742	44,860	124,036	53,523
Non-reimbursable legal disputes	10,075	8,893	18,751	16,100
Reimbursable legal disputes	103,667	35,967	105,285	37,423

(i) INSS

The amount recorded as provision for INSS corresponds to amounts related to social security contributions levied on billing, pursuant to the terms of Article 22-A of Law no. 8.212/91, whose constitutionality is being challenged in a lawsuit. The Company made judicial deposits related to said lawsuit in the amount of R\$ 338,392 (R\$ 287,157 as of March 31, 2018). Accordingly, both balances are presented net in these financial statements.

RAÍZEN ENERGIA S.A.

Notes to the Financial Statements

March 31, 2019

(In thousands of reais, unless otherwise indicated)

(ii) ICMS

Amount recorded as provision for ICMS credits is substantially represented by: (a) tax assessments received that, despite being defended in the administrative and legal spheres, are considered as probable loss by the Company's legal advisors; (b) using financial credits and charges in matters on which understanding of the Company's management and tax advisors differ from tax authorities' interpretations.

(iii) IPI

The amount of provision for IPI corresponds to "IPI Seletividade" for the period from November 1992 to December 1995, a matter recently judged by the Federal Supreme Court ("STF") using the General Repercussion systematic process (RE nº 592.145, tema 080) in an unfavorable way to the corporate taxpayer.

During the year ended March 31, 2019, the Company recognized tax assessment notices totaling R\$ 54,223, which was previously classified with a likelihood of possible loss.

b) Civil and labor

The Company and its subsidiaries are parties to several civil lawsuits relating to (i) indemnification for material and pain and suffering, (ii) disputes on contracts, (iii) executions, (iv) collection, (v) rendering of accounts, (vi) possessory and (vii) public civil lawsuits related environment.

The Company and its subsidiaries are also parties to various labor lawsuits filed by former employees and employees of service providers who question, among others, payment of overtime, extra for night and dangerous work, rehiring to job position, return of amounts discounted on payroll such as confederation union dues, union dues, and others.

The following legal disputes were considered as possible loss and, thus, no provision for lawsuits demands has been recognized in the financial statements

a) Tax

	Parent company		Consolidated	
	2019	2018	2019	2018
ICMS (i)	1,751,246	1,679,209	2,196,856	2,029,314
INSS (ii)	228,809	484,548	237,026	491,903
IPI (iii)	259,444	390,135	295,932	426,081
IRPJ and CSLL (iv)	844,531	839,096	1,125,276	1,002,904
PIS and COFINS (v)	1,558,184	1,298,744	1,646,769	1,343,360
Offset with IPI credits – Normative Instruction No. 67/98 (vi)	113,974	112,025	135,215	132,869
MP 470 Debt in installments (vii)	186,431	181,541	186,431	181,541
Other	200,343	339,384	283,955	402,747
	<u>5,142,962</u>	<u>5,324,682</u>	<u>6,107,460</u>	<u>6,010,719</u>
Non-reimbursable legal disputes	2,511,897	2,414,289	3,042,884	2,678,404
Reimbursable legal disputes	2,631,065	2,910,393	3,064,576	3,332,315

RAÍZEN ENERGIA S.A.

Notes to the Financial Statements

March 31, 2019

(In thousands of reais, unless otherwise indicated)

(i) ICMS

Refers substantially to: (i) part related to fine of tax assessment issued due to alleged lack of ICMS payment and non-compliance with accessory obligation, in agricultural partnership for on-demand industrialization in periods from May 2005 to March 2006 and from May 2006 to March 2007; (ii) ICMS levied on crystal sugar for export that, as understood by tax agent, is classified as semi-finished product and, in accordance with ICMS regulation, would be subject to taxation; (iii) ICMS levied on alleged divergences on sugar and ethanol inventories deriving from comparison between magnetic tax files and inventory registration books; (iv) tax assessment related to collection of ICMS rate difference deriving from ethanol sales to companies located in other states of the Federation, which had their state registrations canceled; and (v) requirement of ICMS deriving from disallowances of diesel credits used in agricultural-industrial production process, the defense was presented because it is essential to the activities of the Company based on article 155, §2, I of Federal Constitution and Complementary Law 87/96. (vi) alleged undue use of untimely credits related to ICMS-ST on diesel in the capacity of final consumer; (vii) alleged undue deemed credit taking; (viii) alleged undue use of deemed credit; and (xiv) alleged undue use of tax credits related to freight (transportation services) since the subsequent operation is exempt or not taxed.

(ii) INSS

Possible legal disputes related to INSS involve mainly: (i) review of contingencies linked to IN MPS/SRP No. 03/2005, regarding the period from 2005 to 2011, which are currently assessed as a low probability of having an unfavorable result due to probable recognition of cadence. Regulatory Instruction no. 03 of 2005, which restricted constitutional immunity of social security contributions on revenues from export and started to tax exports carried out through trading companies. (ii) requirement of contribution to SENAR in direct and indirect export transactions for which Federal Revenue Service (“RFB”) understands that constitutional immunity does not apply; and, (iii) mandatory payment of social security contribution on resale of merchandise in domestic market and to third parties that are not included in calculation basis of social contribution levied only on gross revenue from establishment production and not from acquired goods.

RAÍZEN ENERGIA S.A.

Notes to the Financial Statements

March 31, 2019

(In thousands of reais, unless otherwise indicated)

(iii) IPI

SRF Regulatory Instruction no. 67/98 supported procedure adopted by industrial establishments that made shipments without recording and paying IPI related to transactions with cane sugars: demerara, high-quality crystal, special crystal, extra special crystal, and granulated refined sugar carried out in the period from July 6, 1995 to November 16, 1997, and with refined amorphous sugar in the period from January 14, 1992 to November 16, 1997. This standard was carried into effect in the respective proceedings brought by Brazilian Federal Revenue Service, whose likelihood of loss is classified as possible, according to the assessment of the Company's legal advisors.

During the year ended March 31, 2019, the Company reviewed tax assessment notices in the amount of R\$ 95,698. Of this amount, R\$ 54,959 began to be classified with chance of probable loss, and R\$ 40,739 were reversed due to the conclusion of the suits.

(iv) IRPJ and CSLL

Corporate income tax (IRPJ) and CSLL (social contribution on net income) substantially refer to:

- a) In December 2011, the Company received tax assessment notices regarding reimbursable lawsuits in the restated amount of R\$ 463,845 (R\$ 448,488 as of March 31, 2018), filed by the Brazilian Federal Revenue Service, demanding payment of corporate income tax and social contribution for calendar years 2006 to 2009, and questioning: (i) deductibility of amortization expenses of determined goodwill; (ii) offset of tax losses and CSLL negative calculation basis; and (iii) taxation on differences in restatements of property, plant and equipment assets. The Company filed its defense in January 2012 and, together with its legal advisors, classified the amount of R\$ 241,473 (R\$ 233,531 as of March 31, 2018) as possible losses.
- b) In February 2014, the subsidiary Raízen Paraguaçu (former Raízen Tarumã) received tax assessment notices in the amount of R\$ 59,442 (R\$ 57,144 as of March 31, 2018) filed by the Brazilian Federal Revenue Service, demanding payment of corporate income tax and social contribution for calendar years 2009 to 2012, and questioning: (i) amortization of goodwill; and, (ii) offset of tax losses and negative basis of social contribution. The Company filed its defense in January 2012 and, together with its legal advisors, classified this lawsuit as a possible loss.
- c) In November 2014, the Company received decisions from the Brazilian Federal Revenue Service regarding the disallowance of non-cumulative PIS/COFINS credits arising from goods and services purchased in the domestic market and offset with withholding income tax (IRRF) and social contribution (CSLL)/corporate income tax (IRPJ). Since the disallowed credits are linked to goods and services used in the Company's production chain, the disallowance is totally improper and illegal based on current legislation (Law No. 10.637/02 and Law No.10.833/03), and, for this reason, the expectation of loss is considered possible in the amount of R\$ 23,024 (R\$ 22,505 as of March 31, 2018).
- d) In December 2016, the Company received a tax assessment notice, recoverable from the shareholder Cosan, related to the disallowance of goodwill amortization deductions for the calendar years 2011 to 2012 (corporate action that generated the right to use goodwill occurred in 2006), whose possible amount is R\$ 105,560 (R\$ 100,932 as of March 31, 2018).
- e) In February and December 2018, the Company received a tax assessment notice related to the disallowance of goodwill amortization based on expected future profitability, deducted from the

RAÍZEN ENERGIA S.A.

Notes to the Financial Statements

March 31, 2019

(In thousands of reais, unless otherwise indicated)

corporate income tax (IRPJ) and social contribution (CSLL) tax base for the calendar years 2013 to 2016. The company presented its administrative defense since goodwill amortization occurred under the terms of current legislation. The chances of success are classified as possible and the restated amount is R\$ 336,361.

- f) In October 2018, the Company was assessed by the Federal Tax Authorities, in which IRPJ and CSLL of 2013 and 2014 are charged for alleged undue deductions of taxable income for the period, monthly estimates that were subject to payment not ratified. The Company filed challenges since current legislation and the opinion No. 88/14 of the National Treasury Attorney's Office ("PGFN") allow the collection of estimates in offsetting proceedings. Thus, the amount of R\$ 177,945 was classified as possible loss.

(v) PIS and COFINS

They substantially refer to (i) disallowances of PIS and CONFINS credits, in the non-cumulative system, in the period from 2012 to 2015, provided for in the Laws No. 10.637/2002 and 10.833/2003, respectively. These rejections arise, in summary, due to the restrictive interpretation of the Secretariat of the Brazilian Federal Revenue Service in regard to the concept of "inputs" as well as differences regarding the interpretation of the referred to laws. Such questions are still at the administrative level. (ii) related to unconstitutionality of expansion of PIS/COFINS calculation basis brought by Law no. 9.718/98. It is important to emphasize that the Supreme Federal Court has already settled this matter, deciding that this taxation is unconstitutional and (iii) PIS and COFINS difference determined as a result of CIDE's offset. For inspectors, this deduction could only be made if it had been paid.

(vi) Offsets with IPI credit – Normative Instruction No. 67/98

SRF Regulatory Instruction No. 67/98 brought with it the possibility of a refund of IPI collected in the period from January 14, 1992, to November 16, 1997, on amorphous refined sugar. Accordingly, RESA, for the periods in which payment was made, it pleaded to offset amounts against other taxes due. However, the Brazilian Federal Revenue Service dismissed requests for restitution as well as an offset. Thus, RESA administratively appealed against the dismissal.

After notification of payment of debts object to an offset in view of the changes introduced by IN SRF Number 210/02, RESA filed a writ of mandamus with an injunction request to suspend the enforceability of offset taxes, with the aim of impeding the Public Administration from executing these debts. The injunction was granted by the competent court.

(vii) MP 470 - Installment payment of debts

Brazilian Federal Revenue Service partially rejected requests for payment of federal tax debts in installments made by the Company, with the argument that offered tax loss is not sufficient to settle respective debts. The Company and its legal advisors consider that the losses indicated existed and were available for such use.

RAÍZEN ENERGIA S.A.

Notes to the Financial Statements

March 31, 2019

(In thousands of reais, unless otherwise indicated)

b) Civil and labor

	Parent company		Consolidated	
	2019	2018	2019	2018
Civil	441,983	430,153	752,219	707,395
Labor	238,079	349,447	291,156	422,651
	<u>680,062</u>	<u>779,600</u>	<u>1,043,375</u>	<u>1,130,046</u>
Non-reimbursable legal disputes	242,924	284,544	418,095	450,757
Reimbursable legal disputes	437,138	495,056	625,280	679,289

17. Commitments (Consolidated)

Purchasing

The Company and its subsidiaries have various purchase commitments for sugarcane with third parties in order to guarantee part of its production in subsequent harvests. The amount of sugarcane to be acquired is calculated based on the estimated amount per milled area, based on estimate of their productivity where sugarcane plantations are located. The amount to be paid by the Company is determined at the end of each crop, according to price published by CONSECANA.

The commitments of purchase of electric energy are mainly due to the operating activities of WX Energy which is a power trading company.

The Company has exclusive contracts with Rumo Group, related to transportation services and sugar export services.

As of March 31, 2019, the volumes related to the purchase commitments and service agreements per crop are as follows:

	Sugarcane (In tons)	Storage (in cubic meters)	Purchase of electric power (in MWh) (1)	Transportation and sugar lifting services (in tons) (1)
2019/2020 crop	32,377,079	1,743,000	3,476,342	2,650,000
2020/2021 crop	29,282,486	1,632,000	462,660	3,000,000
2021/2022 crop	24,973,570	1,632,000	441,400	3,300,000
2022/2023 crop	21,929,773	1,632,000	639,370	3,300,000
As of the 2022/2023 crop.	<u>60,350,937</u>	<u>-</u>	<u>-</u>	<u>8,700,000</u>
Total	<u>168,913,845</u>	<u>6,639,000</u>	<u>5,019,772</u>	<u>20,950,000</u>
Total estimated payments (nominal value)	<u>12,793,197</u>	<u>365,210</u>	<u>1,188,538</u>	<u>3,037,750</u>

(1) Increase in volume of energy purchase commitments is due mainly to acquisition of interest in RWXE by Subsidiary Bio Barra. For further details, see Note 27.1.ii.

Contracts of sharecropping and land leasing

The Company and its subsidiaries have agricultural partnership agreements and land leases for plantations of sugarcane, which, in general, are closed in up to 20 years.

RAÍZEN ENERGIA S.A.

Notes to the Financial Statements

March 31, 2019

(In thousands of reais, unless otherwise indicated)

Payments for these obligations are calculated by means of the accumulated price of ATR for 2018/2019 crop in the amount of R\$ 0.5826/kg, disclosed by CONSECANA and the volume of sugarcane per hectare as defined in the contract.

The expected, non-cancellable, minimum payments on these contracts, are as follows:

	<u>Consolidate</u>
Within one year	898,260
1–5 years	2,932,698
>5 years	<u>1,034,867</u>
Total	<u><u>4,865,825</u></u>

18. Equity

a) Capital and capital reserve

As of March 31, 2019 and 2018, capital totaled R\$ 6,516,354. That caption does not include the balance of redeemable preferred shares - liability financial instruments in the amount of R\$ 5,161 (R\$ 10,828 in 2018) totaling R\$ 6,511,193 (R\$ 6,505,526 in 2018).

Capital is fully subscribed for and paid in and is represented as follows:

	<u>Shareholders (shares in units)</u>			
	<u>Shell</u>	<u>CIP Cosan Investimentos e Participações S.A. ("CIP")</u>	<u>Cosan S.A. Indústria e Comércio ("Cosan S.A.")</u>	<u>Total</u>
Common	3,621,641,599	3,621,641,599	-	7,243,283,198
Class-A preferred shares	-	-	1	1
Class-B preferred shares	-	-	133,242,457	133,242,457
Class-D preferred shares	100,000	-	-	100,000
Total as of March 31, 2019 and 2018	<u><u>3,621,741,599</u></u>	<u><u>3,621,641,599</u></u>	<u><u>133,242,458</u></u>	<u><u>7,376,625,656</u></u>

Redeemable preferred shares

Tax benefits resulting from NOL and GW recognized before the Raízen formation (Note 9.a.5), should be refund to the respective shareholders as the Company uses them as a decrease in balances of the taxes payable.

For the realization of these refunds, Class B preferred shares to Cosan and C and D classes to Shell with the purpose of remunerating them through the payment of dividends in the amount of the tax benefit used by the Company.

As of March 31, 2019, the balance of preferred shares (Class B and C) recognized in equity under Capital caption, totaling R\$ 5,161 belongs to Cosan (R\$ 10,828 as of March 31, 2018), as Note 9.a.5.

RAÍZEN ENERGIA S.A.

Notes to the Financial Statements

March 31, 2019

(In thousands of reais, unless otherwise indicated)

Capital reserves

Capital reserve

Corresponds mainly to the goodwill reserve arising from the portion of the issue price of shares without par value that exceeded the amount allocated to the formation of the capital. That reserve may only be used to increase capital, absorb losses exceeding retained earnings and income reserves, redeem, reimburse or purchase shares or to pay cumulative dividends to preferred shares.

Goodwill special reserve

Derives from downstream mergers in the Company whose goodwill became deductible for income and social contribution tax purposes. Therefore, the Company recognized goodwill special reserve in equity as an effect of downstream mergers and as an offsetting entry to deferred tax assets that is equivalent to the 34% tax benefit resulting from the amortization of this goodwill.

b) Dividends

Bylaws of the Company assure shareholders a minimum mandatory dividend of 1% of net income calculated in the end of fiscal year, adjusted pursuant to article 202 of Corporation Law.

Legal reserve and dividend amounts for the years ended March 31, 2019 and 2018 were determined as follows:

	<u>2019</u>	<u>2018</u>
Net income for the year	468,101	642,794
(-) Formation of legal reserve - 5%	(23,397)	(32,140)
(-) Effect of subsidiary tax incentives	<u>(97,716)</u>	<u>(74,733)</u>
Dividends to holders of Class B preferred shares	(5,667)	(10,355)
Dividends to holders of Class D preferred shares	<u>(1,497)</u>	<u>(1,486)</u>
Dividend distribution calculation basis	<u>339,824</u>	<u>524,080</u>
Minimum mandatory dividends for common shares - 1%	-	(5,241)
Dividends from non-controlling shareholders	<u>(2,847)</u>	<u>-</u>
Total provisioned dividends	<u>(10,011)</u>	<u>(17,082)</u>

RAÍZEN ENERGIA S.A.

Notes to the Financial Statements

March 31, 2019

(In thousands of reais, unless otherwise indicated)

March 31, 2019

Company	Dividends	Year	Approval in Special Shareholders' Meeting and Annual and Special Shareholders' Meeting	Nature and type of share	Impact in equity	No impact in equity	Amounts paid	Recipient	Percentage	Payment date
RESA	Retained earnings	Mar/18	06/20/2018	Common	330,200	-	330,200	Shell / CIP	50% each	06/28/2017
RESA	Minimum mandatory dividends	Mar/18	07/31/2018	Common	-	5,241	5,241	Shell / CIP	50% each	08/28/2018
RESA	Retained earnings	Mar/18	07/31/2018	Preferred B	-	10,355	10,355	CIP	100%	08/28/2018
RESA	Retained earnings	Mar/18	07/31/2018	Preferred D	-	1,486	1,486	Shell	100%	08/28/2018
RESA	Retained earnings	Mar/17	09/21/2018	Common	390,364	-	390,364	Shell / CIP	50% each	09/26/2018
RESA	Interim	Mar/19	09/21/2018	Common	42,836	-	42,836	Shell / CIP	50% each	09/26/2018
RESA	Retained earnings	Mar/19	-	Preferred B	-	5,667	-	CIP	100%	-
RESA	Retained earnings	Mar/19	-	Preferred D	1,497	-	-	Shell	100%	-
WX	Retained earnings	-	-	Common	2,847	-	-	Other	100%	-
					<u>767,744</u>	<u>22,749</u>	<u>780,482</u>			

March 31, 2018

Companies	Dividend	Year	Approval in Special Shareholders' Meeting and Annual and Special Shareholders' Meeting	Nature and type of share	Impact in equity	No impact in equity	Paid amount	Recipient	Percentage	Payment date
RESA	Retained earnings	Mar/17	06/26/2017	Common	391,000	-	391,000	Shell / CIP	50% each	06/28/2017
RESA	Retained earnings	Mar/17	08/09/2017	Common	331,000	-	331,000	Shell / CIP	50% each	08/11/2017
RESA	Retained earnings	Mar/17	12/12/2017	Common	321,500	-	321,500	Shell / CIP	50% each	12/20/2017
RESA	Retained earnings	Mar/17	03/26/2018	Common	204,581	-	204,581	Shell / CIP	50% each	03/31/2018
RESA	Retained earnings	Mar/18	-	Preferred D	1,486	-	-	Shell	100%	-
RESA	Retained earnings	Mar/17	07/31/2017	Preferred D	597	729	1,326	Shell	100%	08/31/2017
RESA	Reversal of minimum	Mar/17	07/31/2017	Common	(12,485)	-	-	Shell / CIP	50% each	-
RESA	Minimum mandatory	Mar/18	-	Common	5,241	-	-	Shell / CIP	50% each	-
RESA	Reversal of dividends	Mar/17	07/31/2017	Preferred B	-	(2,061)	-	Cosan	100%	-
RESA	Retained earnings	Mar/18	01/29/2018	Preferred B	-	40,886	40,886	Cosan	100%	01/30/2018
RESA	Retained earnings	Mar/18	-	Preferred B	-	10,355	-	Cosan	100%	-
RESA	Retained earnings	Mar/17	07/31/2017	Preferred B	-	-	26,361	Cosan	100%	08/31/2017
RESA	Redemption of shares	Mar/17	07/31/2017	Preferred C	-	-	3,531	Shell	100%	08/31/2017
					<u>1,242,920</u>	<u>49,909</u>	<u>1,320,185</u>			

RAÍZEN ENERGIA S.A.

Notes to the Financial Statements

March 31, 2019

(In thousands of reais, unless otherwise indicated)

c) Equity valuation adjustments

i) Effect of foreign currency translation - CTA

Corresponds to conversion differences to the actual accounting information of investees with a functional currency different from the Parent Company.

ii) Net income from derivatives - hedge accounting

This refers to changes in fair value resulting from cash flow hedges of export income from VHP sugar, ethanol and exchange fluctuations of PPEs.

iii) Actuarial liability

Derives from gains and losses and adjustment for experience and changes in actuarial assumptions on the defined benefit pension plan. This component is recognized in other comprehensive income and will not be reclassified to profit or loss in subsequent years.

iv) Movement in equity valuation adjustments, net of taxes

	2017	Comprehensive income	2018	Comprehensive income	2019
Effect of foreign currency translation - CTA	4,038	(3,765)	273	(2,748)	(2,475)
Actuarial losses from defined benefit plans	(11,161)	(352)	(11,513)	(1,013)	(12,526)
Net gain (loss) on derivative financial instruments - hedge accounting	(36,351)	44,205	7,854	(221,654)	(213,800)
Total	(43,474)	40,088	(3,386)	(225,415)	(228,801)

d) Profit reserve

i) Legal reserve

As of March 31, 2019 and 2018, the Company allocated 5% of net income for the year to the legal reserve, in accordance with the by-laws and in compliance with Corporation Law.

ii) Tax incentive reserve

State	Tax benefit	Effect		Note	Impact on income (loss)	
		2019	2018		2019	2018
Goiás	Goiás Industrial Development Program (1)	68,105	44,358	22	63,512	46,510
Mato Grosso do Sul	Agreement Term No. 331/2008 (2)	29,611	30,375	21	29,611	30,375
		97,716	74,733		93,123	76,885

(1) Refers to "Produzir" state incentive program with the State of Goiás, in the form of financing a portion of ICMS payment.

(2) Refers to the tax benefit in sugar industrialization transactions in said State, equivalent to 67% of the debt balance of the ICMS and the deemed Ethanol credit.

The entire amount referring to these benefits was allocated to Tax Incentive Reserve.

RAÍZEN ENERGIA S.A.

Notes to the Financial Statements

March 31, 2019

(In thousands of reais, unless otherwise indicated)

iii) Profit retention reserve

Remaining balance of net income for the year, after the appropriations made to set up the legal reserve and to accrue dividends was accrued to such caption. Under Company's by-laws, up to 80% of the year's profit may be allocated to that reserve, to fund operations and to new investments and projects, which may not exceed the percentage of 80% of capital.

e) Interest of non-controlling shareholders

Corresponds to non-controlling shareholders' interest of 26.59% on equity of subsidiary Unimodal Ltda., 15% on equity of subsidiary Biogás and 30% on equity of subsidiary RWXE.

f) Earnings per share

Basic earnings per share is calculated by dividing profit attributable to company shareholders by the weighted average number of common shares issued during the fiscal year.

The table below presents income and shares data used to calculate basic and diluted income per share for the year ended March 31, 2019 and 2018 (in thousands, except for amounts per share):

Basic and diluted:

	2019	2018
Numerator		
Net income for the year	468,101	642,794
Loss available to preferred shareholders	(5,667)	(8,515)
Income available to common shareholders	462,434	634,279
Denominator:		
Weighted average of outstanding common shares (in thousands)	7,243,283	7,243,283
Basic and diluted earnings per common share (Reais per share)	0.064	0.088

The Company does not have outstanding common shares that could cause dilution or debt convertible in common shares. Thus, basic and diluted earnings per share are equivalent.

19. Net operating revenue

	Parent Company		Consolidated	
	2019	2018	2019	2018
Gross revenue from sale of products and services	7,500,120	7,433,195	23,960,173	15,844,028
Sales taxes	(535,698)	(419,178)	(1,510,486)	(1,060,428)
Returns and cancellations	(11,437)	(17,819)	(15,897)	(15,177)
Commercial discounts	(6,134)	(1,958)	(28,153)	(16,043)
Net operating revenue	6,946,851	6,994,240	22,405,637	14,752,380

RAÍZEN ENERGIA S.A.

Notes to the Financial Statements

March 31, 2019

(In thousands of reais, unless otherwise indicated)

The net operating revenue is segregated between the following components:

	Parent company		Consolidated	
	2019	2018	2019	2018
Net revenue from sale of products and services	6,680,463	6,577,229	22,184,778	14,335,369
Income (loss) from financial instruments designated as hedge accounting	319,399	374,637	319,398	374,637
Results from commodity financial instruments not designated as hedge accounting	(53,011)	42,374	(98,539)	42,374
Net operating revenue	6,946,851	6,994,240	22,405,637	14,752,380

20. Segment information

The Management of Raízen Energia defined the ethanol and sugar and bioenergy segment as the only operating segment, based on reports used by the President of the Company and the Board of Directors, which are the main operating and strategic decision makers. Evaluation and performance goals are defined and followed-up considering EAB segment as a whole.

The EAB segment covers the production and sale of ethanol and sugar generated from sugarcane processing, as well as the cogeneration of energy that is produced from the burning of the sugarcane bagasse.

Since the assets are also used for the production of sugar, ethanol and bioenergy, there is no separate disclosure of these assets.

The Company follows-up net operating revenue from trading of its products in the domestic and foreign markets, as follows:

	Consolidated	
	2019	2018
Foreign market	5,488,614	6,447,662
Domestic market	16,917,023	8,304,718
Total	22,405,637	14,752,380

Detailing of net operating revenue per product is as follows:

	Consolidated	
	2019	2018
Ethanol	9,096,293	7,443,785
Diesel (1)	4,513,653	628,875
Sugar	3,902,100	5,435,876
Energy (2)	3,463,545	952,196
Gasoline (1)	1,260,378	121,722
Other products and services	169,668	169,926
Total	22,405,637	14,752,380

(1) The increase in the sales of Diesel and Gasoline is mainly due to a higher volume of these products sold at Raízen Trading.

(2) The increase in the sales of electricity is mainly due to the increase in sales volume as a result of the acquisition of WX. For further details, see Note 27.1.ii.

RAÍZEN ENERGIA S.A.

Notes to the Financial Statements

March 31, 2019

(In thousands of reais, unless otherwise indicated)

Percentage of net operating revenue per geographic area is as follows:

	Consolidated	
	2019	2018
Brazil	75.74%	57.46%
Asia	12.24%	30.63%
North America	8.63%	8.03%
Europe	3.00%	3.33%
Other (1)	0.39%	0.55%
Total	100.00%	100.00%

(1) South America (except Brazil), Africa and Oceania.

During the year ended March 31, 2019, main EAB clients, which individually represented 5% or more of the Company's total income, are as follows:

Client	Consolidated	
	2019	2018
Raízen Combustíveis S.A.	29.66%	17.04%
Petrobrás Distribuidora S.A.	8.52%	6.49%
Raízen and Wilmar Sugar	4.86%	16.07%
Ipiranga Produtos de Petróleo S.A.	3.93%	5.38%
Wilmar Sugar Pte Ltd	0.63%	6.68%

21. Costs and expenses by nature

Reconciliation of costs and expenses by nature

Costs and expenses are shown in the income (loss) by function. The reconciliation of the results by nature for the years ended March 31, 2019 and 2018 is as follows:

a) Costs and expenses by nature:

	Parent company		Consolidated	
	2019	2018	2019	2018
Raw material (1)	(2,357,387)	(2,171,792)	(7,323,692)	(7,011,961)
Purchase of fuel (2)	(127,342)	(112,949)	(5,814,337)	(633,102)
Depreciation and amortization	(1,644,753)	(1,650,659)	(2,108,939)	(2,136,639)
Personnel expenses	(903,785)	(923,191)	(1,246,066)	(1,256,378)
Cutting, loading and transportation (CCT)	(725,294)	(648,459)	(931,944)	(800,816)
Maintenance materials	(288,914)	(290,390)	(366,197)	(359,926)
Outsourced labor	(193,083)	(205,430)	(217,804)	(229,314)
Change in fair value of biological assets	(55,919)	190,884	5,335	272,564
Realization of fair value of biological assets	(183,416)	(564,493)	(266,493)	(639,996)
Rental and leases	(441,916)	(378,718)	(476,255)	(409,677)
Electricity purchase (3)	-	-	(2,863,881)	(345,337)
Other expenses	(439,786)	(376,075)	(543,631)	(357,944)
	(7,361,595)	(7,131,272)	(22,153,904)	(13,908,526)

(1) It presents R\$ 29,611 (R\$ 30,375 as of March 31, 2018) regarding the ICMS tax incentive.

(2) The increase in the purchase costs of Diesel and Gasoline is mainly due to a higher volume of these products sold at Raízen Trading.

(3) The increase in the costs of purchase of electricity is mainly due to the increase in sales volume as a result of the acquisition of WX. For further details, see Note 27.1.ii.

RAÍZEN ENERGIA S.A.

Notes to the Financial Statements

March 31, 2019

(In thousands of reais, unless otherwise indicated)

b) Classified as:

	Parent company		Consolidated	
	2019	2018	2019	2018
Cost of products sold and services rendered	(6,250,751)	(6,008,608)	(20,711,290)	(12,474,167)
Selling expenses	(663,906)	(648,974)	(849,198)	(813,950)
General and administrative expenses	(446,938)	(473,690)	(593,416)	(620,409)
	<u>(7,361,595)</u>	<u>(7,131,272)</u>	<u>(22,153,904)</u>	<u>(13,908,526)</u>

22. Other operating income, net

	Parent company		Consolidated	
	2019	2018	2019	2018
Credits from indemnity suits (1)	-	-	221,373	-
Net reversal of estimated loss in investments and fixed assets (Notes 10 and 11)	133,573	15,726	136,692	14,263
Capital gain due to increase in ownership interest (Note 10.d.ii)	109,467	-	109,467	-
Income from investment grant – ICMS (Note 18.d.ii)	-	-	63,512	46,510
Income (loss) from commercial operations (3)	(27,290)	(19,464)	22,574	(7,574)
Income from sales of scrap and waste	12,834	9,830	16,014	12,123
Recognition of extemporaneous tax credits, net (2)	5,434	43,236	9,594	55,045
Income (loss) from the sale of investments (Note 10.e.iii)	(177)	53,747	(177)	53,747
Income (loss) from the sale of property, plant and equipment	866	(4,372)	(3,151)	(16,623)
Net formation of provision for legal disputes and contingencies	(26,402)	(42,725)	(42,789)	(51,804)
Other (4)	<u>8,860</u>	<u>9,193</u>	<u>11,372</u>	<u>22,817</u>
	<u>217,165</u>	<u>65,171</u>	<u>544,481</u>	<u>128,504</u>

(1) On March 31, 2019 composed of R\$ 221,373 relating to the recognition of credit from indemnity suits. For further details, see Note 8.

(2) Refers mainly to the recovery of tax credits arising from the Company's activities, recognized in income (loss) for the years ended March 31, 2019 and 2018.

(3) Substantially refers to the result of the washout of certain business contracts, in the scope of the execution of the business strategy of the Company in the ordinary course of its businesses.

(4) Refers mainly to: i) As of March 31, 2019, substantially comprised of income from bonus of R\$ 11,851 with Banco Santander due to the migration of employees' accounts; ii) As of March 31, 2018, substantially comprised of R\$ 10,002 due to provisions of reimbursement of the insurance company on losses of assets, related to the fire occurred on October 20, 2016 in the subsidiary Centroeste.

RAÍZEN ENERGIA S.A.

Notes to the Financial Statements

March 31, 2019

(In thousands of reais, unless otherwise indicated)

23. Financial results

	Parent Company		Consolidated	
	2019	2018	2019	2018
<u>Financial expenses</u>				
Interest	(554,869)	(550,701)	(732,286)	(735,747)
Monetary variation - liabilities	(124,307)	(80,239)	(143,556)	(96,503)
PIS and COFINS on financial income	(15,131)	(15,186)	(24,243)	(26,913)
Other	(37,422)	(9,210)	(68,502)	(29,026)
	<u>(731,729)</u>	<u>(655,336)</u>	<u>(968,587)</u>	<u>(888,189)</u>
Fair value of financial instruments (liabilities) (Notes 9 and 14)	(52,140)	(20,253)	(57,807)	(20,253)
Less: amounts capitalized on qualifying assets (Note 11)	23,183	19,321	29,719	32,680
	<u>(760,686)</u>	<u>(656,268)</u>	<u>(996,675)</u>	<u>(875,762)</u>
<u>Financial income</u>				
Interest	182,869	200,480	401,129	380,717
Yields from financial investments	15,866	41,395	86,655	204,749
Holding gain	79,981	58,927	82,240	60,425
Other	68	268	117	278
	<u>278,784</u>	<u>301,070</u>	<u>570,141</u>	<u>646,169</u>
<u>Net exchange-rate change⁽¹⁾</u>	<u>(38,423)</u>	<u>(23,584)</u>	<u>(70,635)</u>	<u>(23,136)</u>
<u>Net effect of the derivatives⁽²⁾</u>	<u>85,267</u>	<u>60,042</u>	<u>148,891</u>	<u>89,588</u>
	<u>(435,058)</u>	<u>(318,740)</u>	<u>(348,278)</u>	<u>(163,141)</u>

(1) Includes foreign exchange, net losses on assets and liabilities denominated in foreign currency; and

(2) Includes realized and unrealized income (loss) with futures, options, swaps and NDFs and other derivatives.

24. Financial instruments

a) Overview

The Company presents exposure to the following risks deriving from its operations, which are equalized and managed with the use of certain financial instruments:

- price risk
- Foreign exchange rate risk
- interest rate risk
- credit risk
- liquidity risk

This note presents information on the Company's exposure to each one of the abovementioned risks, the Company's goals, policies and processes for the risk measurement and management, and the Company's capital management.

RAÍZEN ENERGIA S.A.

Notes to the Financial Statements

March 31, 2019

(In thousands of reais, unless otherwise indicated)

b) Risk management structure

The Company has specific treasury and trading policies that set how risk management must be performed. The Company has two main committees to monitor activities and ensure policy compliance:

(i) A risk committee whose members gather weekly to analyze the behavior of commodity (sugar, ethanol and oil by-products) and foreign exchange markets and decide on coverage positions and the strategy to fix the prices of exports and imports to reduce the adverse effects of changes in prices and foreign exchange rate. (ii) An ethanol committee whose members gather monthly to assess the risks posed by the sale of ethanol and to comply with the limits set on risk policies; as well as to follow-up the liquidity risks and counterparty (credit); (iii) Committee on electric power, which meets on a weekly basis to evaluate risks related to trading of electric power and adequacy to limits defined in risk policies.

The Company and its subsidiaries are exposed to market risks, and main ones are: (i) fluctuations in sugar, electric power, by-products and ethanol prices; (ii) fluctuations in foreign exchange rates; and, (iii) fluctuations in interest rates. The purchases of financial instruments for hedging purposes are made according to an analysis of the risk exposure that Management intends to cover.

As of March 31, 2019 and 2018, the fair values of transactions with derivative financial instruments for hedging and other purposes were measured at fair value according to observable data, such as prices quoted in active markets or discounted cash flows according to market curves and are presented below:

RAÍZEN ENERGIA S.A.

Notes to the Financial Statements

March 31, 2019

(In thousands of reais, unless otherwise indicated)

	Notional		Parent company Fair value		Notional		Consolidated Fair value	
	2019	2018	2019	2018	2019	2018	2019	2018
<u>Price risk</u>								
Commodity derivatives								
Futures and options contracts	1,862,471	2,265,203	125,859	87,568	(8,012,282)	1,616,943	129,046	92,393
	1,862,471	2,265,203	125,859	87,568	(8,012,282)	1,616,943	129,046	92,393
<u>Foreign exchange rate risk</u>								
Foreign exchange rate derivatives								
Futures contracts	(178,274)	(67,307)	551	(1,613)	(178,274)	(67,307)	551	(1,613)
Forward contracts	5,845,635	3,441,898	(108,964)	(28,052)	5,845,635	3,441,898	(108,964)	(28,052)
FX swap	(1,375,224)	(51,254)	60,687	120,876	(1,561,966)	(248,793)	64,107	91,934
	4,292,137	3,323,337	(47,726)	91,211	4,105,395	3,125,798	(44,306)	62,269
<u>Interest rate risk</u>								
Interest derivatives	(1,740,015)	(338,162)	81,881	61,140	(1,153,019)	(553,019)	120,624	90,066
	(1,740,015)	(338,162)	81,881	61,140	(1,153,019)	(553,019)	120,624	90,066
Total			160,014	239,919			205,364	244,728
Current assets			239,512	169,317			788,279	243,538
Non-current assets			514,076	213,614			562,684	242,541
Total assets			753,588	382,931			1,350,963	486,079
Current liabilities			(227,548)	(111,414)			(766,549)	(181,648)
Non-current liabilities			(366,026)	(31,598)			(379,050)	(59,703)
Total liabilities			(593,574)	(143,012)			(1,145,599)	(241,351)

RAÍZEN ENERGIA S.A.

Notes to the Financial Statements

March 31, 2019

(In thousands of reais, unless otherwise indicated)

c) Price risk

Price risks result from the possibility of fluctuations in the market prices of the products sold by the Company and its subsidiaries, mainly VHP sugar (sugar #11), refined sugar (sugar #5 or white sugar), ethanol, electric power and oil by-products. These price fluctuations may cause substantial alterations in the sales income of the Company. To mitigate these risks, the Company permanently monitors markets, seeking to anticipate price changes. The table below shows the positions of derivative financial instruments to cover the risk of fluctuations in commodity prices, outstanding as of March 31, 2019:

Consolidated							
Price risk: goods derivatives outstanding on March 31, 2019							
Derivatives	Purchased / Sold	Market	Contract	Maturity	Notional (units)	Notional (R\$ thousand)	Fair value (R\$ thousand)
Future	Sold	NYSE LIFFE	Sugar#5	Apr/19–Jul/19	3,600 t	4,693	125
Future	Sold	ICE	Sugar#11	Apr/19–Jul/20	3,138,826 t	3,657,828	121,018
Options	Sold	ICE	Sugar#11	Jun/19–Sep/20	1,482,414 t	44,000	(35,372)
Options	Sold	OTC	Sugar#11	Sep/19	101,605 t	134,400	(1,592)
Subtotal sugar future sold					4,726,445 t	3,840,921	84,179
Future	Purchased	NYSE LIFFE	Sugar#5	Apr/19–Jul/19	(3,600) t	(4,709)	(140)
Future	Purchased	ICE	Sugar#11	Apr/19–Sep/20	(1,742,217) t	(1,939,634)	(40,096)
Options	Purchased	ICE	Sugar#11	Jun/19–Sep/20	(1,355,408) t	(71,842)	35,655
Options	Purchased	OTC	Sugar#11	Sep/19	(101,605)	(100,800)	1,696
Subtotal sugar future purchased					(3,202,830) t	(2,116,985)	(2,885)
Subtotal sugar future					1,523,615 t	1,723,936	81,294
Future	Sold	B3	Ethanol	Apr/19	750 m ³	1,196	88
Future	Sold	CME	Ethanol	Apr/19–Mar/20	457,900 m ³	1,027,920	(12,397)
Future	Sold	OTC	Ethanol	Apr/19	688,278 m ³	289,748	38,166
Subtotal ethanol future sold					1,146,928 m ³	1,318,864	25,857
Future	Purchased	B3	Ethanol	Apr/19	(1,500) m ³	(2,730)	(176)
Future	Purchased	CME	Ethanol	Apr/19–Dec/19	(394,400) m ³	(877,692)	21,340
Future	Purchased	OTC	Ethanol	Apr/19	(616,314) m ³	(181,764)	(22,860)
Subtotal ethanol future purchased					(1,012,214) m ³	(1,062,186)	(1,696)
Physical fixed	Sold	CHGOETHNL	Ethanol	Apr/19–Mar/20	84,339 m ³	155,662	5,911
Subtotal physical fixed ethanol sold					84,339 m ³	155,662	5,911
Physical fixed	Purchased	CHGOETHNL	Ethanol	Apr/19–Mar/20	(567,902) m ³	(860,290)	(959)
Subtotal physical fixed ethanol purchased					(567,902) m ³	(860,290)	(959)
Subtotal ethanol future					(348,849)	(447,950)	29,113
Future	Sold	NYMEX	Gasoline	Apr/19–Jan/20	394,091 m ³	743,449	(15,467)
Future	Sold	ICE	Gasoline	Apr/19–Jan/20	438,840 m ³	664,068	(31,862)
Option	Sold	OTC	Gasoline	Apr/19–Mar/20	111,618 m ³	194,265	21,245
Option	Sold	ICE	Gasoline	May-19	25,440 m ³	318	318
Subtotal future gasoline sold					969,989	1,602,100	(25,766)

RAÍZEN ENERGIA S.A.

Notes to the Financial Statements

March 31, 2019

(In thousands of reais, unless otherwise indicated)

Future	Purchased	NYMEX	Gasoline	Apr/19- Jan/20	(490,992) m³	(882,304)	47,276
Future	Purchased	ICE	Gasoline	Apr/19- Jan/20	(438,840) m³	(664,675)	31,255
Option	Purchased	ICE	Gasoline	May-19	(20,670) m³	(440)	(438)
Subtotal future gasoline purchased					(950,502)	(1,547,419)	78,093
Subtotal future gasoline					19,487	54,681	52,327
Physical fixed	Sold	CCEE/OTC	Energy	Apr/19- Dec/23	5,648,511 mwh	29,583,178	(297,061)
Subtotal physical fixed electric power sold					5,648,511 mwh	29,583,178	(297,061)
Physical fixed	Purchased	CCEE/OTC	Energy	Apr/19- Dec/23	(5,648,511) mwh	(38,926,127)	263,373
Subtotal physical fixed electric power purchased					(5,648,511) mwh	(38,926,127)	263,373
Subtotal physical fixed electric power					- mwh	(9,342,949)	(33,688)
Net exposure of commodity derivatives as of March 31, 2019						(8,012,282)	129,046
Net exposure of commodity derivatives as of March 31, 2018						1,616,943	92,393

d) Foreign exchange rate risk

Foreign exchange rate risks arise from the possibility of fluctuations in the exchange rates used by the Company for export income, imports, financing cash flows and other foreign currency assets and liabilities. The Company uses derivative transactions to manage cash flow risks resulting from export income denominated in US dollars, net of other cash flows also denominated in foreign currency. The table below shows the positions for derivative financial instruments used to cover exchange rate risks:

Consolidated							
Price risk: outstanding foreign exchange derivatives on March 31, 2019							
Derivatives	Purchased / Sold	Market	Contract	Maturity	Notional (US\$ thou.)	Notional (R\$ thousand)	Fair value (R\$ thousand)
Future	Sold	B3	Trade dollar	Apr/19–May/19	461,750	1,799,301	5,458
Subtotal future sold					461,750	1,799,301	5,458
Future	Purchased	B3	Trade dollar	Apr/19–May/19	(507,500)	(1,977,575)	(4,907)
Subtotal future purchased					(507,500)	(1,977,575)	(4,907)
Term	Sold	OTC/Cetip	NDF	Apr/19–May/19	1,721,050	6,706,416	(114,264)
Term	Purchased	OTC/Cetip	NDF	Apr/19	(200,900)	(860,781)	5,300
Subtotal term purchased/sold					1,520,150	5,845,635	(108,964)
FX swap	Sold	Fixed dollar/OTC	FX swap	May/19–Jun/19	463,952	1,807,881	1,329
FX swap	Purchased	Fixed dollar/OTC	FX swap	Oct/21–Jan/27	(864,795)	(3,369,847)	62,778
Subtotal of swap					(400,843)	(1,561,966)	64,107
Net exposure of foreign exchange derivatives as of March 31, 2019					1,073,557	4,105,395	(44,306)
Net exposure of foreign exchange derivatives as of March 31, 2018					940,428	3,125,798	62,269

RAÍZEN ENERGIA S.A.

Notes to the Financial Statements

March 31, 2019

(In thousands of reais, unless otherwise indicated)

On March 31, 2019 and 2018, the summary of quantitative data on Company's exchange risk exposure was as follows:

	Consolidated	
		2019
	R\$	US\$ (in thousands)
Cash and cash equivalents (Note 3)	1,626,690	417,453
Restricted cash (Note 4)	53,702	13,781
Accounts receivable - Abroad (Note 5)	297,104	76,245
Related parties (Note 9)	4,413,831	1,132,710
Suppliers (note 13)	(2,878,922)	(738,810)
Loans and financing (Note 14)	(5,798,674)	(1,488,099)
Derivatives (Note 24.d) (*)		(1,073,557)
Net foreign exchange exposure	(2,286,269)	(1,660,277)
Derivatives settled in the month following the closing (**)		(106,560)
Net foreign exchange exposure, adjusted on 03/31/2019 (***)		(1,766,837)
Net foreign exchange exposure, adjusted on 03/31/2018 (***)		(848,491)

(*) Refers to the notional foreign exchange derivative transactions.

(**) Settlement at PTAX on the last closing day of the month.

(***) The net foreign exchange exposure, this will be substantially offset by probable future income of export products.

e) Hedge accounting effect

The Company formally designates its transactions subject to hedge accounting documenting: (i) the hedging relationship, (ii) the Company's risk management purpose and strategy when entering into the hedging instrument, (iii) the identification of the financial instrument, (iv) the covered object or transaction, (v) the nature of the risk to be covered, (vi) the description of the hedging relationship and (vii) correlation between hedging and coverage object.

As of March 31, 2019 and 2018, the impacts calculated under the Company's equity and the estimated realization in profit or loss are shown below:

Financial instruments	Market	Risk	Period for realization				
			2019/20	2020/21	>2022	2019	2018
Future	OTC / ICE	Sugar#11	71,888	5,177	-	77,065	50,101
Future	B3 / NYMEX / OTC	Ethanol	47,551	-	-	47,551	(19,112)
Options	ICE	Sugar#11	(26,578)	305	-	(26,273)	-
NDF	OTC	FX	(68,116)	(7,383)	-	(75,499)	2,757
Swap	Debt	FX	-	-	(306,492)	(306,492)	(5,702)
PPE	Debt	FX	-	-	(40,301)	(40,301)	(16,147)
			24,745	(1,901)	(346,793)	(323,949)	11,897
(-) Deferred taxes			(8,413)	652	117,910	110,149	(4,043)
Effect in equity at March 31, 2019			16,332	(1,249)	(228,883)	(213,800)	7,854

RAÍZEN ENERGIA S.A.

Notes to the Financial Statements

March 31, 2019

(In thousands of reais, unless otherwise indicated)

We show below the movement in the balances of other comprehensive income during the year:

	2019	2018
Balance at the beginning of the year	7,854	(36,351)
Gains/(losses) occurred during the year:		
Fair value on commodity futures designated as hedge accounting	501,929	445,304
Fair value loss on foreign exchange locks designated as hedge accounting	(193,427)	-
Exchange variation on debt contracts designated as hedge accounting	(324,944)	(3,692)
Results from commodities recognized in net operating revenue (Note 19)	(434,574)	(454,022)
Results from debt contracts recognized in net operating revenue (Note 19)	115,176	79,385
Total movements occurred in the year	(335,840)	66,975
Effect of deferred taxes on equity valuation adjustment	114,186	(22,770)
	(221,654)	44,205
Balance at March 31, 2019	(213,800)	7,854

f) Interest rate risk

The Company monitors fluctuations in interest rates applied to certain debts, particularly those exposed to the Libor risk, and uses derivative instruments to mitigate those risks. The table below shows the positions for derivative financial instruments used to cover exchange rate risks:

					Consolidated		
					Price risk: outstanding interest derivatives on March 31, 2019		
Derivatives	Purchased/ Sold	Market	Contract	Maturity	Notional (US\$ thou.)	Notional (R\$ thousand)	Fair value (R\$ thousand)
Interest rate swap	Sold	OTC	Interest rate swap	Oct/20	102,889	400,927	(16,907)
Interest rate swap	Purchased	OTC	Interest rate swap	Oct/20-Apr/24	(398,785)	(1,553,946)	137,531
Net exposure of interest derivatives as of March 31, 2019					(295,896)	(1,153,019)	120,624
Net exposure of interest derivatives as of March 31, 2018					(167,176)	(553,019)	90,066

g) Credit risk

A substantial part of the sales of the Company and its subsidiaries is made to a select group of highly qualified counterparties, as trading companies, fuel distribution companies, electricity distributors and major supermarket chains.

The Group manages credit risk by following specific client acceptance standards, analyzing client credit standing and setting exposure limits per client, requiring, when applicable, letters of credit of top tier banks and taking security interest in assets as security for payment of the credit facilities granted to clients. Management considers that the credit risk is substantially covered by the estimated loss in allowance for doubtful accounts.

Individual risk limits are determined with basis on internal or external classifications in accordance with limits determined by Company's management. The use of credit limits is regularly monitored.

RAÍZEN ENERGIA S.A.

Notes to the Financial Statements

March 31, 2019

(In thousands of reais, unless otherwise indicated)

No credit limit was exceeded during the period, and Management does not expect any loss from default by these counterparties in amounts higher than those already provided for.

The Company enters into commodity derivative agreements in futures markets and options at the New York Board of Trade - NYBOT, Chicago - CBOT and at the London International Financial Futures and Options Exchange - LIFFE, as well as in over-the-counter markets with selected counterparties. The Company enters into foreign exchange rate and commodity derivative agreements at B3 and over-the-counter agreements, mainly with the leading local and foreign banks considered by global credit risk rating agencies to have investment level ratings.

Guarantee margins - Derivative transactions in commodity exchanges (NYBOT, LIFFE and B3) require guarantee margins. The total margin of the Consolidated deposited as of March 31, 2019 is R\$ 94,401 (R\$ 40,446 as of March 31, 2018), of which R\$ 40,699 (R\$ 25,028 as of March 31, 2018) in restricted financial investments and R\$ 53,702 (R\$ 15,418 as of March 31, 2018) in derivative transaction margins.

The Company's over-the-counter derivative transactions do not require a guarantee margin.

The credit risk on cash and cash equivalents is mitigated by the conservative distribution of investment funds and CDBs (Note 3), which make up the caption. The distribution follows strict criteria for allocation and exposure to counterparties that are major national and international banks, mainly considered investment grade by international rating agencies.

h) Liquidity risk

It is the risk of the Company may encounter difficulties in performing the obligations associated with its financial liabilities that are settled with payments or with another financial asset. The Company's approach in liquidity management is to guarantee, as much as possible, that it always has sufficient liquidity to perform its obligations upon maturity, under normal and stress conditions, without causing unacceptable losses or with a risk of sully the Company's reputation. As part of the liquidity management process, management prepares business plans and monitors their implementation, discussing positive and negative cash flow risks and assessing the availability of funds to support its operations, investments and refinancing needs.

The table below shows the financial liabilities according to their aging schedules:

					Consolidated
	Up to 1 year	Up to years	3–5 years	>5 years	Total
Loans and financing (1)	1,592,620	2,593,268	4,289,195	7,147,751	15,622,834
Suppliers (note 13)	4,189,363	-	-	-	4,189,363
Derivative financial instruments	766,549	33,293	40,985	304,772	1,145,599
Related parties (1)	677,121	-	-	393,701	1,070,822
March 31, 2019	7,225,653	2,626,561	4,330,180	7,846,224	22,028,618
March 31, 2018	4,276,909	1,670,129	5,991,929	5,166,806	17,105,773

(1) Undiscounted contractual cash flows.

RAÍZEN ENERGIA S.A.

Notes to the Financial Statements

March 31, 2019

(In thousands of reais, unless otherwise indicated)

i) Fair value

Fair value of financial assets and liabilities is the value by which the instrument may be exchanged in a current transaction between parties that are willing to negotiate, and not in a forced sale or settlement. The methods and assumptions used to estimate the fair value are described below.

The fair value of cash and cash equivalents, accounts receivable, other financial assets, accounts payable, related parties and other short-term obligations are approximated to their accounting amount due to the short-term maturity of these instruments. Fair value of other long-term assets and liabilities does not significantly differ from their book values.

The fair value of loans and financing is close to the amounts recorded in the financial statements, due to the fact that these financial instruments are subject to variable interest rates (14).

Derivatives are valued using valuation techniques with observable market data and refer, mainly, to swaps of interest rates, foreign exchange forward contracts, and forward commodity contracts. The valuation techniques applied often include pricing models and swaps contracts, with present value calculations. The models incorporate various data, including the credit quality of counterparties, foreign exchange spot, and forward rates, interest rate curves, and forward rate curves of the hedge object. The categories of financial instruments are as follows:

	Classification	Consolidated			
		Book value		Fair value	
		2019	2018	2019	2018
Financial assets					
Cash and cash equivalents, except investments (Note 3)	Amortized cost	1,707,685	969,570	1,707,685	969,570
Interest earnings bank deposits (Note 3)	Fair value through profit or loss	1,482,174	2,352,207	1,482,174	2,352,207
Restricted cash, except for restricted financial investments (Note 4)	Amortized cost	53,702	15,418	53,702	15,418
Restricted financial investment (Note 4)	Fair value through profit or loss	81,264	75,691	81,264	75,691
Trade accounts receivable (Note 5)	Amortized cost	974,024	602,365	974,024	602,365
Derivative financial instruments (2)	Fair value through profit or loss	1,350,963	486,079	1,350,963	486,079
Related parties (Note 9)	Amortized cost	5,830,754	3,770,223	5,830,754	3,770,223
Other financial assets (Note 8)	Amortized cost	833,426	910,812	833,426	910,812
		<u>12,313,992</u>	<u>9,182,365</u>	<u>12,313,992</u>	<u>9,182,365</u>
Financial liabilities					
Loans and financing (Note 14) (1)	Amortized cost	(8,881,585)	(10,549,422)	(8,864,131)	(10,549,829)
Loans and financing (Note 14)	Fair value through profit or loss	(3,195,391)	(230,174)	(3,195,391)	(230,174)
Derivative financial instruments (2)	Fair value through profit or loss	(1,145,599)	(241,351)	(1,145,599)	(241,351)
Suppliers (note 13)	Amortized cost	(4,189,363)	(2,001,873)	(4,189,363)	(2,001,873)
Related parties (Note 9)	Amortized cost	(1,055,198)	(871,128)	(1,055,198)	(871,128)
		<u>(18,467,136)</u>	<u>(13,893,948)</u>	<u>(18,449,682)</u>	<u>(13,894,355)</u>

(1) Reported net of expenses incurred with the placement of the securities

(2) As of March 31, 2019, the caption includes derivatives designated as hedging instruments in the amount of R\$ (323,949) (R\$ 11,987 in 2018).

RAÍZEN ENERGIA S.A.

Notes to the Financial Statements

March 31, 2019

(In thousands of reais, unless otherwise indicated)

Fair value hierarchy

The Company uses the following hierarchy to determine and disclose the fair value of financial instruments using the valuation technique:

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

Financial instruments are classified as follows:

Financial instruments valued at fair value	Consolidated			
	Level 1	Level 2	Level 3	Total
Interest earnings bank deposits (Note 3)	-	1,482,174	-	1,482,174
Restricted financial investments (Restricted cash) (Note 4)	-	81,264	-	81,264
Derivative financial instruments - assets	319,146	1,031,817	-	1,350,963
Loans and financing (Note 14)	-	(3,195,391)	-	(3,195,391)
Derivative financial instruments - Liabilities	(192,516)	(953,083)	-	(1,145,599)
March 31, 2019	126,630	(1,553,219)	-	(1,426,589)
March 31, 2018	92,819	2,351,672	(2,039)	2,442,452

As of March 31, 2019 and 2018, there were no transfers among such levels in order to determine the fair value of financial instruments.

j) Sensitivity analysis

We present below the sensitivity analysis of the fair value of financial instruments according to the types of risk considered relevant by the Company, pursuant to CVM Instruction No. 475 issued on March 17, 2008.

Assumptions for the sensitivity analysis

The Company has adopted three scenarios for the sensitivity analysis, one probable and two that may show the adverse effects in the fair value of the Company's financial instruments. The probable scenario was set according to the futures market curves of sugar and the US dollar as of March 31, 2019, corresponding to balance of fair value of derivatives on the date. Possible and remote scenarios were set considering impacts of 25% and 50% on sugar and US dollar price curves, which were considered as a basis for the probable scenario.

RAÍZEN ENERGIA S.A.

Notes to the Financial Statements

March 31, 2019

(In thousands of reais, unless otherwise indicated)

Sensitivity table

i) Sensitivity on change in fair value of financial instruments

		Impacts on income (loss) (*)				
		March 31, 2019				
	Risk factor	Probable scenario	Remote scenario + (25%)	Balance of fair value	Remote scenario + (50%)	Balance of the fair value
Price risk						
Commodity derivatives						
Futures and options contracts						
Purchase and sale commitments	Sugar price increase	81,293	(409,318)	(328,025)	(818,637)	(737,344)
Purchase and sale commitments	Gasoline price increase	52,326	(399,998)	(347,672)	(799,996)	(747,670)
Purchase and sale commitments	Electric power price increase	(33,688)	(32,357)	(66,045)	(64,714)	(98,402)
Purchase and sale commitments	Ethanol price increase	29,115	(1,976)	27,139	(3,952)	25,163
		129,046	(843,649)	(714,603)	(1,687,299)	(1,558,253)
Foreign exchange rate risk						
Foreign exchange rate derivatives						
Futures contracts:						
Purchase and sale commitments	USD incr.	551	40,634	41,185	81,267	81,818
Forward contracts						
Purchase and sale commitments	USD incr.	(108,964)	(863,439)	(972,403)	(1,726,878)	(1,835,842)
FX swaps:						
Purchase and sale commitments	USD incr.	64,107	(301,030)	(236,923)	(602,060)	(537,953)
		(44,306)	(1,123,835)	(1,168,141)	(2,247,671)	(2,291,977)
Interest rate risk						
Swap, Term and Futures contracts	Write-off in interest rate	120,624	(65,022)	55,602	(130,044)	(9,420)
		120,624	(65,022)	55,602	(130,044)	(9,420)
Total		205,364	(2,032,506)	(1,827,142)	(4,065,014)	(3,859,650)

(*) Result projected to occur within 12 months from March 31, 2019.

ii) Net foreign exchange exposure

The probable scenario considers the position as of March 31, 2019. The effects of the possible and remote scenarios that would be recognized in the consolidated statement of income as income or expenses on exchange-rate variation are as follows:

RAÍZEN ENERGIA S.A.

Notes to the Financial Statements

March 31, 2019

(In thousands of reais, unless otherwise indicated)

		Effect of exchange-rate changes			
		Scenarios			
Net foreign exchange exposure					
March 31, 2019		+25%	+50%	-25%	-50%
Cash and cash equivalents (Note 3)	1,626,690	406,673	813,345	(406,673)	(813,345)
Restricted cash (Note 4)	53,702	13,426	26,851	(13,426)	(26,851)
Accounts receivable - Abroad (Note 5)	297,104	74,276	148,552	(74,276)	(148,552)
Related parties (Note 9)	4,413,831	1,103,458	2,206,916	(1,103,458)	(2,206,916)
Suppliers (note 13)	(2,878,922)	(719,731)	(1,439,461)	719,731	1,439,461
Loans and financing (Note 14)	(5,798,674)	(1,449,669)	(2,899,337)	1,449,669	2,899,337
Impact on income (loss) for the year		(571,567)	(1,143,134)	571,567	1,143,134

iii) Interest rate sensitivity

As of March 31, 2019, the probable scenario considers the annual weighted average rate (5.74%) of floating interest of loans and financing of the Company, and for financial investments and as restricted cash, the CDI (6.33%) accumulated, realized in the last 12 months. In both cases, simulations were run considering the increase and reduction by 25% and 50%. The consolidated results of this sensitivity are as follows:

		March 31, 2019			
		Interest rate sensibility			
Probable scenario		25%	50%	-25%	-50%
Interest earnings bank deposits	92,565	23,141	46,283	(23,141)	(46,283)
Restricted cash	5,178	1,295	2,589	(1,295)	(2,589)
Loans and financing	(531,443)	(132,861)	(265,722)	132,861	265,722
Additional impact in income (loss) for the year	(433,700)	(108,425)	(216,850)	108,425	216,850

k) Capital management

The Company's goal, when managing its capital structure, is to ensure that it will continue as a going concern and be able to finance investment opportunities, by keeping a healthy credit profile and offering an appropriate return to its shareholders.

The Company has its credit risk analyzed by the main local and international rating agencies, as shown below:

Branch	Scale	Rating	Outlook	Date
Fitch	National	AAA (bra)	Stable	04/25/2018
	Global	BBB	Stable	04/25/2018
Moody's	National	Aaa.Br	Stable	04/10/2018
	Global	Ba1	Stable	04/10/2018
Standard & Poor's	National	brAAA	Stable	04/29/2019
	Global	BBB-	Stable	04/29/2019

RAÍZEN ENERGIA S.A.

Notes to the Financial Statements

March 31, 2019

(In thousands of reais, unless otherwise indicated)

The financial leverage ratios on March 31, 2019, and 2018 were calculated as follows:

		Consolidated
	2019	2018
Third party capital		
Loans and financing (Note 14)	12,076,976	10,779,596
(-) Cash and cash equivalents (Note 3)	(3,189,859)	(3,321,777)
(-) Financial investments linked to financing (note 4)	(40,565)	(50,663)
(-) National Treasury Certificates - CTN (Note 8)	(521,943)	(827,042)
(-) Foreign exchange and interest rate derivatives (Note 24.b)	(184,731)	(152,335)
	8,139,878	6,427,779
Own capital		
Equity		
Attributable to the parent company's shareholders	8,302,763	8,825,137
Interest of non-controlling shareholders	35,263	(970)
	8,338,026	8,824,167
Total capital	16,477,904	15,251,946
Leverage ratio	49%	42%

25. Retirement supplementation plan and other employee benefits

(a) Pension fund

Defined contribution

The Company sponsors the Plan Benefícios Raiz, administered by Raizprev – Private Pension Plan, which is a closed non-profit complementary Pension Plan Entity.

The Entity equipped with administrative, financial and equity autonomy, having as object the administration and implementation of benefit plans of security nature, as defined in the Regulations of Benefit Plans.

The Company has legal and contract obligations that may generate the necessity of making additional extraordinary contributions in case the plan presents negative net income.

During the year ended March 31, 2019, the contribution recognized as expense amounted to R\$ 14,125 (R\$ 12,676 as of March 31, 2018).

(b) Profit sharing

The Company recognizes a liability and a profit sharing expense based on a methodology that considers pre-defined targets to employees. The Company recognizes a provision when it is contractually compelled or when there is a past practice that created non-formalized obligation.

RAÍZEN ENERGIA S.A.

Notes to the Financial Statements

March 31, 2019

(In thousands of reais, unless otherwise indicated)

26. Insurance

The Company and its subsidiaries have an insurance program and risk management that provides consistent coverage and protection for corporate assets and operations.

Contracted coverage is based on a thorough study of risks and losses and contracted insurance types are considered by Management as sufficient to cover possible claims that may arise, considering the nature of the activities of the Company and its subsidiaries. The main ones for March 31, 2019 are detailed as below:

Insured property	Coverage	Amount of coverage
Operational risks	Fire, lightning, explosion and others	933,600
General civil liability (1)	Third party complaints	378,050
		<u>1,311,650</u>

(1) It includes the amount of CHF 15,000, equivalent to R\$ 58,050, referring to coverage contracted exclusively for Raízen Trading.

27. Corporate restructuring

1) Transactions occurred during the year ended March 31, 2019

i) Acquisition of Santa Cândida and Paraíso Plants – sugar and ethanol producing units of Tonon Group

On June 13, 2017, RESA submitted a binding proposal in the total amount of R\$ 823.000 million with certain precedent conditions for the acquisition of the Santa Cândida and Paraíso plants, within the scope of the Court-Ordered Reorganization of the companies Tonon Bioenergia S.A., Tonon Holding S.A. and Tonon Luxembourg S.A., all under Court-Ordered Reorganization.

As of June 16, 2017, the proposal presented by RESA for the acquisition of aforementioned plants, in the form of an Isolated Productive Unit – UPI (“UPI”), was considered the winner by the creditors of the recovered companies in a meeting of creditors held on the aforementioned date.

On September 7, 2017, RESA, in the capacity of buyer, and Tonon Bioenergia S.A., in the capacity of seller, entered into a contract for the purchase and sale of total shares of NK 006 Empreendimentos e Participações S.A. (“NK 006”), entity established for the specific purpose of receiving net assets linked to Santa Cândida and Paraíso plants, in the form of UPI (“UPI Tonon”).

On August 7, 2017, the transaction was approved by Administrative Council for Economic Defense - CADE and the term has elapsed to the appeal or call-back as of October 24, 2017.

On September 8, 2017, RESA subscribed capital increase of UPI Tonon with cash payment, and became the single shareholder of NK 006 and consolidated acquired net assets in the ambit of said business combination.

RAÍZEN ENERGIA S.A.

Notes to the Financial Statements

March 31, 2019

(In thousands of reais, unless otherwise indicated)

The two plants belonging to UPI Tonon are located in São Paulo State in the municipalities of Bocaina and Brotas, region where Raízen already operates and, together, they have annual crushing capacity of approximately 5.5 million tons of sugarcane.

Pursuant to IFRS 3/CPC 15 - Business Combination, the preliminary fair value of acquired assets and assumed liabilities at the date of acquisition of UPI Tonon, as well as the measurement of the amount of goodwill by expected future profitability recognized by RESA on the acquisition date, determined up to March 31, 2018 is as follows:

Captions	Total
Biological asset (Note 7)	12,736
Other receivables	1
Property, plant and equipment (Note 11)	451,147
Payroll and related charges payable	(10,382)
Financial lease	(27,691)
Fair value of net assets	425,811
(-) Proposal accepted in the scope of court-ordered	823,000
(-) Adjustments in acquisition price	12,948
(-) Total cost of acquisition (1)	835,948
Goodwill (Note 12)	410,137

(1) Of this amount, R\$ 25,845 was settled up to March 31, 2019 (R\$ 792,494 were settled up to March 31, 2018), and R\$ 20,639 are outstanding in "Other obligations" (current and non-current) caption, and R\$ 26,000 - principal, (R\$ 787) of interest for the operation and (R\$ 4,574) adjustment to present value. The balances should be settled by 2020.

The valuation techniques used to measure the fair value of the significant assets acquired were as follows:

Acquired assets

Valuation technique

Property, plant and equipment

Market comparison and cost technique: the evaluation model considers the market prices quoted for similar items, when available, and depreciated replacement costs, when applicable. The depreciated replacement cost reflects adjustments of physical deterioration, as well as the functional and economic obsolescence. In addition, the balance of fixed assets is comprised of the balance of sugarcane planting, which was adjusted at fair value considering the assumptions and calculations of RESA. The fair value of sugarcane planting was calculated under the Income Approach method, based on the concept that the fair value of sugarcane planting is related to the present value of net cash flows generated by the asset in the future. The fair value of fixed asset items on the acquisition date amounted to approximately R\$ 451,147, which represented an adjustment of around R\$ 71,025.

Other assets acquired and liabilities assumed were analyzed and the respective accounting balances reflect the respective fair values.

RAÍZEN ENERGIA S.A.

Notes to the Financial Statements

March 31, 2019

(In thousands of reais, unless otherwise indicated)

On September 28, 2018, the Company concluded the allocation of the price of the assets acquired and liabilities assumed by the Company in the process of acquiring the Santa Candida and Paraíso plants. The main differences between the preliminary goodwill and the final goodwill are shown below:

Movement	
Fair value of net assets	425,811
(-) Total cost of acquisition	835,948
Preliminary goodwill	410,137
(-) Fair value of biological assets (note 7)	(2,288)
(+) Property, plant and equipment (Note 11)	9,507
(+) Other liabilities	6,421
(+) Financial lease	7,495
(=) Goodwill adjustments (Note 12)	21,135
Final goodwill	431,272

Merger of UPI Tonon

At the Special Shareholders' Meeting of September 22, 2017, the merger of UPI Tonon by RESA was resolved and approved by means of appraisal report issued by an independent expert. Thus, the investment by RESA in this company was replaced by shareholders' equity in the amount of R\$ 372,161, leaving capital unchanged, with the consequent extinction of UPI Tonon.

iii) RWXE Participações S.A.

On April 28, 2018, the Company, through its subsidiary Bio Barra, signed a shareholders agreement with the company WX Energy Participações Ltda. ("WX Participações"), which corresponded to the commitment to invest the amount of R\$ 94.626 million in RWXE, parent of the company WX Energy.

On July 5, 2018, the shareholders' agreement between Bio Barra and WX Participações was signed, formalizing the previous Investment commitment. With this operation, the Company acquired control and a 70% stake in the share capital of RWXE, for the amount of R\$ 94,626, of which R\$ 44,626 was effectively settled on this same date by the subsidiary Bio Barra. The residual amount will be paid up to July 05, 2021.

RWXE is a company primarily engaged in participating, as partner or shareholder, in the share capital of other companies or ventures, constituted as a result of this business combination.

WX operates in the whole sale market of electric power, authorized by National Agency of Electrical Energy (ANEEL) and agent of Electric Energy Trading Chamber (CCEE, in Portuguese).

Through these investments, the Company aims to expand its presence in electric energy trading and increase its product portfolio.

Pursuant to IFRS 3/CPC 15 - Business Combination, the preliminary fair value of acquired assets and assumed liabilities at the date of acquisition of RWXE, is as follow below: The difference between the amount paid and the net assets at fair value resulted in the recognition of a goodwill for expectation of future returns.

RAÍZEN ENERGIA S.A.

Notes to the Financial Statements

March 31, 2019

(In thousands of reais, unless otherwise indicated)

Captions	Total
Cash and cash equivalents	63,912
Accounts receivable	187,442
Related parties	50,000
Advances to suppliers	30
Recoverable taxes	73
Property, plant and equipment (Note 11)	158
Intangible assets (note 12)	23,140
Suppliers	(200,672)
Financial instruments - Liabilities	(2)
Taxes payable	(893)
Salaries payable	(51)
Net assets	123,137
Raízen Interest (70%) (*)	86,196
(-) Cost of acquisition	94,626
Final goodwill (Note 12)	8,430

(*) The remaining 30% refers to the non-controlling interest, which was measured at fair value using their proportionate share of the acquiree's identifiable net assets at the acquisition date.

The net operating revenue and net income from the date of acquisition to March 31, 2019 of RWXE, was R\$ 2,133,285 and R\$ 10,420, respectively

The valuation techniques used to measure the fair value of the significant assets acquired were as follows:

Acquired assets	Valuation technique
Intangible assets	Contractual relationships with clients: Technique <i>Multi-period earning excess method</i> ("MEEM"), this model estimates fair value based on business unit future cash flow discounts. Cash flows considered projected revenues from clients' portfolio and their corresponding costs and expenses in a period of 10 years. Fair value of contract relations totaled R\$ 23,137, fully recognized as surplus.

The total amount of goodwill may be deductible for tax purposes depending on the future assessment of the Company.

The receivables acquired at the acquisition date are measured and recognized at fair value and comprises the gross amount of R\$ 187,442, which there is no expectation to be uncollectable at the acquisition date. The other assets acquired and liabilities assumed were analyzed and the respective accounting balances reflect the respective fair values.

RAÍZEN ENERGIA S.A.

Notes to the Financial Statements

March 31, 2019

(In thousands of reais, unless otherwise indicated)

The final allocation of the purchase price of RWXE depends on evaluations and other studies not yet completed and also on the final issuance of the appraisal report to be issued by an independent specialized company. In this way, Raízen Group made the preliminary allocation of the price paid considering the best estimate for the capital gains. However, they are subject to further adjustment as information becomes available and analyzes are performed and completed. Raízen Group does not expect significant impacts on the recognition of the purchase price allocation, whose final allocation is expected to be completed by July 2019.

iv) Ryballa Participações Ltda (“Ryballa”).

On August 13, 2018, after Company’s announcement with São Martinho S.A. (“São Martinho”), business provide for the acquisition of the biological assets of Usina Furlan, relating to the Santa Bárbara D’Oeste plant (state of SP), as well as the leasing of land owned by Usina Furlan and Agro Pecuária Furlan S.A. (“Transaction”) and the operation was effectively approved by the CADE (Administrative Council for Economic Defense).

On October 8, 2018, by means of the signature of the Term for the completion of the Transaction, Company and São Martinho took on the agricultural and supply agreements which total approximately 1 million tons of sugar and as a counterparty, the obligation to independently make the payment of the respective proportion of 2/3 and 1/3 the approximate amount of R\$ 117,000.

The conclusion of this Transaction is aligned with the strategy of increasing the availability of cane for processing at the mills of Raízen. As of March 31, 2019, the Company already paid R\$ 71,343.

Pursuant to IFRS 3/CPC 15 - Business Combination, the fair value of acquired assets and assumed liabilities at the date of acquisition of Ryballa is as follows: The difference between the amount paid and the net assets at fair value resulted in the recognition of a goodwill for expectation of future returns.

Captions	Total
Cash and cash equivalents	1
Advance to suppliers	917
Biological asset (Note 7)	7,734
Property, plant and equipment (Note 7)	20,948
Suppliers	(917)
Related parties	(2,067)
Net assets	<u>26,616</u>
(-) Cost of acquisition	<u>32,016</u>
Preliminary goodwill (Note 10.d.i)	<u>5,400</u>

RAÍZEN ENERGIA S.A.

Notes to the Financial Statements

March 31, 2019

(In thousands of reais, unless otherwise indicated)

The valuation techniques used to measure the fair value of the significant assets acquired were as follows:

Assets acquired	Assessment Technique
	Sugarcane crops: The fair value was measured through the discounted cash flow method, excluding the lands which the crops were planted.
Biological Asset	Sugarcane: The fair value was measured through the discounted cash flow method in accordance with the projected productivity cycle for each harvest, taking into account the useful life of the assets, the total recoverable sugar prices, estimated yields and costs production, harvesting, loading and transport for each hectare planted.

The total amount of goodwill may be deductible for tax purposes depending on the future assessment of the Company.

On January 02, 2019, Ryballa was merged into RESA, and the net assets on the date of merger was R\$ 27,832.

The final allocation of the purchase price of Ryballa depends on evaluations and other studies not yet completed and also on the final issuance of the appraisal report to be issued by an independent specialized company. In this way, Raízen Group made the preliminary allocation of the price paid considering the best estimate for the capital gains. However, they are subject to further adjustment as information becomes available and analyzes are performed and completed. Raízen Group does not expect significant impacts on the recognition of the purchase price allocation, whose final allocation is expected to be completed by October 2019.

2) Transactions occurred during the year ended March 31, 2018

i) Donation of ownership interest in Biogás

On February 19, 2018, through a shareholders' agreement, RESA transferred 15% of its ownership interest in Biogás to Geo Energética Participações S.A.

ii) Partial spin-off of Benálcool

On March 29, 2018, by means of the Private Instrument related to the 7th Amendment of Benálcool's articles of association, the partner RESA approved the partial spin-off of Benálcool, in the amount of R\$ 331,000. Benálcool spun-off its interest in the subsidiary Raízen Trading, in the amount of R\$ 286,355, and cash, in the amount of R\$ 44,645. These amounts were deducted from Benálcool's capital increased from R\$ 332,262 to R\$ 1,262. Due to this movement, RESA became the direct parent company of Raízen Trading.

RAÍZEN ENERGIA S.A.

Notes to the Financial Statements

March 31, 2019

(In thousands of reais, unless otherwise indicated)

28. Supplementary information to the cash flow

a) Reconciliation of financing activities from cash flows

We present the reconciliation of financing activities of cash flows for the year ended March 31, 2019 as follows:

(Assets) / Liabilities	Parent company				
	Financial investments linked to financing	Loans and financing (1)	Related parties	Dividends payable	Total
Opening balance	-	4,272,320	1,472,239	17,082	5,761,641
Transactions with an impact on the Financial Cash Flow ("FCF")					
Funding of loans and financing - Third-parties	-	3,337,912	-	-	3,337,912
Amortizations of principal of loans and financing - third-parties	-	(1,670,579)	-	-	(1,670,579)
Payment of interest on loans and financing - third-parties	-	(383,663)	-	-	(383,663)
Payment of interest on loans and financing - intragroup	-	-	(68,907)	-	(68,907)
Financial investments linked to financing	(1,280)	-	-	-	(1,280)
Payment of dividends (Note 18.b)	-	-	-	(780,482)	(780,482)
Net asset management - intragroup	-	-	(229,266)	-	(229,266)
	(1,280)	1,283,670	(298,173)	(780,482)	203,735
Other changes not affecting the financing cash flow					
Net interest, inflation adjustments, and exchange-rate changes	652	293,702	341,964	-	636,318
Fair value of liability financial instruments	-	(8,034)	-	-	(8,034)
Redemption and allocation of dividends to preferred shares (Note 18.b)	-	-	-	7,164	7,164
Allocation of dividends (Note 18.b)	-	-	(5,667)	763,400	757,733
Other	-	36,521	-	-	36,521
	652	322,189	336,297	770,564	1,429,702
Closing balance	(628)	5,878,179	1,510,363	7,164	7,395,078

RAÍZEN ENERGIA S.A.

Notes to the Financial Statements

March 31, 2019

(In thousands of reais, unless otherwise indicated)

(Assets) / Liabilities	Consolidated				
	Financial investments linked to financing	Loans and financing (1)	Related parties	Dividends payable	Total
Opening balance	(50,663)	9,952,554	(2,463,825)	17,082	7,455,148
Transactions with an impact on the Financial Cash Flow ("FCF")					
Funding of loans and financing - Third-parties	-	4,133,125	-	-	4,133,125
Amortizations of principal of loans and financing - third-parties	-	(3,164,313)	-	-	(3,164,313)
Payment of interest on loans and financing - third-parties	-	(583,178)	-	-	(583,178)
Payment of dividends (Note 18.b)	-	-	-	(780,482)	(780,482)
Financial investments linked to financing	13,149	-	-	-	13,149
Net asset management - intragroup	-	-	(13,212)	-	(13,212)
	13,149	385,634	(13,212)	(780,482)	(394,911)
Other changes not affecting the financing cash flow					
Net interest, inflation adjustments, and exchange-rate changes	(3,051)	1,091,131	(385,611)	-	702,469
Fair value of liability financial instruments	-	57,807	-	-	57,807
Redemption and allocation of dividends to preferred shares (Note 18.b)	-	-	-	7,164	7,164
Allocation of dividends (Note 18.b)	-	-	(5,667)	766,247	760,580
Other	-	67,907	-	-	67,907
	(3,051)	1,216,845	(391,278)	773,411	1,595,927
Closing balance	(40,565)	11,555,033	(2,868,315)	10,011	8,656,164

(1) Presented net of CTN.

b) Main transactions not involving cash

	Parent company		Consolidated	
	2019	2018	2019	2018
Transactions not involving cash				
Depreciation of agricultural assets capitalized as biological assets (Note 7)	(19,671)	(20,205)	(23,288)	(23,296)
Accounts receivable - Ultra Group	-	(6,430)	-	(6,430)
Depreciation of agricultural assets capitalized as property, plant and equipment (Note 11)	(74,027)	(56,607)	(81,957)	(64,789)
Tax credits on fixed assets, including adjustment to present value of property, plant and equipment.	(2,780)	8,247	(4,376)	8,326
Interest capitalized in fixed assets (Notes 11 and 23)	(23,183)	(19,321)	(29,719)	(32,680)
Other liabilities	(25,845)	(43,454)	(57,864)	(43,454)
AFAC	-	(1,711)	-	(1,711)
Subscribed capital to be paid up (Note 10.d.i)	(9,426)	-	-	-
Other (Note 10.d.i)	(521)	-	-	-
	(155,453)	(139,481)	(197,204)	(164,034)
