

Grupo Raízen

**Combined consolidated and condensed interim financial information
at December 31, 2020**

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A free translation from Portuguese into English of independent auditor's review report on combined and condensed interim financial information prepared in Brazilian currency in accordance with accounting practices adopted in Brazil and the International Financial Reporting Standards (IFRS)

Independent auditor's review report on combined and condensed interim financial information

To
Board of Directors, Shareholders and Management of
Raízen Group

Introduction

We have reviewed the combined statement of financial position of Raízen Group (the "Group") as of December 31, 2020, and the combined and condensed statements of profit or loss and comprehensive income (loss) for three and nine-month periods then ended and statements of changes in equity and of cash flows for the nine-month period then ended, and notes to the interim financial information.

Management is responsible for the preparation of the combined and condensed interim financial information in accordance with NBC TG 21 – Interim Financial Reporting, and international standard IAS 34 – Interim Financial Reporting, issued by the International Accounting Standards Board (IASB). Our responsibility is to express a conclusion on this combined and condensed interim financial information based on our review.

Scope of review

We conducted our review in accordance with the Brazilian and international standards on review engagements (NBC TR 2410 and ISRE 2410 – Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion on the combined and condensed interim financial information

Based on our review, nothing has come to our attention that causes us to believe that the combined and condensed interim financial information referred to above is not prepared, in all material respects, in accordance with NBC TG 21 and IAS 34.

Emphasis of matter

Basis of preparation and presentation of the combined and condensed interim financial information and restriction on distribution or use

We draw attention to Note 2.2 to the interim financial information, which describes the basis of preparation and presentation of the combined and condensed interim financial information. The combined and condensed interim financial information has been prepared for the purpose of allowing the shareholders and management of Raízen Group to assess the combined financial position of the Group as of December 31, 2020, and its combined financial performance for the period then ended. Consequently, the combined and condensed interim financial information may not be suitable for another purpose. Our conclusion is not qualified in respect of this matter.

Other matters

Correspondent figures

The Company's combined financial statements for the year ended March 31, 2020 and the combined and condensed interim financial information for the period ended December 31, 2019, were audited and reviewed under the responsibility of other independent auditor, who issued reports, on June 5, 2020 and February 14, 2020, with an unmodified opinion and conclusion over the combined financial statements and the combined and condensed interim financial information, respectively.

São Paulo, February 11, 2021.

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

Original report in Portuguese signed by
Uilian Dias Castro de Oliveira
Accountant CRC-1SP223185/O-3

Raízen Group**Combined consolidated statements of financial position****December 31 and March 31, 2020****In thousands of Reals – R\$**

	Note	12.31.2020	03.31.2020
Assets			
Current assets			
Cash and cash equivalents	3	3,422,827	8,601,660
Marketable securities	4	19,086	39,145
Restricted cash	5	1,585,576	211,070
Derivative financial instruments	27	2,975,844	5,016,307
Trade accounts receivable	6	3,835,306	2,950,341
Inventories	7	8,277,198	5,435,170
Biological assets	8	1,073,582	897,315
Income and social contribution taxes recoverable	19.b	486,020	778,694
Taxes recoverable	9	2,460,751	2,334,998
Other financial assets	10	37,633	314,273
Related parties	11	739,544	787,819
Assets from contracts with customers	12	459,024	475,305
Other receivables		549,815	472,953
Total current assets		25,922,206	28,315,050
Noncurrent assets			
Trade accounts receivable	6	429,987	346,996
Derivative financial instruments	27	3,088,757	3,128,089
Other financial assets	10	229,259	258,768
Income and social contribution taxes recoverable	19.b	326,033	541,797
Taxes recoverable	9	1,444,931	967,419
Related parties	11	1,326,135	1,264,924
Deferred income and social contribution taxes	19.d	1,977,896	1,279,947
Judicial deposits	20	521,349	471,753
Assets from contracts with customers	12	2,229,657	2,091,860
Other receivables		384,166	371,982
Investments	13	1,305,790	1,325,210
Property, plant and equipment (PPE)	14	16,138,840	17,160,022
Intangible assets	15	2,889,478	2,976,155
Right of use	17	5,210,366	5,099,396
Total noncurrent assets		37,502,644	37,284,318
Total assets		63,424,850	65,599,368

See accompanying notes.

Raízen Group

Combined consolidated statements of financial position December 31 and March 31, 2020

In thousands of Reais - R\$

(Continued)

	Note	12.31.2020	03.31.2020
Liabilities and equity			
Current liabilities			
Trade accounts payable	16	9,311,281	10,227,015
Lease liabilities	17	935,928	1,174,750
Loans and financing	18	2,908,992	5,334,083
Related parties	11	1,430,876	1,494,946
Derivative financial instruments	27	2,604,601	3,640,357
Wages and salaries payable		534,376	627,503
Income and social contribution taxes payable	19.c	275,129	229,094
Taxes payable		487,730	444,895
Dividends and interest on equity payable	22.b	154,989	95,542
Advances from customers	6	1,115,351	239,546
Other obligations		642,690	1,844,487
Total current liabilities		20,401,943	25,352,218
Noncurrent liabilities			
Lease liabilities	17	3,798,838	3,236,998
Loans and financing	18	21,658,380	19,993,287
Related parties	11	1,311,037	1,040,355
Derivative financial instruments	27	483,697	108,123
Taxes payable		187,639	186,649
Provision for contingencies	20	1,593,431	1,558,883
Deferred income and social contribution taxes	19.d	1,699,091	1,903,225
Other obligations		491,794	489,527
Total noncurrent liabilities		31,223,907	28,517,047
Total liabilities		51,625,850	53,869,265
Equity	22		
Attributable to controlling interests		11,429,271	11,364,386
Noncontrolling interests		369,729	365,717
Total equity		11,799,000	11,730,103
Total liabilities and equity		63,424,850	65,599,368

See accompanying notes.

Raízen Group

Combined consolidated statements of profit or loss Three- and nine-month periods ended December 31, 2020 and 2019 In thousands of Reais – R\$

	Note	Oct-Dec/20	Apr-Dec/20	Oct-Dec/19	Apr-Dec/19
Operating revenue, net	23	34,145,057	80,764,156	31,996,773	90,997,941
Cost of sales and services	24	<u>(31,388,069)</u>	<u>(75,241,563)</u>	<u>(29,829,045)</u>	<u>(85,660,997)</u>
Gross profit		<u>2,756,988</u>	<u>5,522,593</u>	<u>2,167,728</u>	<u>5,336,944</u>
Operating income (expenses)					
Selling expenses	24	(978,452)	(2,492,162)	(836,338)	(2,322,525)
General and administrative expenses	24	(323,368)	(935,444)	(299,539)	(927,762)
Other operating (expenses) income, net	25	(50,008)	156,317	1,144,438	1,742,589
Equity pickup	13	<u>(3,014)</u>	<u>(83,676)</u>	<u>(4,130)</u>	<u>(11,901)</u>
		<u>(1,354,842)</u>	<u>(3,354,965)</u>	<u>4,431</u>	<u>(1,519,599)</u>
Income before finance income (costs) and income and social contribution taxes		<u>1,402,146</u>	<u>2,167,628</u>	<u>2,172,159</u>	<u>3,817,345</u>
Finance income (costs)	26				
Finance costs		(639,631)	(1,696,398)	(425,054)	(1,498,932)
Finance income		142,890	395,237	103,714	409,774
Foreign exchange differences, net		933,264	(303,194)	360,285	(563,684)
Net effect of derivatives		<u>(656,706)</u>	<u>729,469</u>	<u>(383,801)</u>	<u>588,567</u>
		<u>(220,183)</u>	<u>(874,886)</u>	<u>(344,856)</u>	<u>(1,064,275)</u>
Income before income and social contribution taxes		<u>1,181,963</u>	<u>1,292,742</u>	<u>1,827,303</u>	<u>2,753,070</u>
Income and social contribution taxes	19.a				
Current		(619,634)	(901,441)	(570,318)	(1,070,086)
Deferred	19.d	<u>232,838</u>	<u>523,402</u>	<u>71,655</u>	<u>246,603</u>
		<u>(386,796)</u>	<u>(378,039)</u>	<u>(498,663)</u>	<u>(823,483)</u>
Net income for the period		<u><u>795,167</u></u>	<u><u>914,703</u></u>	<u><u>1,328,640</u></u>	<u><u>1,929,587</u></u>
Attributable to:					
Group's controlling interests		818,118	901,579	1,292,720	1,822,528
Group's noncontrolling interests		<u>(22,951)</u>	<u>13,124</u>	<u>35,920</u>	<u>107,059</u>
		<u><u>795,167</u></u>	<u><u>914,703</u></u>	<u><u>1,328,640</u></u>	<u><u>1,929,587</u></u>

See accompanying notes.

Raízen Group

Combined consolidated statements of comprehensive income Three- and nine-month periods ended December 31, 2020 and 2019 (In thousands of Reais – R\$)

	Oct-Dec/20	Apr-Dec/20	Oct-Dec/19	Apr-Dec/19
Net income for the period	795,167	914,703	1,328,640	1,929,587
Comprehensive income				
Items that will not be reclassified to P&L				
Actuarial gain, net	3,134	3,134	2,435	2,435
Deferred taxes on actuarial gain (Note 19.d.1)	(909)	(909)	1,197	1,197
	<u>2,225</u>	<u>2,225</u>	<u>3,632</u>	<u>3,632</u>
Items that are or may be reclassified to profit or loss				
Gains (losses) on financial instruments designated as hedge accounting (Note 27.e)	290,527	(1,124,944)	(20,266)	(216,321)
Gains (losses) on hedge of net investment in entity abroad	-	-	2,206	(15,071)
Foreign currency translation effects	(267,718)	16,862	(75,249)	102,792
Deferred taxes on hedge (Note 19.d)	(98,779)	382,482	6,143	78,675
	<u>(75,970)</u>	<u>(725,600)</u>	<u>(87,166)</u>	<u>(49,925)</u>
Total items that are or may be reclassified to P&L	<u>(73,745)</u>	<u>(723,375)</u>	<u>(83,534)</u>	<u>(46,293)</u>
Total comprehensive income for the period	<u>721,422</u>	<u>191,328</u>	<u>1,245,106</u>	<u>1,883,294</u>
Attributable to:				
Group's controlling interests	744,373	178,204	1,209,186	1,776,235
Group's noncontrolling interests	<u>(22,951)</u>	<u>13,124</u>	<u>35,920</u>	<u>107,059</u>
	<u>721,422</u>	<u>191,328</u>	<u>1,245,106</u>	<u>1,883,294</u>

See accompanying notes.

Raízen Group

Combined consolidated statements of changes in equity

Nine-month periods ended December 31, 2020

In thousands of Reals – R\$

	Attributable to the Group shareholders	Noncontrolling interests	Total equity (*)
Balances at March 31, 2020	11,364,386	365,717	11,730,103
Comprehensive income for the period			
Net income for the period	901,579	13,124	914,703
Actuarial gain, net	2,225	-	2,225
Net loss on financial instruments designated as hedge accounting	(742,462)	-	(742,462)
Foreign currency translation effects	16,862	-	16,862
Total comprehensive income for the period (Note 22.c)	178,204	13,124	191,328
Distributions to the Group's shareholders, net			
Dividends and interest on equity ("IOE")	(114,624)	(9,112)	(123,736)
Other	1,305	-	1,305
Total distributions to the Group's shareholders, net	(113,319)	(9,112)	(122,431)
Balances at December 31, 2020	11,429,271	369,729	11,799,000

(*) As disclosed in Note 1.d, the combined consolidated companies are not operated as a single legal entity.

See accompanying notes.

Raízen Group

Combined consolidated statements of changes in equity Nine-month periods ended December 31, 2019

In thousands of Reais – R\$

(Continued)

	Attributable to the Group shareholders	Noncontrolling interests	Total equity (*)
Balances at March 31, 2019	11,115,876	276,128	11,392,004
Comprehensive income for the period			
Net income for the period	1,822,528	107,059	1,929,587
Actuarial gain, net	3,628	4	3,632
Net loss on financial instruments designated as hedge accounting	(142,770)	-	(142,770)
Gain (losses) on hedge of net investment in entity abroad	(9,947)	-	(9,947)
Foreign currency translation effects	102,792	-	102,792
Total comprehensive income for the period	1,776,231	107,063	1,883,294
Distributions to the Group's shareholders			
Business combination	-	(11,201)	(11,201)
Dividends and IOE	(2,486,627)	(20,441)	(2,507,068)
Other	(15,172)	(3,472)	(18,644)
Total distributions to the Group shareholders	(2,501,799)	(35,114)	(2,536,913)
Balances at December 31, 2019	10,390,308	348,077	10,738,385

(*) As disclosed in Note 1.d, the combined consolidated companies are not operated as a single legal entity.

See accompanying notes.

Raízen Group

Combined consolidated statements of cash flows – Indirect method

Nine-month periods ended December 31, 2020 and 2019

In thousands of Reais – R\$

	Apr-Dec/20	Apr-Dec/19
Cash flow from operating activities		
Income before income and social contribution taxes	1,292,742	2,753,070
Adjustments to:		
Depreciation and amortization (Note 24)	3,530,122	2,591,064
Amortization of assets from contracts with customers (Notes 12 and 23)	368,306	382,170
Changes in the fair value and amortization of gain or loss of biological assets (Nota 24)	(282,485)	28,878
Equity pickup (Note 13)	83,676	11,901
Gains on disposal of property, plant and equipment (Note 25)	(59,851)	(70,146)
Interest and monetary and exchange differences, net	1,174,719	1,367,463
Changes and realization in fair value of financial instruments payable (Notes 18 and 26)	376,888	229,274
Gains (losses) on derivative instruments, net	64,265	(760,942)
Capital gain from formation of joint venture	-	(1,057,933)
Gains (losses) on retirement of carbon credits (“CBIOS”) (Note 25)	141,771	-
Changes in fair value of inventories - fair value hedge (Notes 7 and 27.e)	(280,389)	6,055
Gains (losses) on business combination (Note 25 and 29)	11,447	-
Recognition of tax credits and others, net	(213,812)	(485,603)
Other	41,888	85,873
Changes in assets and liabilities		
Trade accounts receivable and advances from customers	323,537	1,674,002
Inventories	(1,660,416)	(3,309,789)
Acquisition of CBIOS	(142,484)	-
Restricted cash	(1,413,221)	(329,877)
Payment of assets from contracts with customers	(769,609)	(627,482)
Derivative financial instruments	(702,047)	159,319
Related parties	(192,329)	279,502
Trade accounts payable and advances to suppliers	(1,015,867)	544,585
Taxes recoverable and payable, net	(441,814)	(821,041)
Wages and salaries payable	(91,574)	(54,382)
Other assets and liabilities, net	(332,406)	(226,473)
Payment of income and social contribution taxes on net income	(145,982)	(137,904)
Net cash (used in) from operating activities	(334,925)	2,231,584
Cash flow from investing activities		
Payments for business acquisitions	-	(2,072,524)
Additions to investment (Note 13.b)	(41,356)	(39,740)
Cash received upon disposal of equity interest	19,599	33,518
Derecognition of cash upon formation of joint venture (Note 10.c)	-	(16,226)
Redemptions of marketable securities, net	20,059	122,800
Additions to property, plant and equipment and intangible assets (Notes 14, 15 and 30)	(1,303,147)	(1,771,540)
Additions to biological assets (Notes 8 and 30)	(625,658)	(624,474)
Cash from disposal of property, plant and equipment	127,940	158,926
Dividends received from associates	-	1,034
Net cash used in investing activities	(1,802,563)	(4,208,226)
Cash flow from financing activities		
Loans and financing raised from third parties	3,501,370	5,731,924
Repayment of principal of loans and financing - third parties	(4,707,898)	(1,459,985)
Amortizations of interest on loans and financing - third parties	(661,094)	(594,661)
Payment of lease liabilities – third parties	(1,129,174)	(896,606)
Payment lease liabilities – intragroup	(121,252)	(104,559)
Redemption of short-term investments linked to financing, net	38,810	10,051
Payment of dividends and IOE	(47,979)	(2,633,165)
Related parties and other	1,402	2,317
Net cash (used in) from financing activities	(3,125,815)	55,316
Decrease in cash and cash equivalents	(5,263,303)	(1,921,326)
Cash and cash equivalents at beginning of period (Note 3)	8,601,660	5,740,037
Foreign exchange effect on cash and cash equivalents	84,470	53,192
Cash and cash equivalents at end of period (Note 3)	3,422,827	3,871,903

Supplementary information on cash flow is stated in Note 30.

See accompanying notes.

Grupo Raízen

Notes to combined consolidated and condensed
interim financial information at December 31, 2020
In thousands of Reais – R\$, unless otherwise stated

1. Operations

The activities of Raízen Group (the “Group”) comprise substantially the following operations and companies:

(a) Raízen Energia S.A. and its subsidiaries (“Raízen Energia” or “RESA”):

RESA is a publicly-held corporation registered with the Brazilian Securities and Exchange Commission (“CVM”) in Category B, with head office at Avenida Brigadeiro Faria Lima, número 4,100, 11º andar, Parte V, Itaim Bibi, in the city and state of São Paulo, Brazil. RESA is a subsidiary indirectly and jointly controlled by Royal Dutch Shell (“Shell”) and Cosan Limited (“Cosan”) and was incorporated on June 1, 2011.

RESA and its subsidiaries are primarily engaged in the production, trading and sale of sugar, ethanol and pellets, including abroad through subsidiaries, as well as in the co-generation of power produced from sugarcane bagasse at its 26 mills located in Brazil’s Central South Region, and through the power trading business.

The planting of sugarcane requires a period from 12 to 18 months for maturation and the harvest usually begins between April and May every year and ends between November and December, period when sugar and ethanol are produced. The sale of production takes place throughout the year and is not subject to changes due to seasonality, only changes in the regular market supply and demand. Due to its production cycle, the fiscal year of RESA, as well as that of Raízen Combustíveis S.A. and, consequently, of Raízen Group, begins on April 1 and ends on March 31 of each year.

(b) Raízen Combustíveis S.A. and its subsidiaries (“Raízen Combustíveis” or “RCSA”):

RCSA is a privately-held corporation headquartered at Avenida Almirante Barroso, 81, 36º andar, sala 36A104, in the city and state of Rio de Janeiro, Brazil. RCSA was formed on June 1st, 2011 and is jointly controlled indirectly by Royal Dutch Shell (“Shell”) and Cosan.

RCSA’s main activities are: (i) distribution and sale of petroleum and ethanol by-products, and of other liquid hydrocarbons and their by-products, under the brand Shell; (ii) import and export of the abovementioned products; (iii) petroleum refining and manufacture and sale of automotive and industrial lubricants through its Argentine subsidiaries; and (iv) holding interest in other companies.

(c) Covid-19

As disclosed in the annual financial statements at March 31, 2020, the Group has implemented a contingency plan aimed at preserving the health and integrity of its employees, in addition to ensuring the Group’s safety and continuity, as its products and services are considered essential activities, since they are strategic inputs for hospitals and for the security, food and power segments.

In the nine-month period ended December 31, 2020, especially in April and May 2020, the Group experienced a decrease in the sales of most of its products, as well as price reduction impacts. In that period, gross profit was below those recorded in the last periods. It can be noted that the volumes and prices usually practiced were resumed in the following months. The financial impacts arising from Covid-19 are reflected in the referred to financial statements. However, the extent to which the Covid-19 pandemic may still affect the Group’s operating income (loss), financial condition and cash flows

Grupo Raízen

Notes to combined consolidated and condensed interim financial information at December 31, 2020 In thousands of Reais – R\$, unless otherwise stated

will depend on future developments, which are highly uncertain and may not be predicted at the time of disclosure of this interim financial information.

(d) Other information

Currently, the synergy between RESA and RCSA gives the Raízen Group a unique position in the Brazilian market. The two companies complement each other, thus presenting the combined consolidated business is currently fundamental for the market to view Raízen Group as a whole.

Although they are not organized as a group under Article 265 of the Brazilian Corporation Law (“LSA”), the Raízen Group companies present this combined consolidated and condensed interim financial information in order to present information that best reflects the gross cash from its operating activities.

The combined consolidated interim financial information of Raízen Group are presented exclusively with the purpose of providing, through a single set of financial statements, information relating to all activities of Raízen Group, regardless of its corporate structure.

Therefore, this combined consolidated and condensed interim financial information does not represent the individual or consolidated financial statements of an entity and its subsidiaries and should not be considered for purposes of calculating dividends, taxes or for other corporate purposes, nor can it be used as an indication of the financial performance that could be obtained if the entities considered in the combination had operated as a single independent entity or as an indication of the profit or loss from these entities’ operations for any year in the future.

2. Presentation of combined consolidated and condensed interim financial information and significant accounting policies

2.1. Basis of preparation

The combined consolidated and condensed interim financial statements have been prepared in accordance with accounting pronouncement CPC 21 (R1) – Interim Financial Reporting and international standard IAS 34 – Interim Financial Reporting, issued by the International Accounting Standards Board (IASB).

Grupo Raízen

Notes to combined consolidated and condensed interim financial information at December 31, 2020

In thousands of Reais – R\$, unless otherwise stated

This combined consolidated and condensed interim financial information has been prepared following the basis of preparation and accounting policies consistent with those adopted in preparing the annual financial statements at March 31, 2020 and should be read in conjunction with those financial statements. Information in the Notes that was not significantly changed in comparison with March 31, 2020 is not fully disclosed in this combined consolidated and condensed interim financial information. Certain selected information has been included to explain significant events and transactions that have occurred to enable the understanding of changes in the Group's financial position and financial performance since the publication of its annual financial statements at March 31, 2020.

This combined consolidated and condensed interim financial information is presented in Brazilian reais, the Group's functional currency. The functional currency of subsidiaries operating in the international economic environment is the U.S. dollar. All balances were rounded to the nearest thousand, unless otherwise stated. The financial information of each subsidiary included in the Group's consolidation, as well as that used as a basis for investments measured by the equity method, is prepared based on the functional currency of each entity.

In preparing this combined consolidated and condensed interim financial information, management used judgments and estimates and adopted assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates. These estimates and assumptions are reviewed on an ongoing basis and have not undergone material changes in the preparation of this combined consolidated and condensed interim financial information in relation to the annual financial statements at March 31, 2020, except for the review of biological asset assumptions. For additional information see Note 8.

Group management confirms that all significant information specific to the quarterly information, and only such information, has been evidenced, and corresponds to that used by it in its management.

The issue of the combined consolidated and condensed interim financial information of Raízen Group was authorized by management on February 11, 2021.

2.2. Combination criteria

This combined consolidated and condensed interim financial information covers the following companies:

- Raízen Energia S.A. and its subsidiaries
- Raízen Combustíveis S.A. and its subsidiaries

In the combination, the balances receivable and payable, revenues, expenses and unrealized profits arising from transactions between those companies, where applicable, were eliminated.

Grupo Raízen

Notes to combined consolidated and condensed interim financial information at December 31, 2020

In thousands of Reais – R\$, unless otherwise stated

The breakdown of assets and equity for the period ended December 31, 2020 and year ended March 31, 2020, and profit or loss and other comprehensive income of the companies for the nine-month periods ended December 31, 2020 and 2019, which are part of the combined consolidated and condensed interim financial information and the respective consolidated combined balances, eliminating related-party transactions, are presented below:

	Total assets		Total equity	
	12.31.2020	03.31.2020	12.31.2020	03.31.2020
Raízen Energia S.A. and its subsidiaries	42,337,416	44,900,004	7,194,056	7,588,177
Raízen Combustíveis S.A. and its subsidiaries	28,045,433	29,179,467	4,606,745	4,153,554
	70,382,849	74,079,471	11,800,801	11,741,731
Elimination of sales transactions, unrealized profits and financial transactions	(6,957,999)	(8,480,103)	(1,801)	(11,628)
Combined consolidated balances	63,424,850	65,599,368	11,799,000	11,730,103
	Net income (loss)		Other comprehensive income	
	Apr-Dec/20	Apr-Dec/19	Apr-Dec/20	Apr-Dec/19
Raízen Energia S.A. and its subsidiaries	312,891	(48,019)	(391,931)	(152,413)
Raízen Combustíveis S.A. and its subsidiaries	583,659	1,968,019	573,430	2,032,691
	896,550	1,920,000	181,499	1,880,278
Elimination of sales transactions, unrealized profits and financial transactions	18,153	9,587	9,829	3,016
Combined consolidated profit or loss	914,703	1,929,587	191,328	1,883,294

The combined consolidated and condensed interim financial information is a single set of financial statements from two or more entities that are under common shared control. RESA and RCSA used the definition of control in line with CPC 36 and IFRS 10 - Consolidated Financial Statements, both for evaluation of the existence of common shared control and for the consolidation procedure.

2.3. Basis of consolidation

At December 31 and March 31, 2020, combined consolidated and condensed interim financial information includes information from RESA and its subsidiaries, RCSA and its subsidiaries and boutique investment funds. Direct subsidiaries of RCSA and RESA and the investment funds are listed below:

Grupo Raízen

Notes to combined consolidated and condensed interim financial information at December 31, 2020

In thousands of Reais – R\$, unless otherwise stated

RESA's subsidiaries	Direct and indirect interest	
	12.31.2020	03.31.2020
Agrícola Ponte Alta Ltda.	100%	100%
Benálcool Açúcar e Álcool Ltda.	100%	100%
Bioenergia Araraquara Ltda.	100%	100%
Bioenergia Barra Ltda.	100%	100%
Bioenergia Caarapó Ltda.	100%	100%
Bioenergia Costa Pinto Ltda.	100%	100%
Bioenergia Gasa Ltda.	100%	100%
Bioenergia Jataí Ltda.	100%	100%
Bioenergia Maracá Ltda.	100%	100%
Bioenergia Rafard Ltda.	100%	100%
Bioenergia Serra Ltda.	100%	100%
Bioenergia Tarumã Ltda.	100%	100%
Bioenergia Univalem Ltda.	100%	100%
Raízen Araraquara Açúcar e Álcool Ltda.	100%	100%
Raízen Ásia PT Ltd.	100%	100%
RZ Agrícola Caarapó Ltda.	100%	100%
Raízen Biogás SPE Ltda.	100%	100%
Raízen Biotecnologia S.A.	100%	100%
Raízen Biomassa S.A.	82%	82%
Raízen Caarapó Açúcar e Álcool Ltda.	100%	100%
Raízen Centroeste Açúcar e Álcool Ltda.	100%	100%
Raízen GD Ltda.	100%	100%
Raízen Energy Finance Ltd.	100%	100%
Raízen Fuels Finance S.A.	100%	100%
Raízen-Geo Biogás S.A.	85%	85%
Raízen International Universal Corp.	100%	100%
Raízen North América, Inc.	100%	100%
Raízen Paraguaçu Ltda.	100%	100%
Raízen Trading LLP.	100%	100%
Raízen Trading Netherlands BV	100%	-
Raízen Trading SA	100%	-
Raízen Trading Colombia S.A.S.	100%	-
RWXE Participações S.A.	70%	70%
São Joaquim Arrendamentos Agrícolas Ltda.	-	100%
Unimodal Ltda.	73%	73%
WX Energy Comercializadora de Energia Ltda.	70%	70%
RCSA's subsidiaries		
	Direct and indirect interest	
	12.31.2020	03.31.2020
Blueway Trading Importação e Exportação Ltda.	100%	100%
Petróleo Sabbá S.A.	80%	80%
Raízen Argentina S.A. (1)	100%	100%
Raízen Energina S.A. (1)	100%	100%
Deheza S.A. (1)	100%	100%
Estación Lima S.A. (1)	100%	100%
Raízen S.A.	100%	100%
Raízen Mime Combustíveis S.A.	76%	76%
Sabor Raíz Alimentação S.A.	69%	69%
Saturno Investimentos Imobiliários Ltda.	100%	100%

(1) Jointly called Raízen Argentina and subsidiaries, all based in Argentina;

Boutique investment funds ("FI")	Total interest	
	12.31.2020	03.31.2020
FI renda fixa crédito privado RJ – Banco Santander S.A.	100%	100%
FI renda fixa crédito privado RAÍZEN I – Banco BNP PARIBAS BRASIL S.A.	100%	100%

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Notes to combined consolidated and condensed interim financial information at December 31, 2020

In thousands of Reais – R\$, unless otherwise stated

3. Cash and cash equivalents

	Index/rate	Weighted average yield		12.31.2020	03.31.2020
		12.31.2020	03.31.2020		
Cash at banks and on hand				1,510,714	4,325,682
Foreign exchange contracts not yet closed				121,180	1,441,368
Short-term investments:					
Bank Deposit Certificates (CDB), repurchase agreements and others	CDI	98.4%	99.4%	1,790,933	2,834,610
				1,790,933	2,834,610
				3,422,827	8,601,660
In Brazil (local currency)				1,774,544	3,071,694
Abroad (foreign currency) (Note 27.d)				1,648,283	5,529,966
				3,422,827	8,601,660

4. Marketable securities

	Index/rate	Weighted average yield		12.31.2020	03.31.2020
		12.31.2020	03.31.2020		
Financial treasury bill ("LFT")	Selic	100.0%	100.0%	19,086	39,145
				19,086	39,145

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Notes to combined consolidated and condensed interim financial information at December 31, 2020

In thousands of Reais – R\$, unless otherwise stated

5. Restricted cash

	Index/rat	Weighted average yield		12.31.2020	03.31.2020
		12.31.2020	03.31.2020		
Short-term investments subject to financing	CDI	100.0%	100.0%	12,517	50,460
Short-term investments linked to derivatives transactions (Note 27.g)	CDI	100.3%	101.0%	25,779	33,178
Margin of derivatives transactions (Note 27.g)				<u>1,547,280</u>	<u>127,432</u>
				<u>1,585,576</u>	<u>211,070</u>
In Brazil (local currency)				38,296	83,638
Abroad (foreign currency) (Note 27.d)				<u>1,547,280</u>	<u>127,432</u>
				<u>1,585,576</u>	<u>211,070</u>

6. Trade accounts receivable

	12.31.2020	03.31.2020
In Brazil (local currency)	2,487,877	1,963,941
Abroad (foreign currency) (Note 27.d)	1,323,908	1,007,285
Other accounts receivable (i)	598,931	477,520
Allowance for expected credit losses	<u>(145,423)</u>	<u>(151,409)</u>
	4,265,293	3,297,337
Current	<u>(3,835,306)</u>	<u>(2,950,341)</u>
Noncurrent	<u>429,987</u>	<u>346,996</u>

- (i) Other accounts receivable refer, substantially, to installments of overdue debts and sales of real estate properties, with the main purpose of implementing or modernizing gas stations, through security interest, guarantees and collaterals.

The Group does not have notes given as collateral. The maximum exposure to credit risk at the statement of financial position date is the book value of each class of trade accounts receivable.

The aging list of trade accounts receivable is as follows:

	12.31.2020	03.31.2020
Falling due	3,790,313	2,704,660
Overdue:		
Within 30 days	88,455	223,466
From 31 to 90 days	50,819	74,878
Over 90 days	<u>481,129</u>	<u>445,742</u>
	<u>4,410,716</u>	<u>3,448,746</u>

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Notes to combined consolidated and condensed interim financial information at December 31, 2020

In thousands of Reais – R\$, unless otherwise stated

For long-overdue notes with no allowance for expected credit losses, the Group has security interest, such as mortgages and letters of credit.

The allowance for ECL was calculated based on the credit risk analysis, which includes the history of losses, the individual situation of customers, the situation of the economic group to which the customers belong, the security interest for debts and, where applicable, the assessment of legal advisors.

The allowance for ECL is considered sufficient by management to cover any losses on receivables. Changes in this allowance are as follows:

At March 31, 2020	(151,409)
Reversal of allowance for ECL, net	6,251
Foreign currency translation effects	(265)
December 31, 2020	(145,423)

At December 31, 2020, the Group had R\$1,115,351 (R\$239,546 at March 31, 2020) recorded in current liabilities, under Advances from customers, which refers substantially to amounts received from customers abroad for the purchase of sugar and ethanol, as well as advance payments made by customers for the purchase of fuel.

7. Inventories

	12.31.2020	03.31.2020
Finished products:		
Ethanol	2,366,359	1,110,969
Sugar	1,489,173	132,233
Diesel (2)	1,630,482	1,164,450
Gasoline (2)	1,288,514	1,313,208
Jet fuel (Jet A-1) (2)	127,309	170,112
Petroleum by-products (1)	211,134	206,585
Petroleum (crude oil) (2)	344,617	411,534
Work-in-process	210,581	266,702
Storeroom items and others	609,029	659,377
	8,277,198	5,435,170

(1) Refers substantially to inventories of fuel oil, lubricants and asphalt.

(2) RCSA designates at fair value the inventory and highly probable purchases of oil by-products with linked derivatives. Risk management (Note 27.e) is primarily intended for recognizing inventory at a floating price, as RCSA's sales revenue will be upon sale of products to its customers. At December 31, 2020, such inventories include fair value measurement, level 2 hierarchy, as follows:

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Notes to combined consolidated and condensed interim financial information at December 31, 2020

In thousands of Reais – R\$, unless otherwise stated

	Cost value		Fair value		Profit or loss	
	12.31.2020	03.31.2020	12.31.2020	03.31.2020	Apr-Dec/20	Apr-Dec/19
Finished products:						
Diesel	1,589,603	1,279,831	1,630,482	1,164,450	156,260	9,252
Gasoline	1,255,644	1,394,990	1,288,514	1,313,208	114,652	(15,307)
Jet (i)	117,832	-	127,309	-	9,477	-
	<u>2,963,079</u>	<u>2,674,821</u>	<u>3,046,305</u>	<u>2,477,658</u>	<u>280,389</u>	<u>(6,055)</u>

- (i) As of April 1, 2020, RCSA designates Jet inventory as fair value hedge.

At December 31, 2020, inventories are stated net of estimated loss with realization, and slow-moving and/or obsolete inventories, amounting R\$24,471 (R\$123,978 at March 31, 2020). Changes in the referred to losses are shown below and were recognized in the statement of profit or loss under Costs of products sold and services rendered:

At March 31, 2020	<u>(123,978)</u>
Estimated loss	(20,886)
Reversal and write-off (1)	122,264
Foreign currency translation effects	(1,871)
December 31, 2020	<u>(24,471)</u>

- (1) In the nine-month period ended December 31, 2020, the reversal of the referred to estimated losses is due to the increase in fuel prices and to the measures to ease Covid-19-related social distancing restrictions from June 2020.

8. Biological assets

The Group's biological assets comprise unharvested cane cultivated in sugarcane crops, which will be used as a raw material source in the production of sugar, ethanol and bioenergy upon harvesting. The fair value measurement method is the cash flow discounted to present value. The valuation model considers the present value of expected cash flows to be generated, including projections of up to two years, considering the estimates of the effective date for cutting the unharvested cane.

Planted areas represent only sugarcane crops, not considering the land where the crops are located, which are recognized under Property, plant and equipment.

The following significant assumptions were used in determining the fair value:

	12.31.2020	03.31.2020
Harvest estimated area (hectare)	463,793	436,663
Number of TRS per hectare	9.82	10.38
Projected average TRS price per kg (R\$/kg)	0.77	0.61

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At December 31, 2020, cash flows were discounted at 5.14% (5.30% at March 31, 2020) which is the WACC (Weighted Average Cost of Capital) of the Group.

In the nine-month period ended December 31, 2020, the Group reviewed the assumptions used to calculate the biological asset, the main impact of which was the increase in the average TRS price, influenced by the price of ethanol, and also by the price of VHP sugar, in line with what has been observed in recent months as well as new dollar projections.

Changes in biological assets (sugarcane) are as follows:

At March 31, 2020	897,315
Additions to sugarcane treatments	647,499
Absorption of harvested sugarcane costs	(752,701)
Change in fair value	291,386
Fair value realization	(8,901)
Other	(1,016)
December 31, 2020	1,073,582

9. Taxes recoverable

	12.31.2020	03.31.2020
State Value-Added Tax (ICMS)	1,457,589	1,301,528
Contribution Taxes on Gross Revenue for Social Integration Program (PIS) and for Social Security Financing (COFINS)	1,891,070	1,156,003
Value-added tax	393,330	653,262
Other	192,475	220,622
Estimated loss on realization of taxes	(28,782)	(28,998)
	3,905,682	3,302,417
Current	(2,460,751)	(2,334,998)
Noncurrent	1,444,931	967,419

10. Other financial assets

	12.31.2020	03.31.2020
Credits from claims for damages - refundable	103,980	97,852
Credits from claims for damages - own	141,156	177,629
National Treasury Certificates - CTN (1)	21,755	297,459
Other	1	101
	266,892	573,041
Current	(37,633)	(314,273)
Noncurrent	229,259	258,768

(1) In the nine-month period ended December 31, 2020, RESA redeemed R\$357,185 to settle this PESA debt.

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The characteristics of other financial assets are the same as those disclosed in the annual financial statements at March 31, 2020 (Note 10). There were no changes in the procedures for recognition, measurement and accounting records, as well as no significant changes in the credit risk of counterparties involved in the balances.

11. Related parties

(a) Summary of balances with related parties

	<u>12.31.2020</u>	<u>03.31.2020</u>
Assets		
Assets classified by currency:		
In Brazil (local currency)	1,973,164	1,867,202
Abroad (foreign currency) (Note 27.d)	92,515	185,541
	<u>2,065,679</u>	<u>2,052,743</u>
Framework agreement (1)		
Shell Brazil Holding B.V.	954,761	895,150
Cosan S.A.	653,012	637,517
Shell Brasil Petróleo Ltda.	69,040	63,607
Other	13,623	11,042
	1,690,436	1,607,316
Commercial and administrative transactions (2)		
Rumo Group	144,838	112,529
Shell Group	73,452	213,040
Agroterenas S.A.	39,689	36,210
Nova América Agrícola Ltda	21,749	9,000
Agricopel Group	24,333	12,715
Comgás - Companhia de Gás de São Paulo	15,393	18,213
Cosan S.A.	16,122	16,126
Other	39,667	27,594
	375,243	445,427
	<u>2,065,679</u>	<u>2,052,743</u>
Current assets	<u>(739,544)</u>	<u>(787,819)</u>
Noncurrent assets	<u>1,326,135</u>	<u>1,264,924</u>

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Notes to combined consolidated and condensed interim financial information at December 31, 2020

In thousands of Reais – R\$, unless otherwise stated

	<u>12.31.2020</u>	<u>03.31.2020</u>
Liabilities		
Liabilities classified by currency:		
In Brazil (local currency)	2,287,837	1,777,582
Abroad (foreign currency) (Note 27.d)	<u>454,076</u>	<u>757,719</u>
	<u>2,741,913</u>	<u>2,535,301</u>
Framework agreement (1)		
Cosan S.A.	733,736	530,472
Shell Brasil Petróleo Ltda.	152,441	137,269
Shell Brazil Holding B.V.	62,359	58,922
Other	<u>25,456</u>	<u>13,759</u>
	973,992	740,422
Financial operations		
Shell Finance (Netherlands) B.V.	758	3,354
Cosan S.A.	644	2,851
Sapore S.A.	<u>6</u>	<u>5</u>
	1,408	6,210
Commercial and administrative transactions (2)		
Shell Group (1)	322,317	745,279
Agroterenas S.A.	105,554	34,217
Nova América Agrícola Ltda.	54,620	14,789
Rumo Group	52,099	40,399
Other	<u>177,420</u>	<u>43,347</u>
	712,010	878,031
Preferred shares (3)		
Shell Brazil Holding B.V.	168,046	166,329
Cosan S.A.	<u>3,745</u>	<u>3,745</u>
	171,791	170,074
Lease liabilities (4)		
Radar Propriedades Agrícolas S.A.	156,014	146,736
Aguassanta Agrícola S.A.	136,136	143,546
Nova Agrícola Ponte Alta S.A.	108,455	108,040
Nova Amaralina S/A Propriedades Agrícolas	56,860	55,805
Jatobá Propriedades Agrícolas Ltda.	68,253	65,563
Terrainvest Propriedades Agrícolas S.A.	53,475	52,932
Other	<u>303,519</u>	<u>167,942</u>
	<u>882,712</u>	<u>740,564</u>
	<u>2,741,913</u>	<u>2,535,301</u>
Current liabilities	<u>(1,430,876)</u>	<u>(1,494,946)</u>
Noncurrent liabilities	<u>1,311,037</u>	<u>1,040,355</u>

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(1) Framework agreement

The amounts recorded in assets and liabilities refer to recoverable or refundable balances of Raízen's shareholders as they relate to the period prior to the organization of Raízen.

(2) Commercial and administrative transactions

The amount recorded in assets refers to operations involving sale of products, such as gasoline, diesel, Jet, sugar and ethanol.

The amount recorded in liabilities refers substantially to operations involving purchase of products and provision of services (freight and storage).

(3) Preferred shares

These arise substantially from tax benefits to be reimbursed to Shell and Cosan, when effectively used by the Group, determined by the balances of income and social contribution tax losses ("NOL") and tax benefit on amortization of goodwill ("GW") arising from years prior to the organization of the Raízen Group. Payment will be made through the distribution of exclusive dividends and/or capital reduction to holders of class B and E preferred shares (financial instrument payable).

(4) Lease liabilities

At December 31, 2020, changes in lease liabilities are as follows:

Balances at March 31, 2020	740,564
Additions	2,293
Write-offs	(4,376)
Payments	(121,252)
Interest	49,707
Remeasurements (1)	215,776
Balances at December 31, 2020	882,712
Current	(174,002)
Noncurrent	708,710

- (1) Update of the restatement index, substantially composed of the variation in the price of CONSECANA applied to lease and sharecropping agreements.

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In thousands of Reais – R\$, unless otherwise stated

(b) Summary of transactions with related parties (12)

	Oct-Dec/20	Apr-Dec/20	Oct-Dec/19	Apr-Dec/19
Sale of products				
Raízen and Wilmar Sugar Pte. Ltd.	-	-	119,687	255,521
Rumo Group (6)	308,790	879,358	323,564	962,421
Agricopel Group (10)	219,705	545,699	226,006	637,655
Shell Group (11)	652,617	1,220,095	710,296	2,030,966
Other	33,103	83,969	19,446	68,038
	1,214,215	2,729,121	1,398,999	3,954,601
Purchase of goods and services (5)				
Shell Group (11)	(671,362)	(2,187,961)	(1,201,933)	(3,565,056)
Rumo Group (6)	(241,376)	(474,079)	(100,199)	(310,964)
Agroterenas S.A.	(330,673)	(578,358)	(69,536)	(277,808)
Nova América Agrícola Ltda.	(185,565)	(295,923)	(43,516)	(140,744)
Nova América Agrícola Caarapó Ltda.	-	-	(35,863)	(141,276)
Agricopel Group (10)	(19,129)	(74,737)	(20,496)	(72,690)
Other	(47,446)	(126,274)	(57,844)	(122,399)
	(1,495,551)	(3,737,332)	(1,529,387)	(4,630,937)
Collection of shared expenses (1)				
Comgás - Companhia de Gás de São Paulo	9,294	28,047	8,020	22,538
Rumo Group (6)	4,929	20,761	8,591	24,999
Cosan Lubrificantes e Especialidades S.A.	1,557	5,288	2,011	5,431
Other	3,116	8,343	2,241	5,876
	18,896	62,439	20,863	58,844
Finance income (costs) (2)				
Cosan S.A.	(1,047)	(4,274)	(13,582)	9,208
Shell Group (11)	442	8,120	3,525	(7,195)
B. V. Dordtsche Petroleum Maatschappij ("DPM") and Shell Overseas Investments B.V. ("SOI")	-	-	(26,669)	(78,235)
Aguassanta Group (9)	(3,734)	(11,170)	(3,578)	(11,046)
Radar Group (7)	(9,051)	(25,285)	(7,858)	(24,050)
Janus Brasil Participações S.A.	(2,685)	(7,971)	(2,516)	(7,677)
Tellus Brasil Participações S.A. (8)	(1,554)	(4,813)	(1,684)	(5,097)
Other	1,809	3,385	2,078	5,913
	(15,820)	(42,008)	(50,284)	(118,179)
Service revenue (3)				
Shell Group (11)	650	2,550	4,634	6,593
Agricopel Group (10)	372	456	836	2,320
Other	33	34	552	1,781
	1,055	3,040	6,022	10,694
Service expenses (4)				
Shell Group (11)	(4,353)	(16,625)	(6,398)	(20,926)
Other	(351)	(460)	(5)	(6)
	(4,704)	(17,085)	(6,403)	(20,932)

(1) Refer to expenses with shared corporate, management and operating costs reimbursed by related parties.

(2) Refer substantially to expenses with commissions on lines of credit available and restatement of balances of advances granted to finance sugarcane crops, as well as the exchange difference of commercial operations resulting from import and sale of fuel and interest, exchange difference and adjustment to present value on the balance fully paid to SOI and DPM for acquisition of Raízen Argentina.

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- (3) Refer substantially to the lubricant sales commission to Shell and expenses with the sharing of corporate, management and operating costs reimbursed by its subsidiaries.
- (4) Refer to expenses with technical support, maintenance of the billing and collection process, commissions on the sale of jet and seconddees to Shell.
- (5) The Group's purchase transactions with Shell Trading US Company are represented substantially by import of ethanol and by-products in the foreign market.
- (6) "Rumo Group" refers to the railway and port operations represented by the following companies: Rumo S. A, Elevações Portuárias S.A, Logisport Armazéns Gerais S.A., Rumo Malha Sul S.A., Rumo Malha Oeste S.A., Rumo Malha Paulista S.A., Rumo Malha Norte S.A., Rumo Malha Central S.A., Portofer Transporte Ferroviário Ltda., ALL Armazéns Gerais Ltda. e Brado Logística S.A.,
- (7) "Radar Group" refers to leasing of properties to sugar cane harvest, represented mainly by the following companies: Radar Propriedades Agrícolas S.A., Nova Agrícola Ponte Alta S.A., Nova Amaralina S.A., Terras da Ponte Alta S.A., Nova Santa Barbara Agrícola S.A., Radar II Propriedades Agrícolas S.A., Vale da Ponte Alta S.A., Proud Participações S.A. and Bioinvestments Negócios S.A.
- (8) "Tellus Group" refers to the purchase, sale and lease of own properties, represented mainly by the following companies: Tellus Brasil Participações S.A., Terrainvest Propriedades Agrícolas S.A. and Agrobio Investimentos e Participações S.A.
- (9) "Aguasanta Group" refers to leasing of properties to sugarcane harvest, represented mainly by the following companies: Aguassanta Aguassanta Agrícola Ltda., Aguassanta Participações S.A., Aguapar Agrícola Ltda., Palermo Agrícola S.A. e Vila Santa Empreendimentos Imobiliários Ltda
- (10) "Agricopel Group" refers to sales of fuel, represented mainly by the following companies: Agricopel Comércio de Derivados de Petróleo Ltda., Posto Agricopel Ltda., Agricopel Diesel Paraná Ltda, Blue Administração de Bens Ltda., a related party through FIX Investimentos Ltda., which is a noncontrolling shareholder of Mime.
- (11) "Shell Group" refers mainly to the commercial transactions conducted by Shell Aviation Limited and Shell Trading US Company.
- (12) Transactions with related parties are entered into under reasonable and cumulative conditions, in line with those prevailing in the market or that the Group would take out from third parties.

(c) Officers and members of the Board of Directors

Fixed and variable compensation to key management personnel of the Group, including statutory officers and members of the Board of Directors, recognized in profit or loss for the nine-month periods ended December 31, 2020 and 2019, is as follows:

	Apr-Dec/20	Apr-Dec/19
Regular compensation	(43,949)	(42,541)
Bonuses and other variable compensation	(31,535)	(31,045)
Total compensation	(75,484)	(73,586)

(d) Other significant information involving related parties

Revolving Credit Facility

The Group has a line of credit agreement totaling US\$700,000 thousand, which was not used until the closing of this combined consolidated and condensed interim financial information, as follows:

Beneficiary	Institution	Amount in US\$	Maturity
RCSA	Shell Finance (Netherlands) B.V. and Cosan S.A.	700,000	May/2025

On February 5, 2021, Cosan and Shell as controlling shareholders of Raízen Group, signed a Subscription Agreement, stipulating the procedures and circumstances in which Raízen Group may notify its controlling shareholders (Cosan and Shell), requesting a contribution via capital increase in amount of US\$ 700,000 thousand, total amount for both shareholders. In accordance with the terms of the Subscription Agreement, if Raízen Group reaches certain financial leverage ratios, a meeting of the board of directors must be convened to determine the total amount of the capital contribution that will be required. It is important to note that Raízen Group is classified as Investment Grade, supported by robust capital discipline.

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12. Assets from contracts with customers

Assets from contracts with customers correspond to the bonuses granted to RCSA customers and are subject to deadlines and performance obligations, particularly the use of the quantities provided for in supply contracts. As the contractual conditions are met, bonuses are amortized and recognized in the statement of profit or loss, under Net operating revenue (Note 23).

Balances at March 31, 2020	<u>2,567,165</u>
Additions	490,421
Amortization	(368,306)
Foreign currency translation effects	<u>(599)</u>
Balances at December 31, 2020	<u><u>2,688,681</u></u>
Current	<u>(459,024)</u>
Noncurrent	<u><u>2,229,657</u></u>

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13. Investments

					Investments (1)		Equity pickup	
	Country	Business activity	Equity interest	12.31.2020	03.31.2020	Apr-Dec/20	Apr-Dec/19	
<u>Book value</u>								
Joint ventures								
Rede Integrada de Lojas de Conveniência e Proximidade S.A. ("JV Rede")	Brazil	Convenience and proximity stores	50.00%	209,351	194,413	10,809	4,971	
Raízen and Wilmar Sugar Pte. Ltd.	Singapore	Trading	50.00%	45,859	47,924	(2,082)	(1,099)	
Associates								
Centro de Tecnologia Canavieira S.A.	Brazil	R&D	19.58%	131,973	123,556	8,377	3,847	
Logum Logística S.A.	Brazil	Logistics	30.00%	260,692	309,550	(76,698)	(16,980)	
Uniduto Logística S.A.	Brazil	Logistics	46.48%	40,393	47,550	(11,888)	(2,640)	
Termap S.A.	Argentina	Sea terminal	3.50%	356	360	-	-	
Latitude Logística Portuária S.A.	Brazil	Port operation	50.00%	4,191	4,384	(198)	-	
Navegantes Logística Portuária S.A.	Brazil	Port operation	33,33%	22,259	8,548	(39)	-	
Nordeste Logística I S.A.	Brazil	Port operation	33,33%	840	180	(145)	-	
Nordeste Logística II S.A.	Brazil	Port operation	33,33%	7,689	2,433	(138)	-	
Nordeste Logística III S.A.	Brazil	Port operation	33,33%	9,725	2,329	(153)	-	
				733,328	741,227	(72,155)	(11,901)	
<u>Surplus value of assets, net attributable to joint venture</u>								
JV Rede				514,840	526,361	(11,521)	-	
<u>Goodwill on investment (2)</u>								
Uniduto Logística S.A.				5,676	5,676	-	-	
Centro de Tecnologia Canavieira S.A.				51,946	51,946	-	-	
				57,622	57,622	-	-	
Total investment				1,305,790	1,325,210	(83,676)	(11,901)	

- (1) Investments measured by the equity method;
(2) Goodwill on acquisition of shares and transfer of shares.

Changes in investments in joint ventures and associates are as follows:

Balance at March 31, 2020	1,325,210
Equity pickup	(83,676)
Additions (Note 13.b)	59,650
Reversal of dividends (i)	4,130
Foreign currency translation effect and others	476
Balance at December 31, 2020	1,305,790

- (i) Dividends and IOE, when received from investments in associates and joint ventures, are classified as cash flow from investing activities.

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(a) Summarized financial information of investments, considering equity pickup adjustments, where applicable

- December 31, 2020

	Logum Logística S.A. (1)/(2)	Uniduto Logística Ltda. (1)/(2)	Centro de Tecnologia Canavieira S.A. (2)/(4)	Iogen Energy Corporation (3)	Raízen and Wilmar Sugar PTE Ltd. (4)
Assets	2,701,787	86,921	918,615	40,448	98,965
Liabilities	(1,832,815)	(7)	(244,592)	(415,658)	(7,247)
Equity	<u>868,972</u>	<u>86,914</u>	<u>674,023</u>	<u>(375,210)</u>	<u>91,718</u>
Nine-month period ended December 31, 2020					
Operating revenue, net	126,502	-	209,432	-	16,254
Net income (loss)	(255,660)	(25,577)	33,773	(255)	(4,248)
Nine-month period ended December 31, 2019					
Operating revenue, net	114,636	-	158,174	-	51,260
Net income (loss)	(56,606)	(5,679)	19,723	(1,318)	(2,122)

- At March 31, 2020

	Logum Logística S.A. (1)/(2)	Uniduto Logística Ltda. (1)/(2)	Centro de Tecnologia Canavieira S.A. (2)/(4)	Iogen Energy Corporation (3)	Raízen and Wilmar Sugar PTE Ltd. (4)
Assets	2,355,141	103,219	811,416	59,421	542,186
Liabilities	(1,323,309)	(908)	(180,386)	(536,080)	(446,339)
Equity	<u>1,031,832</u>	<u>102,311</u>	<u>631,030</u>	<u>(476,659)</u>	<u>95,847</u>

- (1) The fiscal year of these investees ends at December 31.
- (2) Significant influence over these companies has been defined, mainly, based on the Group's right to elect key management personnel and to decide on their significant strategic and operational matters.
- (3) Jointly-controlled entity in which RESA holds 50% interest in common shares, whose fiscal year ends at August 31. RESA did not set up a provision for estimated loss on equity pickup, since it has no legal or constructive obligations to make payments on account of that company.
- (4) The fiscal year of these investees ends at March 31.

(b) Investment transactions in associates for the nine-month period ended December 31, 2020

(i) Additions to investments

Capital increases in Logum Logística S.A. ("Logum") and Uniduto Logística S.A. ("Uniduto")

In the nine-month period ended December 31, 2020, capital increases were resolved, totaling R\$ 92,800 and R\$9,280, Logum and Uniduto, respectively. The amounts subscribed by the Company in these transactions totaled R\$32,153, fully paid up through a checking account.

All shareholders contributed and paid the shares, according to the proportion to their participation, with the exception of one shareholder, who failed to contribute and pay the shares. As a result of these events, the shareholders Raízen Energia and Copersucar made a private advance instrument for future

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capital increase (“AFAC”), so that Uniduto could honor its commitments assumed as shareholders of Logum.

These AFAC’s have not yet been subject of a decision by the investee's shareholders on their conversion into a capital increase. Therefore, there was no variation in the percentage of participation in the capital of this investee.

Capital increases in port operation business

In the nine-month period ended December 31, 2020, capital increases of companies comprising the port exploration business were deliberated, approved and subscribed, amounting to R\$27,497, through transfers of grants (intangible asset) and cash, in the amounts of R\$18,294 and R\$9,203, respectively. There were no changes in the percentage of interest held in the capital of these companies, since all shareholders made capital contributions proportionally to their previously held interest.

(c) Selected information on joint venture - Rede

The table below summarizes the financial information of joint venture Rede based on its financial statements, adjusted at fair value on the date the joint venture was organized and by differences in accounting policies, where applicable. The table also reconciles the summarized financial information to the carrying amount of RCSA’s equity interest in JV Rede.

	<u>12.31.2020</u>	<u>03.31.2020</u>
Current assets	431,863	417,264
Noncurrent assets	66,363	17,650
Current liabilities	(43,617)	(42,889)
Noncurrent liabilities	(32,755)	(1,431)
Consolidated equity	421,854	390,594
Attributed to controlling interests	(3,152)	(1,769)
Attributed to joint controlling interests	418,702	388,825
RCSA’s interest	50.00%	50.00%
Interest held in equity	209,351	194,413
Surplus values and revaluation at fair value	532,762	532,762
Accumulated amortization of surplus values	(17,922)	(6,401)
Surplus values and revaluation, net	514,840	526,361
Book value of equity interest held	724,191	720,774
	<u>Apr-Dec/20</u>	<u>Apr-Dec/19</u>
Operating revenue, net	82,540	96,683
Net income for the consolidated period	23,001	52,588
Attributed to controlling interests	(1,383)	(1,656)
Attributed to joint controlling interests	21,618	50,932
RCSA’s interest	50.00%	50.00%
Equity pickup (1)	10,809	43,546

- (1) Equity interest of 99.99% considered in the equity pickup calculation until October 31, 2019.

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14. Property, Plant and Equipment (PPE)

	Land and rural properties	Buildings and improvements	Machinery, equipment and facilities	Aircraft, vessels and vehicles	Furniture, fixtures and IT equipment	Construction in progress	Frequently replaced parts and components	Sugarcane planting	Other	Total
Cost or valuation:										
At March 31, 2020	1,196,135	3,203,445	13,876,793	787,076	297,991	1,509,723	1,383,205	6,692,234	47,036	28,993,638
Additions	-	9,530	25,729	24	1,709	653,491	271,082	387,969	22,039	1,371,573
Business combination (Note 29) (3)	-	109	(3,928)	257	35	-	-	-	(828)	(4,355)
Write-offs	(6,993)	(20,111)	(116,752)	(52,746)	(19,500)	-	-	(2,782)	-	(218,884)
Reversal of estimated loss, net (Note 25) (2)	-	-	5,521	882	897	-	-	-	-	7,300
Transfers (1)	2,599	99,562	284,332	11,186	9,700	(568,313)	-	-	(7,301)	(168,235)
Foreign currency translation effect and other	(151)	(576)	(1,784)	(88)	(434)	(4,172)	-	-	(1,069)	(8,274)
At December 31, 2020	1,191,590	3,291,959	14,069,911	746,591	290,398	1,590,729	1,654,287	7,077,421	59,877	29,972,763
Accumulated depreciation:										
At March 31, 2020	-	(680,184)	(5,197,802)	(406,070)	(187,527)	-	(691,829)	(4,633,551)	(36,653)	(11,833,616)
Depreciation for the period	-	(95,406)	(812,512)	(54,779)	(24,503)	-	(752,968)	(538,873)	(3,312)	(2,282,353)
Write-offs	-	8,725	79,567	44,139	18,364	-	-	-	-	150,795
Transfers (1)	-	14,697	78,594	21,674	4,639	-	-	-	-	119,604
Foreign currency translation effect	-	1,433	9,983	146	85	-	-	-	-	11,647
At December 31, 2020	-	(750,735)	(5,842,170)	(394,890)	(188,942)	-	(1,444,797)	(5,172,424)	(39,965)	(13,833,923)
Net residual value:										
At December 31, 2020	1,191,590	2,541,224	8,227,741	351,701	101,456	1,590,729	209,490	1,904,997	19,912	16,138,840
At March 31, 2020	1,196,135	2,523,261	8,678,991	381,006	110,464	1,509,723	691,376	2,058,683	10,383	17,160,022

- (1) Net transfers amounting to R\$48,631 refer to: (i) transfer to software cost, under Intangible assets, in the amount of R\$34,462; (ii) amounts transferred from Trade accounts receivable and payable, in the amount of R\$675; and (iii) amounts transferred to Other obligations, substantially corresponding to the reduction in the provision for removal of tanks, in the amount of R\$14,664.
- (2) This refers substantially to net reversal of provision for estimated inventory losses recognized in profit or loss for the period under “Other operating income, net” (Note 25).
- (3) This refers to the final adjustments in the price allocation of the assets acquired and liabilities assumed by RESA in the process of acquiring RZ Agrícola Caarapó Ltda. The details of this operation are described in Note 29.

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Capitalization of borrowing costs

In the nine-month period ended December 31, 2020, borrowing costs capitalized in the Group totaled R\$33,414 (R\$25,325 at December 31, 2019). The annual weighted average rates of financial charges for certain debts were 7.72% at December 31, 2020 (6.59% at December 31, 2019).

Property, plant and equipment given as guarantee

At December 31, 2020, loans and financing are guaranteed by land, buildings and machinery in the amount of R\$390,969 (R\$469,503 at March 31, 2020).

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15. Intangible assets

	Software license	Goodwill	Trademarks	Sharecropping agreements	Sugarcane supply agreements	Contractual relations with customers	Technology	Granting rights and other	Total
Cost or valuation:									
At March 31, 2020	660,944	2,640,213	532,348	18,123	181,516	284,765	185,061	86,378	4,589,348
Additions	25,170	-	-	-	-	-	-	-	25,170
Capital contribution (Note 13.b)	-	-	-	-	-	-	-	(18,294)	(18,294)
Transfers (1)	36,039	-	-	-	-	-	-	-	36,039
Foreign currency translation effect and other	(16)	-	-	-	-	-	-	(5)	(21)
At December 31, 2020	722,137	2,640,213	532,348	18,123	181,516	284,765	185,061	68,079	4,632,242
Accumulated amortization:									
At March 31, 2020	(421,955)	(431,380)	(475,459)	(17,856)	(109,393)	(32,489)	(90,850)	(33,811)	(1,613,193)
Amortization for the period	(46,472)	-	(39,378)	(221)	(10,862)	(16,678)	(13,885)	(754)	(128,250)
Transfers (1)	(1,397)	-	-	-	-	-	-	-	(1,397)
Foreign currency translation effect	76	-	-	-	-	-	-	-	76
At December 31, 2020	(469,748)	(431,380)	(514,837)	(18,077)	(120,255)	(49,167)	(104,735)	(34,565)	(1,742,764)
Net residual value:									
At December 31, 2020	252,389	2,208,833	17,511	46	61,261	235,598	80,326	33,514	2,889,478
At March 31, 2020	238,989	2,208,833	56,889	267	72,123	252,276	94,211	52,567	2,976,155

(1) These refer to amounts transferred from Property, plant and equipment.

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(2) 16. Trade accounts payable

	12.31.2020	03.31.2020
Trade accounts payable - agreement	5,234,936	5,837,811
Suppliers of materials and services	1,784,408	2,938,447
Suppliers of petroleum by-products	1,090,779	1,029,535
Suppliers of sugarcane	787,905	304,492
Suppliers of ethanol	413,253	116,730
	<u>9,311,281</u>	<u>10,227,015</u>
In Brazil (local currency)	6,754,197	4,087,542
Abroad (foreign currency) (Note 27.d)	<u>2,557,084</u>	<u>6,139,473</u>
	<u>9,311,281</u>	<u>10,227,015</u>

The characteristics of trade accounts payable are the same as those disclosed in the annual financial statements at March 31, 2020 (Note 16). There were no changes in the procedures for recognition, measurement and accounting records, nor significant changes in the credit risk of counterparties involved in the balances.

17. Leases

(a) Right of use

	Land	Properties	Vehicles and Ships	Machinery and equipment	Manufacturing facilities	Total
Cost:						
At March 31, 2020	5,057,803	272,679	761,154	123,799	89,352	6,304,787
Additions	467,929	60,860	3,808	180,936	-	713,533
Write-offs	(138,842)	(34,972)	(950)	(11,252)	-	(186,016)
Remeasurements (1)	790,143	17,310	2,581	6,292	7,971	824,297
Foreign currency translation effect and other	(49)	87	(264)	-	-	(226)
At December 31, 2020	<u>6,176,984</u>	<u>315,964</u>	<u>766,329</u>	<u>299,775</u>	<u>97,323</u>	<u>7,656,375</u>
Accumulated amortization:						
At March 31, 2020	(827,819)	(99,297)	(228,916)	(43,527)	(5,832)	(1,205,391)
Amortization for the period	(919,637)	(89,384)	(187,793)	(52,700)	(5,397)	(1,254,911)
Write-offs	-	7,721	47	-	-	7,768
Foreign currency translation effect	492	1,364	4,669	-	-	6,525
At December 31, 2020	<u>(1,746,964)</u>	<u>(179,596)</u>	<u>(411,993)</u>	<u>(96,227)</u>	<u>(11,229)</u>	<u>(2,446,009)</u>
Net residual value:						
At December 31, 2020	4,430,020	136,368	354,336	203,548	86,094	5,210,366
At March 31, 2020	<u>4,229,984</u>	<u>173,382</u>	<u>532,238</u>	<u>80,272</u>	<u>83,520</u>	<u>5,099,396</u>

- (1) Update of the restatement index, substantially composed of the variation in the price of CONSECANA applied to lease and sharecropping agreements.

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(b) Lease liabilities

At December 31, 2020, lease liabilities are as follows:

At March 31, 2020	4,411,748
Additions	710,514
Write-offs	(175,326)
Payment	(1,129,174)
Interest	275,615
Transfers	28,540
Remeasurements (1)	608,521
Foreign currency translation effect	4,328
At December 31, 2020	4,734,766
In Brazil (local currency)	4,347,692
Abroad (foreign currency) (Note 27.d)	387,074
	4,734,766
Current	(935,928)
Noncurrent	3,798,838

(1) Update of the restatement index, substantially composed of the variation in the price of CONSECANA applied to lease and sharecropping agreements.

The weighted average incremental borrowing rate applied to the Group's lease liabilities at December 31, 2020 was 8.4% (8.6% on March 31, 2020).

At December 31, 2020, the aging list of lease liabilities of third parties and related parties (Note 11.a.4) is as follows:

Periods:	Present value	Future value
1 to 12 months	1,109,930	1,445,195
13 to 24 months	998,936	1,240,805
25 to 36 months	846,669	1,022,272
37 to 48 months	677,777	805,335
49 to 60 months	518,540	603,091
61 to 72 months	419,575	476,269
73 to 84 months	274,764	346,755
85 to 96 months	191,874	241,518
97 to 120 months	131,096	177,276
From 121 months onwards	448,317	608,137
	5,617,478	6,966,653

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18. Loans and financing

Purpose	Final maturity	Index/rate	Average annual effective interest rate (1)		Total	
			12.31.2020	03.31.2020	12.31.2020	03.31.2020
Debt classification per currency:						
Denominated in Brazilian Real (R\$)					9,376,748	9,624,179
Denominated in US Dollar and Euro (Note 27.d)					15,251,062	15,736,428
					24,627,810	25,360,607
Debt type (2):						
National Bank for Economic and Social Development (BNDES)	March/24	URTJLP	5.37%	6.25%	4,390	10,536
BNDES	December/30	Fixed rate	3.61%	3.59%	298,745	384,006
BNDES	April/24	UMBND	5.07%	6.67%	29,236	37,684
BNDES	December/38	IPCA	8.91%	7.36%	146,375	128,956
Working capital	-	CDI	-	4.41%	-	33,458
Working capital	-	FED	-	0.83%	-	16,645
Pre-export Financing	October/25	US Dollar (US\$) + Libor	1.49%	2.93%	7,741,130	8,723,426
Pre-export Financing	-	Dollar (US\$) + fixed rate	-	3.74%	-	1,051,686
Term Loan Agreement	April/24	US Dollar (US\$) + Libor	1.29%	2.95%	1,059,857	1,051,523
Debentures	June/30	IPCA + interest	8.42%	7.06%	1,172,083	1,115,357
Senior Notes Due 2027	January/27	Dollar (US\$)	5.30%	5.30%	4,354,119	2,965,837
Resolution No. 2471 (PESA)	April/23	IGP-M	29.88%	7.53%	28,178	328,965
Resolution No. 2471 (PESA)	October/25	Fixed rate	3.00%	3.00%	38	46
Credit notes	-	CDI	-	3.91%	-	84,941
Finame/Lease	January/25	Fixed rate	6.76%	6.64%	47,704	57,571
Finame/Lease	March/21	URTJLP	7.75%	8.29%	11	45
Agribusiness Receivables Certificate ("CRA")	July/29	CDI	1.86%	3.57%	2,917,573	2,947,187
Agribusiness Receivables Certificate (CRA)	June/30	IPCA	9.32%	7.33%	3,667,000	2,389,708
Study and Project Financing Institution ("Finep")	November/22	Dollar (US\$) + fixed rate	5.00%	5.00%	63,450	88,278
Loan 4131	-	Dollar (US\$) + fixed rate	-	4.34%	-	54,778
Schuldschein	October/21	Euro (€) + fixed rate	2.88%	2.88%	423,463	382,920
Schuldschein	September/22	Euribor	1.65%	1.79%	664,912	609,190
Rural financial product note ("CPR-F")	November/29	CDI	2.17%	4.35%	1,001,965	2,017,441
Advances on Exchange Contracts ("ACC")	April/21	Dollar (US\$) + fixed rate	1.69%	1.71%	1,007,581	880,423
					24,627,810	25,360,607
Expenses with placement of securities:						
Agribusiness Receivables Certificate (CRA)					(37,583)	(15,590)
CPR-F					(11,462)	(12,426)
Senior Notes Due 2027					(4,565)	(2,074)
Debentures					(4,798)	(180)
Other					(2,030)	(2,967)
					(60,438)	(33,237)
					24,567,372	25,327,370
Current					(2,908,992)	(5,334,083)
Noncurrent					21,658,380	19,993,287

- (1) The effective annual interest rate corresponds to the contract fee plus Libor (London InterBank Offered Rate), Euribor (European Interbank Offered Rate), URTJLP, IGP-M, UMBND, IPCA and CDI, where applicable. Payments of interest on loans and financing are classified as cash flow from financing activities.
- (2) Loans and financing are generally guaranteed by promissory notes from the Group. In certain cases, they also have security interest, such as: i) credit rights arising from energy trading contracts (BNDES); ii) CTN (Note 10) and land mortgage (PESA); iii) property, plant and equipment; and, iv) fiduciary sale of financed assets (Finame/PESA).

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The installments due in the long term, less amortization of expenses with placement of securities, have the following maturity schedule:

Periods:	12.31.2020
13 to 24 months	2,310,272
25 to 36 months	3,742,208
37 to 48 months	4,436,540
49 to 60 months	1,659,248
61 to 72 months	962,570
73 to 84 months	5,562,788
85 to 96 months	1,240,312
From 97 months onwards	1,744,442
	<u>21,658,380</u>

Working capital

On April 17, 2020, Raízen Argentina took out a new loan amounting to R\$206,735, equivalent to AR\$2,600,000 thousand, fully repaid in July 2020.

Pre-export Financing

On June 2, 2020, RCSA took out a new loan amounting to R\$ 269,000, equivalent to US\$50,000 thousand, maturing in June 2022.

Debentures

In June 2020, the CVM granted RESA registration for its fifth (5th) Public Issue of Unsecured Debentures through which 169,518 non-privileged nonconvertible debentures were issued, in a single series, with a nominal value of R\$1,000.00 (one thousand reais), totaling R\$169,518, restated by reference to the IPCA and maturing in June 2030.

Agribusiness Receivables Certificate (CRA)

<u>Taken out in</u>	<u>Issuer</u>	<u>Issue</u>	<u>Serie</u>	<u>Maturity</u>	<u>Principal</u>
Jun-20	True Securitizadora S.A.	8 th	2 nd	Jun-27	352,426
Jun-20	True Securitizadora S.A.	8 th	2 nd	Jun-30	728,056
					<u>1,080,482</u>

Senior Notes Due 2027

<u>Taken out in</u>	<u>Issuer</u>	<u>Maturity</u>	<u>Principal</u>
Jul-20	Capitals market	Jan-27	225,000

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Special Program for Securitization of Agricultural Loans (PESA)

In the nine-month period ended December 31, 2020, RESA offset the PESA contracts amounting to R\$357,185 through redemptions of CTN.

Advances on Exchange Contracts (ACC)

Taken out in	Annual average effective interest rate	Maturity	Principal	
			R\$	US\$
Sept-20	Fixed rate	Mar-21	424,521	90,000
Oct-20	Fixed rate	Jan-21	111,758	20,000
Nov-20	Fixed rate	Feb-21	199,585	37,000
Nov-20	Fixed rate	Feb-21	108,234	20,000
				167,000

Covenants

The Group is not subject to compliance with financial ratios, but to certain restrictive clauses in the loan and financing agreements, such as cross-default and negative pledge, which are being met in accordance with contractual requirements.

Fair value

At December 31 and March 31, 2020, the book value and fair value of the loans are as follows:

Type	Amount raised, restated		Fair value (1)		Finance income (costs)	
	12.31.2020	03.31.2020	12.31.2020	03.31.2020	12.31.2020	31.12.2019
Pre-export Financing	6,868,805	8,417,336	6,959,427	8,473,101	(34,857)	(14,861)
Term Loan Agreement	1,039,824	1,088,770	1,059,857	1,099,825	(8,978)	(3,756)
Senior Notes Due 2027	3,897,066	2,754,881	4,354,119	3,094,581	(117,353)	(90,514)
Schuldschein	1,062,203	992,495	1,088,375	1,028,186	9,518	2,728
Agribusiness	3,095,712	2,324,909	3,299,829	2,383,604	(145,422)	(121,409)
Debentures	951,814	930,273	995,443	893,415	(80,486)	(1,699)
Loan 4131	-	56,666	-	57,356	690	237
	16,915,424	16,565,330	17,757,050	17,030,068	(376,888)	(229,274)

(1) Includes a fair value assessment balance at December 31 and March 31, 2020, amounting to R\$841,626 and R\$464,738, respectively.

Other loans and financing have no quoted value, but the fair value substantially approximates their carrying amount, due to exposure to variable interest rates and the irrelevant variation of the Group's credit risk, which can be obtained by comparing quoted papers as demonstrated above.

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Other information

Revolving Credit Facility

Raízen Fuels, a wholly-owned subsidiary of Raízen Energia, has a revolving credit facility in the total amount of US\$300,000 thousand, not used until the end of these combined consolidated financial statements, as follows:

Beneficiary	Institution	Amount in US\$	Maturity
Raízen Fuels	Syndicate of banks	300,000	April 2024

In addition, the Group has a revolving credit facility called Revolving Credit Facility with its shareholders, in the amount of US\$700,000 (Note 11.d), totaling US\$1,000,000 thousand.

19. Income and social contribution taxes

(a) Reconciliation of income and social contribution tax expenses:

	Oct-Dec/20	Apr-Dec/20	Oct-Dec/19	Apr-Dec/19
Income before income and social contribution taxes	1,181,963	1,292,742	1,827,298	2,753,070
Income and social contribution taxes at nominal rate (34%)	(401,867)	(439,532)	(621,282)	(936,045)
Adjustments to calculate the effective rate:				
IOE	11,743	36,984	12,088	38,578
Equity pickup, except amortization of surplus value (Note 13)	286	(24,523)	(1,406)	(4,047)
Capital gain on dilution of equity interest	-	-	81,780	81,780
Foreign exchange difference on assets and liabilities	(20,061)	(14,299)	2,332	2,121
Rate difference between the taxable profit based on a percentage of gross revenue and the taxable profit based on accounting records taxation regimes	10,340	34,410	7,094	32,608
Permanent differences on divestments	-	-	-	(31,602)
Taxation on a worldwide basis related to investments abroad	(1,961)	167	9,239	5,061
Other	14,724	28,754	11,493	(11,937)
Income and social contribution tax expenses	<u>(386,796)</u>	<u>(378,039)</u>	<u>(498,662)</u>	<u>(823,483)</u>
Effective rate	32.7%	29.2%	27.3%	29.9%

(b) Income and social contribution taxes recoverable (current and noncurrent):

	12.31.2020	03.31.2020
Corporate Income Tax (IRPJ)	645,494	750,114
Social Contribution Tax on Net Profit (CSLL)	112,731	235,473
Entity's tax credits abroad	<u>53,828</u>	<u>334,904</u>
Current assets	<u>812,053</u>	<u>1,320,491</u>
	<u>(486,020)</u>	<u>(778,694)</u>
Noncurrent assets	<u>326,033</u>	<u>541,797</u>

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(c) Income and social contribution taxes payable (current)

	12.31.2020	03.31.2020
Corporate Income Tax (IRPJ)	163,041	50,723
Social Contribution Tax on Net Profit (CSLL)	43,467	11,569
Entity's tax debt abroad	68,621	166,802
	<u>275,129</u>	<u>229,094</u>

(d) Deferred income and social contribution tax assets and liabilities:

<u>Assets/(liabilities)</u>	12.31.2020			03.31.2020	
	Base	IRPJ 25%	CSLL 9%	Total	Total
Income tax losses	4,854,066	1,213,516	-	1,213,516	813,054
Social contribution tax losses	4,854,066	-	436,866	436,866	292,699
Tax losses of foreign entities and others	102,874	79,456	6,231	85,687	72,896
Temporary differences:					
Foreign exchange differences	3,802,509	950,627	342,226	1,292,853	1,529,331
Estimated loss on write-off of goodwill	166,656	41,664	14,999	56,663	56,663
Compensation and benefits to employees	257,521	64,381	23,177	87,558	117,486
Lease liability and right of use	455,291	113,823	40,976	154,799	76,521
Fair value of inventories	-	-	-	-	67,035
Provisions for contingencies	1,031,582	257,896	92,842	350,738	308,565
Provisions and other temporary differences	1,530,549	382,637	138,078	520,715	361,148
Total deferred tax assets		<u>3,104,000</u>	<u>1,095,395</u>	<u>4,199,395</u>	<u>3,695,398</u>
Amortized tax goodwill	(1,975,197)	(493,799)	(177,768)	(671,567)	(651,092)
ICMS tax reimbursement	(262,124)	(65,531)	(23,591)	(89,122)	(85,235)
Unrealized income (loss) from derivatives	(2,848,079)	(712,020)	(256,327)	(968,347)	(1,442,972)
Review of useful lives of PPE	(2,186,141)	(546,535)	(196,753)	(743,288)	(710,497)
Fair value of inventories	(83,227)	(20,807)	(7,490)	(28,297)	-
Revaluation of property, plant and equipment	(1,866,953)	(466,738)	(168,026)	(634,764)	(700,591)
Fair value of assets of customer contracts	(198,191)	(49,548)	(17,837)	(67,385)	(72,086)
Fair value of property, plant and equipment items, intangible assets and others	(893,320)	(223,330)	(80,399)	(303,729)	(339,199)
Fair value upon joint venture formation	(514,840)	(128,710)	(46,336)	(175,046)	(178,963)
Capitalized borrowing costs	(269,836)	(67,459)	(24,286)	(91,745)	(93,376)
Biological assets	(433,235)	(108,309)	(38,991)	(147,300)	(44,665)
Total deferred tax liabilities		<u>(2,882,786)</u>	<u>(1,037,804)</u>	<u>(3,920,590)</u>	<u>(4,318,676)</u>
Total deferred taxes		<u>221,214</u>	<u>57,591</u>	<u>278,805</u>	<u>(623,278)</u>
Deferred taxes - Assets, net				1,977,896	1,279,947
Deferred taxes - Liabilities, net				<u>(1,699,091)</u>	<u>(1,903,225)</u>
Total deferred taxes				<u>278,805</u>	<u>(623,278)</u>

(d.1) Changes in deferred taxes, net:

At March 31, 2020	<u>(623,278)</u>
Credit in P&L	523,402
Deferred taxes on comprehensive income	381,573
Foreign currency translation effect and other	<u>(2,892)</u>
At December 31, 2020	<u>278,805</u>

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(d.2) Realization of deferred income and social contribution taxes:

As mentioned in Note 19 to the financial statements at March 31, 2020, the Group expects to realize deferred tax assets, including IRPJ and CSLL tax loss carryforwards and temporary differences. In the nine-month period ended December 31, 2020, there were no significant changes related to the expected realization of deferred income and social contribution taxes.

20. Provision for contingencies and judicial deposits

Composition of lawsuits assessed as probable loss

At December 31 and March 31, 2020, the balances of the claims to be reimbursed and the non-refundable claims to shareholders, within the scope of the Group's organization process (Note 11.a) are as follows:

	<u>12.31.2020</u>	<u>03.31.2020</u>
Tax	859,602	850,656
Civil	247,089	240,096
Labor	424,436	398,498
Environmental	62,304	69,633
	<u>1,593,431</u>	<u>1,558,883</u>
Non-reimbursable lawsuits	457,441	428,374
Reimbursable lawsuits	<u>1,135,990</u>	<u>1,130,509</u>
	<u>1,593,431</u>	<u>1,558,883</u>

In the process of organizing the Group, it was agreed that Cosan and Shell shall reimburse to the Group the amount of legal claims dated prior to its organization, and in turn, that the Group shall refund Cosan and Shell for the amount of judicial deposits made with base date prior to the Group organization.

At December 31 and March 31, 2020, the balances of deposits refundable and non-refundable to shareholders, within the scope of the Group's organization process (Note 11.a), are as follows:

	<u>12.31.2020</u>	<u>03.31.2020</u>
Tax	331,321	314,570
Civil	70,050	35,273
Labor	119,978	121,910
	<u>521,349</u>	<u>471,753</u>
Own judicial deposits	239,102	226,040
Refundable judicial deposits	<u>282,247</u>	<u>245,713</u>
	<u>521,349</u>	<u>471,753</u>

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(i) Non-reimbursable lawsuits

	<u>Tax</u>	<u>Civil</u>	<u>Labor</u>	<u>Environmental</u>	<u>Total</u>
At March 31, 2020	60,123	20,429	307,393	40,429	428,374
Provisioned in the period (a)	5,382	12,766	94,915	1,484	114,547
Write-offs/reversals (a)	(6,832)	(9,458)	(65,759)	(12,820)	(94,869)
Payments	(38)	(1,749)	(33,051)	(3,296)	(38,134)
Monetary and exchange adjustments (b)	2,988	10,727	34,904	37	48,656
Foreign currency translation effect and other	(348)	(263)	(605)	83	(1,133)
At December 31, 2020	<u>61,275</u>	<u>32,452</u>	<u>337,797</u>	<u>25,917</u>	<u>457,441</u>

a) Recognized in the statement of profit or loss for the period under Sales taxes, General and administrative expenses and Other operating expenses, except for the monetary restatement reversals, recognized in Finance income (costs).

b) Recorded in profit or loss for the period under Finance income (costs).

(ii) Reimbursable lawsuits

	<u>Tax</u>	<u>Civil</u>	<u>Labor</u>	<u>Environmental</u>	<u>Total</u>
At March 31, 2020	790,533	219,667	91,105	29,204	1,130,509
Provisions for the period	11,428	21,364	10,392	9,673	52,857
Write-offs/reversals	(56,098)	(56,358)	(14,236)	(1,024)	(127,716)
Payments	-	(2,958)	(8,734)	(2,154)	(13,846)
Monetary and exchange adjustments	52,464	32,011	8,112	688	93,275
Foreign currency translation effect and other	-	911	-	-	911
At December 31, 2020	<u>798,327</u>	<u>214,637</u>	<u>86,639</u>	<u>36,387</u>	<u>1,135,990</u>

(iii) Total lawsuits

	<u>Tax</u>	<u>Civil</u>	<u>Labor</u>	<u>Environmental</u>	<u>Total</u>
At March 31, 2020	850,656	240,096	398,498	69,633	1,558,883
Provisions for the period	16,810	34,130	105,307	11,157	167,404
Write-offs/reversals	(62,930)	(65,816)	(79,995)	(13,844)	(222,585)
Payments	(38)	(4,707)	(41,785)	(5,450)	(51,980)
Monetary and exchange adjustments	55,452	42,738	43,016	725	141,931
Foreign currency translation effect and other	(348)	648	(605)	83	(222)
At December 31, 2020	<u>859,602</u>	<u>247,089</u>	<u>424,436</u>	<u>62,304</u>	<u>1,593,431</u>

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(a) Tax

	12.31.2020	03.31.2020
State Value-Added Tax (ICMS)	542,890	491,977
Federal Value-Added Tax (IPI)	131,228	130,896
IRPJ and CSLL	80,010	78,352
PIS and COFINS	58,865	58,589
Attorneys' fees	30,519	73,239
Brazilian social security contribution tax (INSS)	5,396	5,315
Other	10,694	12,288
	<u>859,602</u>	<u>850,656</u>
Non-reimbursable lawsuits	61,275	60,123
Reimbursable lawsuits	<u>798,327</u>	<u>790,533</u>
	<u>859,602</u>	<u>850,656</u>

(b) Civil, labor and environmental claims

The Group is a party to several civil lawsuits related to (i) property and pain and suffering damages; (ii) contractual disputes; (iii) public interest suits to refrain from burning sugarcane straw; (iv) executions of an environmental nature; (v) remediating environmental damage caused by fuel leakage; and, (vi) contractual, real estate and credit recovery discussions, including discussions of contractual violations, possession of Group properties and recovery of amounts not paid by customers.

The Group is also a party to several labor claims filed by former employees and employees of service providers who question, among others, the payment of overtime, night shift and risk exposure premiums, job reinstatement, refund of deductions made in payroll such as confederative association dues, union dues and others.

The main environmental claims are related to environmental remediation work to be carried out at filling stations, distribution bases, airports and customer distribution centers, which comprise removal of contaminated material, treatment of the area, laboratory analysis and post-remediation monitoring.

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Lawsuits deemed as possible losses and, consequently, with no provision for contingencies

(a) Tax

	12.31.2020	03.31.2020
PIS and COFINS	5,969,975	6,198,143
State Value-Added Tax (ICMS)	4,859,263	4,869,363
IRPJ and CSLL	3,878,012	3,561,628
Federal VAT ("IPI")	345,125	344,029
Social Security Tax (INSS)	219,172	211,521
Offsetting against IPI credit – Revenue Procedure (IN) No. 67/98	137,976	136,871
Provisional Executive Order (MP) No. 470 - Debt installment payment	241,224	189,882
Other	1,227,685	1,062,653
	<u>16,878,432</u>	<u>16,574,090</u>
Non-reimbursable lawsuits	8,692,980	8,146,261
Reimbursable lawsuits	<u>8,185,452</u>	<u>8,427,829</u>
	<u>16,878,432</u>	<u>16,574,090</u>

(b) Civil, labor and environmental claims

	12.31.2020	03.31.2020
Civil	648,887	1,258,802
Labor	804,574	290,438
Environmental	206,355	53,794
	<u>1,659,816</u>	<u>1,603,034</u>
Non-reimbursable lawsuits	558,676	473,101
Reimbursable lawsuits	<u>1,101,140</u>	<u>1,129,933</u>
	<u>1,659,816</u>	<u>1,603,034</u>

Contingent assets

RCSA, through its subsidiary Blueway, is involved in tax claims for damages related to the right to exclude the ICMS from the PIS and COFINS base, the realization of which is not virtually certain yet and, therefore, represent contingent assets not recognized in this interim financial information. Accordingly, it is not yet possible to estimate the possible future financial effects of these claims.

21. Commitments

As mentioned in Note 21 to the annual financial statements as of March 31, 2020, the Group has sales commitments, purchases of sugarcane, fuels and industrial equipment, electric power and steam, leases and sharecropping agreements, storage and transportation, and elevation of sugar services. In the nine-month period ended December 31, 2020, there were no significant changes related to those commitments.

22. Equity

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In the context of the combined consolidated interim financial information, the accounts comprising equity (capital, capital reserve, income reserve, equity adjustments, among others) usually are not significant. Therefore, the statements of changes in equity of this combined consolidated interim financial information include only two items named equity attributed to controlling interests and noncontrolling interests.

The information disclosed in this note derives from the individual and consolidated interim financial statements of RESA and RCSA. Accordingly, as stated in Note 1.d, these combined consolidated financial statements of the Group do not represent the individual and consolidated annual interim financial information of an entity and its subsidiaries.

(a) Capital

a.1) RESA

At December 31 and March 31, 2020, RESA's capital amounts to R\$6,516,354. This item is deducted from the balance of redeemable preferred shares amounting to R\$3,745, totaling R\$6,512,609.

The fully subscribed and paid-in capital into shares is represented as follows:

	Shareholders (shares in units)			
	Shell	CIP Cosan Investimentos e Participações S.A. ("CIP") (1)	Cosan S.A.	Total
Common Shares	3,621,641,599	3,621,641,599	-	7,243,283,198
Class A preferred shares	-	-	1	1
Class B preferred shares	-	-	133,242,457	133,242,457
Class D preferred shares	100,000	-	-	100,000
Total at December 31 and March 31, 2020	3,621,741,599	3,621,641,599	133,242,458	7,376,625,656

a.2) RCSA

At December 31 and March 31, 2020, RCSA's capital amounts to R\$1,921,843.

The fully subscribed and paid-in capital into shares is represented as follows:

	Shareholders (shares in units)		
	Shell	CIP (1)	Total
Common Shares	830,709,236	830,709,236	1,661,418,472
Class A preferred shares	1	-	1
Class D preferred shares	100,000	-	100,000
Class E preferred shares	81,897,057	-	81,897,057
Total at December 31 and March 31, 2020	912,706,294	830,709,236	1,743,415,530

(1) In June 2014, Cosan S.A. contributed all its common shares issued by RESA and by RCSA to CIP.

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(b) Dividends and IOE payable (current) (1)

Changes in dividends and IOE are as follows:

	RCSA	RESA	Total
Balance at March 31, 2020	73,026	22,516	95,542
Dividends from prior years	12,767	2,190	14,957
IOE, net of Withholding Income Tax (IRRF)	92,460	-	92,460
Payments	(23,273)	(24,706)	(47,979)
Other	9		9
Balance at December 31, 2020	154,989	-	154,989

- (1) The remuneration to shareholders in the form of dividends and/or interest on equity is classified as cash flow from financing activities, when paid.

(c) Equity adjustments

	03.31.2020	Comprehensive income (loss)	12.31.2020
Actuarial loss on defined benefit plan, net	(10,711)	2,225	(8,486)
Gains (losses) on financial instruments designated as hedge accounting	(723,708)	(742,462)	(1,466,170)
Gains (losses) on hedge of net investment in a foreign entity	(45,741)	-	(45,741)
Foreign currency translation effect	897,970	16,862	914,832
	117,810	(723,375)	(605,565)
Attributable to:			
Group's controlling interests	117,810	(723,375)	(605,565)
Group's noncontrolling interests	-	-	-
	31.03.2019	Comprehensive income (loss)	31.12.2019
Actuarial loss on defined benefit plan, net	(12,539)	3,632	(8,907)
Gains (losses) on financial instruments designated as hedge accounting	(269,669)	(142,770)	(412,439)
Gains (losses) on hedge of net investment in a foreign entity	(35,795)	(9,947)	(45,742)
Foreign currency translation effect	(102,318)	102,792	474
	(420,321)	(46,293)	(466,614)
Attributable to:			
Group's controlling interests	(420,316)	(46,297)	(466,613)
Group's noncontrolling interests	(4)	4	-

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23. Operating revenue, net

The Group's gross revenue is broken down as follows:

	<u>Oct-Dec/20</u>	<u>Apr-Dec/20</u>	<u>Oct-Dec/19</u>	<u>Apr-Dec/19</u>
Domestic market	26,335,378	65,436,592	28,066,681	79,967,938
Foreign market	10,893,963	22,711,198	6,610,667	18,791,473
Gross revenue from sales of products and services	37,229,341	88,147,790	34,677,348	98,759,411
Gains (losses) on financial instruments designated as hedge accounting	(264,284)	(417,071)	(19,096)	44,034
Gains (losses) on commodities-related financial instruments not designated as hedge accounting	(22,372)	(57,407)	47,480	196,496
Returns and cancellations	(86,101)	(263,900)	(165,912)	(483,924)
Sales taxes	(2,394,591)	(5,852,817)	(2,268,455)	(6,764,876)
Trade discounts	(176,652)	(382,661)	(127,106)	(322,181)
Amortization of exclusive supply rights (Note 12)	(135,080)	(368,306)	(129,924)	(382,170)
Other	(5,204)	(41,472)	(17,562)	(48,849)
Operating revenue, net	<u>34,145,057</u>	<u>80,764,156</u>	<u>31,996,773</u>	<u>90,997,941</u>

The breakdown of net operating revenue by product is as follows:

	<u>Oct-Dec/20</u>	<u>Apr-Dec/20</u>	<u>Oct-Dec/19</u>	<u>Apr-Dec/19</u>
Diesel	11,902,154	31,683,939	12,096,327	35,512,492
Gasoline	9,963,280	23,364,732	9,538,514	28,040,558
Ethanol	6,056,333	13,024,943	5,694,031	14,089,710
Jet A-1	382,955	940,942	1,749,900	5,036,943
Sugar	4,410,215	7,938,259	998,927	2,343,899
Energy	589,948	1,614,877	1,135,770	3,198,760
Other	840,172	2,196,464	783,304	2,775,579
	<u>34,145,057</u>	<u>80,764,156</u>	<u>31,996,773</u>	<u>90,997,941</u>

24. Costs and expenses by nature

Reconciliation of costs and expenses by nature

Costs and expenses are shown in P&L by function. The reconciliation of the Group's profit or loss by nature for the three- and nine-month periods ended December 31, 2020 and 2019 is detailed below:

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In thousands of Reais – R\$, unless otherwise stated

Costs and expenses by nature

	<u>Oct-Dec/20</u>	<u>Apr-Dec/20</u>	<u>Oct-Dec/19</u>	<u>Apr-Dec/19</u>
Fuel for resale, raw material, costs of collections and transfers	(29,509,591)	(71,176,292)	(28,612,582)	(82,391,757)
Depreciation and amortization	(1,470,077)	(3,530,122)	(945,992)	(2,591,064)
Personnel expenses	(597,178)	(1,495,834)	(473,653)	(1,353,045)
Cutting, loading and transportation	(408,766)	(865,450)	(250,417)	(614,609)
Realization of the fair value of biological assets	(1,334)	(8,901)	(12,343)	10,235
Change in the fair value of biological assets	14,073	291,386	(13,330)	(39,113)
Maintenance materials	(148,934)	(308,957)	(83,229)	(230,081)
Selling expenses	(222,566)	(456,423)	(114,546)	(367,229)
Hired labor	(141,312)	(352,137)	(115,775)	(320,693)
Logistic expenses	(79,664)	(249,686)	(90,082)	(254,143)
Other	(124,540)	(516,753)	(252,973)	(759,785)
	<u>(32,689,889)</u>	<u>(78,669,169)</u>	<u>(30,964,922)</u>	<u>(88,911,284)</u>

Classified as:

	<u>Oct-Dec/20</u>	<u>Apr-Dec/20</u>	<u>Oct-Dec/19</u>	<u>Apr-Dec/19</u>
Cost of sales and services	(31,388,069)	(75,241,563)	(29,829,045)	(85,660,997)
Selling expenses	(978,452)	(2,492,162)	(836,338)	(2,322,525)
General and administrative expenses	(323,368)	(935,444)	(299,539)	(927,762)
	<u>(32,689,889)</u>	<u>(78,669,169)</u>	<u>(30,964,922)</u>	<u>(88,911,284)</u>

25. Other (expenses) operating income, net

	<u>Oct-Dec/20</u>	<u>Apr-Dec/20</u>	<u>Oct-Dec/19</u>	<u>Apr-Dec/19</u>
Capital gain on dilution of equity interest (3)	-	-	1,052,677	1,052,677
Gain (loss) on retirement of carbon credits ("CBIOS") (2)	(117,238)	(141,771)	-	-
Gains (losses) on business combination (Note 29) (4)	(11,447)	(11,447)	-	-
Recognition of tax credits and other, net (1)	71,084	213,812	41,288	427,197
Revenues from rents and leases	19,802	63,125	36,862	103,032
Gain (loss) on commercial operations	(21,952)	(40,590)	(2,351)	25,779
Gain on sale of property, plant and equipment	25,755	59,851	17,492	70,146
Royalty income	1,746	12,319	11,754	52,554
Reversal (recognition) of estimated loss on property, plant and equipment, net	(127)	7,300	(5,787)	(5,904)
Other income (expenses), net	<u>(17,631)</u>	<u>(6,282)</u>	<u>(7,497)</u>	<u>17,108</u>
	<u>(50,008)</u>	<u>156,317</u>	<u>1,144,438</u>	<u>1,742,589</u>

- (1) This refers to the tax recovery of tax credits related mainly to PIS, COFINS and ICMS arising from the Group's ordinary activities.

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- (2) In the nine-month period ended December 31, 2020, RCSA acquired 3,197,859 carbon credits (“CBIOS”), in the consolidated amount of R\$141,771, related to the legal obligations adopted by Brazil’s National Biofuels Policy - RenovaBio (set forth by Law No. 13576/2017, with additional regulation set forth by Decree No. 9888/2019 and Government Directive No. 419 of November 20, 2019, of the Ministry of Mines and Energy) to achieve the carbon reduction goals of the industry for 2020. The goals established are effective until December of each year and are published by Brazil’s National Petroleum Agency (“ANP”).
- (3) This referred to the gain generated in the formation of joint venture Rede that took place in the quarter ended December 31, 2019, which comprised gains related to the dilution of equity interest, disposal of shares and the fair value in the formation of referred to joint venture, deducted by expenses associated with the transaction.
- (4) This refers to the final adjustments in the price allocation of the assets acquired and liabilities assumed by RESA in the process of acquiring RZ Agrícola Caarapó Ltda.

26. Finance income (costs)

	Oct-Dec/20	Apr-Dec/20	Oct-Dec/19	Apr-Dec/19
<u>Finance costs</u>				
Interest	(328,951)	(1,058,127)	(360,841)	(1,106,263)
Monetary variation losses	(147,921)	(220,829)	(45,690)	(92,490)
PIS and COFINS on finance income	(7,351)	(38,249)	(9,331)	(30,541)
Other	(11,675)	(35,719)	(25,728)	(65,689)
	<u>(495,898)</u>	<u>(1,352,924)</u>	<u>(441,590)</u>	<u>(1,294,983)</u>
Fair value of financial instruments (Note 18)	(158,870)	(376,888)	9,509	(229,274)
Amounts capitalized on qualified assets (Note 14)	15,137	33,414	7,027	25,325
	<u>(639,631)</u>	<u>(1,696,398)</u>	<u>(425,054)</u>	<u>(1,498,932)</u>
<u>Finance income</u>				
Short-term investment yield	13,701	57,196	33,499	138,066
Interest	106,159	278,959	58,585	246,923
Monetary variation gains and other	23,030	59,082	11,630	24,785
	<u>142,890</u>	<u>395,237</u>	<u>103,714</u>	<u>409,774</u>
<u>Foreign exchange differences, net</u>	<u>933,264</u>	<u>(303,194)</u>	<u>360,284</u>	<u>(563,684)</u>
<u>Net effect of derivatives</u>	<u>(656,706)</u>	<u>729,469</u>	<u>(383,800)</u>	<u>588,567</u>
	<u>(220,183)</u>	<u>(874,886)</u>	<u>(344,856)</u>	<u>(1,064,275)</u>

27. Financial instruments

(a) Overview

The Group is exposed to the following significant risks arising from its operations, which are equalized and managed through certain financial instruments: (i) Price risk; (ii) Currency risk; (iii) Interest rate risk; (iv) Credit risk; and (v) Liquidity risk.

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(b) Risk management structure

The Group has specific treasury and trading policies that define how risk management should be carried out, never operating with derivatives which are beyond the notional total of underlying asset or liability.

To monitor activities and ensure compliance with policies, the Group has the following main committees: (i) Risk Committee that meets weekly to analyze the behavior of the commodities (sugar and oil by-products) and foreign exchange markets and deliberate on hedging positions and pricing strategy for exports or imports of products, so as to reduce the adverse effects of changes in commodity prices and exchange rates; and (ii) Ethanol and by-products Committee that meets monthly to assess the risks associated with the sale of ethanol and by-products and to adapt to the limits defined in the risk policies.

The Group is exposed to the following significant market risks: (i) sugar, electric power, ethanol and by-products price volatility; (ii) exchange rate volatility; and (iii) interest rate volatility. The financial instruments for hedging purposes are taken out by analyzing the risk exposure to which management seeks coverage.

At December 31 and March 31, 2020, the fair values related to transactions involving derivative financial instruments for hedging or other purposes were measured through observable factors, such as prices quoted in active markets or discounted cash flows based on market curves and are presented below:

	<u>Notional amount</u>		<u>Fair value</u>	
	<u>12.31.2020</u>	<u>03.31.2020</u>	<u>12.31.2020</u>	<u>03.31.2020</u>
Price risk				
Commodity derivatives				
Futures contracts	9,236,314	6,097,400	(443,168)	1,905,331
	9,236,314	6,097,400	(443,168)	1,905,331
Exchange rate risk				
Exchange rate derivatives				
Futures contracts	(570,337)	181,955	31,107	(973)
Forward contracts	7,109,979	5,444,463	382,097	(742,773)
Locked-in exchange	114,795	-	(7,560)	-
Exchange swap	(10,760,556)	(15,698,579)	2,452,676	3,039,373
	(4,106,119)	(10,072,161)	2,858,320	2,295,627
Interest rate risk				
Interest rate swap	(4,031,929)	(3,063,533)	561,151	194,958
	(4,031,929)	(3,063,533)	561,151	194,958
Total			<u>2,976,303</u>	<u>4,395,916</u>
Current assets			2,975,844	5,016,307
Noncurrent assets			<u>3,088,757</u>	<u>3,128,089</u>
Total assets			<u>6,064,601</u>	<u>8,144,396</u>
Current liabilities			(2,604,601)	(3,640,357)
Noncurrent liabilities			<u>(483,697)</u>	<u>(108,123)</u>
Total liabilities			<u>(3,088,298)</u>	<u>(3,748,480)</u>
Total			<u>2,976,303</u>	<u>4,395,916</u>

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(c) Price risk

This arises from the possibility of fluctuating market prices for products traded by the Group, mainly VHP sugar, refined and white sugar, diesel (heating oil), gasoline, ethanol, electric power and crude oil. These price oscillations may lead to material changes in sales revenues and costs. To mitigate this risk, the Group constantly monitors the market to anticipate price changes.

Price risk: commodity derivatives outstanding at December 31, 2020

Derivatives	Long/ Short	Market	Agreement	Maturity	Notional amount (units)	Notional amount (R\$ thousand)	Fair value (R\$ thousand)
Futures	Short	ICE	Sugar#11	Feb/21 to Sept/23	9,977,287 t	14,837,480	(1,849,212)
Futures	Short	NYSE LIFFE	Sugar#5	Feb/21 to Jul/21	23,200 t	46,311	(2,750)
Options	Short	ICE	Sugar#11	Feb/21	133,001 t	5,857	(6,716)
Options	Short	OTC	Sugar#11	Apr/21	31,294 t	7,635	(9,755)
Futures	Short	OTC	Sugar#11	Apr/21 to Feb/21	232,878 t	322,435	(67,673)
Futures	Short	ICE	Sugar#11	Mar/21	30,858 t	53,242	(2,284)
Physical fixed	Short	ICE	Sugar#11	Jan/21 to Jun/23	289,772 t	421,007	1,446
Subtotal – sugar futures short position					10,718,290 t	15,693,967	(1,936,944)
Futures	Long	ICE	Sugar#11	Jan/21 to Sept/21	(5,466,135) t	(8,004,773)	1,349,255
Futures	Long	NYSE LIFFE	Sugar#5	Feb-21	(4,850) t	(10,056)	552
Options	Long	ICE	Sugar#11	Feb/21 to Feb/23	(184,921) t	(2,983)	938
Futures	Long	ICE	Sugar#11	Mar/21 to Oct/21	(30,745) t	(51,511)	3,354
Physical fixed	Long	ICE	Sugar#11	Jan/21 to Dec/21	(36,772) t	(65,693)	(703)
Subtotal – sugar futures long position					(5,723,423) t	(8,135,016)	1,353,396
Subtotal – sugar futures					4,994,867 t	7,558,951	(583,548)
Futures	Short	B3	Ethanol	Jan/21 to Mar/21	280,350 cbm	2,881,982	1,643
Futures	Short	CME	Ethanol	Jan/21 to Dec/21	450,445 cbm	1,410,181	(31,207)
Futures	Short	OTC	Ethanol	Jan/21 to Sept/21	524,154 cbm	477,743	(19,396)
Options	Short	CME	Ethanol	Jan/21 to Mar/21	53,750 cbm	2,327	(1,481)
Subtotal – ethanol futures short position					1,308,699 cbm	4,772,233	(50,441)
Futures	Long	B3	Ethanol	Jan/21 to Mar/21	(197,880) cbm	(2,092,221)	(955)
Futures	Long	CME	Ethanol	Jan/21 to Dec/21	(499,200) cbm	(1,589,690)	46,269
Futures	Long	OTC	Ethanol	Jan/21 to Mar/22	(554,175) cbm	(473,661)	41,204
Futures	Long	CME	Ethanol	Jan/21 to Mar/21	(35,850) cbm	(1,981)	3,562
Subtotal – ethanol futures long position					(1,287,105) cbm	(4,157,553)	90,080
Physical fixed	Short	CHGOETH NL	Ethanol	Jan/21 to Mar/22	971,116 cbm	2,034,798	(23,781)
Subtotal - physical fixed ethanol short position					971,116 cbm	2,034,798	(23,781)
Physical fixed	Long	CHGOETH NL	Ethanol	Jan/21 to Mar/22	(1,155,969) cbm	(2,435,848)	40,290
Subtotal - physical fixed ethanol long position					(1,155,969) cbm	(2,435,848)	40,290
Subtotal – futures and physical fixed ethanol					(163,259) cbm	213,630	56,148
Futures	Short	NYMEX	Gasoline	Jan/21 to Nov/21	522,156 cbm	915,535	(120,578)
Futures	Short	NYMEX	Gasoline	Jan/21 to Apr/21	302,100 cbm	565,003	(41,397)
Futures	Short	ICE	Gasoline	Apr/21 to Dec/21	65,190 cbm	102,089	(6,875)
Futures	Short	CME	Gasoline	Jan/21 to Feb/21	103,350 cbm	2,066	11,049
Options	Short	NYMEX	Gasoline	May/21 to Nov/21	166,950 cbm	34,714	(40,379)
Subtotal - Gasoline futures long position					1,159,746 cbm	1,619,407	(198,180)

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(continued)

Price risk: commodity derivatives outstanding at December 31, 2020							
Derivatives	Long/ Short	Market	Agreement	Maturity	Notional amount (units)	Notional amount (R\$ thousand)	Fair value (R\$ thousand)
Futures	Long	NYMEX	Gasoline	Jan/21 to Nov/21	(265,689) cbm	(486,622)	56,994
Futures	Long	NYMEX	Gasoline	Jan/21 to Apr/21	(273,321) cbm	(505,770)	41,989
Futures	Long	CME	Gasoline	Jan/21 to Mar/21	(60,000) cbm	(5,168)	(342)
Futures	Long	ICE	Gasoline	Jun/21 to Dec/21	(65,190) cbm	(102,700)	6,644
Options	Long	ICE	Gasoline	Jan/21 to Feb/21	(103,350) cbm	(3,284)	(8,592)
Options	Long	NYMEX	Gasoline	Jan/21 to Nov/21	(466,188) cbm	(72,774)	34,204
Subtotal - Gasoline futures short position					(1,233,738) cbm	(1,176,318)	130,897
Subtotal - Gasoline futures					(73,992) cbm	443,089	(67,283)
Physical fixed	Short	CCEE/OTC	Energy	Jan/21 to Dec/32	18,826,073 mhw	3,873,669	(290,146)
Physical fixed	Long	CCEE/OTC	Energy	Jan/21 to Dec/32	(18,826,073) mhw	(3,616,599)	466,797
Subtotal – futures and physical fixed energy					-	257,070	176,651
Futures	Long	NYMEX	Heating Oil	Jan/21 to Mar/21	(12,243) cbm	(18,089)	6,827
Futures	Long	NYMEX	Heating Oil	Jan/21 to Jun/21	(106,053) cbm	(197,150)	2,179
Futures	Long	NYMEX	Gasoline	Jan/21 to May/21	(86,337) cbm	(162,532)	4,588
Subtotal heating oil/gasoline futures long position					(204,633) cbm	(377,771)	13,594
Futures	Short	NYMEX	Heating Oil	Jan/21 to Feb/21	5,565 cbm	13,063	(3,102)
Futures	Short	NYMEX	Heating Oil	Jan/21 to Feb/21	361,884 cbm	719,284	(13,156)
Futures	Short	NYMEX	Gasoline	Jan/21 to Feb/21	203,361 cbm	379,417	(15,060)
Futures	Short	NYMEX	Jet	Jan/21 to Feb/21	40,068 cbm	29,581	(7,412)
Subtotal heating oil/gasoline short position					610,878 cbm	1,141,345	(38,730)
Subtotal heating oil/gasoline					406,245 cbm	763,574	(25,136)
Net exposure of commodity derivatives as at December 31, 2020						9,236,314	(443,168)
Net exposure of commodity derivatives as at March 31, 2020						6,097,400	1,905,331

(d) Exchange rate risk

This derives from the possibility of fluctuations in exchange rates used by the Group for revenue from exports, imports, debt flows and other assets and liabilities in foreign currency. The Group uses derivative operations to manage cash flow risks denominated in US dollars, net of other cash and cash equivalent flows. The derivatives positions used to hedge against the exchange rate risk are as follows:

Exchange rate risk: foreign exchange derivatives outstanding as at December 31, 2020							
Derivatives	Long/ Short	Market	Agreement	Maturity	Notional amount (US\$ thousand)	Notional amount (R\$ thousand)	Fair value (R\$ thousand)
Futures	Short	B3	Commercial Dollar	Jan/21 to Feb/21	626,250	3,254,434	(2,141)
Subtotal – futures short position					626,250	3,254,434	(2,141)
Futures	Long	B3	Commercial Dollar	Jan/21 to Feb/21	(621,250)	(3,228,450)	2,123
Futures	Long	B3	Commercial Dollar	Jan/21 to Apr/21	(114,750)	(596,321)	31,125
Subtotal - futures long position					(736,000)	(3,824,771)	33,248
Subtotal - futures long/short positions					(109,750)	(570,337)	31,107
Forward	Short	OTC/Cetip	NDF	Jan/21 to Apr/21	3,853,244	20,024,153	616,742
Forward	Long	OTC/Cetip	NDF	Jan/21 to May/21	(2,485,072)	(12,914,174)	(234,645)
Subtotal – forward – long/short positions					1,368,172	7,109,979	382,097
Exchange swap	Short	OTC	Exchange swap	Oct/21 to Jan/27	530,094	2,754,738	(1,350,735)
Exchange swap	Long	OTC	Exchange swap	Oct/21 to Jan/27	(2,600,745)	(13,515,294)	3,803,411
Subtotal - foreign exchange swap					(2,070,651)	(10,760,556)	2,452,676
Locked-in exchange	Short	OTC	Locked-in exchange	Jan/21 to Mar/21	22,090	114,795	(7,560)
Subtotal – Locked-in Exchange short position					22,090	114,795	(7,560)
Net exposure of foreign exchange derivatives at December 31, 2020					(790,139)	(4,106,119)	2,858,320

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Net exposure of foreign exchange derivatives at March 31, 2020	(1,937,439)	(10,072,161)	2,295,627
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At December 31, 2020, the summary of quantitative data on the Group's net exposure, considering the parity of all currencies to US\$, is presented below:

		12.31.2020
	R\$	US\$ (in thousands)
Cash and cash equivalents (Note 3)	1,648,283	317,179
Restricted cash (Note 5)	1,547,280	297,743
Foreign trade accounts receivable (Note 6)	1,323,908	254,759
Transactions with related parties (Note 11.a)	(361,561)	(69,575)
Trade accounts payable (Note 16)	(2,557,084)	(492,059)
Loans and financing (Note 18)	(15,251,062)	(2,934,759)
Lease liabilities (Note 17.b)	(387,074)	(74,485)
Derivative financial instruments (Note 27.d) (1)		790,139
Currency exposure, net		(1,911,058)
Derivatives settled in the month following closing (2)		(2,450)
Net foreign exchange exposure at December 31, 2020 (3)		(1,913,508)
Net foreign exchange exposure at March 31, 2020		(1,197,993)

(1) This refers to the notional amount of foreign exchange derivative operations.

(2) Maturity in January 2021, which was settled by reference to PTAX of the last day of the closing month.

(3) The adjusted net foreign exchange exposure will be substantially offset in the future with highly probable product export revenues and/or product import costs.

(e) Effects of hedge accounting

The Group formally designates its operations subject to hedge accounting for the purpose of hedging cash flows. The main hedges designated are sugar revenue, ethanol revenue, as applicable, cost of by-products and foreign currency debt.

Impacts recognized in the Group's equity and the estimated realization in profit or loss are as follows:

Instruments	Market	Risk	Realization period			12.31.2020	03.31.2020
			2020	2021/22	From 2022 onwards		
Futures	OTC / ICE	Sugar#11	40,731	(464,761)	(216,005)	(640,035)	862,063
Futures	B3 / NYMEX / OTC	Ethanol	(75,393)	(49,422)	-	(124,815)	303,960
Options	ICE	Sugar#11	27,426	(13,789)	-	13,637	135,346
Forward	OTC	FX	(454,799)	(132,554)	177,007	(410,346)	(1,400,747)
Swap	Debt	FX	-	-	(987,112)	(987,112)	(924,299)
Pre-export Financing	Debt	FX	-	-	(72,801)	(72,801)	(72,851)
			(462,035)	(660,526)	(1,098,911)	(2,221,472)	(1,096,528)
(-) Deferred taxes			157,092	224,579	373,631	755,302	372,820
Effect on equity			(304,943)	(435,947)	(725,280)	(1,466,170)	(723,708)

Changes in balances in other comprehensive income for the nine-month period ended December 31, 2020 are as follows:

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Cash flow hedge

Balance at March 31, 2020	(723,708)
Changes for the period:	
Fair value of commodity futures designated as hedge accounting	(1,719,399)
Fair value of foreign exchange forward designated as hedge accounting	265,152
Foreign exchange differences on debt contracts designated as hedge accounting	(62,772)
Gains (losses) on commodities/foreign exchange reclassified to operating income (loss) and other	392,075
Total changes for the period (before deferred taxes)	(1,124,944)
Effect of deferred taxes on equity adjustments	382,482
	(742,462)
Balance at December 31, 2020	(1,466,170)

Fair value hedge

As mentioned in Note 7, fair value hedge of inventories is intended to minimize any type of mismatch in profit or loss, marking to market both derivatives and inventories at fair value, with changes in MTM recognized under Cost of sales and services, and with such MTM having a positive impact for the nine-month period ended December 31, 2020 of R\$280,389 (negative impact of R\$6,055 at December 31, 2019). In the statement of financial position as at December 31, 2020, the balance of the fair value measurement of inventories is increased by R\$83,226 (decreased by R\$197,163 at March 31, 2020).

(f) Interest rate risk

The Group monitors fluctuations in variable interest rates related to certain debts, especially those linked to Libor and, when necessary, uses derivative instruments to minimize these risks. The positions of derivative financial instruments used to hedge against the interest rate risk are as follows:

Interest rate risk: Interest derivatives outstanding as at December 31, 2020							
Derivatives	Long/ Short	Market	Agreement	Maturity	Notional amount (US\$ thousand)	Notional amount (R\$ thousand)	Fair value (R\$ thousand)
Interest rate swap	Long	OTC	Interest rate swap	Dec/21 to Jun/30	(775,863)	(4,031,929)	561,151
Subtotal interest swap					(775,863)	(4,031,929)	561,151
Net exposure of interest derivatives in December/2020					(775,863)	(4,031,929)	561,151
Net exposure of interest derivatives in March/2020					(589,288)	(3,063,533)	194,958

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(g) **Credit risk**

A substantial part of the Group's sales is made to a select group of highly qualified counterparties.

Credit risk is managed by specific rules for customer acceptance, credit analysis and establishment of exposure limits per customer, including, when applicable, requirement of letter of credit from first-tier banks and capturing security interest on loans granted. Management considers that the credit risk is substantially covered by the allowance for expected credit losses.

Individual risk limits are established based on internal or external ratings, according to the limits determined by the Group management. The use of credit limits is regularly monitored. No credit limit was exceeded in the period, and management does not expect any loss arising from default of these counterparties in an amount that is higher than the allowance amount.

The Group operates commodity derivatives in the New York - NYBOT and NYMEX, Chicago - CBOT and CME and London - LIFFE commodity futures and options markets, as well as in the over-the-counter (OTC) market with selected counterparties. The Group operates commodity exchange rate derivatives and over-the-counter contracts registered with B3, mainly with major national and international banks considered Investment Grade by international rating agencies.

Guarantee margins (Restricted Cash, Note 5) - Derivative transactions on commodity exchanges (NYBOT, NYMEX, LIFFE and B3) require guarantee margins. The total combined consolidated margin deposited at December 31, 2020 amounts to R\$1,573,059 (R\$160,610 at March 31, 2020), of which R\$25,779 (R\$33,178 at March 31, 2020) in restricted short-term investments and R\$1,547,280 (R\$127,432 at March 31, 2020) in margin on derivative transactions.

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

Credit risk on cash and cash equivalents is mitigated through the conservative distribution of investment funds and CDBs that make up the item. The distribution follows strict criteria for allocation and exposure to counterparties, which are the main local and international banks considered, in their majority, as Investment Grade by the international rating agencies.

(h) **Liquidity risk**

Liquidity risk is that in which the Group may encounter difficulties in honoring the obligations associated with its financial liabilities that are settled with cash payments or with another financial asset. The Group's liquidity management approach is to ensure, as much as possible, that there will always be sufficient liquidity to meet its obligations upon maturity, under normal or stress conditions, without experiencing unacceptable losses or damaging its reputation.

As part of the liquidity management process, management prepares business plans and monitors their execution, discussing the positive and negative cash flow risks and assessing the availability of financial resources to support its operations, investments and refinancing needs.

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The table below states the main financial liabilities contracted by maturity:

	Up to 1 year	Up to 2 years	From 3 to 5 years	Above 5 years	Total
Loans and financing (1)	3,022,008	2,493,270	11,370,349	12,614,507	29,500,134
Trade accounts payable (Note 16)	9,311,281	-	-	-	9,311,281
Lease liabilities from third parties and related parties (1)	1,445,195	1,240,805	2,430,698	1,849,955	6,966,653
Derivative financial instruments (Note 27.b)	2,604,601	372,064	67,480	44,153	3,088,298
Related parties (Notes 1 and 2)	1,256,874	-	-	602,327	1,859,201
	<u>17,639,959</u>	<u>4,106,139</u>	<u>13,868,527</u>	<u>15,110,942</u>	<u>50,725,567</u>

(1) Undiscounted contractual cash flows.

(2) Except for lease liabilities with related parties.

(i) Fair value

The procedures for defining, measuring and recognizing the fair value of financial assets and liabilities remain the same as those disclosed in the annual financial statements as at March 31, 2020 (Note 27.i).

Fair value hierarchy

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

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

Financial instruments measured at fair value at December 31, 2020	Level 1	Level 2	Total
Short-term investments (Note 3)	-	1,790,933	1,790,933
Marketable securities (Note 4)	-	19,086	19,086
Restricted short-term investments (Restricted cash) (Note 5)	-	38,296	38,296
Derivative financial assets (Note 27.b)	1,891,005	4,173,596	6,064,601
Loans and financing (Note 18)	-	(17,757,050)	(17,757,050)
Derivative financial assets (Note 27.b)	<u>(2,431,655)</u>	<u>(656,643)</u>	<u>(3,088,298)</u>
Total at December 31, 2020	<u>(540,650)</u>	<u>(12,391,782)</u>	<u>(12,932,432)</u>
Total at March 31, 2020	<u>1,597,447</u>	<u>(11,274,207)</u>	<u>(9,676,760)</u>

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(j) Sensitivity analysis

The sensitivity analysis of the financial instruments' fair value, according to the types of risk considered significant by the Group, is presented below.

Assumptions for sensitivity analysis

The Group adopted three scenarios for its sensitivity analysis, one probable and two (possible and remote) that may have adverse effects on the fair value of its financial instruments. The probable scenario was defined based on the futures market curves for sugar, oil (heating oil), ethanol and the US dollar at December 31, 2020, corresponding to the balance of the derivatives' fair value on that date. Possible and remote adverse scenarios were defined considering adverse impacts of 25% and 50% on sugar price curves and US dollar, which were calculated based on the probable scenario.

Sensitivity table

(1) Changes in fair value of derivative financial instruments

		Impact on profit or loss (*)				
		Probable Scenario	Possible scenario +25%	Fair value balance	Remote scenario +50%	Fair value balance
<u>Price risk</u>						
Commodity derivatives						
Futures contracts and options:						
Purchase and sale commitments	Sugar price increase	(583,548)	(1,862,373)	(2,445,921)	(3,724,746)	(4,308,294)
Purchase and sale commitments	Gasoline price increase	(63,558)	(134,296)	(197,854)	(268,591)	(332,149)
Purchase and sale commitments	Ethanol price decrease	56,146	39,520	95,666	79,039	135,185
Purchase and sale commitments	Diesel and gasoline price increase	(28,860)	(199,365)	(228,225)	(398,730)	(427,590)
Purchase and sale commitments	Energy price increase	176,652	21,746	198,398	43,493	220,145
		(443,168)	(2,134,768)	(2,577,936)	(4,269,535)	(4,712,703)
<u>Exchange rate risk</u>						
Exchange rate derivatives						
Futures contracts:						
Purchase and sale commitments	R\$/US\$ exchange rate decrease	31,107	9,065	40,172	18,129	49,236
Forward and Locked-in exchange contracts:						
Purchase and sale commitments	R\$/US\$ exchange rate decrease	389,690	(2,846,172)	(2,456,482)	(5,692,344)	(5,302,654)
Purchase and sale commitments	AR\$/US\$ exchange rate fall	(15,153)	(106,580)	(121,733)	(213,162)	(228,315)
FX swaps:						
Purchase and sale commitments	R\$/US\$ exchange rate decrease	2,452,676	(2,647,173)	(194,497)	(5,294,346)	(2,841,670)
		2,858,320	(5,590,860)	(2,732,540)	(11,181,723)	(8,323,403)
<u>Interest rate risk</u>						
Interest derivatives						
Swap, locked-in exchange contracts, DI and NDF	Interest rate decrease	561,151	9,120	570,271	20,042	581,193
		561,151	9,120	570,271	20,042	581,193
Total		2,976,303	(7,716,508)	(4,740,205)	(15,431,216)	(12,454,913)

(*) Result projected to occur in up to 12 months from December 31, 2020.

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(2) Foreign exchange exposure, net

The probable scenario considers the position at December 31, 2020. The effects of the possible and remote scenarios that would be posted to the combined consolidated statement of profit or loss as foreign exchange differences are as follows:

		Foreign exchange difference effect			
		Possible scenario	Remote scenario	Possible scenario	Remote scenario
<u>Net foreign exchange exposure at December 31, 2020</u>		<u>+25%</u>	<u>+50%</u>	<u>-25%</u>	<u>-50%</u>
Cash and cash equivalents (Note 3)	1,648,283	412,071	824,142	(412,071)	(824,142)
Restricted cash (Note 5)	1,547,280	386,820	773,640	(386,820)	(773,640)
Foreign trade accounts receivable (Note 6)	1,323,908	330,977	661,954	(330,977)	(661,954)
Transactions with related parties (Note 11.a)	(361,561)	(90,390)	(180,781)	90,390	180,781
Trade accounts payable (Note 16)	(2,557,084)	(639,271)	(1,278,542)	639,271	1,278,542
Loans and financing (Note 18)	(15,251,062)	(3,812,766)	(7,625,531)	3,812,766	7,625,531
Lease liabilities (Note 17)	(387,074)	(96,769)	(193,537)	96,769	193,537
Impact on profit or loss for the period		<u>(3,509,328)</u>	<u>(7,018,655)</u>	<u>3,509,328</u>	<u>7,018,655</u>

(3) Interest rate sensitivity

At December 31, 2020, the probable scenario considers the weighted average floating interest rate of 4.00% p.a. on loans and financing, and for short-term investments and restricted cash, the CDI accumulated over the past 12 months of 2.76%. In both cases, simulations were performed with an increase and decrease of 25% and 50%. The combined consolidated results of this sensitivity analysis are presented below:

		Interest rate sensitivity			
		Possible scenario	Remote scenario	Possible scenario	Remote scenario
<u>Probable Scenario</u>		<u>+25%</u>	<u>+50%</u>	<u>-25%</u>	<u>-50%</u>
Short-term investments	48,648	12,162	24,324	(12,162)	(24,324)
Marketable securities	528	132	264	(132)	(264)
Restricted short-term investments (restricted cash)	1,061	265	531	(265)	(531)
Loans and financing	<u>(910,398)</u>	<u>(227,599)</u>	<u>(455,199)</u>	<u>227,599</u>	<u>455,199</u>
Additional impact on profit or loss for the period	<u>(860,161)</u>	<u>(215,040)</u>	<u>(430,080)</u>	<u>215,040</u>	<u>430,080</u>

(k) Capital management

The Group's objective when managing its capital structure is to ensure the continuity of its operations and finance investment opportunities, maintaining a healthy credit profile and offering an adequate return to its shareholders.

The Group has a relationship with the main local and international rating agencies, as shown below:

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Agency	Scale	Rating	Outlook	Date
Fitch	National	AAA (bra)	Stable	05/28/2020
	Global	BBB	Negative	05/28/2020
Moody's	National	Aaa.Br	Stable	12/09/2020
	Global	Baa3	Stable	12/09/2020
Standard & Poor's	National	brAAA	Stable	06/29/2020
	Global	BBB-	Stable	06/29/2020

The Raízen Group monitors its capital through a combined treasury management of its business, using a leverage ratio represented by debt divided by equity.

The Group's net debt is calculated as the total of loans and financing with the market, net of cash and cash equivalents, investments and trade notes held as collateral for debt items and derivative financial instruments taken out to hedge the indebtedness.

Financial leverage ratios at December 31 and March 31, 2020 were calculated as follows:

	12.31.2020	03.31.2020
Debt		
Loans and financing (Note 18)	24,567,372	25,327,370
(-) Cash and cash equivalents (Note 3)	(3,422,827)	(8,601,660)
(-) Marketable securities (Note 4)	(19,086)	(39,145)
(-) Short-term investments subject to financing (Note 5)	(12,517)	(50,460)
(-) National Treasury Certificates - CTN (Note 10)	(21,755)	(297,459)
(-) Exchange rate, interest rate and other derivative Swaps (Note 27.b)	(3,013,827)	(3,369,934)
	18,077,360	12,968,712
Equity		
Equity		
Attributable to the Group's controlling interests	11,429,271	11,364,386
Noncontrolling interests	369,729	365,717
	11,799,000	11,730,103
Total equity and debt	29,876,360	24,698,815
Financial leverage ratio	61%	53%

28. Supplementary retirement plan and other employee benefits

(a) Pension fund

Defined contribution

In the nine-month period ended December 31, 2020, the contribution amount recognized as an expense was R\$16,113 (R\$16,094 at December 31, 2019).

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Pension and healthcare plan of Raízen Argentina

Raízen Argentina, subsidiary of RCSA, granted pension plans to non-union employees with defined and non-financed benefit. These plans are effective, but closed to new participants since the end of 2014. The healthcare coverage of retired employees is an inherited and frozen benefit, whose cost is equally apportioned between the Company and the former employees.

(b) Profit sharing

The Group recognizes a liability and an expense for profit sharing based on a methodology that considers previously defined goals for employees. The Group recognizes a provision when it is contractually bound or when there is a past practice that has created a constructive obligation.

29. Business combination

Transactions occurred in the nine-month period ended December 31, 2020.

a) RZ Agrícola Caarapó Ltda.

As of December 31, 2020, RESA completed the price allocation of the assets acquired and liabilities assumed in the process of acquisition of RZ Agrícola Caarapó Ltda., as mentioned in Note 30 to the financial statements at March 31, 2020.

The main differences between preliminary and final gains on bargain purchase are shown below:

Changes	Total
Fair value of net assets	364,019
(-) Total cost of acquisition	(162,434)
Preliminary gain on bargain purchase	201,585
(-) Advances to supplier	(7,092)
(-) Property, plant and equipment (Note 14)	(4,355)
(=) Final adjustments – bargain purchase (Note 13 and 25)	(11,447)
Final gain on bargain purchase	190,138

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30. Supplementary cash flow information

(a) Reconciliation of changes in equity with cash flows from financing activities (FCF)

(Assets)/Liabilities	Short-term investments linked to financing (Note 5)	Loans and financing (Note 18) (2)	Lease liabilities	Related parties (1)	Dividends and IOE payable	Total
Balance at March 31, 2020	(50,460)	25,029,911	4,411,784	916,848	95,542	30,403,625
Transactions having an impact on Financial Cash Flow (FCF):						
Fundraising, net of expenses	-	3,501,370	-	-	-	3,501,370
Repayments of principal	-	(4,707,898)	-	-	-	(4,707,898)
Repayments of interest	-	(661,094)	-	-	-	(661,094)
Repayments of lease liabilities	-	-	(1,129,174)	(121,252)	-	(1,250,426)
Payment of dividends and IOE	-	-	-	-	(47,979)	(47,979)
Redemptions	38,810	-	-	-	-	38,810
Other	-	-	-	1,402	-	1,402
	38,810	(1,867,622)	(1,129,174)	(119,850)	(47,979)	(3,125,815)
Other non-FCF changes:						
Interest, monetary variation and foreign exchange differences, net	(666)	978,704	275,615	49,707	-	1,303,360
Changes in fair value of financial instruments (Notes 18 and 26)	-	376,888	-	-	-	376,888
Allocation of dividends and IOE	-	-	-	-	121,543	121,543
Additions, write-offs and remeasurement of lease liabilities	-	-	1,172,249	213,693	-	1,385,942
Foreign currency translation effect and other	(201)	27,736	4,292	(4,487)	(14,117)	13,223
	(867)	1,383,328	1,452,156	258,913	107,426	3,200,956
				-		
Balance at December 31, 2020	(12,517)	24,545,617	4,734,766	1,055,911	154,989	30,478,766

(1) Comprised of financial transactions, preferred shares and lease liabilities (Note 11.a).

(2) Stated net of CTN.

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(b) Non-cash transactions

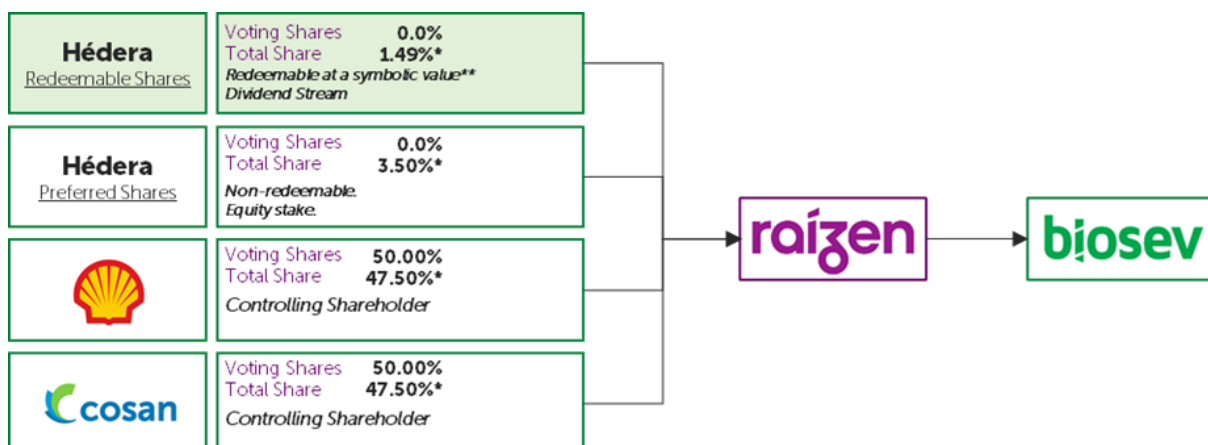
	Apr-Dec/20	Apr-Dec/19
Non-cash investing transactions		
Installments receivable due to sale of shares and formation of a joint venture	109,250	366,703
Right of use	(1,359,582)	(1,176,045)
Depreciation and amortization of agricultural assets capitalized as PPE	(40,348)	(60,979)
Depreciation of agricultural assets capitalized as biological assets	(21,841)	(18,549)
Interest capitalized on property, plant and equipment (Notes 14 and 26)	(33,414)	(25,325)
Additions to property, plant and equipment and other, net	(19,834)	1,815
	<u>(1,365,769)</u>	<u>(912,380)</u>

31. Events after the reporting period

Biosev S.A. acquisition by Raízen Group

On February 8, 2021, Raízen Group entered into an acquisition agreement with Biosev SA (“Biosev”) and Hédera Investimentos e Participações SA (“Hédera”), as the controlling shareholder of Biosev, among other parties, through of which the Raízen Group has agreed to, subject to the terms and conditions established therein, acquire up to 100% of the shares issued by Biosev.

The acquisition involves an exchange of shares, with the issue of 3.5% of non-redeemable preferred shares without voting rights, 1.4999% of preferred shares redeemable at symbolic value and without voting rights, all issued by the companies of Raízen Group, and a cash payment in amount of R\$ 3,600,000. Thus, the shareholding structure after the acquisition of Biosev will be as follows:



* The stock participation percentages represented in this structure chart are mathematically rounded.

** After the redemption of the (Temporary) Shares, participation in the total capital of Shell and Cosan will increase respectively to 48.25%.

The acquisition is subject to the satisfaction of certain conditions established in the acquisition agreement. Among others, the main conditions are: (i) Biosev should conduct a restructuring of its current financial indebtedness; (ii) Biosev should conduct a corporate restructuring that will lead Biosev to no longer have its shares traded on the stock exchange; and (iii) Approval of the Transaction by the Administrative Council for Economic Defense - CADE.

* * *