(A free translation of the original in Portuguese)

Atlântica Exportação e Importação S.A.

Financial statements prepared in accordance with accounting practices adopted in Brazil at December 31, 2019 and independent auditor's report

(A free translation of the original in Portuguese)

Independent auditor's report

To the Board of Directors and Stockholders
Atlântica Exportação e Importação S.A.

Opinion

We have audited the accompanying parent company financial statements of Atlântica Exportação e Importação S.A. ("Company" or "Parent company"), which comprise the balance sheet as at December 31, 2019 and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, as well as the accompanying consolidated financial statements of Atlântica Exportação e Importação S.A. and its subsidiaries ("Consolidated"), which comprise the consolidated balance sheet as at December 31, 2019 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Atlântica Exportação e Importação S.A. and of Atlântica Exportação e Importação S.A. and its subsidiaries as at December 31, 2019, and the financial performance and the cash flows for the year then ended, as well as the consolidated financial performance and the cash flows for the year then ended, in accordance with accounting practices adopted in Brazil.

Basis for opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Parent Company and Consolidated Financial Statements section of our report. We are independent of the Company and its subsidiaries in accordance with the ethical requirements established in the Code of Professional Ethics and Professional Standards issued by the Brazilian Federal Accounting Council, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

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

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

In connection with the audit of the parent company and consolidated financial statements, our responsibility is to read the Management Report and, in doing so, consider whether this report is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement in 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 parent company and consolidated financial statements

Management is responsible for the preparation and fair presentation of the parent company and consolidated financial statements in accordance with accounting practices adopted in Brazil, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

- Identify and assess the risks of material misstatement of the parent company and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's 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 financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the parent company and consolidated financial statements, including the disclosures, and whether these financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Belo Horizonte, March 3, 2020

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5

Guilherme Campos e Silva
Contador CRC 1SP218254/O-1

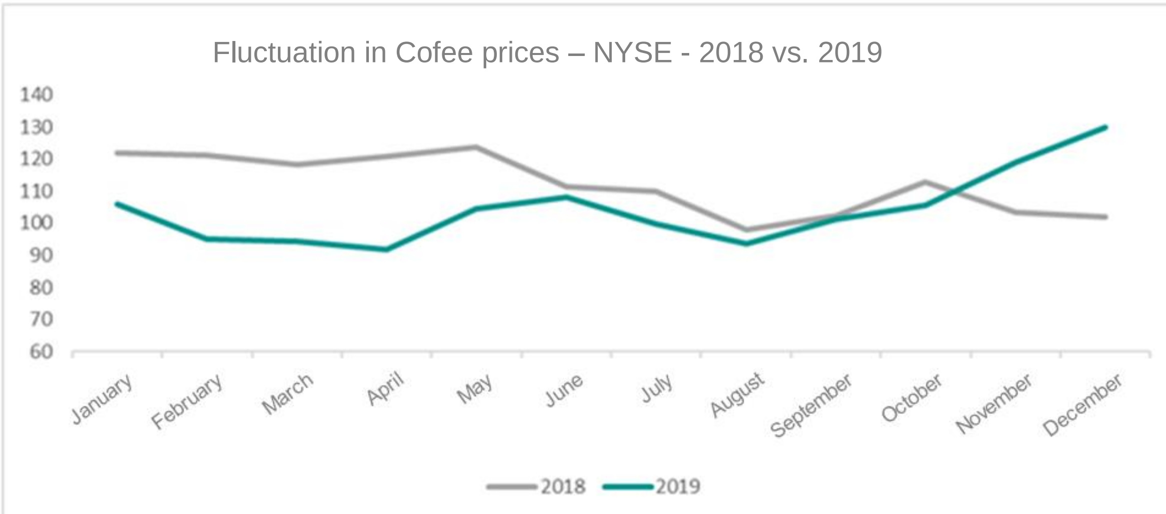
(A free translation of the original in Portuguese)

MANAGEMENT REPORT

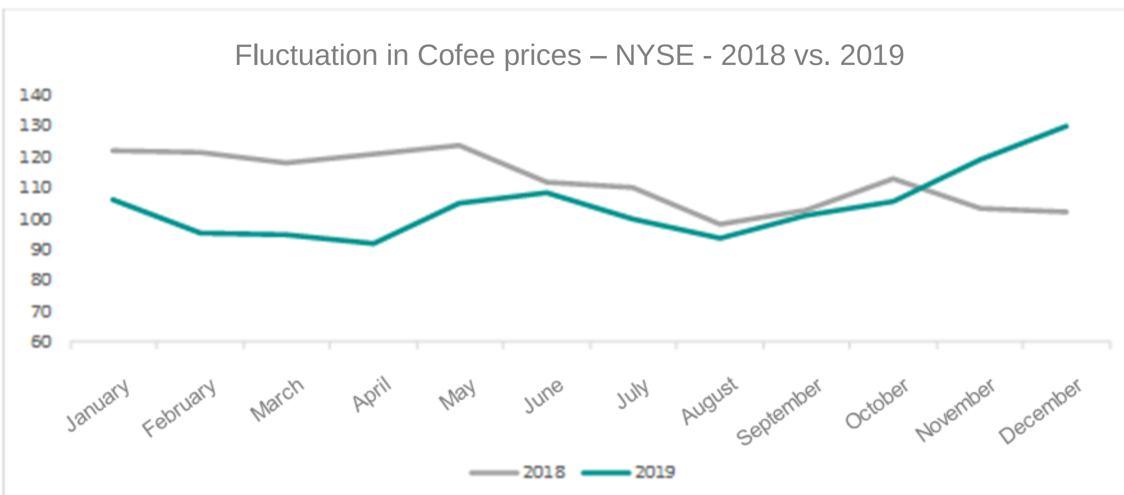
1) Message from Management

We had many reasons to celebrate in 2019. In addition to achieving important qualitative goals, we repeated our exceptional results obtained in 2018.

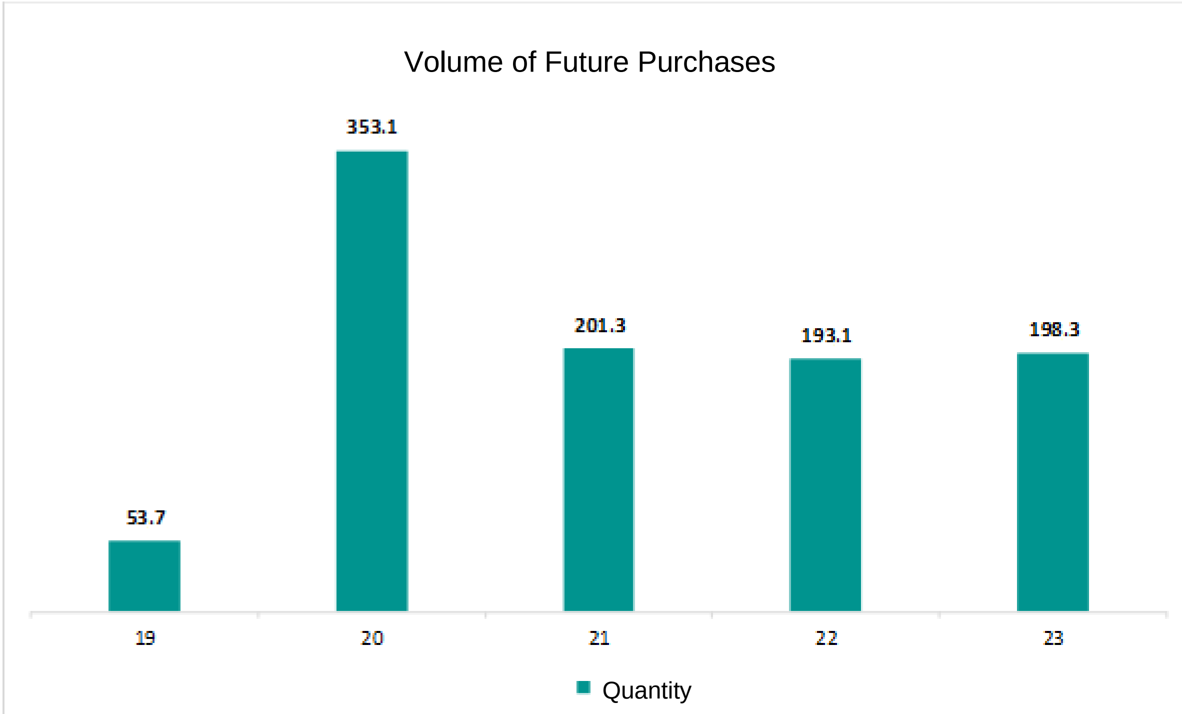
The continuous devaluation of the currency, from 2018, worsened last year.



This, coupled with the reversal of the downward trend on the NYSE,



ended resulted in higher prices in Reais for the producer, which gave us the opportunity to make purchases for future delivery at prices lower than those practiced in 2018. As a result, we set a new record, by hitting almost one million bags traded for future delivery, against 900,000 in 2018.



Meanwhile, the price differentials for FOB sales of Brazilian coffee remained narrow, reflecting the lower supply on the international market of Colombian and Central American coffees, which are, after Brazil, the main producers and suppliers of Arabica coffees in the world. This scenario, combined with the spreads on the NYSE, which reached up to 15% p.a., at times, improved our margins significantly, allowing us to double the EBITDA and Profit projected for the year.

In the operating field, we highlight some structural actions and operating improvements that have brought and will bring both economic and qualitative positive impacts.

1- Percentage of contract performance

   Through corrective actions such as, for example, the maintenance of qualitative stock covering a minimum of 3 months of commitments, as well as minor preventive actions, we managed to deliver 98% of the contracts, within the contractual deadlines, compared to 53% in the previous year. Even when we consider that our performance in 2018 was severely impacted by the third party truckers strike, a percentage of 98% had never been achieved before, and represents a new qualitative milestone.

2- Change of the physical structure from Belo Horizonte to a new office in Varginha

   To promote greater synergy between the areas and workforce streamlining, we decided to transfer our entire physical structure from Belo Horizonte to a new office in Varginha. In addition to the expected operational gains, we will reduce overheads by approximately 15%, as well as various administrative expenses which, in the aggregate, represent a decrease of approximately R$ 1.6 million per year. The process is scheduled to be completed in April 2020.

3- Expansion of the Caparaó storage unit
   The expansion of the Caparaó warehouse will triple its static storage capacity from 70,000 to 210,000 bags, in addition to increasing by 50% the coffee processing capacity, and reducing significantly the unit cost per bag processed. The work is expected to be completed in mid-2020.

4- Approval of the hiring of a senior professional to lead the legal department of GMT Farms and Tradings
   This will allow us not only to work on drafting and implementation more robust Corporate Governance policies, and the creation of an Audit Committee, but also to streamline the process of hiring outsourced services. These are important steps towards the highest level of compliance and best practices in Corporate Governance.

5- Creation of the Sustainability Committee
   Being a sustainable company, built on the economic, social and environmental values, is an increasingly important condition for businesses that intend to keep expanding, particularly into the international market. The creation of our Sustainability Committee, led by Irene Vieira, has the purpose of developing a comprehensive project to plan actions and respective implementation schedules. Our goal is to have the project to be submitted to the Company's Board of Directors by mid-2020.

6- Completion of corporate restructuring process stages of the Montesanto Tavares Group.
   The most important steps of the planned corporate restructuring were completed when welcoming the new partner, PSP. This achievement bears a special symbolism, since all the founding partners now form a single holding company, which holds 70% of the shares of GMT Group - Trading. The new corporate structure promotes greater shareholder engagement in the common interests of all companies in the Trading segment, given that the economic results of each company are equally distributed providing for extra motivation to search for common benefits.

   We continue pursuing our strategy, strongly leveraged on our commitment to be ever closer to our partner producers, by expanding this supply chain and empowering and encouraging them to become increasingly involved in certification processes, always seeking to support a more and more sustainable coffee growing process.

Rogério Azevedo Schiavo
CEO

2) Environmental Responsibility and Social Commitment

2.1) Environmental Responsibility

We reiterate our commitment to embracing the best coffee production techniques and the training of producers to achieve certifications, which ensure that coffee production methods comply with the strictest international standards. The main certifications we are currently working with are Practices, 4C Association, Rainforest Alliance, and UTZ Certified.

2.2) Social Commitment

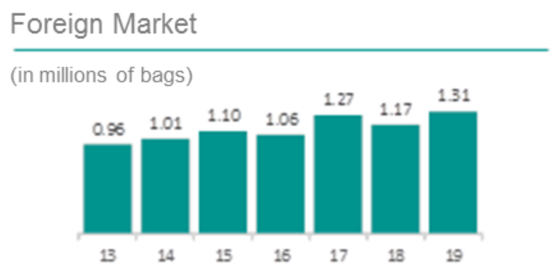
The Café Solidário Institute (Sympathetic Coffee Institute) is a philanthropic organization run by the Montesanto Tavares Group, through which the Company supports initiatives that contribute to the cultural and social development of a number of communities. Among these initiatives is the *Realizando Sonhos* (Making Dreams Come True) project, created six years ago, in the town of Buritizeiro. This project today involves more than 150 children, aged 6 to 17, as well as mothers from the local community, who attend various training courses, such as, sewing and embroidery, literature, painting, music and choir, and computer lessons.

2.3) People

We reinforce our commitment to the well-being of our employees, by providing them with the following benefits every year: medical care for employees and their families, vaccination campaigns and guidance on infectious diseases, specialized occupational safety services, investment in qualification, through scholarship, job and salary plan, in addition to a profit sharing plan.

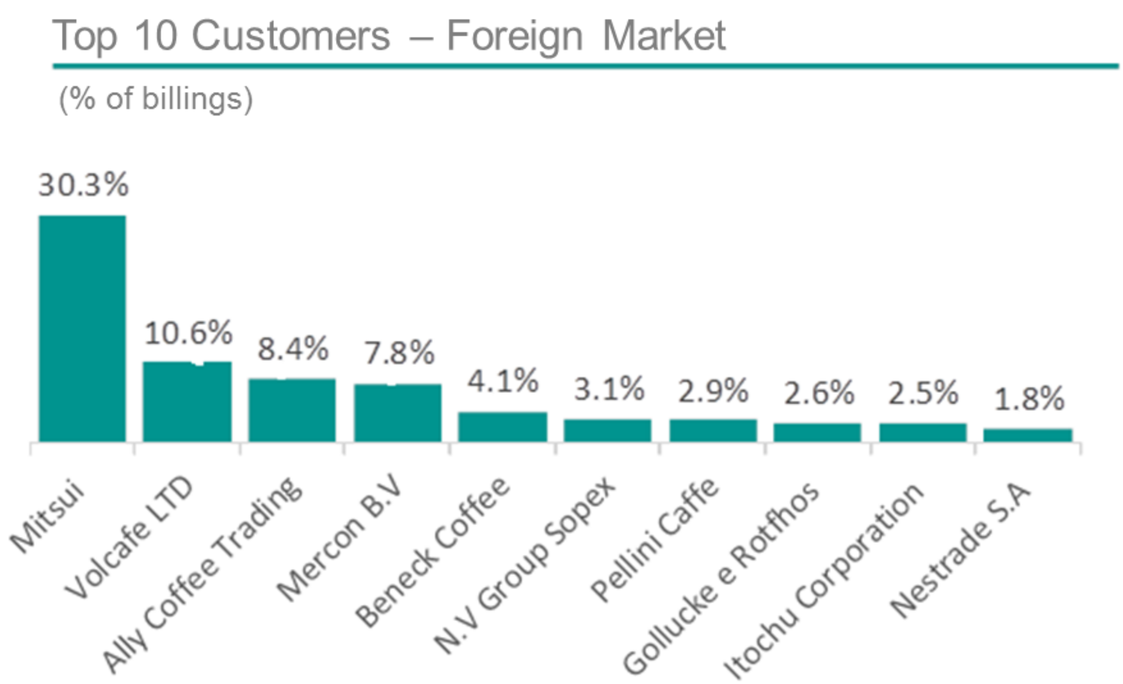
3) Operating performance

The sales volume was in line with that recorded for the previous year. The Company continues to pursue its strategy of focusing on the best margins for the business.



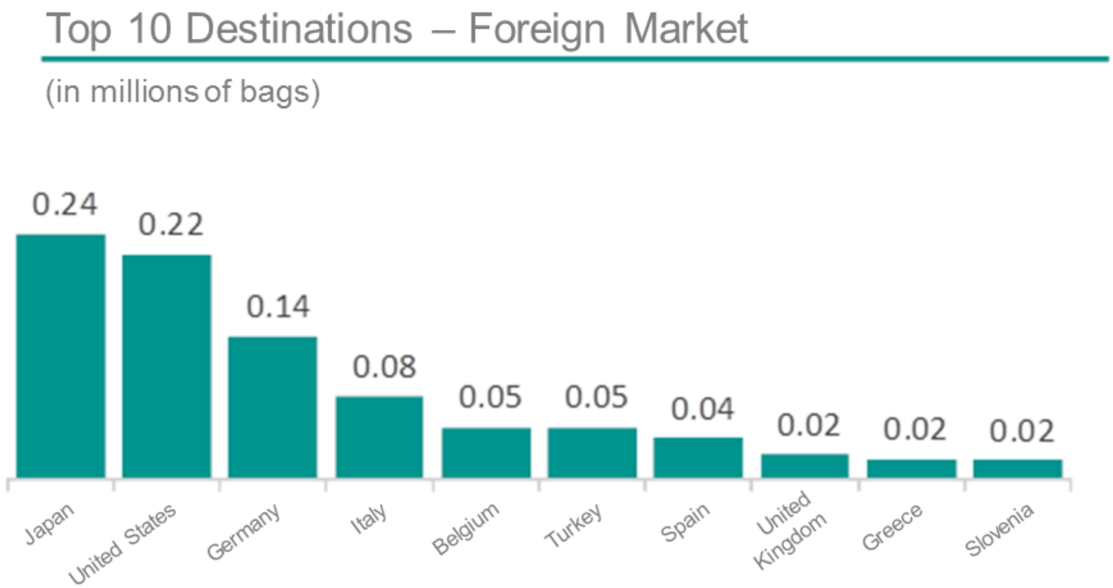
3.1) Main customers

74% of the Company's sales is concentrated on ten major customers, among which we highlight the significant increase in the share of Mitsui in our portfolio.



3.2) Main destinations

Our sales were mainly made to Japan (Mitsui) and United States (Ally Coffee Trading).



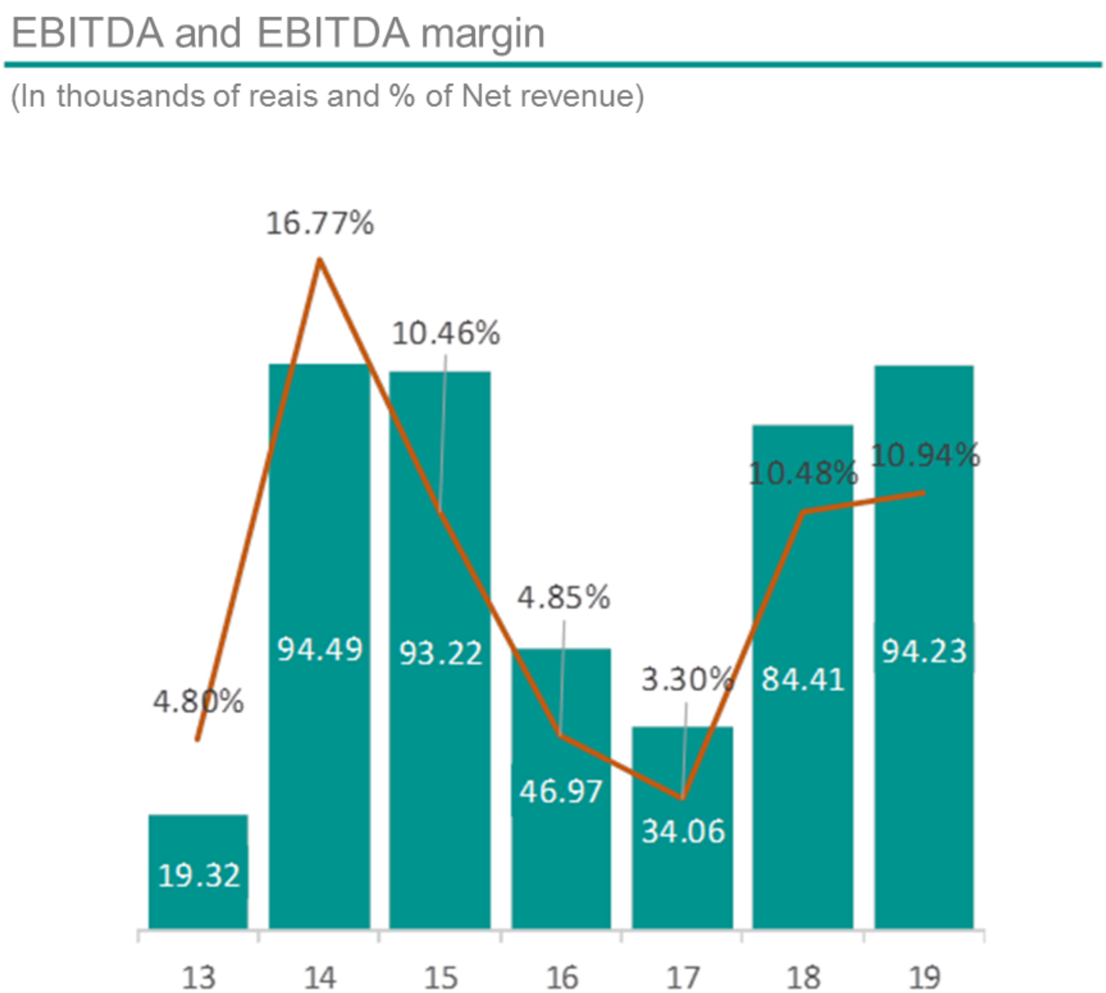
4) Financial performance

4.1 Gross operating revenue

Gross operating revenue increased by 9% in relation to 2018, positively impacted by the foreign exchange (U.S. dollar appreciation) and the coffee quotes on NYSE. Our purchase margins increased in relation to the previous year, due to conditions in the spot and future markets, which improved as our average inventory turnover days increased.

4.2) *EBITDA*

EBITDA was favorable for future purchase and sale negotiations with more attractive price differentials. Expenses and operating costs were below projections, thanks to the strict budgetary control and effects from moving the office from Belo Horizonte to Varginha.

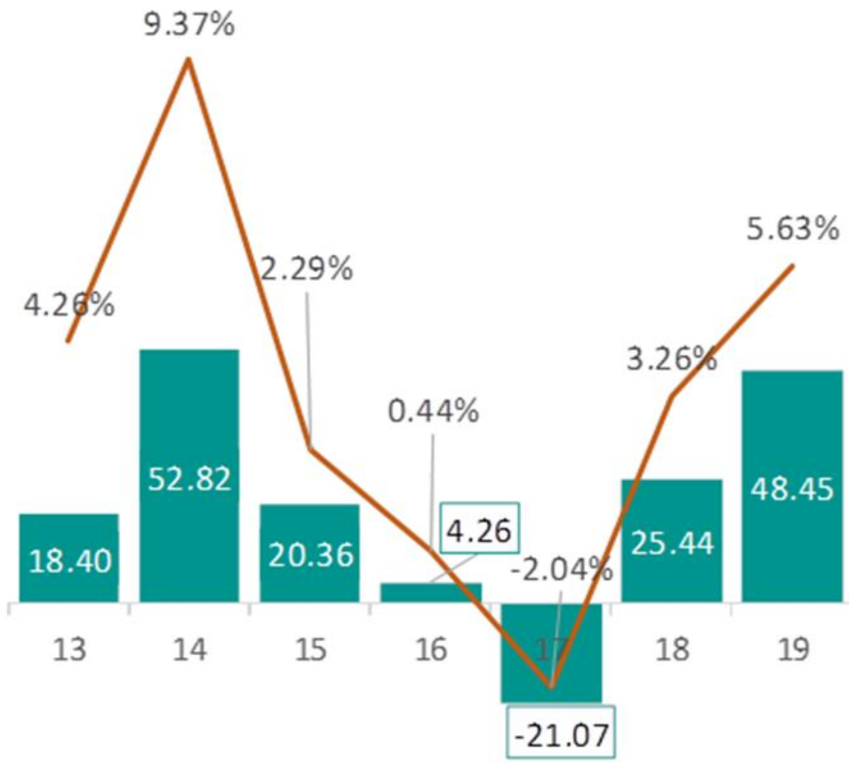


4.3) Net Result

The continuous depreciation of the Brazilian currency, from 2018 and throughout 2019, coupled with the reversal of the downward trend in the NYSE, caused prices to increase in Reais for the producer which gave us the opportunity to make purchases for future delivery at prices lower than those practiced in 2018. As a result, we set a new record, by hitting almost one million bags traded for future delivery, against 900,000 in 2018. All these conditions allowed us to double the EBITDA and Profit projected for the year.

Net Profit and Net Margin – Parent Company

(In thousands of reais and % of Net revenue)



Atlântica Exportação e Importação S.A.

Balance sheet at December 31

All amounts in thousands of Reais (A free translation of the original in Portuguese)

		Parent company		Consolidated	
Assets	**Note**	**2019**	**2018**	**2019**	**2018**
Current assets					
Cash and cash equivalents	6.1	81,917	76,003	82,738	80,994
Marketable securities	6.2	61,691	76,796	61,691	76,796
Trade receivables	7	118,503	141,056	119,052	124,416
Inventories	8	369,767	226,766	370,478	227,048
Advances	9	3,385	74,334	6,882	77,695
Taxes recoverable	10	24,693	22,840	24,693	22,840
Financial instruments	4.3	259,219	236,422	259,219	236,422
Other receivables		6,816	6,578	9,539	9,532
Total current assets		925,991	860,795	934,292	855,743
Non-current assets					
Long-term receivables					
Related parties	12	14,401	-	33,204	31,773
		14,401	-	33,204	31,773
Investments	13	30,478	28,682	-	-
Property, plant and equipment	14	11,845	7,351	12,408	8,167
Intangible assets		848	672	848	1,367
Total non-current assets		57,572	36,705	46,460	41,307
Total assets		983,563	897,500	980,752	897,050

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

Atlântica Exportação e Importação S.A.

Balance sheet at December 31
All amounts in thousands of Reais **(continued)**

		Parent company		Consolidated	
Liabilities	**Note**	**2019**	**2018**	**2019**	**2018**
Current liabilities					
Trade payables	15	28,868	38,267	29,899	35,133
Borrowings	16	608,283	554,224	608,283	554,224
Taxes payable		841	166	841	166
Income tax and social contribution	25	1,717	2,275	1,717	2,273
Dividends payable	17	14,566	8,753	764	8,753
Lease liabilities		219	-	219	-
Other liabilities		5,690	4,914	5,563	7,300
Total current liabilities		660,184	608,599	647,286	607,849
Non-current liabilities					
Borrowings	16	24,403	25,462	24,403	25,462
Deferred income tax and social contribution	11	72,525	60,896	72,525	61,196
Related parties	12	3,303	59,609	-	59,609
Lease liabilities		814	-	814	-
Other liabilities		751	750	339	750
Total non-current liabilities		101,796	146,717	98,081	147,017
Equity	17				
Capital		75,362	75,361	75,362	75,361
Capital reserve		56,596	-	56,596	-
Revenue reserve		77,707	57,141	91,509	57,141
Carrying value adjustments		11,918	9,682	11,918	9,682
Total equity		221,583	142,184	235,385	142,184
Total liabilities and equity		983,563	897,500	980,752	897,050

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

Atlântica Exportação e Importação S.A.

Statement of income
Years ended December 31

All amounts in thousands of Reais (A free translation of the original in Portuguese)

		Parent company		Consolidated	
	Note	**2019**	**2018**	**2019**	**2018**
Net revenue	18	861,221	781,120	873,373	797,400
Cost of goods sold	19	(772,220)	(701,505)	(780,048)	(713,918)
Net result of changes in agricultural commodity prices and foreign exchange variations	20	44,784	52,118	44,784	52,118
Gross profit		133,785	131,733	138,109	135,600
Selling expenses	21	(24,182)	(22,745)	(24,182)	(22,745)
General and administrative expenses	22	(17,392)	(26,638)	(23,534)	(36,551)
Other operating income, net	23	689	(206)	741	634
Operating profit		92,900	82,144	91,134	76,938
Finance costs	24	(33,292)	(37,287)	(33,358)	(41,641)
Finance income	24	3,743	3,603	5,118	4,229
Finance result		(29,549)	(33,684)	(28,240)	(37,412)
Equity in results of subsidiaries and associates		(431)	11,827	-	(116)
Profit before income tax and social contribution		62,920	60,287	62,885	39,410
Current income tax and social contribution	25	(2,843)	(2,275)	(2,843)	(2,275)
Deferred income tax and social contribution		(11,629)	(32,572)	(11,594)	(11,695)
Profit for the year		48,448	25,440	48,448	25,440

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

Atlântica Exportação e Importação S.A.

Statement of comprehensive income
Years ended December 31

All amounts in thousands of Reais (A free translation of the original in Portuguese)

		Parent company		Consolidated	
	Note	**2019**	**2018**	**2019**	**2018**
Profit for the year		48,448	25,440	48,448	25,440
Other components of comprehensive income					
Items to be subsequently reclassified to profit or loss					
Foreign exchange variation of subsidiary abroad		2,236	4,404	2,236	4,404
Total comprehensive income for the year		50,684	29,844	50,684	29,844

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

Atlântica Exportação e Importação S.A.

Statement of changes in equity

All amounts in thousands of Reais (A free translation of the original in Portuguese)

	Attributable to owners of the Parent company								
			Revenue reserves						
	Capital	Capital reserve	Legal reserve	Profit retention reserve	Carrying value adjustments	Retained earnings	Total	Non-controlling interest	Total equity
At December 31, 2017	10,000	-	-	-	35,166	108,700	153,866	2,605	156,471
Loss for the year	-	-	-	-	-	25,440	25,440	-	25,440
Foreign exchange variation of subsidiary abroad	-	-	-	-	4,404	-	4,404	-	4,404
Total comprehensive income for the year	-	-	-	-	4,404	25,440	29,844	-	29,844
Transactions with non-controlling interests	-	-	-	-	7,164	-	7,164	-2,605	4,559
Realization of carrying value adjustments	-	-	-	-	(37,052)	37,052	-	-	-
Capital increase	183,376	-	-	-	-	-	183,376	-	183,376
Partial spin-off	(118,015)	-	-	-	-	(102,499)	(220,514)	-	(220,514)
Distribution of profits	-	-	-	-	-	(5,510)	(5,510)	-	(5,510)
Allocation of legal reserve	-	-	1,272	-	-	(1,272)	-	-	-
Proposed dividends	-	-	-	-	-	(6,042)	(6,042)	-	(6,042)
Profit retention	-	-	-	55,869	-	(55,869)	-	-	-
At December 31, 2018	75,361	-	1,272	55,869	9,682	-	142,184	-	142,184
Profit for the year	-	-	-	-	-	48,448	48,448	-	48,448
Foreign exchange variation of subsidiary abroad	-	-	-	-	2,236	-	2,236	-	2,236
Total comprehensive income for the year	-		-		2,236	48,448	50,684	-	50,684
Capital increase	1	56,596	-	-	-	-	56,597	-	56,597
Distribution of profits	-	-	-	(12,163)	-	-	(12,163)	-	(12,163)
Allocation of legal reserve	-	-	2,422	-	-	(2,422)	-	-	-
Proposed dividends	-	-	-	-	-	(15,719)	(15,719)	-	(15,719)
Profit retention	-	-	-	30,307	-	(30,307)	-	-	-
At December 31, 2019	75,362	56,596	3,694	74,013	11,918	-	221,583	-	221,583

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

Atlântica Exportação e Importação S.A.

Statement of cash flows
Years ended December 31
All amounts in thousands of Reais (A free translation of the original in Portuguese)

	Parent company		Consolidated	
	2019	2018	2019	2018
Cash flows from operating activities				
Profit for the year	48,448	25,440	48,448	25,440
Adjustments for:				
Depreciation and depletion	1,157	1,143	1,469	25,513
Disposals of property, plant and equipment			(105)	
Result of subsidiaries recognized under the equity method	440	(12,123)		
Constitution (reversal) of provisions	(118)	4,026	(118)	4,026
Provision for financial charges and foreign exchange variation	(2,082)	96,179	(2,082)	97,865
Deferred income tax and social contribution	11,629	32,572	11,329	11,695
Gain (loss) on foreign exchange variation of subsidiaries abroad			2,236	4,404
Gain on transactions with non-controlling interests				4,559
Adjustment of biological assets to fair value				(761)
Losses (gains) on fair value of derivative financial instruments	(22,797)	(151,290)	(22,797)	(151,290)
Changes in operating assets and liabilities				
Trade receivables	22,671	(26,946)	5,487	(28,614)
Inventories	(143,001)	(89,874)	(143,430)	(111,491)
Advances	70,949	29,383	70,813	(65,514)
Other receivables	(238)	(1,299)	(7)	(1,966)
Taxes recoverable	(1,853)	(17,256)	(1,853)	(18,024)
Trade payables	(9,399)	(21,858)	(5,234)	(16,033)
Tax liabilities	117	7,207	119	22,724
Other liabilities	777	1,485	(2,148)	1,758
Cash used in operations	(23,300)	(123,211)	(37,878)	(195,709)
Interest paid	(30,616)	(32,294)	(30,616)	(32,752)
Cash used in operating activities	(53,916)	(155,505)	(68,494)	(228,461)
Cash flows from investing activities				
Financial investments and stock exchange transactions	15,105	(35,601)	15,105	(37,102)
Purchases of property, plant and equipment, intangible assets and biological assets	(4,794)	(3,420)	(4,053)	(15,834)
Disposals of property, plant and equipment		2,439		3,074
Capital contributions in subsidiaries		(30,765)		
Related-party transactions	(14,110)	65,285	(4,453)	122,918
Net cash inflow (outflow) from investing activities	(3,799)	(2,062)	6,609	73,056
Cash flows from financing activities				
Proceeds from borrowings	807,403	743,763	807,403	743,764
Repayments of borrowings	(721,705)	(719,176)	(721,705)	(721,983)
Capital increase		183,376		183,376
Profit distributed	(22,069)	(26,028)	(22,069)	(26,028)
Net cash inflow from financing activities	63,629	181,936	63,629	179,129
Increase in cash and cash equivalents	5,914	24,369	1,744	23,724
Cash and cash equivalents at the beginning of the year	76,003	51,634	80,994	57,270
Cash and cash equivalents at the end of the year	81,917	76,003	82,738	80,994
Increase in cash and cash equivalents	5,914	24,369	1,744	23,724

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

1 General information

1.1 Company

Atlântica Exportação e Importação S.A. (“Company” or “Parent Company”) and its subsidiaries (“Group”) are mainly engaged in growing, harvesting, processing and trading coffee.

The Company is a limited liability company headquartered in the municipality of Manhuaçu, state of Minas Gerais.

In 2018, the partners initiated an organizational and corporate restructuring process to streamline and better manage the business, in accordance with the best governance practices, and with a view to ensuring sustainability of operations.

Under this process, all the quotas of the Company were transferred to Montesanto Tavares Group Participações S.A., a company enrolled with the National Corporate Taxpayers’ Registry (CNPJ) under No. 29.243.666/0001-52, which then became the sole shareholder of the Company.

For the purpose of segregating coffee trading operations ("Trading") from the activities of coffee and mahogany production ("Farms"), the Company's investments were spun off as described below. In a first spin-off, the mahogany plantations of Atlântica Agropecuária, and the non-controlling interest MGX Florestal Participações e Empreendimentos Ltda. were transferred to the owners of the Company. Subsequently, the investments in the direct subsidiaries Atlântica Agropecuária Ltda. and Primavera Agronegócios Ltda., and in the indirect subsidiary Fazenda Sequoia Bahia Ltda. were also spun off. The scenario resulting from the spin-offs are described in Notes 13 and 17.

Giving continuity to the corporate restructuring process, on July 30, 2018, the status of the Company was changed from a limited liability company to a corporation, renamed Atlântica Exportação e Importação S.A.

The issue of these Parent company and Consolidated financial statements was authorized by the Executive Board on March 3, 2020.

1.2 Subsidiaries

Mountain Coffee Corporation (“MCC” or “Ally Coffee”) – This company, which is based in the city of Plantation, Florida, United States, is engaged in trading green coffee beans.

Atlântica International Overseas (“Overseas”) – This company provides supplementary support to the Group's activities by fostering the purchases and sales in the foreign market. It is based in the British Virgin Islands.

2 Summary of significant accounting policies

The financial statements have been prepared in accordance with accounting practices adopted in Brazil, including the pronouncements issued by the Brazilian Accounting Pronouncements Committee (CPC), and disclose all (and only) the applicable significant information related to the financial statements, which is consistent with the information utilized by management in the performance of its duties.

The main accounting policies applied in the preparation of the parent company and consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements were prepared under the historical cost convention as modified to reflect the deemed cost of property, plant and equipment items at the date of transition to CPCs, financial assets and liabilities (including derivative instruments) and biological assets at fair value.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the individual and consolidated financial statements are disclosed in Note 3.

(a) Parent company financial statements

The parent company financial statements have been prepared in accordance with accounting practices adopted in Brazil, issued by the Brazilian Accounting Pronouncements Committee (CPC), and are disclosed together with the consolidated financial statements.

In the parent company financial statements, the subsidiaries and associated companies are accounted for under the equity method. The same adjustments are made to the parent company and consolidated financial statements to reach the same profit or loss and equity attributable to the owners of the parent company.

(b) Consolidated financial statements

The consolidated financial statements have been prepared and are being presented in accordance with accounting practices adopted in Brazil, including the pronouncements issued by the CPC.

(c) Changes in accounting policies and disclosures

Changes adopted by the Group

(i) CPC 06 – Leases

The Company adopted CPC 6 (R2) as from January 1, 2019. It has not restated comparative information for 2018, as allowed under the specific transition provisions in the standard. The transition method adopted was as follows: (i) the lease liability was calculated based on the present value of the remaining lease payments discounted at the Company's incremental borrowing rate on the initial application date; and (ii) the right-of-use asset at the initial application date was measured retroactively as if the new pronouncement had already been effective since the initial date.

(All amounts in thousands of Reais, unless otherwise stated)

ICPC 22 - "Uncertainty over Income Tax Treatments": this interpretation clarifies how to measure and account for assets and liabilities relating to taxes on profit (income tax/social contribution), both current and deferred, under IAS 12/CPC 32, when uncertainty exists regarding the treatments adopted in the calculation of these taxes. Management assessed the key tax treatments adopted by the Group in the open periods that are subject to questioning by the tax authorities and concluded that there are no significant impacts on the financial statements to be accounted for. Critical management estimates as well as key contingent liabilities related to uncertain tax treatments relating to taxes on income are disclosed in Note 26.

2.2 Consolidation

The accounting policies listed below are applied in the preparation of the consolidated financial statements, which include the financial statements of the Parent company and the following subsidiaries:

	2019	2018
Mountain Coffee Corporation	100%	100%
Atlântica International Overseas	100%	100%

(i) In September 2018, as a result of the corporate restructuring process of the Montesanto Tavares Group, carried out upon the sale of part of the shareholding control, and the need for segregating coffee trading operations ("Trading") from the activities of coffee and mahogany production ("Farms"), the companies Atlântica Agropecuária, Primavera Agronegócios, and Fazenda Sequoia Bahia were spun off to the newly created entity Newco Farms Participações S.A.

(a) Subsidiaries

Subsidiaries are entities (including structured entities) over which the Group has control. They are fully consolidated from the date on which control is transferred to the Group, and are deconsolidated from the date that control ceases.

The identifiable assets acquired, and contingent liabilities assumed on the acquisition of subsidiaries in a business combination are measured initially at their fair values on the acquisition date. The Group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Non-controlling interests to be recognized are determined in each acquisition. Acquisition-related costs are recorded in the statement of income as incurred.

Intercompany transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated, unless the transaction provides evidence of impairment of the asset transferred. The accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases of non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity, under "Carrying value adjustments".

2.3 Segment reporting

The Group does not prepare separate reports by segment, a practice which is consistent with the internal reporting provided to the chief operating decision makers. The Executive Board is the chief operating decision maker, responsible for allocating resources and assessing the performance of the operating segments, and also for making the Group's strategic decisions.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The parent company and consolidated financial statements are presented in Real/Reais (R$), which is the Company's functional currency, and also the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation, on which items are remeasured.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of income.

Foreign exchange gains and losses are presented in the statement of income.

(c) Group companies with a different functional currency

The results of income and financial position of the subsidiaries Mountain Coffee Corporation and Atlântica Overseas, whose functional currency differs from the presentation currency, are translated into the presentation currency as follows:

(i) assets and liabilities in the balance sheet are presented are translated at the closing rate on each balance sheet date.

(ii) income and expenses in the statement of income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all the resulting exchange differences are recognized as a separate component of equity, in the "Carrying value adjustments" account.

On consolidation, foreign exchange differences arising from the translation of net investments in foreign entities are recognized in equity. When a foreign operation is partially disposed of or sold, these foreign exchange differences are recognized in the statement of income as part of the gain or loss on sale.

The following Group subsidiaries have a functional currency that differs from that of the Parent company:

Company	Country	Functional currency
Mountain Coffee Corporation	USA	US dollar
Atlântica Overseas	British Virgin Islands	US dollar

2.5 Cash and cash equivalents

These include cash at banks, and cash balances available abroad, relating to receipts in transit arising from transactions carried out in the foreign market.

2.6 Marketable securities

These include balances in margin accounts with brokerage firms, to be used for derivative transactions and investments in local currency. Short-term investments are stated at cost, plus income earned through the balance sheet date, which does not exceed the market value.

2.7 Financial assets

2.7.1 Classification

The Group classifies its financial assets in the following measurement categories:

- Measured at fair value (either through other comprehensive income or through profit or loss).

- Measured at amortized cost.

This classification is also driven by the entity's business model for managing financial assets and the terms for the contractual cash flows.

Financial assets at fair value through other comprehensive income include:

- Equity securities that are not classified as held for trading on initial recognition and which the Group irrevocably decided to recognize in this category. These investments are strategic, and the Group considers this classification to be more relevant.

- Debt securities where the contractual cash flows are solely principal and interest, and the objective of the Group's business model is achieved both from the collection of contractual cash flows and the sale of financial assets.

The Group classifies the following financial assets at fair value through profit or loss:

- Equity investments held for trading; and equity investments for which the entity has not opted to recognize gains and losses through other comprehensive income.

For financial assets measured at fair value, gains and losses will be recorded in the statement of income, or in other comprehensive income. The classification of investments in debt instruments will vary based on the business model under which the investment is maintained. For investments in equity instruments that are not held for trading, the classification will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

2.7.2 Recognition and measurement

(a) Recognition and derecognition

Normal purchases and sales of financial assets are recognized on the trade-date, i.e., the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows have expired or have been transferred, and the Group has substantially transferred all the risks and rewards of ownership.

(b) Measurement

At initial recognition, the Group measures a financial asset at its fair value, plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss are recognized immediately in the statement of income.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

(c) Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- At amortized cost: assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recorded directly in profit or loss and presented in finance income (costs), together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the statement of income.

- At fair value through other comprehensive income - assets that are held for collection of contractual cash flows and for selling of the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Changes in the carrying amount are recorded as other comprehensive income, except for the recognition of impairment gains or losses, interest revenue, and foreign exchange gains/losses, which are recognized in the statement of income. When a financial asset is derecognized, any cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss, and recognized in finance income (costs). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in "Other gains (losses), net" and impairment expenses are presented as a separate line item in the statement of income.

- At fair value through profit or loss - assets that do not meet the criteria for amortized cost or fair value through other comprehensive income are measured at fair value through profit or loss. Gain or loss on a debt investment that is subsequently measured at fair value through profit or loss is recognized in the statement of income and presented within finance income (costs), in the period in which it arises.

(d) Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments within other comprehensive income, there will be no subsequent reclassification of fair value gains and losses to profit or loss after the investment is derecognized. Dividends from such investments continue to be recognized in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognized as finance income (costs) in the statement of income, where applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at fair value through other comprehensive income are not reported separately from other changes in the fair value.

2.7.3 Impairment of financial assets

Assets carried at amortized cost

As from January 1, 2018, the Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortized cost and at fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by CPC 48, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

2.7.4 Offsetting of financial instruments

Financial assets and liabilities are offset, and the net amount presented in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle them on a net basis or realize the asset and settle the liability simultaneously.

2.8 Derivative financial instruments and hedging activities

Derivatives are initially recognized at their fair value on the date on which a derivative contract is entered into, and are subsequently remeasured at their fair value. Since the Group does not adopt hedge accounting, changes in the fair value of any of these derivatives are recognized immediately in the statement of income. In 2019, Atlântica carried out four types of derivative transactions:

- Contracts for future purchase and sale of coffee with physical delivery.
- Coffee and US dollar futures contracts (NDF – Non-Deliverable Forward) traded on the London and New York exchanges.
- US dollar futures contracts on the São Paulo Securities, Commodities and Futures Exchange (BM&F).
- Option agreement – Coffee NY.

(a) Derivatives measured at fair value through profit or loss

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any of these derivative instruments are immediately recognized in the statement of income.

2.9 Trade receivables

Trade receivables are amounts due from customers for merchandise sold in the ordinary course of the Group's activities. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost, using the effective interest method, less a provision for impairment of trade receivables. In practice, the fair value of trade receivables does not differ from the amounts of the invoices, considering the payment terms negotiated by the Group.

2.10 Inventories

Inventories are stated at the lower of acquisition cost and net realizable value. The method used to appraise inventories is the moving weighted average method. Net realizable value is the estimated selling price in the ordinary course of business, less completion costs and selling expenses.

The fair value of commodities (agricultural products) is determined through the valuation of the physical quantity of agricultural products owned by the Company, in accordance with their characteristics (“quality”), net of the related selling expenses.

2.11 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation. This cost was adjusted to reflect the cost attributed on the date of transition to CPCs (Note 14).

Historical cost includes expenditure that is directly attributable to the acquisition of the items, and the borrowing costs related to the acquisition of qualifying assets. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with these costs will flow to the Group and they can be measured reliably. The carrying amounts of replaced items or parts are derecognized.

All other repairs and maintenance costs are charged to the statement of income during the financial period in which they are incurred.

Land is not depreciated. Depreciation of other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

	Years
Buildings	25
Machinery	4-6
Vehicles	5-10
Furniture, fixtures and equipment	3-6

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is immediately written down to its recoverable amount when it exceeds the estimated recoverable amount.

2.12 Intangible assets

(a) Software

Computer software licenses purchased are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over the estimated useful life of the software (from five to ten years).

Costs associated with maintaining computer software programs are recognized as an expense as incurred.

2.13 Impairment of non-financial assets

Assets that are subject to depreciation and amortization are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable.

An impairment loss is recognized at the amount by which the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (Cash-generating Units - CGUs). Non-financial assets other than goodwill that have been adjusted due to impairment are subsequently reviewed for possible reversal of the impairment at the reporting date.

2.14 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business. They are classified as current liabilities if payment is due in one year or less. If not, they are presented as non-current liabilities. Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method. In practice, the fair value of trade payables does not differ from the amounts of the invoices, considering the collection terms of the purchases.

2.15 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred, and are subsequently carried at amortized cost. Any difference between the proceeds (net of transaction costs) and the settlement amount is recognized in the statement of income over the period of the borrowings, using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset that requires a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of that asset when it is probable that future economic benefits associated with the item will flow to the entity, and such costs can be measured reliably. Other borrowing costs are expensed in the period in which they are incurred.

2.16 Provisions

Provisions are recognized when: (i) the Group has a present legal or constructive obligation as a result of past events; (ii) it is probable that an outflow of resources will be required to settle the obligation; and (iii) the amount can be reliably estimated. Provisions do not include future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation, using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the time elapsed is recognized as interest expense.

2.17 Current and deferred income tax and social contribution

Income tax and social contribution expenses for the year comprise current and deferred taxes. Income taxes are recognized in the statement of income, except to the extent that they relate to items recognized directly in equity or in comprehensive income. In this case, the taxes are also recognized in equity or comprehensive income.

Current and deferred income tax and social contribution are calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group entities operate and generate taxable income. Management periodically evaluates positions taken by the Group in income tax returns with respect to situations in which the applicable tax regulation is subject to interpretation, and establishes provisions where appropriate, based on the amounts expected to be paid to the tax authorities.

The current income tax and social contribution are presented net, separated by taxpaying entity, in liabilities when there are amounts payable, or in assets when the amounts prepaid exceed the total amount due on the reporting date.

Deferred tax assets are recognized only to the extent it is probable that future taxable profit will be available, against which the temporary differences can be utilized.

Deferred taxes are recognized on temporary differences arising from investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are presented net in the balance sheet when there is a legally enforceable right and the intention to offset them upon the calculation of current taxes, generally when related to the same legal entity and the same tax authority. Accordingly, deferred tax assets and liabilities in different entities or in different countries are generally presented separately, and not on a net basis.

2.18 Share capital

The Company's capital is comprised of common and preferred shares, which are classified in equity.

2.19 Legal reserve

The legal reserve is credited annually with 5% of the profit for the year and cannot exceed 20% of the capital. The purpose of the legal reserve is to retain capital, and it can be used only to offset losses and increase capital.

2.20 Distribution of dividends

The distribution of dividends to the Company's shareholders is recognized as a liability in the Group's financial statements at year-end, based on the Company's bylaws. Any amount in excess of the minimum mandatory dividend is provided only on the date it is approved by the Board of Directors.

2.21 Revenue recognition

Revenues and expenses are recorded on the accrual basis. The Company did not identify any impacts from the adoption of CPC 47 on revenue recognition from sales in the domestic or the foreign market.

(a) Sales of goods

Revenue is measured at the fair value of the consideration received or receivable, less any expected returns, trade discounts and/or bonuses granted to the buyer, and other similar deductions.

Sales revenue is recognized when all the following conditions are met:

- the significant risks and rewards of ownership of the products have been transferred to the buyer; the seller retains neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the products sold;
- the amount of revenue can be reliably measured;
- it is probable that economic benefits associated with the transaction will flow to the Company; and
- the costs incurred or to be incurred in respect of the transaction can be reliably measured.

(b) Interest income

Interest income is recognized on the accrual basis, using the effective interest rate method.

3 Critical accounting estimates and judgments

Accounting estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events, which are believed to be reasonable under the circumstances.

Based on assumptions, the Group makes estimates concerning the future. The resulting accounting estimates will, by definition, seldom equal the actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

(a) Income tax, social contribution and other taxes

The Group is subject to income taxes in Brazil, and significant judgment is required in determining the provision for these taxes. In many transactions, the final determination of the tax is uncertain. The Group recognizes provisions as a result of situations in which it is probable that additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, the differences will impact the current and deferred tax assets and liabilities in the period in which such determination is made.

(b) Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market is determined through the use of valuation techniques. The Group uses judgment to select a number of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

The fair value of commodities ("agricultural produce") is determined by valuing the physical quantity of agricultural products owned by the company, considering the characteristics of that product ("quality"), net of the related selling expenses. The Company exercises judgment in defining these assumptions (product quality, quality-based pricing, cost of preparation and transportation, port-dues, among other), which are mainly based on the market conditions at year end.

(c) Useful lives of property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets are depreciated over their useful lives. Useful lives are based on management's estimates of the period over which the assets will generate revenue, and are periodically reviewed for continued appropriateness. Changes to the estimates used may result in significant variations in the carrying value, and the new amounts are charged to the statement of income in accordance with the new estimates.

4 Financial risk management

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk, interest rate risk, credit risk, and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Risk management objectives and strategies

The Group's risk management is carried out by management, which is responsible for making decisions on related matters, in accordance with a corporate risk management policy.

The Group's overall risk management program seeks to minimize potential adverse effects on its financial performance, arising from the volatility of the markets. The Group uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by the Risk Management department, in accordance with policies and approval limit matrices approved by the management. This team, together with the financial department, the traders, and the operating units, among other areas, assesses, monitors and seeks to protect the Group from potential market risks. Management establishes standards and policies for managing overall risks, including foreign exchange risk, interest rate risk and credit risk, through the use of derivative and non-derivative financial instruments, and the investment of surplus liquidity.

The table below summarizes the nature and extent of risks arising from financial instruments and how the Group manages its exposure.

Risk	Exposure	Methodology used for measuring the impact	Management
Risk of fluctuations in the price of coffee	Fluctuations in the price of coffee	This risk is hedged through purchases and sales under futures contracts with physical delivery/receipt of goods.	Futures and forward contracts
Market risk - foreign exchange	Futures trading transactions Financial assets and liabilities denominated in foreign currency	Cash flow forecasts Sensitivity analysis	Futures/forward contracts
Market risk - interest rate	Long-term borrowings at variable rates	Sensitivity analysis	Interest rate swaps
Credit risk	Cash and cash equivalents, trade receivables, derivative financial instruments	Ageing analysis Credit assessment	Diversification of financial institutions Monitoring of credit limits/ratings
Liquidity risk	Borrowings and other liabilities	Cash flow forecasts	Credit facilities available

(a) Market risk

The Group is exposed to a number of market risks arising from its operations. These risks are mainly associated with the fact that potential fluctuations in the price of coffee, exchange rates, or interest rates may adversely impact the value of the Group's financial assets and liabilities, or future cash flows and profit.

(i) Risk of fluctuations in the price of coffee

Risk management

In its operations (purchases and sales), the Group is exposed to the coffee price cycle, and, therefore, hedges against this risk through purchases and sales under futures contracts with physical delivery/receipt of goods.

Decisions related to this subject are periodically reviewed by the Executive Board. In the event a hedge is recommended, in scenarios with a high probability of adverse events, the hedging strategy must be carried out for the purpose of hedging the Group's solvency and liquidity, considering an integrated analysis of all the Group's risk exposures.

(All amounts in thousands of Reais, unless otherwise stated)

Based on the assumption of considering only the consolidated net exposure of the coffee price risk, futures contracts are generally limited to hedging the result of transactions carried out in the international futures market, i.e., they are hedge transactions in which positive or negative variations are totally or partially offset by the opposite result in the underlying physical position.

Main transactions and future commitments hedged by derivatives

The purpose of the Group's main transactions and future commitments is to hedge the expected results of the transactions carried out abroad.

Accordingly, transactions with derivative instruments are usually carried out on a short-term basis and accompany the terms of the commercial operations. The instruments used are futures, forward and options contracts. The transactions are carried out on the New York (ICE) and London Commodity Exchanges, as well as on the São Paulo Securities, Commodities and Futures Exchange (BM&F).

The hedge transactions settled from January to December 2019 corresponded to approximately the total cargoes traded abroad.

The maximum exposure level allowed by the Group's risk management policy for its net position in a commodity exchange is 20,000 coffee bags per day.

The table below summarizes the information on the currently effective derivative contracts for coffee:

Derivative financial instruments - coffee bags

	2019	**2018**
Physical inventory	615,684	481,665
Future purchase contracts	1,771,896	1,111,380
Purchases on a floating price basis	17,582	(148,095)
Future sales contracts	(1,568,908)	(1,182,566)
Long (short) position - NDF	(379,607)	(147,137)
Short position on the commodity exchange	(410,100)	(95,980)
Net coffee exposure – long (short) position	46,547	19,267

At December 31, 2019, the Company had contracted the sale of 519,200 coffee bags at the differential interest rate, without fixed price, which does not impact the fixed position of the hedged coffee.

Risk management parameters

The main parameters used in risk management for variations in the price of coffee are Cash-Flow-at-Risk (CFAR) for medium-term assessments, and Value-at-Risk (VAR) and Stop Loss for short-term assessments. Corporate limits are set for the VAR and Stop Loss parameters.

(All amounts in thousands of Reais, unless otherwise stated)

Amounts and types of guarantee margins

Guarantees usually consist of deposits and credit limits with the brokerage firms.

The table below shows the balance of margins to cover the Parent company's commodity transactions on stock exchanges and over-the-counter market.

	Foreign currency - US$		Local currency - R$	
Brokerage firm	**2019**	**2018**	**2019**	**2018**
FC Stone	1,750	2,000	-	-
ED&F MAN	2,000	2,000	-	-
Terra	-	-	3,000	3,200
Hencorp Commcor	-	-	500	500
Amius	500	-	-	-
Marex	2,500	-	-	-
Cargill	6,000	-	-	-
Olan	1,000	-	-	-
Miravet	2,000	-	-	-
Modal	3,600	-	6,000	5,000
Guide	-	-	1,400	1,400
Futura	-	-	1,100	1,600
	19,350	4,000	12,000	11,700

(ii) Foreign exchange risk

The Group is exposed to foreign exchange risk, which is a financial risk that arises from changes in the levels or volatility of exchange rate.

Foreign exchange risk management

As regards the management of foreign exchange risks, the Group seeks to identify these risks and treat them in an integrated manner, with a view to ensuring the efficient allocation of the resources intended for hedging purposes.

Taking advantage of its integrated operations, the Group firstly seeks to identify or create natural hedges, i.e., to benefit from the ratios between its revenues and expenses (indebtedness).

Risk management is carried out for the net exposure. Periodic analyses of foreign exchange risk are performed, providing support for the decisions of the Executive Board. The foreign exchange risk management strategy may involve the use of derivatives to minimize the foreign exchange exposure of certain obligations.

The following table summarizes the Group's currency exposure in US dollar.

(All amounts in thousands of Reais, unless otherwise stated)

Parent company

	2019		2018	
Assets	**Foreign currency**	**Real**	**Foreign currency**	**Real**
Cash and cash equivalents	20,240	81,580	19,555	75,758
Trade receivables	23,637	95,273	29,830	115,585
Liabilities				
Borrowings	(146,930)	(592,228)	(140,955)	(546,173)
	(103,053)	(415,375)	(91,570)	(354,830)
Derivative financial instruments				
Future sales contracts	234,680	945,925	68,900	266,974
Position on the commodity exchange	12,172	49,062	5,161	19,996
ICE sale		-	(13,401)	(51,926)
US dollar long position - BMF	12,898	51,988	25,500	98,807
Settlement of Advances against Exchange Contracts (ACC) – related parties	-	-	1,314	5,091
NDF - US dollar purchase	(171,800)	(692,474)		
NDF - US dollar sale	-	-	(12,500)	(48,435)
Related-party transactions	3,500	14,107	-	-
	91,450	368,608	74,974	290,507
Net foreign exchange exposure	(11,603)	(46,767)	(16,596)	(64,323)

Consolidated

	2019		2018	
	Foreign currency	**Real**	**Foreign currency**	**Real**
Cash and cash equivalents	20,443	82,401	20,840	80,749
Trade receivables	23,733	95,822	25,536	98,945
Liabilities				
Borrowings	(146,929)	(592,228)	(140,955)	(546,173)
	(102,711)	(414,005)	(94,579)	(366,479)
Derivative financial instruments				
Future sales contracts	234,680	945,925	68,900	266,974
Futures position on the commodity exchange	12,172	49,062	5,161	19,998
ICE sale	-	-	(13,401)	(51,926)
US dollar long position – commodity exchange	12,898	51,988	25,500	98,807
NDF - US dollar purchase	(171,800)	(692,474)	1,314	5,091
NDF - US dollar sale	-	-	(12,500)	(48,435)
Future sales contracts	3,500	14,107	-	-
	91,450	368,608	74,974	290,509
Net foreign exchange exposure	(11,261)	(45,397)	(19,605)	(75,970)

(b) Interest rate risk

The Group’s interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. During 2019, the Group's borrowings at variable rates were denominated in Reais and US dollars.

(c) Credit risk

Credit risk, which is managed on a Group basis, arises from cash and cash equivalents, derivative financial instruments, deposits and investments with banks, as well as credit exposures to customers, including in relation to outstanding trade receivables. The Group's sales policy is subject to the credit rules established by its management, which attempt to minimize problems arising from customer defaults. This objective is achieved through a careful selection of customers according to their ability to pay, indebtedness ratio and balance sheet, and through the diversification of accounts receivable (risk spread). The Group also constitutes a provision for impairment of trade receivables. As regards financial and other investments, the Group's policy is to enter into transactions exclusively with prime institutions.

(d) Liquidity risk

Cash flow forecasting is performed by the Finance Department, which monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet its operational needs.

4.2 Fair value of financial instruments

The carrying values of trade receivables and trade payables are assumed to approximate their fair values. The fair values of financial liabilities are estimated by discounting the future contractual cash flows at the current market interest rate and approximate the carrying amounts.

The Group adopts CPC 40 for financial instruments that are measured in the balance sheet at fair value. This standard requires the disclosure of fair value measurements according to the following hierarchy:

. Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).

. Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).

. Inputs for the asset or liability that are not based on data adopted by the market (that is, unobservable inputs) (Level 3).

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

(All amounts in thousands of Reais, unless otherwise stated)

The table below presents the assets and liabilities measured at fair value at December 31, 2019 and 2018:

	Parent company and Consolidated					
			2019			2018
Commodity derivative	**Level 1**	**Level 2**	**Total**	**Level 1**	**Level 2**	**Total**
Assets	-	313,333	313,333	4,262	232,160	236,422
Liabilities	(30,521)	(23,593)	(54,114)	-	-	-
	(30,521)	289,740	259,219	4,262	232,160	236,422

The regulated futures contracts included in the accounts of brokerage firms and banks are valued based on unadjusted quoted prices in active markets, and are classified as Level 1, representing the current bid price.

The Company uses the market-based valuation method to measure most of its assets and liabilities recorded at fair value (forward purchase contracts, sales, and inventories), which is based on quoted prices from commodity exchanges, adjusted for observable quotes for local basis adjustments, and classifies them as Level 2.

Based on its experience with suppliers and customers, and on its knowledge of the current market conditions, the Company does not see any counterparty risks for fair value, and fair value variations are charged directly to profit or loss.

4.4 Capital management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for quotaholders and benefits for other stakeholders, as well as to maintain an optimal capital structure to reduce the cost of capital.

Net indebtedness	Parent company		Consolidated	
	2019	**2018**	**2019**	**2018**
Indebtedness (Note 17)	632,686	579,686	632,686	579,686
Less: Cash and cash equivalents and other available funds	(143,608)	(152,799)	(144,429)	(157,790)
Net indebtedness	489,078	426,887	488,257	421,896
Total equity	221,583	142,184	221,583	142,184
Total capital	710,661	569,071	709,840	564,080
Gearing ratio	69%	75%	69%	75%

(All amounts in thousands of Reais, unless otherwise stated)

5 Financial instruments by category

	Parent company		Consolidated	
	2019	2018	2019	2018
Assets				
At amortized cost				
Cash and cash equivalents	81,917	76,003	82,738	80,994
Trade receivables	118,503	141,056	119,052	124,416
Other available funds	61,691	76,796	61,691	76,796
At fair value through profit or loss				
Financial instruments	259,219	236,422	259,219	236,422
Other financial liabilities				
Trade payables	28,868	38,267	29,899	35,133
Borrowings	632,686	579,686	632,686	579,686

6 Cash and cash equivalents and marketable securities

6.1 Cash and cash equivalents

	Parent company		Consolidated	
	2019	2018	2019	2018
Cash	17	18	17	18
Banks - local currency	320	227	320	227
Banks - foreign currency	81,580	75,758	82,401	80,749
	81,917	76,003	82,738	80,994

6.2 Marketable securities

	Parent company		Consolidated	
	2019	2018	2019	2018
Financial investments	87,979	56,802	87,979	56,802
Margin accounts	(26,288)	19,994	(26,288)	19,994
	61,691	76,796	61,691	76,796

Financial investments refer substantially to Bank Deposit Certificates (CDBs), which accrue interest ranging from 70% to 95% of the Interbank Deposit Certificate (CDI) rate, in local currency.

Margin account balances refer to cash in foreign currency maintained in accounts with brokerage firms abroad, used to cover transactions with currency derivatives carried out on the São Paulo Securities, Commodities and Futures Exchange (BM&F).

(All amounts in thousands of Reais, unless otherwise stated)

7 Trade receivables

	Parent company		Consolidated	
	2019	2018	2019	2018
Domestic market	24,863	27,222	24,863	27,222
Foreign market	95,273	115,585	95,822	98,945
(-) Provision for impairment of trade receivables	(1,633)	(1,751)	(1,633)	(1,751)
	118,503	141,056	119,052	124,416

The ageing analysis of trade receivables is as follows:

	Parent company		Consolidated	
	2019	2018	2019	2018
Falling due in up to 60 days	105,748	116,789	106,297	100,149
Less than 30 days overdue	9,622	21,791	9,622	21,791
Less than 60 days overdue	1,609	1,822	1,609	1,822
Less than 90 days overdue	766	633	766	633
Less than 180 days overdue	758	22	758	22
Overdue for more than 180 days	1,633	1,750	1,633	1,750
	120,136	142,807	120,685	126,167

At December 31, 2019, trade receivables totaling R$ 14,388 (R$ 26,018 in 2018) in the Parent company were past due, but not impaired. These receivables refer to amounts renegotiated and customers in the foreign market with no recent history of default.

In 2019, a provision for impairment of trade receivables was recognized in the amount of R$ 1,633, related to coffee sales in the domestic market.

At December 31, 2019, in the Consolidated, trade receivables past due, but not impaired, related to a number of independent customers with no recent history of default, and totaled R$ 14,388 (R$ 26,019 in 2018).

8 Inventories

	Parent company		Consolidated	
	2019	2018	2019	2018
Raw coffee inventory	367,216	223,740	367,927	224,022
Warehouse materials and others	2,551	3,026	2,551	3,026
	369,767	226,766	370,478	227,048

The Company has entered into derivative financial instruments to hedge inventories (Note 4.1).

(All amounts in thousands of Reais, unless otherwise stated)

9 Advances

	Parent company		Consolidated	
	2019	2018	2019	2018
Advances to employees	129	65	129	65
Advances to coffee suppliers (a)	389	5,141	3,886	8,502
Advances to related parties (Note 12)	2,858	69,128	2,858	69,128
Sundry advances	9	-	9	-
	3,385	74,334	6,882	77,695

(a) Advances to coffee suppliers

The balance recorded under "Advances" refers to purchases at a defined price to comprise the Group's hedging transactions. The amount is advanced to rural producers during the planting and harvesting phases.

10 Taxes recoverable

	Parent company		Consolidated	
	2019	2018	2019	2018
Social Integration Program (PIS)	4,372	3,506	4,372	3,506
Social Contribution on Revenues (COFINS)	8,295	6,681	8,295	6,681
Value-added Tax on Sales and Services (ICMS)	1,321	1,116	1,321	1,116
Withholding Income Tax (IRRF)	4,111	3,430	4,111	3,430
Corporate Income Tax (IRPJ)	3,941	5,455	3,941	5,455
Social Contribution on Net Income (CSLL)	2,637	2,637	2,637	2,637
Other taxes recoverable	16	15	16	15
	24,693	22,840	24,693	22,840

11 Deferred income tax and social contribution

	Parent company		Consolidated	
	2019	2018	2019	2018
Assets				
Deferred income tax and social contribution without foreign exchange variation	(1,034)	10,112	(1,034)	10,112
Income tax and social contribution losses	12,326	9,375	12,326	9,375
	11,292	19,487	11,292	19,487
Liabilities				
Futures position - Derivatives - MtM	(83,817)	(80,383)	(83,817)	(80,683)
	(83,817)	(80,383)	(83,817)	(80,683)
	(72,525)	(60,896)	(72,525)	(61,196)

(All amounts in thousands of Reais, unless otherwise stated)

Deferred taxes are calculated on the temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The currently defined tax rates of 25% for income tax and 9% for social contribution are used to calculate deferred taxes.

12 Related-party transactions

(a) Sale of products

	Parent company		Consolidated	
	2019	2018	2019	2018
Atlântica International Overseas	-	18,320	-	-
InterBrasil Coffee Ltda.	-	12,295	-	12,295
Primavera Agronegócios Ltda.	-	103	-	-
Atlântica Agropecuária Ltda.	-	174	-	-
Fazenda Sequoia Bahia	-	68	-	-
Ally Coffee Trading	58,087	39,089	58,087	39,089
Cafebras - Comércio de Cafés do Brasil S.A.	3,889	6,008	3,889	6,008
	61,976	76,057	61,976	57,392

These relate to coffee sales carried out under normal market conditions for the respective types of transactions.

(b) Purchases of goods and services

	Parent company		Consolidated	
	2019	2018	2019	2018
Armazéns Gerais Leste de Minas Ltda.	11,944	13,248	11,944	13,248
Primavera Agronegócios Ltda.	11,002	5,224	11,002	5,224
Atlântica Agropecuária Ltda.	-	4,606	-	4,606
InterBrasil Coffee Ltda.	-	98	-	98
Cafebras - Comércio de Cafés do Brasil S.A.	6,088	6,452	6,088	6,452
	29,034	29,628	29,034	29,628

Goods and services are purchased from associates and an entity controlled by the ultimate parent company. The services provided by Armazéns Gerais Leste de Minas Ltda. ("Armazéns Gerais Leste de Minas") relate to storage and reprocessing of grains.

(c) Key management compensation

From July 2018, based on the new shareholders' agreement, the Company's executive officers are subject to employment contracts and receive variable monthly compensation, in accordance with the market conditions and the results obtained by the Company. In 2019, key management compensation totaled R$ 1,153 thousand in the parent company and consolidated.

(All amounts in thousands of Reais, unless otherwise stated)

(d) Year-end balances

	Parent company		Consolidated	
	2019	**2018**	**2019**	**2018**
Assets				
Trade receivables				
Primavera Agronegócios Ltda.	11	3,104	11	3,104
Atlântica International Overseas	-	7,674	-	7,674
Fazenda Sequoia Bahia Ltda.	-	2,335	-	2,335
Atlântica Agropecuária Ltda.	-	4	-	4
InterBrasil Coffee Ltda.	10,995	13,515	10,995	13,515
Ally Coffee Trading	35,796	22,865	35,796	22,865
Cafebras - Comércio de Cafés do Brasil S.A.	250	-	250	-
	47,052	49,497	47,052	49,497
Advances and other accounts				
Primavera Agronegócios Ltda.	-	62,853	-	62,853
Mountain Coffee Corporation	195	251	195	251
InterBrasil Coffee Ltda.	-	3,667	-	3,667
Atlântica Participações e Empreendimentos S.A.	2,663	2,357	2,663	2,357
	2,858	69,128	2,858	69,128
Intercompany loans				
Ally Suíça	-	-	33,204	31,773
Mountain Coffee Corporation	14,401	-	-	-
	14,401	-	33,204	31,773
Liabilities				
Trade payables				
Mountain Coffee Corporation	2,056	456	2,056	456
	2,056	456	2,056	456
Advances and intercompany loans				
Montesanto Tavares Group		56,597		56,597
Other	3,303	3,012	3,012	3,012
	3,303	59,609	3,012	59,609

The aforementioned intercompany loans bear interest ranging from 14% to 17% per year, and have no maturity date.

(All amounts in thousands of Reais, unless otherwise stated)

13 Investments

(a) Breakdown

	Parent company	
	2019	**2018**
In subsidiaries	30,478	28,682
	30,478	28,682

(b) Information on investments in subsidiaries

Name	Location	Ownership interest - %	Equity	Profit (loss)
2019				
Ally Coffee	USA	100%	24,437	(103)
Atlântica Overseas	Virgin Islands	100%	6,041	(337)

Name	Location	Ownership interest - %	Equity	Profit (loss)
2018				
Ally Coffee	USA	100%	22,552	(1,780)
Atlântica Overseas	Virgin Islands	100%	6,130	(1,321)

(c) Changes

Changes in investments were as follows:

	Parent company	
	2019	**2018**
At January 1	28,682	193,339
Acquisition of non-controlling interest	-	7,164
Capital increase in subsidiaries	-	32,462
1st spin-off - Mahogany and investments in MGX	-	(104,198)
2nd spin-off - Investments in Farms	-	(116,316)
Equity in the results of subsidiaries	(440)	11,827
Translation adjustment in subsidiary abroad	2,236	4,404
At December 31	30,478	28,682

In February 2018, the investee Atlântica Agropecuária was partially spun off, with the transfer of mahogany plantations to the owners of the Company at that time, Montesanto Participações S.A., and Mschiavo Participações e Empreendimentos Ltda.

(All amounts in thousands of Reais, unless otherwise stated)

The investment held in MGX Florestal was also spun off from the Company.

Spun-off assets	**Total**
Investment in biological assets - mahogany - Atlântica Agropecuária	102,499
Investment in MGX Florestal e Empreendimentos Ltda.	1,699
Total	104,198

As the final stage of the corporate restructuring process, the coffee sale operations (Trading) were segregated from the respective coffee production activities (Farms), through the spin-off of the net assets of Atlântica Agropecuária Ltda., Primavera Agronegócios Ltda., and the latter's subsidiary Fazenda Sequoia BA.

Assets	**Total**
Spin-off of Atlântica Agropecuária	15,428
Spin-off of Primavera (including investment in Sequoia Bahia)	100,888
Total	116,316

The breakdown of the Frams' spun-off net assets is as follows:

	Atlântica Agropecuária	**Primavera**	**Sequoia**	**Total**
Assets				
Cash and cash equivalents	7	110	2	119
Other available funds		1,716		1,716
Trade receivables	431	42	800	1,273
Inventories	4,776	28,986	23,289	57,051
Other receivables	1,499	17	977	2,493
Advances	1,529	1,814	7,626	10,969
Taxes recoverable	235	1,099	1,639	2,973
Related-party transactions	750	3,099	14,990	18,839
Deferred income tax and social contribution			5,328	5,328
Property, plant and equipment	34,026	56,182	74,511	164,719
Intangible assets	17	19	132	168
Biological assets	832	14,440		15,272
Total assets	44,102	107,524	129,294	280,920
Liabilities				
Trade payables	602	4,405	4,413	9,420
Borrowings	12,339	14,537	7,166	34,042
Advances from customers	7,232	2,029	109	9,370
Taxes payable	43	76	122	241
Other liabilities	229	2,632	525	3,386
Borrowings from related parties	842	800	3,949	5,591
Related-party transactions		57,912		57,912
Deferred taxes	7,387	19,885	17,370	44,642
Total liabilities	28,674	102,276	33,654	164,604
Total net assets merged	15,428	5,248	95,640	116,316

(All amounts in thousands of Reais, unless otherwise stated)

14 Property, plant and equipment

Parent company

	Construction in progress	Vehicles	Furniture and fixtures	Computers and peripherals	Machinery and equipment	Buildings	Land	Other	Right of use	Total
Cost										
At January 1, 2018	911	261	1,070	591	2,550	4,939	307	459	-	11,088
Additions	126	243	54	264	211	948	1271	226	-	3,343
Write-offs	(938)	(297)	-	(2)	(54)	(1286)	-	(23)	-	(2,600)
At December 31, 2018	99	207	1,124	853	2,707	4,601	1,578	662	-	11,831
Accumulated depreciation										
At January 1, 2018	-	(84)	(618)	(565)	(1,604)	(402)	-	(225)	-	(3,498)
Depreciation	-	(9)	(75)	(6)	(217)	(570)	-	(266)	-	(1,143)
Depreciation of assets written off	-	84	-	49	28	-	-			161
At December 31, 2018	-	(9)	(693)	(522)	(1,793)	(972)	-	(491)	-	(4,480)
Cost										
At January 1, 2019	99	207	1,124	853	2,707	4,601	1,578	662	-	11,831
Additions	3534	-	6	-	242	103	238	1	1526	5650
Write-offs	-	-	-	(19)	(8)	-				(27)
At December 31, 2019	3,633	207	1,130	834	2,941	4,704	1,816	663	1,526	17,454
Accumulated depreciation										
At January 1, 2019	-	(9)	(693)	(522)	(1,793)	(972)	-	(491)	-	(4,480)
Depreciation	-	(21)	(113)	(100)	(288)	(164)	-	(11)	(459)	(1,156)
Depreciation of assets written off	-	-	-	-	27	-	-	-	-	27
At December 31, 2019	-	(30)	(806)	(622)	(2,054)	(1,136)	-	(502)	(459)	(5,609)
Carrying amount										
At December 31, 2018	99	198	431	331	914	3,629	1,578	171	-	7,351
At December 31, 2019	3,633	177	324	212	887	3,568	1,816	161	1,067	11,845

(All amounts in thousands of Reais, unless otherwise stated)

Consolidated

	Construction in progress	Vehicles	Furniture and fixtures	Computers and peripherals	Machinery and equipment	Buildings	Land	Other	Right of use	Agricultural tractors	Irrigation system	Bearer plants	Total
Cost													
At January 1, 2018	1,662	2,493	2,523	752	27,893	24,384	37,291	3,401	-	14,382	5,188	146,391	266,360
Additions	126	716	63	274	500	1,518	1,271	446			1,016	9,874	15,804
Write-offs	(938)	(328)	-	(2)	(54)	(1,286)	-	(728)					(3,336)
Cost of spin-off of subsidiaries	(751)	(2,651)	(1,435)	(174)	(25,632)	(20,015)	(42,224)	(1,259)	-	(14,382)	(6,204)	(156,265)	(270,992)
At December 31, 2018	99	230	1,151	850	2,707	4,601	(3,662)	1,860	-	-	-	-	7,836
Accumulated depreciation													
At January 1, 2018	-	(843)	(1,237)	(711)	(8,359)	(3,851)	-	(1,025)	-	(6,319)	(2,986)	(55,333)	(80,664)
Depreciation	-	(381)	(176)	(14)	(1,440)	(869)	-	(996)	-	(930)	-	(20,641)	(25,447)
Depreciation of assets written off	-	84	-	49	28	-	-	-					161
Depreciation due to spin-off	-	1,108	693	157	7,978	3,748	5,240	1,148	-	7,249	2,986	75,974	106,281
At December 31, 2018	-	(32)	(720)	(519)	(1,793)	(972)	5,240	(873)	-	-	-	-	331
Cost													
At January 1, 2019	99	230	1,151	850	2,707	4,601	(3,662)	1,860	-	-	-	-	7,836
Additions	3,534	-	6	7	251	114	238	33	1,526	-	-	-	5,709
Write-offs	-	-	-	(19)	(8)	-	-	-	-	-	-	-	(27)
At December 31, 2019	3,633	230	1,157	838	2,950	4,715	(3,424)	1,893	1,526	-	-	-	13,518
Accumulated depreciation													
At January 1, 2019	-	(32)	(720)	(519)	(1,793)	(972)	5,240	(873)	-	-	-	-	331
Depreciation	-	(21)	(146)	(213)	(350)	(268)	-	(11)	(459)	-	-	-	(1,468)
Depreciation of assets written off	-	-	-	-	27	-	-	-	-	-	-	-	27
At December 31, 2019	-	(53)	(866)	(732)	(2,116)	(1,240)	5,240	(884)	(459)	-	-	-	(1,110)
At January 1, 2019	99	198	431	331	914	3,629	1,578	987	-	-	-	-	8,167
At December 31, 2019	3,633	177	291	106	834	3,475	1,816	1,009	1,067	-	-	-	12,408

All amounts in thousands of Reais, unless otherwise stated

15 Trade payables

	Parent company		Consolidated	
	2019	2018	2019	2018
Domestic suppliers	28,868	38,267	28,868	35,091
Foreign suppliers	-		1,031	42
	28,868	38,267	29,899	35,133

16 Borrowings

Bank borrowings mature through 2022 and bear average coupons of 4.71% p.a. (5.51% in 2017 p.a.).

	Parent company		Consolidated	
	2019	2018	2019	2018
In foreign currency (US$)				
Export prepayment	51,002	57,091	51,002	57,091
Advance on foreign exchange contract	541,226	489,082	541,226	489,082
	592,228	546,173	592,228	546,173
In local currency:				
Working capital - Federal Government Loans (EGF)	40,458	33,513	40,458	33,513
	40,458	33,513	40,458	33,513
	632,686	579,686	632,686	579,686
Current	608,283	554,224	608,283	554,224
Non-current	24,403	25,462	24,403	25,462
	632,686	579,686	632,686	579,686

Changes in the balance:

	Parent company	Consolidated
At December 31, 2018	579,686	579,686
Borrowings	807,403	807,403
Interest and foreign exchange variation	(2,082)	(2,082)
Repayments of borrowings	(721,705)	(721,705)
Borrowings from spun-off companies	-	-
Payment of interest	(30,616)	(30,616)
At December 31	632,686	632,686

All amounts in thousands of Reais, unless otherwise stated

Borrowings fall due as follows:

The carrying amounts of the Group's borrowings are denominated in Reais.

	Parent company		Consolidated	
	2019	**2018**	**2019**	**2018**
2019				
2020	608,283	554,224	608,283	554,224
2021	11,982	25,462	11,982	25,462
As from 2022	12,421	-	12,421	-
	632,686	579,686	632,686	579,686

(a) Collateral

Borrowings for working capital purposes are collateralized by partners' sureties and inventories. For FINAME borrowings, the collateral is the financed asset itself.

17 Equity

From May 2018, the ultimate parent of Atlântica Exportação e Importação and subsidiaries is Montesanto Tavares Group Participações S.A., a company created to hold the Group's trading operations.

In July 2018, as decided by the Board of Directors, and for the purpose of improving corporate governance, the Company was transformed into a privately-held corporation.

(a) Share capital

At December 31, 2019, the Company's share capital totaled R$ 75,361, corresponding to 75,361,893 million authorized shares with a par value of R$ 1 per share.

	2019	**2018**
Common (i)	75,361,184	75,360,895
Preferred Class A (ii)	100	-
Preferred Class B (iii)	100	-
Preferred Class C (iv)	100	-
Preferred Class D (v)	100	-
	75,361,584	75,360,895

(i) In 2019, 100 common shares were subscribed at the issue price of R$ 565,069.2026, as calculated under the terms of Article 170, §1º, I of Law 6,404/76, totaling R$ 56,596,920.26 of which (i) R$ 289.97 were allocated to the Company's capital, calculated based on the issue price per share, according to the Company's equity on April 31, 2019; and (ii) R$ 56,596,630.19 were allocated to the Company's capital reserve (goodwill).

(ii) Each preferred Class A share grants its holder the right to receive R$ 6,087.71 per year, by means of fixed and cumulative dividends, to be paid on a quarterly and *pro rata* basis, and to the extent permitted by Law 6,404/76, with priority in the payment of dividends to the holders of commons shares and preferred Class C and Class D shares, following the same priority as that of the holders of preferred Class B shares.

(iii) Each preferred Class B share grants its holder the right to receive R$ 4,527.71 per year, by means of fixed and cumulative dividends, to be paid on a quarterly and *pro rata* basis, and to the extent permitted by Law 6,404/76, with priority in the payment of dividends to the holders of commons shares and preferred Class C and Class D shares, following the same priority order as that of the holders of preferred Class A shares.

(iv) Each preferred Class C share grants its holder the right to receive 0.02% of the profit for the year, up to the limit of R$ 5,600.00 per share, by means of fixed and non-cumulative dividends, to be paid on an annual basis, with priority in the payment of dividends to the holders of commons shares, together with the preferred Class D shares.

(v) Each preferred Class D share grants its holder the right to receive 0.006% of the profit for the year, up to the limit of R$ 4,560.00 per share, by means of fixed and non-cumulative dividends, to be paid on an annual basis, with priority in the payment of dividends to the holders of commons shares, together with the preferred Class C shares.

(b) Legal reserve

The legal reserve is credited annually with 5% of the profit for the year and cannot exceed 20% of the capital. The purpose of the legal reserve is to ensure the integrity of capital, and it can be used only to offset losses and increase capital.

(c) Carrying value adjustments

These arise substantially from translation adjustments to investments in subsidiaries abroad, and the allocation of costs of property, plant and equipment items acquired prior to January 1, 2009, for the Company and its subsidiaries, upon the first-time adoption of the new accounting pronouncements. Most of the carrying value adjustments, which related to the deemed cost adopted by the spun-off farms, were realized in 2018.

All amounts in thousands of Reais, unless otherwise stated

(d) Proposed dividends

The proposal of dividends recognized in the Company's financial statements and subject to approval of the shareholders at the General Meeting, is as follows:

Profit for the year	48,448
Allocation to the legal reserve (5%)	2,423
Dividend calculation basis	46,025
Mandatory dividends (i)	13,807
Dividends allocated to preferred shares	1,912
Total dividends	15,719
Total dividends payable at December 31, 2018	8,753
Dividends approved in 2019	12,163
Dividends paid in 2019	(22,069)
Total dividends payable at 31 December, 2019	14,566

(i) The minimum mandatory dividends established by the bylaws that resulted from the conversion of the Company from a limited liability company to a corporation corresponds to 0.01% of the adjusted profit. These dividends will be proposed at the shareholder's General Meeting.

18 Net revenue

The reconciliation between gross and net sales revenue is as follows:

	Parent company		Consolidated	
	2019	**2018**	**2019**	**2018**
Domestic market	100,521	145,222	100,521	150,117
Foreign market	763,578	640,851	775,730	652,236
(-) Taxes on sales	(2,878)	(4,953)	(2,878)	(4,953)
	861,221	781,120	873,373	797,400

All amounts in thousands of Reais, unless otherwise stated

19 Cost of products sold by nature

	Parent company		Consolidated	
	2019	**2018**	**2019**	**2018**
Raw materials	(764,651)	(693,292)	(772,479)	(705,705)
Storage, transportation and packaging	(7,120)	(8,023)	(7,120)	(8,023)
Discounts obtained	(449)	4	(449)	4
Discounts granted	-	(194)	-	(194)
	(772,220)	(701,505)	(780,048)	(713,918)

Discounts obtained and granted refer to adjustments to coffee purchases on a floating price basis.

20 Net result of changes in agricultural commodity prices and foreign exchange variations

	Parent company		Consolidated	
	2019	**2018**	**2019**	**2018**
Foreign exchange losses	(13,844)	(55,225)	(13,844)	(55,225)
Indexation charges - commodities exchange	(17,805)	9,718	(17,805)	9,718
Derivative transactions settled	8,513	(27,917)	8,513	(27,917)
Futures transactions (MtM)	67,920	125,542	67,920	125,542
	44,784	52,118	44,784	52,118

21 Selling expenses

	Parent company		Consolidated	
	2019	**2018**	**2019**	**2018**
Agent commissions	(3,635)	(4,925)	(3,635)	(4,925)
Port dues	(4,065)	(3,669)	(4,065)	(3,669)
Freight on sales	(16,482)	(14,151)	(16,482)	(14,151)
	(24,182)	(22,745)	(24,182)	(22,745)

22 General and administrative expenses

	Parent company		Consolidated	
	2019	**2018**	**2019**	**2018**
Personnel	(9,641)	(8,914)	(12,129)	(14,923)
Profit sharing	(2,026)	(500)	(2,026)	(500)
Outsourced services (i)	(2,238)	(12,600)	(2,238)	(16,504)
Depreciation	(1,157)	(421)	(1,832)	(421)
Aviation	(261)	(266)	(261)	(266)
Other administrative expenses	(2,069)	(3,937)	(5,048)	(3,937)
	(17,392)	(26,638)	(23,534)	(36,551)

(i) The significant increase in outsourced services relates to due diligence procedures performed in the Company and subsidiaries, at the sale of a portion of the shares of the Group companies.

All amounts in thousands of Reais, unless otherwise stated

23 Other operating income (expenses)

	Parent company		Consolidated	
	2019	**2018**	**2019**	**2018**
Disposals of property, plant and equipment, and claims	562	81	562	81
Funrural (i)	-	(1,184)		(1,184)
Extraordinary revenue	136	897	179	1,737
	698	(206)	741	634

(i) In October 2018, the Company enrolled in the Rural Tax Regularization Program (PRR), introduced by Law 13,606/18, to settle Funrural tax debts (Article 25, items I and II, of Law 8,212/91) totaling R$ 15,776.00, referring to taxable events that took place in the period between 2013 and 2017. The non-payment this tax by the Company is supported by a favorable and valid court decision that releases the Company, through subrogation, from withholding and paying the contribution provided for in Article 25, paragraphs I and II of Law 8,212/91, with the wording provided by Law 8,540.92 The acknowledgment of debt allowed the Company to settle the amounts enrolled in the Rural Tax Regularization Program (PRR) with its own tax losses, as well as tax loss carryforwards of a subsidiary, which totaled R$ 14,592. From January 2018, the Company started to withhold and pay this tax, as provided for in Law 13,606/18, Article 14.

24 Finance result

	Parent company		Consolidated	
	2019	**2018**	**2019**	**2018**
Finance costs				
Financial interest	(31,793)	(36,159)	(31,794)	(39,694)
Other finance costs	(1,499)	(1,128)	(1,564)	(1,947)
	(33,292)	(37,287)	(33,358)	(41,641)
Finance income				
Income from financial investments	3,410	3,202	3,411	3,828
Income from intercompany loan agreements	305	209	305	209
Financial interest	28	192	1,402	192
	3,743	3,603	5,118	4,229
	(29,549)	(33,684)	(28,240)	(37,412)

All amounts in thousands of Reais, unless otherwise stated

25 Income tax and social contribution expenses

Tax on profit differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities, as follows:

	Parent company		Consolidated	
	2019	**2018**	**2019**	**2018**
Profit before income tax and social contribution	62,920	60,287	62,885	39,410
Combined standard rate for income tax and social contribution - %	34%	34%	34%	34%
Income tax and social contribution at statutory rates	21,393	20,498	21,381	13,399
Adjustments for the calculation of the effective rate				
Addition (deduction) - Other				
Tax loss not accounted for by subsidiary				
Equity in the results of investees	(150)	(4,021)		0
Mark to Market (MtM)		-		-42684
Foreign exchange variation	(4,707)	10,441	(4,707)	10,441
Write-off of loss on spin-off		-		(10,581)
Tax losses recognized	(2,064)	-	(2,064)	19,840
Other		7,929	(173)	165
Income tax and social contribution on the result for the year	14,472	34,847	14,437	(9,420)
Current taxes	2,843	2,275	2,843	2,275
Deferred taxes	11,594	32,572	11,594	11,695
	14,472	34,847	14,437	13,970

26 Contingencies

The Group companies do not have records of contingent liabilities or judicial claims for which an unfavorable outcome is classified as probable.

The Group has lawsuits for which the risk of an unfavorable outcome was classified under advice of its legal counsel as possible, which totaled R$ 22,766 in the Parent company and Consolidated. In accordance with management's judgment and the accounting practices adopted in Brazil, no provisions were recorded for these lawsuits, which relate mainly to tax assessment notices issued by the Brazilian Federal Revenue Service on balances reported in the Tax Accounting Bookkeeping System (ECF) and the Digital Accounting Bookkeeping System (ECD).

27 Insurance

The Company and its subsidiaries contract insurance coverage for assets subject to risks at amounts considered sufficient to cover potential losses, according to the nature of their activities. The risk assumptions adopted, in view of their nature, are not part of the scope of an audit of the financial statements, and, therefore, were not audited by our independent auditors.

At December 31, 2019, the insurance coverage against operating and sundry risks was comprised as follows:

R$ 2,000 for buildings and loss of profits.

Except for the merchandise stored in its own warehouse in the town of Manhuaçu, inventories for trading are not insured by the Company, since the third parties take out insurance for the coffee stored in their general warehouses.

28 Amendments to new standards that are not yet effective

The following amendments to new standards were issued by the International Accounting Standards Board (IASB), but are not effective for 2019. The early adoption of standards, even though encouraged by the IASB, has not been implemented in Brazil by the Brazilian Accounting Pronouncements Committee (CPC).

- **Conceptual Framework**: in March 2018, the IASB issued the Conceptual Framework for Financial Reporting, which replaced its previous version, issued in 2010. Key changes were as follows:

  - increasing the prominence of stewardship in the objective of financial reporting;
  - reinstating prudence as a component of neutrality;
  - defining an entity;
  - revising the definitions of an asset and a liability;
  - removing the probability parameter for recognition and adding guidance on derecognition;
  - adding guidance on different measurement bases, and
  - stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

  No changes will be made to the current standards. However, entities that rely on the Conceptual Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under a specific accounting standard will need to apply the revised Conceptual Framework from January 1, 2020. The entities must consider whether their accounting policies are still appropriate under the revised Framework.

- **Amendments to IAS 1 "*Presentation of Financial Statements*" and IAS 8 "*Accounting Policies, Changes in Accounting Estimates and Errors*":** in October 2018, the IASB issued the definition of "material" and made important amendments to IAS 1 and IAS 8, whose revised versions are effective as from January 1, 2020. The definition of "material" helps entities to determine whether information about any item, transaction, or other event should be provided to the financial statement users. However, such definition may not always be objective, and judgment may be required regarding the materiality in the preparation of the financial statements. The amendments were made to align the wording of the definition of "material" throughout the IFRS standards, including in the Conceptual Framework.

- **Amendments to IFRS 3 "*Business Combinations*":** in October 2018, the IASB issued an amendment to IFRS 3 regarding the definition of "business", with effective date on January 1, 2020. The amendment made (i) confirms that a business must consist of inputs and relevant processes which, together, significantly contribute to create outputs; (ii) provides a test that may be used to analyze whether an entity acquired a group of assets, instead of a business; and (iii) provides more specific definitions for outputs, whose focus is now the generation of return via products sold and services rendered to customers, excluding the returns in the form of cost reduction and other economic benefits.

There are no other CPC interpretations that are not yet effective, which would be expected to have a material impact on the Group's financial statements.

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