

Consolidated Financial Statements

Tereos Açúcar e Energia Brasil S.A.

March 31, 2023

with Independent Auditor's Report

A free translation from Portuguese into English of Independent Auditor's Report on Consolidated Financial Statements prepared in Brazilian currency in accordance with accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB)

Independent auditor's report on consolidated financial statements

To the
Shareholders and Board of Directors of
Tereos Açúcar e Energia Brasil S.A.

Opinion

We have audited the consolidated financial statements of Tereos Açúcar e Energia Brasil S.A. (the "Company"), which comprise the consolidated statement of financial position as at March 31, 2023, and the consolidated statement of operations, of comprehensive income (loss), of changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Tereos Açúcar e Energia Brasil S.A. as at March 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB).

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the current year. These matters were addressed in the context of our audit of the consolidated financial statements and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter, including any commentary on the findings or outcome of our procedures, is provided in the context of the consolidated financial statements.



We have fulfilled the responsibilities described in the “Auditor’s responsibilities for the audit of the consolidated financial statements” section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Fair value measurement of biological assets

As mentioned in Notes 2.10, 10 and 20 to the consolidated financial statements, the fair value measurement of biological assets is based on valuation techniques supported by an unobservable and liquid market, with assumptions that consider internal and external inputs, mainly related to the expected productivity, projected average prices for Total Recoverable Sugar (“ATR”), and cash flow discount rates.

Adjustments to the assumptions applied in the calculation of biological assets can potentially have significant impacts on the consolidated financial statements in “Biological assets” under current assets and in “Cost of products sold” in the statement of operations for the year. Due to the inherent risks in the subjectivity of certain assumptions that require the Company’s management to exercise judgment and that may have a significant impact on measuring the fair value of biological assets and, consequently, on the consolidated financial statements as a whole, this was considered a key audit matter.

How our audit addressed this matter:

Our audit procedures included, among others, understanding and analysis of the model adopted for estimating the biological assets’ fair value; involving valuation experts to assist us in the analysis and review of the adequacy of the key assumptions applied to determine the fair value of biological assets, including the productivity of sugarcane fields, the planted areas and the discount rate; comparison of the productivity assumptions with available internal and external historical information; sensitivity analysis of the significant assumptions applied; assessing the adequacy of the disclosures in the respective notes to the consolidated financial statements as at March 31, 2023.

Based on the results of the audit procedures performed for testing the fair value measurement of biological assets, which are consistent with Company’s management assessment, we considered that the criteria and assumptions adopted by the Company’s management for the fair value measurement of biological assets, as well as the respective disclosures related to this matter in Notes 2.10, 10 and 20, are acceptable in the context of the consolidated financial statements.



Valuation of financial instruments, including derivatives, and designation of hedge accounting

As mentioned in Notes 2.12, 2.15, 2.16, 19 and 20 to the consolidated financial statements, the Company's management has strategies in place to hedge its future cash flows from the impact of significant variables, such as fluctuations in exchange rates, interest rates and price volatility in the commodities market. These strategies consist of entering into specific derivative financial instruments for each type of risk (futures, swap, forward, among others). Some of these financial instruments are designated as hedged items underlying a specific documented risk, for the purpose of recognizing at the same time the result of the impacts of the instrument (derivative and non-derivative) and the related hedged item, which is known as "hedge accounting".

This matter was considered significant for our audit due to the complexity of the estimates and the high degree of judgment involved in measuring the fair value of financial instruments, including derivatives, as well as in determining a hedge relationship and its effectiveness, and the significant impacts on the financial statements that changes in the assumptions adopted for measuring financial instruments and hedge designations may generate.

How our audit addressed this matter:

Our audit procedures included, among others, understanding and analysis of the models adopted by the Company's management for assessing the valuation of financial instruments, including derivatives and designation of hedge accounting; obtain external confirmation from financial institutions; involving experts in financial instruments to assess the adequacy of the supporting documentation of hedge relationships, as well as the reasonableness of the main assumptions used to calculate the fair value of derivative financial instruments, using information on recent market transactions, the discount rate and credit risk of the Company and its counterparties; assessing the adequacy of the disclosures in the respective notes to the consolidated financial statements as of March 31, 2023.

Based on the results of the audit procedures performed for the valuation of financial instruments, including derivatives and the designation of hedge accounting, which are consistent with Company's management assessment, we considered that the criteria and assumptions used to determine the valuation of financial instruments, including derivatives and designation of hedge accounting adopted by the management of the Company, as well as the respective disclosures related to this matter in Notes 2.12, 2.15, 2.16, 19 and 20, are acceptable in the context of the consolidated financial statements.



Other matter

Individual financial statements

The Company's management prepared a complete set of individual financial statements for the year ended March 31, 2023, in accordance with accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB), presented separately, for which a separate unmodified auditor's report was issued dated June 29, 2023.

Other information accompanying the consolidated financial statements and the auditor's report

Management is responsible for such other information, which comprise the Management Report.

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

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

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

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

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

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

Auditor's responsibilities for the audit of consolidated financial statements

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

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

- Identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and its subsidiaries' internal control.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluded on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and its subsidiaries' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



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working world

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

São Paulo, June 29, 2023

ERNST & YOUNG
Auditores Independentes S/S Ltda.
CRC-SP-034519/O

A handwritten signature in blue ink, appearing to read 'Marcos Alexandre S. Pupo', is written over the printed name and title.

Marcos Alexandre S. Pupo
Accountant CRC-SP-221749/O



MANAGEMENT REPORT

TEREOS AÇÚCAR E ENERGIA BRASIL S.A.

For the year ended 31 March 2023

This is a convenience translation from the original management report of Tereos Açúcar e Energia Brasil S.A. for the year ended 31 March 2023 previously issued in Portuguese.



MANAGEMENT REPORT

For the year ended 31 March 2023

In compliance with legal and statutory rules, the Management of Tereos Açúcar e Energia Brasil S.A. (“Company” or “Tereos” or “TAEB”) submits the Management Report and the Consolidated Financial Statements, for the year ended on 31 March 2023, prepared in accordance with IFRS (International Financial Reporting Standards) issued by the *International Accounting Standards Board (IASB)* and accounting practices adopted in Brazil, accompanied by the respective Independent Auditor's Reports.

MESSAGE FROM MANAGEMENT

The 22/23 crop was marked by the reconstruction of sugarcane crushing volume and the achievement of record financial indicators for the Company: Best adjusted EBITDA in history, 2nd highest recurring EBIT and 2nd lowest level of financial leverage.

Investments in planting and improvements in agricultural practices, combined with better distribution of rainfall, resulted in a 10.3% increase in total sugarcane processed compared to the previous crop, against a 4.6% increase registered in the South Center region. The increase was driven by productivity and according to a survey issued by the CTC (Centro de Tecnologia Canavieira), in the 22/23 crop, Tereos occupied the second-best position in terms of productivity, reaching 10.1 TAH (t of TRS/ha) and the better TSH (tons of sugarcane per hectare) in first-cut sugarcane, among groups with crushing above 10 million tons.

Added to this, with a more favorable sugar price scenario, the company was able to direct 67% of its cane to sugar production, compared to a mix of 46% in the South Center. The combination of the positive effects of the production mix and sugarcane volume paved the way for record results.

Confirming our commitment to reducing the environmental impact and taking advantage of the potential of our raw materials, in the 22/23 crop, Tereos started operations at the first biogas plant at the Cruz Alta unit, with an installed capacity of 1MW and production potential of biogas and electric power generation through vinasse biodigestion.

We published our second sustainability report in the GRI standard (*“Global Reporting Initiative”*), in which we defined priority topics aligned with Tereos global pillars and long-term goals. In the 22/23 crop we increased by 10 p.p. the volume of sugarcane processed with sustainability seals (Bonsucro and FSA/SAI), totaling 52%. In addition, we reduced water consumption per ton of sugarcane by 11% compared to the previous crop. In 2022, Tereos also received CARB certification for the sale of ethanol in California (USA), with the best Carbon Intensity (CI) result among certified sugarcane ethanol producers in Brazil, enabling a continuous advance in the volume of ethanol exports, which reached around 20% of total production for the 22/23 crop.

In order to gain agility, logistical predictability and the standardization of indicators, in April 2022 we officially launched the Agroindustrial Operations Center (COA). The project was divided into two phases, the first that focused on optimizing the structure of trucks and diesel consumption with a guarantee of adherence to the harvest plan, and the second, scheduled for the next three years, with a focus on agricultural connectivity, organization of data in *data lake* and increased scope of the center with innovation (new systems and partnerships with *agtechs*).

In line with our commitment to sustainable growth, Tereos also raised a new green loan of US\$143 million, with a five-year maturity, linked to the reduction of greenhouse gas emissions, reduction of water consumption, increase in the percentage of certified sugarcane and improvement of health and safety at work indicators. This transaction was the fifth green financing obtained by the Company, which, together, have already totaled R\$2.3 billion since 2020, representing around 50% of our outstanding gross debt.

Reinforcing our focus, our employees and organizational climate management, in July 2022 Tereos Açúcar e Energia Brasil S.A. received the GPTW certification (*Great Place to Work*) and joined companies with a high level of quality in the work environment and organizational culture. The certification was obtained through a climate survey carried out with company employees and recognizes the company's initiatives focused on people management, as well as to reinforce the Tereos Group's commitment to the well-being of its employees.

With all these initiatives, we reinforce the confidence we have in the Tereos' team and we are sure that we are following a path of solid deliveries, in line with the expectations of the Tereos Group.

Your usual contacts at Tereos are available for any questions or clarifications.

1. Business overview

The Company is a privately held corporation, fully controlled by the Tereos Group, headquartered in France through NewCo Tereos Internacional (BR) Ltda., with a 56% interest in Brazil and with Tereos Participations SAS also as a shareholder. The Company has seven industrial units located in the northwest of the state of São Paulo.

On 31 March 2023, the shareholders of Tereos Internacional S.A. approved the total spin-off of the mentioned entity, in which the international assets were merged into NewCo Tereos Internacional FR in France and the remaining balances of Tereos Internacional S.A. were merged into NewCo Tereos Internacional (BR) Ltda., which succeeded all the assets and rights of Tereos Internacional S.A. As a result, TAEB became controlled by NewCo Tereos Internacional (BR) Ltda.

2. Sugarcane and ethanol market

Below, is presented the main data related to the sugarcane and ethanol market for the 22/23 crop and all the variations presented are comparative with the 21/22 crop (previous crop), unless otherwise stated.

According to UNICA (União da Indústria de Cana-de-Açúcar), the South Center region of Brazil ended the crop with a total crushing of 548 million tons of sugarcane, which represented an increase of 4.6% compared to the 21/22 crop, as a result of the recovery in productivity influenced by more favorable weather. In the 22/23 crop, the same region produced 34 million tons of sugar (5% increase) and 29 billion liters of ethanol (5% increase), of which 12 billion liters of anhydrous ethanol (12.7%) and 16.6 billion liters of hydrous ethanol (0.6% reduction). The production mix was practically stable at 46% for sugar, compared to 45% in the previous crop, with an increase of 1 pp. as a result of marketing and tax issues that made sugar more profitable than ethanol.

In the 22/23 crop, raw sugar prices reached an average price of R\$2,445 per ton against R\$2,059 per ton in the previous crop, representing an increase of 19%, mainly driven by the restricted global supply.

Tereos ended the 22/23 crop with a crushing of 17.3 million tons of sugarcane (11% increase) and a production mix of 67% dedicated to sugar - the highest ever recorded by the Company. A total of 1.6 million tons of sugar were produced (15% increase), 480 thousand m³ of ethanol (a 10% decrease in this number, due to Tereos' strategy of maximizing sugar production) and 853 thousand MWh of energy were exported (10% increase). Regarding the total recoverable sugar (TRS) processed, there was an increase of 7%, totaling 2.4 million tons. The improvement in operational indicators when compared to the 21/22 crop shows the recovery in productivity and reinforces the growth expectation for the 23/24 crop. In addition to the evolution in operational indicators, Tereos achieved an 18% increase in its net revenue, which reached R\$5.2 billion, driven by the recovery in volume combined with better prices, in addition it reached its record EBITDA, at R\$1,434 million¹ (31% increase).

¹ Includes R\$176 million related to the effects of IFRS 16 / CPC 06 (R2)

3. Economic and Financial Indicator

KPIs - (millions of R\$)	Crop 22/23	Crop 21/22	Var (%)
Revenue	5,204	4,416	18%
EBITDA (Adjusted)^{1 2}	1,258	937	34%
<i>EBITDA Margin (Adjusted)</i>	<i>24%</i>	<i>21%</i>	<i>+3 pp.</i>
EBIT¹	478	319	50%
<i>EBIT Margin</i>	<i>9%</i>	<i>7%</i>	<i>+2 pp.</i>
Total Assets	8,549	9,633	-11%
Equity	1,885	2,370	-20%
Net Debt ^{1 3}	3,163	3,151	0%
Current Liquidity	1.2x	1.5x	-21%
Cash / Short-term debt ^{1 3}	0.9x	1.5x	-44%
Net Debt ^{1 3} / EBITDA (Adjusted) ^{1 2}	2.5x	3.4x	-25%

¹ Does not consider effects of IFRS 16 / CPC 06 (R2)

² Does not consider impairment effects

³ Does not consider loans receivable from related parties

The Company chooses to use adjusted EBITDA, in order to provide the information that best reflects its operating cash flow and performs the reconciliation as per the table below.

EBITDA reconciliation - (millions of R\$)	Crop 22/23	Crop 21/22	Var (%)
Net income (loss)	(516)	(178)	> 100%
Income taxes	(257)	(5)	> 100%
Share of profit of associates	7	(10)	<100%
Net financial expenses	452	534	-15%
Amortisation	939	821	14%
Impairment provision	824	-	at
Gain on disposal of assets	(26)	-	at
Fair value on biological assets ¹	10	(71)	<100%
Impact of IFRS 16 / CPC 06 (R2)	(176)	(156)	13%
Others	(1)	1	<100%
EBITDA (Adjusted)	1,258	937	34%
Cash flow hedge	192	245	-21%
Tilling costs	345	313	10%
EBITDA (Adjusted) – Market practice	1,794	1,493	20%

¹ Considering biological assets fair value from cashflow statement and change in variation in finished goods - FV harvested

As required by accounting standard IAS 36 (CPC 01 (R1)), Tereos performed the annual impairment test and recorded a significant loss of R\$752 million in the “Goodwill” line for the year ended 31 March 2023, as a result of lower levels of sugar prices prior to the recent rise and a higher average cost of capital due to high interest rates in Brazil. This adjustment has no cash impact and does not change the Company's ability to generate results. As previously mentioned, in the 22/23 crop we delivered record results.

3.1. Dividends

The Company adopts the policy of declaring and paying dividends, each fiscal year, in the minimum amount of 25% of the net income for the year, adjusted pursuant to paragraph 202 of Law 6,404/76 and in accordance with its Bylaws.

The calculation of the minimum dividend is based on the Company's net income and distribution is only allowed if reserves in equity are positive. Considering that reserves as of 31 March 2023 are negative, no minimum payment will be proposed to the shareholders' Meeting.

4. Investments

Investments - (millions of R\$)	Crop 22/23	Crop 21/22	Var (%)
Planting	423	341	24%
Intercrop maintenance	301	317	-5%
Improvements, maintenance and expansions	201	160	26%
Total investments	925	817	13%

The increase in investments in planting, improvements, maintenance and expansions was mainly due to inflation and the commitment to renovate our agricultural areas, which were severely impacted by the weather conditions of the 21/22 crop year. On the other hand, despite the impacts of inflation, the expenditures with intercrop maintenance decreased due to the shorter crushing period of the 22/23 crop.

5. Debt (resources sources)

The Company ended the 22/23 crop year with a net debt of R\$3,163 million, which remained at the level of the 21/22 crop year and presented a 25% reduction in the net debt x adjusted EBITDA ratio, which reached 2.5x. At a constant exchange rate, net debt in SF 22/23 would be R\$134 million lower, with leverage of 2.4x.

Debt - (millions of R\$)	Crop 22/23	Crop 21/22	Var (%)
Gross debt BRL	2,550	3,345	-24%
Gross debt USD	2,125	1,653	29%
Total gross debt¹	4,675	4,997	-6%
Cash and cash equivalents BRL	(1,371)	(1,406)	-3%
Cash and cash equivalents USD	(142)	(440)	-68%
Total cash and cash equivalents	(1,513)	(1,846)	-18%
Total net debt¹	3,163	3,151	0%
Net Debt / EBITDA (Adjusted)	2.5x	3.4x	-25%

¹ Does not consider effects of IFRS 16 / CPC 06 (R2) and does not consider loans receivable from related parties

6. ESG (Environmental, Social and Governance)

The Tereos Group has been a signatory to the United Nations Global Compact since 2017. Launched in 2000, it is the most important global initiative in terms of sustainable development and provides a voluntary commitment framework for organizations that wish to advance in their approaches to socio-environmental responsibility.

The pact consists of voluntarily aligning the operations and strategies of organizations around the world with ten universally accepted principles in the area of human rights, international labor standards, the environment and the fight against corruption.

To optimize the environmental and social impacts of our business model, our sustainable development strategy is built on pillars that involves the entire value chain. In 2022, we published the second sustainability report in the GRI standard (*“Global Reporting Initiative”*) of Tereos Açúcar and Energia Brasil S.A., after the materiality study, carried out in 2021, where it was possible to define priority themes aligned with Tereos' global pillars, linked to goals of long-term. In addition, we formed committees to direct strategic actions for each identified topic, and support the decision-making of the Executive Sustainability Committee, namely: Water Committee, Diversity Committee, Sustainable Supply Chain Committee, Climate Change Committee, Social and Environmental Responsibility Committee and Circular Economy Committee.

6.1. Sustainable Supply Chain

Tereos presents strong links with the agricultural world, both in France, where farmers are cooperative members, and in Brazil, where we maintain close ties with our raw material suppliers.

Most of our agricultural raw material (sugarcane) comes from our own production and just under half comes from direct suppliers, which allows us to influence production conditions. To meet climate and demographic challenges, our priority is to combine our revenue growth with reducing our carbon footprint in the field.

Day after day, through agronomic consulting, we help farmers to choose sugarcane varieties and promote new sustainable and competitive agricultural practices. We created the Agricultural Sustainability Manual to help them understand good environmental practices and safety on rural properties, and within the *“Amigo Produtor”* relationship program, we created the seal *“Amigo Produtor Sustentável”* (APS), which combines training and monitoring aimed at greater agronomic and the implementation of sustainable practices.

Committed to sustainable agricultural practices and supported by the APS, our suppliers have adhered to rigorous production certification standards using the Sustainable Agriculture Initiative (SAI), an organization that supports the development of socially and environmentally responsible agriculture with an assessment tool (FSA – Farm Self-Assessment Questionnaire). In 2018, with our support, we had the first sugarcane producer verified based on the FSA/SAI (Sustainable Agriculture Initiative) methodology. By March 2023, 12 producers had gone through this process. Currently, 18% of sugarcane from suppliers undergoes FSA/SAI assessment.

The sugarcane itself is certified by Bonsucro, internationally recognized for attesting to sustainable sugar-energy production. Six of our units have already received certification.

We ended the 22/23 crop with 52% of the total cane processed with sustainable certification (Bonsucro and FSA/SAI) and we are committed to gradually increasing this result.

At our units, we assess the nutrient cycle and soil conservation to ensure the productivity and longevity of our sugarcane fields. Currently, we rotate crops to fix nitrogen and produce green mass to replace soil organic matter. In addition, we also reuse industrial by-products, such as vinasse and filter cake, as well as reuse the straw left in the field after harvesting to further enrich the quality of the soil.

We have a consolidated agricultural technology development front and, with each crop, we incorporate new initiatives that contribute to the optimization of resources, such as precision agriculture, the use of UAVs (unmanned aerial vehicles) to assess areas, the constant study of more resistant varieties and a portfolio of high efficiency inputs.

6.2. Circular economy and climate change

The circular economy logic allows us to improve environmental performance, reducing our greenhouse gas emissions and increasing the use of renewable materials, while improving our industrial and commercial performance. Today, in addition to the use of vinasse and filter cake in our sugarcane fields and the cogeneration of electricity using sugarcane bagasse, the Company began, in the 22/23 crop, the operation of its first biogas plant in the country, located at the unit Cruz Alta, in Olímpia (SP), with capacity to generate electricity through vinasse biodigestion. The main objective of this initiative is to replace the supply of diesel with biomethane in our fleet of sugarcane trucks.

As a major industrial player, reducing our environmental impact and harnessing the potential of our raw materials are among our main responsibilities. Therefore, we place the circular economy at the heart of our practices to ensure that plant residues return to the production chain as new resources. Sugarcane has a record use in the sugar-energy sector, practically 100% of the material and by-products generated.

As a result of Tereos' efforts, including in Renovabio program, Tereos has one of the best scores in terms of energy efficiency among sugar-energy groups with crushing over 10 million tons.

In addition to industrial waste that is reused, we also manage food waste from our restaurants for use in our own compost bins and, later, for fertilization in our nurseries. This action resulted in a 27% reduction in waste sent to landfills. In addition, we apply reverse logistics to 22% of our packaging that goes to the retail market through recycling compensation by EuReciclo .

6.3. Water

Tereos also always seeks to increase the efficiency of its water management and reduce the consumption of the resource, supported by various initiatives. Taking care of the environment, and especially of water resources, is essential to guarantee a better and more sustainable future for everyone. There is also water circularity in the processing of sugarcane through the water contained in the plant, which in the industrial process is transformed into steam and is condensed to later be used in fertirrigation of sugarcane fields, among other uses. In the 22/23 crop, we reduced 11% of water consumption per ton of sugarcane compared to the previous crop. This reflects actions within this theme:

- **Water Committees:** monthly, internal meetings are held in order to implement actions to improve water consumption results. The company brings together people involved in these processes in different ways, to discuss ideas and develop solutions for the reuse of water and effluents. The committee also evaluates important operational indicators, such as water collection, the efficiency of the Sewage Treatment Stations and the targets for wastewater generation and collection for each of the units.
- **Eyes of the water ("Olhos D'água"):** a program for recovering springs in the hydrographic basins of the region through reforesting the areas around the springs to create favorable soil conditions for rainwater infiltration, improving the quality and increasing the quantity of water for the local area, among other activities.
- **Kaizen Projects:** Tereos invests in several projects aimed at more efficient water management and encourages the development of solutions at all industrial units to reduce consumption and create more conscious regarding the use of water resources. The company also has internal recognition practices for these initiatives, with a special focus on the sustainability of operations, such as the Tereos Excellence Award and the Kaizen Program. Every month, different areas of the company can register initiatives to improve water management through the Kaizen Program, with the aim of optimizing processes and achieving business objectives in a more sustainable way. In 2022, the company registered 23 kaizens focused on Water Management, which will make it possible to reduce consumption and, in the future, meet the 21.5% reduction target in 2029/30, compared to the base year 2017/18.

6.4. Socio-environmental certifications and seals

Combining high-performance agricultural practices with respect for the environment and food safety, Tereos has achieved important certifications, which require high quality standards throughout the entire production process. Our units operate in accordance with Management Systems that seek to meet market requirements and international standards. In addition, we continue to work to increase certification scopes and meet market demands.

Certification	Certification description	Cruz Alta	Severinia	Tanabi	Mandu	Andrade	São José	Vertente
BONSUCRO	Reduction of environmental and social impacts in the production of sugarcane, ethanol and biomass energy	●	●		●	●	●	●
RenovaBio	Brazilian system renewable source fuel certification program	●	●	●	●	●	●	●
Greener ethanol	It consolidates the goals assumed under the Agro-Environmental Protocol (2007) and reaffirms good practices that have already been adopted	●	●	●	●	●	●	●
EPA	Registration for export of ethanol to the USA		●	●		●		●
CARB	Certification for ethanol export to California			●				
I-REC	The International REC Standard (I-REC) serves as a global system for tracking the environmental attributes of energy and is the most reliable means of proving and tracking energy consumption from renewable sources, following various international standards. This is how those who consume renewable energy can make a conscious and evidence-based choice.	●		●	●		●	
KOSHER	Attests that the process and products follow the legal requirements and specific criteria of the Orthodox Jewish diet	●				●		
HALAL	Attests that the process and products follow the legal requirements and criteria determined by Islamic jurisprudence	●		●	●	●	●	●
ISO 22000	Food safety: defines the requirements of a food safety management system covering all organizations in the food chain, from "harvest to table"	●						
FSSC 22000	FSSC 22000 – <i>Food Safety System Certification</i> : aims to monitor safety in food production and distribution	●						
Organic	It certifies that the process and product follow the regulatory requirements determined by MAPA and the requirements of the certifying body	●						
GMP Plus	Animal feed safety: defines the requirements of a food safety management system for animal feed				●			
SMETA - Sedex	SMETA (<i>Sedex Members Ethical Trade Audit</i>): Good practices in ethical audit technique	●				●		●

6.5. Occupational health and Safety

Based on the best market practices and in line with our values, Tereos continually seeks to reduce total accident rates. In the 22/23 crop, the SEJA Program was developed and implemented, with three pillars (Risk Management, Management System and Leadership Accountability) so that we can obtain a better evolution of the safety culture in line with the best industrial benchmarks in Brazil.

Risk Management: divided into 4 layers, this pillar acts on the assessment of operational risks, risk and change management, risk management by tasks and individual risk perception in order to develop an effective and proactive risk management based on the risk groups that generate fatalities and permanent injuries. In each of the layers of this pillar, the focus will always be on high-level actions, which are Elimination and Replacement of Risk and Engineering Control.

Management System: in this pillar we work with a focus on management tools, follow-up of indicators in operational meetings, keeping the focus on definitive high-level solutions. The objective is to increase

effectiveness in mitigating the causes of events. The monitoring of the Safety Action Plans has also become more effective using, in all units, a set of digital management tools. In addition, efforts were made to simplify and digitize the Health and Safety Management System.

Accountability of Leadership: in this pillar we work on the development and empowerment of Leadership through the promotion of resources, tools, methodologies, guidelines and conditions. Developing Visible and Perceived Leadership (VFL) seeking to have a culture of high performance and excellence, free of occurrences with high potential. Within Leadership Responsibility, we have the *LíderVisit* program, which aims to bring our leaders in contact with our operation to achieve increasingly safer processes. In this way, the leaders were divided into multidisciplinary groups and periodically visit different areas and Units according to a pre-established schedule.

6.6. Social environmental responsibility

The Group is involved in various programs to support local populations, particularly in the areas of health, education and the environment:

- **Apiculture Project:** project created from the Coexistence Protocol, signed between SAA, UNICA, ORPLANA and Syngenta, with the aim of encouraging dialogue between farmers and beekeepers. Together, we seek ways that value the rational protection of crops, the pollination service performed by bees, the protection of bees and respect for beekeeping. We have already identified 439 apiaries of 57 beekeepers in 32 cities in the region of Tereos's seven units.
- **Eyes of the water ("Olhos D'água"):** 6 springs are included in the project, whereof 2 have already been recovered and 4 are under recovery.
- **Reforestation:** recovery of forest fragments with native tree seedlings, produced in the company's own nursery, in accordance with legal requirements, in compliance with the Forestry Code, in addition to support for public entities in municipalities close to Tereos' units. In the 22/23 crop, we recovered 493 hectares of native vegetation in the regions of the 7 units.
- **Seedling Nursery:** production of native seedlings for reforestation actions by the units, agricultural partners and public institutions. Around 180,000 seedlings are produced annually.
- **Energy donation:** Since 2012 we have donated electricity to supply the Antenor, Infantil and São Judas units, at the Hospital de Amor in Barretos/SP, a reference in cancer prevention and treatment. In 2022, Tereos signed a partnership to donate electricity to Hospital de Caridade São Vicente de Paulo, in Jundiá/SP.

6.7. People

The nature of our activities plays an important role in revitalizing the territories where we operate, with an impact on the agriculture, industry and logistics sectors. As a leading employer, Tereos is committed to developing qualified jobs, thus contributing to the economic and social development of the region where we operate.

People are at the heart of our development model and we are certain that it is our teams and our future talents that will enable us to achieve Tereos' ambitions today and tomorrow. We develop the skills and practices of each one, promoting a collaborative environment for all. In the 22/23 crop, a module focused on diversity and inclusion was applied in the development program, "Supervisors in action", in which approximately 80 supervisors participated. In addition, several conversation circles were held with focus groups throughout the Company, with the aim of making all hierarchical levels protagonists in the construction of an increasingly inclusive environment.

During the crop, we held several important events with the aim of bringing information, promoting welcoming and making the work environment increasingly aware and inclusive, such as:

- **2nd Diversity and Inclusion Week:** With relevant themes, such as “Behavior of New Generations”; profound provocations about “A Look Beyond Disability” in the corporate world; “Anti-racist Education”, among others.
- **1st Workshop for Women in Agribusiness:** It was attended by more than 300 women addressing topics such as professional growth, protagonism, career, in addition to sharing the life and career stories of successful women in agriculture.
- **“We Need to Talk About It” Campaign:** Encourages an effective approach to diversity and inclusion and seeks to combat harassment, prejudice and discrimination.

We are effectively managing diversity, equity and inclusion, advancing the ratio between men and women in all areas and positions. Our goal is to have 15% of women in the workforce by 2030, ensuring that every selection process has at least two women interviewed.

In addition, we want to reach 17.5% of women in leadership positions in the same period. In March 2022, a new sector, dedicated to the recovery of degraded areas through reforestation, was created with activities to be conducted and led by exclusively female groups. The teams, made up of around 40 women, work in all the company's units.

As a consequence of this culture of valuing people, we are proud to say that we closed the 22/23 crop with a total internal utilization rate of 67%. This number is even better when we consider only the leadership positions, reaching 82%.

6.8. Young Talents Program and *Pescar Project*

The Young Apprentice Program is aimed at young people with little or no professional experience and aims to train and develop technical and behavioral skills essential for entering the job market. The program allows young people to learn about processes and routines in our business units in a practical and targeted way, while receiving technical training at partner institutions.

During 2022/2023, 373 young apprentices were in training and in the learning process at our units.

Tereos has also had a partnership with *Pescar Project* for 11 years, which aims to educate and train young people in situations of socioeconomic vulnerability, promoting the transformation of their realities and, therefore, of society as a whole, through learning and entering the job market.

The *Pescar Project* is focused on development, learning and professional initiation in agro-industrial processes, training and preparing participants not only to enter the job market within the sugar-energy sector, but also offering great possibilities of becoming effective in one of our units. In this crop, 20 young people participated in the *Pescar Project* at our units.

6.9. Sustainable Financing

Continuing with Tereos' commitment to the ESG theme, the Company expanded the portfolio of “green” financing linked to sustainability goals, reaching around 50% of its bank financing and in the 22/23 crop year, Tereos also raised a new loan of 143 million dollars with a five-year maturity linked to the commitment to reduce greenhouse gas emissions, reduce water consumption, increase the percentage of certified sugarcane and improve health and safety indicators at work.

OTHER EXTERNAL AUDITING SERVICES

The Company's policy for contracting services not related to the audit of its consolidated financial statements, together with its independent auditors, is based on internationally accepted principles that preserve the auditor's independence, consisting of: (a) the auditor must not audit its own work, (b) the auditor must not exercise managerial functions in its client; (c) the auditor must not promote the interests of his client; and (d) the value of the services charged to the client should not cause the auditors to become financially dependent on their client.

In the year ended 31 March 2023, the Company did not pay fees to related parties of the external audit firm Ernst & Young Auditores Independientes S/S Ltda., restricting itself only to audit services.

CLOSING REMARKS

The Company would like to express its gratitude to everyone who collaborated to achieve the objectives established during the 22/23 crop. Especially to its shareholders, employees, customers, suppliers and agricultural and commercial partners.



CONSOLIDATED FINANCIAL STATEMENTS

TEREOS AÇÚCAR E ENERGIA BRASIL S.A.

For the year ended 31 March 2023

This is a convenience translation from the original consolidated financial statements of Tereos Açúcar e Energia Brasil S.A. for the year ended 31 March 2023 previously issued in Portuguese

CONSOLIDATED STATEMENT OF OPERATIONS OF TEREOS AÇÚCAR E ENERGIA BRASIL S.A.

(MILLIONS OF R\$)	Notes	For the year ended	
		31 March 2023	31 March 2022
Revenue	5	5,204	4,416
Cost of sales	6	(3,884)	(3,473)
Distribution expenses	6	(423)	(283)
General and administrative expenses	6	(310)	(289)
Other operating income (expense)	6	(900)	(29)
Operating income (expense)		(314)	341
Financial expenses	7	(742)	(737)
Financial income	7	290	203
Net financial income (expense)		(452)	(534)
Share of profit of associates	11	(7)	10
Net income (loss) before taxes		(772)	(183)
Income taxes	8	257	5
NET INCOME (LOSS)		(516)	(178)
<i>Attributable to owners of the parent</i>		<i>(525)</i>	<i>(220)</i>
<i>Attributable to non-controlling interests</i>		<i>9</i>	<i>42</i>
Earnings (loss) per share (R\$)	18	(0.8145)	(0.3404)

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

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS) OF TEREOS
AÇÚCAR E ENERGIA BRASIL S.A.**

(MILLIONS OF R\$)	For the year ended	
	31 March 2023	31 March 2022
NET INCOME (LOSS)	(516)	(178)
<i>Attributable to owners of the parent</i>	<i>(525)</i>	<i>(220)</i>
<i>Attributable to non-controlling interests</i>	<i>9</i>	<i>42</i>
Items that may subsequently be reclassified to profit or loss		
Cash-flow hedge reserve	93	450
<i>of which income tax effect</i>	<i>(48)</i>	<i>(231)</i>
Other comprehensive income (loss), net of taxes	93	450
TOTAL COMPREHENSIVE INCOME (LOSS)	(423)	272
<i>Attributable to owners of the parent</i>	<i>(436)</i>	<i>227</i>
<i>Attributable to non-controlling interests</i>	<i>13</i>	<i>45</i>

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF TEREOS AÇÚCAR E ENERGIA BRASIL S.A.

		As of	
(MILLIONS OF R\$)	Notes	31 March 2023	31 March 2022
ASSETS			
Cash and cash equivalents	19	1,513	1,846
Trade receivables	19	365	412
Inventories	9	264	321
Biological assets	10	707	623
Current financial assets with related parties	23	0	267
Other current financial assets	19	557	757
Current income tax receivables	8	36	36
Other current assets		8	4
Total current assets		3,448	4,264
Deferred tax assets	8	400	121
Non-consolidated investments	19	2	2
Non-current financial assets with related parties	23	266	1
Other non-current financial assets	19	210	207
Investments in associates	11	54	70
Property, plant and equipment	12	3,758	3,768
Goodwill	13	272	1,046
Other intangible assets	14	138	153
Total non-current assets		5,101	5,369
TOTAL ASSETS		8,549	9,633
LIABILITIES AND EQUITY			
Short-term borrowings	19	1,854	1,331
Trade payables	19	667	816
Other current financial liabilities	19	553	680
Current income tax payables	8	51	1
Other current liabilities		1	17
Total current liabilities		3,126	2,844
Long-term borrowings	19	3,117	4,043
Deferred tax liabilities	8	21	10
Long-term provisions	17	49	49
Non-current financial liabilities with related parties	23	254	238
Other non-current financial liabilities	19	98	81
Total non-current liabilities		3,539	4,420
Total liabilities		6,664	7,264
Issued capital	18	2,778	2,840
Reserves (accumulated loss)		(854)	(329)
Accumulated other comprehensive income (loss)		(135)	(224)
Equity attributable to owners of the parent		1,789	2,287
Non-controlling interests		96	83
Total equity		1,885	2,370
TOTAL EQUITY AND LIABILITIES		8,549	9,633

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(MILLIONS OF R\$)		For the year ended				
		TOTAL EQUITY attributable to the parent		TOTAL EQUITY attributable to NCI		TOTAL EQUITY
At 1 April 2021		2,059		38		2,097
Net income (loss)		(220)		42		(178)
Other comprehensive income (loss)		447		3		450
Comprehensive income (loss)		227		45		272
Other		1		0		1
At 31 March 2022		2,287		83		2,370
Net income (loss)		(525)		9		(516)
Other comprehensive income (loss)		89		4		93
Comprehensive income (loss)		(436)		13		(423)
Change in capital (note 4.2)		(62)		0		(62)
At 31 March 2023		1,789		96		1,885

(MILLIONS OF R\$)		Issued capital	Reserves (accumulated loss)	Cash-flow hedge	Accumulated OCI	TOTAL EQUITY
ATTRIBUTABLE TO THE PARENT	At 1 April 2021	2,840	(110)	(671)	(671)	2,059
	Net income (loss)	0	(220)	0	0	(220)
	Other comprehensive income (loss)	0	0	447	447	447
	Comprehensive income (loss)	0	(220)	447	447	227
	Other changes in Equity	0	1	0	0	1
	At 31 March 2022	2,840	(329)	(224)	(224)	2,287
	Net income (loss)	0	(525)	0	0	(525)
	Other comprehensive income (loss)	0	0	89	89	89
	Comprehensive income (loss)	0	(525)	89	89	(436)
	Change in capital (note 4.2)	(62)	0	0	0	(62)
At 31 March 2023	2,778	(854)	(135)	(135)	1,789	
ATTRIBUTABLE TO NCI	At 1 April 2021	0	46	(8)	(8)	38
	Net income (loss)	0	42	0	0	42
	Other comprehensive income (loss)	0	0	3	3	3
	Comprehensive income (loss)	0	42	3	3	45
	At 31 March 2022	0	88	(5)	(5)	83
	Net income (loss)	0	9	0	0	9
	Other comprehensive income (loss)	0	0	4	4	4
Comprehensive income (loss)	0	9	4	4	13	
At 31 March 2023	0	97	(1)	(1)	96	

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

CONSOLIDATED STATEMENT OF CASH FLOWS OF TEREOS AÇÚCAR E ENERGIA BRASIL S.A.

(MILLIONS OF R\$)	Notes	For the year ended	
		31 March 2023	31 March 2022
Net income (loss)		(516)	(178)
Share of profit of associates	11	7	(10)
Amortisation	6	939	821
Fair value adjustments on biological assets	10	6	(66)
Fair value adjustments through financial result		22	(11)
Gain (loss) on disposals of assets		(24)	35
Income tax expense (income)	8	(257)	(5)
Net financial expense		470	475
Impact of changes in working capital:		(16)	224
<i>of which decrease (increase) in trade receivables</i>		47	(106)
<i>of which (decrease) increase in trade payables</i>		(148)	229
<i>of which decrease (increase) in inventories</i>		59	(68)
<i>of which impact of changes in other items</i>		26	168
Change in other accounts with no cash impact (1)		994	271
Cash provided by (used in) operating activities		1,625	1,555
Income taxes paid		(31)	(35)
Net cash provided by (used in) operating activities		1,595	1,521
Acquisition of property, plant and equipment and intangible assets		(925)	(817)
Acquisition of financial assets		(5)	(9)
Change in loans and advances granted		5	3
Interest received		130	79
Proceeds from the disposal of financial assets		2	1
Dividends received		3	0
Net cash provided by (used in) investing activities		(790)	(743)
Borrowings issues	19	1,079	1,260
Borrowings repayments (2)	19	(1,829)	(1,791)
Financing interest paid		(406)	(349)
Change in financial assets with related parties		2	(20)
Change in financial liabilities with related parties		15	238
Net cash provided by (used in) financing activities		(1,138)	(663)
Net change in cash and cash equivalents, net of bank overdrafts		(333)	115
Cash and cash equivalents, net of bank overdrafts at opening	19	1,846	1,731
Cash and cash equivalents, net of bank overdrafts at closing	19	1,513	1,846
Net change in cash and cash equivalents, net of bank overdrafts		(333)	115

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

(1) The R\$ 994 million for the year ended 31 March 2023 comprises mainly the impairment of R\$ 752 million (note 16.2), the depreciation of Severinia's assets of R\$ 72 million (note 12) and recycling of financial instruments into net revenue of R\$ 173 million.

(2) Borrowings repayments line comprises lease payments under IFRS 16 (CPC 06 (R2)).

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1. Corporate information, basis of presentation, accounting standards and use of estimates and judgments

1.1 Corporate information

Tereos Açúcar e Energia Brasil S.A. (the “Company” or “Tereos” or “TAEB”) is a Brazilian company, primarily engaged in the cultivation of sugarcane and production and sale of sugar, ethanol, energy and other sugarcane by-products, agricultural undertakings, import and export of assets, products, power generation and raw materials and holding equity interests in other companies.

Sugarcane planted from August to November requires a ripening period of 12 months before harvesting, and the ripening period for sugarcane planted from January to May is 18 months. The harvest period normally extends from April to November. Production is sold throughout the year and is not subject to seasonal variations but only to usual market variations in supply and demand.

Currently, the Company and its subsidiaries (the “Group”) operate seven plants. The existing plants and their locations are as follows:

- Cruz Alta unit - Olímpia - SP.
- Severínia unit - Severínia – SP (note 4.1) – temporary closed.
- São José unit - Colina – SP
- Andrade unit - Pitangueiras - SP.
- Tanabi unit - Tanabi - SP.
- Mandu unit - Guaíra - SP.
- Vertente unit - Guaraci - SP.

The consolidated financial statements for the year ended 31 March 2023 were prepared by the Company and were authorised for issue by the Board of Executive Officers of the Company at its meeting on 29 June 2023.

The Company is a subsidiary of NewCo Tereos Internacional (BR) Ltda., a Brazilian entity headquartered in São Paulo, Brazil, a spin-off of Tereos International S.A. (“TI”), formerly TAEB’s controlling shareholder and Tereos Participations S.A.S., a French entity headquartered in Originy- Sainte-Benoîte, France.

Registered office: Rodovia Assis Chateaubriand, km 155 - Olímpia - São Paulo - Brazil.

1.2 Basis of presentation

The Group’s consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (IASB) and in accordance with accounting practices adopted in Brazil (“BRGAAP”), at 31 March 2023.

The BRGAAP include those established in the Brazilian Corporate Law as well as the Pronouncements, Instructions and Interpretations issued by the Brazilian Accounting Pronouncements Committee (“CPC”).

For the preparation of the consolidated financial statements the Company has adopted all the accounting pronouncements and interpretations issued by CPC.

The Group has initiated a plan to simplify its legal structure, in particular by merging Tereos Açúcar e Energia Cruz Alta S.A. into Tereos Açúcar e Energia Brasil in December 2022.

The consolidated financial statements include the following direct and indirect subsidiaries and associates:

- Tereos Açúcar e Energia Cruz Alta S.A. (“Cruz Alta”) – direct subsidiary with 100% interest (merger into Tereos Açúcar e Energia Brasil in December 2022);

- Usina Vertente Ltda. (“Vertente”) – direct subsidiary with 50% interest;
- Terminal Portuário de Paranaguá S.A (“Teapar”) – is an associate with direct participation with 35% interest;
- São José Agricultura Ltda. (“São José Agricultura”) – was an associate with direct participation with 32% interest (sold in November 2022 – note 4.2);
- Centro de Tecnología Canavieira S.A. (“CTC”) – is an associate through Tereos Açúcar e Energia Brasil and Vertente, with 4.42% interest;
- Tereos Commodities do Brasil S.A. – direct subsidiary with 81% interest.

The consolidated financial statements have been prepared on a historical cost basis, except for biological assets, derivatives and non-consolidated investments which are measured at fair value.

The accounting methods set out below have been applied consistently to all periods presented in the consolidated financial statements, and uniformly across Group entities.

The consolidated financial statements are presented in millions of Reais and all values are rounded to the nearest million except when otherwise indicated. In certain circumstances, this may lead to non-material differences between the sum of the figures and the sub-totals that appear in the tables.

The Group’s financial year runs from April 1st to March 31st.

In addition, the Group considered the guidelines issued by OCPC 07 Technical Guidance, issued by CPC in November 2014, in the preparation of its financial statements. Accordingly, the relevant information in the financial statements is being disclosed and corresponds to that used by management in its management.

1.3 Standards and interpretations compulsory at 1 April 2022

The following standards and interpretations and revised standards became effective at 1 April 2022 and have no material impact on the Group annual consolidated financial statements:

Standard or Interpretation	Standard / Amendment / Interpretation Name	Effective date*
Amendment to IFRS 3 (CPC 15 (R1))	Business Combinations	1/1/2022
Amendment to IAS 16 (CPC 27)	Property, Plant and Equipment	1/1/2022
Amendment to IAS 37 (CPC 25)	Provisions, Contingent Liabilities and Contingent Assets	1/1/2022
Amendment to IFRS 9 (CPC 48)	Financial Instruments	1/1/2022

* Effective for the financial year beginning on or after this effective date

In view of the expected disappearance of LIBOR rates, the Company has worked on the terms of its credit lines denominated in US dollars indexed to this LIBOR to consider solutions, such as indexing to SOFR for example. The Company does not anticipate any particular risk relating to the transition to the new benchmark index that will concern its debt and derivative contracts.

1.4 Standards and interpretations mandatorily applicable after 31 March 2023 with no early application elected by the Group

The following standards and interpretations that are mandatorily applicable after 31 March 2023 could have an impact on the Group's consolidated financial statements:

Standard or Interpretation	Standard / Amendment / Interpretation Name	Effective date*
Amendment to IAS 1 (CPC 26(R1))	Presentation of Financial Statements - Disclosure of Accounting Policies	1/1/2023
Amendment to IAS 8 (CPC 23)	Accounting Policies, Changes in Accounting Estimates and Errors	1/1/2023
Amendment to IAS 12 (CPC 32)	Income Taxes	1/1/2023
Amendment to IAS 1 (CPC 26(R1))	Presentation of Financial Statements - Classification of Liabilities, Non-current Liabilities with Covenants	1/1/2024
Amendments to IFRS 16 (CPC 06(R2))	Leases - Lease Liability in a Sale and Leaseback	1/1/2024

* Effective for the financial year beginning on or after this effective date

1.5 Use of estimates and judgments

In preparing the Group's consolidated financial statements, Management makes estimates and judgments, insofar as many items included in the financial statements cannot be measured with precision. Management revises these estimates and judgments if the underlying circumstances evolve or in light of new information or experience. Consequently, the estimates and judgments used to prepare the consolidated financial statements for the year ended 31 March 2023 may change in subsequent periods.

Management makes significant estimates in determining the assumptions used for accounting in the following areas:

Note	Estimate	Nature of disclosure
Note 8	Income taxes	Assumptions used for the recognition of deferred tax assets arising from the carry forward of unused tax losses.
Note 10	Biological assets	Key assumptions used to determine the fair value of standing cane (estimated yield, quantity of sugar per tonne of cane, sugar price...).
Note 12	Property, plant and equipment	Assumptions used to measure property, plant and equipment acquired in business combinations. Assumptions used to determine the useful life of the assets.
Note 13	Goodwill	Assumptions used to determine the fair value of the assets and liabilities acquired, the fair value of the consideration received and therefore the goodwill.
Note 16	Impairment tests	Level of grouping of CGUs for goodwill impairment tests. Key assumptions used to determine recoverable amounts: value in use (discount rate, perpetual growth rate, expected cash flows), market value (revenue and EBITDA multiples for comparable companies or transactions, cash flows)
Note 17	Provisions	Provisions for claims and litigation: assumptions underlying risk assessment and measurement.
Note 19	Financial instruments	Assumptions used to determine the fair value of the different categories of financial instruments and the calculation of expected credit losses.

2. Significant accounting principles

2.1 Consolidation

Subsidiaries are fully consolidated from the date of acquisition, i.e., the effective date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Entities are fully consolidated if the Group has all the following:

- power over the investee;
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect the amount of the investor's returns.

Control is deemed to exist when the Group has power:

- over more than one-half of the voting rights of the other entity by virtue of an agreement, in the meetings of the Members of the Board of Directors or equivalent governing body;
- to govern the financial and operating policies of the other entity under a statute or agreement;
- to appoint or remove the majority of the Members of the Board of Directors or equivalent governing body of the other entity.

The consolidated financial statements are prepared based on the financial statements of the consolidated subsidiaries, which are prepared for the same reporting period as the parent company. Adjustments are made when necessary to bring the accounting policies in line with those of the Group. All material intra-group balances, income and expenses, unrealised gains and losses and dividends resulting from intra-group transactions are eliminated in full.

A change in the ownership interest of a subsidiary without a change of control is accounted for as an equity transaction.

Losses are attributed to the non-controlling interest even if that results in a negative balance.

If the Group ceases to exercise control over a subsidiary, it:

- derecognises the assets (including goodwill) and liabilities of the subsidiary;
- derecognises the carrying amount of any non-controlling interest;
- reclassifies the foreign currency translation reserve, recorded in equity, to the statement of operations;
- reclassifies the parent's share of components previously recognised in other comprehensive income to statement of operations;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any gain or loss in the statement of operations

2.2 Associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the entity but is not control or joint control of those policies. Significant influence is presumed to exist when the percentage of voting rights exercisable by the Group exceeds 20% but does not lead to control or joint control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

When assessing an investor's power over an investee, potential voting rights are taken into account if they are substantive, i.e., if they confer upon the investor the practical ability to direct the relevant activities of the investee on a timely basis.

The Group's investments in its associates are accounted for using the equity method.

Under the equity method, the investment in the associate is initially carried at its acquisition cost determined at the acquisition date. After acquisition, the carrying amount of the investment in the statement of financial position is adjusted for the changes in Group's share of net assets, including comprehensive income for the period.

Goodwill relating to the associate is included in the carrying amount of the investment and is never amortised.

The statement of operations reflects the Group's share of the results of operations of the associate. Any change in other comprehensive income of those investees is presented in the consolidated statement of operations. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, where applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate. The aggregate of the Group's share of profit or loss of an associate is shown on the face of the statement of operations below operating profit and represents profit or loss after tax of the associate.

When it is possible, the financial statements of the associate are prepared for the same reporting period as the parent company. Where necessary, adjustments are made to bring the accounting policies into line with those of the Group.

If the Group's share in the losses of an associate is greater than or equal to its investment in the associate, including any unsecured receivables, the Group does not recognise any additional losses, unless it has an obligation to do so or has made already payments in the name of the associate.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on the Group's investment in its associates. At each reporting date, the Group determines whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying amount and recognises the amount in the statement of operations.

When an investment ceases to be an associate, the Group measures and recognises any remaining investment at its fair value. Any difference between the carrying amount of the associate on loss of significant influence and the fair value of the residual investment and proceeds from disposal is recognised in the statement of operations.

Entities over which the Group does not exercise significant influence are measured at fair value and classified as non-consolidated investments at fair value.

A list of associates at 31 March 2022 and 31 March 2023 is presented in note 11.

2.3 Transactions in foreign currencies

On initial recognition, transactions denominated in foreign currencies are translated into the subsidiary's functional currency at the exchange rate prevailing at the transaction date.

At year-end, financial assets and liabilities are translated at the year-end exchange rate, or at the hedged rate, if applicable. Foreign exchange differences resulting from these translations are recorded in the statement of operations under the heading "Financial income and expenses".

2.4 Business combinations and goodwill

Business combinations are initially measured using the acquisition method. The acquiree's assets, liabilities and contingent liabilities are measured at fair value on the acquisition date. The valuation differences identified on the acquisition date are recorded in the relevant asset and liability line items.

The residual difference between the acquisition cost of securities and the Group's share in the fair value assessment of identified assets and liabilities is recognised separately under "Goodwill" in the consolidated statement of financial position and assigned to the cash-generating units for which the benefits or the synergies of the acquisition are expected. Any excess (or "badwill") is recognised immediately in income as a gain on bargain purchase.

Goodwill recognised on the acquisition entities accounted for using the entity method is presented on the separate line "Investments in associates".

For each acquisition, the Group must choose between recognising the full amount of goodwill, regardless of the percentage of interest acquired, or the goodwill corresponding to the share acquired by the Group.

Acquisition costs of business combinations are expensed.

When the purchase price includes a conditional part, it is recognised at fair value at the acquisition date.

Any prior interest held in the acquiree before a take-over is reassessed at its fair value on the acquisition date and the related gain or loss is recorded in the statement of operations.

2.5 Non-current assets (or disposal groups) held for sale and related liabilities

Non-current assets (or disposal groups) and liabilities held for sale, and for which a sale is highly probable within twelve months, are classified under "Non-current assets (or disposal groups) classified as held for sale" and "Liabilities directly associated with non-current assets classified as held for sale" in the statement of financial position.

When several assets are intended to be sold during a single transaction, the group of assets (disposal group) is considered as a whole, as are the associated liabilities.

A sale is highly probable when Group Management is committed to a plan for the sale of the non-current asset or disposal group and an active programme to seek a buyer has been launched.

When a loss of control of a subsidiary is highly probable, all assets and related liabilities of the subsidiary are classified as held for sale, regardless of whether the entity will retain some interest in the former subsidiary after the sale.

Non-current assets (or disposal groups) classified as held for sale are measured at the lower of their carrying amount or fair value less costs to sell. Property, plant and equipment and intangible assets once classified as held for sale are no longer depreciated or amortised.

2.6 Intangible assets

Intangible assets include:

- patents acquired;
- recognised brands acquired that are distinguishable from other brands, whose value can be tracked over time;
- computer software;
- qualifying development expenses.

Acquired patents and computer software are measured at their acquisition cost and are amortised over their useful life. Software is amortised using the straight-line method over its expected useful life ranging from 1 to 5 years.

Brands with indefinite useful lives are not amortised and are subject to annual impairment tests.

Amortisation and impairment losses/depreciations are recognised in operating income.

In accordance with IAS 38 “Intangible Assets” (CPC 04 (R1)), research and development expenses are expensed in the year incurred, with the exception of qualifying development expenses that meet the capitalisation criteria outlined in the standard.

2.7 Property, plant and equipment

Property, plant and equipment are measured at cost (purchase price plus incidental costs needed to place the assets in service) or at production cost plus any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in a manner intended by the management except in the context of a business combination.

When certain components of property, plant and equipment acquired have different useful lives, the components approach is applied and these components are depreciated over their respective useful lives.

Expenses corresponding to the replacement or renovation of components of property, plant and equipment are recorded as a new asset, and the carrying amount of the components replaced is eliminated.

The Group performs regular major maintenance activities in its industrial facilities on an annual basis, with the purpose of inspecting and replacing components of property, plant and equipment. The annual major maintenance costs include labour, materials, external services, general and other overhead expenses incurred during the inter-crop period. The Group uses the built-in overhaul method to account for the annual costs of major maintenance activities.

The estimated cost of the portion of the total cost of an item of property, plant and equipment which must be replaced on an annual basis is recorded as a separate component of the cost of property, plant and equipment and is depreciated over its separate estimated useful life. It is then replaced in connection with the annual major maintenance activities. Regular periodic maintenance costs are expensed as incurred since the parts replaced do not enhance the performance of the asset.

In accordance with IAS 23 (CPC 20 (R1)), interest on loans used to purchase property, plant and equipment of a material individual amount and with a significant construction life are recognised as an increase in the asset’s acquisition cost. During the year, R\$ 13 million (R\$ 12 million at 31 March 2022) were capitalized at an average rate of 10.8% per year (8.4% per year at 31 March 2022).

Sugarcane plantation costs are part of property, plant and equipment. They are valued at cost and depreciated over their useful life.

Amortisation is calculated on a straight-line basis over the expected useful life of each asset:

Buildings	20-40 years
Fixtures and improvements to buildings	10-20 years
Technical installations, equipment and industrial tools	10-15 years
Bearer plant	5-6 years
Office equipment	5 years
Transportation equipment	5 years

2.8 Impairment of assets

In accordance with IAS 36 “Impairment of Assets” (CPC 01 (R1)), goodwill, property plant and equipment and intangible assets are subject to impairment tests whenever events or changes of circumstances indicate that their carrying amount may not be recoverable. Goodwill and intangible assets that have an indefinite useful life are subject to an impairment test, at least once a year or more frequently if there are indications of impairment. The Group performs annual impairment tests during the last quarter of its financial year.

For the purposes of measuring impairment, assets are combined into cash-generating units (CGUs). These CGUs correspond to the smallest groups of assets generating cash flows clearly independent from those generated by other CGUs.

Goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the business combinations in which the goodwill was recorded.

An impairment test consists of comparing the carrying amount of an asset, a CGU or a group of CGUs to its recoverable value, which is the higher of its fair value less costs to sell and value in use.

Value in use is obtained by adding the discounted pre-tax values of the cash flows expected from use of the asset (or group of assets) and the terminal value.

The recoverable amount is determined by reference to the value in use, using the discounted future cash flow model on the basis of medium-term plans, built over a 5-year horizon, drawn up by the management and reviewed by the Group's management, which take into account the assumptions for each activity and are based on market data, as well as on past performance. The assumptions made in terms of changes in sales and terminal cash flow are considered reasonable and in line with the market data.

The main assumptions and estimates are for sugar production: expected sugar sales prices, agricultural yields in the context of climate change, energy costs and raw materials and other macroeconomic factors.

Fair value less costs to sell corresponds to the amount that might be obtained from the sale of an asset (or group of assets) in an arm's length transaction, less costs directly related to the sale.

If the recoverable value is lower than the carrying amount of the asset (or group of assets), an impairment loss is recognised in the statement of operations for the difference and allocated first to goodwill. Impairment losses recognised against goodwill may not be reversed in subsequent periods.

2.9 Leases

Leases, as defined by IFRS 16 (CPC 06 (R2)) "Leases", are recognised in the statement of financial position as a property, plant and equipment, which corresponds to the right of use the leased asset during the term of the contract, and as a liability, which relates to the payment obligation.

For simplification purposes, and as permitted by the standard, lease contracts with a term of less than 12 months, as well as contracts for which the replacement value is lower than or equal to USD 5,000, have not been recognised in accordance with the above IFRS 16 (CPC 06 (R2)) rules.

The main lease contracts identified correspond to lands, vehicles machineries and certain properties.

Measurement of the right-of-use assets

At the signing date of a lease contract, the right-of-use is valued at cost and corresponds to the initial amount of the lease liability, adjusted, if necessary, for the amount of any prepaid or accrued lease payments recognised in the statement of financial position.

The right-of-use asset is amortised over the useful life of the underlying assets.

Measurement of the lease liabilities

When the contract is signed, the lease liability is recognised for an amount equal to the present value of the lease payments over the term of the contract.

The amount of the liability depends to a large degree on the assumptions used for the lease term and, to a lesser extent, on the discount rate. The Group's extensive geographic coverage means it encounters a wide range of different legal conditions when entering into contracts. The lease term generally used to calculate the liability is the term of the initially negotiated lease, taking into account early termination or extension options when these are likely.

The liability related to the lease contract is increased by the amount of the interest expense determined by applying the discount rate to the liability at the beginning of the period and is reduced by the repayments made.

The interest expense for the period as well as the variable payments not taken into account on initial measurement of the liability and incurred during the period in question, are recognised as expenses.

The liability can be remeasured when the term of the lease is revised, when there is a modification linked to the assessment of the reasonably certain (or uncertain) nature of the exercise of an option, or a revision of the rates or indices on which rents are based at the date of the adjustment.

2.10 Biological assets

IAS 41 – Agriculture (CPC 29), covers the accounting treatment of agricultural activities. Agricultural activity is the management of the biological asset's transformation for sale or into agricultural products. These biological assets (sugarcane and manioc) and the related agricultural products (harvested sugarcane and manioc) must be recognised at fair value less estimated expenses at the point of sale. To satisfy this measurement rule, the Group values its standing cane at fair value less cost to sell and classifies it in current biological assets.

Changes in fair value are recognised in the cost of goods sold.

The bearer plants are measured at historical cost, in accordance with IAS 16 (CPC 27), and recognised in the statement of financial position in property, plant and equipment.

2.11 Inventories

Physical inventories in the processing activities are valued at the lower of cost and spot prices prevailing at the end of the reporting period. Cost is determined using the weighted average method or the "first in, first out" method, depending on the product. In addition, inventories held for trading are measured at fair value less costs to sell.

On initial recognition raw materials and consumables are recognised at purchase price plus other expenses incurred in bringing the inventories to their present location and condition (transportation, commissions, among others).

Manufactured products are valued at production cost, including the cost of materials consumed, depreciation of production inputs, and direct or indirect production expenses excluding finance cost.

An impairment loss is recognised on inventories when:

- the gross value calculated as defined above exceeds the market value or realisable value;
- products have been subject to significant deterioration.

2.12 Financial assets

IFRS 9 (CPC 48) provides a single approach for the classification and measurement of financial assets, based on the characteristics of the financial instrument and the Group's management intention with the following results:

- financial assets with cash flows that are representative of the payment of principal and interest only are measured at amortised cost if they are managed only for the purpose of collecting these flows;
- in other cases, financial assets are measured at fair value through profit and loss, except for equity instruments (investments, etc.) not held for trading and with changes in value that, on election affect "other comprehensive income".

The impact of these principles on assets is reflected as follows in the Group's statement of financial position:

Financial assets include the following categories: non-consolidated investments, financial investments, loans and receivables and derivatives.

At the acquisition date, the Group determines the classification of the financial asset in one of these accounting categories.

Non-consolidated investments and financial investments at fair value

This category mainly includes non-consolidated equity investments and debt securities that do not meet the definitions of other categories of financial assets.

The Group has chosen to recognise the change in fair value of its equity investments in other comprehensive income because they meet the definition of equity instrument and are not held for trading except shares held in investment funds with changes in fair value recognised in financial income and expense.

Investments are recorded at fair value at the closing date. Securities that have no quoted market price in an active market and if their fair value cannot be reliably measured are carried at cost less impairment losses generally calculated on the proportion of capital held.

Loans and receivables

Trade and other receivables and loans are recorded at amortised cost, which corresponds to their nominal value. The portion of receivables and loans that are not covered by credit insurance generate the recognition of an impairment loss as soon as the invoice is issued, up to the expected losses at the maturity date. This reflects the probability of default of the counterparties and the expected loss rate, evaluated, as appropriate, on the basis of historical statistics, information provided by the credit reporting agencies, or ratings given by the rating agencies.

When the maturity of receivables and loans is greater than one year, a present value calculation is performed. The effects of this calculation are recorded in financial income and expense according to the effective interest rate method.

Loans and receivables are subject to impairment tests. An impairment loss is recognised in the statement of operations if the carrying value amount exceeds the recoverable value and there is objective evidence that the asset or group of assets is impaired.

The Group factors some of its receivables. In accordance with IFRS 9 (CPC 48), the Group derecognises receivables only when the contractual right to receive cash flows have been transferred, as well as substantially all the risks and rewards of ownership.

Dilution risk is excluded from the analysis of the transfer of risk to the extent that it is defined and circumscribed, especially where it is correctly distinguished from late-payment risk.

Receivables sold with recourse in the event of non-payment are not derecognised. Costs to sell receivables are expensed in operating items.

Derivative financial assets

Accounting rules and policies for derivative instruments are presented in note 2.17.

2.13 Cash and cash equivalents

Cash and cash equivalents include cash in bank current accounts, term deposits convertible in the very short term (less than three months) for which there is no material risk of loss of value in the event of a change in interest rates, and investment securities that are by nature highly liquid and subject to a negligible risk of change in value.

2.14 Provisions

Provisions are recognised when there is an obligation (legal, contractual or constructive) to a third party provided that it may be estimated reliably and is likely to result in an outflow of resources, with no at-least-equivalent consideration expected in return.

Where the effect of the time value of money is material, the provision is discounted to present value. The discount rate used to determine the present value reflects the time value of money and the specific risks related to the liability being measured. The effect of discounting is recognised in financial expenses.

A restructuring provision is recognised when a detailed formal plan has been announced or when implementation of a restructuring plan has already begun.

As opposed to the above definition of a provision, a contingent liability is:

- A potential obligation resulting from a past event whose existence will only be confirmed by the occurrence or otherwise of an uncertain event not under the control of the Group; or
- A current obligation resulting from a past event for which either the amount of the obligation cannot be reliably estimated or it is not likely that an outflow of resources representing economic benefits will be required to extinguish the obligation.

2.15 Financial liabilities

This category includes:

- financial liabilities at amortised cost;
- financial liabilities designated at fair value upon initial recognition;
- financial liabilities classified as held for trading, including derivative liabilities (but excluding hedging derivatives);
- commitments to purchase non-controlling interests.

Measurement and recognition of financial liabilities at amortised cost

With the exception of financial liabilities at fair value and derivatives comprising liabilities measured and recognised at fair value, borrowings and other financial liabilities are measured and recognised initially at fair value and then at amortised cost, calculated using the effective interest rate.

In accordance with the Group accounting policy, Tereos Açúcar e Energia Brasil S.A. is considering in its cash flows statement its financial interest paid as cash flows from financing activities.

Measurement and recognition of financial liabilities designated at fair value upon initial recognition

When a financial liability is eligible to be recognised at fair value in its entirety – as in the case of a liability with an embedded derivative – the Group recognises the liability at fair value and changes in fair value are recognised in financial income and expenses.

Commitments to purchase non-controlling interests

Pursuant to IAS 32 (CPC 39), put options granted unconditionally to third parties holding non-controlling interests in fully consolidated subsidiaries must be considered as a financial liability.

The Group recognises put options granted to third parties holding non-controlling interests under financial liabilities at the fair value of the option, with an offsetting entry to reduce non-controlling interests.

Any difference between the fair value of the liability and the relevant non-controlling interests is recognised in equity attributable to owners of the parent.

The liability is estimated in line with the prices or formulas defined in the relevant agreements. When the formulae are based on an income multiple after deducting debt, the amount of the liability relative to the option is estimated according to the income and net debt forecasts for the option exercise period.

Subsequent changes in the fair value of these liabilities, including the effects of discounting, are recognised in equity.

2.16 Derivatives

The Group uses derivative instruments to manage and reduce its exposure to risks of changes in interest rates, exchange rates, commodity prices and energy prices.

Derivative instruments are measured at fair value in the statement of financial position, whether or not they qualify for hedge accounting under IFRS 9 (CPC 48), under other financial assets and liabilities. The fair value of derivatives is estimated using commonly used valuation models taking into account data from active markets.

Derivative instruments that do not meet the definition of hedging instruments are qualified as "held for trading". Changes in the fair value of held for trading derivatives are recognised in the statement of operations.

The changes in fair value of trading derivatives as well as the ineffective portion of derivatives qualified as cash flow hedges are recognised in profit and loss, the results of closed derivatives qualified as "held for trading" or as hedging are classified as:

- Financial expenses and income, when the underlying risk is classified as financial income and expenses (interest rate and financial exchange rate);
- Operating expenses and income, when the underlying risk is classified as operating expenses and income (raw materials, finished products, energy and operational change).

Whenever possible, as part of the Group's production activities, derivative instruments are recognised in accordance with the rules on hedge accounting.

Hedge accounting is applicable if:

- The hedging relationship is formally designated and documented at inception;
- The effectiveness of the hedging relationship is demonstrated from its inception and then by regular verification of the correlation between the change in the market value of the hedging instrument and that of the hedged item.

The types of hedge accounting relationships currently implemented by the Group meet the requirements of IFRS 9 (CPC 48) and are aligned with the Group's risk management strategy and objectives.

The Group uses cash flow hedges as well as fair value hedges.

In these hedging relationships, the effectiveness of the derivative is assessed using the hypothetical derivatives method: the derivative designated in each hedging relationship must be effective in offsetting changes in the cash flows of the hedged item.

The main sources of ineffectiveness are:

- The effect of the Group's and its counterparties' credit risk on the fair value of the hedging instruments which is not reflected in the change in fair value of the hedged items (exchange rates, interest rates and commodities). In accordance with IFRS 13 (CPC 46), credit risk on derivative instruments is measured on a regular basis. The lack of materiality has never given rise to the recognition of an adjustment in this respect;
- Changes in the timing and the amount of expected cash flows from hedged transactions for foreign currency risk. Changes in fair value from one period to another are recognised differently depending on the type of hedge accounting applied.

Cash flow hedges (CFHs) are used to hedge the exposure to changes in the cash flow of a recognised asset or liability or of a highly probable forecast transaction that affects reported net income. For cash flow hedges, the

effective portion of the change in fair value of the hedging instrument is recorded directly in other comprehensive income, the change in fair value of the underlying operation is not recorded in the statement of consolidated financial position. The change in value of the ineffective portion is recognised in profit or loss. Amounts recognised in other comprehensive income are reversed in profit or loss in the same period as the hedged item itself.

The time value of the options documented as cash flow hedges is treated as the cost of hedging: changes in fair value of time value are recognised in other comprehensive income and then recycled in operating or financial income at the same time as the hedged item.

Fair value hedges (FVHs) are used to hedge the exposure to changes in the fair value of all or part of a recognised asset or liability that affects reported net income. Changes in the fair value of the hedging instrument are recorded in profit or loss for the period. Symmetrically, the change in value of the hedged item attributable to the hedged risk is recorded in the statement of operations for the period (and adjusts the value of the hedged item). These two revaluations offset each other in the same line of the statement of operations, excluding the ineffective portion of the hedge.

Commodity hedging instruments falling within the scope of IFRS 9 (CPC 48) are derivative instruments and are measured at fair value. The change in fair value and the net impact of unwinding transactions are recognised in operating income.

2.17 Reserves

The nature and purpose of each reserve are the following:

Cash flow hedge (CFH) reserve

The cash flow hedge reserve contains the effective portion of the cash flow hedge relationships incurred at the reporting date net of tax. Further information on the accounting methods applicable to the use of this reserve are disclosed in note 2.16.

Foreign currency translation (FCT) reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

2.18 Income taxes

Income taxes in the consolidated statement of operations include current and deferred income taxes.

Current income taxes

Current income taxes are calculated based on taxable income for the year. Taxable income for the year differs from income reported in the consolidated statement of operations because it excludes income or expenses that are taxable or deductible in other periods, as well as income or expenses that are never taxable or deductible.

Current income tax assets or liabilities are recognised in the statement of financial position using tax rates that have been enacted at year-end.

Deferred taxes

Pursuant to IAS 12 (CPC 32), deferred taxes result from temporary differences between the carrying amounts of assets and liabilities and their tax base.

Deferred taxes are recognised as expenses or revenue in income unless generated by items charged directly to other comprehensive income, in which case the related deferred taxes are also recognised in other comprehensive income.

Deferred income taxes are calculated based on the tax rate expected to apply during the financial year in which the asset will be realised or the liability settled, and are classified into non-current assets and liabilities. The effects of changes in tax rates from one period to the next are recognised in income in the period when the change occurs, except to the extent that it relates to items previously recognised outside the consolidated statement of operations.

Unused tax losses can be carried forward indefinitely and are not subject to inflation adjustment.

The expected recovery of all deferred tax assets is supported by the taxable income projections, which have been approved by the Company's Management. Projections of future taxable income include several estimates related to the performance of the international economy and more specifically the economies in which the Group operates, interest rate fluctuations, sales volumes, sales prices and tax rates which may differ from actual data and amounts.

Deferred tax assets resulting from temporary differences, tax losses and both tax loss or tax credit carry-forwards are limited to the estimated recoverable tax amount. This is measured at the reporting date based on the income outlook for the relevant entities.

Pursuant to IAS 12 (CPC 32), deferred tax assets and liabilities are not discounted.

2.19 Revenue

The Group's revenue mainly comprises sales of finished products and goods. They are recognised in the statement of operations when the control of goods is transferred.

IFRS 15 (CPC 47) requires the identification of service obligations related to the transfer of goods and services to the customer for each contract. Revenue is recognised when the service obligations are satisfied, based on the amount of compensation that the Group expects to receive in return for the transfer of goods and services to the customer.

Trade discount, customer rebates and return of products are deducted from revenue, as are benefits granted to customers, resulting in a cash outflow such as commercial cooperation or discounts. These amounts are estimated when revenue is recognised, on the basis of agreements and commitments with the customers concerned. In addition, revenue recognized in statement of operations is net of taxes.

3. Sustainable development and climate

The raw materials processed by the Group come from agricultural activity, which is intrinsically subject to unpredictable changes in weather conditions. Tereos's business activities may therefore be directly affected by extreme or unfavourable weather conditions, natural stressors, natural disasters and climate change.

The Group takes climate risks into account to the best of its knowledge in its period-end assumptions and includes their potential impacts in the financial statements, in particular by:

- reviewing the useful life of certain assets;
- taking into account, to the best of its knowledge, the main transition risks related to expected changes in regulations, such as the increasing pressure on water resources;
- including, in the impairment tests of assets with undetermined useful lives, the expected impacts of these risks on future cash flows

As an extension of these actions, the Group uses "positive impact" financing. A sustainability-linked loan, for example, is a loan instrument whose financing rate is tied to the borrower's sustainability key performance indicators (KPIs).

Tereos considers that the assessment of climate risks is correctly taken into account in the Group's financial statements at 31 March 2023, in particular in the performance of impairment tests (note 16) and that it is consistent with its commitments made in this area.

4. Main acquisitions, disposals, changes in scope of consolidation and other highlights of the year

4.1 Temporary closure of Severínia plant and impairment of assets

Following the low 21/22 yield (15.6 million tonnes of sugar cane) and in anticipation of a still lower than normal 22/23 yield still below its normative level (17.3 million tonnes of sugar cane) as the consequence of the poor weather conditions experienced by the subsidiary in 2021, the Group has updated its medium-term plan by integrating risks related to climatic hazards and reviewing its agricultural forecasts. Based on these new projections, the temporary closure of Severínia plant is maintained until the end of the plan's term.

These elements were included in the update of the value in use of the Group and led the Group to recognise impairment of the goodwill for an amount of R\$ (752) million (note 16.2) as well as depreciation of the Severínia plant's property, plant and equipment for an amount of R\$ (72) million (note 12), respectively.

4.2 Restructuring

On 9 November 2022, Tereos Açúcar e Energia Brasil S.A ("TAEB") entered a statutory operation with the shareholders of São José Agricultura to exchange TAEB's shareholding in São José Agricultura for their shares in Tereos Internacional ("TI"). As a result, TAEB received 24 shares of its controlling shareholder representing 0.79% of TI's net equity and in exchange TAEB's 32% stake in São José Agricultura Ltda. ("SJA") was transferred to SJA's shareholders.

This transaction generates the removal of São José Agricultura from the scope of consolidation and the recognition of a capital gain on disposal before taxes of R\$ 26 million in operating income.

On 4 February 2023, TAEB had a capital reduction of R\$ 62 million with the cancellation of 14,016,404 shares to refund the shareholder TI with the 24 TI's shares transferred from TAEB to TI at book value. In this operation, TAEB terminated its participation in TI (note 18).

On March 31, 2023, the shareholders of Tereos Internacional S.A. approved the total spin-off of the mentioned entity, in which the international assets were merged into NewCo Tereos Internacional FR in France and the remaining balances of Tereos Internacional S.A. were merged into NewCo Tereos Internacional (BR) Ltda., which succeeded all the assets and rights of Tereos Internacional S.A. As a result, TAEB became controlled by NewCo Tereos Internacional (BR) Ltda.

5. Revenue

Revenue mainly comprises sales of goods and is broken down as follows:

(MILLIONS OF R\$)	For the year ended	
	31 March 2023	31 March 2022
Sugar	3,430	2,359
Alcohol and Ethanol	1,378	1,657
Energy	261	307
Co-products	25	13
Other	111	80
REVENUE	5,204	4,416

6. Operating income (expense)

The analysis of expenses by nature is as follows:

(MILLIONS OF R\$)	Note	For the year ended	
		31 March 2023	31 March 2022
Cost of sales		(3,884)	(3,473)
Distribution expenses		(423)	(283)
General and administrative expenses		(310)	(289)
Other operating income / (expenses)		(900)	(29)
TOTAL OPERATING EXPENSES BY DESTINATION		(5,517)	(4,075)
Raw materials and consumables used		(2,073)	(1,821)
External expenses		(1,089)	(774)
Employee benefits expenses	6.1	(654)	(563)
Amortisations	6.2	(939)	(821)
Other	6.3	(761)	(95)
TOTAL OPERATING EXPENSES BY NATURE		(5,517)	(4,075)

External expenses mainly concern transportation costs, maintenance costs and rental charges.

6.1 Employee benefits expenses

(MILLIONS OF R\$)	For the year ended	
	31 March 2023	31 March 2022
Wages and salaries	(591)	(511)
Taxes on wages and salaries	(63)	(53)
EMPLOYEE BENEFIT EXPENSES	(654)	(563)

6.2 Amortisations

(MILLIONS OF R\$)	For the year ended	
	31 March 2023	31 March 2022
Amortisation of property, plant & equipment	(923)	(806)
Amortisation of intangible assets	(17)	(16)
TOTAL OF AMORTISATIONS	(939)	(821)

6.3 Other operating income (expenses)

The detail of the other operating income (expenses) is broken down as follows:

(MILLIONS OF R\$)	For the year ended	
	31 March 2023	31 March 2022
Taxes	92	18
Change in fair value of derivatives	1	0
Provisions and depreciations	2	(5)
Legal proceedings	(46)	(49)
Other	(811)	(59)
TOTAL OTHER OPERATING INCOMES (EXPENSES)	(761)	(95)

At 31 March 2023, the increase in “Taxes” is due to tax credits recognition from government subvention over Ethanol sales (note 18.4). The line “Other” amounts to R\$ (811) million and mainly comprises:

- the loss due to annual impairment test an amount of R\$ (752) million (note 13.2 and 16.2),
- the impact of depreciation due to temporary closure of the Severínia plant for R\$ (72) million,
- net gain on disposal of São José Agricultura Ltda for R\$ 26 million (note 4.2).

At 31 March 2022, the line “Other” amounts to R\$ (59) million and mainly corresponds to write-off of bearer plant dead-roots R\$ (29) million due to frosts and dry season.

7. Net financial expenses

7.1 Financial income and expenses

(MILLIONS OF R\$)	For the year ended	
	31 March 2023	31 March 2022
Interest expenses	(589)	(548)
Loss on financial assets and liabilities at fair value through statement of operations	(3)	(3)
Fair value loss on derivatives	(33)	(5)
Foreign exchange losses	(100)	(175)
Other financial expenses	(18)	(6)
Financial expenses	(742)	(737)
Interest income	126	64
Gains on financial assets and liabilities at fair value through statement of operations	0	8
Fair value gains on derivatives	13	11
Foreign exchange gains	141	105
Other financial income	11	15
Financial income	290	203
NET FINANCIAL INCOME (EXPENSES)	(452)	(534)
<i>Of which net interest income (expenses)</i>	<i>(463)</i>	<i>(484)</i>
<i>Of which foreign exchange gains and losses</i>	<i>41</i>	<i>(70)</i>

7.2 Gains and losses on financial assets and liabilities

For the year ended 31 March 2023

(MILLIONS OF R\$)	Net interest income (expense)	Net foreign exchange income (expense)	Net gain (loss) of fair value	Others financial income / (expenses)	Total Financial Income (expenses)	Operating income (expenses)	OCI
Trade receivables	0	27	0	0	27	0	0
Cash and cash equivalents	73	21	0	0	94	0	0
Other fin. assets (excluding derivatives)	37	0	0	2	39	0	0
Borrowings	(570)	(51)	0	0	(621)	0	112
Trade payables	0	(1)	0	0	(1)	0	0
Other fin. liabilities (excluding derivatives)	0	0	(2)	0	(2)	0	0
Derivatives	(4)	44	(20)	0	20	1	28
Other	0	0	0	(9)	(9)	0	0
TOTAL	(463)	41	(23)	(7)	(452)	1	140
Effect of deferred taxes on OCI							(48)
TOTAL OCI NET OF TAXES							93

For the year ended 31 March 2022

(MILLIONS OF R\$)	Net interest income (expense)	Net foreign exchange income (expense)	Net gain (loss) of fair value	Others financial income / (expenses)	Total Financial Income (expenses)	Operating income (expenses)	OCI
Trade receivables	0	(4)	0	0	(4)	0	0
Cash and cash equivalents	44	(28)	0	0	15	0	0
Other fin. assets (excluding derivatives)	21	0	0	1	22	0	0
Borrowings	(537)	47	0	0	(490)	0	541
Trade payables	0	1	0	0	1	0	0
Other fin. liabilities (excluding derivatives)	0	(0)	8	0	8	0	0
Derivatives	(11)	(85)	6	0	(90)	0	140
Other	0	0	(3)	8	5	0	0
TOTAL	(484)	(70)	11	9	(534)	0	681
Effect of deferred taxes on OCI							(231)
TOTAL OCI NET OF TAXES							450

8. Income tax

8.1 Income tax recognised in the statement of operations

The breakdown of income taxes is presented as follows:

(MILLIONS OF R\$)	For the year ended	
	31 March 2023	31 March 2022
Current income tax	(59)	4
Deferred income tax	315	1
TOTAL INCOME TAX	257	5

The reconciliation between the applicable and effective tax rates is presented below:

(MILLIONS OF R\$)	For the year ended	
	31 March 2023	31 March 2022
Net income	(516)	(178)
Share of profit of associates	(7)	10
Income tax income (expense)	257	5
Income before income tax and share of profit of associates	(765)	(193)
<i>Brazil's statutory income tax rate</i>	<i>34%</i>	<i>34%</i>
Income tax based on Brazil's statutory rate	260	66
Tax losses without recognition of deferred tax assets tax loss carry forward	(1)	(68)
Other non-deductible expenses for tax purposes	(3)	8
Adjustments to reconcile income taxes	(4)	(60)
EFFECTIVE INCOME TAX	257	5
<i>Effective income tax rate</i>	<i>34%</i>	<i>3%</i>

8.2 Income tax in the statement of financial position

The positions of income and deferred taxes in the statement of financial position are the following:

(MILLIONS OF R\$)	31 March 2023	31 March 2022
Income tax receivables	36	36
Income tax payables	(51)	(1)
TOTAL CURRENT TAX	(15)	35
Deferred tax assets	400	121
Deferred tax liabilities	(21)	(10)
TOTAL DEFERRED TAX	379	112

Net deferred tax assets amount to R\$ 379 million including R\$ 208 million on the recognition of tax losses carried forward.

The breakdown of deferred tax on the statement of financial position is presented as follows:

(MILLIONS OF R\$)	31 March 2023	31 March 2022
Deferred tax assets	400	121
Deferred tax assets through the statement of operations	332	5
Deferred tax assets through other comprehensive income	69	116
Deferred tax liabilities	(21)	(10)
Deferred tax liabilities through the statement of operations	(21)	(10)
TOTAL OF DEFERRED TAX	379	112

(MILLIONS OF R\$)	31 March 2023	31 March 2022
Differences between carrying value and tax basis	170	(76)
<i>Property, plant and equipment and intangible assets</i>	(13)	(252)
<i>Biological assets</i>	(97)	(101)
<i>Financial assets and liabilities</i>	237	234
<i>Others</i>	43	42
Tax losses unused and recognised as deferred tax assets	208	188
TOTAL	379	112

Changes in deferred taxes are presented below:

(MILLIONS OF R\$)	Net deferred taxes
At 31 March 2021	342
Amount charged to the statement of operations	1
Amount charged to other comprehensive income	(231)
At 31 March 2022	112
Amount charged to the statement of operations	315
Amount charged to other comprehensive income	(48)
At 31 March 2023	379

8.3 Deferred tax assets on tax losses carried forward

Recognised deferred tax assets arising from the carry-forward of unused tax losses are mostly located in Sugar & Energy Brazil entities.

The expected recovery of deferred tax assets recognised on tax losses carried forward based on the taxable income projections approved by Group Management is as follows:

(MILLIONS OF R\$)	31 March 2023	31 March 2022
N+1	34	2
N+2	42	52
N+3	46	53
N+4	44	41
N+5	42	40
TOTAL DEFERRED TAX ASSETS ON TAX LOSSES CARRIED FORWARD	208	188

As income tax credits or expenses result not only from taxable income but also from the tax and corporate structure of the Group, the existence of non-taxable income, non-deductible expenses, tax exemptions and incentives, and various other variables, the projected utilization of tax loss carry-forwards should not be considered indicative of the Group's future net income.

The projections of future taxable income include estimates related to the performance of economies, exchange rate fluctuations, sales volumes, sales prices, tax rates and other items, which may differ from actual data and amounts.

8.4 Unrecognised tax losses carried forward

Unrecognised deferred tax assets arising from the carry-forward of unused tax losses amounted to R\$ 80 million at 31 March 2023 (compared to R\$ 79 million at 31 March 2022) in the consolidated financial statements in accordance with the accounting policies described in note 2.18.

9. Inventories

(MILLIONS OF R\$)	31 March 2023	31 March 2022
Raw materials	113	90
Finished and intermediate products	150	231
INVENTORIES	264	321

Changes in inventories are presented as follows:

(MILLIONS OF R\$)	
At 31 March 2021	253
Change in inventories through cost of sales	63
Change due to fair value harvested	4
At 31 March 2022	321
Change in inventories through cost of sales	(55)
Change in write-down of inventory in the statement of operations	2
Change due to fair value harvested	(4)
At 31 March 2023	264

10. Biological assets

Changes in the net amount of biological assets are as follows:

(MILLIONS OF R\$)	Total
At 31 March 2021	524
Change due to harvest	(525)
Change in fair value	624
At 31 March 2022	623
Change due to harvest	(624)
Change in fair value	708
At 31 March 2023	707

Fair value adjustment recognised through statement of operation at 31 March 2023 amounts to R\$ (6) million against R\$ 66 million in 31 March 2022.

Own sugarcane crushed amounted to 9,692 thousand tonnes for the period ended 31 March 2023 against 8,107 thousand tonnes for the year ended 31 March 2022.

Standing cane

The following assumptions have been used in the determination of the fair value of standing cane:

	Unit	31 March 2023	31 March 2022
Expected area to harvest	hectares	131,945	137,392
Estimated yields	tonnes of cane per hectare	80	66
Quantity of Total Recoverable Sugar	kg per tonne of cane	142	143
Value of one kg of Total Recoverable Sugar	KR\$	1.0	1.2

11. Investments in associates

Main investments in associates at 31 March 2023 were as follows:

		Investment in associates		
(MILLIONS OF R\$)	Activity	Group voting rights (in %)	31 March 2023	31 March 2022
Teapar	Port services operator for sugar export sales	35.00%	14	25
Centro de Tecnologia Canavieira	R&D of sugarcane varieties	4.57%	40	39
São José Agricultura (1)	Sugarcane plantation	32.00%	0	6
TOTAL			54	70

(1) Entity sold in November 2022 (note 4.2)

		Share of profit of associates	
(MILLIONS OF R\$)		31 March 2023	31 March 2022
Teapar		(12)	3
Centro de Tecnologia Canavieira		4	6
São José Agricultura		1	1
Sub-total Associates		(7)	10
TOTAL		(7)	10

12. Property, plant and equipment

Changes in property, plant and equipment are presented as follows:

(MILLIONS OF R\$)	Land	Buildings	Tools, Equip. and Installations	Bearer plant	Other	Assets in Progress	Right-of-use	TOTAL
GROSS AMOUNT								
31 March 2021	17	1,020	3,062	1,360	313	143	650	6,565
Additions / reassessments	0	0	317	341	2	154	231	1,045
Reclassifications	11	2	(144)	79	18	(106)	(42)	(182)
Disposals	0	(0)	(20)	(324)	(4)	0	0	(348)
31 March 2022	27	1,022	3,215	1,457	329	190	839	7,079
Additions / reassessments	0	0	299	423	0	203	72	997
Reclassifications	0	27	(155)	0	27	(210)	(152)	(463)
Disposals	0	0	(5)	(258)	(4)	0	0	(267)
31 March 2023	27	1,050	3,354	1,621	352	183	759	7,346
AMORTISATION AND IMPAIRMENT								
31 March 2021	(0)	(352)	(1,667)	(535)	(271)	0	(168)	(2,994)
Amortisations	(0)	(40)	(388)	(230)	(13)	0	(134)	(806)
Impairment losses	0	(3)	(3)	0	0	0	0	(6)
Reclassifications	0	0	218	(79)	0	0	42	180
Disposals	0	0	15	295	4	0	0	314
31 March 2022	(1)	(395)	(1,825)	(551)	(280)	0	(260)	(3,311)
Amortisations	(1)	(39)	(470)	(255)	(14)	0	(143)	(923)
Impairment losses	(1)	(34)	(37)	0	(1)	0	0	(72)
Reclassifications	0	0	299	0	0	0	152	451
Disposals	0	0	5	258	4	0	0	267
31 March 2023	(2)	(468)	(2,028)	(547)	(291)	0	(252)	(3,588)
Net amount at 31 March 2021	16	668	1,395	825	42	143	482	3,571
Net amount at 31 March 2022	27	627	1,389	906	49	190	579	3,768
Net amount at 31 March 2023	25	582	1,325	1,074	61	183	507	3,758

The main additions for the year in Brazil are as follows (except right-of-use):

- R\$ 203 million in various operational investments (R\$ 154 million at 31 March 2022);
- R\$ 423 million in bearer plants (R\$ 341 million at 31 March 2022);
- R\$ 301 million in maintenance costs (R\$ 317 million at 31 March 2022).

The impairment losses recognised at 31 March 2023 for an amount of R\$ (72) million are related to the depreciation of assets regarding the temporary closure of the Severinia plant (note 4.1).

13. Goodwill

13.1 Goodwill by CGU

Goodwill has been allocated to the following cash-generating units (CGUs) for the purpose of impairment tests:

(MILLIONS OF R\$)		31 March 2023	31 March 2022
Cash Generating Unit	Operating segment		
Sugar & Energy Brazil	Sugar & Energy Brazil	272	1,046
TOTAL NET GOODWILL		272	1,046

13.2 Changes in goodwill

Changes in goodwill were as follows:

(MILLIONS OF R\$)		
GROSS AMOUNT		
At 31 March 2021		1,257
At 31 March 2022		1,257
Derecognised on disposal of a subsidiary		(22)
At 31 March 2023		1,235
IMPAIRMENT		
At 31 March 2021		(211)
At 31 March 2022		(211)
Impairment losses recognised in the year (note 4.1 and 16.2)		(752)
At 31 March 2023		(963)
Net amount at 31 March 2021		1,046
Net amount at 31 March 2022		1,046
Net amount at 31 March 2023		272

The R\$ (22) million of disposal corresponds to the sale of São José Agricultura Ltda (note 6.3).

14. Other intangible assets

Changes in other intangible assets over the year are as follows:

(MILLIONS OF R\$)	Patents, licenses	Other	TOTAL
GROSS AMOUNT			
31 March 2021	82	146	228
Additions	0	3	3
Reclassifications	2	0	2
31 March 2022	84	150	233
Reclassifications	12	(10)	3
31 March 2023	96	140	236
AMORTISATION AND IMPAIRMENT			
31 March 2021	(60)	(5)	(65)
Amortisations	(11)	(5)	(16)
31 March 2022	(71)	(10)	(81)
Amortisations	(12)	(5)	(17)
Other changes	(1)	0	(1)
31 March 2023	(83)	(14)	(98)
Net amount at 31 March 2021	22	142	163
Net amount at 31 March 2022	13	140	153
Net amount at 31 March 2023	12	126	138

"Others" column mainly refers to the execution of the agreement between Tereos and VLI, where Tereos is committed to invest in the VLI infrastructure and have back a commercial agreement for transportation of raw sugar from the terminal in Guar-SP to the port in Santos-SP where VLI will perform elevation services to load vessels for exports to Tereos.

15. Leases

15.1 Right-of-Use

Changes in right-of-use assets are presented as follows:

(MILLIONS OF R\$)	Land	Buildings	Tools, machinery, equipment	Transport materials	TOTAL
GROSS AMOUNT					
31 March 2021	379	9	2	260	650
Additions / reassessments	209	1	0	21	231
Reclassifications	(9)	0	0	(32)	(42)
31 March 2022	579	9	2	249	839
Additions / reassessments	55	0	0	17	72
Reclassifications	(30)	0	0	(122)	(152)
31 March 2023	604	9	2	143	759
AMORTISATION AND IMPAIRMENT					
31 March 2021	(68)	(3)	(0)	(98)	(168)
Amortisation	(59)	(2)	(0)	(72)	(134)
Reclassifications	9	0	0	32	42
31 March 2022	(117)	(5)	(1)	(137)	(260)
Amortisation	(66)	(3)	(0)	(74)	(143)
Reclassifications	30	0	0	122	152
31 March 2023	(154)	(8)	(1)	(89)	(252)
Net amount at 31 March 2021	312	6	2	163	482
Net amount at 31 March 2022	462	4	2	111	579
Net amount at 31 March 2023	450	2	1	54	507

15.2 Leases

The net amount of leases not restated as part of the IFRS 16 (CPC 06 (R2)) standard is as follows:

(MILLIONS OF R\$)	31 March 2023
Rental charges on short-term contracts (< 1 year)	(9)
Rental charges on contracts with low new value assets (< 5 000 USD)	(14)
Others	(26)
TOTAL LEASES	(49)

16. Impairment tests

16.1 Key assumptions

The key assumptions used to calculate the value of the CGUs are as follows:

	31 March 2023	31 March 2022
Basis used for determination of recoverable value	Value in use	Value in use
Source	5-years business plan discounted cashflows	5-years business plan discounted cashflows
Growth rate used for terminal value	3.5%	3.0%
Post-tax discount rate	11.6%	10.9%
Pre-tax discount rate	16.5%	15.2%

16.2 Impairment recognised during the year

At 31 March 2023, a R\$ (752) million impairment loss was recognised on Tereos Açúcar e Energia Brasil (note 4.1). The Group's business plan incorporates lower long-term yield assumptions to take into account the risks of future climate change and that already observed in recent years, as well as the impact of significant inflation in this region.

16.3 Sensitivity analysis

During the last quarter of the 2022/2023 financial year, the sensitivity analysis of the recoverable value of the main CGUs was based on the following assumptions:

- Change in the post-tax discount rate of +/- 1 point
- Change in the perpetual growth rate of +/- 0.5 point
- Change in the EBITDA margin over the final year of the business model of +/- 1 point
- A decrease of 10% in the prices of sugar, alcohol, ethanol and starches and sweeteners in the first three years of the business plan

These changes in assumptions, all else being equal, would result in the recognition of an impairment loss as follow:

- A 10% drop in the selling prices of sugar over the first three years of the plan would result in an additional impairment loss of R\$ 320 million.
- A one-point increase in the after-tax discount rate would result in an additional impairment loss of R\$ 580 million.
- A half-point drop in the perpetual growth rate would lead to an additional impairment loss of R\$ 238 million.
- A one-point drop in the EBITDA margin rate over the final year would result in an additional impairment of R\$ 298 million.

17. Provisions

Provisions are set aside for the following contingencies:

(MILLIONS OF R\$)	Current		Non-current	
	31 March 2023	31 March 2022	31 March 2023	31 March 2022
Labor	0	0	35	32
Environment	0	0	8	13
Other	0	0	5	4
TOTAL PROVISIONS	0	0	49	49

Changes in provisions over the year were as follows:

(MILLIONS OF R\$)	Social	Tax	Environment	Other	Total
At 1 April 2021	32	1	14	2	48
Addition of the period	0	0	0	2	3
Amounts used	(1)	(1)	(1)	(0)	(2)
At 31 March 2022	32	0	13	4	49
Addition of the period	4	0	0	1	5
Amounts used	(0)	0	(2)	(2)	(5)
Reclassifications	0	0	(2)	2	0
At 31 March 2023	35	0	8	5	49

The table below presents a summary of disputes with probable and possible loss involving the Group:

(MILLIONS OF R\$)	Probable		Possible	
	Number of claims	Provision	Number of claims	Claims with possible losses
Social	169	35	785	124
Tax	0	0	443	2,138
Environment	9	8	157	22
Other	17	5	71	39
At 31 March 2023	195	49	1,456	2,322
Social	183	32	1,056	179
Tax	0	0	446	1,726
Environment	23	13	143	16
Other	12	4	89	40
At 31 March 2022	218	49	1,734	1,960

There is no dispute known to Management carrying material risks that could affect the Group's profit or financial position which has not been recognised at 31 March 2023.

Disputes hereby are described to our best knowledge at the date of completion of consolidated financial statements.

Provisions for employee-related disputes

The Group faces labor claims. The main demands regarding the labor lawsuits are related to: (i) overtime; (ii) overtime due to partial lunchtime breaks fruition; (iii) hazard pay and exposure to unhealthy agents pay; (iv) illness and work accident compensations; and (v) labor outsourcing.

Provisions for environmental risks

The Group is currently litigant in recurrent administrative and judicial proceedings, related to fires in sugarcane plantation areas.

Tax disputes

The Group is involved in several taxes cases involving mainly: (i) ICMS credits related to diesel fuel consumption linked to planting and harvesting sugarcane; (ii) PIS/COFINS credits with not enough documentation; (iii) Social Security Tax on exports performed through trading companies (indirect export); (iv) PIS/COFINS contributions (non-cumulative) on ethanol; (v) PIS offset with judicial credits; (vi) penalty fee exemption for voluntary reporting where the Group considers that a favourable decision is possible and for which no provisions had therefore been made; and (vii) ICMS due to reported variances between production and sales.

Civil litigations

The Group faces claims of many different natures, mainly referring to traffic accidents; work accidents; fires; contractual disagreements, credit recovery and others.

18. Equity

18.1 Issued capital and share premium

(MILLIONS OF R\$)	Number of shares	Issued Capital
Balance at 31 March 2021	646,670,717	2,840
Balance at 31 March 2022	646,670,717	2,840
Change in capital (note 4.2)	(14,016,404)	(62)
Balance at 31 March 2023	632,654,313	2,778

18.2 Earnings (loss) per share

The average number of ordinary shares used in the calculation of earnings per share is 644,437,334 shares for the year ended 31 March 2023 due to a capital reduction by 14,016,404 shares and 646,670,717 shares for the year ended 31 March 2022.

For the year ended 31 March 2023 and 31 March 2022, there is no difference between diluted and basic earnings per share.

The earnings (loss) per share for the year ended 31 March 2023 and 31 March 2022, amounted to R\$ (0.8145), and R\$ (0.3404), respectively.

18.3 Dividends proposed and paid

These consolidated financial statements reflect only the mandatory minimum dividend, as requested by Brazilian Corporate Law and the Company's bylaws.

In accordance with the above regulation, shareholders are entitled to receive annual mandatory minimum payment of 25% of the annual individual statutory net income adjusted for the following items: (i) allocation to Legal Reserve; (ii) movements on the Contingencies reserve; (iii) allocation to the tax incentives fund and (iv) realisation of the Unrealised Income Reserve.

Minimum dividend calculation is based on the net result of the Parent Company of the consolidated Group Tereos Açúcar e Energia Brasil S.A and distribution is allowed only if reserves in equity are positive. Considering reserves at March 2023 are negative no minimum payment will be proposed to the Shareholder's meeting.

18.4 Tax incentive reserves

The Company applies from the benefit granted by the Government concerning ICMS Agreement nº 116/2022 and EC nº 123/2022, attributing granted credit, used in taxpayers' bookkeeping to offset ICMS debts in their ordinary calculation. The amount calculated for the year ended at 31 March 2023, was R\$115 million (R\$0 at 31 March 2022) presented as follows:

(MILLIONS OF R\$)	31 March 2023	31 March 2022
Initial amount	0	0
Tax incentive of the year	115	0
Tax incentive reserve constituted with current year net income	0	0
Tax incentive reserve constituted with previous years net income	0	0
Final amount to be constituted	115	0

19. Financial assets and liabilities

19.1 Financial assets

At 31 March 2023

(MILLIONS OF R\$)	Notes	Non-consolidated investment	Loans and receivables at amortised cost	Financial assets at fair value through statement of operations	Financial instruments qualified as cash flow hedge	Total
Trade receivables	19.1.1	0	365	0	0	365
Cash and cash equivalent	19.1.2	0	0	1,513	0	1,513
Other current financial assets	19.1.3	0	453	1	104	557
Total current financial assets		0	818	1,513	104	2,435
Non-consolidated Investment		2	0	0	0	2
Non-current fin. assets with related parties	23.2	0	266	0	0	266
Other non-current financial assets	19.1.3	0	195	0	15	210
Total non-current financial assets		2	461	0	15	478
TOTAL FINANCIAL ASSETS		2	1,279	1,513	119	2,913

At 31 March 2022

(MILLIONS OF R\$)	Notes	Investments at fair value through OCI	Loans and receivables at amortised cost	Financial assets at fair value through statement of operations	Financial instruments qualified as cash flow hedge	Total
Trade receivables	19.1.1	0	412	0	0	412
Cash and cash equivalent	19.1.2	0	0	1,846	0	1,846
Current fin. assets with related parties	23.2	0	267	0	0	267
Other current financial assets	19.1.3	0	611	8	138	757
Total current financial assets		0	1,290	1,854	138	3,281
Non-consolidated investment		2	0	0	0	2
Non-current fin. assets with related parties	23.2	0	1	0	0	1
Other non-current financial assets	19.1.3	0	180	0	28	207
Total non-current financial assets		2	181	0	28	210
TOTAL FINANCIAL ASSETS		2	1,471	1,854	165	3,491

19.1.1 Trade receivables

At 31 March 2023 and 31 March 2022, trade receivables were as follows:

(MILLIONS OF R\$)	31 March 2023	31 March 2022
Gross trade receivables	367	414
Allowance	(2)	(2)
TOTAL TRADE RECEIVABLES	365	412

At 31 March 2023, under the Group's factoring and securitisation programmes, R\$ 24 million of trade receivables were sold, of which R\$ 24 million have been derecognised in accordance with IFRS 9 (CPC 48), the receivables having been sold without recourse.

(MILLIONS OF R\$)	31 March 2023			31 March 2022		
	Total sold to financial institutions	Portion sold and not derecognised	Portion sold and derecognised	Total sold to financial institutions	Portion sold and not derecognised	Portion sold and derecognised
Maximum authorised amount to be financed	24	0	0	11	0	0
Sold to financial institutions	24	0	24	11	0	11

Past due trade receivables were as follows:

(MILLIONS OF R\$)	31 March 2023	31 March 2022
Trade receivables	367	414
Not overdue	364	413
Overdue	3	1
<i>Overdue from 1 to 30 days</i>	1	0
<i>Overdue more than 360 days</i>	1	1
Allowance	(2)	(2)
TOTAL	365	412

19.1.2 Cash and cash equivalents

Changes in cash and cash equivalents are presented in the consolidated statement of cash flows.

The net cash balance presented in the consolidated statement of cash flows is as follows:

(MILLIONS OF R\$)	31 March 2023	31 March 2022
Cash and cash equivalents	1,513	1,846
NET CASH	1,513	1,846

At 31 March 2023, cash and cash equivalents can be analysed as follows:

(MILLIONS OF R\$)	31 March 2023	31 March 2022
Certificates of deposit	1,366	1,397
Total Cash equivalents	1,366	1,397
Cash	146	449
TOTAL CASH AND CASH EQUIVALENTS	1,513	1,846

19.1.3 Other financial assets

(MILLIONS OF R\$)	Current		Non-current	
	31 March 2023	31 March 2022	31 March 2023	31 March 2022
Tax receivables	114	59	63	45
Financial assets pledged as collateral	173	411	0	0
Derivatives (note 20.2)	104	145	15	28
Paid deposit	0	0	52	57
Advance payments	165	140	1	1
Trade notes and accounts receivable > 1 year	0	0	5	5
Other	1	1	74	71
OTHER FINANCIAL ASSETS	557	757	210	207

The details of financial assets pledged as collateral is broken down as follows:

(MILLIONS OF R\$)	31 March 2023	31 March 2022
Initial margin	72	137
Margin variation	101	274
TOTAL	173	411

19.2 Financial liabilities

The various categories of financial liabilities are presented in the tables below:

At 31 March 2023

(MILLIONS OF R\$)	Notes	Financial liabilities at amortised cost	Financial liabilities at fair value through statement of operations	Financial instruments qualified as cash flow hedge	Total
Short-term borrowings	19.2.2	1,827	0	27	1,854
Trade payables	19.2.1	667	0	0	667
Other current financial liabilities	19.2.4	317	0	236	553
Total current financial liabilities		2,811	0	263	3,074
Long-term borrowings	19.2.2	3,148	0	(31)	3,117
Non-current fin. liabilities with related parties	23.2	254	0	0	254
Other non-current financial liabilities	19.2.4	1	0	97	98
Total non-current financial liabilities		3,403	0	66	3,469
TOTAL FINANCIAL LIABILITIES		6,214	0	329	6,543

At 31 March 2022

(MILLIONS OF R\$)	Notes	Financial liabilities at amortised cost	Financial liabilities at fair value through statement of operations	Financial instruments qualified as cash flow hedge	Total
Short-term borrowings	19.2.2	1,205	0	126	1,331
Trade payables	19.2.1	816	0	0	816
Other current financial liabilities	19.2.4	346	0	334	680
Total current financial liabilities		2,366	0	460	2,826
Long-term borrowings	19.2.2	4,041	0	2	4,043
Non-current fin. liabilities with related parties	23.2	238	0	0	238
Other non-current financial liabilities	19.2.4	2	0	79	81
Total non-current financial liabilities		4,280	0	81	4,361
TOTAL FINANCIAL LIABILITIES		6,646	0	541	7,187

19.2.1 Trade payables

At 31 March 2023 and 31 March 2022, trade payables were as follows:

(MILLIONS OF R\$)	31 March 2023	31 March 2022
Trade payables	667	666
Trade payables - reverse factoring operations	0	150
TOTAL TRADE PAYABLES	667	816

19.2.2 Borrowings

The Group's various credit facilities are presented below:

At 31 March 2023

(MILLIONS OF R\$)			Current	Non-current	Total	Average interest rate	Maximum maturity
INDEX	Currency	Type					
a / CDI	BRL	Working capital and other ST/LT	236	4	239	16.9%	10/23/2025
a / CDI	BRL	Certificate of Agribusiness Receivables	171	162	334	14.4%	1/15/2025
b / LIBOR	USD	Export prepayment and LT Financings	66	290	356	9.0%	11/16/2032
b / SOFR	USD	Export prepayment and LT Financings	276	1,035	1,310	9.1%	7/31/2027
c / TJLP	BRL	Investment financing (BNDES) (1)	513	0	513	10.6%	5/15/2028
c / TJLP	BRL	Investment financing (FINEP)	5	25	30	6.0%	8/15/2029
d / UMBNDES	Basket	Investment financing (BNDES) (1)	3	0	3	6.8%	7/17/2023
e / IPCA	BRL	Certificate of Agribusiness Receivables	292	415	707	11.2%	10/15/2024
e / IPCA	BRL	Investment Financing (PCA BNDES) (1)	23	0	23	6.1%	7/15/2033
e / IPCA	BRL	Infrastructure debenture	29	538	567	12.0%	6/15/2027
f / SELIC	BRL	Investment financing (BNDES) (1)	165	0	165	18.5%	11/16/2037
TOTAL FLOATING			1,777	2,467	4,245	11.2%	
g / Fixed rates	BRL	Investment Financing (Finame) (1)	2	0	2	4.2%	11/18/2024
	BRL	Investment Financing (PCA BNDES) (1)	13	0	13	6.5%	7/15/2030
	BRL	Investment Financing (PCA)	4	13	17	7.1%	7/15/2033
	USD	Export Prepayment	2	201	202	6.4%	2/17/2025
TOTAL FIXED			21	214	235	6.4%	
TOTAL GROSS DEBT BEFORE AMORTISED COSTS			1,798	2,681	4,480	11.0%	
Amortised cost			(23)	(35)	(58)		
TOTAL GROSS DEBT			1,775	2,646	4,421		
Lease liability			79	471	550		
TOTAL FINANCIAL DEBT			1,854	3,117	4,971		
Cash and cash equivalent					(1,513)		
Total net financial debt					3,459		
Related parties' financial assets (note 23.2)					(266)		
Related parties' financial liabilities (note 23.2)					254		
Total net financial debt including related-parties					3,446		

(1) Financings with BNDES are disclosed in current liabilities in the absence of a response over waiver request (note 19.2.3)

At 31 March 2022

(MILLIONS OF R\$)			Current	Non-current	Total	Average interest rate	Maximum maturity
INDEX	Currency	Type					
a / CDI	BRL	Working capital and other ST/LT	105	406	511	13.8%	10/23/2025
a / CDI	BRL	Certificate of Agribusiness Receivables	96	325	421	13.8%	1/15/2025
b / LIBOR	USD	Export prepayment and LT Financings	673	624	1,298	4.2%	11/15/2032
c / TJLP	BRL	Investment financing (BNDES)	139	506	645	9.4%	5/15/2028
c / TJLP	BRL	Investment financing (FINEP)	3	29	32	4.9%	8/15/2029
d / UMBNDES	Basket	Investment financing (BNDES)	20	2	22	6.2%	7/17/2023
e / IPCA	BRL	Certificate of Agribusiness Receivables	8	656	664	15.8%	10/15/2024
e / IPCA	BRL	Investment Financing (PCA)	3	35	39	16.6%	7/15/2033
e / IPCA	BRL	Debênture de Infraestrutura	9	522	531	16.6%	6/15/2027
f / SELIC	BRL	Investment financing (BNDES)	3	387	390	16.3%	4/15/2037
TOTAL FLOATING			1,059	3,493	4,553	11.2%	
g / Fixed rates	BRL	Investment Financing (FINAME)	7	2	9	3.4%	11/18/2024
	BRL	Investment Financing (PCA)	4	15	19	7.5%	7/15/2030
	USD	Export Prepayment	1	95	95	5.0%	1/27/2025
	BRL	Working Capital (RPL and Custeio)	154	0	154	8.3%	11/30/2022
TOTAL FIXED			166	112	278	6.9%	
TOTAL GROSS DEBT BEFORE AMORTISED COSTS			1,225	3,605	4,830	10.9%	4/15/2037
Amortised cost			(18)	(53)	(71)		
TOTAL GROSS DEBT			1,207	3,553	4,760		
Lease liability			124	490	614		
TOTAL FINANCIAL DEBT			1,331	4,043	5,374		
Cash and cash equivalent					(1,846)		
Total net financial debt					3,528		
Related parties' financial assets (note 23.2)					(267)		
Related parties' financial liabilities (note 23.2)					238		
Total net financial debt including related-parties					3,498		

Financings available in the Group

Group's financings are mostly bank loans and funding through capital markets, through the issuance of Agribusiness Receivables Certificates (CRA) and Debentures. The company benefits from a major BNDES project financing loan, two major export pre-financing loans and several bilateral short-term and medium-term credit lines.

All average rates listed below are weighted by outstanding amounts.

Borrowings on a floating rate basis are based on a variable reference rate (CDI, Libor, Sofr USD, among others) to which a contractual margin is added. The effective interest rate is the sum of both items and changes over time, but an average interest rate on a yearly basis can be calculated as per the above table.

a / CDI-based financings of Brazilian subsidiaries (CDI – Brazilian Overnight Interbank Deposit rate)

At 31 March 2023 the bulk of Tereos's CDI based on debt was in the form working capital and structured financings and CRAs. These loans bearing an average interest rate of 15.5%.

The outstanding amount of CDI based financings is R\$ 573 million at 31 March 2023 (R\$ 932 million at 31 March 2022).

b / SOFR and LIBOR-based USD denominated financings

In order to extend maturities on working capital financings and improve natural hedge of income from exports, the Group have structured financing with a significant portion of medium-term export pre-financing contracts at SOFR plus a margin. These Libor-based financings are denominated in USD. The margin on the USD floating rate loans ranges from 2.75% to 4.75% with an average of 4.43%. Most of these financings are secured by the assignment of future export receivables. These loans bear an average interest rate of 9.1%.

The Group made USD 155 million new fundings in June and July 2022 with several banks at SOFR + 4.75% all with max maturity in July 2027, USD 10 million with Santander at SOFR + 2.8% due in July 2023 and in March 2023, a new funding with BTG Pactual in the amount of USD 25 million at SOFR + 2.72% due in March 2025.

For Libor the margin on the USD floating rate loans ranges from 3.15% to 4.60% with an average of 3.92%. Most of these financings are secured by the assignment of future export receivables.

The total outstanding amount of SOFR-based USD financings was R\$ 1,310 million at 31 March 2023. The outstanding amount of LIBOR-based USD financings is R\$ 356 million at 31 March 2023 (R\$ 1,298 million at 31 March 2022).

c / TJLP-based financings (TJLP – long-term state interest rate)

Medium-term/Long-term financings consist of equipment financing facilities from BNDES and are denominated in BRL. The margins applied range from 2.9% to 4.6% with an average of 3.0%. Loans are secured by pledge over the equipment financed. These loans bear an average interest rate of 10.4%.

The outstanding amount of TJLP-based financings is R\$ 543 million at 31 March 2023 (R\$ 677 million 31 March 2022).

d / UMBNDES-based financings

A specific line of BNDES financing is available and negotiated based on a basket of currencies (average of the loans in international currencies of the BNDES - "Cesta de moedas") + a spread + BNDES base rate. The outstanding amount is R\$ 3 million as at March 31st, 2022. The margins applied range from 3.3% to 3.6% with an average of 3.5%. These loans bear an average interest rate of 6.8%.

e / IPCA-based financings (IPCA – Special Amplified Consumer Price Index)

IPCA-based financings comprise funding through capital markets, such as Agribusiness Receivables Certificates (CRA) and Debentures. The margins applied range from 4.9% to 6.1% with average of 5.8%. These loans bear an average interest rate of 11.5%.

The outstanding amount of IPCA-based financings is R\$ 1,296 million at 31 March 2023 (R\$ 1,234 million at 31 March 2022).

f / SELIC-based financings (SELIC – Basic Interest Rate defined by Brazilian Central Bank)

A specific line of BNDES financing is available and negotiated based on UMSELIC + a spread. The outstanding amount was R\$ 165 million at 31 March 2023. The margins applied range from 4.14% to 4.79% with an average of 4.28%. These loans bear an average interest rate of 18.5%.

g / Fixed rate financings

Fixed rate financings consist mainly of BNDES investment financing of equipment financing loans in Brazil (FINAME), Working Capital lines (PCA) and a single export pre-financing contract.

In February 2023, the Group signed a 2-year duration contract with Itaú Bank for USD 19,5 million at a 7.75% fixed rate and maturity in February 2025.

The total outstanding amount of fixed rate financings is R\$ 235 million at 31 March 2023 (R\$ 278 million at 31 March 2022). These loans bear an average interest rate of 6.4%.

Average interest rate

The global average interest rate is at 11.0% at 31 March 2023 against 10.9% at 31 March 2022.

Foreign currency breakdown

The foreign currency breakdown of the debt at 31 March 2023 is as follows:

Currency	BRL	USD	Total
Millions of R\$ at 31 March 2023	2,609	1,871	4,480

Debt by maturity

The maturity of the debt at 31 March 2023 is as follows:

As at 31 March 2023

(MILLIONS OF R\$)	less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	more than 5 years	TOTAL
Maturity of debt before amortised costs	1,798	1,168	596	458	300	159	4,480
Lease liability	79	72	58	66	60	214	550

Reconciliation of changes in financial debt with the cash flow statement

Changes in financial debt are presented as follows:

(MILLIONS OF R\$)	31 March 2023	31 March 2022
Financial debt – Opening	5,374	5,759
Change with effect on cash	(626)	(390)
Borrowings issues	1,079	1,260
Borrowings repayments*	(1,829)	(1,791)
Change in treasury liabilities	123	141
Change with no effect on cash	224	5
Change in fair value	81	(290)
Impact of IFRS 16 (CPC 06 (R2))	109	269
Other	33	26
Financial debt – Closing	4,971	5,374

* Of which R\$ (173) million related to IFRS 16 (CPC 06 (R2)), against R\$ (117) million at 31 March 2022.

19.2.3 Covenants

The ratios below relate to covenants of Tereos Açúcar e Energia Brasil S.A. and its subsidiaries:

Type at 31 March 2023	Definition	Triggering level
Net debt	Consolidated Net Debt Tereos Açúcar e Energia Brasil Group. / Consolidated EBITDA Tereos Açúcar e Energia Brasil Group	Max. 4.5
Interest cover	Consolidated Adjusted EBITDA Tereos Açúcar e Energia Brasil Group / Consolidated Net Financial Expenses Tereos Açúcar e Energia Brasil Group	Min. 2.0
Liquidity	Consolidated Current Assets Tereos Açúcar e Energia Brasil Group / Consolidated Current Liabilities Tereos Açúcar e Energia Brasil Group	Min. 1.0

The Group complies with all of its financial covenants on the issue date of the financial statements.

As part of the legal reorganisation of the Group and its financing contracts with BNDES, the Group was obliged to inform the bank of the operations carried out (note 4.2) and to obtain a "waiver" from it. The information was sent to the bank in February 2023. In the absence of a response from the latter on the date of issue of the financial statements, the Group reclassified this debt as current financial debt for a total amount of R\$ 589 million in accordance with IFRS standards and BRGAAP.

19.2.4 Other financial liabilities

(MILLIONS OF R\$)	Current		Non-current	
	31 March 2023	31 March 2022	31 March 2023	31 March 2022
Taxes payables	6	59	1	1
Received deposit	88	89	0	0
Staff and social security payables	117	104	0	0
Derivatives	236	334	97	79
Other	104	93	1	1
OTHER FINANCIAL LIABILITIES	553	680	98	81

20. Fair value

The fair values of financial assets and liabilities are close to their carrying amounts, except for borrowings for which the fair value at 31 March 2023 is presented in the table below.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The following methods and assumptions were used to estimate fair value:

Since cash and cash equivalents, trade receivables and payables and other short-term borrowings mature in the near term, their fair value approximates their carrying amount.

The fair value of fixed- and variable-rate long-term borrowings is based on the estimated present value of the associated future cash flows (principal and interest repayments). A discount rate is calculated for each type of loan, determined by comparison with the interest rate used for similar transactions carried out during the previous period.

The fair value of available-for-sale securities (financial assets) is based on quoted prices in an active market, where available. Investments in equity instruments for which there are no quoted prices in an active market and whose fair value cannot be reliably measured are carried at cost, less any impairment losses, generally calculated in relation to the proportion of equity held.

The Group contracts derivative instruments with counterparties and financial institutions with investment grade ratings. Derivatives are measured using valuation techniques based on observable market inputs. The instruments concerned are mainly interest rate swaps, forward rate agreements, and commodity options and futures. The most frequently applied valuation techniques include forward pricing and swap models, which use present value calculations.

The Group measures biological assets at fair value less costs of sale, if any.

The Group uses the following hierarchy for determining and disclosing the fair value of financial assets and liabilities and biological assets:

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

At 31 March 2023 the Group held the following items:

(MILLIONS OF R\$)	Note	Level 1	Level 2	Level 3	Total
Financial assets at fair value		2	118	0	120
Interest rate derivatives (OTC)					
Swaps		0	15	0	15
Foreign exchange derivatives (OTC)	21.1.2				
Forwards		0	103	0	103
Commodity derivatives	21.1.3				
Futures (listed)		2	0	0	2
Non-consolidated Investments		0	0	2	2
Cash and cash equivalents		1,513	0	0	1,513
Biological assets		0	0	707	707
Financial liabilities at fair value		(237)	(4,839)	0	(5,076)
Financial debt		0	(4,746)	0	(4,746)
Interest rate derivatives (OTC)	21.1.1				
Swaps		0	(96)	0	(96)
Foreign exchange derivatives (OTC)	21.1.2				
USD borrowings qualified as CFH		0	4	0	4
Commodities derivatives	21.1.3				
Futures (listed)		(237)	0	0	(237)
Total fin. assets and liabilities at fair value on a recurring basis		1,278	26	0	1,303
Total fin. assets and liabilities at fair value on a non-recurring basis		0	(4,746)	708	(4,038)
TOTAL FIN. ASSETS AND LIABILITIES AT FAIR VALUE		1,278	(4,720)	708	(2,735)

The methodology adopted by the Group to determine the fair value of assets and liabilities that belong to the level 2 of the fair value hierarchy is as follows:

- Loans, borrowings and interest rate derivatives are valued using the discounted future cash flows method. This method uses interest rates and interest rate curves directly observable on the market at valuation date;
- Foreign exchange derivatives (forwards) are valued on the basis of a recalculation, at valuation date, of the forward exchange rate at maturity of the contract. This recalculation uses exchange rates and interest rate curves directly observable on the market at the valuation date;
- Interest rate option, foreign exchange option and commodity options are valued using the Black & Scholes model. This model uses the implied volatility of the underlying asset at the valuation date;
- Counterparty risk is measured using the CDS quoted on the market at valuation date or, failing that, using the data available on the secondary market (credit spread of listed securities).

20.1 Change in levels and focus on level 3

During the year ended 31 March 2023, no assets and liabilities measured at fair value were reclassified from or to level 1 or level 2.

The methodology adopted by the Group to determine the fair value of level 3 biological assets is described in note 10.

The change in fair value of biological assets can be analysed as follows:

(MILLIONS OF R\$)	Level 3 Biological assets
Fair value at 31 March 2022	623
Gain (loss) in the statement of operations (**)	84 *
Fair value at 31 March 2023	707

* Corresponds to the increase in tilling costs, the change due to harvest and the change in fair value

** Included in cost of sales

20.2 Derivatives

Breakdown by type of derivative:

At 31 March 2023		Fair value			
(MILLIONS OF R\$)		Notional Amount	Assets	Liabilities	Net
Interest rate vanilla swaps	Cash-Flow Hedge	1,092	15	(96)	(81)
FX forward contracts	Cash-Flow Hedge	1,182	103	0	103
Commodities futures	Cash-Flow Hedge	1,181	2	(237)	(235)
USD Borrowings qualified as CFH	Cash-Flow Hedge	1,510	0	4	4
TOTAL		4,965	120	(329)	(209)

At 31 March 2022		Fair value			
(MILLIONS OF R\$)		Notional Amount	Assets	Liabilities	Net
Interest rate vanilla swaps	Fair Value Hedge	155	0	(9)	(9)
Interest rate vanilla swaps	Cash-Flow Hedge	989	6	(26)	(20)
Interest rate vanilla swaps	Trading	355	8	0	8
FX forward contracts	Cash-Flow Hedge	883	154	0	154
Commodities futures	Cash-Flow Hedge	5,001	5	(378)	(373)
USD Borrowings qualified as CFH	Cash-Flow Hedge	1,036	0	(128)	(128)
TOTAL		8,419	173	(541)	(368)

Derivatives impacts are presented as follows:

Change through Comprehensive Income or through statement of operations	Category	At 31 March 2023		OCI
		Income / (expenses) Fair value*	OCI recycling	
Interest rate derivatives	Trading	(8)		
	Cash-Flow Hedge	(12)	(4)	(34)
Foreign exchange derivatives	Cash-Flow Hedge	0	135	(58)
	USD loan qualified as cash flow hedge	0	(192)	112
Commodity derivatives	Cash-Flow Hedge	1	(347)	119
Energy derivatives	Cash-Flow Hedge	0	0	1
Total		(19)	(408)	140
Effect of deferred taxes on OCI				(48)
Total OCI net of taxes				93
Of which OCI recycled into net revenue			(404)	404
Of which OCI recycled into financial result			(4)	4

* Of which an ineffective portion of R\$ (12) million for derivatives qualified as hedges

21. Risk management

In the context of its operating and financing activities, the Group is exposed to the following financial risks:

- market risks: interest rate risk, foreign exchange risk, commodities risk and energy risk;
- liquidity risks.

21.1 Market risk management

The Group manages its financial risks centrally or at the level of each subsidiary, depending on the type of transaction. Market risks are managed through the use of derivative instruments in accordance with Group procedures.

The table below presents the risks borne by the Group on financial instruments:

(MILLIONS OF R\$)	Fair Value	Level 1	Level 2	Level 3
Interest rate derivatives (OTC)	(81)		100%	
Foreign exchange derivatives (OTC)	107		100%	
Commodity derivatives	(235)	100%		
Total at 31 March 2023	(209)			

21.1.1 Interest rate risk management

The Group's exposure to interest rate risk is generated primarily by its borrowings at floating rates which impact future financial results.

When the Group wants to minimise the exposure of its subsidiaries to the risk of an increase in interest rates, the Group uses derivative instruments in the form of vanilla swaps. The interest rate hedging policy is defined centrally at Group level. Transactions are negotiated locally, and approved locally and centrally, according to Tereos Group procedures.

The notional amounts and fair values of interest rate derivatives by maturity breakdown are as follows:

(MILLIONS OF R\$)	Notional			TOTAL	Fair value
	less than 1 year	1 to 5 years	more than 5 years		
At 31 March 2023					
Vanilla swaps	373	719	0	1,092	(81)
in cash-flow hedge	373	719	0	1,092	(81)
TOTAL INTEREST RATE	373	719	0	1,092	(81)
of which CDI based derivatives	373	719	0	1,092	(81)

4% of the Group's borrowings was fixed rate debt at 31 March 2023 and 96% was on floating rate debt.

40% of the Group's debt was short-term debt and 60% was medium-and long-term at 31 March 2023.

Sensitivity of the statement of operations and other comprehensive income

The sensitivity analysis applies movements in interest rates and determines for various scenarios the impact of changes in interest rates on the statement of operations and other comprehensive income. The table below summarises financial exposures to changes in interest rates.

(MILLIONS OF R\$)	Notional	Impacts in a probable scenario		Impacts in a possible scenario		Impacts in a stress scenario	
		+10%	-10%	+25%	-25%	+50%	-50%
At 31 March 2023							
Borrowings at floating rate not hedged	4,245	(48)	48	(119)	119	(238)	238
Interest rate derivatives	1,092	(0)	0	(0)	0	(0)	0
Cash-flow hedge (Other comprehensive income impact)	1,092	(0)	0	(0)	0	(0)	0
Total	5,336	(48)	48	(119)	119	(238)	238
<i>of which impact on Statement of operations</i>		(48)	48	(119)	119	(238)	238

A variation of +/-10% has been applied to all floating interest rates, which is considered as reasonable based on observable market conditions. All other variables of the underlying amounts were held constant.

Underlying amounts contain unhedged borrowings at floating rates and the fair value of interest rate derivatives.

These changes would impact the statement of operations, except for the fair value of interest rate derivatives qualified as cash flow hedges, changes in which would impact other comprehensive income.

21.1.2 Foreign exchange risk management

To hedge exposures to foreign exchange risk, the Group uses derivative instruments, primarily outright forward contracts maturing in less than 12 months and USD borrowings to cover fluctuations in foreign exchange changes rates on sugar sales. These instruments are qualified as cash flow hedges.

The notional amounts and fair values of foreign exchange derivatives by maturity breakdown as follows:

(MILLIONS OF R\$)	Notional			TOTAL	Fair value
	less than 1 year	1 to 5 years	more than 5 years		
At 31 March 2023					
Forwards / NDF	1,182	0	0	1,182	103
in cash-flow hedge	1,182	0	0	1,182	103
USD Borrowings qualified as CFH	275	1,235	0	1,510	4
TOTAL FOREX	1,457	1,235	0	2,693	107
<i>of which USD / BRL derivatives</i>	1,457	1,235	0	2,693	107

Sensitivity of the statement of operations and other comprehensive income

The sensitivity analysis considers for various scenarios the impacts of a change in underlying foreign exchange rates on the statement of operations and other comprehensive income.

(MILLIONS OF R\$)	Notional	Impacts in a probable scenario		Impacts in a possible scenario		Impacts in a stress scenario	
		+10%	-10%	+25%	-25%	+50%	-50%
At 31 March 2023							
Assets and Liabilities	317	32	(32)	79	(79)	158	(158)
Net of financial assets and liabilities (P&L impact)	317	32	(32)	79	(79)	158	(158)
FX Derivatives (including USD borrowings qualified in CFH)	2,693	269	(269)	673	(673)	1,346	(1,346)
Cash-flow hedge (Other comprehensive income impact)	2,693	269	(269)	673	(673)	1,346	(1,346)
Commodities Derivatives	1,181	143	(143)	369	(369)	753	(753)
Cash-flow hedge (Other comprehensive income impact)	1,181	143	(143)	369	(369)	753	(753)
Total	4,190	444	(444)	1,121	(1,121)	2,257	(2,257)
<i>of which impact on Statement of operations</i>		32	(32)	79	(79)	158	(158)
<i>of which impact on other comprehensive income</i>		412	(412)	1,042	(1,042)	2,099	(2,099)

All foreign currency denominated items were included in the analysis, as well as the impact on the fair value of commodities derivatives which are denominated in USD (typically sugar).

The above table shows the sensitivity of the Group's statement of operations and other comprehensive income to changes in the underlying currency pairs (EUR/USD, EUR/GBP, USD/BRL).

The sensitivity analysis was prepared considering a +/- 10% change to be reasonable, based on general market observations. All other variables were held constant.

The different scenarios would impact the statement of operations, except for derivatives accounted for as cash flow hedges whose impacts would be recorded in other comprehensive income.

21.1.3 Commodities risk management

To hedge its commodities prices risk, several Group entities, depending on their activities, may buy and sell commodities future/forward contracts. The commodities negotiated are mainly: raw and white sugar for Tereos Açúcar e Energia Brasil S.A. representing their final products.

Most derivatives are qualified as cash flow hedge instruments.

Commodities and finished products transactions are performed at the subsidiary level and reviewed by the Market Risk Committees at Tereos Açúcar e Energia Brasil.

The notional amounts of the commodities derivatives by maturity are as follows:

(MILLIONS OF R\$)		Notional			TOTAL	Fair value
At 31 March 2023	less than 1 year	1 to 5 years	more than 5 years			
Futures	1,137	43	0	1,181	(235)	
in cash-flow hedge	1,137	43	0	1,181	(235)	
TOTAL COMMODITIES	1,137	43	0	1,181	(235)	
<i>of which sugar derivatives</i>	1,137	43	0	1,181	(235)	

Sensitivity of the statement of operations and other comprehensive income

(MILLIONS OF R\$)		Impacts in a probable scenario		Impacts in a possible scenario		Impacts in a stress scenario	
At 31 March 2023	Notional	+10%	-10%	+25%	-25%	+50%	-50%
Sugar derivatives	1,181	143	(143)	369	(369)	753	(753)
Cash-flow hedge (Other comprehensive income impact)	1,181	143	(143)	369	(369)	753	(753)
Total	1,181	143	(143)	369	(369)	753	(753)
<i>of which impact on other comprehensive income</i>		143	(143)	369	(369)	753	(753)

The different scenarios would impact the statement of operations, except for commodities/finished products derivatives accounted for as cash flow hedges, whose impacts would be recorded in other comprehensive income.

21.2 Liquidity risk management

Group liquidity management and financing are performed by the Tereos Group Financing & Treasury Department, with operation support from the operating subsidiaries.

The Group's approach to liquidity risk is mainly based on diversifying the type, maturity and source of its financing instruments. Hence, the Group finances itself on the bank market, on the public bond market, as well as on other specialised financing markets.

As such the Group finances itself with USD funding from the bank market, on the local “bond” market (Certificados de Recebíveis do Agronegócio), and when possible, also uses BNDES / Finame programs which give access to long maturities in R\$.

The Group is subject to fluctuations in its level of net debt due to the seasonal nature of its businesses (this mainly applies to sugar businesses in Brazil and in Europe), which may generate cash surpluses for short periods. The Group’s policy is to invest available cash only in bank deposits or in liquid money market funds.

The undiscounted contractual cash outflows (interest and principal amortisation) on outstanding financial liabilities and derivatives by maturity were as follows:

(MILLIONS OF R\$)

At 31 March 2023	less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	more than 5 years	TOTAL
Principal	1,798	1,168	596	458	300	159	4,480
Fixed interest payment commitments	265	178	101	59	25	34	663
Floating interest payment commitments	295	93	47	24	8	0	468
Total debts before amortised costs	2,358	1,440	744	541	334	194	5,610
Net flows on swap	11	(28)	(64)	0	0	0	(81)
Total derivatives	11	(28)	(64)	0	0	0	(81)
Total interest payment commitments including derivatives	571	244	84	83	34	34	1,050

At 31 March 2022	less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	more than 5 years	TOTAL
Principal	1,225	997	1,076	511	381	639	4,830
Fixed interest payment commitments	101	76	48	29	21	43	317
Floating interest payment commitments	100	108	46	19	12	6	290
Total debts before amortised costs	1,427	1,181	1,170	558	415	688	5,437
Net flows on swap	(35)	(6)	30	(9)	0	0	(20)
Total derivatives	(35)	(6)	30	(9)	0	0	(20)
Total interest payment commitments including derivatives	165	177	123	38	33	49	586

22. Unrecognised contractual commitments

Commitments given

(MILLIONS OF R\$)	31 March 2023	31 March 2022
Purchases of sugarcane	4,059	4,802
Assets covered by commitments	37	37

Purchases of sugarcane

Tereos Açúcar e Energia Brasil entered into contracts for the purchase of sugarcane produced in third parties’ rural properties, amounting approximately 4.2 million tonnes per crop to be delivered from 2023 to 2029. At 31 March 2023 the total commitment is estimated at R\$ 4,059 million, based on the average price until that date of R\$ 161.09 per tonne of sugarcane.

Assets covered by commitments

The Group pledged properties and vehicles in the amount of R\$ 37 million as collateral for tax claims.

23. Related parties

23.1 Operating transactions with related parties

Transactions have been carried out with the following entities:

(MILLIONS OF R\$)	Sales		Purchases	
	31 March 2023	31 March 2022	31 March 2023	31 March 2022
Entities controlling the Group				
a/ Tereos Internacional	0	0	0	1
a/ Tereos Participations	5	2	54	66
Entities controlled by Tereos Group				
c/ Tereos Amido e Adoçantes Brasil	2	6	0	0
b/ Tereos Commodities France (ex TBE)	1,847	36	18	0
b/ Tereos Commodities Suisse	0	1,574	0	0

(MILLIONS OF R\$)	Receivables		Payables	
	31 March 2023	31 March 2022	31 March 2023	31 March 2022
Entities controlling the Group				
a/ Tereos Internacional	0	0	0	2
a/ Tereos Participations	6	3	3	0
Entities controlled by Tereos Group				
c/ Tereos Amido e Adoçantes Brasil	7	6	0	0
a/ Tereos Starch & Sweeteners Europe	0	0	1	0
b/ Tereos Commodities Suisse	0	58	0	0
b/ Tereos Commodities France (ex TBE)	7	0	18	0

a/ An intra-group service agreement was entered into on April 1st, 2016 by and between Tereos Participations as service provider, and the Company and its subsidiaries. The agreement sets forth the terms and conditions under which Tereos Participations will provide to the beneficiaries certain services, in particular in IT, administrative, strategy, insurance, financing and treasury, accounting and consolidation, communication, business development, legal and tax areas. In consideration for the provision of such services, Tereos Participations will receive compensation equal to the direct and/or indirect costs incurred by Tereos Participations in connection with the provision of such services, plus a 9% margin.

b/ Some operational activities (sugar sales out of the Brazilian market) of the Group are performed with Tereos Commodities France (a subsidiary of Tereos Participations) at market conditions.

c/ Some management fees are invoiced by the Group to Tereos Amido e Adoçantes Brasil S.A.

23.2 Financing transactions with related parties

The main financing transactions were carried out with the following entities:

(MILLIONS OF R\$)	Financial assets		Financial liabilities	
	31 March 2023	31 March 2022	31 March 2023	31 March 2022
Entities controlling the Group				
a/ Tereos Internacional	0	267	0	0
a/ NewCo Tereos Internacional BR Ltda	266	0	0	0
Associates				
a/ São José Agricultura	0	1	0	0
Entities controlled by Tereos Group				
a/ Tereos Finance Group 1	0	0	254	238

No material amounts of interest were received or paid to related parties for the year ended 31 March 2023 and 31 March 2022.

The financial assets and liabilities of related parties are classified in the statement of financial position as follows:

(MILLIONS OF R\$)	31 March 2023	31 March 2022
Current financial assets with related parties	0	267
Non-current financial assets with related parties	266	1
Non-current financial liabilities with related parties	(254)	(238)
TOTAL NET RELATED PARTY FINANCIAL ASSETS (LIABILITIES)	12	30

24. Subsequent events

None.

25. Scope of consolidation

Company name	31 March 2023		31 March 2022	
	% of interest	Consolidation Method	% of interest	Consolidation Method
Tereos Açúcar e Energia Brasil		Parent company		Parent company
Tereos Açúcar e Energia Cruz Alta S.A.	Brazil	- Not consolidated	100.00	Controlled entity
Tereos Commodities Brasil S.A.	Brazil	81.00 Controlled entity	81.00	Controlled entity
Usina Vertente Ltda.	Brazil	50.00 Controlled entity	50.00	Controlled entity
Centro de Tecnologia Canavieira S.A.	Brazil	4.42 Associates / Equity method	4.42	Associates / Equity method
São José Agricultura Ltda.	Brazil	- Not consolidated	32.00	Associates / Equity method
Terminal Portuário de Paranaguá S.A.	Brazil	35.00 Associates / Equity method	35.00	Associates / Equity method