

Financial Statements

Humberg Agribrasil Comércio e Exportação de Grãos Ltda.

December 31, 2018
with Independent Auditor's Report

Humberg Agribrazil Comércio e Exportação de Grãos Ltda.

Financial statements

December 31, 2018

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A free translation from Portuguese into English of Independent Auditor's Report on individual and consolidated financial statements prepared in Brazilian currency 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, 2018, 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, 2018, 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:

- 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 the risk of not detecting one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and its subsidiary's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and 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.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the individual and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the 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, May 20, 2019.

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

A handwritten signature in blue ink, appearing to read 'A. Munhoz'.

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

Humberg Agribrazil Comércio e Exportação de Grãos Ltda.

Statements of financial position
December 31, 2018 and 2017
(In thousands of reais)

	Note	Individual		Consolidated	
		2018	2017	2018	2017
Assets					
Current assets					
Cash and cash equivalents	3	3,894	1,848	4,234	2,351
Trade accounts receivable	4	2,341	3,185	2,341	3,185
Inventories	5	1,453	-	1,453	-
Advances to suppliers	6	3,989	2,514	3,989	2,514
Derivative financial instruments	19	1,239	2,723	1,118	4,009
Taxes recoverable	7	2,116	1,283	2,116	1,283
Total current assets		15,032	11,553	15,251	13,342
Noncurrent assets					
Taxes recoverable	7	2,668	-	2,668	-
Deferred income and social contribution taxes	11	112	-	112	-
Other noncurrent assets		4	4	4	4
Investment	8	219	1,789	-	-
Property and equipment		168	234	168	234
Total noncurrent assets		3,171	2,027	2,952	238
Total assets					
		18,203	13,580	18,203	13,580
Liabilities and equity					
Current liabilities					
Trade accounts payable	9	1,327	2,144	1,327	2,144
Loans and financing	10	16,285	5,740	16,285	5,740
Tax obligations		18	14	18	14
Labor obligations		113	99	113	99
Derivative financial instruments	19	376	202	376	202
Advances from customers		-	917	-	917
Income and social contribution taxes	11	-	502	-	502
Total current liabilities		18,119	9,618	18,119	9,618
Noncurrent liabilities					
Deferred income and social contribution taxes	11	-	674	-	674
Total noncurrent liabilities		-	674	-	674
Equity					
Capital	13	1,100	1,100	1,100	1,100
Retained earnings (accumulated losses)		(1,016)	2,188	(1,016)	2,188
Total equity		84	3,288	84	3,288
Total liabilities and equity					
		18,203	13,580	18,203	13,580

See accompanying notes.

Humberg Agribrazil Comércio e Exportação de Grãos Ltda.

Statements of profit or loss
December 31, 2018 and 2017
(In thousands of reais)

	Note	Individual		Consolidated	
		2018	2017	2018	2017
Sales revenue, net	14	153,165	70,383	155,261	75,654
Cost of goods sold	15	(151,400)	(66,040)	(154,078)	(69,537)
Gross profit		1,765	4,343	1,183	6,117
Operating expenses (income)					
General and administrative expenses	16	(2,307)	(1,553)	(2,412)	(1,568)
Equity pickup	8	(698)	1,756	-	-
Other operating income		-	18	-	18
Income (loss) before finance income (costs) and income and social contribution taxes		(1,240)	4,564	(1,229)	4,567
Finance income		2,808	266	2,808	266
Finance costs		(4,688)	(404)	(4,699)	(407)
Finance income (costs)	17	(1,880)	(138)	(1,891)	(141)
Income (loss) before income and social contribution taxes		(3,120)	4,426	(3,120)	4,426
Current income and social contribution taxes	11	-	(849)	-	(849)
Deferred income and social contribution taxes	11	786	(674)	786	(674)
		786	(1,523)	786	(1,523)
Net income (loss) for the year		(2,334)	2,903	(2,334)	2,903

See accompanying notes.

Humberg Agribrazil Comércio e Exportação de Grãos Ltda.

Statements of comprehensive income
December 31, 2018 and 2017
(In thousands of reais)

	Individual and Consolidated	
	2018	2017
Net income (loss) for the year	(2,334)	2,903
Cumulative translation adjustments	-	-
Total comprehensive income (loss) for the year, net of taxes	(2,334)	2,903

See accompanying notes.

Humberg Agribrazil Comércio e Exportação de Grãos Ltda.

Statements of changes in equity
December 31, 2018 and 2017
(In thousands of reais)

	Capital		Retained earnings (accumulated losses)	Total
	Subscribed capital	Unpaid capital		
Balances at December 31, 2016	1,000	(600)	(127)	273
Payment of capital (Note 13)	-	600	-	600
Capital increase (Note 13)	100	-	-	100
Net income for the year	-	-	2,903	2,903
Dividends paid (Note 13)	-	-	(588)	(588)
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

See accompanying notes.

Humberg Agribrazil Comércio e Exportação de Grãos Ltda.

Statements of cash flows

Years ended December 31, 2018 and 2017

(In thousands of reais)

	Individual		Consolidated	
	2018	2017	2018	2017
Cash flow from operating activities				
Net (loss) income for the year	(2,334)	2,903	(2,334)	2,903
Expenses not affecting cash and cash equivalents				
Depreciation	41	21	41	21
Write-off of property and equipment	66	-	66	-
Equity pickup	698	(1,756)	-	-
Deferred income and social contribution taxes	(786)	674	(786)	674
	(2,315)	1,842	(3,013)	3,598
Increase (decrease) in operating assets				
Accounts receivable	844	(3,079)	844	(3,079)
Inventories	(2,928)	(2,510)	(2,928)	(2,510)
Taxes recoverable	(3,501)	(1,283)	(3,501)	(1,283)
Derivative financial instruments	1,484	(2,723)	3,266	(4,009)
Other assets	1	(4)	2	(4)
	(4,100)	(9,599)	(2,317)	(10,885)
Increase (decrease) in operating liabilities				
Trade accounts payable	(817)	2,144	(817)	2,144
Tax obligations	4	(3)	4	(3)
Taxes and social contribution taxes payable	(502)	502	(502)	502
Salaries and social charges	14	97	14	97
Advances from customers	(917)	917	(917)	917
Derivative financial instruments	174	202	(202)	202
	(2,044)	3,859	(2,420)	3,859
Cash used in operating activities	(8,459)	(3,888)	(7,750)	(3,418)
Cash flow from investing activities				
Additions to property and equipment	(42)	(164)	(42)	(174)
Investments in subsidiary	(350)	(33)	-	-
Payment of dividends of subsidiaries	1,222	-	-	-
Cash used in investing activities	830	(207)	(42)	(174)
Cash flow from financing activities				
Loans raised and repaid, net	10,545	5,740	10,545	5,740
Dividend paid	(870)	(588)	(870)	(588)
Capital increase	-	700	-	700
Cash from financing activities	9,675	5,852	9,675	5,852
Net increase in cash and cash equivalents	2,046	1,757	1,883	2,260
Cash and cash equivalents at beginning of year	1,848	91	2,351	91
Cash and cash equivalents at end of year	3,894	1,848	4,234	2,351
Net increase in cash and cash equivalents	2,046	1,757	1,883	2,260

See accompanying notes.

Humberg Agribrazil Comércio e Exportação de Grãos Ltda.

Notes to financial statements
December 31, 2018 and 2017
(In thousands of reais)

1. Operations

Humberg Agribrazil Comércio e Exportação de Grãos Ltda. (the “Company” or “Humberg Agribrazil”) is a limited liability company organized to operate for an indefinite period whose activities began on July 15, 2013, with articles of incorporation 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 Avenida Pedroso de Moraes No. 5272, 1º andar, Pinheiros, CEP 04420-000.

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, 2018.

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

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 financial statements (Continued)
December 31, 2018 and 2017
(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 reporting 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) 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.

Humberg Agribrazil Comércio e Exportação de Grãos Ltda.

Notes to financial statements (Continued)
December 31, 2018 and 2017
(In thousands of reais)

2. Accounting policies (Continued)

b) 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.

c) Trade accounts receivable

Trade accounts receivable are measured at their original billed amount, less allowance for expected credit losses. The allowance for expected credit losses 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.

d) 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".

e) Property and equipment

Property and equipment 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 financial statements (Continued)
December 31, 2018 and 2017
(In thousands of reais)

2. Accounting policies (Continued)

e) 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 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.

f) 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.

g) 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 financial statements (Continued)
December 31, 2018 and 2017
(In thousands of reais)

2. Accounting policies (Continued)

h) 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 financial statements (Continued)
December 31, 2018 and 2017
(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.

i) 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 financial statements (Continued)
December 31, 2018 and 2017
(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.

j) 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.

k) 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.

l) New standards and interpretations not yet adopted

The Company decided not to early adopt any other standard, interpretation or amendment that has been issued but is not effective yet. The nature and effectiveness of each such new standards and amendments are described below:

Standard	Description	Effective period	Impacts
CPC 06 (R2) – Leases	Refers to the definition of and guidance for lease contracts provided for in IAS 17.	Annual periods beginning on or after January 1, 2019.	There is no substantial change in accounting for leases based on CPC 06 (R2) in relation to the current standards, as the Company has no significant lease contracts.

Humberg Agribrasil Comércio e Exportação de Grãos Ltda.

Notes to financial statements (Continued)
December 31, 2018 and 2017
(In thousands of reais)

2. Accounting policies (Continued)

I) New standards and interpretations not yet adopted (Continued)

The Company management is expecting CPC to publish the corresponding standards in Brazil to analyze any possible impacts on its financial statements.

3. Cash and cash equivalents

	Individual		Consolidated	
	2018	2017	2018	2017
Cash	3	1	3	1
Banks – local currency	3,891	1,847	4,231	2,350
Total	3,894	1,848	4,234	2,351

4. Trade accounts receivable

	Individual and Consolidated	
	2018	2017
Trade accounts receivable – domestic (falling due)	2,341	3,185
Total	2,341	3,185

5. Inventories

	Individual		Consolidated	
	2018	2017	2018	2017
Finished goods – soybean	1,664	-	1,664	-
Mark to market - MTM	(211)	-	(211)	-
Total	1,453	-	1,453	-

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

Humberg Agribrazil Comércio e Exportação de Grãos Ltda.

Notes to financial statements (Continued)
December 31, 2018 and 2017
(In thousands of reais)

6. Advances to suppliers

	Individual and Consolidated	
	2018	2017
Advances to suppliers	3,989	2,514
Total	3,989	2,514

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

7. Taxes recoverable

	Individual and Consolidated	
	2018	2017
COFINS recoverable	1,596	1,030
PIS recoverable	347	224
ICMS recoverable	173	23
Withholding Income Tax (IRRF) recoverable	-	5
Other	-	1
Total taxes recoverable – current	2,116	1,283
COFINS recoverable	2,309	-
PIS recoverable	359	-
Total taxes recoverable – noncurrent	2,668	-
Total taxes recoverable	4,784	1,283

Humberg Agribrazil Comércio e Exportação de Grãos Ltda.

Notes to financial statements (Continued)
December 31, 2018 and 2017
(In thousands of reais)

8. Investment

	2018				
	Interest (%)	Units of interest	Equity	Equity pickup	Total
Agribrazil Global Group LTD.	100%	34,296	-	-	-
Agribrazil Global Markets SA	100%	349,500	350	(131)	219

In 2018, as part of its growth strategy, Agribrazil organized a subsidiary based in Switzerland, Agribrazil Global Markets S.A. Furthermore, 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, 2017	1,789
Investment	350
Distribution of profit of subsidiary	(1,222)
Equity pickup	(698)
Balance at December 31, 2018	<u>219</u>

Humberg Agribrazil Comércio e Exportação de Grãos Ltda.

Notes to financial statements (Continued)
December 31, 2018 and 2017
(In thousands of reais)

9. Trade accounts payable

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

	Individual and Consolidated	
	2018	2017
Trade accounts payable – domestic market	1,327	2,144
	1,327	2,144

10. Loans and financing

Loans and financing refer to:

In foreign currency	Charges	Maturity	Guarantees	Individual and Consolidated	
				2018	2017
Advances on Foreign Exchange Contracts (ACC) - Santander	8.0%	02/22/2018	With guarantee	-	369
ACC - Itaú	7.9%	02/22/2019	With guarantee	-	1,304
ACC - Itaú	8.0%	05/09/2018	With guarantee	-	2,006
ACC - Itaú	8.0%	05/11/2018	With guarantee	-	1,337
ACC - Safra	7.7%	06/04/2018	With guarantee	-	665
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	-
Vehicle financing		-	-	-	59
				16,285	5,740

The Company has no lease agreements subject to covenants.

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Notes to financial statements (Continued)
December 31, 2018 and 2017
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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, 2018 to December 31, 2018 and January 1, 2017 to December 31, 2017 is as under for individual and consolidated.

	<u>Individual and Consolidated</u>	
	<u>2018</u>	<u>2017</u>
Income before income and social contribution taxes	(3,120)	4,426
Income tax at statutory rate – 34%	(1,060)	(1,505)
Nondeductible expenses	-	(22)
Other permanent differences	275	4
	(786)	(1,523)
Effective income and social contribution tax rate	25%	34%
Current tax expenses	-	(849)
Deferred tax expenses	786	(674)

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, 2018 and 2017, deferred income and social contribution taxes derive from:

	<u>Individual and Consolidated</u>	
	<u>2018</u>	<u>2017</u>
Assets		
Derivative financial instruments	199	69
Sundry provisions	11	89
Tax loss base	323	-
	533	158
Liabilities		
Derivative financial instruments	(421)	(832)
	(421)	(832)
Total, net	112	(674)

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Notes to financial statements (Continued)
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11. Current and deferred income and social contribution taxes (Continued)

c) Income and social contribution taxes payable

	<u>Individual and Consolidated</u>	
	<u>2018</u>	<u>2017</u>
Income and social contribution taxes payable	-	502
	-	502

12. Provision for contingencies

At December 31, 2018 and 2017, 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, 2018, the Company's subscribed and paid-in capital was R\$1,100, totaling 1,100,000 units of interest with par value of one real (R\$1.00) each.

At December 31, 2018 and 2017, the Company capital was divided as follows:

<u>Members</u>	<u>2018</u>		
	<u>Number of units of interest</u>	<u>Ownership interest</u>	<u>R\$</u>
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>

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Notes to financial statements (Continued)
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13. Equity (Continued)

a) Capital (Continued)

Members	2017		
	Number of units of interest	Ownership interest	R\$
Frederico José Humberg	935,000	85%	935,000
Jorge Aloisio Follmann	110,000	10%	110,000
Acauã Sena Mahfuz	55,000	5%	55,000
	1,100,000	100.00%	1,100,000

b) Dividends

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

Members	2018	2017
Frederico José Humberg	441,000	392,000
Jorge Aloisio Follmann	295,000	116,000
Acauã Sena Mahfuz	134,000	80,000
	870,000	588,000

14. Sales revenue, net

	Individual		Consolidated	
	2018	2017	2018	2017
Gross operating revenue	161,834	78,759	163,931	84,030
Sales taxes	(7,044)	(6,267)	(7,044)	(6,267)
Returns	(1,625)	(2,109)	(1,626)	(2,109)
Total	153,165	70,383	155,261	75,654
Foreign market	43,373	10,538	45,470	15,809
Domestic market	118,461	68,221	118,461	68,221

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Notes to financial statements (Continued)
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15. Cost of goods sold by nature

	Individual		Consolidated	
	2018	2017	2018	2017
Cost				
Cost of commodities	(142,196)	(61,758)	(144,874)	(65,255)
Logistics costs	(7,611)	(6,529)	(7,611)	(6,529)
Provision for inventory losses	-	(20)	-	(20)
	(149,807)	(68,307)	(152,485)	(71,804)
MTM				
Gains (losses) futures contracts	(1,382)	835	(1,382)	835
Inventories MTM	(211)	1,432	(211)	1,432
	(1,593)	2,267	(1,593)	2,267
	(151,400)	(66,040)	(154,078)	(69,537)

16. General and administrative expenses and selling expenses

	Individual		Consolidated	
	2018	2017	2018	2017
Salaries, social contributions and employee benefits	(1,040)	(394)	(1,040)	(394)
Third-party services	(619)	(392)	(724)	(392)
Vehicle expenses	(87)	(267)	(87)	(268)
Other	(166)	(227)	(166)	(241)
Travel and telecommunication expenses	(201)	(130)	(201)	(130)
Lease and maintenance expenses	(153)	(122)	(153)	(122)
Depreciation and amortization	(41)	(21)	(41)	(21)
	(2,307)	(1,553)	(2,412)	(1,568)

17. Finance income (costs)

	Individual		Consolidated	
	2018	2017	2018	2017
Finance income				
Short-term investment yield	28	53	28	53
Discounts received	25	80	25	80
Foreign exchange gains	2,755	133	2,755	133
	2,808	266	2,808	266
Finance costs				
Interest – prepaid receivables	(570)	-	(570)	-
Foreign exchange losses	(3,215)	(142)	(3,215)	(142)
Interest on loans and financing	(858)	(192)	(858)	(192)
Other finance costs	(45)	(70)	(56)	(73)
	(4,688)	(404)	(4,699)	(407)
	(1,880)	(138)	(1,891)	(141)

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Notes to financial statements (Continued)
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18. Related parties

	Consolidated	
	2018	2017
In P&L for the year: Agribrazil Global Group LTD.	43,373	3,548
	43,373	3,548

The related-party transactions 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

	Individual		Consolidated	
	2018	2017	2018	2017
Assets				
Outstanding contract position (a)	886	2,280	765	3,566
Margin deposit (c)	-	275	-	275
NDF transactions (b)	353	168	353	168
	1,239	2,723	1,118	4,009
Current	1,239	2,723	1,118	4,009
Noncurrent	-	-	-	-
	1,239	2,723	1,118	4,009
Liabilities				
NDF transactions (b)	6	202	376	202
	376	202	376	202
Current	376	202	376	202
Noncurrent	-	-	-	-
	376	202	376	202

(a) Refers to marked-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 38 and CPC 39).

(c) Refers to remittance of margin money made on the Chicago commodities exchange (CBOT).

The fair value level of financial instruments at December 31, 2018 are considered as Level 2. For the year ended December 31, 2018, there were neither transfers between "Level 1" and "Level 2" fair value valuations nor transfers between "Level 3" and "Level 2" fair value valuations.

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Notes to financial statements (Continued)
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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.

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.