

Individual and Consolidated Financial Statements

Humberg Agribrazil Comércio e Exportação de Grãos Ltda.

December 31, 2019
with Independent Auditor's Report



Management Report

São Paulo, April 13, 2020

We had a great year of many achievements in 2019. In our third year of operation, we were finally able to operate the way we expected, completing entire ships and being able to serve our large clientele of end customers.

We increased our volume traded to 600,000 tons, equivalent to 20 complete ships of 30,000 tons. There were 17 thousand invoices issued, and we expanded our logistics, which was 100% road to 60% waterway, through the partnership we made with Hidrovias.

Financially, we increased our gross sales from R\$164 million to R\$400 million, that is, a jump of 144%, the growth of 2019 well aligned with our strategic planning which aims to reach the end of the fifth year of full operation in the house of R\$3 billion in net sales. Our EBITDA margin was 2.5%, and we expect to increase it to around 3% as we have a team ready to reach revenues of up to R\$2 billion in 2020, that is, we expect an increase in revenue much higher than the increase in costs.

At the same time, we improved our banking relationship, mainly covering our main deficiency in 2019 related to credit lines for foreign exchange hedge (NDF), in addition to the beginning of the operation with an FIDC operation that started to finance our inventories in Hidrovias, greatly increasing our cash flow.

From the team's point of view, we strengthened our team in Mato Grosso (MT) at our Sorriso office, which today has 10 professionals, taking care of local purchases, road freight and all of our revenue. In São Paulo we moved our headquarters to Rua Hungria with twice the space, and we hired two highly regarded professionals in the market, one to assume the position of Head for the operations of professional Soy with more than 10 years of experience in the sector, with passages by ADM and Gavilon a Head for Corn operations also with more than 10 years of experience, coming from Gavilon, Copersucar and Cosan . In addition, to strengthen the internal control environment, we brought to the position of Controller an executive with experience in Nova Agri, Agromond and Brasil Ecodiesel.

Corporate Governance, aligned with the strategic objective of sustainable growth and within the highest standards of corporate governance, in 2019 we made a major investment in system, which changed our ERP to MAXICON, a renowned company from Toledo-PR that has a solution extremely suitable for our sector and is used by some of our customers / suppliers, among them, Coacem in Mato Grosso or Cheil Jedang from São Paulo.

The system went into operation on January 1, 2020, still requiring final adjustments, however, we believe it is 100% implemented in the second quarter of 2020.

We entered 2020 with a much stronger team, experienced and determined to serve our customers in a customized way, always supported by a growing network of suppliers that already exceeds 450 in total



and with a lot of support from our 30 active buyers, mainly international, that try to find alternatives in relation to the great American Tradings.

Our first challenge is COVID-19, which has expanded brutally around the world and generated social isolation. For now the impact on the Agribusiness sector has been controllable, and yet, with a slight positive impact. Producers are selling their grains more easily, taking advantage of the BRL: USD exchange rate above R\$5.00 favorable and on the other hand we have an extremely strong demand, with buyers taking advantage of the low commodity prices in Chicago (~20%) coupled with a drop in international sea freight (~30%) and with this, our external customers have been replenishing stocks. In other words, the Agribusiness sector is experiencing a very positive moment with reasonable margins, we expect it to continue until the end of the year. As the main risk factors, we may experience an interruption in logistics, especially the road, due to social isolation. Another difficulty that we may face is the difficulty of expanding credit lines for the operation and also expanding the lines for foreign exchange hedge (NDF), which ends up limiting our growth, since Banks are much more restrictive at this time. Anyway, with the prepared team and favorable market conditions, we maintain our aggressive growth plan to achieve an EBITDA result of R\$24 million (growth of 140%), and an annual turnover of R\$800 million (growth of 100%) in 2020.

Yours truly,

Frederico Humberg - CEO
Humberg Agribrasil Comércio e Exportação de Grãos Ltda.

Humberg Agribrazil Comércio e Exportação de Grãos Ltda.

Individual and consolidated financial statements

December 31, 2019

Contents

Independent auditor's report on individual and consolidated financial statements.....	1
Audited individual and consolidated financial statements	
Statements of financial position.....	4
Statements of profit or loss	5
Statements of comprehensive income	6
Statements of changes in equity	7
Statements of cash flows	8
Notes to individual and consolidated financial statements.....	9



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A free translation from Portuguese into English of Independent Auditor's Report on individual and consolidated financial statements in accordance with accounting practices adopted in Brazil

Independent auditor's report on individual and consolidated financial statements

The Management and Members

Humberg AgriBrasil Comércio e Exportação de Grãos Ltda.

São Paulo - SP

Opinion

We have audited the individual and consolidated financial statements of Humberg AgriBrasil Comércio e Exportação de Grãos Ltda. (the "Company"), identified as Individual and Consolidated, respectively, which comprise the statement of financial position as at December 31, 2019, and the statements of profit or loss, of comprehensive income, of changes in equity, and of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the individual and consolidated financial position of Humberg AgriBrasil Comércio e Exportação de Grãos Ltda. as at December 31, 2019, and its individual and consolidated financial performance and cash flows for the year then ended in accordance with accounting practices adopted in Brazil.

Basis for opinion

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

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

Management is responsible for the preparation and fair presentation of the individual and consolidated financial statements in accordance with accounting practices adopted in Brazil, and 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 subsidiary 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 subsidiary's 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 will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identified and assessed the risks of material misstatement of the individual and consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained 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 the risk of not detecting one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and its subsidiary's internal control.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluded 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 subsidiary's 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 to cease to continue as a going concern.



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

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

São Paulo, April 13, 2020

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

A handwritten signature in blue ink, appearing to read 'A. Munhoz', is written over the printed name and registration number.

Alessandro Munhoz de Oliveira
Accountant CRC-PR049384/O-8

Humberg Agribrasil Comércio e Exportação de Grãos Ltda.

Statements of financial position
December 31, 2019 and 2018
(In thousands of reais)

	Note	Individual		Consolidated	
		2019	2018	2019	2018
Assets					
Current assets					
Cash and cash equivalents	3	3,254	3,894	9,107	4,234
Trade accounts receivable	4	431	2,341	556	2,341
Transactions with related parties	18	5,535	-	-	-
Inventories	5	2,331	1,453	2,331	1,453
Advances to suppliers	6	740	3,989	740	3,989
Derivative financial instruments	19	12,148	1,239	13,346	1,118
Taxes recoverable	7	14,473	2,116	14,473	2,116
Total current assets		38,912	15,032	40,553	15,251
Noncurrent assets					
Taxes recoverable	7	-	2,668	-	2,668
Deferred income and social contribution taxes	11	-	112	-	112
Other noncurrent assets		52	4	52	4
Investment	8	-	219	-	-
Property and equipment		415	168	415	168
Total noncurrent assets		467	3,171	467	2,952
Total assets		39,379	18,203	41,020	18,203
Liabilities and equity					
Current liabilities					
Trade accounts payable	9	2,005	1,327	6,223	1,327
Loans and financing	10	27,271	16,285	27,271	16,285
Tax obligations		4	18	4	18
Labor obligations		192	113	192	113
Derivative financial instruments	19	893	376	2,231	376
Advances from customers		31	-	31	-
Total current liabilities		30,396	18,119	35,952	18,119
Noncurrent liabilities					
Capital deficiency	8	3,915	-	-	-
Deferred income and social contribution taxes	11	3,756	-	3,756	-
Total noncurrent liabilities		7,671	-	3,756	-
Equity					
Capital	13	1,100	1,100	1,520	1,100
Future capital contribution		420	-	420	-
Accumulated losses		(208)	(1,016)	(208)	(1,016)
Total equity		1,312	84	1,312	84
Total liabilities and equity		39,379	18,203	41,020	18,203

See accompanying notes.

Humberg Agribrazil Comércio e Exportação de Grãos Ltda.

Statements of profit or loss
December 31, 2019 and 2018
(In thousands of reais)

	Note	Individual		Consolidated	
		2019	2018	2019	2018
Sales revenue, net	14	344,665	153,165	386,496	155,261
Cost of goods sold	15	(325,347)	(151,400)	(371,083)	(154,078)
Gross profit		19,318	1,765	15,403	1,183
Operating expenses (income)					
General and administrative expenses	16	(5,039)	(2,307)	(5,113)	(2,412)
Equity pickup	8	(4,134)	(698)	-	-
Income (loss) before finance income (costs) and income and social contribution taxes		10,145	(1,240)	10,290	(1,229)
Finance income		11,760	2,808	11,760	2,808
Finance costs		(15,921)	(4,688)	(16,066)	(4,699)
Finance income (costs)	17	(4,161)	(1,880)	(4,306)	(1,891)
Income (loss) before income and social contribution taxes		5,984	(3,120)	5,984	(3,120)
Current income and social contribution taxes	11	(16)	-	(16)	-
Deferred income and social contribution taxes	11	(3,868)	786	(3,868)	786
		(3,884)	786	(3,884)	786
Net income (loss) for the year		2,100	(2,334)	2,100	(2,334)

See accompanying notes.

Humberg Agribrazil Comércio e Exportação de Grãos Ltda.

Statements of comprehensive income
December 31, 2019 and 2018
(In thousands of reais)

	Individual and Consolidated	
	2019	2018
Net income (loss) for the year	2,100	(2,334)
Total comprehensive income (loss) for the year, net of taxes	2,100	(2,334)

See accompanying notes.

Humberg Agribrazil Comércio e Exportação de Grãos Ltda.

Statements of changes in equity
December 31, 2019 and 2018
(In thousands of reais)

	Subscribed capital	Future capital contribution	Retained earnings (accumulated losses)	Total
Balances at December 31, 2017	1,100	-	2,188	3,288
Loss for the year	-	-	(2,334)	(2,334)
Dividends paid (Note 13)	-	-	(870)	(870)
Balances at December 31, 2018	1,100	-	(1,016)	84
Net income for the year	-	-	2,100	2,100
Future capital contribution	-	420	-	420
Dividends paid (Note 13)	-	-	(1,292)	(1,292)
Balances at December 31, 2019	1,100	420	(208)	1,312

See accompanying notes.

Humberg Agribrazil Comércio e Exportação de Grãos Ltda.

Statements of cash flows
Years ended December 31, 2019 and 2018
(In thousands of reais)

	Individual		Consolidated	
	2019	2018	2019	2018
Cash flow from operating activities				
Net income (loss) for the year	2,100	(2,334)	2,100	(2,334)
Expenses not affecting cash and cash equivalents				
Depreciation	65	41	65	41
Write-off of property and equipment	-	66	-	66
Equity pickup	4,134	698	-	-
Deferred income and social contribution taxes	3,868	(786)	3,868	(786)
	10,167	(2,315)	6,033	(3,013)
Increase (decrease) in operating assets				
Accounts receivable	1,910	844	1,786	844
Accounts receivable – related parties	(5,534)	-	-	-
Inventories	(878)	(2,928)	(878)	(2,928)
Advances to suppliers	3,249	-	3,249	-
Taxes recoverable	(9,688)	(3,501)	(9,688)	(3,501)
Derivative financial instruments	(10,909)	1,484	(12,228)	3,266
Other assets	(41)	1	(50)	2
	(21,901)	(4,100)	(17,809)	(2,317)
Increase (decrease) in operating liabilities				
Trade accounts payable	678	(817)	4,895	(817)
Tax obligations	(14)	4	(14)	4
Taxes and social contributions payable	-	(502)	-	(502)
Salaries and social charges	79	14	79	14
Advances from customers	31	(917)	31	(917)
Derivative financial instruments	517	174	1,855	(202)
	1,291	(2,044)	6,846	(2,420)
Cash used in operating activities	(10,443)	(8,459)	(4,930)	(7,750)
Cash flow from investing activities				
Additions to property and equipment	(312)	(42)	(312)	(42)
Investments in subsidiary	-	(350)	-	-
Payment of dividends of subsidiaries	-	1,222	-	-
Cash used in (from) investing activities	(312)	830	(312)	(42)
Cash flow from financing activities				
Loans raised and repaid, net	10,987	10,545	10,987	10,545
Dividends paid	(1,292)	(870)	(1,292)	(870)
Future capital contribution	420	-	420	-
Cash from financing activities	10,115	9,675	10,115	9,675
Net increase (decrease) in cash and cash equivalents	(640)	2,046	4,873	1,883
Cash and cash equivalents at beginning of year	3,894	1,848	4,234	2,351
Cash and cash equivalents at end of year	3,254	3,894	9,107	4,234
Net increase (decrease) in cash and cash equivalents	(640)	2,046	4,873	1,883

See accompanying notes.

Humberg Agribrasil Comércio e Exportação de Grãos Ltda.

Notes to individual and consolidated financial statements
December 31, 2019 and 2018
(In thousands of reais)

1. Operations

Humberg Agribrasil Comércio e Exportação de Grãos Ltda. (the “Company” or “Humberg Agribrasil”) is a limited liability company organized to operate for an indefinite period whose activities began on July 15, 2013, with articles of organization registered with the São Paulo State Commercial Registry (JUCESP) on July 15, 2013, under the identification number NIRE 3.522.770.580- 6, enrolled with the Brazilian IRS Registry of Legal Entities of the Ministry of Finance (CNPJ/MF) under No. 18.483.666/0001-03, and with head offices in the city of São Paulo, state of São Paulo, at Rua Hungria No. 620, 8º floor, Jardim Europa, CEP 01455-000.

The Company's current activities are the following: export, distribute, buy, sell, resell, market and transport, on its own account or through third parties, food products in general, including, but not limited to, grains, flours, fibers and seeds; (ii) import, export, distribute, buy, sell, resell, market and transport, on its own account or through third parties, agricultural products; (iii) sell, buy and resell commodities; (iv) participate in other civil or commercial companies, either domestic or foreign, as partner, shareholder or member; and (v) represent domestic or foreign companies, on its own account or through third parties.

2. Accounting policies

The individual and consolidated financial statements have been prepared in accordance with accounting practices adopted in Brazil, which comprise the standards included in the Brazilian Corporation Law and the pronouncements, guidance and interpretations issued by the Brazilian Financial Accounting Standards Board (CPC) and approved by Brazil's National Association of State Boards of Accountancy (CFC) that were effective at December 31, 2019.

The Company's financial statements were approved by the Executive Board on April 13, 2020.

The financial statements have been prepared in the ordinary course of business. Management did not identify any significant uncertainty regarding the Company's and its subsidiary's ability to continue as a going concern in the next 12 months.

Humberg Agribrazil Comércio e Exportação de Grãos Ltda.

Notes to individual and consolidated financial statements (Continued)
December 31, 2019 and 2018
(In thousands of reais)

2. Accounting policies (Continued)

Estimates

These individual and consolidated financial statements have been prepared under various measurement bases used in accounting estimates. The accounting estimates involved in the preparation of financial statements were based on both objective and subjective factors, and in line with management's judgment to determine the appropriate amount to be recorded in the financial statements. Significant items subject to these estimates and assumptions include selection of useful lives and impairment of property and equipment, measurement of financial assets at fair value and by using the present value adjustment method, credit risk analysis to determine expected credit losses, as well as assessment of other risks to determine other provisions, including provision for contingencies.

Settlement of transactions involving these estimates may result in amounts significantly different from those recorded in the financial statements due to the probabilistic treatment inherent in the estimation process. The Company reviews its estimates and assumptions at least once a year.

Functional and presentation currencies

The individual and consolidated financial statements are presented in Brazilian Reais, which is the Company's functional currency. All financial information presented in Brazilian Reais was rounded to the nearest thousand, unless otherwise stated.

The significant accounting policies adopted in the preparation of the financial statements are described below:

a) Consolidation basis

The consolidated financial statements comprise the financial statements of the Company and its subsidiary (Note 8).

The subsidiary is fully consolidated as from the date control was obtained thereover. The subsidiaries' financial statements were prepared for the same period as the Company, using consistent accounting policies. All balances, income and expenses and unrealized gains and losses arising from intra-group transactions are eliminated completely.

Humberg Agribrazil Comércio e Exportação de Grãos Ltda.

Notes to individual and consolidated financial statements (Continued)
December 31, 2019 and 2018
(In thousands of reais)

2. Accounting policies (Continued)

b) Determination of profit or loss

Profit or loss from transactions is recorded on an accrual basis. Net revenue is measured at the fair value of the consideration received, less discounts, rebates, and taxes on sales.

Revenue from products sold is recognized in P&L when its amount can be reliably measured, all risks and rewards underlying the product are transferred to buyer, the Company no longer controls or is responsible for the goods sold and economic benefits are likely to flow to the Company. Revenue is not recognized if there is a significant uncertainty as to its realization. Interest income and expenses are recognized in net financial charges under the effective interest rate method.

c) Cash and cash equivalents

These include highly-liquid bank account balances redeemable within 90 days from the statement of financial position dates, involving an insignificant risk of change in their market value.

Short-term investments included in cash equivalents are those readily convertible into a known amount of cash and subject to an insignificant risk of change in value. Accordingly, an investment normally qualifies as cash equivalent when it is redeemable in the short term, for instance, within three months or less as from the investment date.

d) Trade accounts receivable

Trade accounts receivable are measured at their original billed amount, less allowance for doubtful accounts. The allowance for doubtful accounts is determined when there is evidence that management may not receive all receivables on their original due dates. The driving factor for this measurement corresponds, but is not limited to, the balances receivable overdue for more than 91 days.

Humberg Agribrazil Comércio e Exportação de Grãos Ltda.

Notes to individual and consolidated financial statements (Continued)
December 31, 2019 and 2018
(In thousands of reais)

2. Accounting policies (Continued)

e) Inventories

Agricultural products (commodities) are marked to market (MTM) and are valued based on the benchmark prices prevailing on the respective commodities exchanges where these products are usually traded, less costs to sell.

The other inventories are carried at the average acquisition or production cost, not exceeding market value. Provisions for inventory losses are set up based on procedures determined by management. Unrealized gains and losses on forward contracts are recorded in the statement of profit or loss and classified under "Cost of sales".

f) Property and equipment

Property and equipment items are measured at cost less depreciation and accumulated impairment loss. Depreciation is calculated using the straight-line method based on the estimated useful lives of depreciable assets. Repair expenses are generally charged to P&L as incurred. However, they are capitalized when the expected future economic benefits of the property and equipment item increase.

Humberg Agribrazil Comércio e Exportação de Grãos Ltda.

Notes to individual and consolidated financial statements (Continued)

December 31, 2019 and 2018

(In thousands of reais)

2. Accounting policies (Continued)

f) Property and equipment (Continued)

Assets under construction are not depreciated until they are completed and ready for their intended use. Interest on loans is capitalized as long as such loans do not exceed the work in progress. This credit is a reduction in interest expense.

Property and equipment items are substantially represented by improvements in leased properties and electronic data processing equipment, with an estimated useful life of three and five years, respectively.

The residual value and useful life of the assets and depreciation methods are reviewed annually and adjusted prospectively, as applicable.

g) Investment

Jointly controlled entities or joint ventures are those entities over which the Company, either directly or indirectly, has significant influence, but not the control, or joint control over financial and operational policies. A jointly controlled entity consists of a contractual arrangement whereby the Company has shared control and is entitled to the net assets of the contractual arrangement, but not to the specific assets and liabilities resulting from the arrangement. Investments in jointly controlled entities are accounted for using the equity method. These investments are initially recognized at fair value, which includes transaction costs. After initial recognition, the financial statements include the Company's share in the investee's profit or loss for the year and other comprehensive income.

h) Loans and financing

After initial recognition at fair value, loans and financing are subject to interest and subsequently measured at amortized cost, by using the effective interest rate method. Gains and losses are recognized in the statement of profit or loss when liabilities are derecognized, and over the amortization process by using the effective interest rate method.

Humberg Agribrazil Comércio e Exportação de Grãos Ltda.

Notes to individual and consolidated financial statements (Continued)
December 31, 2019 and 2018
(In thousands of reais)

2. Accounting policies (Continued)

i) Taxation

The Company's revenues are subject to the following taxes and contributions, at the corresponding statutory rates, on services provided in the domestic market:

	<u>Rates</u>
State VAT (ICMS) – São Paulo state	18%
ICMS – other states	7% to 12%
Federal VAT (IPI)	8% to 15%
Contribution Tax on Gross Revenue for Social Integration Program (PIS)	1.65%
Contribution Tax on Gross Revenue for Social Security Financing (COFINS)	7.60%

These charges are presented as sales deductions in the statements of profit or loss. Tax credits arising out of non-cumulative PIS/COFINS taxation are recorded as a deduction from cost of goods sold in the statements of profit or loss.

i) *Income and social contribution taxes - current*

Income taxes comprise both income and social contribution taxes. Income tax is calculated on taxable profit at the rate of 15%, plus 10% surtax on profit exceeding R\$240 for the twelve-month period. Social contribution tax is computed at the rate of 9% on taxable profit and recognized on an accrual basis. Therefore, additions to book profit deriving from temporarily nondeductible expenses or exclusions from temporarily nontaxable income to determine current taxable profit generate deferred tax assets or liabilities.

Prepaid or recoverable amounts are stated in current assets, based on their estimated realization.

Humberg Agribrazil Comércio e Exportação de Grãos Ltda.

Notes to individual and consolidated financial statements (Continued)
December 31, 2019 and 2018
(In thousands of reais)

2. Accounting policies (Continued)

h) Taxation (Continued)

ii) *Deferred taxes*

Deferred income and social contribution taxes are calculated on temporary differences arising from the difference between tax bases of assets and liabilities and their book values. They are determined by using tax rates disclosed in the statement of financial position date, which must be applied when the respective deferred income and social contribution tax assets are realized or when deferred income and social contribution tax liabilities are settled.

Deferred income and social contribution tax assets are recognized on temporary differences and on income and social contribution tax losses to the extent that their realization is probable. Accumulated income and social contribution tax losses do not expire, but their offsetting in future years is limited to 30% of taxable profit for each year.

Deferred tax credits arising from income and social contribution tax losses are recognized only to the extent that taxable profit is likely to be available for temporary differences to be realized.

j) Financial instruments

The Company operates with derivative financial instruments in order to mitigate the risks stemming from fluctuations in the market prices of soybean and corn, as well as to minimize impacts on the Company's profit or loss arising from fluctuations in the US dollar against the Brazilian real.

The Company's policy is to *hedge* its revenues relating to its commodities by using the above-mentioned derivative financial instruments, mainly on the Chicago Board of Trade (CBOT).

The commodity futures market transactions are adjusted on a daily basis and are valued at market value up to the expiration of trading contracts. Gains and losses are allocated to profit or loss for the year.

The Company hedges its exposure to US dollars by means of Non-Deliverable Forwards (NDF).

Humberg Agribrazil Comércio e Exportação de Grãos Ltda.

Notes to individual and consolidated financial statements (Continued)

December 31, 2019 and 2018

(In thousands of reais)

2. Accounting policies (Continued)

i) Financial instruments (Continued)

Financial instruments are initially recognized as financial instruments at fair value through profit or loss. They are initially recognized at fair value plus the directly related transaction cost, where applicable.

k) Present value adjustment of assets and liabilities

Present value adjustment of current monetary assets and liabilities is calculated and recorded only if deemed material vis-à-vis the financial statements as a whole. For reporting and materiality determination purposes, the present value adjustment is calculated by using contractual cash flows and explicit, sometimes implicit, interest rate of the corresponding assets and liabilities.

Based on management analysis and best estimates, the Company management concluded that the present value adjustment of current monetary assets and liabilities does not have any significant effect on the financial statements as a whole, and accordingly, no such adjustment was recorded.

l) Other benefits to employees

The benefits granted to the Company's employees and management include, in addition to fixed compensation (salaries and social security contributions (INSS), vacation pay and 13th monthly salary), private pension plan and variable compensation, such as profit sharing. These benefits are recorded in the statement of profit or loss for the year, under "General and administrative expenses", as incurred. The Company has no share-based payment benefit.

m) CPC 06 (R2) - Leases

The Company management analyzed all lease agreements in accordance with CPC 06 (R2) - Leases and concluded that most of the agreements that met the standard exemption criteria, as well as the effects of the agreements that fell within the scope of the standard, were not significant.

Humberg Agribrazil Comércio e Exportação de Grãos Ltda.

Notes to individual and consolidated financial statements (Continued)

December 31, 2019 and 2018

(In thousands of reais)

3. Cash and cash equivalents

	Individual		Consolidated	
	2019	2018	2019	2018
Cash	5	3	5	3
Banks – local currency	3,249	3,891	9,102	4,231
Total	3,254	3,894	9,107	4,234

4. Trade accounts receivable

	Individual		Consolidated	
	2019	2018	2019	2018
Trade accounts receivable – domestic (falling due)	431	2,341	431	2,341
Trade accounts receivable – foreign (falling due)	-	-	125	-
Total	431	2,341	556	2,341

5. Inventories

	Individual		Consolidated	
	2019	2018	2019	2018
Finished goods – soybean	1,489	1,664	1,489	1,664
Mark to market - MTM	842	(211)	842	(211)
Total	2,331	1,453	2,331	1,453

Goods purchased for resale are valued at the average acquisition cost, less taxes recoverable.

6. Advances to suppliers

	Individual and Consolidated	
	2019	2018
Advances to suppliers	740	3,989
Total	740	3,989

Advances to suppliers refer to funds delivered to suppliers before delivery of goods, which will be settled upon receipt of the agricultural products.

Humberg Agribrazil Comércio e Exportação de Grãos Ltda.

Notes to individual and consolidated financial statements (Continued)

December 31, 2019 and 2018

(In thousands of reais)

7. Taxes recoverable

	Individual and Consolidated	
	2019	2018
COFINS recoverable	10,761	1,596
PIS recoverable	2,196	347
ICMS recoverable	158	173
Withholding Income Tax (IRRF) recoverable	-	-
IRPJ prepayment	998	-
CSLL prepayment	360	-
Other	-	-
Total taxes recoverable – current	14,473	2,116
COFINS recoverable	-	2,309
PIS recoverable	-	359
Total taxes recoverable – noncurrent	-	2,668
Total taxes recoverable	14,473	4,784

8. Investment

			2019		
			Interest (%)	Quotas	Equity
Agribrazil Global Markets SA	100%	349,500	350	(4,265)	(3,915)
			2018		
	Interest (%)	Quotas	Equity	Equity pickup	Total
Agribrazil Global Group LTD.	100%	34,296	-	-	-
Agribrazil Global Markets SA	100%	349,500	350	(131)	219

Humberg Agribrazil Comércio e Exportação de Grãos Ltda.

Notes to individual and consolidated financial statements (Continued)
December 31, 2019 and 2018
(In thousands of reais)

8. Investment (Continued)

In 2018, as part of the Company's growth strategy, the subsidiary Agribrazil Global Markets S.A. was organized, based in Switzerland. Also as part of this strategy, management decided to close subsidiary Agribrazil Global Group based in Bahamas, and its liquidation was completed on January 7, 2019.

The changes in investments in subsidiary are as follows:

	<u>Individual</u>
Balance at December 31, 2018	219
Equity pickup	<u>(4,134)</u>
Balance at December 31, 2019	<u><u>(3,915)</u></u>

9. Trade accounts payable

Trade accounts payable refer to the supply of goods for resale and services.

	<u>Individual</u>		<u>Consolidated</u>	
	2019	2018	2019	2018
Trade accounts payable – domestic market	2,005	1,327	2,005	1,327
Trade accounts payable – foreign market	-	-	<u>4,218</u>	-
Total	<u>2,005</u>	1,327	<u>6,223</u>	1,327

10. Loans and financing

Loans and financing refer to:

In foreign currency	Charges	Maturity	Guarantees	<u>Individual and Consolidated</u>	
				2019	2018
ACC - ABC	7.2%	01/17/2020	With guarantee	1,082	-
ACC - Bradesco	5.4%	08/21/2020	With guarantee	6,160	-
ACC - Bradesco	5.4%	11/12/2020	With guarantee	2,434	-
ACC - Banco do Brasil	5.4%	01/21/2020	With guarantee	8,583	-
ACC - Itaú	6.7%	02/14/2020	With guarantee	1,322	-
ACC - Itaú	6.5%	03/25/2020	With guarantee	1,638	-
ACC - Santander	7.3%	03/11/2020	With guarantee	6,052	-
ACC - Itaú	7.9%	02/22/2019	With guarantee	-	3,423
ACC - Itaú	8.2%	04/30/2019	With guarantee	-	3,923
ACC - Banco do Brasil	5.5%	03/25/2019	With guarantee	-	3,984
ACC - Banco do Brasil	6.8%	04/18/2019	With guarantee	-	998
ACC - Banco do Brasil	5.5%	05/10/2019	With guarantee	-	3,957
				<u>27,271</u>	<u>16,285</u>

The Company has no lease agreements subject to covenants.

Humberg Agribrazil Comércio e Exportação de Grãos Ltda.

Notes to individual and consolidated financial statements (Continued)
December 31, 2019 and 2018
(In thousands of reais)

11. Current and deferred income and social contribution taxes

a) Current income and social contribution taxes

The reconciliation to the effective result of the effective rate for the periods from January 1, 2019 to December 31, 2019 and January 1, 2018 to December 31, 2018 is as under for individual and consolidated.

	Individual and Consolidated	
	2019	2018
Income before income and social contribution taxes	5,984	(3,120)
Income tax at statutory rate – 34%	(2,035)	1,060
Equity pickup – foreign subsidiary	(1,405)	(237)
Other permanent differences	(444)	(37)
	(3,884)	786
Effective income and social contribution tax rate	65%	25%
Current tax expenses	(16)	-
Deferred tax expenses	(3,868)	786

b) Deferred income and social contribution taxes

Deferred income and social contribution taxes are recorded to reflect future tax effects attributable to temporary differences between the tax base of assets and liabilities and their respective carrying amount.

At December 31, 2019 and 2018, deferred income and social contribution taxes derive from:

	Individual and Consolidated	
	2019	2018
Assets		
Derivative financial instruments	893	587
Sundry provisions	100	31
Tax loss base	951	951
Tax base	1,944	1,569
Current rate	34%	34%
Deferred tax assets	661	533
Liabilities		
Derivative financial instruments	(12,148)	(1,239)
Other	(844)	-
Tax base	(12,990)	(1,239)
Current rate	34%	34%
Deferred tax liabilities	(4,417)	(421)
Total deferred taxes, net	(3,756)	112

Humberg Agribrazil Comércio e Exportação de Grãos Ltda.

Notes to individual and consolidated financial statements (Continued)
December 31, 2019 and 2018
(In thousands of reais)

12. Provision for contingencies

At December 31, 2019 and 2018, the Company was not a party to any legal and administrative proceedings for which its legal advisors have identified the need to set up provisions for losses.

13. Equity

a) Capital

At December 31, 2019, the Company's subscribed and paid-in capital was R\$1,100, totaling 1,100,000 quotas with nominal value of one real (R\$1.00) each, and future capital contributed of R\$420.

In 2019, Mr. Acauã Sena Mahfuz assigned and transferred 54,999 units of interest for the nominal amount of R\$1.00 for valuable consideration. As a consequence, at December 31, 2019, the Company capital was divided as follows:

Members	2019		
	Number of units of interest	Ownership interest	R\$ (in Reais)
Frederico José Humberg	1,099,999	99,9999%	1,099,999
Acauã Sena Mahfuz	1	0,0001%	1
	<u>1,100,000</u>	<u>100%</u>	<u>1,100,000</u>

At December 31, 2018, the Company capital was divided as follows:

Members	2018		
	Number of units of interest	Ownership interest	R\$ (in Reais)
Frederico José Humberg	1,045,000	95%	1,045,000
Acauã Sena Mahfuz	55,000	5%	55,000
	<u>1,100,000</u>	<u>100%</u>	<u>1,100,000</u>

Humberg Agribrazil Comércio e Exportação de Grãos Ltda.

Notes to individual and consolidated financial statements (Continued)

December 31, 2019 and 2018

(In thousands of reais)

13. Equity (Continued)

b) Dividends

At December 31, 2019 and 2018, the Company distributed dividends to its members as follows:

<u>Members</u>	<u>2019</u>	<u>2018</u>
Frederico José Humberg	1,272	441
Jorge Aloísio Follmann	-	295
Acauã Sena Mahfuz	20	134
	<u>1,292</u>	<u>870</u>

14. Sales revenue, net

	<u>Individual</u>		<u>Consolidated</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Gross operating revenue	358,957	161,834	400,787	163,931
Sales taxes	(1,919)	(7,044)	(1,918)	(7,044)
Returns	(12,373)	(1,625)	(12,373)	(1,626)
Total	<u>344,665</u>	<u>153,165</u>	<u>386,496</u>	<u>155,261</u>
Foreign market	314,000	43,373	341,539	45,470
Domestic market	44,957	118,461	44,957	118,461

15. Cost of goods sold by nature

	<u>Individual</u>		<u>Consolidated</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Cost				
Cost of commodities	(330,684)	(142,196)	(373,564)	(144,874)
Logistics costs	(6,108)	(7,611)	(10,177)	(7,611)
	<u>(336,792)</u>	<u>(149,807)</u>	<u>(383,741)</u>	<u>(152,485)</u>
MTM				
Gains (losses) - futures contracts	10,392	(1,382)	11,605	(1,382)
Inventories MTM	1,053	(211)	1,053	(211)
	<u>11,445</u>	<u>(1,593)</u>	<u>12,658</u>	<u>(1,593)</u>
	<u>(325,347)</u>	<u>(151,400)</u>	<u>(371,083)</u>	<u>(154,078)</u>

Humberg Agribrazil Comércio e Exportação de Grãos Ltda.

Notes to individual and consolidated financial statements (Continued)

December 31, 2019 and 2018

(In thousands of reais)

16. General and administrative expenses and selling expenses

	Individual		Consolidated	
	2019	2018	2019	2018
Salaries, social contributions and employee benefits	(1,668)	(1,040)	(1,668)	(1,040)
Third-party services	(1,998)	(619)	(2,072)	(724)
Vehicle expenses	(49)	(87)	(49)	(87)
Other	(582)	(166)	(582)	(166)
Travel and telecommunication expenses	(335)	(201)	(335)	(201)
Lease and maintenance expenses	(342)	(153)	(342)	(153)
Depreciation and amortization	(65)	(41)	(65)	(41)
	(5,039)	(2,307)	(5,113)	(2,412)

17. Finance income (costs)

	Individual		Consolidated	
	2019	2018	2019	2018
Finance income				
Short-term investment yield	649	28	649	28
Discounts received	47	25	47	25
Foreign exchange gains	11,064	2,755	11,064	2,755
	11,760	2,808	11,760	2,808
Finance costs				
Interest – prepaid receivables	(55)	(570)	(55)	(570)
Foreign exchange losses	(13,099)	(3,215)	(13,099)	(3,215)
Interest on loans and financing	(2,110)	(858)	(2,110)	(858)
Other finance costs	(657)	(45)	(801)	(56)
	(15,921)	(4,688)	(16,066)	(4,699)
	(4,161)	(1,880)	(4,306)	(1,891)

Humberg Agribrazil Comércio e Exportação de Grãos Ltda.

Notes to individual and consolidated financial statements (Continued)
December 31, 2019 and 2018
(In thousands of reais)

18. Transactions with related parties

	Individual	
	2019	2018
Assets		
Agribrazil Global Markets AS	5,535	-
	<u>5,535</u>	<u>-</u>

	Consolidated	
	2019	2018
In P&L for the year:		
Agribrazil Global Group LTD.	94,577	43,373
	<u>94,577</u>	<u>43,373</u>

Transactions with related parties that impacted P&L for the year were conducted at specific prices and under specific conditions agreed upon by and between the parties, subject to transfer pricing rules.

19. Derivative financial instruments

Financial instruments fair value calculation methodology

Fair value is defined as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable and willing parties in an unbiased transaction.

The three-level hierarchy for measurement of fair value is based on observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's market assumptions.

These two types of inputs create the following fair value hierarchy:

Level 1 - Quoted prices for identical instruments in active markets;

Level 2 - Prices quoted in active markets for similar instruments, prices quoted for identical or similar instruments in non-active markets, and valuation models for which inputs are observable; and

Level 3 - Instruments whose significant inputs are not observable.

Below are the Company's financial assets broken down as per the general classification of these instruments, in accordance with the valuation hierarchy.

Humberg Agribrazil Comércio e Exportação de Grãos Ltda.

Notes to individual and consolidated financial statements (Continued)
December 31, 2019 and 2018
(In thousands of reais)

19. Derivative financial instruments (Continued)

Financial instruments fair value calculation methodology (Continued)

At December 31, 2019, the fair value of derivative financial instruments is equivalent to the amount recorded under Level 2, in accordance with the criteria determined by the fair value hierarchy.

NDFs are measured at present value, at the market rate as of the base date, through the future flow determined by applying contractual rates until maturity, based on the US dollar projections observed in futures contracts registered at B3 S.A.

Fair value of financial assets and liabilities is included in the value for which the instrument could be exchanged in a current transaction between willing parties, rather than in a forced sale or settlement. The amounts of the key financial assets and liabilities at fair value approximate their carrying amounts, as follows:

Humberg Agribrazil Comércio e Exportação de Grãos Ltda.

Notes to individual and consolidated financial statements (Continued)
December 31, 2019 and 2018
(In thousands of reais)

19. Derivative financial instruments (Continued)

Financial instruments fair value calculation methodology (Continued)

	Fair value hierarchical level	Individual		Consolidated	
		2019	2018	2019	2018
Assets					
Outstanding contract position (a)	1	9,040	886	9,152	765
Margin deposit (c)	1	-	-	1,086	-
NDF transactions (b)	1	3,108	353	3,108	353
		12,148	1,239	13,346	1,118
Current		12,148	1,239	13,346	1,118
Noncurrent		-	-	-	-
		12,148	1,239	13,346	1,118
Liabilities					
Outstanding contract position (a)	1	-	-	1,338	-
NDF transactions (b)	1	893	376	893	376
		893	376	2,231	376
Current		893	376	2,231	376
Noncurrent		-	-	-	-
		893	376	1,338	376

(a) Refers to mark-to-market of contracts for (physical) purchase and sale of commodities.

(b) Represent market values of outstanding positions of NDFs assigned for hedging against the effects of exchange rate fluctuations (in conformity with CPC 48 and CPC 39).

(c) This refers to the margin delivery at CBOT.

20. Risk management and financial instruments

a) Market risk

Market risk is the risk that the fair value of future cash flows of assets and liabilities held by the Company may float due to changes in market variables, such as interest rate, exchange rate and commodity prices.

Humberg Agribrazil Comércio e Exportação de Grãos Ltda.

Notes to individual and consolidated financial statements (Continued)
December 31, 2019 and 2018
(In thousands of reais)

20. Risk management and financial instruments (Continued)

b) Currency risk

Currency risk arises from the possibility of fluctuations in exchange rates of foreign currencies used by the Company for acquisition of raw materials and of financial instruments, and for sale of products. In addition to payables and receivables in foreign currencies.

The Company continuously assesses hedging transactions taken out to mitigate these risks.

c) Commodity price risk

This risk arises from the possibility of oscillations in the market prices of the products sold by the Company. These price oscillations may cause substantial changes in the revenues and costs of the Company. In order to hedge against price fluctuations, the Company also conducts commodity futures transactions on CBOT.

d) Credit risk

The Company's sales policy is closely associated with the level of credit risk it is willing to incur in the course of its business; follow-up of sales deadlines and position threshold are among the procedures that the Company adopts in order to minimize possible default of its business partners.

e) Liquidity risk

The Company manages liquidity risk by maintaining adequate reserves, lines of credit with banks and group companies, loans and financing, as well as by continuously monitoring the estimated and actual cash flow, and observing the maturity profiles of financial assets and liabilities.

Humberg Agribrazil Comércio e Exportação de Grãos Ltda.

Notes to individual and consolidated financial statements (Continued)
December 31, 2019 and 2018
(In thousands of reais)

21. Events after the reporting date

COVID-19 impacts on the Company operations

On January 31, 2020, the World Health Organization (WHO) announced that the coronavirus (COVID-19) is a global health emergency. The outbreak triggered significant decisions by governments and private sector entities, which added to the potential impact of the outbreak, increased the degree of uncertainty for economic agents and can have significant impacts on the amounts recognized in the Company's financial statements.

Considering the current situation of the spread of the outbreak, we understand that the grain export sector is benefiting due to the increased demand resulting substantially from the post-swine flu recovery of herds in China, interruption in the slaughter activities leading to an accumulation of more animals and, consequently, the higher need for feed, increase in the consumption of chicken meat, which is a major consumer of feed replacing the fish and other meat industries, drop in the value of oil cheapening sea freight and, most importantly, due to the drop in reference prices on the Chicago Stock Exchange.

Despite the fall in US dollar prices, the rapid devaluation of the Real caused the prices in Reais per bag to reach historical record levels, driving the grain trade.