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

CANTAGALO GENERAL GRAINS S.A.

Independent auditor's report

Individual and consolidated financial statements
As at December 31, 2018

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Individual and consolidated financial statements
As at December 31, 2018

Contents

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INDEPENDENT AUDITOR’S REPORT ON THE INDIVIDUAL AND CONSOLIDATED FINANCIAL STATEMENTS

To the
Shareholders and Management of
Cantagalo General Grains S.A.
São Paulo - SP

Qualified opinion on the financial statements

We have audited the individual and consolidated financial statements of Cantagalo General Grains S.A. (“Company”), identified as parent company and consolidated, respectively, which comprise the statement of financial position as at December 31, 2018 and the respective statements of operations, comprehensive income (loss), changes in equity (deficit) and cash flows for the year then ended, as well as the corresponding notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matters described in the following section of this report “Basis for a qualified opinion on the financial statements” the accompanying individual and consolidated financial statements present fairly, in all material respects, the individual and consolidated financial position of Cantagalo General Grains S.A. as at December 31, 2018, its individual and consolidated financial performance and its individual and consolidated cash flows for the year then ended in accordance with Brazilian accounting practices and International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB).

Basis for qualified opinion on the financial statements

Significant uncertainty as to going concern

As mentioned in Note 1 to the financial statements, the Company has reported negative individual and consolidated working capital as at December 31, 2018 of R$ 497,564 thousand and R$ 445,657 thousand, respectively, individual and consolidated losses of R$ 150,396 thousand and R$ 230,685 thousand, respectively, and deficit in equity, individual and consolidated, of R$ 249,519 thousand and R$ 406,257 thousand, respectively. The Company is reporting the steps to be taken to change that scenario, which include a change in its business plan, sale of assets, and renegotiation of financial debt, among other measures. This situation indicates that there are significant uncertainties that may cast doubt on the Company’s ability to continue as a going concern. The financial statements do not disclose this matter properly.

Limitation of analysis of collateral agreement between related parties

As mentioned in Notes 12, 22 and 30, as at December 31, 2018, the Company has recorded in the individual financial statements a balance of related-party receivables in the amount of R$ 14,500 thousand, a balance in other accounts payable in the amount of R$ 9,631 thousand of revenues on unrecognized collaterals and a balance of R$ 6,083 thousand related to revenues on collaterals recorded in income (loss) regarding the collection of related-party collaterals arising from indirect controlled company’s loan agreement. However, until the date of conclusion of our work, the documentation provided was not sufficient and appropriate to support the record of the mentioned operation in the consolidated financial statements. Therefore, we were unable to confirm or verify, through alternative means, the mentioned balances recorded under the captions “Related-party transactions” in current and noncurrent assets, “Other accounts payable” in current and noncurrent liabilities and “Expenses on collaterals” recorded in income (loss) for the year.

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

Emphasis

Related-party transactions

As mentioned in Note 12 to the individual and consolidated financial statements, the Company has significant transactions with related parties conducted in the context of a group of companies. Consequently, the financial statements have to be analyzed considering this. Our opinion is not modified in respect of this matter.

Other matters

Previous year amounts

The individual and consolidated financial statements also include information for the year ended December 31, 2017, presented for comparison purposes. The audit of the individual and consolidated financial statements as at December 31, 2017 was conducted under our responsibility, and our unqualified report thereon, dated April 06, 2018, had a paragraph on significant uncertainty as to the Company's going concern and emphasis on its related-party transactions.

Other information accompanying the financial statements and auditor's report

The Company's Management is responsible for this other information that comprises the Management Report.

Our opinion on the financial statements does not cover the Management Report and we do not express any form of audit conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management Report and, in doing so, consider whether the report is materially inconsistent with the 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 Management Report, 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 Brazilian accounting practices and with the IFRS, issued by 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 preparing the individual and consolidated financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Company and its controlled companies or to cease operations, or has no realistic alternative but to do so.

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

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

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

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

- Identify and assess the risks of material misstatement of the individual and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our 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 controls.

- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and its controlled companies' internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and its controlled companies' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the individual and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and its controlled companies 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 and 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 controls that we identify during our audit.

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

São Paulo, May 20, 2019.

BDO RCS Auditores independentes S.S
CRC 2 SP 013846/O-1

Henrique Herbel de Melo Campos
Accountant CRC 1 SP 181015/O

CANTAGALO GENERAL GRAINS S.A.

Statements of financial position
As at December 31, 2018 and 2017
(In thousands of Brazilian Reais)

Assets

	Note	Parent company 2018	Parent company 2017	Consolidated 2018	Consolidated 2017
Current					
Cash and cash equivalents	6	375	3.120	17.553	18.741
Derivative financial instruments		-	-	-	488
Accounts receivable	7	6.683	2.755	7.904	9.801
Inventories	9	803	1.433	1.178	1.560
Advances to suppliers		2.074	101	4.570	24.061
Biological assets	10	1	61	1	61
Related-party transactions	12	43.079	27.725	41.203	37.819
Goods receivable	8	10.898	8.835	61.111	20.136
Recoverable taxes	11	7.300	10.924	65.526	65.638
Other receivables		352	108	12.721	536
Noncurrent assets held for sale	13	-	-	16.337	29.985
		71.565	55.062	228.104	208.826
Noncurrent					
Long-term assets					
Related-party transactions	12	4.461	1.668	24.850	44.460
Accounts receivable	7	3.777	3.075	3.777	3.167
Goods receivable	8	53.365	31.555	308.669	73.495
Advances to suppliers		-	-	7.128	79.477
Recoverable taxes	11	705	706	705	706
Deferred taxes	18	-	88.081	3.189	202.757
Financial investments	21.f	1.368	-	5.827	-
		63.676	125.085	354.145	404.062
Investment property	14	-	-	228.459	-
Investments	15	729.284	432.773	97	98
Fixed assets	16	15.780	11.895	56.045	251.719
Biological assets	10	55	-	55	-
Intangible assets	17	-	321	185.408	177.500
		745.119	444.989	470.064	429.317
Total noncurrent		808.795	570.074	824.209	833.379
Total assets		880.360	625.136	1.052.313	1.042.205

Liabilities and equity (deficit)

	Note	Parent company 2018	Parent company 2017	Consolidated 2018	Consolidated 2017
Current					
Loans and financing	21	99.411	194.644	244.240	288.317
Derivative financial instruments	26	3.339	-	3.339	1.097
Trade accounts payable	19	19.918	15.458	29.499	55.120
Labor liabilities	22	645	632	2.593	2.960
Tax liabilities	22	1.991	1.270	2.536	2.866
Goods to deliver – Related parties	20	174.918	123.234	174.918	123.234
Related-party transactions	12	125.470	94.387	684	18.000
Customers' advances	23	120.430	532	125.713	1.807
Other accounts payable	22	8.535	106	89.660	44.869
		554.657	430.263	673.182	538.270
Total current liabilities					
Noncurrent					
Loans and financing	21	59.873	73.573	696.962	630.588
Derivative financial instruments	26	13.642	-	13.642	-
Goods to deliver – Related parties	20	42.190	73.266	42.190	73.266
Related-party transactions	12	248.627	195.264	25.779	3.515
Provisions for tax and civil risks	24	-	1.771	5.938	4.267
Other accounts payable	22	3.650	371	308	75.198
Provisions for losses on investments	15	206.671	75.937	-	-
		574.653	420.182	784.819	786.834
Equity (deficit)	25				
Capital stock		366.418	366.418	366.418	366.418
Asset and liability valuation adjustment		307.382	181.196	307.382	181.196
Accumulated losses		(922.750)	(772.923)	(922.750)	(772.923)
		(248.950)	(225.309)	(248.950)	(225.309)
Noncontrolling interest		-	-	(156.738)	(57.590)
Total equity (deficit)		(248.950)	(225.309)	(405.688)	(282.899)
Total liabilities and equity (deficit)		880.360	625.136	1.052.313	1.042.205

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

CANTAGALO GENERAL GRAINS S.A.

Statements of operations
For the years ended December 31, 2018 and 2017
(In thousands of Brazilian Reais)

	Note	Parent company		Consolidated	
		2018	2017	2018	2017
Net operating revenue	27	13.132	13.641	62.811	83.699
Unrealized derivative financial instruments	28	(3)	(2.190)	(3)	(2.190)
Cost of products sold	28	(14.186)	(16.902)	(51.046)	(40.304)
Gross income (loss)		(1.057)	(5.451)	11.762	41.205
General and administrative expenses	28	(11.974)	(7.476)	(45.837)	(58.483)
Equity in earnings (losses) of controlled companies	15.2	8.354	(38.274)	-	14
Impairment loss	13	-	-	-	(35.202)
Other operating revenues (expenses)	29	9.586	(3.781)	124.636	37.549
Income (loss) before financial income (loss), net		4.909	(54.982)	90.561	(14.917)
Net financial income (loss)	30	(66.655)	(42.172)	(126.814)	(123.095)
Loss before Income and Social Contribution Taxes		(61.746)	(97.154)	(36.253)	(138.012)
Current Income and Social Contribution Taxes		-	-	(244)	(399)
Deferred Income and Social Contribution Taxes	18	(88.081)	3.266	(193.620)	3.175
Loss for the period		(149.827)	(93.888)	(230.117)	(135.236)
Income (loss) attributable to					
Controlling shareholders		-	-	(149.827)	(93.888)
Noncontrolling shareholders		-	-	(80.290)	(41.348)
Loss for the period		(149.827)	(93.888)	(230.117)	(135.236)

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

CANTAGALO GENERAL GRAINS S.A.

Statements of comprehensive income (loss)
For the years ended December 31, 2018 and 2017
(In thousands of Brazilian Reais)

	Parent company		Consolidated	
	2018	2017	2018	2017
Income (loss) for the year	(149.827)	(93.888)	(230.117)	(135.236)
Cumulative translation adjustment	(56.105)	(5.627)	(74.963)	(7.832)
Asset and liability valuation adjustment	182.291	-	182.291	-
Total comprehensive income (loss)	(23.641)	(99.515)	(122.789)	(143.068)
Comprehensive income (loss) attributable to:				
Controlling shareholders	(23.641)	(99.515)	(23.641)	(99.515)
Noncontrolling shareholders	-	-	(99.148)	(43.553)
Total comprehensive income (loss)	(23.641)	(99.515)	(122.789)	(143.068)

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

CANTAGALO GENERAL GRAINS S.A.

Statements of changes in equity (deficit)
(In thousands of Brazilian Reais)

	Attributable to controlling shareholders					
	Capital stock	Asset and liability valuation adjustments	Accumulated losses	Total	Noncontrolling interest	Total equity
Balances as at January 01, 2017	366.418	186.823	(679.035)	(125.794)	(14.037)	(139.831)
Cumulative translation adjustments	-	(5.627)	-	(5.627)	(2.205)	(7.832)
Loss for the year	-	-	(93.888)	(93.888)	(41.348)	(135.236)
Balances as at December 31, 2017	366.418	181.196	(772.923)	(225.309)	(57.590)	(282.899)
Cumulative translation adjustments	-	(56.105)	-	(56.105)	(18.858)	(74.963)
Asset and liability valuation adjustments	-	182.291	-	182.291	-	182.291
Loss for the year	-	-	(149.827)	(149.827)	(80.290)	(230.117)
Balances as at December 31, 2018	366.418	307.382	(922.750)	(248.950)	(156.738)	(405.688)

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

CANTAGALO GENERAL GRAINS S.A.

Statements of cash flows

For the years ended December 31, 2018 and 2017

(In thousands of Brazilian Reais)

	Parent company		Consolidated	
	2018	2017	2018	2017
Loss for the year	(149.827)	(93.888)	(230.117)	(135.236)
Non-cash items				
Depreciation and amortization	4.263	5.854	18.299	20.253
Impairment	(23.458)	-	(23.536)	-
Write-off of assets after inventory	709	-	1.720	-
Deferred Income Tax	88.081	-	193.620	173
Equity in earnings (losses) of controlled companies	(8.354)	38.274	-	(14)
Interest and commission expenses	25.431	13.494	70.825	44.636
Exchange rate gains (losses)	36.044	2.852	101.974	(3.757)
Provision for costs and expenses	-	12.790	-	-
Reversal of provision for legal proceedings	(1.771)	-	(1.771)	-
Fair value adjustment of Goods to deliver and receivable	(8.599)	9.761	(4.531)	14.718
Fair value adjustment of biological assets	-	2.190	-	2.190
Fair value adjustment of Fazenda Fronteira	-	(3.235)	-	(3.235)
Functional currency adjustment – fixed assets	-	-	(21.667)	(5.912)
Asset and liability valuation adjustment	-	(5.627)	-	(7.832)
	(37.481)	(17.535)	104.816	(74.016)
Increase/(decrease) in asset and liability accounts				
Financial instruments	221	-	(388)	(9.301)
Accounts receivable	(4.630)	1.775	1.287	16.601
Inventories	690	175	442	2.906
Advances to suppliers	(1.973)	292	91.840	56.256
Related-party transactions	27.895	34.969	(20.700)	36.877
Recoverable taxes	3.625	(2.985)	737	42.830
Other receivables	(244)	3.282	(12.184)	3.594
Assets available for sale	-	-	13.648	(14.631)
Trade accounts payable	4.460	(5.418)	(25.621)	(11.526)
Labor liabilities	13	(518)	(367)	(4.283)
Tax liabilities	721	1.180	(330)	(435)
Customers' advances	119.898	532	123.906	1.807
Other accounts payable	2.076	65	(26.658)	(11.081)
Cash from operating activities	115.271	15.814	250.428	35.598
Interest paid	(18.291)	(18.716)	(25.696)	(41.711)
Paid Income and Social Contribution Taxes	-	-	(624)	-
Net cash from operating activities	96.980	(2.902)	224.108	(6.113)
Cash flows from investing activities				
Increase in investments and ownership interest	-	2.908	-	(25)
Long-term financial investments	(1.368)	-	(5.827)	-
Acquisition of fixed assets	(137)	(76)	(709)	(2.374)
Write-off of fixed assets	15.059	18.785	171.609	37.024
Purchase of biological assets	(55)	(397)	(55)	(397)
Write-off of biological assets	-	4.622	-	4.622
Acquisition of intangible assets	-	-	(573)	(1.842)
Net cash from investing activities	13.499	25.842	164.445	37.008
Cash flows from financing activities				
Goods to deliver	23.238	5.663	23.238	5.663
Goods receivable	(15.427)	(21.474)	(271.771)	(42.000)
Related-party transactions	24.490	10.443	12.245	2.393
Paid loans and financing	(220.022)	(142.721)	(303.048)	(234.139)
Loans and financing taken	74.497	125.583	149.595	212.541
Net cash from financing activities	(113.224)	(22.506)	(389.741)	(55.542)
(Decrease)/Increase in cash and cash equivalents, net	(2.745)	434	(1.188)	(24.647)
Cash and cash equivalents at beginning of year	3.120	2.686	18.741	43.388
Cash and cash equivalents at end of year	375	3.120	17.553	18.741
(Decrease)/Increase in cash and cash equivalents, net	(2.745)	434	(1.188)	(24.647)

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

1. Operations

CANTAGALO GENERAL GRAINS S.A. (“Company”) is a corporation located at Avenida Magalhães de Castro, 4.800, 11º andar, sala 2, in the city of São Paulo, state of São Paulo, set up on October 25, 2010.

The Company has as main purpose to explore, directly or by means of interest in other companies, the cultivation of soybean, corn, cotton and other cereals; production of certified seeds, production of seeds, seedlings and other certified means of vegetative propagation; land preparation, cultivation and harvesting services; manufacturing of fertilizers; the activities of trade in the domestic and foreign markets (import and export) of agricultural products, especially grains and by-products, and pesticides; rendering of auxiliary services of water transportation; road transportation of general cargo; transportation of general cargo (transportation logistics or transporter agent); maritime brokerage and port operator; warehouse and standardization services; warehouse logistics; consulting on general transportation; incorporating or holding any type of interest in other companies, consortiums or entities, directly or indirectly auxiliary or instrumental to the Company’s purpose; manufacturing and processing, by its own or through third parties, of agricultural products and its by-products, fertilizers and by-products, raw materials in general and pesticides, and the management of own assets or held by controlled or affiliated companies.

In 2018, the Company continued its plan of financial restructuring by means of monetization of tax credits and sales of assets, both in the parent company and subsidiaries. In December 2018, the Company sold 43,355 ha owned in the region of Brasnorte, state of Mato Grosso, which corresponded to the remaining area held of Fazenda Fronteira. The operation projected the receipt of 4.5 million soybean bags in 15 years, and the Company received the 5 first years in advance. With the funds generated by the sale, the Company intends to release other properties offered as collaterals for loans, to settle short-term loans and implement its corporate restructuring, settling the largest part of its debts with related parties.

The Company recorded in consolidated income (loss) losses of R$ 230 million in 2018 in comparison with losses of R$ 135 million in 2017. From the loss reported in 2018, R$ 194 million refer to the provision for deferred income tax of CGG Trading and Cantagalo. The Company reduced by more than 20% its administrative expenses, which corresponded to an amount of R$ 13 million. A large part of the reduction in expenses occurred in the last quarter of the year. Income (loss) was also affected by exchange rate losses of R$ 38 million in 2018, in comparison to losses of R$ 6 million in 2017.

The Company’s management, along with its shareholders, intends to focus the activities of the group mainly to properties valuation, therefore turning the agricultural operations secondary activities and allocating its farms as properties for investment.

2. Presentation of the financial statements and significant accounting practices

2.1. Presentation of financial statements

The accompanying financial statements were approved by the Company's Management on May 20, 2019.

The financial statements were prepared according to the Brazilian accounting practices, based on the provisions contained in the Brazilian Corporate Law, technical pronouncements, guidelines, and interpretations issued by the Committee of Accounting Pronouncements (CPC) and on the standards issued by the Federal Association of Accountants (CFC).

The preparation of financial statements requires Management to make estimates that affect the reported amounts of certain assets and liabilities and other transactions. Therefore, the financial statements include estimates about the useful lives of fixed assets, necessary provisions for contingent liabilities, setting up of Income Tax provisions, and the like. Actual results may differ from these estimates.

3. New standards, changes and interpretations of standards issued by IASB and CPC

a) The accounting pronouncements of IASB listed below were published and/or reviewed and are effective for years beginning on or after January 01, 2018.

CPC 47 (IFRS 15) – Revenue from Contracts with Customers - The Company did not identify relevant impacts on the individual and consolidated financial statements in the adoption of CPC 47 - Revenue from Contracts with Customers, since revenue was already recognized upon the fulfillment of the performance obligation.

CPC 48 (IFRS 9) – Financial Instruments - The Company adopted the standard as from January 01, 2018 and, considering its current transactions, it did not identify changes significantly affecting the Company's individual and consolidated financial statements, given that its financial instruments are not complex and do not represent an impact risk on its measurement or a risk of impairment or significant reduction in value due to the expectation of future losses, being only applied the classification of financial assets to the established categories.

b) Some new accounting pronouncements of IASB and interpretations of IFRIC were published and / or revised with mandatory adoption for periods beginning after December 31, 2018. However, the early adoption of these standards, interpretations and amendments was not allowed:

CPC 06 R2 (IFRS 16) – Leases - On January 2016, IABS issued IFRS 16 – Leases, with the main objective of redefining the recognition of lease transactions. The respective Technical Pronouncement CPC 06 (R2) – Lease Transactions was issued on December 21, 2017. The revision of this accounting pronouncement will be in effect for years beginning as from January 01, 2019.

The new pronouncement introduces a single model for the accounting of lease contracts, eliminating the distinction between operating and finance leases, resulting in the accounting of most lease contracts in the statements of financial position of the lessees. The lessees accounting remains substantially unchanged and the distinction between operating and finance lease contracts remains. The standard IFRS 16 replaces the standard IAS 17 and its interpretations.

CPC 32 (IFRIC 23) – Uncertainty over Income Tax Treatments - In June 2017, IASB issued IFRIC 23 with the purpose of explaining the accounting when there are uncertainties of taxes on income regulated by IAS 12 – Income Taxes, with CPC 32 as its corresponding technical pronouncement. This accounting pronouncement will be effective for years beginning as from January 01, 2019.

Significant impacts on the Company's financial statements are not expected. There are no other IFRS or IFRIC interpretations not yet in effect that may significantly affect the Company's financial statements.

4. Significant accounting practices adopted

The main accounting practices used in preparing these financial statements are as follows:

4.1. Cash and cash equivalents

Cash and cash equivalents include money in cash, bank deposits, highly liquid short-term investments, with an immaterial risk of change in value, and overdrafts. The balance of overdraft protection is included in loans under current liabilities in the statement of financial position and comprises the balance of cash and cash equivalents for the purpose of statement of cash flows.

4.2. Financial instruments

a) Classification and measurement

The Company classifies its financial assets into the following categories: measured at fair value through income (loss), loans and receivables, held-to-maturity and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management classifies its financial assets upon initial recognition.

Financial assets stated at fair value through income (loss)

Financial assets measured at fair value through income (loss) are financial assets held for active and frequent trading. Derivatives are also classified as held for trading, unless they have been designated as hedge instruments. Assets of this category are classified as current. Gains or losses resulting from changes in fair value of financial assets stated at fair value through income (loss) are presented in the statements of operations as “Financial income (loss)” in the period they are reported, unless the instrument has been entered into in connection with another transaction. In this case, fluctuations are recognized in the same statement of operations caption affected by the transaction.

Loans and receivables

Loans and receivables consist of nonderivative financial assets with fixed or determinable payments and not quoted in an active market. They are recorded as current assets, except those with maturities higher than 12 months after the balance sheet date (which are classified as noncurrent assets). The Company’s loans and receivables include the balances of loans to associated companies, trade accounts receivable, other accounts receivable, cash and cash equivalents, except for short-term investments. Loans and receivables are accounted for at amortized cost, using the effective interest rate method.

Held-to-maturity assets

These mainly consist of financial assets not classified as loans and receivables for having their prices quoted in an active market. In this case, these financial assets are acquired for the purpose and with the financial capacity of being held to maturity. They are valued at acquisition cost plus income earned with an offsetting entry to income (loss).

Financial assets available for sale

Available-for-sale financial assets are nonderivative financial assets classified in this category or not classified in any other category. They are included in noncurrent assets, unless Management intends to dispose the investment in up to 12 months after the balance sheet date. Available-for-sale financial assets are accounted for at fair value. Interest on available-for-sale securities, calculated using the effective interest rate method, is recognized in the statement of operations as financial revenues. The portion corresponding to changes in fair value is accounted for under equity, in the asset and liability valuation adjustment account, realized against income (loss) upon settlement or permanent loss (impairment).

Fair value

The fair values of investments with public listing are based on the current purchase prices. The Company uses valuation techniques to set the fair value of financial assets with no active market or public listing. These techniques include recent market transactions, reference to other instruments that are substantially the same, the analysis of discounted cash flows and option pricing models which make the most possible use of information generated by the market and rely the least possible on information generated by the Company's Management.

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss, which is measured as the difference between the acquisition cost and the current fair value, less any impairment losses on the realization of that financial asset previously recognized in income (loss), is removed from equity and recognized in the statement of operations.

b) Derivatives

Initially, derivatives are recognized at fair value on the date on which a derivative contract is entered into and, subsequently, they are remeasured at their fair value and these changes are recorded on an offsetting entry in the statement of operations, except when the derivative is classified as a hedging instrument to cash flow.

Although the Company uses derivatives for hedging purposes, it does not use the so-called hedge accounting.

The fair value of derivatives is disclosed on Note 24.8.

4.3. Trade accounts receivable

Trade accounts receivable are initially recorded at present value and deducted from the allowance for doubtful accounts. The allowance for doubtful accounts is recognized when conclusive evidence shows that the Company will not be able to charge all amounts due according to the original terms of accounts receivable. The allowance value is the difference between their book and recoverable values.

4.4. Inventories

Inventories are presented at the lower between cost and net realizable value. The cost is determined using the Weighted Moving Average method. The cost of finished goods and work-in-process includes raw materials, direct workforce, other direct costs and related overall production expenses (according to normal operating capacity), except the costs of loans taken. Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and the costs necessary to make the sale. Inventory costs include gains and losses from derivative instruments for hedged transactions. Imports in progress are stated at the accrued cost of each import.

4.5. Deferred Income and Social Contribution Taxes

Current and deferred Income and Social Contribution Taxes are calculated at the following rates: 15% plus a 10% surtax on taxable income in excess of R$ 240 for Income Tax, and 9% on taxable income for Social Contribution Tax, considering income and social contribution tax losses carry forwards, up to 30% of annual taxable income.

Income and Social Contribution tax expenses include the current and deferred income taxes. Current and deferred taxes are recognized in the statement of operations, unless they refer to business combinations, or to items directly recognized in equity or in other comprehensive income (loss).

Current tax is the expected tax amount payable or receivable calculated on taxable income or loss for the year, at the established or substantially established rates at balance sheet date, as well as any adjustment to payable taxes from prior years.

Current Income and Social Contribution tax expenses

Current tax expenses are the estimated tax payable or receivable calculated on taxable income or loss for the year, as well as any adjustment to payable taxes from prior years. The amount of current taxes payable or receivable is recognized in the statement of financial position as tax asset or liability at the best estimate of expected amount of taxes to be paid or received which reflects the uncertainties related to its calculation, if any. It is measured based on tax rates established at balance sheet date.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred Income and Social Contribution tax expenses

Deferred tax assets and liabilities are recognized for temporary differences between the book values of assets and liabilities for financial statement purposes and the amounts used for income tax purposes. Changes in deferred tax assets and liabilities in the year are recognized as deferred Income and Social Contribution tax expenses. The deferred tax is not recognized for:

- Temporary differences on the initial recognition of assets and liabilities in a transaction which is not a business combination and that does not affect taxable income or loss nor accounting result;
- A deferred tax asset is recognized as non-utilized tax losses and deductible temporary differences, when it is probable that future taxable income will be available and against which they will be used; Deferred tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that they will be realized;
- Deferred tax assets and liabilities are measured at the rates which are expected to be applied to temporary differences when they reverse, at the established rates at balance sheet date;
- Deferred tax assets and liabilities are measured at the rates which are expected to be applied to temporary differences when they reverse, at the established rates at balance sheet date;
- Deferred tax assets and liabilities are offset only if certain criteria are met.

4.6. Investments in controlled companies and associates

a) Book value

Investments in controlled and associated entities are recorded and evaluated under the equity method. They are recognized in income (loss) as operating revenue (or expense). Regarding the exchange variation of investments in associated and controlled companies abroad, changes in the amount of the investment solely due to currency exchange fluctuations are recorded in “Asset and liability valuation adjustments”, in the Company’s equity and recognized in the statement of operations only when the investment is sold or written off as loss. For equity purposes, unrealized gains or transactions between the Company and its associated companies and the like are eliminated at the proportion of the Company’s interest; unrealized losses are also eliminated, unless the transaction shows evidence of impairment of the transferred asset.

When necessary, the accounting practices of the controlled and associated companies are changed to guarantee consistency with the accounting practices adopted by the Company.

4.7. Investment properties

Properties maintained for generating revenues or capital appreciation or both are classified as investment properties and for this reason are recorded under the subgroup Investments in Noncurrent assets.

According to CPC 28 Investment properties, all properties classified as investment property shall be accounted for using fair value method. Gains or losses arising from changes in fair value of investment property shall be recognized in income for the period in which they occur.

When an investment property previously recognized as fixed assets is sold, any amount recognized as asset and liability valuation adjustment is transferred to retained earnings.

4.8. Functional currency

These individual financial statements are presented in Brazilian Reais, which is the Company’s functional currency. All the balances were rounded to the closest thousand, unless otherwise stated.

(In thousands of Brazilian Reais, unless otherwise stated)

4.9. Foreign Currency

a) Foreign-currency transactions

Transactions in other currencies (different from the functional currency) are translated into the Company's functional currency according to the exchange rate on the transaction dates. Monetary assets and liabilities denominated and calculated in other currencies are translated into the functional currency at the exchange rate calculated on that date.

Exchange rate gains and losses resulting from the translation at the year-end exchange rates, referring to monetary assets and liabilities in other currencies (different from the functional currency), are recognized in the statement of operations as net exchange and monetary variations.

For non-monetary assets, exchange rate gains or losses resulting from the conversion at year-end exchange rates are recorded in equity under asset and liability valuation adjustments.

The conversion of operations in US dollar (USD) to the Company's functional currency, the Brazilian Real (R$), used the following exchange rates, both for consolidated and parent company:

	Average rate for the year		Spot rate	
	2018	2017	2018	2017
R$/USD	3.6543	3.1931	3.8745	3.3077

4.10. Noncurrent assets held for sale

Assets available for sale are classified as held for sale if it is highly probable that they will be primarily recovered by means of sale not continuous use.
In accordance with CPC 31 Noncurrent Asset Held for Sale and Discontinued Operations, the assets or group of assets held for sale are measured at the lower value between their book and fair value less sales expenses. Impairment identified upon initial classification as held for sale or for distribution, in addition to the gains and losses resulting from subsequent measurements, are recognized in income (loss).Once classified as held for sale, intangible and fixed assets are no longer amortized or depreciated, and any investment measured at the equity method will be no longer subject to this method.

i. Fixed assets

These mainly comprise plots of land, buildings and farms that are stated at historical acquisition cost.

These items are depreciated using the straight-line method at the rates disclosed in Note 16. Plots of land and farms are not depreciated.

The costs of charges on loans taken out to finance construction of fixed assets are capitalized during the period necessary to build and prepare the asset for the intended use.

Repairs and maintenance are recognized in income (loss) during the period in which they are incurred. The cost of the main renovations is included in the book value of the asset when it is probable that the resulting future economic benefits, which overcome the performance initially valued for the asset, shall flow to the Company. The main renovations are depreciated through the remaining useful life of the related asset.

ii. Intangible assets

a) Software

Expenses on the acquisition of software are measured at acquisition cost and amortized using the straight-line method during their estimated useful life, at the rates shown in Note 17.

b) Rights of use - Concession

The Company, by means of its indirect controlled company, Corredor Logística e Infraestrutura S/A., recognizes the lease grant of 1 of the 4 lots of Terminal de Grãos do Maranhão - TEGRAM (Maranhão Grain Terminal) as intangible assets. This is measured at acquisition cost plus the amounts employed in the terminal consortium.

Amortization is calculated considering the useful life of each item, limited to the concession term.

iii. Impairment losses

Fixed and intangible assets are periodically tested to check for signs of impairment or else whenever events or changes in circumstances indicate that the book value may not be recoverable. When this is the case, recoverable value is calculated to check for loss. When impairment is reported, it is recognized in the amount by which the asset's book value exceeds its recoverable amount, which is defined as the net sales price or the value in use for an asset, whichever is higher. For valuation purposes, assets are grouped at the lowest asset group for which there are separately identifiable cash flows.

4.11. Provisions

Provisions are recognized when the Company has an actual obligation, legal or informal, as a result of past events, funds are likely to be necessary to settle the obligation, and a reliable estimate of the amount can be made.

The Company recognizes a provision for onerous contracts when the benefits expected to be earned from a contract are lower than the costs required to meet the obligations established by that contract.

The provisions for restructuring comprise fines for termination of lease agreements and employment termination dues, which are recognized in the period in which the Company is legally or implicitly committed to the payment. Costs related to the Company’s ongoing operations are not provided for in advance.

4.12. Loans

Loans are initially recognized at fair value upon the receipt of the funds, net of transaction costs. The loans taken are then stated at amortized cost, i.e. plus charges and interest accrued in the period on a pro rata basis.

4.13. Current and noncurrent liabilities

These are stated at known or estimated amounts, plus related charges, monetary variations and/or exchange rate gains (losses) incurred through the balance sheet date, when applicable. Where applicable, current and noncurrent liabilities are stated at present value, transaction by transaction, according to interest rates which reflect each transaction’s term, currency and risk. The offsetting entry of the discounts to present value is made against the income (loss) accounts that originated the referred liability. The difference between the present value of a transaction and the face value of a liability is recorded in income (loss) during the term of the contract according to the amortized cost method and the effective interest rate.

(In thousands of Brazilian Reais, unless otherwise stated)

4.14. Revenue recognition

Revenue includes the value of sold goods and services. Revenue from the sale of goods is recognized when the significant risks and benefits of ownership are transferred to the buyer. The Company adopts the policy of recognizing revenue, therefore, on the date the good is delivered to the buyer. Revenue from services is recognized according to the stage reached by services at balance sheet date, according to the percentage of total services to be rendered, to the extent that all service-related costs may be reliably estimated.

Interests revenue is recognized proportionally to the time, taking into consideration the outstanding principal amount and the effective rate applied up to maturity, when it is determined that this income will be appropriated to the Company. Dividends are recognized when the right to receive payment is established.

5. Consolidated financial statements

The consolidated financial statements include the financial statements of the Company CANTAGALO GENERAL GRAINS S.A. and of its controlled companies listed below:

		Ownership interest (%)			
		Direct		Indirect	
	Countries	2018	2017	2018	2017
CGG Trading S.A.	Brazil	56.87	56.87	-	-
Tropical Empreendimentos e Participações Ltda.	Brazil	100.0	100.0	-	-
Siqueira Empreendimentos e Participações Ltda.	Brazil	100.0	100.0	-	-
Corredor Logística e Infraestrutura S.A.	Brazil	-	-	56.87	56.87
CGG Trading B.V	Netherlands	-	-	56.87	56.87
CGG Trading Argentina S.A.	Argentina	-	-	56.87	56.87

Controlled-company operations

a) Tropical Empreendimentos e Participações Ltda. e Siqueira Empreendimentos e Participações Ltda.

The companies were established on September 20, 2012, located in the city of São Paulo – SP, being engaged in the cultivation of soybean, corn, cotton and other cereals; production of certified seeds, production of seeds, seedlings and other certified means of vegetative propagation; land preparation, cultivation and harvesting services; manufacturing of fertilizers; the activities of trade in the domestic and foreign markets (import and export) of agricultural products, especially grains and by-products, fertilizers and its raw materials and by-products, besides pesticides; rendering of auxiliary services of water transportation; road transportation of general cargo; transportation of general cargo (transportation logistics or transporter agent); maritime brokerage and port operator; warehouse and standardization services; warehouse logistics; consulting on general transportation; incorporating, holding or investing in any type of interest in other companies, ventures or entities, whose activities are direct or indirectly related to agricultural and industrial sectors; manufacturing and processing, by its own or through third parties, of agricultural products and its by-products, fertilizers and by-products, raw materials in general and pesticides; signing of lease agreements or rural partnerships, and the management of own assets.

Since 2016, due to the financial limitations of the group, the companies opted to focus on the activities of lease in its farms.

Below is a list of the main assets held by the companies:

- Siqueira: Fazenda Acreúna (Acreúna - GO);
- Tropical: Fazenda Tropical (Barra Grande do Ribeiro - PI) and Fazenda Maria da Cruz (Pedras de Maria da Cruz - MG).

(i) CGG Trading S.A.

The Company was established on February 17, 2011, located in São Paulo – SP, and has as main purpose to explore the activities of trade in the domestic and foreign markets (import and export) of agricultural products, especially grains and by-products, fertilizers, its raw materials and by-products, besides pesticides; rendering of auxiliary services of water transportation; road transportation of general cargo; transportation of general cargo (transportation logistics or transporter agent); maritime brokerage and port operator; warehouse services; warehouse logistics; consulting on general transportation; incorporating or holding any type of interest in other companies, consortiums or entities, auxiliary or instrumental to the Company's purpose; manufacturing and processing, by its own or through third parties, of agricultural products and its by-products, fertilizers and by-products, raw materials in general and pesticides, and the management of own assets. Additionally, the controlled company has investments in the companies (i) CGG Trading BV, (ii) CGG Trading Argentina S.A. and (iii) Corredor Logística e Infraestrutura S.A.

(ii) CGG Trading BV

Company located in Amsterdam, the Netherlands, founded on July 28, 2011 and engaged in the activities of trade in foreign markets (import and export) of agricultural products, especially all grains and by-products, raw materials for the textile sector and by-products, and of livestock; besides incorporating or holding any type of interest in other financial institutions.

(iii) CGG Trading Argentina S.A.

Company located in Buenos Aires, Argentina, set up on May 28, 2012, engaged in agricultural activities in all its phases, from producing seeds and/or planting, harvesting, packaging and/or fractionation of products, import, export and storage, by its own or through third parties of goods, merchandise, fruits and products. The Company may engage in activities of manufacturing and processing of agricultural products, fertilizers and by-products of raw materials in general and agricultural pesticides, as well as in the trade, by means of purchase, sale, export, import, representation and consignment of agricultural products, mainly cereals and oilseeds, vegetable grains and by-products, seeds and grains, fertilizers, raw materials, agricultural products and pesticides. It may also render services as agent, representative or broker of agricultural products.

(In thousands of Brazilian Reais, unless otherwise stated)

Corredor Logística e Infraestrutura S.A.

The Company, located in the city of São Paulo – SP, was established on October 21, 2011, and is engaged in the rendering of auxiliary services, related to water transportation; road transportation of general cargo; transportation of general cargo (transportation logistics or transporter agent); maritime brokerage and port operator; warehouse services; warehouse logistics; consulting on general transportation; railroad and road transshipping hub; storage of grains and the like, pre-cleaning drying, weighing, analysis and classification of grains; incorporating or holding any type of interest in other companies, consortiums or entities, with direct or indirectly related purposes, auxiliary or fundamental to the Company's activities and management of its own assets. . Additionally, the controlled company has investments in the Consortium Tegram Itaqui.

Description of the main consolidation procedures

- Elimination of the balances of intercompany assets and liabilities;
- Elimination of ownership interest, reserves and accumulated losses of controlled companies;
- Elimination of balances of revenues and expenses as well as unrealized income arising from intercompany transactions. Unrealized losses are eliminated in the same way, but only when there are no evidences of problems in the recovery of the related assets;
- Elimination of tax charges on the portion of unrealized income presented as deferred taxes in the consolidated financial statements; Highlight of the minority interest in the consolidated financial statements;
- The fair value of acquired companies' assets and liabilities was allocated to specific accounts of the consolidated statement of financial position.

6. Cash and cash equivalents

	Parent company		Consolidated	
	2018	2017	2018	2017
Cash	6	6	14	10
Bank balance	350	262	717	2,835
Foreign exchange for internalization	-	-	13,653	4,815
Financial investments	19	2,852	3,169	11,081
Total	375	3,120	17,553	18,741

The Company and its controlled companies consider as cash equivalents balances of cash, banks, financial investments considered of immediate liquidity and financial investments with maturities of 90 days (or less) as from hire date.

Demand deposits correspond to bank balances in current account.

(In thousands of Brazilian Reais, unless otherwise stated)

The balances of financial investments are represented by fixed-income securities bearing interest at 99% of CDI-CETIP (Interbank Deposit Certificate) variation, with daily liquidity and possibility of immediate redemption, with no fine or loss of return.

7. Accounts receivable

	Parent company		Consolidated	
	2018	2017	2018	2017
Short-term accounts receivable	7,035	3,123	10,934	10,203
Allowance for doubtful accounts	(352)	(368)	(3,030)	(402)
Long-term trade accounts receivable	3,777	3,075	3,777	3,167
	10,460	5,830	11,681	12,968

The Company recognizes an Allowance for doubtful accounts for its receivables overdue for more than 90 days and not being negotiated.

8. Goods receivable

	Parent company		Consolidated	
	2018	2017	2018	2017
Current assets	10,898	8,835	61,111	20,136
Noncurrent assets	53,365	31,555	308,669	73,495
Total	64,263	40,390	369,780	93,631

On July 20, 2016, parent company Cantagalo General Grains S.A. and its controlled company Siqueira Empreendimentos e Participações Ltda. negotiated the sale of 17,934 ha, from a total of 67,485 ha of Fazenda Fronteira, located in the municipality of Brasnorte-MT, being 11,149 ha available for agricultural exploration and 6,785 ha of legal environmental reserve, in the following conditions, down payment of R$ 17,000 thousand upon signature of the agreement plus 1,250,500 bags of soy of 60 kilos each, and considering only for tax purposes the price of R$ 65 per soybean bag on the date of negotiation, which corresponded to the amount of R$ 81,282 thousand, therefore totaling acquisition price, for tax purposes, of R$ 98,282 thousand.

On December 18, 2017, the Parent company Cantagalo General Grains S.A. and its controlled company Siqueira Empreendimentos e Participações Ltda. negotiated the sale of 6,196 ha, from a total of 67,485 ha of Fazenda Fronteira, located in the municipality of Brasnorte-MT, being 3,681 ha available for agricultural exploration and 2,166 ha of legal environmental reserve, in the following conditions: total amount to be received: 816,444 soybean bags with 60 kilos each, with the first installment comprising 163,288 bags to be paid in the beginning of 2018 and the remaining in annual installments of 93,307 bags on April 30 of each year from 2019 to 2025. Only for tax purposes, the total amount of the contract, of R$ 42,000 thousand, was considered, i.e., with the price of R$ 51.44 per bag.

(In thousands of Brazilian Reais, unless otherwise stated)

On December 18, 2018, the Parent company Cantagalo General Grains S.A. and its controlled company Siqueira Empreendimentos e Participações Ltda. negotiated the sale of 43,355 ha, from a total of 67,485 ha of Fazenda Fronteira, located in the municipality of Brasnorte-MT, being 24,900 ha available for agricultural exploration and 18,455 ha of legal environmental reserve, in the following conditions: total amount to be received: 4,500,000 soybean bags with 60 kilos each, with the first installment comprising 360,000 bags to be paid in the beginning of 2019 and the remaining in annual installments, with the first five installments totaling 1,675,000 bags to be paid in equal quantities, that is, 335,000 annual bags, on March 31 of each year from 2019 to 2023, with one installment comprising 150,000 bags on March 31, 2024, one comprising 250,000 bags on March 31, 2025, and seven totaling 2,065,000 bags, that is, 295,000 annual bags, on March 31 from 2026 to 2032. Only for tax purposes, the total amount of the contract, of R$ R$ 292,162,500.00 was considered, i.e., with the price of R$ 64.93 per bag

Below is a summary of the changes in the account for the year:

	Parent company	Consolidated
Sale value for record purposes	82,911	432,445
Receipts	(9,771)	(22,029)
Adjustment to market and present value accumulated	(8,877)	(40,636)
Total	64,263	369,780

9. Inventories

	Parent company		Consolidated	
	2018	2017	2018	2017
Agricultural inputs	170	343	170	343
Consumables	631	1,090	1,006	1,217
Others	2	-	2	-
Total	803	1,433	1,178	1,560

10. Biological assets

The Parent company’s biological assets comprised the planting and growing of soybean, cotton and corn.

The Company also had biological assets formed by bovine livestock. The animals classified in this group are the ones intended for slaughtering and production of unprocessed meat, whose life cycle is of 3 years in average.

Crop formation costs are represented by expenses on seeds, agricultural inputs, depreciation, labor and services used in plantations.

(In thousands of Brazilian Reais, unless otherwise stated)

In crop season 2017/18, the Company decided not to plan in its own areas. The land was leased for three crop years, with the option to the parties of no renewal in the two following seasons. Accordingly, there was no formation of biological assets for the following year. Also, nearly the totality of livestock was sold, with only a residual balance remaining.

Assumptions to recognize the fair value of biological assets

Based on CPC 29 – Biological assets and Agricultural product, the Parent company recognizes its biological assets at fair value according to the internal and external market assumptions for its measurement and using as discount rate a percentage based in WACC (Weighted Average Cost of Capital).

The assumptions used in determining the mentioned fair value are presented next for each type of biological asset

	Parent company and consolidated			
	Corn	Cattle	Total current	Total noncurrent
Balance as at December 31, 2016	84	1,643	1,727	4,750
Expenses on livestock or crop formation	-	397	397	-
Amortization of livestock or crop formation	(84)	-	(84)	(12)
Write-offs	-	(2,024)	(2,024)	(2,502)
Fair value reversal	-	42	42	(2,235)
Fair value variation	-	3	3	-
Balance as at December 31, 2017	-	61	61	-
Expenses on livestock or crop formation	-	(57)	(57)	-
Amortization of livestock or crop formation	-	-	-	-
Addition	-	55	-	55
Fair value reversal	-	(3)	(3)	-
Fair value variation	-	-	-	-
Balance as at December 31, 2018	-	56	1	55

(In thousands of Brazilian Reais, unless otherwise stated)

11. Recoverable taxes

	Parent company		Consolidated	
	2018	2017	2018	2017
Recoverable COFINS (Tax on Sales)	4,629	4,350	44,196	33,183
VAT technical credit balance	-	-	1,640	8,421
Recoverable ICMS (State VAT)	1,054	4,983	6,851	10,480
Recoverable PIS (Tax on Sales)	1,106	1,045	9,577	7,359
Reimbursement of VAT on exports	-	-	2,976	3,060
Other recoverable taxes	511	546	286	7,167
Provision for losses – Goods and Services Tax (GST)	-	-	-	(4,032)
Current	7,300	10,924	65,526	65,638
Recoverable COFINS (Tax on Sales)	556	556	556	556
Recoverable ICMS (State VAT)	9	10	9	10
Recoverable PIS (Tax on Sales)	140	140	140	140
Provision for losses on PIS and COFINS (taxes on sales)	-	-	-	-
Noncurrent	705	706	705	706

In July and October 2018, PIS and COFINS credits in the amount of US$ 5.215 and US$ 2.934, respectively, were received arising from operations with the specific purpose of exportation. The mentioned amount represented 50% of this type of credit. According to article 24 of Law 11.457/2017, the Company expects to receive during 2019 PIS and COFINS credits in the amount of US$ 47,575 corresponding to the remaining 50% (with no inflation adjustment) of those operations with specific purpose of exportation.

12. Related-party transactions

12.1. Transactions and balances

	Parent company		Consolidated	
Related-parties – Current assets	2018	2017	2018	2017
GFN Agrícola e Participações S.A (Adto. Faz. Fronteira) (a)	24,611	22,920	24,611	22,920
Corredor Logística e Infraestrutura (c)	10,941	-	-	-
Coteminas (e)	7,517	4,796	16,592	14,899
CGG Trading B.V.	10	9	-	-
Total current assets	43,079	27,725	41,203	37,819
Noncurrent				
GFN Agrícola e Participações S.A (a)	902	1,668	902	1,668
Consórcio Tegram	-	-	161	415
Corredor Logística e Infraestrutura (c)	3,559	-	-	-
Coteminas (e)	-	-	23,787	42,377
Total noncurrent	4,461	1,668	24,850	44,460
Total assets	47,540	29,393	66,053	82,279

(In thousands of Brazilian Reais, unless otherwise stated)

Related-parties – Current liabilities	2018	2017	2018	2017
Fronteira Com Cereais e Rep Prod Agrop Ltda (b)	684	684	684	684
CGG Trading S.A (d)	4,829	1,047	-	-
Corredor Logística e Infraestrutura	2,878	197	-	-
Sojitz S/A				17,316
Tropical Empreendimentos e Participações Ltda	117,079	92,459	-	-
Total current liabilities	125,470	94,387	684	18,000
Noncurrent				
Sojitz S/A		-	21,457	-
CGG Trading BV (d)	216,227	175,194	-	-
Valor Grains LLC	4,322	3,515	4,322	3,515
Siqueira Empreendimentos e Participações Ltda.	28,078	16,555	-	-
Total noncurrent	248,627	195,264	25,779	3,515
Total liabilities	374,097	289,651	26,463	21,515

a) Purchase and Sale Agreement of Fazenda Fronteira

On February 11, 2011, the Company acquired Fazenda Fronteira from GFN Agrícola e Participações S.A. with short- and long-term financial commitments. As at December 31, 2018, transfers of cash were made for advanced payment of annual interest of 12% controlled in US dollars, which total R$ 36,006 (R$ 37,378 in 2017) to be amortized against Merchandise to be delivered, as per Note 20.

b) Contract of operations by silent partnership

On February 11, 2011, the Company entered into a silent partnership agreement with Fronteira – Comércio de Cereais e Representação de Produtos Agropecuários Ltda., for the purpose of acquiring agricultural products for later exportation. As silent partner, the Company transferred funds to the active partner for the acquisition of agricultural products. Such funds have been reimbursed considering the realization of sales to foreign market.

Collection of collaterals/ guarantee given

Financial cost of the guarantee given by Corredor for loans taken with the bank BNB, amounting to average R$ 67.8 million, for a period of 7 years.

Contract for supply of agricultural products

As part of its business policy, the Company entered into supply and prefinancing agreements with the controlled company CGG Trading S.A. and CGG Trading B.V., for future delivery of estimated production. The amounts contracted were determined by establishing the sales price of the agricultural product considering volume until delivery.
The price, when previously established, is determined according to a contractual formula based on the price of the commodity at the Chicago Board of Trade (“CBOT”) or New York Board of Trade (“ICE”), depending on the product negotiated. The price denominated in US dollars is settled at the end of the obligation term in Brazilian Reais and considering currency exchange rates previously established in the contract.

The contract terms make the Company subject to the payment of fine in case the agreed volumes are not delivered.

The balances of the prefinancing agreed with CGG Trading S.A. and CGG Trading BV are controlled in US dollars plus annual interest of 8%. As at December 31, 2015 the parties agreed to reduce future interest to 3.5% p.a. and to extend the debt maturity to 2022.

(In thousands of Brazilian Reais, unless otherwise stated)

c) Coteminas

On October 28, 2016, Tropical Empreendimentos e Participações Ltda negotiated 26,940 ha, from a total 50,000 ha of Fazenda Tropical, located in the municipality of Baixa Grande do Ribeiro-PI, with Companhia de Tecidos Norte de Minas-Coteminas, at the total amount of forty-four million eight hundred fifty thousand US dollars (US$ 44,850 thousand), which translated as per PTAX USD = 3.2091 BRL, totaled the amount of one hundred forty-three million nine hundred twenty-eight thousand Brazilian Reais (R$ 143,928 thousand). From 2016 to 2018, the amount of R$ 103,550 thousand was received, leaving a residual balance of R$ 40,378 thousand to be received, with part recognized in current assets (R$ 14,899 thousand) and part in noncurrent assets (R$ 42,377 thousand). The amounts received from the sale were transferred to Cantagalo, which centralizes the management of cash from the subsidiaries to optimize the group's financial synergy.

13. Fixed assets available for sale

Management committed to a plan to sell the assets to allow liquidity for its financial restructuring. The efforts for the sale of those assets have already been started and shall be concluded within one year.

	Consolidated 2018	Consolidated 2017
Farms (a)	-	43,864
Plots of land (b)	852	852
Buildings (b)	14,503	14,503
Machinery and equipment (b)	7,231	7,231
Impairment losses (c)	(5,986)	(35,502)
Exchange rate gains (losses)	(263)	(1,263)
Total	16,337	29,985

a) Fazenda Sambaiba

Received as dation in payment from the client Airton José Oro and recorded at the amount of the credits as per paragraph 1, article 12 of Law No. 9.430/96, the farm was sold in December 2018.

b) Armazém Mundo Novo

Transfer of fixed asset item at its net value.

c) Impairment losses

The provision of R$ 29,216 thousand for the impairment of Fazenda Sambaiba was written off in 2018 considering the conclusion of the sale. The provision of R$ 5,986 thousand for the impairment of Armazém Mundo Novo continues and was determined based on a valuation report issued by an independent company.

(In thousands of Brazilian Reais, unless otherwise stated)

14. Investment property

	Consolidated		
	Plots of land (a)	Farms (b)	Total
Balances as at December 31, 2017	-	-	-
Transfer of fixed assets	1,608	44,560	46,168
Fair value adjustment	-	182,291	182,291
Balances as at December 31, 2018	1,608	226,851	228,459

(a) Plots of land

This refers to land located in Rondonópolis owned by the controlled company Corredor Logística e Infraestrutura S.A., transferred at fair value from fixed assets and held for income and appreciation purposes. The amount is adjusted once a year, as at December 31, at the fair value determined by an expert appraiser.

(b) Farms

These refer to farms Maria da Cruz and Acreúna, owned by the controlled companies Tropical Empr. e Participações Ltda. e Siqueira Empr. e Participações Ltda., transferred from fixed assets and adjusted at fair value according to valuation report issued by an independent appraiser and held for income and appreciation purposes. The amount is adjusted once a year, as at December 31, at the fair value determined by an expert appraiser.

15. Investments

15.1. Information on investments

	Parent company		Consolidated	
	2018	2017	2018	2017
Equity in controlled companies	729,280	432,769	-	-
Provisions for losses on investments	(206,671)	(75,937)	-	-
Other investments	4	4	97	98
Total	522,613	356,836	97	98

(In thousands of Brazilian Reais, unless otherwise stated)

15.2. Ownership interest in other companies

	CGG Trading S.A.	Tropical Empr. e Part. Ltda.	Siqueira Empr. e Part. Ltda.	Total
Equity as at December 31, 2016	(18,508)	159,390	257,132	398,014
Percentage of ownership interest	56.87%	100%	100%	-
Ownership interest variation in controlled companies	2,719	-	-	2,719
Asset and liability valuation adjustments	(5,627)	-	-	(5,627)
Adjustments resulting from the application of the equity method	(54,521)	11,921	4,326	(38,274)
Balance of investments / (provision for losses on investments) as at December 31, 2017	(75,937)	171,311	261,458	356,832
Percentage of ownership interest	56.87%	100%	100%	-
Ownership interest variation in controlled companies	31, 238	-	-	31,238
Translation adjustments	(56,105)	-	-	(56,105)
Asset and liability valuation adjustments	-	71,900	110,391	182,291
Equity in earnings (losses) of controlled companies	(105,867)	(431)	114,651	8,353
Balance of investments / (provision for losses on investments) as at December 31, 2018	(206,671)	242,780	486,500	522,609

	Ownership interest (%)	Current assets	Noncurrent assets	Total assets	Current liabilities	Noncurrent liabilities	Total liabilities	Net assets	Revenues	Expenses	Income/Loss
2017											
CGG Trading S.A.	56.87	166,654	318,909	485,563	200,752	360,748	561,500	(75,937)	87,357	(141,878)	(54,521)
Tropical Empr. e Part. Ltda	100	102,563	68,748	171,311	-	-	-	171,311	-	11,921	11,921
Siqueira Empr. e Part. Ltda	100%	11,302	250,156	261,458	-	-	-	261,458	-	4,326	4,326
		280,519	637,813	918,332	200,752	360,748	561,500	356,832	87,357	(125,631)	(38,274)
2018											
CGG Trading S.A.	56.87	68,291	250,109	318,400	145,038	380,033	525,071	(206,671)	27,998	(133,865)	(105,867)
Tropical Empr. e Part. Ltda	100	126,310	121,983	248,293	5,513	-	5,513	242,780	-	(431)	(431)
Siqueira Empr. e Part. Ltda	100	64,095	422,810	486,905	405	-	405	486,500	118,024	(3,373)	114,651
		258,696	794,902	1,053,598	150,956	380,033	530,989	522,609	146,022	(137,669)	8,353

(In thousands of Brazilian Reais, unless otherwise stated)

16. Fixed assets

Consolidated

	Plots of land	Buildings and improvements	Machinery and equipment	Vehicles	Aircrafts	Facilities	Furniture and fixtures	Pasture	Assets under construction	Total
Balance as at December 31, 2016	222,231	14,827	37,572	3,388	819	2,221	1,152	382	18,881	301,473
Acquisitions	2,190	-	44	34	-	-	102	-	4	2,374
Fair value write-off, Fazenda Fronteira	3,235	-	-	-	-	-	-	-	-	3,235
Write-offs	(22,024)	-	(12,657)	(308)	(781)	-	(440)	-	(812)	(37,022)
Transfer to noncurrent assets held for sale	(504)	(14,851)	-	-	-	-	(615)	-	-	(15,970)
Depreciation in the year	-	(1,160)	(5,489)	(723)	(38)	(282)	(408)	-	(48)	(8,148)
Functional currency adjustment	4,280	11,448	(604)	(154)	-	(144)	1,275	(157)	(10,167)	5,777
Balance as at December 31, 2017	209,408	10,264	18,866	2,237	-	1,795	1,066	225	7,858	251,719
Acquisitions	-	-	285	157	-	42	225	-	-	709
Fair value write-off, Fazenda Fronteira	23,458	-	-	-	-	-	-	-	-	23,458
Write-offs	(166,574)	(1,889)	(664)	(562)	-	(302)	(73)	-	-	(170,064)
Transfers for inventory count	-	-	1,344	-	-	-	122	-	-	1,466
Transfer to other “Noncurrent or Current” balance sheet groups	(44,996)	38	-	-	-	-	-	-	-	(44,958)
Depreciation in the year	-	(490)	(4,111)	(551)	-	(202)	(220)	-	-	(5,574)
Write-off of assets after inventory	-	(133)	(557)	125	-	(635)	(345)	-	-	(1,545)
Functional currency adjustment	524	90	(116)	(17)	-	304	49	-	-	834
Balance as at December 31, 2018	21,820	7,880	15,047	1,389	-	1,002	824	225	7,858	56,045

(In thousands of Brazilian Reais, unless otherwise stated)

Fixed asset items are depreciated from the date they are installed and available for use, or in case of assets internally constructed as from the date the construction is completed and the asset become available for use.

The estimated useful lives of acquisition of new items for the current year are the following:

	Years
Computers and peripherals	3-5
Vehicles	5
Aircrafts	14
Furniture and fixtures	10-15
Machinery and equipment	10-15
Facilities	10-30
Buildings	25-30

In case of acquisition of used assets, the remaining useful life of the asset is used to estimate its depreciation.

17. Intangible assets

	Parent company	
	Software and licenses	Total
Balance as at December 31, 2016	1,019	1,019
Amortization in the year	(698)	(698)
Balance as at December 31, 2017	321	321
Amortization in the year	(321)	(321)
Balance as at December 31, 2018	-	-

	Consolidated		
	TEGRAM Porto de Itaqui (i)	Software and licenses	Total
Balance as at December 31, 2016	185,306	1,709	187,015
Additions	1,802	40	1,842
Write-offs	(2)	-	(2)
Transfers	1,085	(470)	615
Amortization in the year	(11,281)	(824)	(12,105)
Functional currency adjustment		135	135
Balance as at December 31, 2017	176,910	590	177,500
Additions	409	40	449
Transfers	(1,466)	-	(1,466)
Amortization in the year	(7,998)	(88)	(8,086)
Functional currency adjustment	17,011	-	17,011
Balance as at December 31, 2018	184,866	542	185,408

(In thousands of Brazilian Reais, unless otherwise stated)

(i) The Company participated in the bidding process for the lease for 25 years, renewable for another 25, of 4 lots of TEGRAM, being the winning bidder of one of the lots, and whose agreement was entered into on February 02, 2012. TEGRAM will allow the Company to obtain competitive advantages in the logistics of grains in the North, Northeast, and north of Center-West regions. The signed contract has the following main clauses:

a. The lease of LOT III of TEGRAM, in Itaqui Port, state of Maranhão, involves the investment required to the construction, management, operation and maintenance of port facilities, aiming the storage of grains in bulk for exportation.
b. LOT III has individual area of 22,550 m^2 and participation on equal terms in an area of common use of 29,814 m^2 and in the systems of reception and shipment measuring 41,894 m^2.

18. Deferred taxes

18.1. Estimated realization period

Deferred taxes arising from Income and Social Contribution tax losses and from temporary differences were recognized.

For the determination of the portion of deferred taxes to be recorded, the Management of the Company and its controlled companies used the income (loss) projections for the next years and assessed the actual possibility of realization of these credits according to estimates of future taxable income.

Expected future business and its projected results determine the estimates grounded on Management’s expectations and, accordingly, depend on variable results in local and foreign markets being subject to changes. These credits are recorded in noncurrent assets. The amounts are as follows:

	Parent company		Consolidated	
Nature of deferred taxes	2018	2017	2018	2017
Assets				
Tax losses				
Income Tax on Income and Social Contribution tax losses	183,560	221,816	398,122	389,166
Unrecognized deferred Income Tax	(209,725)	(139,131)	(512,714)	(281,856)
Adjustments				
Mark-to-market – outstanding contracts/ inventories and others	3,340	3,391	3,340	10,976
Biological assets	-	744	-	744
Investments in subsidiaries	-	-	20,965	16,970
Temporary differences				
Unrealized exchange rate losses	22,836	1,699	22,836	1,679
Sundry provisions	(11)	(438)	70,640	65,078
Noncurrent deferred tax assets, net	-	88,081	3,189	202,757
Deferred tax assets	-	88,081	3,189	202,757
Total	-	88,081	3,189	202,757

As mentioned in Note 1 Operations, the Company wrote off 100% of its deferred income tax.

(In thousands of Brazilian Reais, unless otherwise stated)

19. Trade accounts payable

The existing amount refers to the purchase of agricultural products, inputs, freight and other services, as follows:

	Parent company		Consolidated	
	2018	2017	2018	2017
Agricultural inputs and products (i)	13,941	13,171	22,211	26,636
Freight (ii)	-	-	-	9,657
Others	5,977	2,287	7,288	18,827
Total	19,918	15,458	29,499	55,120

The balance represents the recognition of obligations with suppliers, mainly regarding the volume received of purchases made from agricultural producers.

(i) The contracts of freight are an integral and important part of the Company's business. These freight services were hired and are being stated in this caption basically for the recognition of the obligation of payment of space reserved to guarantee the future transportation of agricultural products.

20. Goods to deliver to related parties

The balance of this caption refers to the obligation resulting from the acquisition in installments of Fazenda Fronteira, being:

	Parent company and Consolidated	
	2018	2017
Current liabilities	174,918	123,234
Noncurrent liabilities	42,190	73,266
Total	217,108	196,500

On February 11, 2011, the Company acquired Fazenda Fronteira with 69 thousand hectares, in the municipality of Brasnorte, state of Mato Grosso, at the total amount of R$ 239,911 thousand, paid as follows:

a) Initial payment of R$ 8,500 thousand made in two installments in October 2010 and January 2011;
b) Payment in cash of the first installment in the amount of R$ 25,213 thousand in May 2011, corresponding to 651,173.80 soybean bags;
c) Advance of payment in cash in the amount of R$ 2.125 thousand referring to the installment of August 2011.

(In thousands of Brazilian Reais, unless otherwise stated)

Annual payment by means of physical delivery of 651,173.80 soybean bags, as from February 2012, with final maturity in 2020. The balance is subject to the calculation of the present value of installments payable. The present value of the debt resulting from the acquisition of Fazenda Fronteira was calculated according to the number of soybean bags to be paid per year multiplied by their corresponding future price calculated according to the crop season of the following year, therefore determining the future value of each payment. The future value was discounted to present value by interpolation of the curve of future interest DI x IGPM to obtain the interest rate in actual terms to be discounted on a 252-day calendar basis. Accordingly, each future value of payment is discounted at the discount rates obtained by the calculation of the interpolated interest curve and number of business days up to each maturity.

Below is a summary of the changes in the account for the year:

Description	Amount (R$)
Balance as at December 31, 2015	178,866
Payments	-
Market price variation	7,064
Balance as at December 31, 2016	185,930
Payments (a)	-
Market price variation	10,570
Balance as at December 31, 2017	196,500
Payments (a)	-
Market price variation	20,608
Balance as at December 31, 2018	217,108

The offsetting entry to the initial adjustment to present value was made against fixed assets, and the adjustment to fair value for the year was recognized with an offsetting entry to financial income (loss).

The effect of the adjustment to fair value, although informed in the statement of operations, will only affect the Company's cash upon maturity and settlement of future installments.

Considering that the sellers failed to comply with some clauses of the agreement for purchase and sale of rural properties and other covenants, entered into on February 11, 2011, that rules the negotiation of purchase and sale of Fazenda Fronteira, the payment of the installment in net amount of R$ 96,428, being the total value of the installment R$ 136,613, discounting the amounts controlled under related-party transactions in the amount of R$ 40,185, as per Note 12, and maturing on March 10, 2018, was suspended up to the regularization of the conditions established in the contractual clauses.

(In thousands of Brazilian Reais, unless otherwise stated)

21. Loans and financing

Parent company

	Interest rate %	2018	2017
Domestic			
Debt assumption	7.96%	5,797	7,703
Bank Credit Note	4.50%	18	88
Finame	6.00%	546	1,458
Northeast financing program	3.53%	44,128	48,712
Center-West financing program	8.44%	-	3,871
Foreign currency			
Advances on exchange contracts	8.04%	-	94,969
Advances on exchange contracts	8.00%	8,876	-
Bank Credit Note	7.70%	13,354	11,569
Bank Credit Note	7.8%	29,147	33,192
Export prepayment	4.73%	-	66,655
Export prepayment	6.86%	57,418	-
		159,284	268,217
Current		99,411	194,644
Noncurrent		59,873	73,573

Liabilities have the following composition by year of maturity:

Year	2018	2017
2019	99,411	195,014
2020	11,708	-
2021	16,561	26,492
2022 to 2025	31,604	46,711
	159,284	268,217

The following assets evaluated in Brazilian Reais were offered as collateral:

(a) Plots of land:

Land owned by the associated company Tropical Empreendimentos e Participações Ltda. and Siqueira Empreendimentos e Participações Ltda was offered, comprising the farms:

Fazenda dos Gaúchos (PI) with 4,392.66 ha, Fazenda Chapadão (MT) with 11,409.39 ha, Fazendas Reunidas Lisot (MT) with 16,557.65 ha, Fazenda Siqueira (MT) with 13,366.59 ha.

The farms listed above were valued by an independent consulting firm at approximately R$ 472 million.

(In thousands of Brazilian Reais, unless otherwise stated)

(b) Machinery and equipment:

Electromechanical equipment and machinery were offered in the value of R$ 5,207, owned by Cantagalo General Grains S/A, and located at Fazenda Fronteira, in the municipality of Brasnorte (MT).

Electromechanical equipment and machinery were offered in the value of R$ 18,465, owned by Cantagalo General Grains S/A, and located at Fazenda dos Gaúchos, in the municipality of Baixa Grande do Ribeiro (PI).

(c) Vehicles:

Vehicles owned by Cantagalo General Grains S/A and valued at R$ 959 were offered.

Consolidated

	Interest rate %	2018	2017
Domestic			
Debt assumption	7.96	5,797	7,703
Bank Credit Note	4.50	18	88
Finame	6.00	546	1,458
Northeast financing program	3.53	44,128	48,712
Center-West financing program	8.44	-	3,871
Trade Credit Note	3.53	46,002	54,500
Foreign currency			
Advances on exchange contracts	8.04	-	94,969
Advances on exchange contracts	8.00	8,876	-
Bank Credit Note	7.70	13,354	11,569
Bank Credit Note	7.8	29,147	33,192
Export prepayment	4.73	-	66,655
Export prepayment	6.86	57,418	-
Export prepayment	4.21	-	424,139
Export prepayment	6.27	524,158	-
Advances on exchange contracts	5	-	63,766
Advances on exchange contracts	4.21	-	85,438
Advances on exchange contracts	5.14	185,352	-
Short-term credit lines	4.30	25,851	22,845
Others		555	-
		941,202	918,905
Current		244,240	288,317
Noncurrent		696,962	630,588

(In thousands of Brazilian Reais, unless otherwise stated)

Liabilities have the following composition by year of maturity:

Year	2018	2017
2019	244,240	7,160
2020	553,297	471,824
2021	39,471	44,390
2022 to 2025	104,194	107,214
	941,202	630,588

The following assets evaluated in Brazilian Reais were offered as collateral:

(a) Plots of land

Land owned by the associated company Tropical Empreendimentos e Participações Ltda. and Siqueira Empreendimentos e Participações Ltda was offered, comprising the farms:

Fazenda Cantagalo (MG) with 22,075.93 ha, Serra Grande (PI) with 3,945.75 ha, Fazenda dos Gaúchos (PI) with 4,392.66 ha, Fazenda Chapadão (MT) with 11,409.39 ha, Fazendas Reunidas Lisot (MT) with 16,557.65 ha, Fazenda Siqueira (MT) with 13,366.59 hectares.

The farms listed above were valued by an independent consulting firm at approximately R$ 554 million.

(b) Buildings:

It were offered units 111 to 114, located in 11th floor of condominium Cidade Jardim Corporate Center valued at R$ 8,259,998 and Armazém Mundo Novo, located in the municipality of Brasnorte/MT, valued as per Note 13, both owned by the parent company CGG Trading S.A.

(c) Common shares:

Pledge of 114,302,318 common shares, at unit value of R$ 1.42, considering the capital stock of R$ 162,045 thousand of the company Corredor Logística e Infraestrutura S.A.

(d) Machinery and equipment:

It were offered electromechanical machinery and equipment owned by Corredor Logística e Infraestrutura S/A, installed in lot III of Terminal de Grãos – TEGRAM, of Porto de Itaqui, valued at R$ 14,378 thousand.

Electromechanical equipment and machinery were offered in the value of R$ 5,207 thousand, owned by Cantagalo General Grains S/A, and located at Fazenda Fronteira, in the municipality of Brasnorte (MT).

(In thousands of Brazilian Reais, unless otherwise stated)

Electromechanical equipment and machinery were offered in the value of R$ 18,465 thousand, owned by Cantagalo General Grains S/A, and located at Fazenda dos Gaúchos, in the municipality of Baixa Grande do Ribeiro (PI).

(e) Vehicles

Vehicles owned by Cantagalo General Grains S/A and valued at R$ 959 thousand were offered.

(f) Financial investments:

Financial investments offered as collaterals.

22. Labor and tax liabilities and other accounts payable

At balance sheet dates, the Company and its associated companies reported the following balances payable:

	Parent company		Consolidated	
	2018	2017	2018	2017
Other accounts payable				
Take or pay contracts (a)	-	-	77,974	34,881
Unrealized collateral (b)	6,083	-	-	-
Financial restructuring services	2,405	-	9,224	5,822
Proceedings under arbitration	-	-	-	1,958
Commercial contingencies	-	-	1,515	1,888
Termination agreements	-	-	251	214
Sundry	47	106	696	106
Labor liabilities				
Payroll and charges	645	632	2,593	2,960
Tax liabilities				
Federal, state and municipal	1,991	1,270	2,536	2,866
Total current	11,171	2,008	94,789	50,695
Other accounts payable				
Take or pay contracts (a)	-	-	-	74,827
Unrealized collateral (b)	3,548	-	-	-
Sundry	102	371	308	371
Total noncurrent	3,650	371	308	75,198

(a) Take or pay contracts: These are contracts ruling the rendering of services of movement of grains with minimum volume established. The volumes not realized by the subsidiary CGG Trading S.A. generate to the service provider the right to charge for those volumes. Part of this provision was transferred to noncurrent because the Company is questioning those amounts in court;

(b) Collection of collaterals/ guarantee given to be realized: As mentioned in Note 12.1 (c).

(In thousands of Brazilian Reais, unless otherwise stated)

23. Advances from clients

	Parent company		Consolidated	
	2018	2017	2018	2017
Customers’ advances	-	532	5,283	1,807
Customers’ advances resulting from sales of assets (a)	120,430	-	120,430	-
Total	120,430	532	125,713	1,807

(a) Customers’ advances resulting from sales of assets: Advance received referring to the sale of Fazenda Fronteira as per Note 8.

24. Provisions for tax and civil risks

The Company had the following liabilities related to contingencies:

	Parent company		Consolidated	
	2018	2017	2018	2017
Tax - ICMS	-	1,771	2,176	4,267
Civil			3,762	
Total	-	1,771	5,938	4,267

24.1. Nature of provision for tax risks

The Company is a party to tax proceedings which are being discussed at the administrative and judicial levels, and supported by court deposits, when applicable. Provisions for possible losses arising from those proceedings are estimated and adjusted by the Company’s Management, according to the opinion of its external legal counselors.

The nature of liabilities may be summarized as follows:

In 2017, in Parent company, the unit of Baixa Grande do Ribeiro (PI) reported tax credits subject to approval, resulting from the acquisition of agricultural production inputs. For having most of its products intended to exports, and based on the analysis of risk of approval of the credit, the Company recognized a provision of 50% of ICMS credits in the amount of R$ 1,771. In 2018, after the successful approval of the mentioned tax credits, the Company reversed the provision.

In consolidated, it refers to the tax claim that the CGG unit of Rio Verde would not have exported, within the established deadline, 1,422,421 kg of corn grains, considering the levy of ICMS and proper legal charges (fine and interest). In 2017, the amount of R$ 2,496 was provided for, and in 2018 the process was revalued and the provision adjusted to R$ 2,176, in addition to a provision for civil claims in the amount of R$ 3,762 related to contract cancellation.

(In thousands of Brazilian Reais, unless otherwise stated)

24.2. Changes in the provisions for tax risks

	Parent company	Consolidated
Balances as at December 31, 2017	1,771	4,267
Additions	-	1,671
Reversals	(1,771)	-
Write-offs	-	-
Adjustments	-	-
Balances as at December 31, 2018	-	5,938

24.3. Possible losses, not provided for in the statement of financial position

The Company is party to civil and labor lawsuits involving risk of losses classified by Management as possible, based on the evaluation of its legal counselors, and for which there is no recognized provision, according to the following composition and estimate:

	2018	2017
Labor	33	33
Civil (*)	289,633	142,108
	289,666	142,141

(*) It refers to suits from related parties in the amount of R$ 187,344 thousand referring to claims of unpaid installment of Fazenda Fronteira. The Company understands that the conditions were not met for the proper collection and actions totaling the value of R$ 101,990 thousand involving the non-availability of land.

25. Equity

As at December 31, 2018 and 2017, the Company's capital stock is R$ 366,418, subscribed and paid-in, divided into 114,943,677 common and registered shares with no par value, as follows:

	Shares
Cia de Tecidos Norte de Minas	31,609,708
Fazenda do Cantagalo Ltda.	23,859,811
GFN Agrícola e Participações S.A.	20,149,043
Agrícola Estreito S.A.	19,527,163
Valor Grains LLC	12,115,258
Coteminas International Ltd	1,935,510
Sojitz Agrícola Participações Ltda.	5,747,184
Total	114,943,677

25.1. Asset and liability valuation adjustments

These include all differences in foreign currencies arising from the translation of the controlled companies' financial statements.

(In thousands of Brazilian Reais, unless otherwise stated)

25.2. Statutory reserve and appropriated retained earnings

The statutory reserve is set up at the rate of 5% of net income for the year or remaining balance, up to the limit of 20% of capital stock, with use restricted to the absorption of accumulated losses or for the purpose of capital increase.

26. Financial instruments

26.1. Financial instrument identification and valuation

The Company operates with several financial instruments, mostly cash and cash equivalents, including financial investments, trade accounts receivable, trade accounts payable and loans and financing. Additionally, the Company also operates with derivative financial instruments. The derivative instruments are valued according to their market value.

26.2. Cash and cash equivalents, financial investments, accounts receivable, other current assets and accounts payable

The book values of these instruments approximate their realizable values.

26.3. Investments

These mainly consist in investments in closely-held associated companies, recorded under the equity method, in which the Company has strategical interest. Share market value considerations are not applicable.

26.4. Financing

The book value of loans and financing in Consolidated, in Brazilian Reais, consider interest rates linked to CDI variation and approximate market value. For other loans and financing, including the ones denominated in foreign currency, the difference between book and market values, calculated using the discounted cash flow method, can be summarized as follows:

	2018	2018
	Book value	Market value
Bank loans – Brazilian Reais	50,488	43,104
Bank loans – USD	108,796	110,631

(*) For the amounts in USD, the market rate considered was Libor + 2%; for the amounts in BRL, the market rate considered was CDI.

26.5. Policy on financial risk management

The Company has and follows a risk management policy which offers guidance on transactions and requires the diversification of transactions and considerations. Under this policy, the nature and position of financial risks is regularly monitored and managed to evaluate the results and financial impact on cash flows. Also, credit limits and the quality of the counterparties' hedge are periodically reviewed.

The Company's risk management policy was established by the Board of Directors and determines the existence of a risk management committee. Under this policy, market risks are hedged when it is necessary to support corporate strategies or to keep financial flexibility.

The committee of risk management assists the Financial Management to examine and review information related to risk management, including significant policies, procedures and practices applied to risk management.

The Company manages some of the risks by using derivatives. Speculation and short selling are usually prohibited.

26.6. Credit risk

The Company's sales policy considers the level of credit risk that it is willing to take in the course of its business. It is the Company's practice to diversify its receivables portfolio, select its customers and follow up on sales terms by line of business and individual position limits, in order to mitigate the chances of default on accounts receivable.

26.7. Liquidity risk

It results from the possibility that the Company will find difficulties to comply with the obligations associated to its financial liabilities settled through payments in cash or through other financial assets. The Company's approach in the management of this risk is to guarantee enough liquidity to meet its obligations within the deadlines, under regular or unusual conditions, with no losses or risking the Company's reputation.

The Company and its controlled companies work to align availability and generation of funds in order to meet its obligations within the agreed terms. To manage cash liquidity in domestic and foreign currency, assumptions are made about future disbursements and receipts and daily monitored by the Treasury Department.

(In thousands of Brazilian Reais, unless otherwise stated)

The contractual maturities of financial liabilities, including the payment of incurred interest and excluding the impact of agreements for the negotiation of currencies at net position are presented next.

	Consolidated				
Assets	Book value	1 year or less	1-2 years	2-5 years	Over 5 years
Cash and financial investments	23,380	17,553	-	-	5,827
Accounts receivable	11,681	7,904	3,777	-	-
Inventory	1,778	1,778	-	-	-
Advances to suppliers	11,698	4,570	7,128	-	-
Related-party transactions	66,053	41,203	24,850	-	-
Goods receivable	369,780	61,111	41,159	110,360	157,150
Recoverable taxes	66,231	65,526	705		
Deferred taxes	3,189	-	3,189	-	-
Other receivables	12,721	12,721	-	-	-
Noncurrent assets available for sale	16,337	16,337	-	-	-
Liabilities					
Loans and financing	(941,202)	(244,240)	(126,804)	(570,158)	-
Derivatives	(16,981)	(3,339)	(13,642)	-	-
Advances from clients	(125,713)	(125,713)	-	-	-
Trade accounts payable	(29,499)	(29,499)	-	-	-
Goods to deliver – related parties	(217,108)	(174,918)	(42,190)	-	-
Related-party transactions	(26,464)	(684)	(25,779)	-	-
Labor liabilities	(2,593)	(2,593)	-	-	-
Tax liabilities	(2,536)	(2,536)	-	-	-
Provision for tax risks	(5,938)	-	(5,938)		
Other accounts payable	(89,968)	(89,660)	(308)	-	-
Total	(875,153)	(444,479)	(133,853)	(457,798)	162,977

26.8. Market risk

a. Risk of commodities price

The Company operates with commodity derivatives to minimize the variance of its results caused by the recognition of assets and liabilities, rights and obligations at fair value, valued according to the price of commodities at international stock exchanges (ICE and CBOT) and indexes disclosed by CEPEA/ESALQ. Exposure to this type of risk is constantly updated during the regular course of the Company's operations. Therefore, the management of this exposure is dynamic and occurs by means of derivative agreements entered into for hedging adjustments made according to new needs. The use of these derivative contracts is monitored and based on the limit of risk previously established by the Board of Directors by means of its corporate risk policy. The products soybean, corn, wheat and cotton are traded in the domestic and foreign markets and their sales price is formed by the price of these commodities at the stock exchanges of Chicago and New York and local premium. These represent the main risk factors of the portfolio. The net exposure between purchases and sales is monitored by means of derivatives of cotton, soybean, and wheat (future or over-the-counter) referenced at the same stock exchange and monitored considering the risk limits established by the Board of Directors according to the corporate risk policy. Gains or losses originated from those hedging instruments are recorded in income (loss) for the year.

(In thousands of Brazilian Reais, unless otherwise stated)

Interest rate risk

The risk is due to the possibility of the Company incurring losses on account of interest rate fluctuations which may increase the financial expenses on loans and financing raised in the market. The Company has entered into derivative contracts to hedge against this risk in a few operations and, furthermore, it continuously monitors the market interest rates in order to evaluate the possible need to enter into new operations to hedge against fluctuation of these rates.

Exchange rate risk

Exchange rate risk is due to the possibility of the Company incurring losses on exchange rate fluctuations, which may increase the amounts raised in the market or decrease nominal amounts billed.

As informed in Note 20, the Company has loan obligations in foreign currency, which shall be fulfilled, in most part, by means of export contracts. In addition to this natural hedge, the Company hires derivatives to reduce exposure to the risk of change in foreign exchange rates.

b. Risk of derivatives

As at December 31, 2018, the Company has derivative agreements of cotton with financial settlement with the following characteristics:

Type	Reference value (notional)	Fair value	Amounts receivable/ payable	Realized gains/losses	Unrealized gains/losses
Forward contracts					
Cotton long position	120,267	103,287	(16,981)	-	(16,981)
Current	24,053	20,719	(3,339)	-	(3,339)
Noncurrent	96,214	82,587	(13,642)	-	(13,642)

The derivative agreement was entered into directly with the counterparties and uses as reference cotton price at New York stock exchanges (ICE).

Losses and gains from operations with derivatives are monthly recognized in income (loss), considering the (market) fair value of those instruments.

(In thousands of Brazilian Reais, unless otherwise stated)

27. Net revenue

	Parent company		Consolidated	
	2018	2017	2018	2017
Gross revenue	14,602	19,736	66,214	88,638
Taxes on sales	(1,470)	(1,295)	(4,415)	(4,354)
Returns and discounts	-	(4,800)	(87)	(5,606)
Other revenues/variations	-	-	1,099	5,021
Total	13,132	13,641	62,811	83,699

(In thousands of Brazilian Reais, unless otherwise stated)

28. Costs and expenses by nature

	Parent company					
	2018			2017		
	Costs of goods sold	General and administrative expenses	Total	Costs of goods sold	General and administrative expenses	Total
Raw materials and products	(142)	-	(142)	(1,857)	-	(1,857)
Personnel expenses	(4,406)	(8,174)	(12,580)	(5,104)	(4,693)	(9,797)
Port costs	(628)	-	(628)	(817)	-	(817)
Other expenses	(3,842)	50	(3,792)	(3,507)	1,072	(2,435)
Expenses from services rendered	(1,167)	(3,489)	(4,656)	(311)	(3,313)	(3,624)
Taxes and fees	(80)	(19)	(99)	(162)	213	51
Leases	-	-	-	-	-	-
Subtotal	(10,265)	(11,632)	(21,897)	(11,758)	(6,721)	(18,479)
Depreciation	(3,921)	(21)	(3,942)	(5,144)	(57)	(5,201)
Amortization	-	(321)	(321)	-	(698)	(698)
Subtotal	(3,921)	(342)	(4,263)	(5,144)	(755)	(5,899)
Total	(14,186)	(11,974)	(26,160)	(16,902)	(7,476)	(24,378)

	Consolidated					
	2018			2017		
	Costs of goods sold	General and administrative expenses	Total	Costs of goods sold	General and administrative expenses	Total
Raw materials and products	(13,376)	-	(13,376)	(64,186)	-	(64,186)
Personnel expenses	(7,874)	(22,447)	(30,321)	(8,035)	(28,893)	(36,928)
Port costs	(3,873)	-	(3,873)	(25,541)	-	(25,541)
Expenses from services rendered	(3,175)	(13,917)	(17,092)	(2,541)	(21,977)	(24,518)
Other expenses	(4,442)	(5,257)	(9,699)	(4,364)	(3,474)	(7,838)
Taxes and fees	(183)	(1,306)	(1,489)	(181)	(409)	(590)
Leases	(6,100)	-	(6,100)	(3,424)	-	(3,424)
Recovery of tax credits	15,678	-	15,678			
Result of market positions	(12,315)	-	(12,315)	84,003	-	84,003
Total	(35,660)	(42,927)	(78,587)	(24,269)	(54,753)	(79,022)
Depreciation	(3,921)	(2,495)	(6,416)	(5,144)	(2,912)	(8,056)
Amortization	(11,465)	(415)	(11,880)	(10,891)	(818)	(11,709)
Subtotal	(15,386)	(2,910)	(18,296)	(16,035)	(3,730)	(19,765)
Total	(51,046)	(45,837)	(96,883)	(40,304)	(58,483)	(98,787)

(In thousands of Brazilian Reais, unless otherwise stated)

29. Other operating revenues (expenses)

	Parent company		Consolidated	
	2018	2017	2018	2017
Reversal/Allowance for doubtful accounts (*)	17	(261)	(3,889)	18,673
Provision for tax credits	(1,062)	-	2,876	-
Income (loss) on sale of fixed assets (**)	10,613	9,270	96,169	18,851
Realization of impairment	-	-	28,616	-
Other non-operating expenses	18	(12,790)	864	25
Total	9,586	(3,781)	124,636	37,549

(*) In consolidated, resulting from the reversal of the Allowance for doubtful accounts referring to the portion of credits sold.
(**) Mostly referring to the sale of 6,196 ha of Fazenda Fronteira, as per Note 8.

30. Financial income (loss)

	Parent company		Consolidated	
	2018	2017	2018	2017
Financial revenues				
Interest on advances and prefinancing	-	-	-	-
Interest on financial investments	73	147	409	371
Interest on other investments	-	102	322	6,180
Interest on related-party transactions	9	-	426	-
Guarantee (*)	6,083	-	-	-
Total	6,165	249	1,157	6,551
Financial expenses				
Interest on loans obtained	(17,230)	(12,787)	(55,281)	(43,928)
Interest from related-party transactions	(24,856)	(8,920)	(16,171)	(2,169)
Provision/ Reversal of provision for interest	-	-	-	4,012
Discount on credit assignment	-	-	-	(65,839)
Other financial expenses	(6,876)	(7,809)	(8,812)	(13,260)
Total	(48,962)	(29,516)	(80,264)	(121,184)
Net financial	(42,797)	(29,267)	(79,107)	(114,633)
Income (loss) from goods to deliver – related parties	(16,760)	(5,576)	(16,760)	(5,576)
Income (loss) from goods receivable	10,940	(445)	80,934	(1,267)
Adjustment to present value of purchases and sales (**)	14,418	(3,740)	(59,644)	(7,875)
Exchange rate gains (losses), net	(32,456)	(3,144)	(52,237)	6,256
Net financial income (loss)	(66,655)	(42,172)	(126,814)	(123,095)

(*) It refers to revenue from guarantee offered for transactions with associated company, as per Note 12;
(**) Mostly referring to the Discount to present value resulting from the sale of 43,355 ha of Fazenda Fronteira, as per Note 8.

31. Insurance (unaudited)

The Company seeks the support of insurance consultants to establish coverage compatible with its size and transactions. As at December 31, 2018, for the Parent company, coverage was in the amounts shown below, in accordance with insurance policies:

Types	Amounts insured (in thousands of Brazilian Reais)
Civil liability – Directors (a)	60,000
General civil liability (a)	5,000
Agricultural machinery and vehicles	12,786

(a) Civil liability insurance: Insurance taken at the holding Cantagalo General Grains S.A. covering the risks of all companies of the group located in Brazil.