



**Quarterly Information (ITR) at
September 30, 2018 and
independent auditor's review report on
quarterly information**

INDEPENDENT AUDITOR'S REVIEW REPORT ON QUARTERLY INFORMATION

The Shareholders, Board of Directors and Officers

São Martinho S.A.

Pradópolis - SP

Introduction

We have reviewed the individual and consolidated interim accounting information contained in the Quarterly Information Form (ITR) of São Martinho S.A. for the quarter ended September 30, 2018, which comprise the balance sheet as of September 30, 2018, the related statements of operations and comprehensive income for the three and six-month periods then ended and changes in shareholders' equity and cash flows for the six-month period then ended, including explanatory notes.

Management is responsible for the preparation of the individual accounting information in accordance with CPC 21 (R1) - Interim Financial Reporting, and consolidated interim financial information in accordance with IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), as well as for the fair presentation of this information in conformity with the standards issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of Quarterly Information (ITR). Our responsibility is to express a conclusion on this interim accounting information based on our review.

Scope of review

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

Conclusion of individual and consolidated interim financial information

Based on our review, nothing has come to our attention that causes us to believe that the individual and consolidated interim accounting information



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included in the quarterly information referred to above is not fairly presented, in all material respects, in accordance with CPC 21 (R1) and IAS 34 applicable to the preparation of the Quarterly Information (ITR), and presented consistently with the standards issued by the Brazilian Securities and Exchange Commission (CVM).

Other matters

Statements of value added

We also reviewed the individual and consolidated statements of value added for the six-month period ended September 30, 2018, prepared under the responsibility of Company's management, whose presentation in the interim accounting information is required by the standards issued by the CVM applicable to preparation of Quarterly Information (ITR) and considered supplementary information under IFRS, whereby no statement of value added presentation is required. These statements were submitted to the same review procedures previously described and, based on our review, we are not aware of any fact that would make us believe that they were not prepared, in all material respects, in accordance with the overall individual and consolidated interim accounting information.

Campinas, November 06, 2018

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

A handwritten signature in black ink, appearing to read 'J. Navarrete', enclosed within a large, loopy oval scribble.

José Antonio de A. Navarrete
Accountant CRC 1SP198698/O-4

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Statement of financial position

At September 30 and March 31, 2018

In thousands of reais

ASSETS	Note	Company		Consolidated	
		September 30, 2018	March 31, 2018	September 30, 2018	March 31, 2018
CURRENT ASSETS					
Cash and cash equivalents	5	196,746	139,622	197,825	140,865
Short-term investments	5	998,988	953,900	1,081,116	1,320,851
Trade accounts receivable	6	203,011	66,813	249,029	177,893
Derivative financial instruments	22	77,921	66,345	77,921	69,173
Inventories and advances to suppliers	7	1,381,083	260,209	1,365,310	334,654
Biological assets	11	504,130	419,732	504,130	581,725
Taxes recoverable	8	45,065	23,802	46,014	36,093
Income and social contribution taxes (IRPJ e CSLL)	19	99,545	5,795	99,545	9,687
Dividends receivable	9	-	3,211	-	-
Other assets		18,432	16,654	19,342	16,917
TOTAL CURRENT ASSETS		3,524,921	1,956,083	3,640,232	2,687,858
NONCURRENT ASSETS					
Short-term investments	5	60,563	24,591	64,195	50,669
Inventories and advances to suppliers	7	122,267	88,430	122,267	111,135
Transactions with related parties	9	3,369	6,527	2,668	5,834
Derivative financial instruments	22	8,090	3,617	8,090	3,617
Trade accounts receivable	6	-	-	23,506	24,869
Receivables from Copersucar		9,355	9,355	9,355	9,355
Taxes recoverable	8	65,529	111,677	65,529	122,200
Income and social contribution taxes (IRPJ e CSLL)	19	29,038	117,442	29,038	117,442
Judicial deposits	21	26,110	24,150	26,284	28,673
Other assets		439	439	439	439
		324,760	386,228	351,371	474,233
Investments	10	1,385,966	2,704,518	32,866	32,552
Property, plant and equipment	12	3,425,784	2,679,114	5,091,788	5,449,912
Intangible assets	13	396,950	399,008	456,871	470,157
		5,208,700	5,782,640	5,581,525	5,952,621
TOTAL NONCURRENT ASSETS		5,533,460	6,168,868	5,932,896	6,426,854
TOTAL ASSETS		9,058,381	8,124,951	9,573,128	9,114,712

LIABILITIES AND EQUITY	Note	Company		Consolidated	
		September 30, 2018	March 31, 2018	September 30, 2018	March 31, 2018
CURRENT LIABILITIES					
Borrowings	14	740,327	574,569	743,870	686,630
Derivative financial instruments	22	71,259	8,862	71,259	8,862
Trade accounts payable	15	286,310	111,893	269,970	154,146
Payables to Copersucar	16	8,583	8,583	8,583	8,583
Salaries and social charges		157,097	109,711	157,563	137,155
Taxes payable		29,812	9,289	34,620	16,877
Income and social contribution taxes (IRPJ e CSLL)	19	-	-	6,546	4,167
Dividends payable		-	148,341	-	148,341
Advances from customers		12,816	14,526	12,818	16,406
Acquisition of ownership interests	9 e 30	11,731	11,746	11,731	11,746
Other liabilities		7,538	18,693	8,769	28,287
TOTAL CURRENT LIABILITIES		1,325,473	1,016,213	1,325,729	1,221,200
NONCURRENT LIABILITIES					
Borrowings	14	3,631,747	3,045,999	3,639,581	3,238,267
Derivative financial instruments	22	10,181	930	10,181	930
Payables to Copersucar	16	196,423	201,787	196,423	201,787
Taxes in installments		2,465	2,656	2,465	2,656
Deferred income and social contribution taxes	19	484,999	444,443	991,229	1,007,923
Provision for contingencies	21	100,054	70,096	100,481	99,122
Acquisition of ownership interests	9 e 30	38,510	38,510	38,510	38,510
Other liabilities	10	11,446	14,542	11,446	14,542
TOTAL NONCURRENT LIABILITIES		4,475,825	3,818,963	4,990,316	4,603,737
EQUITY					
Capital	17	1,696,652	1,549,302	1,696,652	1,549,302
Capital Reserve		9,418	9,418	9,418	9,418
Treasury Shares		(234,100)	(234,100)	(234,100)	(234,100)
Stock options granted		-	11,578	-	11,578
Equity adjustments		963,153	1,120,319	963,153	1,120,319
Income reserves		682,676	833,258	682,676	833,258
Retained earnings		139,284	-	139,284	-
TOTAL EQUITY		3,257,083	3,289,775	3,257,083	3,289,775
TOTAL LIABILITIES AND EQUITY		9,058,381	8,124,951	9,573,128	9,114,712

See accompanying notes.

Statement of income

Periods ending at September 30, 2018 and 2017

In thousands of reais

	Note	Company			
		September 30, 2018		September 30, 2017	
		Quarter	Half-Year	Quarter	Half-Year
Revenues	25	603,488	1,329,593	377,418	1,036,704
Cost of sales	26	(460,052)	(967,434)	(325,914)	(800,398)
Gross profit		143,436	362,159	51,504	236,306
Operating income (expenses)					
Selling expenses	26	(18,362)	(41,630)	(22,535)	(49,053)
General and administrative expenses	26	(51,393)	(94,697)	(32,691)	(70,237)
Equity pickup in subsidiaries	10	40,593	78,521	78,040	140,393
Other revenues, net		3,162	6,935	247	(239)
		(26,000)	(50,871)	23,061	20,864
Operating income		117,436	311,288	74,565	257,170
Finance income (costs)	27				
Finance income		27,090	50,392	23,835	57,051
Finance costs		(79,761)	(158,090)	(72,471)	(154,806)
Monetary variations and foreign exchange differences		15,002	43,754	20,991	25,809
Derivatives		(22,935)	(38,831)	(10,047)	(1,707)
		(60,604)	(102,775)	(37,692)	(73,653)
Income before income and social contribution taxes		56,832	208,513	36,873	183,517
Income and social contribution taxes (IRPJ ar 19(b))					
Current		4,097	19,985	4,786	(13,828)
Deferred		(2,382)	(65,992)	11,356	199
Net income for the period		58,547	162,506	53,015	169,888
Basic earnings per share (in reais)	28	0.1792	0.4973	0.1585	0.5078
Diluted earnings per share (in reais)	28	0.1792	0.4973	0.1580	0.5065

See accompanying notes.

Statement of income

Periods ending at September 30, 2018 and 2017

In thousands of reais

	Note	Consolidated			
		September 30, 2018		September 30, 2017	
		Quarter	Half-Year	Quarter	Half-Year
Revenues	25	638,709	1,395,893	614,025	1,426,291
Cost of sales	26	(452,516)	(952,669)	(450,045)	(986,925)
Gross profit		186,193	443,224	163,980	439,366
Operating income (expenses)					
Selling expenses	26	(18,756)	(42,586)	(27,918)	(56,932)
General and administrative expenses	26	(56,089)	(100,291)	(46,089)	(91,055)
Equity pickup in subsidiaries	10	594	(255)	97	(1,795)
Other revenues, net		4,594	8,845	559	1,243
		(69,657)	(134,287)	(73,351)	(148,539)
Operating income		116,536	308,937	90,629	290,827
Finance income (costs)	27				
Finance income		30,319	57,458	31,302	76,096
Finance costs		(79,989)	(158,560)	(82,055)	(176,995)
Monetary variations and foreign exchange differences		15,001	43,753	22,635	25,154
Derivatives		(22,935)	(38,831)	(9,437)	(1,097)
		(57,604)	(96,180)	(37,555)	(76,842)
Income before income and social contribution taxes		58,932	212,757	53,074	213,985
Income and social contribution taxes (IRPJ or 19(b))					
Current		1,549	14,848	(6,143)	(27,048)
Deferred		(1,934)	(65,099)	6,084	(17,049)
Net income for the period		58,547	162,506	53,015	169,888
Basic earnings per share (in reais)	28	0.1792	0.4973	0.1585	0.5078
Diluted earnings per share (in reais)	28	0.1792	0.4973	0.1580	0.5065

See accompanying notes.

Statements of comprehensive income

Periods ending at September 30, 2018 and 2017

In thousands of reais

Company and Consolidated	September 30, 2018		September 30, 2017	
	Quarter	Half-Year	Quarter	Half-Year
Net income for the period	58,547	162,506	53,015	169,888
Items that will be reclassified subsequently to P&L				
Changes for the period:				
Changes in fair value:				
Commodity derivatives - Future, options and forward contracts	40,439	69,922	11,541	105,354
Foreign exchange derivatives - Options / NDF	(10,779)	(79,824)	47,300	19,584
Foreign exchange differences on borrowing agreements (Trade Finance)	(48,078)	(215,330)	27,630	(29,744)
	(18,418)	(225,232)	86,471	95,194
Recognition in operating income				
Commodity derivatives - Future, options and forward contracts	(399)	(34,940)	(65,091)	(121,552)
Foreign exchange derivatives - Options / NDF	3,082	9,876	(6,753)	(39,636)
Foreign exchange differences on borrowing agreements (Trade Financial)	1,050	11,354	118,784	171,003
	3,733	(13,710)	46,940	9,815
Write-off due to ineffectiveness				
Commodity derivatives - Future, options and forward contracts	374	374	10	61
Foreign exchange derivatives - Options / NDF	9,262	9,262	(5)	649
Foreign exchange differences on borrowing agreements (Trade Finance)	-	-	-	(3,166)
	9,636	9,636	5	(2,456)
Total changes for the year				
Commodity derivatives - Future, options and forward contracts	40,416	35,356	(53,540)	(16,137)
Foreign exchange derivatives - Options / NDF	1,565	(60,686)	40,542	(19,403)
Foreign exchange differences on borrowing agreements (Trade Finance)	(47,030)	(203,976)	146,414	138,091
Deferred taxes on the items above	1,718	77,965	(45,361)	(34,869)
	(3,331)	(151,341)	88,055	67,682
Comprehensive income for the period	55,216	11,165	141,070	237,570

See accompanying notes.

Statement of changes in equity in periods ending at September 30, 2018 and 2017

In thousand of reais

	Note	Equity adjustments														Total
		Capital	Capital reduction	Capital reserve	Treasury shares	Options granted	Deemed cost		Hedge accounting	Legal	Capital budget	Unrealized income reserve	Income reserve			
							Own	Of investees					Tax incentive reserve	Additional dividends	Retained earnings	
Balance at March 31, 2017		1,494,334	(55,662)	10,057	(92,134)	8,284	198,331	1,286,252	(52,340)	70,140	257,984	78,515	173,801	25,758	-	3,403,320
Capital increase with capital reserve	17 (a)	54,968	55,662	-	-	-	-	-	-	(110,630)	-	-	-	-	-	-
Realization of deemed cost surplus	17 (b)	-	-	-	-	-	(6,144)	(7,005)	-	-	-	-	-	-	13,149	-
Deferred tax set up/in subsidiary	19 (b)	-	-	-	-	-	-	(286,324)	-	-	-	-	-	-	-	(286,324)
Dividendos adicionais do exercício anterior, pagos		-	-	-	-	-	-	-	-	-	-	-	-	(25,758)	-	(25,758)
Gain (loss) on derivate transactions - hedge accounting	17 (f)	-	-	-	-	-	-	-	67,682	-	-	-	-	-	-	67,682
Stock options granted	17 (d)	-	-	-	-	2,224	-	-	-	-	-	-	-	-	-	2,224
Net income for the period	17 (e)	-	-	-	-	-	-	-	-	-	-	-	-	-	169,888	169,888
At September, 2017	17	1,549,302	-	10,057	(92,134)	10,508	192,187	992,923	15,342	70,140	147,354	78,515	173,801	-	183,037	3,331,032
Balance at March 31, 2018	17	1,549,302	-	9,418	(234,100)	11,578	185,691	992,484	(57,856)	94,725	411,441	46,954	248,479	31,659	-	3,289,775
Capital increase with capital reserve	17 (a)	147,350	-	-	-	-	-	-	-	(147,350)	-	-	-	-	-	-
Realization of deemed cost surplus	17 (c)	-	-	-	-	-	(5,548)	(277)	-	-	-	-	-	-	5,825	-
CPC 48 (IFRS 9) initial adoption		-	-	-	-	-	-	-	-	-	-	-	-	-	(620)	(620)
Tax incentive reserve constitution		-	-	-	-	-	-	-	-	-	-	-	28,427	-	(28,427)	-
Gain (loss) on derivate transactions - hedge accounting	17 (c)	-	-	-	-	-	-	-	(151,341)	-	-	-	-	-	-	(151,341)
Dividendos adicionais do exercício anterior, pagos dividendos p		-	-	-	-	-	-	-	-	-	-	-	-	(31,659)	-	(31,659)
Options plan change	9 (d)	-	-	-	-	(11,578)	-	-	-	-	-	-	-	-	-	(11,578)
Net income for the period		-	-	-	-	-	-	-	-	-	-	-	-	-	162,506	162,506
At September, 2018	17	1,696,652	-	9,418	(234,100)	-	180,143	992,207	(209,197)	94,725	264,091	46,954	276,906	-	139,284	3,257,083

See accompanying notes.

Statement of cash flows

Periods ending at September 30, 2018 and 2017

In thousands of reais

	Note	Company		Consolidated	
		September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Cash flow from operating activities					
Net income for the period		162,506	169,888	162,506	169,888
Adjustments					
Depreciation and amortization	26	154,079	111,736	156,464	160,153
Biological assets harvested	26	232,860	165,193	232,860	226,459
Change in fair value of biological assets	26	412	26,996	412	9,337
Amortization of intangible assets		-	1,104	-	1,105
Amortization of energy contracts		-	-	7,345	6,774
Equity pickup in subsidiaries	10	(78,521)	(140,393)	255	1,795
Income (loss) from investment and PPE written off	12	2,664	524	2,879	526
Interest, monetary variations and foreign exchanges differences, net		90,649	54,077	86,358	57,321
Derivative financial instruments		25,121	11,523	25,121	10,912
Setup of provision for contingences, net	21.1	6,321	5,684	6,321	5,601
Income and social contribution taxes (IRPJ e CSLL)	19 (b)	46,007	13,629	50,251	44,097
Present value adjustment and other		7,074	3,838	5,527	2,780
		649,172	423,799	736,299	696,748
Changes in assets and liabilities					
Trade accounts receivables		(30,416)	37,066	(59,312)	(44,016)
Inventories		(602,633)	(445,805)	(578,500)	(514,517)
Taxes recoverable		52,708	(2,478)	52,709	(5,613)
Derivative financial instruments		19,332	129,411	19,332	129,411
Other assets		4,925	(2,956)	5,241	(1,316)
Trade accounts payable		127,122	141,827	122,331	126,661
Salaries and social contributions		2,808	18,888	2,556	23,527
Taxes Payable		34,485	(15,870)	37,342	(15,921)
Payables to Copersucar		(6,632)	(6,371)	(6,632)	(6,371)
Taxes in installments		(206)	(997)	(206)	(965)
Provision for contingences - settlements	21.1	(9,916)	(7,575)	(9,916)	(13,031)
Other liabilities		(18,037)	(1,754)	(27,291)	(4,780)
Cash from operating activities		222,712	267,185	293,953	369,817
Payment of interest borrowings	14	(92,504)	(96,020)	(92,933)	(121,902)
Income and Social Contributions taxes paid		-	-	(2,372)	(3,784)
Net cash provided by operation activities		130,208	171,165	198,648	244,131
Cash flow from investing activities					
Investment of funds	31	(1,584)	(3,092)	(1,584)	(3,792)
Additions to PPE and intangible assets		(74,215)	(48,720)	(77,810)	(75,233)
Additions to PPE (planting and cultivation)	11 e 12	(350,382)	(244,177)	(350,382)	(318,691)
Short-term investments		278,781	(120,826)	262,265	27,033
Funds from the sale of PPE	12	3,919	1,290	3,919	3,647
Cash and cash equivalents of subsidiary		156	-	-	-
Future capital contribution		(509)	(1,687)	(500)	(1,000)
Recebimento de dividendos Dividends receipts		46,589	43,954	-	-
Net cash used in investing activities		(97,245)	(373,258)	(164,092)	(368,036)
Cash flow from financing activities					
Financing taken out from third parties	14	1,137,239	1,034,689	1,137,239	1,158,771
Amortizations of financing - third parties	14	(933,078)	(547,340)	(934,835)	(749,762)
Pagamento de dividendos Dividends paid		(180,000)	(99,999)	(180,000)	(99,999)
Net cash from financing activities		24,161	387,350	22,404	309,010
Net decrease in cash and cash equivalents		57,124	185,257	56,960	185,105
Cash and cash equivalents at beginning of period	5	139,622	142,020	140,865	142,454
Cash and cash equivalents at end of period	5	196,746	327,277	197,825	327,559
<u>Additional information</u>					
Balances in short-term investments	5	998,988	710,514	1,081,116	1,059,706
Total available funds	5	1,195,734	1,037,791	1,278,941	1,387,265

See accompanying notes.

Statement of value added
Periods ending at September 30, 2018 and 2017
In thousands of reais

	Company		Consolidated	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Revenues				
Gross sales of goods and products	1,467,185	1,086,045	1,525,055	1,510,665
Revenue related to construction of own assets	347,968	245,821	347,968	320,562
Other revenues	15,365	1,076	17,243	1,712
	<u>1,830,518</u>	<u>1,332,942</u>	<u>1,890,266</u>	<u>1,832,939</u>
Inputs acquired from third parties				
Costs of sales	(463,904)	(418,458)	(423,267)	(463,842)
Materials, energy, third-party services and other operating expenses	(377,333)	(248,239)	(390,794)	(319,715)
	<u>(841,237)</u>	<u>(666,697)</u>	<u>(814,061)</u>	<u>(783,557)</u>
Gross value added	989,281	666,245	1,076,205	1,049,382
Depreciation and amortization	(154,079)	(111,736)	(156,464)	(160,153)
Biological assets harvested	(232,860)	(165,193)	(232,860)	(226,459)
Net value added produced by the entity	<u>602,342</u>	<u>389,316</u>	<u>686,881</u>	<u>662,770</u>
Value added received in transfer				
Equity pickup in subsidiaries	78,521	140,393	(255)	(1,795)
Finance income	186,768	198,552	193,825	220,847
Other	23	(944)	56	56
Total value added to be distributed	<u>867,654</u>	<u>727,317</u>	<u>880,507</u>	<u>881,878</u>
Distribution of value added				
Personnel and charges				
Direct compensation	211,399	170,954	211,515	213,319
Benefits	66,899	54,760	67,235	66,247
Unemployment Compensation Fund (FGTS)	19,642	16,638	19,650	20,721
Management compensation	17,649	9,728	18,201	10,601
Taxes, charges and contributions				
Federal	91,190	34,127	102,233	102,244
State	11,017	886	11,337	3,322
Municipal	661	355	661	468
Creditors				
Interest	140,405	141,897	140,839	163,367
Leases	1,157	1,274	1,157	1,410
Foreign exchange differences	85,123	62,124	85,123	64,692
Other	60,006	64,686	60,050	65,599
Retained profits for the period	<u>162,506</u>	<u>169,888</u>	<u>162,506</u>	<u>169,888</u>
Value added distributed	<u>867,654</u>	<u>727,317</u>	<u>880,507</u>	<u>881,878</u>

See accompanying notes.

1. Operations

São Martinho S.A. (the “Company” or “Parent Company”) is a listed corporation headquartered in Pradópolis, State of São Paulo, registered with B3 S.A. – Brasil, Bolsa e Balção. The Company, its subsidiaries and jointly-controlled subsidiaries (together, the “Group”) are primarily engaged in planting sugarcane and producing and selling sugar, ethanol and other sugarcane byproducts; cogenerating electricity; development of real estate ventures; agricultural production; import and export of goods, products and raw materials, and investment in other companies.

Approximately 70% of the sugarcane used in the production of the goods derives from the Company’s own plantations, from shareholders, related companies and agricultural partnerships, and the remaining 30% from third-party suppliers. Sugar alcohol business is subject to seasonal trends based on the sugarcane growing cycle in the South and Central region of Brazil. The annual sugarcane crop period in the South and Central region of Brazil typically begins in April and ends in December. This creates fluctuations in the Company’s inventories. Raw material supply can suffer from the impact of adverse climate conditions. Sugarcane requires an 18-month period for maturing and for the beginning of the harvest. The harvest generally takes place between April and December, which is also the period when sugar and ethanol are produced and electricity is cogenerated.

The Company is a subsidiary of the holding company LJM Participações S.A. (“LJM”), which holds controlling interest of 52,26% in its voting capital. In turn, the owners of LJM are the following family holding companies: Luiz Ometto Participações S.A., João Ometto Participações S.A. and Nelson Ometto Participações Ltda.

As detailed in note 10.2, at the Extraordinary General Meeting held on April 2, 2018, the incorporation of Usina Boa Vista SA (“UBV”) was approved. Therefore, the comparability of the results of the current period with the same prior period of the Subsidiary, is significantly affected.

Issue of this interim financial information was approved by the Company’s Board of Directors on November 06, 2018.

2. Summary of significant accounting practices

2.1 Statement of compliance and basis of preparation

The Company's interim and consolidated financial information was prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"), implemented in Brazil by the Brazilian Financial Accounting Standards Board ("CPC") and CPC technical interpretations ("ICPCs") and guidance ("OCPCs") approved by the Brazilian SEC ("CVM"). The financial statements were prepared under the historical cost convention, except for certain derivative financial instruments and biological assets, measured at fair value.

Significant accounting practices adopted by the Company are described in the specific notes to these financial statements related to the items reported, and those generally applicable, in different respects, to the financial statements, are described below.

The Company records dividends received from its subsidiaries on its cash flow used in investing activities since it considers these dividends as return on investments made.

2.2 Basis of consolidation and investments in subsidiaries

Subsidiaries are all companies controlled by the Company, fully consolidated from the date on which control is transferred to the Company. Consolidation is ceased as from the date the Company loses control of the investee.

Consolidated balances in the interim financial information for the period ended September 30, 2018 and year ended March 31, 2018 include the following subsidiaries:

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Company	Main Activities
São Martinho Terras Imobiliárias S.A. ("SM Terras Imobiliárias")	Exploitation of land through agricultural lease and partnership, rental and sale of real estate.
São Martinho Energia S.A. ("SME")	Cogeneration of electricity.
Cia Bioenergética Santa Cruz 1 ("Bio")	Cogeneration of electricity.
São Martinho Inova S.A. ("SM Inova")	Hold interest in companies.
São Martinho Terras Agrícolas S.A. ("SM Terras Agrícolas")	Exploitation of land through agricultural lease and partnership, rental and sale of real estate.
SPE - Residencial Recanto das Paineiras Empreendimentos Imobiliários Ltda ("SPE Paineiras") – controlada da SM Terras Imobiliárias	Merger and exploitation of real estate venture
SPE - Park Empresarial Itacemápolis Ltda ("SPE Park") – controlada da SM Terras Imobiliárias	Merger and exploitation of real estate venture
SPE - Residencial Limeira Ltda ("SPE Limeira") – controlada da SM Terras Imobiliárias	Merger and exploitation of real estate venture
SPE - Residencial Pradópolis Ltda ("SPE Pradópolis") - controlada da SM Terras Imobiliárias	Merger and exploitation of real estate venture
SPE - Residencial Pradópolis II Ltda ("SPE Pradópolis II") - controlada da SM Terras Imobiliárias	Merger and exploitation of real estate venture
SPE - Residencial Itacemápolis ("SPE Residencial Itacemápolis") - controlada da SM Terras Imobiliárias	Merger and exploitation of real estate venture
SPE - Empresarial Itacemápolis ("SPE Residencial Itacemápolis") - controlada da SM Terras Imobiliárias	Merger and exploitation of real estate venture
São Martinho Logística e Participações S.A. ("SM Logística")	Storage of products in general

Contractual investment arrangements whereby two or more parties have joint control of the venture are classified as jointly-controlled operations or joint ventures, according to rights and obligations of the parties thereto. Joint control is the sharing, contractually agreed, of the business control that exists only when decisions on the significant activities require the unanimous consent from the parties that share the control. These investments are accounted for under the equity method.

At September 30 and March 31, 2018, the Company had the following jointly-controlled entity, with a 66.67% interest in the capital stock:

Company	Main activities
Jointly-controlled subsidiaries - direct:	
Usina Santa Luiza S/A ("USL")	Storage Services

2.3 Functional and reporting currency

The financial statements are presented in Brazilian real (R\$), which is the currency of the primary economic environment in which the Company operates ("the functional currency").

2.4 Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the corresponding transaction dates. Foreign exchange gains and losses resulting from the settlement of such transactions and from translation of monetary assets and liabilities denominated in foreign currency are recognized in the income statement, except when deferred in equity as qualifying cash flow hedges.

2.5 Financial instruments

The Company adopted IFRS 9 (CPC 48) Financial Instruments (except for items related to hedge accounting) and did not opt for the restatement of comparative information.

The new standard brings together the three aspects of accounting for financial instruments:

(i) *Classification and measurement of financial assets*
IFRS 9 contains a new approach to financial asset classification and measurement that reflects the business model in which assets are managed and their cash flow characteristics and contains three main classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income and at fair value through profit or loss. The standard eliminates existing IAS 39 categories held-to-maturity, loans and receivables and available for sale.

(ii) *Impairment*
The new standard replaces the "incurred losses" model of CPC 38 (IAS 39) with a prospective "expected credit loss" model. This requires a relevant judgment on how changes in economic factors affect expected credit losses. Such provisions will be measured in: expected 12-month credit losses and expected credit losses for a lifetime, that is, credit losses that result from all possible delinquency events over the expected life of a financial instrument. The Company manages credit risk as mentioned in Note 22.2, contracting operations only with first-tier financial institutions. Management periodically monitors credit risk and does not observe any relevant impacts for the current quarterly information.

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The Company recorded in its last interim financial information, the amount of R\$ 620 referring to the calculation of expected credit losses in the real estate segment. Such adjustment was recorded by deducting the "Accounts receivable from customers" account, as opposed to the "Retained earnings" account.

(iii) Hedge accounting

The Company will continue to adopt the requirements of IAS 39 / CPC 38, as permitted by IFRS 9.

a) Financial Assets

The Company's financial assets are classified as (i) measured at amortized cost, (ii) measured at fair value through other comprehensive income, and (iii) measured at fair value through profit or loss. The measurement of financial assets depends on their classification.

b) Financial Liabilities

The Company's financial liabilities include trade accounts payable, borrowings, related parties and other payables, which are classified as borrowings. After initial recognition, borrowings are measured at amortized cost, using the effective interest rate method. Gains and losses are recognized in the income statement when the liabilities are derecognized and through the amortization process under the effective interest rate method.

c) Derivative financial instruments

Derivatives are measured at fair value, with gains and losses recognized in the income statement, unless hedge accounting is applied.

The Company documents, at inception, the relation between the hedging instruments and hedged items, as well as the risk management objective and strategy for undertaking the hedging transactions.

The effective portion of changes in fair value of derivatives designated as cash flow hedges is classified as "Equity adjustments" in equity. The ineffective portion of such changes is recorded as "Finance income (costs)" in income for the years. The amounts accumulated in equity are reclassified in the income statement for the year when the hedged item affects income statement, and the related effects are recognized

as "Net revenue from sales", in order to minimize undesired changes in the hedged item.

2.6 Business combinations and goodwill

Business combinations are accounted for under the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is evaluated based on the acquisition-date fair value.

Goodwill is initially measured at cost when the amount exceeds (a) the consideration transferred in exchange for control of the acquiree; (b) the amount of any noncontrolling interest in the acquiree; and (c) fair value of the interest previously held by the acquirer in the acquiree (if any) that exceeds the amounts, on the acquisition date, net of identifiable assets acquired and liabilities assumed, valued at fair value. If, after remeasurement, the Group's interest in the fair value of net identifiable assets acquired exceeds (a), (b) and (c) above, the excess amount is immediately recognized in income statement as gain arising from bargain purchase.

Goodwill corresponding to consolidated entities is recorded under specific "Goodwill" account in the consolidated statement of financial position.

In each business combination, the acquirer shall measure any noncontrolling interests in the acquiree at fair value of these interests or a portion assignable to them in the fair value of net identifiable assets of the acquiree.

Acquisition costs incurred are accounted for as expenses.

Upon acquiring a business, the Group assesses financial assets and liabilities assumed so as to correctly classify and designate them in accordance with contractual terms, economic circumstances and relevant conditions on the acquisition date, including the segregation, by the acquiree, of embedded derivatives existing in host contracts.

In case the business combination is performed in stages, the carrying amount on the acquisition date of the controlling interest previously held by the acquirer in the acquiree is remeasured at fair value on acquisition date through income statement.

After initial recognition, goodwill is recorded at cost, less accumulated impairment losses. For impairment test purposes, goodwill acquired in a business combination is, as of acquisition date, allocated to each Group's cash-generating unit, which shall be benefited from such combination synergy, regardless of other assets or liabilities of the acquiree being attributed to these units.

2.7 Leases

Leases in which a significant portion of the risks and rewards of ownership is retained by the lessor are classified as operating leases. Operating lease payments (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the lease term.

3. Standards, interpretations and amendments to standards that are not yet effective

IFRS 16 (CPC 06) – Leasing

It establishes that the leases are recognized in the balance sheet of the lessee, and a liability is recorded for future payments and an intangible asset for the right of use. The definition of lease covers all contracts that give the right to use and control of an identifiable asset, including leases and, potentially, some components of contracts for services. The standard is effective as of January 1, 2019. The Company is evaluating the impact on its financial statements.

4. Significant 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.

Estimates and judgments that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities for the next financial year are listed below:

(a) Impairment of goodwill

The Group tests goodwill for impairment annually. The recoverable amounts of Cash-Generating Units (CGUs) were determined based on calculations of the value in use, based on estimates.

(b) Fair value of biological assets

This represents the present value of expected net cash flows from these assets, which is determined based on assumptions used in the discounted cash flow method.

(c) Income tax, social contribution and other taxes

The Group recognizes provisions for situations in which it is probable that additional tax amounts shall be levied. When the final result of these circumstances is different from those initially estimated and recorded, these differences will change the current and deferred tax assets and liabilities for the year in which the definitive amount is determined.

(d) Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses its judgment to select a variety of methods and to make assumptions based mainly on market conditions existing at the statement of financial position date.

In addition, certain financial assets and liabilities are discounted to present value. Management estimates the discount rates most appropriate in each circumstance and period.

(e) Provision for contingencies

The Group is party to labor, civil and tax lawsuits at various court levels. The provisions for contingencies to cover losses arising from proceedings pending judgment are set up and restated based on management's assessment, according to the opinion of its legal advisors, and require a high level of judgment on the matters involved.

(f) Business combination and acquisition of ownership interest

Management contracted independent experts to measure fair value of the identifiable assets acquired, the liabilities and the contingent liabilities assumed, in addition to the determination of the purchase pricing allocation (PPA).

The assumptions for determining the PPA are primarily based on the market conditions existing at the acquisition date.

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(g) ICMS tax benefits

As described in Note 17 (d), the Company has ICMS tax incentives granted by Goiás state government. On August 7, 2017, the Complementary Law No. 160/2017 was published regulating the granting of tax benefits in disagreement with item "g" of subsection XII of paragraph 2 of art. 155 of the Federal Constitution.

The States and the Federal District shall regularize/ratify their benefits in this context, by registering and depositing with the Executive Secretariat of the National Council for Fiscal Policy - CONFAZ, the supporting documentation corresponding to the concessionary acts of the fiscal benefits granted by them.

The Company's management has been accompanying, along with its legal advisors, the evolution of the fulfillment of the obligations by the Finance Department of Goiás.

5. Cash and cash equivalents and short-term investments

Cash and cash equivalents include cash on hand, bank deposits and other highly-liquid short-term investments with original maturity within three months, readily convertible into a known cash amount and subject to insignificant risk of change in value.

	Company			Consolidated		
	Yields (*)	September 30, 2018	March 31, 2018	Yields (*)	September 30, 2018	March 31, 2018
Cash and banks (in Brazil)		772	7,217		1,851	8,461
Cash and banks - abroad (US Dollar)	1,75% CDI	195,974	132,405	1,75% CDI	195,974	132,404
Total cash and cash equivalents		<u>196,746</u>	<u>139,622</u>		<u>197,825</u>	<u>140,865</u>
Short-term investments						
. Investment fund	104,19% CDI	998,988	953,900	102,22% CDI	1,081,116	1,320,851
. Funds - Financial Treasury Bills (LFT) (i)	100% SELIC	25,144	4,159	100% SELIC	25,144	24,371
. Bank Deposit Certificate (CDB) (i)	99% CDI	34,854	19,873	97,76% CDI	34,855	19,873
. Other (i)	100% CDI	565	559	100% CDI	4,196	6,425
Total financial investments		<u>1,059,551</u>	<u>978,491</u>		<u>1,145,311</u>	<u>1,371,520</u>
In noncurrent assets		<u>60,563</u>	<u>24,591</u>		<u>64,195</u>	<u>50,669</u>
Total available funds		<u>1,195,734</u>	<u>1,093,522</u>		<u>1,278,941</u>	<u>1,461,716</u>

(i) Resources given as guarantee for financing operations with the BNDES and brokers with redemption restriction until the maturity of the contracts.

6. Trade accounts receivable

Trade accounts receivable are stated at present value, net of allowance for doubtful accounts, as applicable.

Notes to the Financial Statements September 30, 2018

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The balance of trade accounts receivable is broken down as follows:

	Company		Consolidated	
	September 30, 2018	March 31, 2018	September 30, 2018	March 31, 2018
Domestic Customers	159,921	66,583	229,445	202,532
Foreign market customers	43,090	230	43,090	230
	<u>203,011</u>	<u>66,813</u>	<u>272,535</u>	<u>202,762</u>
Current assets	203,011	66,813	249,029	177,893
Noncurrent assets	-	-	23,506	24,869

As mentioned in Note 2.5, the amount receivable from customers is net of a provision for impairment in the amount of R\$ 608, arising from the adoption of IFRS 9. This provision is derived from the real estate segment.

The aging list of these trade accounts receivable is as follows:

	Company		Consolidated	
	September 30, 2018	March 31, 2018	September 30, 2018	March 31, 2018
Falling due:	199,825	66,813	267,297	201,441
Overdue and not provisioned:				
Within 30 days	313	-	389	276
Over 31 days	2,873	-	4,849	1,045
	<u>203,011</u>	<u>66,813</u>	<u>272,535</u>	<u>202,762</u>

Out of the amount receivable, R\$ 1,579 and R\$ 79 Company and Consolidated, respectively (R\$ 7,594 and R\$ 297, Company and Consolidated, respectively, at March 31, 2017), refer to related parties, as detailed in Note 9.

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7. Inventories and advances to suppliers

	Company		Consolidated	
	September 30, 2018	March 31, 2018	September 30, 2018	March 31, 2018
Current				
Finished products and work-in-process	1,225,725	117,654	1,201,776	136,531
Advances - purchases of sugarcane	61,212	60,895	61,212	71,163
Advances - purchases of inputs	35,523	42,030	35,523	62,176
Land subdivisions	-	-	8,176	5,820
Inputs, ancillary materials for maintenance and other	58,623	39,630	58,623	58,964
	<u>1,381,083</u>	<u>260,209</u>	<u>1,365,310</u>	<u>334,654</u>
Noncurrent				
Advances - purchases of sugarcane	122,267	88,430	122,267	111,135
	<u>122,267</u>	<u>88,430</u>	<u>122,267</u>	<u>111,135</u>
	<u>1,503,350</u>	<u>348,639</u>	<u>1,487,577</u>	<u>445,789</u>

Inventories are stated at average acquisition or production costs, adjusted, when applicable, by the provision for write-down to their realizable value. The land inventory balance (land slots) is stated at acquisition cost, increased by the deemed cost surplus of land.

The balance classified as "Land slots" refers to real estate developments.

The Company entered into partnerships to purchase sugar cane grown on third-party rural properties (including agricultural partnerships), of which part of the delivery will only occur in future years.

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8. Taxes recoverable

Breakdown of taxes recoverable is as follows:

	Company		Consolidated	
	September 30, 2018	March 31, 2018	September 30, 2018	March 31, 2018
Current				
PIS / COFINS	7,322	12,423	7,346	13,793
ICMS	6,646	10,383	7,564	21,184
Brazilian Special Regime for Reinstatement of Taxes for Exporters (REINTEGRA)	29,994	-	29,994	-
Other	1,103	996	1,110	1,116
	<u>45,065</u>	<u>23,802</u>	<u>46,014</u>	<u>36,093</u>
Noncurrent				
PIS / COFINS	35,226	26,421	35,226	34,807
Brazilian Special Regime for Reinstatement of Taxes for Exporters (REINTEGRA)	-	62,100	-	62,100
IOF on derivatives	8,237	8,054	8,237	8,054
ICMS	15,822	9,010	15,822	11,143
Social Security Tax (INSS)	6,244	6,092	6,244	6,096
	<u>65,529</u>	<u>111,677</u>	<u>65,529</u>	<u>122,200</u>
	<u>110,594</u>	<u>135,479</u>	<u>111,543</u>	<u>158,293</u>

The balances of taxes recoverable arise from commercial transactions and tax prepayments, adjusted to present value when applicable.

The expected realization of the long-term tax credits is as follows:

Company and Consolidated	September 30, 2018
From 1º/09/2019 to 31/08/2020	29,144
From 1º/09/2020 to 31/08/2021	6,504
From 1º/09/2021 to 31/08/2022	6,141
From 1º/09/2022 to 31/08/2023	6,073
From 1º/09/2023 to 31/08/2024	3,836
From 1º/09/2024 onwards	13,831
	<u>65,529</u>

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9. Related parties

(a) Company and consolidated balances:

	Company		Consolidated	
	September 30, 2018	March 31, 2018	September 30, 2018	March 31, 2018
Current assets				
Trade accounts receivable (i)				
São Martinho Terras Imobiliárias S.A.	48	155	-	-
Cia Bioenergética Santa Cruz I	712	5	-	-
São Martinho - Energia S.A.	706	803	-	-
São Martinho Terras Agrícolas S.A.	24	32	-	-
Usina Boa Vista S/A	-	6,296	-	-
Usina Santa Luiza S/A	12	63	12	63
Others	77	240	67	234
	<u>1,579</u>	<u>7,594</u>	<u>79</u>	<u>297</u>
Inventories - purchase of sugarcane				
From shareholders / related parties	6,658	7,672	6,658	7,672
Dividends receivable				
São Martinho Terras Imobiliárias S.A.	-	3,211	-	-
	<u>-</u>	<u>3,211</u>	<u>-</u>	<u>-</u>
Noncurrent assets				
Advance for future capital increase				
São Martinho Inova S.A.	702	693	-	-
Usina Santa Luiza S/A	2,667	5,834	2,667	5,834
	<u>3,369</u>	<u>6,527</u>	<u>2,667</u>	<u>5,834</u>
Current liabilities				
Trade account payables				
São Martinho Terras Imobiliárias S.A.	711	402	-	-
Cia Bioenergética Santa Cruz I	282	135	-	-
São Martinho - Energia S.A.	-	254	-	-
São Martinho Terras Agrícolas S.A.	15,868	4,535	-	-
Others	167	172	167	172
	<u>17,028</u>	<u>5,498</u>	<u>167</u>	<u>172</u>
Rental of lands				
From shareholders / related parties	4,846	2,458	4,846	2,586
Current liabilities and noncurrent liabilities				
Acquisition of equity interest				
Luiz Ometto Participações S.A. (nota 30)	50,241	50,256	50,241	50,256

(i) Refer to the apportionment of expenses with the Shared Services Center.

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(b) Company and Consolidated significant transactions in the period:

	Company		Consolidated	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Sales revenue				
Cia Bioenergética Santa Cruz I	4,946	4,825	-	-
São Martinho - Energia S.A.	4,137	3,850	-	-
	<u>9,083</u>	<u>8,675</u>	<u>-</u>	<u>-</u>
Reimbursed expenses/(purchase of products and services)				
São Martinho Terras Imobiliárias S.A.	(1,773)	(6,848)	-	-
São Martinho Terras Agrícolas S.A.	(39,581)	(30,553)	-	-
Cia Bioenergética Santa Cruz I	(1,923)	(1,838)	-	-
São Martinho - Energia S.A.	152	146	-	-
Usina Boa Vista S/A	-	10,291	-	-
	<u>(43,125)</u>	<u>(28,802)</u>	<u>-</u>	<u>-</u>
Shareholders and Related Parties				
Sugarcane purchases / agricultural partnership and land lease				
Agro Pecuária Boa Vista S/A	(16,078)	(15,745)	(16,078)	(15,745)
Others	(11,219)	(12,038)	(11,219)	(12,463)
	<u>(27,297)</u>	<u>(27,783)</u>	<u>(27,297)</u>	<u>(28,208)</u>

Sales revenue refers to sale of steam. Purchases of products and services are derived from purchase of sugarcane, electricity and steam manufacturing service. Expenses reimbursed by investees refer to the costs of the shared service center, the Board of Directors, and the corporate office. Apportionments are supported by agreements between the parties.

(c) Key management personnel compensation:

Key management personnel include directors and officers. Compensation paid or to be paid for the year is stated as follows:

	Company		Consolidated	
	September 30, 2018	March 31, 2018	September 30, 2018	March 31, 2018
Salaries, fees and bonus	28,951	22,625	29,779	25,211
Social security and social contributions	2,905	4,481	3,071	4,998
Other	834	1,541	933	1,784
	<u>32,690</u>	<u>28,647</u>	<u>33,783</u>	<u>31,993</u>

Information on the Stock Option Plan offered to the Company's officers.

(d) Stock Option Plan

During the period ended September 30, 2018, was set to change the balances of current plans Granting Stock Option Plan, which was approved by the Board of Directors held on May 2, 2018. This plan will govern the cash settlement rule of the positive difference between the market value on the day before the exercise versus the price set in each program. The other terms

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determined in the new plans will be the same as already established in the previously agreed contracts.

In accordance with IFRS 2 (CPC 10), due to the change in the form of liquidation of the plans, previously settled with equity instruments, it was settled in cash, the balance provisioned on June 30, 2018 referring to Virtual Options was transferred to item of "Salaries and Charges payable" in current liabilities.

During the period the Company recognized an expense of R\$ 5,775, reflecting the new calculation of the fair value of the Virtual Options Plan. The carrying amount of the liability at the date of the current quarterly information is R\$ 3,985.

The balances of the virtual options plans issued and their movement during the current period are shown below:

Plan	6th Plan	7th Plan	8th Plan	9th Plan	Total
Plan issue date	15/12/2014	14/12/2015	12/12/2016	02/05/2018	
Deadline for exercise (i)	2021	2022	2023	2024	
Options granted	835,725	696,465	727,273	882,074	3,141,537
Options exercised (ii)	(523,368)	(158,709)	-	-	(682,077)
Outstanding stock options	312,357	537,756	727,273	882,074	2,459,460
Strike Price	12.04	15.87	17.70	17.76	

(i) The virtual options for each of the plans may be exercised after their respective grace periods, which generally follow the following system: 1/3 after the 2nd year of the grant, 1/3 after the third year of the grant and 1/3 after the 4th year of the grant, all with deadlines as established in each plan.

10. Investments

10.1 Subsidiaries, jointly-controlled subsidiaries and affiliates

The balance of investments in other companies, Company and Consolidated, is as follows:

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Company / % ownership interest (current)	Company					
	Adjusted equity of investee		Book value of investments		Equity pickup	
	September 30, 2018	March 31, 2018	September 30, 2018	March 31, 2018	September 30, 2018	September 30, 2017
Classified in investment						
São Martinho Terras Imobiliárias S.A. / 100%	149,682	148,494	149,682	148,494	4,396	7,124
São Martinho - Energia S.A. / 100%	36,921	26,214	36,921	26,214	21,707	16,897
São Martinho Inovar S.A. / 100%	24,666	24,360	24,666	24,360	307	1,228
São Martinho Terras Agrícolas S.A. / 100%	1,043,421	1,042,766	1,043,421	1,042,766	15,011	9,239
São Martinho Logística e Participações S.A. / 100%	2,887	2,952	2,887	2,952	(66)	(63)
Usina Boa Vista S.A. (Nota 10.2) / 100%	-	1,353,646	-	1,353,646	-	72,817
Companhia Bioenergética Santa Cruz 1 / 100%	126,529	104,227	126,529	104,227	37,737	35,751
Others	-	-	1,860	1,859	-	-
Total classified in investment	1,384,106	2,702,659	1,385,966	2,704,518	79,092	142,993
Classified in noncurrent liabilities						
Usina Santa Luiza S.A. (i) / 66,67%	(17,169)	(21,812)	(11,447)	(14,542)	(571)	(2,600)
Total classified in noncurrent liabilities	(17,169)	(21,812)	(11,447)	(14,542)	(571)	(2,600)
Closing balance	1,366,937	2,680,847	1,374,519	2,689,976	78,521	140,393

There are no cross-holdings between the Company and its investees.

(i) Investees are not consolidated and these investments are reported in the consolidated financial statements under the equity method.

Company / % ownership interest (current)	Consolidated					
	Adjusted equity of investee		Book value of investments		Equity pickup	
	September 30, 2018	March 31, 2018	September 30, 2018	March 31, 2018	September 30, 2018	September 30, 2017
Classified in investment						
CTC - Centro de Tecnologia Canavieira S.A. (i) / 5,41%	566,381	566,850	31,007	30,693	316	805
Others	-	-	1,859	1,859	-	-
Total classified in investment	566,381	566,850	32,866	32,552	316	805
Classified in noncurrent liabilities						
Usina Santa Luiza S.A. (i) / 66,67%	(17,169)	(21,812)	(11,447)	(14,542)	(571)	(2,600)
Total classified in noncurrent liabilities	(17,169)	(21,812)	(11,447)	(14,542)	(571)	(2,600)
Closing balance	549,212	545,038	21,419	18,010	(255)	(1,795)

10.2 Usina Boa Vista S.A. Incorporation

At the Extraordinary General Meeting held on April 2, 2018, the incorporation of Usina Boa Vista SA by the Company was approved, according to a material fact published on February 28, 2018 and approved by the Board of Directors on the same date.

The Merger is justified insofar as the combination of the UBV's assets with the Company's assets under a single legal entity will allow the structuring and more efficient use of the assets and the agro-industrial operations of the companies involved in order to concentrate in the Company all the activities developed by the UBV. This procedure will lead to the unification of the administration and activities of the two companies, generating greater efficiency, synergy and rationalization of administrative and financial costs.

11. Biological assets

Biological assets correspond to agricultural products under development (standing cane) produced in sugarcane plantations (bearer plant), to be

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used as raw material in the production of sugar and ethanol upon its harvest. These assets are carried at fair value less costs to sell.

Measurement at fair value of biological assets is classified as Level 3 - Assets and liabilities whose prices do not exist, or whose prices or valuation techniques are supported by a small, nonexistent or illiquid market and unobservable market inputs.

The fair value of biological assets was determined based on the discounted cash flow method, considering basically:

(a) Cash inflows obtained from the multiplication of (i) the estimated production, measured in kilograms of Total Sugar Recoverable (ATR); and (ii) the future market price of sugarcane, which is estimated based on public data and estimates of the future prices of sugar and ethanol; and

(b) Cash outflows represented by estimates of (i) costs necessary for the biological transformation of the sugarcane (cultural treatments) up to the harvest; (ii) costs with harvesting/cutting, loading and transport; (iii) capital costs (land and machinery and equipment); (iv) costs of leases and agricultural partnerships; and (v) taxes on positive cash flows.

The following significant assumptions were used to determine fair value:

	Company		Consolidated	
	September 30, 2018	March 31, 2018	September 30, 2018	March 31, 2018
Harvest estimated total area (ha)	228,632	172,762	228,632	227,343
Expected productivity (ton/ha)	83.53	88.74	83.53	88.23
Number of Total Recoverable Sugar (ATR) per sugar can	134.20	132.56	134.20	133.42
Projected average price of ATR (R\$)	0.6077	0.5759	0.6077	0.5757

At September 30, 2018, the discount rate used to calculate the fair value of biological assets is 8.19% p.a. (7.48% p.a. at March 31, 2018).

Based on the estimates of revenue and costs, the Company determines the future cash flows to be generated and adjusts them to present value, using a discount rate compatible with the remuneration of the investment in the circumstances. Changes in fair value are recorded as biological assets with a corresponding entry to the sub account "Changes in fair value of biological assets", under "Cost of sales" in the income statement for the year.

Changes in fair value of biological assets for the year are as follows:

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	Company		Consolidated	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Historical cost	518,751	467,314	686,591	628,164
Fair value	(99,018)	(29,658)	(104,866)	(41,802)
Biological assets at March 31	419,733	437,656	581,725	586,362
Changes:				
Increase resulting from cultivation	224,141	165,030	224,141	215,061
Usina Boa Vista Incorporation	172,170	-	-	-
Transfers from property, plant and equipment	161,211	132,943	171,387	173,271
Change in fair value	30,527	(13,197)	30,527	(10,041)
Fair value surplus - business combination	-	-	-	8,898
Reductions resulting from harvest	(503,652)	(332,617)	(503,650)	(448,877)
Closing balance of biological assets:	504,130	389,815	504,130	524,674
Represented by:				
Historical cost	578,469	432,670	578,469	567,619
Fair value	(74,339)	(42,855)	(74,339)	(42,945)
Closing balance of biological assets:	504,130	389,815	504,130	524,674

The operating activities of sugarcane cultivation are at risk of damage due to climate change, pests and diseases, forest fires and other natural forces. Consequently, future harvest results may be impacted, being increased or reduced.

(a) Agricultural partnerships and lease agreements

The Company entered into agreements of agricultural partnerships to purchase sugarcane produced in the rural properties of third parties, maturing between seven and fourteen years, renewable upon termination. In addition, the Company has lease agreements for the production of sugarcane.

The amounts to be disbursed in respect of these agreements are determined at the end of each crop by the price of a metric ton of sugarcane established by CONSECANA and/or according to closed contracts between parties. At September 30 and March 31, 2018, the total estimated payments (nominal value) are as follows:

	Company		Consolidated	
	30 September, 2018	31 March, 2018	30 September, 2018	31 March, 2018
Agricultural partnership:				
Within 1 year	262,823	250,931	262,823	316,488
More than 1 year and less than 5 years	873,610	713,263	873,610	933,683
More than 5 years	948,977	499,431	948,977	794,881
(-) Present value adjustment	(649,510)	(423,772)	(649,510)	(627,247)
	1,435,900	1,039,853	1,435,900	1,417,805
Lease agreements:				
Within 1 year	55,060	51,647	55,060	52,550
More than 1 year and less than 5 years	206,733	193,973	206,733	197,586
More than 5 years	475,903	423,542	475,903	428,394
(-) Present value adjustment	(309,972)	(284,875)	(309,972)	(288,064)
	427,724	384,287	427,724	390,466

12. Property, Plant and Equipment (PPE)

The residual value, useful lives of the assets and depreciation methods used are reviewed, and adjusted prospectively, at year end. Depreciation is calculated using the straight-line method, and for production equipment the accelerated depreciation method is applied, taking into consideration the crushing season.

Maintenance costs that extend the useful lives of property, plant and equipment items are capitalized and items that replace others which suffer wear and tear during the crop period are recorded as assets, and are depreciated during the subsequent crop period. Maintenance costs that do not extend the useful lives of the assets are recognized as expenses when incurred. Replaced items are written off.

Sugarcane plantations correspond to bearer plants that are solely used to cultivate sugarcane. Sugarcane is classified as a permanent crop and its economically productive cycle lasts, on average, eight years after the first harvest.

The costs of charges on borrowings taken to finance the construction of property, plant and equipment are capitalized during the period of time required to execute and prepare the asset for its intended use.

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Company	Land	Buildings and outbuildings	Equipment and manufacturing facilities	Inter-corp maintenance	Vehicles	Agricultural machinery and farming implements	Leasehold improvements of third part and other PPE	Construction in Progress	Sugarcane plantation	Total
Balances at March 31, 2017	156,520	245,656	799,206	170,488	165,210	230,906	16,552	34,100	715,925	2,534,563
Acquisition	-	54	2,909	220,351	13,019	34,944	966	73,597	208,960	554,800
Transfer to biological assets	-	-	-	-	-	-	-	-	(127,822)	(127,822)
Cost of sale	(712)	-	(151)	-	(759)	(2,082)	(82)	-	-	(3,786)
Transfers between groups	-	4,790	46,573	-	1,822	(7,599)	8,150	(62,346)	8,610	-
Depreciation	-	(7,746)	(57,420)	(172,795)	(13,335)	(24,148)	(3,197)	-	-	(278,641)
Balances at March 31, 2018	155,808	242,754	791,117	218,044	165,957	232,021	22,389	45,351	805,673	2,679,114
Total cost	155,808	287,935	1,174,304	390,839	243,282	402,273	66,177	45,351	805,673	3,571,642
Accumulated depreciation	-	(45,181)	(383,187)	(172,795)	(77,325)	(170,252)	(43,788)	-	-	(892,528)
Residual value	155,808	242,754	791,117	218,044	165,957	232,021	22,389	45,351	805,673	2,679,114
Acquisition	-	324	5,065	1,538	15,065	8,118	460	35,963	126,241	192,774
Transfer to biological assets	-	-	-	-	-	-	-	-	(161,211)	(161,211)
Cost of sale	(64)	-	(1,219)	-	(2,137)	(2,872)	-	-	(291)	(6,583)
Usina Boa Vista S/A Incorporation	49,198	161,880	413,287	60,568	61,980	80,845	38,537	4,044	222,663	1,093,002
Transfers between groups	-	5,588	28,250	-	1,293	(3,635)	300	(37,425)	5,629	-
Depreciation	-	(7,912)	(66,999)	(246,587)	(14,695)	(28,009)	(7,110)	-	-	(371,312)
Balances at September 30, 2018	204,942	402,634	1,169,501	33,563	227,463	286,468	54,576	47,933	998,704	3,425,784
Total cost	204,942	455,728	1,619,687	452,945	319,483	484,729	105,474	47,933	998,704	4,689,625
Accumulated depreciation	-	(53,094)	(450,186)	(419,382)	(92,020)	(198,261)	(50,898)	-	-	(1,263,841)
Residual value	204,942	402,634	1,169,501	33,563	227,463	286,468	54,576	47,933	998,704	3,425,784
Residual values:										
Historical cost	46,738	330,939	938,415	33,563	198,249	229,692	54,576	47,933	998,704	2,878,809
Surplus	158,204	71,695	231,086	-	29,214	56,776	-	-	-	546,975
Annual average depreciation rates	-	2%	4%	100%	6%	9%	14%	-	14%	-

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Consolidated	Land	Buildings and outbuildings	Equipment and manufacturing facilities	Inter-crop maintenance	Vehicles	Agricultural machinery and farming implements	Leasehold improvements of third part and other PPE	Construction in progress	Sugarcane plantation	Total
Balances at March 31, 2017	1,808,281	397,378	1,289,764	226,638	226,889	311,971	61,654	45,805	920,170	5,288,550
Acquisition	2,381	280	4,099	281,996	18,705	50,996	1,530	90,804	278,593	729,384
Cost of sale	(2,884)	-	(176)	-	(845)	(5,366)	(90)	-	-	(9,361)
Transfers between groups	-	22,414	51,108	-	2,265	(9,904)	8,363	(85,293)	11,047	-
Transfer to biological assets	-	-	-	-	-	-	-	-	(171,298)	(171,298)
Transfer to intangible assets	-	-	-	-	-	-	-	(1,923)	-	(1,923)
Depreciation	-	(11,546)	(79,801)	(229,660)	(19,079)	(34,830)	(10,524)	-	-	(385,440)
Balances at March 31, 2018	1,807,778	408,526	1,264,994	278,974	227,935	312,867	60,933	49,393	1,038,512	5,449,912
Total cost	1,807,778	487,450	1,805,071	508,634	342,980	552,539	167,013	49,393	1,038,512	6,759,370
Accumulated depreciation	-	(78,924)	(540,077)	(229,660)	(115,045)	(239,672)	(106,080)	-	-	(1,309,458)
Residual value	1,807,778	408,526	1,264,994	278,974	227,935	312,867	60,933	49,393	1,038,512	5,449,912
Acquisition	3,569	324	5,065	1,538	15,065	8,118	460	35,963	126,241	196,343
Cost of sale	(279)	-	(1,219)	-	(2,137)	(2,872)	-	-	(291)	(6,798)
Transfer to inventories for sale	(2,542)	-	-	-	-	-	-	-	-	(2,542)
Transfer to biological assets	-	-	-	-	-	-	-	-	(171,387)	(171,387)
Transfers between groups	-	5,588	28,250	-	1,293	(3,635)	300	(37,425)	5,629	-
Depreciation	-	(8,019)	(69,041)	(246,866)	(14,695)	(28,009)	(7,110)	-	-	(373,740)
Balances at September 30, 2018	1,808,526	406,419	1,228,049	33,646	227,461	286,469	54,583	47,931	998,704	5,091,788
Total cost	1,808,526	493,362	1,837,167	510,173	357,201	554,150	167,773	47,931	998,704	6,774,987
Accumulated depreciation	-	(86,943)	(609,118)	(476,527)	(129,740)	(267,681)	(113,190)	-	-	(1,683,199)
Residual value	1,808,526	406,419	1,228,049	33,646	227,461	286,469	54,583	47,931	998,704	5,091,788
Residual values:										
Historical cost	154,012	333,712	981,922	33,646	198,248	229,693	54,583	47,931	998,704	3,032,451
Surplus	1,654,514	72,707	246,127	-	29,213	56,776	-	-	-	2,059,337
Annual average depreciation rates	-	3%	4%	100%	6%	9%	14%	-	14%	

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Under the terms of certain borrowing agreements of the Group, property, plant and equipment totaling R\$ 926,537 were pledged as collateral, of which R\$ 64,503 refers to rural properties (2,097 hectares of land).

The Group capitalized financial charges amounting to R\$ 780 for the period ended September 30, 2018 (March 31, 2018 – R\$2,343).

13. Intangible assets

Contractual relationships have a defined useful life. Their amortization is calculated on the quantity of sugarcane harvested during the term of the agreement with the partner or supplier.

Goodwill is carried at cost less accumulated impairment losses. Goodwill is tested annually for impairment.

	Company		Consolidated	
	September 30, 2018	March 31, 2018	September 30, 2018	March 31, 2018
Goodwill on future profitability (i)	374,632	374,633	374,633	374,633
Software	30,036	27,025	30,036	29,725
Accumulated amortization	(25,080)	(21,174)	(25,080)	(23,748)
Rights on sugarcane contracts (ii)	7,134	8,780	7,134	8,780
Rights on electricity agreements (iii)	-	-	103,402	103,401
Rights on electricity agreements - amortization (iii)	-	-	(51,129)	(40,001)
Other assets	10,228	9,744	17,875	17,367
	<u>396,950</u>	<u>399,008</u>	<u>456,871</u>	<u>470,157</u>

(i) Goodwill related to business combination of prior years of companies merged into the Company;

(ii) Refers to the acquisition of rights on agreements for agricultural partnership and sugarcane supply (2,281 hectares);

(iii) Refers to the fair value of Bio's agreements for electricity supply, effective up to 2025.

Impairment of nonfinancial assets

Under the provisions of CPC 01 (IAS 36) - Impairment of assets, goodwill, property, plant and equipment and intangible assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Goodwill and intangible assets with indefinite useful lives are tested for impairment at least once a year or more frequently whether evidence of impairment is found. Annual impairment tests are performed at the end of March. To determine whether there was impairment loss, assets are grouped into Cash-Generating Units (CGU), which correspond to the smallest group of assets generating cash flows clearly independent from those generated by another CGU.

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At March 31, 2018, the Company tested noncurrent assets for impairment. The assessment was based on calculations of the value in use of each cash-generating unit. These calculations use cash flow projections, before calculation of income and social contribution taxes, based on financial budgets approved by management. The growth rate does not exceed the long-term average growth rate of the industry in which the CGU operates.

Main assumptions and estimates involved are estimates of sugar and ethanol sales prices, costs related to energy and other macroeconomic data.

Main assumptions used by the Company are as follows:

Cash-Generating Units	Data of March 31, 2018	
	UGC São Martinho e Iracema	UGC Santa Cruz
Average growth rate of net operating income	3.3%	3.3%
Nominal growth rate for perpetuity	4.5%	4.5%
Discount rate	8.5%	8.5%

14. Borrowings

Main assumptions and estimates involved are estimates of sugar and ethanol sales prices, costs related to energy and other macroeconomic data.

Type	Current annual charges		Company		Consolidated	
	Rate	Index	September 30, 2018	March 31, 2018	September 30, 2018	March 31, 2018
Local currency						
Export credit notes	105.15%	CDI	295,069	397,336	295,069	397,336
BNDES credit facilities	2.42%	+ TJLP	241,476	99,706	246,690	154,399
BNDES credit facilities	4.05%	-	313,570	249,405	319,733	366,064
BNDES credit facilities	3.97%	+ SELIC	261	71	261	258
Rural credit	7.77%	-	700,210	339,314	700,210	444,573
FINEP	4.00%	-	114,825	83,508	114,825	83,508
Agribusiness Receivables Certificate (CRA)	98.00%	CDI	950,258	947,472	950,258	947,472
Agribusiness Receivables Certificate (CRA)	4.88%	+ IPCA	423,904	413,077	423,904	413,077
Other securitized credits	4.42%	+ IGP-M	17,324	29,274	17,324	29,274
Total in local currency (i)	86.71%	CDI	3,056,897	2,559,163	3,068,274	2,835,961
In foreign currency						
Pre-export financing (PPE)	3.10%	+ Libor	913,807	734,471	913,807	734,471
International Finance Corporation (IFC)	1.70%	+ Libor	364,933	303,797	364,933	303,797
FINEM	2.98%	Cesta Moedas	36,437	15,036	36,437	42,567
Export credit notes (NCE)	-	-	-	8,101	-	8,101
Total in foreign currency (ii)	4.65%	-	1,315,177	1,061,405	1,315,177	1,088,936
TOTAL			4,372,074	3,620,568	4,383,451	3,924,897
Current			740,327	574,569	743,870	686,630
Noncurrent			3,631,747	3,045,999	3,639,581	3,238,267

Changes in borrowings for the period are as follows:

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Changes in debt	Company		Consolidated	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Balance at March 31	3,620,568	3,174,394	3,924,897	3,719,060
Financing taken out	1,137,239	1,034,689	1,137,239	1,158,771
Amortization of principal	(933,078)	(547,340)	(934,835)	(749,762)
Amortization of interest	(92,504)	(96,020)	(92,933)	(121,902)
Monetary restatement	182,906	122,801	183,340	141,631
Foreign exchange differences	165,743	3,857	165,743	4,511
Usina Boa Vista Incorporation	291,200	-	-	-
	<u>4,372,074</u>	<u>3,692,381</u>	<u>4,383,451</u>	<u>4,152,309</u>

Some of the transactions conducted are pegged to swap agreements for Brazilian reais. The effect at September 30 and March 31, 2018 was as follows:

Type	September 30, 2018				March 31, 2018			
	Company		Consolidated		Company		Consolidated	
	Fair value (MiM)	Debt balance (Accrual)	Fair value (MiM)	Debt balance (Accrual)	Fair value (MiM)	Debt balance (Accrual)	Fair value (MiM)	Debt balance (Accrual)
Swap transactions - from fixed rate to floating rate	332,914	338,188	332,914	338,188	237,742	238,612	340,385	341,634
Swap transactions - from libor to fixed rate	264,901	243,381	264,901	243,381	25,750	26,322	25,750	26,322
Non-swap transactions - local currency	2,718,708	2,718,708	2,730,086	2,730,086	2,320,549	2,320,549	2,468,004	2,468,004
Non-swap transactions - foreign currency	1,071,796	1,071,797	1,071,796	1,071,796	1,035,084	1,035,085	1,088,937	1,088,937
TOTAL	<u>4,388,319</u>	<u>4,372,074</u>	<u>4,399,697</u>	<u>4,383,451</u>	<u>3,619,125</u>	<u>3,620,568</u>	<u>3,923,076</u>	<u>3,924,897</u>

Noncurrent borrowings mature as follows:

	Company	Consolidated
From 01/10/2019 to 30/09/2020	1,033,561	1,037,076
From 01/10/2020 to 30/09/2021	631,713	634,236
From 01/10/2021 to 30/09/2022	354,565	355,699
From 01/10/2022 to 30/09/2023	791,151	791,813
After 2023	820,757	820,757
	<u>3,631,747</u>	<u>3,639,581</u>

At September 30, 2018, R\$ 1,184,292 of the Group's debt is charged, with 57% in equipment, 23% in receivables, 5% in land and 2% in others.

Covenants

The Company has covenants amounting to R\$ 1,593,078, which are required and determined annually, the conditions of which are met for the period ended September 30, 2018.

15. Trade accounts payable

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	Company		Consolidated	
	September 30, 2018	March 31, 2018	September 30, 2018	March 31, 2018
Sugarcane	212,455	55,031	195,875	71,540
Materials, services and other	73,855	56,862	74,095	82,606
	<u>286,310</u>	<u>111,893</u>	<u>269,970</u>	<u>154,146</u>

Out of the total trade accounts payable, R\$ 21,874 and R\$ 5,013 Company and Consolidated, respectively (At March 31, 2018, R\$ 7,956 and R\$ 2,586 Company and Consolidated, respectively) refer to related parties, as detailed in Note 9.

16. Agreements with Copersucar

In Copersucar withdrawal process, the Company entered into a contract providing for rights and obligations that have not yet expired. Significant obligations and rights are as follows:

(a) Obligations:

Copersucar provided funds to companies during the period in which they were cooperative members through bills of exchange, for the purpose of financing their operations. The funds were obtained by the Cooperative and refer to temporary cash surpluses arising from preliminary injunctions in lawsuits claiming suspension of the enforceability of taxes. These cash surpluses are related to provisions for contingencies recorded by the Cooperative under noncurrent liabilities. However, in the event of unfavorable outcomes in lawsuits, the Company could be required to reimburse the amount within 120 days. The main amounts included in these liabilities arose from Federal VAT (IPI), whose constitutionality and lawfulness had been challenged in court by the Cooperative, and from tax liabilities included in the Tax Recovery Program (REFIS) of Copersucar, as shown below.

Company and Consolidated	September 30, 2018	March 31, 2018
REFIS - Copersucar - Restated by reference to SELIC	83,154	89,197
Exchange Bill (LC) - Restated by reference to SELIC	62,682	62,004
Exchange Bill (LC) - Transfer of funds without incurring losses	48,547	48,547
Expenses with tax proceedings	8,583	8,583
Other	2,040	2,039
Total	<u>205,006</u>	<u>210,370</u>
Current liabilities	<u>8,583</u>	<u>8,583</u>
Noncurrent liabilities	<u>196,423</u>	<u>201,787</u>

Bank sureties guarantee all the Company's obligations with Copersucar. In addition, in accordance with the terms negotiated for the withdrawal of Copersucar, the Company remains liable for obligations, proportionate to its

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investment in Copersucar in previous crops, which result from tax assessments that may arise and that relate to periods in which the Company was a cooperative member.

During the year ended March 31, 2018, Copersucar joined the PERT (Special Tax Regularization Program), including debts that were being discussed in court. The total amount disbursed by the Company is R\$ 30,777.

Copersucar has been served delinquency notices with respect to State VAT (ICMS) on fuel and industrial ethanol sales made up to December 31, 2008, which amount attributed to Company would be R\$ 275,078 (estimated amount and updated up to March 31, 2018). Copersucar believes that it has solid arguments to support the success of the defenses of the fines imposed on them in these assessments and its legal advisors evaluate the aforementioned causes as a possible loss risk.

(b) Rights:

Copersucar also figures as plaintiff in legal proceedings challenging the refund/overpayment of various taxes or indemnities. São Martinho, in the condition of former cooperative member, will be entitled proportionally to these credits, if any, and will inform the market when such rights become good and marketable on behalf of the Company.

As reported by Copersucar in its Financial Statements at March 31, 2018, the Judiciary condemned the Union to indemnify the cooperative for damages caused to its members resulting from the fixing of lagged prices, in sales of sugar and ethanol made in the 1980s. In June, 2017 there was a request for payment in the order of R\$ 5.6 billion (R\$ 730.5 million in proportion to the Company). The payment of a supplementary balance in the order of R\$ 12.8 billion (R\$ 1.7 billion proportional) is requested, with the Federal Government claiming an excess of R\$ 2.2 billion (R\$ 286.3 million proportional). A second supplementary balance in the order of R\$ 10.6 billion (R\$ 1.4 billion proportional) was requested in June, 2018, but it is found blocked and subject to Federal Government interpositions.

Issued precatories follow judicial rites, but Management maintains their classifications as probable but not under the entity's total control. Therefore, the credit right has not yet been registered.

17. Equity

(a) Capital

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At September 30, capital is amounted to R\$ 1,696,652 (1,549,302 at March, 31, 2018), and is represented by 364,011,329 common shares registered shares, with no par value.

The Company is authorized to increase its capital up to the limit of 372,000,000 (three hundred and seventy-two million) common shares, regardless of amendments to bylaws, upon resolution by the Board of Directors, which will determine the share issue conditions, including price and payment term.

At the Extraordinary General Meeting held on July 27, 2018, the shareholders approved a capital increase in the amount of R \$ 147,350, without issuance of new common shares, using a capital budget reserve.

(b) Treasury shares

Since these are equity instruments that are repurchased, they are recognized at acquisition cost and recognized in a reduction account of Shareholders' Equity. No gain or loss is recognized in the statement of income on the purchase, sale, issue or cancellation of equity instruments owned by the Company.

During the period ended September 30, 2018, there were no treasury stock exchanges, remaining the balance of 13,208,663 shares.

(c) Equity adjustments

(i) Deemed cost

This corresponds to the deemed cost surplus of land, buildings and premises, equipment and manufacturing facilities, vehicles and machinery, and agricultural implements. Amounts are recorded net of tax effects and their realization is based on depreciation, write-offs or sale of related assets. Realized amounts are transferred to "Retained earnings".

(ii) Hedge accounting fair value

This refers to the results of unrealized/settled derivative financial instrument transactions that qualify for hedge accounting. The balance is reversed over time from equity, as the related transactions mature/are shipped.

(d) Income reserve

Legal reserve

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Legal reserve is annually set up with allocation of 5% of net income for the year, capped at 20% of capital. The purpose of the legal reserve is to ensure maintenance of adequate capital level and may only be used to absorb losses and increase capital.

Capital investment reserve

The capital investment reserve is intended to fund investments in increasing production capacity and in several projects intended for improving processes.

Unrealized income reserve

This reserve refers to unearned income, comprising the sale of equity interest held in ABV, sale of properties arising from real estate developments, gains/losses on equity pickup and gain due to change in equity interest.

Tax incentive reserve

Subsidiary UBV benefits from a state tax incentive program with Goiás State, in the form of deferral of the ICMS payment, named "Goiás Industrial Development Program - Produzir", with partial reduction on such tax. The use of this benefit by subsidiary UBV is conditional upon compliance with all obligations set forth in the program, whose conditions refer to factors under the control of UBV.

The benefit related to the reduction in the payment of this tax is calculated on the debt balance determined in each calculation period, by applying the discount percentage granted by the tax incentive.

The amount of this grant calculated for the period was recorded in the statement of profit or loss under "Deductions from gross revenue", reducing the "ICMS payable" account. Since this amount may not be allocated as dividends, a reserve for tax incentives is set up, matched against "Retained earnings", in the amount determined for the grant.

The amount of this incentive that impacted profit or loss for the period ended June 30, 2018 was R\$ 28,429, Company and Consolidated (R\$ 18,087 at September 30, 2017, Consolidated).

(e) Dividends

Shareholders are entitled to receive a minimum dividend of 25% on net income for the year, after the deduction of any accumulated losses and the allocation to the legal reserve.

At the Annual Shareholders' Meeting held on July 27, 2018, the shareholders ratified the payment of additional dividends in the amount of R \$ 31,659, as proposed by management for the year ended March 31, 2018.

(f) Stock option plan

During the presente period, the change in the balances of the current Stock Option Granting plans was defined for the new Virtual Stock Option Plan, which was approved at a meeting of the Board of Directors held on May 2, 2018. The referred balance has been transferred to current liabilities, as detailed in Note 9 (d).

(g) Capital reserve

Refers to the valuation at market value of the Company's shares issued at the time of the exchange of shares with the non-controlling shareholders.

18. Profit sharing program

The Company manages, as part of its policy, a profit sharing program based on operating and financial targets previously agreed upon with its employee. The amount of profit sharing for the periods ended 30 September, 2018 and 2017, recorded as operating costs or expenses in the income statement totaled R\$ 28,260 and R\$ 21,170, respectively, in the Company (Consolidated - R\$ 28,278 e R\$ 26,531) respectively.

19. Income and social contribution taxes

Deferred income and social contribution taxes are calculated on income and social contribution tax losses, and corresponding temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available to offset temporary differences and/or tax losses, considering deferred income projections prepared and based on internal assumptions and future economic scenarios which may, therefore, be subject to changes.

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(a) Balance Composition

	Company		Consolidated	
	September 30, 2018	March 31, 2018	September 30, 2018	March 31, 2018
Current Assets				
. Income and social contribution taxes (IRPJ and CSLL) anticipation	27,046	5,795	27,046	9,687
. Income and social contribution taxes (IRPJ and CSLL) recoverable	72,499	-	72,499	-
	99,545	5,795	99,545	9,687
Noncurrent Assets				
. Income and social contribution taxes (IRPJ and CSLL) recoverable	29,038	117,442	29,038	117,442
In current liabilities - current debits				
. Income and social contribution taxes (IRPJ and CSLL)	-	-	6,546	4,167

(b) Deferred income and social contribution taxes

Company	June 30, 2018	Quarter		September 30, 2018
		Recognized in P&L	Recognized in equity	
. Income and social contribution tax losses	43,223	30,358	-	73,581
. Derivative financial instruments	104,640	196	1,718	106,554
. Provision for contingencies	32,948	231	-	33,179
. Biological assets and agricultural product (change in fair value)	29,837	1,986	-	31,823
. Provision for other obligations	15,080	(5,458)	-	9,622
. Other assets	4,052	(3,087)	-	965
Total income and social contribution tax assets	229,780	24,226	1,718	255,724
. Surplus of PPE (Deemed cost)	(160,868)	2,423	-	(158,445)
. Accelerated depreciation incentive	(254,645)	(10,652)	-	(265,297)
. Tax benefit on merged goodwill	(138,187)	(7,330)	-	(145,517)
. Gain on bargain purchase/surplus value - PPA	(59,799)	715	-	(59,084)
. Foreign exchange differences	(68,104)	(12,795)	-	(80,899)
. Divestiture with deferred taxation	(18,973)	-	-	(18,973)
. Securitized financing	(13,148)	968	-	(12,180)
. Present value adjustment	(391)	63	-	(328)
Total income and social contribution tax liabilities	(714,115)	(26,608)	-	(740,723)
Deferred income and social contribution taxes	(484,335)	(2,382)	1,718	(484,999)

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Consolidated	June 30, 2018	Quarter			September 30, 2018
		Recognized in P&L	Recognized in equity	Consolidation adjustment - energy contracts rights	
. Income and social contribution tax losses	43,222	30,358	-	-	73,580
. Derivative financial instruments	104,641	196	1,718	-	106,555
. Provision for contingencies	32,949	231	-	-	33,180
. Biological assets and agricultural product (change in fair value)	29,839	1,986	-	-	31,825
. Employees participations in income and bonus	508	-	-	-	508
. Provision for other obligations	15,061	(5,458)	-	-	9,603
. Other assets	3,929	(3,087)	-	-	842
Total income and social contribution tax assets	230,149	24,226	1,718	-	256,093
. Surplus of PPE (Deemed cost)	(643,092)	2,501	-	-	(640,591)
. Accelerated depreciation incentive	(254,644)	(10,652)	-	-	(265,296)
. Tax benefit on merged goodwill	(138,187)	(7,330)	-	-	(145,517)
. Gain on bargain purchase/surplus value - PPA	(59,799)	715	-	-	(59,084)
. Foreign exchange differences	(68,104)	(12,795)	-	-	(80,899)
. Divestiture with deferred taxation	(18,973)	-	-	-	(18,973)
. Securitized financing	(13,148)	968	-	-	(12,180)
. Present value adjustment	(390)	63	-	-	(327)
. Others liabilities	(151)	370	-	-	219
. Intangible assets	(21,096)	-	-	1,912	(19,184)
. Gain by CTC relative participation change	(4,964)	-	-	-	(4,964)
Total income and social contribution tax liabilities	(1,222,548)	(26,160)	-	1,912	(1,246,796)
Deferred income and social contribution taxes	(992,399)	(1,934)	1,718	1,912	(990,703)
Others taxes deferred	(526)	-	-	-	(526)

Company	March 31, 2018	Half-year			September 30, 2018
		Recognized in P&L	Recognized in other comprehensive income	Recognized in equity	
. Income and social contribution tax losses	24,206	49,375	-	-	73,581
. Derivative financial instruments	27,727	862	77,965	-	106,554
. Provision for contingencies	23,197	8,124	-	1,858	33,179
. Biological assets and agricultural product (change in fair value)	35,159	139	-	(3,475)	31,823
. Provision for other obligations	7,175	2,428	-	19	9,622
. Other assets	6,429	(5,431)	-	(33)	965
Total income and social contribution tax assets	123,893	55,497	77,965	(1,631)	255,724
. Surplus of PPE (Deemed cost)	(162,391)	5,329	-	(1,383)	(158,445)
. Accelerated depreciation incentive	(180,591)	(35,191)	-	(49,515)	(265,297)
. Tax benefit on merged goodwill	(130,858)	(14,659)	-	-	(145,517)
. Gain on bargain purchase/surplus value - PPA	(52,669)	(6,415)	-	-	(59,084)
. Foreign exchange differences	(8,667)	(72,232)	-	-	(80,899)
. Divestiture with deferred taxation	(18,973)	-	-	-	(18,973)
. Securitized financing	(13,587)	1,407	-	-	(12,180)
. Present value adjustment	(600)	272	-	-	(328)
Total income and social contribution tax liabilities	(568,336)	(121,489)	-	(50,898)	(740,723)
Deferred income and social contribution taxes	(444,443)	(65,992)	77,965	(52,529)	(484,999)

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Consolidated	March 31, 2018	Half-year		Consolidation adjustment - energy contracts rights	September 30, 2018
		Recognized in P&L	Recognized in equity		
. Income and social contribution tax losses	24,205	49,375	-	-	73,580
. Derivative financial instruments	27,728	862	77,965	-	106,555
. Provision for contingencies	25,056	8,124	-	-	33,180
. Biological assets and agricultural product (change in fair value)	31,686	139	-	-	31,825
. Employees participations in income and bonus	508	-	-	-	508
. Provision for other obligations	7,175	2,428	-	-	9,603
. Other assets	5,905	(5,063)	-	-	842
Total income and social contribution tax assets	122,263	55,865	77,965	-	256,093
. Surplus of PPE (Deemed cost)	(646,075)	5,484	-	-	(640,591)
. Accelerated depreciation incentive	(230,105)	(35,191)	-	-	(265,296)
. Tax benefit on merged goodwill	(130,858)	(14,659)	-	-	(145,517)
. Gain on bargain purchase/surplus value - PPA	(52,669)	(6,415)	-	-	(59,084)
. Foreign exchange differences	(8,667)	(72,232)	-	-	(80,899)
. Divestiture with deferred taxation	(18,973)	-	-	-	(18,973)
. Securitized financing	(13,587)	1,407	-	-	(12,180)
. Present value adjustment	(599)	272	-	-	(327)
. Others liabilities	(151)	370	-	-	219
. Intangible Assets	(23,012)	-	-	3,828	(19,184)
. Gain by CTC relative participation change	(4,964)	-	-	-	(4,964)
Total income and social contribution tax liabilities	(1,129,660)	(120,964)	-	3,828	(1,246,796)
Deferred income and social contribution taxes	(1,007,397)	(65,099)	77,965	3,828	(990,703)
Others taxes deferred	(526)	-	-	-	(526)

Deferred tax assets and liabilities are presented net in the statement of financial position, by company, when there is a legally enforceable right and the intention to offset them on the calculation of current taxes and when related to the same tax authority.

The Company recognizes deferred tax assets based on projection of taxable profit in subsequent years. This projection is revised on an annual basis and within ten years.

Deferred income and social contribution tax liabilities are realized mainly through the depreciation and disposal of property, plant and equipment items that gave rise to them. Realization of this liability is estimated at the average rate of 15% per year, according to the depreciation rates of the respective property, plant and equipment items, except for the deferred tax liabilities on the surplus of land, which will be realized if sold.

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(c) Reconciliation of income and social contribution taxes

	Company			
	September 30, 2018		September 30, 2017	
	Quarter	Half-Year	Quarter	Half-Year
Pretax income	56,832	208,513	36,873	183,517
Income and social contribution taxes at nominal rates (34%)	(19,323)	(70,894)	(12,537)	(62,396)
Adjustments for calculation of effective tax rate:				
. Equity Pickup	13,802	26,697	26,534	47,734
. Exclusion/(Additions) net	3,139	9,639	1,094	3,527
. IRPJ and CSLL previously unused credits recorded	4,097	(11,118)	1,126	(2,654)
. Others	-	(6)	6	16
. State Subsidy	-	(325)	(81)	144
Income and social contribution tax expense	1,715	(46,007)	16,142	(13,629)
Current income and social contribution taxes	4,097	19,985	4,786	(13,828)
Deferred income and social contribution taxes	(2,382)	(65,992)	11,356	199
Income and social contribution tax effective rate	-3.0%	22.1%	-43.8%	7.4%

	Consolidated			
	September 30, 2018		September 30, 2017	
	Quarter	Half-Year	Quarter	Half-Year
Pretax income	58,932	212,757	53,074	213,985
Income and social contribution taxes at nominal rates (34%)	(20,037)	(72,337)	(18,045)	(72,755)
Adjustments for calculation of effective tax rate:				
. Equity Pickup	202	(87)	33	(610)
. Exclusion/(Additions) net	3,140	9,639	1,049	3,422
. State Subsidy	-	-	4,305	6,150
. Controlled company adjustment - taxed by presumed profit	12,215	23,984	11,300	21,929
. IRPJ and CSLL previously unused credits recorded	4,097	(11,118)	1,126	(2,656)
. Others	(2)	(9)	254	278
. Tax incentives	-	(323)	(81)	145
Income and social contribution tax expense	(385)	(50,251)	(59)	(44,097)
Current income and social contribution taxes	1,549	14,848	(6,143)	(27,048)
Deferred income and social contribution taxes	(1,934)	(65,099)	6,084	(17,049)
Income and social contribution tax effective rate	0.7%	23.6%	0.1%	20.6%

20. Commitments

The Group assumes various commitments in the ordinary course of its business. Significant commitments to be disclosed in these financial statements are as follows:

Riparian forests and land for legal reserve

The Group has uncultivated areas covered by conserved native vegetation in the process of regeneration or enrichment, corresponding to riparian forests and land for legal reserve, intended to ensure the ecological balance of the environment, contributing to the preservation of biodiversity and the sustainability of agricultural activities, strictly observing the provisions in the Forest Code in relation to the preservation of the Permanent Preservation Areas ("APP") and Legal Reserve ("RL").

The Company has already provided for the registry of its properties with the Environmental Rural Registry ("CAR") and will join the Program for

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Environmental Regularization ("PRA"). The manner in which investments for environmental regularization, if any, will be performed as well as the time required for their execution are not measurable at this time. Investments in preservation areas and other environmental regularization activities, when made, are recorded under property, plant and equipment.

Ethanol supply agreement

Under a sale and purchase agreement, the Company has agreed to supply industrial ethanol to Mitsubishi Corporation, beginning with the 2008/2009 crop until 2038/2039 crop, under market conditions.

Electricity supply

A The Company, BIO and SME have commitments for sale of part of their production through the Electric Energy Trade Chamber (CCEE) both in the regulated market (auctions) and in the free market (sales contracts with third parties).

Purchase of inputs

The Company has commitments for the purchase of inputs intended for maintenance of the plantation over the crop. The referred to operation is performed through purchase for future delivery.

21. Provision for contingencies

Provisions are recognized when the Group has a present legal or not formalized obligation arising from past events, and it is probable that an outflow of resources will be required to settle the obligation, and the amount of the obligation can be reliably measured. Provisions are set up, reviewed and adjusted to reflect management's best estimate at the financial statements reporting dates.

21.1 Probable losses

The Group, based on legal advisors' assessment of probable losses, has the following provisions for contingencies (amounts monetarily restated):

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Company	Tax	environmental	Labor	TOTAL	Judicial deposits
Balance as of March 31, 2018	12,665	5,698	51,733	70,096	24,150
UBV Incorporation	3,194	21,420	4,011	28,625	4,349
Additions	28	564	9,468	10,060	2,654
Reversals	(699)	(436)	(2,604)	(3,739)	-
Use	(364)	(494)	(9,058)	(9,916)	(5,633)
Restatements	47	1,539	3,342	4,928	590
Balance at September 30, 2018	14,871	28,291	56,892	100,054	26,110

Consolidated	Tax	Civil and environmental	Labor	TOTAL	Judicial deposits
Balance as of March 31, 2018	15,868	27,511	55,743	99,122	28,673
Additions	28	564	9,468	10,060	2,654
Reversals	(699)	(436)	(2,604)	(3,739)	-
Use	(364)	(494)	(9,058)	(9,916)	(5,633)
Restatements	48	1,564	3,342	4,954	590
Balance at September 30, 2018	14,881	28,709	56,891	100,481	26,284

Judicial deposits are monetarily restated and reported in noncurrent assets.

The nature of the main lawsuits at current quarterly information date, included in the above provisions is as follows (Company and consolidated):

Tax proceedings:

These refer to: (a) taxes whose payment has been challenged in court by the Group whose amounts challenged have been deposited in court; and (b) success fees payable to legal advisors for defenses in tax proceedings.

Civil and environmental proceedings:

These refer to: (i) general indemnities; (ii) redress for damages caused by the burning of sugarcane straw; and (iii) environmental issues.

Labor claims:

These refer mainly to claims for: (i) overtime; (ii) commuting hours; (iii) indemnity for elimination of the break between shifts; (iv) hazardous duty and health hazard premiums; (v) refund of payroll deductions, such as union dues; (vi) night shift premium; and (vii) recognition of employment relationship with the consequent payment of the 13th monthly salary and vacation pay, plus 1/3 vacation bonus.

21.2 Possible losses

The Group is part of various lawsuits involving tax, environmental and civil matters that were assessed by legal advisors as possible losses. The nature and the amounts involved in these lawsuits are as follows:

Nature		Company				Consolidated			
		September 30, 2018		March 31, 2018		September 30, 2018		March 31, 2018	
		Number of proceedings	Amount	Number of proceedings	Amount	Number of proceedings	Amount	Number of proceedings	Amount
Tax									
Social security contribution	(i)	16	206,836	15	199,114	16	206,836	15	199,114
Calculation of IRPJ/CSLL	(ii)	5	266,377	5	258,010	5	266,377	5	258,010
Offset of federal taxes	(iii)	63	96,658	65	89,061	64	96,816	66	89,214
ICMS	(iv)	10	25,141	9	12,832	11	25,141	10	24,352
Other tax proceedings	(v)	16	1,669	10	1,373	16	1,669	11	1,373
Civil									
Indemnities		20	3,929	15	4,211	20	3,929	15	4,211
Review of contracts		7	6,692	4	5,857	9	6,734	8	5,912
Other civil proceedings		23	75	14	70	23	75	15	71
Environmental									
		53	8,197	43	7,645	53	8,197	43	7,645
Labor									
		49	929	17	61	49	929	20	61
TOTAL		262	616,503	197	578,234	266	616,703	208	589,963

Tax proceedings:

- (i) These refer to the levy of Social Security Tax (INSS) on export revenue, under the allegation that exports carried out through intermediation of a cooperative are not included in the exemption established in article 149, paragraph 2, of the Brazilian Federal Constitution.
- (ii) These refer to exclusion of expenses on securitized financing, as well as expenses arising of accelerated tax-incentive depreciation as provided in art. 314 of the RIR / 99.
- (iii) The proceedings refer to requests to offset IRPJ, CSLL, Contribution Taxes on Gross Revenue for Social Integration Program (PIS) and for Social Security Financing (COFINS) and other federal taxes as a result of overpayments and/or tax losses proportional to export credits whose offset has been rejected by the Brazilian IRS (RFB) and which are pending judgment of protest letters/voluntary appeals.
- (iv) These proceedings address allegedly undue ICMS credit arising from capital expenditures control register (CIAP).
- (v) These proceedings refer to disputes involving other tax cases, including, among others, tax delinquency notices related to a fine arising from lack of approval of offset, Municipal Real Estate Tax (IPTU) collection claims, contribution to the National Service for Industrial Training (SENAI) and the fee to the National Department of Mineral Research (DNPM).

The civil lawsuits deal with lawsuits in general arising from (i) traffic accidents and (ii) review of contracts.

The environmental proceedings deal with tax assessments of CETESB and/or environmental police resulting from the burning of sugarcane straw, as well as annulment actions to cancel the fines applied by the aforementioned bodies.

The labor lawsuits have as main motive the infringements issued by the Ministry of Labor and / or annulment actions to cancel these mentioned cases.

22. Risk management and derivative financial instruments

The Company is exposed to market risks, including foreign exchange risk, commodity price volatility risk, interest rate risk, credit risk and liquidity risk. Company management understands risk management is critical to: (i) continuous monitoring of exposure levels relating to the sales volumes contracted; (ii) estimates of the value of each risk based on the established limits of foreign exchange exposure and sugar sales prices; and (iii) future cash flow forecasts and the definition of approval authority levels for taking out financial instruments designed to protect product prices and to hedge sales performance against foreign exchange fluctuation, price volatility and interest rate.

Derivative financial instruments are taken out exclusively for the purpose of pricing and hedging the Company's sugar, ethanol and other product export transactions against foreign exchange risk, sugar price fluctuation and interest rate variations. No transactions with financial instruments are carried out for speculative purposes.

22.1 Market risks

(a) Currency risk

Management has established a policy that requires that Group companies manage their currency risk to reduce the potential impact entailed by this currency mismatch.

Non-Derivable Forwards (NDF) and swap and options strategies are used to manage currency risk. The Group's financial risk management policy defines guidelines that establish the adequate hedge volume of expected cash flows, particularly those related to export sales.

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Assets and liabilities subject to foreign exchange difference

The table below summarizes foreign currency-denominated assets and liabilities (in US dollars - US\$), recorded in the consolidated statement of financial position at September 30, 2018:

Consolidated	September 30, 2018	Thousands of US\$ equivalent
Current and noncurrent assets		
Cash and cash equivalents (banks - demand deposits)	195,974	48,946
Trade accounts receivable	43,090	10,762
Derivative financial instruments	86,011	21,482
Total assets	325,075	81,190
Current and noncurrent liabilities:		
Loans and financing	1,315,177	328,523
Derivative financial instruments	81,440	20,343
Total liabilities	1,396,617	348,866
Subtotal assets (liabilities)	(1,071,542)	(267,676)
(-) Borrowings linked to exports - ACC and PPE	913,807	228,263
Net exposure - assets	(157,735)	(39,413)

These assets and liabilities were restated and recorded in the quarterly information at September 30, 2018 at the exchange rate in effect on that date, of R\$ 4.0039 per US\$ 1.00 for assets and R\$ 4.0033 per US\$ 1.00 for liabilities.

(b) Commodity price volatility risk

The Company is exposed to the risk of changes in commodity price of manufactured products such as sugar and ethanol. At September 30, 2018, the prices of, 515,087 tons of sugar had been determined with commercial partners for delivery in 18/19 crop, priced at an average of 13.85 ¢/lb (US dollar cents per pound weight), including polarization premium.

(c) Cash flow or fair value risk associated with interest rate

The Group takes out borrowings at floating rates. Regarding borrowings in local currency, the risk of fluctuation in interest rates is mitigated naturally since investments are all remunerated at floating rates. As regards foreign currency, swaps may be contracted to mitigate possible interest-rate fluctuations (Libor).

(d) Market risk sensitivity analysis

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The following table provides a sensitivity analysis of the effects of changes in the relevant risk factors to which the Company is exposed. Such analysis considers only instruments that are not designated for hedge accounting.

Consolidated	Risk factor	Impacts on P&L		
		Probable scenarios - 5%	Possible scenarios - 25%	Possible scenarios - 50%
Cash and cash equivalents	Decrease in exchange rate - R\$/US\$	(9,829)	(49,145)	(98,291)
Trade accounts receivable	Decrease in exchange rate - R\$/US\$	(1,967)	(9,833)	(19,666)
Borrowings	Increase in exchange rate - R\$/US\$	(876)	(4,378)	(8,756)
Derivative financial instruments				
. Term currency contracts	Increase in exchange rate - R\$/US\$	(1)	(3)	(7)
Net exposure		<u>(12,672)</u>	<u>(63,359)</u>	<u>(126,719)</u>

(a) The sensitivity analysis of variations in interest curves considers the effects of an increase or decrease of 5bps, 25bps and 50bps (basis points) in the pricing curve of the derivative instruments. The exposure to rates refers exclusively to variations in the Interbank Deposit (DI) curve, Libor and foreign exchange coupons.

(e) Financial instruments

The Company opted for hedge accounting to recognize part of its financial instruments. The instruments elected for designation are: a) derivatives of sugar, ethanol and foreign currency - US dollar; and b) foreign currency debts - US dollar - that cover sales of the 2018/2019 to 2024/2025 crops and were classified as cash flow hedge of highly probable expected transactions (future sales).

In order to apply hedge accounting, prospective tests were carried out to verify effectiveness. These tests showed that the hedge-designated instruments qualify as highly effective hedges against the effects of price fluctuations on the value of future sales.

In the case of sugar hedges, the derivatives were designated as a cash flow hedge in respect of future sales of sugar. These transactions are carried out in the New York - Intercontinental Exchange (ICE Futures US) and with top-tier financial institutions through over-the-counter contracts or directly with customers.

In the case of foreign exchange hedges, derivative and non-derivative financial instruments were designated as a cash flow hedge in respect of future sales in foreign currency. These hedges are reviewed upon contracting of Non-Deliverable Forwards (NDFs), swap and option strategies as well as debt in foreign currency taken out with top-tier financial institutions.

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In thousands of reais, unless otherwise stated

The balances of assets and liabilities at September 30 and March 31, 2018 relating to transactions with derivative financial instruments and their maturities are as follows:

Consolidated	September 30, 2018			
	Contracted amount/volume	Average price/rate	Notional value - R\$	Fair value - R\$
<u>In current assets - Gain</u>				
Margin deposit				582
Merchandise futures contracts - Sugar #11 - Commodities Exchange				
. Sale commitment	255,485	13.42	302,646	48,510
. Purchase commitment	8,281	8.24	6,023	158
Merchandise futures contracts - Ethanol				
. Sale commitment	48,300	1,850.61	89,384	129
Merchandise forward contracts - Sugar #11				
. Sale commitment	53,851	13.17	62,603	7,853
Merchandise forward currency contracts (NDF) - Dollar - OTC				
. Sale commitment	25,459	4.2183	107,394	2,513
. Purchase commitment	315	3.9976	1,259	14
Merchandise options contracts - Sugar #11 - Commodities Exchange				
. Bidding position in puts options	39,626	13.56	47,430	8,932
Merchandise flexive options contracts - Dollar - OTC				
. Bidding position in puts options	24,482	3.6285	88,833	1,135
Swap contracts - interest - OTC				8,095
<u>Total derivative financial instruments in current assets</u>				<u>77,921</u>
<u>In noncurrent assets - Gain</u>				
Merchandise futures contracts - Sugar #11 - Commodities Exchange				
. Sale commitment	17,222	12.73	19,352	515
Merchandise forward currency contracts (NDF) - Dollar - OTC				
. Sale commitment	24,522	4.3543	106,776	2,356
Merchandise options contracts - Sugar #11 - Commodities Exchange				
. Bidding position in puts options	9,144	12.82	10,348	1,163
Merchandise flexive options contracts - Dollar - OTC				
. Bidding position in puts options	3,962	3.8472	15,243	355
Swap contracts - interest - OTC				3,701
<u>Total derivative financial instruments in noncurrent assets</u>				<u>8,090</u>

Notes to the Financial Statements

September 30, 2018

In thousands of reais, unless otherwise stated

Consolidated	September 30, 2018			
	Contracted amount/volume	Average price/rate	Notional value - R\$	Fair value - R\$
<u>In current liabilities - Loss</u>				
Merchandise futures contracts - Sugar #11 - Commodities Exchange				
. Sale commitment	4,877	11.46	4,933	16
. Purchase commitment	41,963	12.51	46,338	4,803
Merchandise forward currency contracts (NDF) - Dollar - OTC				
. Sale commitment	108,870	3.6023	392,182	51,631
. Purchase commitment	16,786	4.1917	70,362	2,367
Merchandise options contracts - Sugar #11 - Commodities Exchange				
. Bidding position in call options	39,626	14.84	51,908	751
Merchandise flexive options contracts - Dollar - OTC				
. Bidding position in call options	24,482	3.8193	93,504	9,281
Swap contracts - interest - OTC				2,410
<u>Total derivative financial instruments in current liabilities</u>				<u>71,259</u>
<u>In noncurrent liabilities - Loss</u>				
Merchandise futures contracts - Sugar #11 - Commodities Exchange				
. Sale commitment	5,842	12.33	6,358	31
Merchandise forward currency contracts (NDF) - Dollar - OTC				
. Sale commitment	9,162	3.9762	36,430	2,157
Merchandise options contracts - Sugar #11 - Commodities Exchange				
. Bidding position in call options	9,144	14.00	11,300	513
Merchandise flexive options contracts - Dollar - OTC				
. Bidding position in call options	3,962	4.0207	15,930	1,272
Swap contracts - interest - OTC				6,208
<u>Total derivative financial instruments in noncurrent liabilities</u>				<u>10,181</u>

Consolidated	March 31, 2018			
	Contracted amount/volume	Average price/rate	Notional value - R\$	Fair value - R\$
<u>In current assets - Gain</u>				
Margin deposit				824
Merchandise futures contracts - Sugar #11 - Commodities Exchange				
. Sale commitment	330,571	14.90	322,256	48,446
Merchandise futures contracts - Ethanol				
. Sale commitment	6,300	1,560.24	328	23
Merchandise forward contracts - Sugar #11				
. Sale commitment	29,973	15.28	29,964	5,418
Non-Deliverable Forward (NDF) - Dollar - OTC				
. Sale commitment	67,819	3.3972	230,395	3,157
Merchandise options contracts - Sugar #11 - Commodities Exchange				
. Bidding position in puts options	22,861	14.56	21,777	2,189
Merchandise flexive options contracts - Dollar - OTC				
. Bidding position in puts options	12,900	3.2977	42,570	1,217
Swap contracts - interest - OTC				7,899
<u>Total derivative financial instruments in current assets</u>				<u>69,173</u>
<u>In noncurrent assets - Gain</u>				
Swap contracts - interest - OTC				3,617
<u>Total derivative financial instruments in noncurrent assets</u>				<u>3,617</u>

Notes to the Financial Statements September 30, 2018

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Consolidated	March 31, 2018			
	Contracted amount/volume	Average price/rate	Notional value - R\$	Fair value - R\$
<u>In current liabilities - Loss</u>				
Merchandise futures contracts - Sugar #11 - Commodities Exchange				
. Sale commitment	57,915	13.98	52,972	293
. Purchase commitment	63,452	13.59	56,418	4,808
Non-Deliverable Forward (NDF) - Dollar - OTC				
. Sale commitment	53,876	3.2918	177,349	2,325
Merchandise options contracts - Sugar #11 - Commodities Exchange				
. Bidding position in call options	22,861	15.94	23,842	772
Merchandise flexive options contracts - Dollar - OTC				
. Bidding position in call options	12,900	3.5568	45,924	646
Swap contracts - interest - OTC				18
<u>Total derivative financial instruments in current liabilities</u>				<u>8,862</u>
<u>In noncurrent liabilities - Loss</u>				
Swap contracts - interest - OTC				930
<u>Total derivative financial instruments in noncurrent liabilities</u>				<u>930</u>

Margin deposit balances refer to funds maintained in current accounts with brokers to cover the initial margins and variation established by the Commodities Exchange in which the contracts are executed, with the objective of guaranteeing open contracts and net remittances in relation to daily adjustments resulting from fluctuations in contract prices in the futures and options market.

The potential results of futures, options and forward contracts refer to the cumulative positive (negative) effect of the fair value of derivative financial instruments in the corresponding categories.

At September 30, 2018, financial instruments designated for hedge accounting are broken down as follows:

Company and Consolidated	Assets	Liabilities	TOTAL in other comprehensive income
Financial instruments:			
Commodity derivatives - Futures, options and forward contracts	106,794	21,699	85,095
Foreign exchange derivatives - Options / NDF	4,858	64,712	(59,854)
Foreign exchange differences on borrowing agreements (Trade Finance)		342,206	(342,206)
	111,652	428,617	(316,965)
Deferred taxes on the items above	(37,962)	(145,730)	107,768
	<u>73,690</u>	<u>282,887</u>	<u>(209,197)</u>

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(f) Estimated realization

At September 30, 2018, impacts reported in the Company's equity and estimated realization in the income statement are as follows:

Company and Consolidated	18/19 Crop	Crops 19/20 and 20/21	Crops 21/22 and 22/23	From 22/23 crops to 25/26	TOTAL
Derivative financial instruments:					
Commodity derivatives - Futures, options and forward contracts	72,446	12,649	-	-	85,095
Foreign exchange derivatives - Options / NDF	(54,495)	(5,359)	-	-	(59,854)
Foreign exchange differences on borrowing agreements (Trade Financ	(3,428)	(19,714)	(139,200)	(179,864)	(342,206)
	14,523	(12,424)	(139,200)	(179,864)	(316,965)
Deferred taxes on the items above	(4,938)	4,224	47,328	61,154	107,768
	9,585	(8,200)	(91,872)	(118,710)	(209,197)

22.2 Credit risk

Credit risk management consists of contracting only with top-tier financial institutions which meet the Group's risk assessment criteria. The Group controls, on a monthly basis, its exposure in derivatives and financial investments, using maximum concentration criteria based on the rating of the financial institution.

With respect to customers default risk, the Group assesses the credit risk associated with each customer annually, and whenever a new customer is included in its base, establishing an individual credit limit based on the risk identified.

22.3 Liquidity risk

The Finance Department monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet its operational needs and short-term debt.

Cash surplus in local currency is invested in repurchase agreements backed by corporate bonds, Bank Deposit Certificates (CDB) and investment funds pegged to the CDI interest rate, with high liquidity and active trading in the market.

Cash surplus in foreign currency is invested with daily liquidity at fixed rates previously established.

The following table analyzes the Group's financial liabilities, by maturity ranges, corresponding to the remaining period in the statement of financial position to the contractual maturity date.

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Company	Within 1 year	From 1 to 3 years	Above 3 years	Total
At September 30, 2018				
Loans and financing	740,327	1,665,274	1,966,473	4,372,074
Derivative financial instruments	71,259	10,181	-	81,440
Trade accounts payable	286,310	-	-	286,310
Acquisition of ownership interest	11,731	23,240	15,270	50,241
Other liabilities	7,538	-	11,446	18,984
	<u>1,117,165</u>	<u>1,698,695</u>	<u>1,993,189</u>	<u>4,809,049</u>
At March 31, 2018				
Loans and financing	574,569	1,627,291	1,418,708	3,620,568
Derivative financial instruments	8,862	930	-	9,792
Trade accounts payable	111,893	-	-	111,893
Acquisition of ownership interest	11,746	23,240	15,270	50,256
Other liabilities	18,693	-	14,542	33,235
	<u>725,763</u>	<u>1,651,461</u>	<u>1,448,520</u>	<u>3,825,744</u>
Consolidated	Within 1 year	From 1 to 3 years	Above 3 years	Total
At September 30, 2018				
Loans and financing	743,870	1,671,312	1,968,269	4,383,451
Derivative financial instruments	71,259	10,181	-	81,440
Trade accounts payable	269,970	-	-	269,970
Acquisition of ownership interest	11,731	23,240	15,270	50,241
Other liabilities	8,769	-	11,446	20,215
	<u>1,105,599</u>	<u>1,704,733</u>	<u>1,994,985</u>	<u>4,805,317</u>
At March 31, 2018				
Loans and financing	686,630	1,779,745	1,458,522	3,924,897
Derivative financial instruments	8,862	930	-	9,792
Trade accounts payable	154,146	-	-	154,146
Acquisition of ownership interest	11,746	23,240	15,270	50,256
Other liabilities	28,287	-	14,542	42,829
	<u>889,671</u>	<u>1,803,915</u>	<u>1,488,334</u>	<u>4,181,920</u>

22.4 Capital management

The Group objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide return for shareholders and benefits for other stakeholders and to maintain an optimal target capital structure to reduce the cost of capital.

To maintain or adjust its capital structure, the Company, under the Brazilian Corporation Law, may take actions to ensure the objectives mentioned above.

23. Financial instrument classification and fair value

23.1 Classification

Financial assets and liabilities are classified as follows:

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In thousands of reais, unless otherwise stated

		Company	
	Classification	September 30, 2018	March 31, 2018
Financial assets			
Cash and cash equivalents	Amortized Cost	196,746	139,622
Short-term investments	Fair value through profit or loss	1,059,551	978,491
Trade accounts receivable	Amortized Cost	203,011	66,813
	Fair value through Other comprehensive income		
Derivative financial instruments	comprehensive income	74,215	61,275
Derivative financial instruments	Fair value through profit or loss	11,796	8,687
Transactions with related parties	Amortized Cost	3,369	6,527
Other assets, except for prepayments	Amortized Cost	4,197	9,082
		<u>1,552,885</u>	<u>1,270,497</u>
Financial liabilities			
Borrowings	Fair value through profit or loss	17,324	29,274
Borrowings	Amortized Cost	4,354,750	3,591,294
	Fair value through Other comprehensive income		
Derivative financial instruments	comprehensive income	75,232	8,845
Derivative financial instruments	Fair value through profit or loss	6,208	947
Trade accounts payable	Amortized Cost	286,310	111,893
Acquisition of ownership interests	Amortized Cost	50,241	50,256
Other liabilities	Amortized Cost	18,984	33,235
		<u>4,809,049</u>	<u>3,825,744</u>
		Consolidated	
	Classification	September 30, 2018	March 31, 2018
Financial assets			
Cash and cash equivalents	Amortized Cost	197,825	140,865
Short-term investments	Fair value through profit or loss	1,145,311	1,371,520
Trade accounts receivable	Amortized Cost	272,535	202,762
	Fair value through Other comprehensive income		
Derivative financial instruments	comprehensive income	74,215	71,842
Derivative financial instruments	Fair value through profit or loss	11,796	948
Other assets, except for prepayments	Amortized Cost	5,107	7,080
		<u>1,706,789</u>	<u>1,795,017</u>
Financial liabilities			
Borrowings	Fair value through profit or loss	17,324	29,274
Borrowings	Amortized Cost	4,366,127	3,895,623
	Fair value through Other comprehensive income		
Derivative financial instruments	comprehensive income	75,232	8,862
Derivative financial instruments	Fair value through profit or loss	6,208	930
Trade accounts payable	Amortized Cost	269,970	154,146
Acquisition of ownership interests	Amortized Cost	50,241	50,256
Other liabilities	Amortized Cost	20,215	42,829
		<u>4,805,317</u>	<u>4,181,920</u>

The credit quality of financial assets that are neither past due nor impaired is assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates. There is no history of significant default in the Group.

23.2 Fair value

For measuring and determining fair value, the Company uses various methods including market approaches, of income or cost, in order to estimate the value that market participants would use to price the asset or liability. Financial assets and liabilities carried at fair value are classified and disclosed within the following fair value hierarchy levels:

Level 1 - Quoted prices (unadjusted) in active, liquid and visible markets, for identical assets and liabilities that are readily available at the measurement date;

Level 2 - Quoted prices (which may be adjusted or not) for similar assets or liabilities in active markets; and

Level 3 - Assets and liabilities whose prices do not exist, or whose prices or valuation techniques are supported by a small, nonexistent or illiquid market and unobservable market inputs.

For the period ended September 30, 2018, there is no reclassification of assets and liabilities at fair value from or to Level 1, 2 or 3.

As per statement of financial position - Consolidated	September 30, 2018			March 31, 2018		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets						
Short-term investments	-	1,145,311	-	-	1,371,520	-
Derivative financial instruments	59,407	26,604	-	50,658	22,132	-
Biological assets	-	-	504,130	-	-	581,725
	<u>59,407</u>	<u>1,171,915</u>	<u>504,130</u>	<u>50,658</u>	<u>1,393,652</u>	<u>581,725</u>
Liabilities - Derivative financial instruments	6,114	75,326	-	5,873	3,919	-

Futures and Options in the ICE

The fair value of futures negotiated in the New York - Intercontinental Exchange (ICE Futures US) is calculated by the difference between the price of the derivative in the contract and the market closing price on the reporting date, obtained from quotations in the active market, and reconciled to creditor or debtor balances with the brokers. The fair value of options traded in the ICE is obtained from quotation in the market.

Foreign exchange options

The fair value of foreign exchange options is obtained using the Black & Scholes method, based on public market data and characteristics thereof, specifically the price of the underlying asset, strike of options, volatility, yield curve and time remaining until expiration of the agreements.

Forward contracts

The fair value of forward contracts, both for foreign exchange and sugar, contracted in the OTC market with top-tier banks, are calculated using the discounted future cash flow method, based on observable market inputs, specifically the DI interest curves and foreign exchange coupons published by the BM&F, PTAX published by the Central Bank of Brazil (BACEN), and prices of sugar futures published by Ice Futures in the ICE.

Other financial assets and liabilities

The carrying amounts of trade accounts receivables, notes receivable, trade accounts payable and notes payable, less impairment loss, or present value adjustment, when applicable, are assumed to approximate their fair values.

24. Segment reporting (consolidated)

Management has determined the Group's operating segments based on the reports used for strategic decisions, which are reviewed by the main decision-makers, namely: the Executive Board, the CEO and the Board of Directors.

The analyses are made by segmenting the business based on the products sold by the Group, into the following segments:

- (i) Sugar;
- (ii) Ethanol;
- (iii) Electricity;
- (iv) Real estate transactions; and
- (v) Other products, which includes operations related to production and sale of ribonucleic acid (sodium salt) and other products or by-products of lesser importance.

The operating segment performance is analyzed based on the statement of operations by product, focusing on profitability. The operating assets related to these segments are located in Brazil only.

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Consolidated income statement by segment

							September 30, 2018	
Consolidated	Sugar	Ethanol	Electricity	Real estate ventures	Other products	Not by segment	Total	
Gross revenue								
Domestic market	72,305	826,398	171,776	3,144	36,776	-	1,110,399	
Foreign market	377,417	46,655	-	-	-	-	424,072	
Gain/loss on derivatives	14,503	(793)	-	-	-	-	13,710	
Amortization of electric power supply agreement	-	-	-	-	-	(7,344)	(7,344)	
(-)Taxes, contributions and deductions on sales	(4,300)	(118,750)	(14,506)	(878)	(6,510)	-	(144,944)	
Net revenue	459,925	753,510	157,270	2,266	30,266	(7,344)	1,395,893	
Cost of sales	(392,568)	(515,692)	(25,078)	(183)	(18,736)	-	(952,257)	
Change in market value of biological assets	-	-	-	-	-	(412)	(412)	
Gross profit	67,357	237,818	132,192	2,083	11,530	(7,756)	443,224	
Gross margin	14.65%	31.56%	84.05%	91.92%	38.10%	-	31.75%	
Selling expenses	(28,353)	(7,819)	(6,037)	-	(377)	-	(42,586)	
Other operating expenses	-	-	-	-	-	(91,701)	(91,701)	
Operating income	39,004	229,999	126,155	2,083	11,153	(99,457)	308,937	
Operating margin	8.48%	30.52%	80.22%	91.92%	36.85%	-	22.13%	
Other income and expenses not by segment	-	-	-	-	-	(146,431)	(146,431)	
Net income for the year	-	-	-	-	-	-	162,506	

							September 30, 2018	
Consolidated	Sugar	Ethanol	Electricity	Real estate ventures	Other products	Not by segment	Total	
Gross revenue								
Domestic market	93,509	645,456	156,185	2,949	32,627	-	930,726	
Foreign market	666,215	16,688	-	-	4,118	-	687,021	
Gain/loss on derivatives	(9,815)	-	-	-	-	-	(9,815)	
Amortization of electric power supply agreement	-	-	-	-	-	(6,774)	(6,774)	
(-)Taxes, contributions and deductions on sales	(9,089)	(146,004)	(11,961)	(647)	(7,166)	-	(174,867)	
Net revenue	740,820	516,140	144,224	2,302	29,579	(6,774)	1,426,291	
Cost of sales	(503,893)	(424,689)	(25,767)	(153)	(23,086)	-	(977,588)	
Change in market value of biological assets	-	-	-	-	-	(9,337)	(9,337)	
Gross profit	236,927	91,451	118,457	2,149	6,493	(16,111)	439,366	
Gross margin	31.98%	17.72%	82.13%	93.35%	21.95%	-	30.80%	
Selling expenses	(46,389)	(5,215)	(4,917)	-	(411)	-	(56,932)	
Other operating expenses	-	-	-	-	-	(91,607)	(91,607)	
Operating income	190,538	86,236	113,540	2,149	6,082	(107,718)	290,827	
Operating margin	25.72%	16.71%	78.72%	93.35%	20.56%	-	20.39%	
Other income and expenses not by segment	-	-	-	-	-	(120,939)	(120,939)	
Net income for the year	190,538	86,236	113,540	2,149	6,082	(228,657)	169,888	

Consolidated operating assets by segment

The main operating assets of the Group were segregated by segment based on the cost centers into which they are allocated and/or the apportionment criterion that takes into consideration the production of each product in relation to total production. This allocation could, therefore, vary from one period to another.

						September 30, 2018	
	Sugar	Ethanol	Electricity	Real estate ventures	Not by segment	Total	
Trade accounts receivable	57,402	82,085	91,524	34,684	6,840	272,535	
Inventories	553,726	917,187	-	8,177	8,487	1,487,577	
Biological assets	167,108	337,022	-	-	-	504,130	
Property, plant and equipment	1,933,568	3,017,888	129,084	-	11,248	5,091,788	
Intangible assets	236,151	168,447	52,273	-	-	456,871	
Total assets allocated	2,947,955	4,522,629	272,881	42,861	26,575	7,812,901	
Other unallocated assets	-	-	-	-	1,760,227	1,760,227	
Total	2,947,955	4,522,629	272,881	42,861	1,786,802	9,573,128	

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	March 31, 2018					
	Sugar	Ethanol	Electricity	Real estate ventures	Not by segment	Total
Trade accounts receivable	17,543	116,920	32,695	34,109	1,495	202,762
Inventories	175,109	259,191	-	5,820	5,669	445,789
Biological assets	210,838	370,887	-	-	-	581,725
Property, plant and equipment	2,125,566	3,177,537	134,485	-	12,324	5,449,912
Intangible assets	237,612	169,019	63,400	126	-	470,157
Total assets allocated	2,766,668	4,093,554	230,580	40,055	19,488	7,150,345
Other unallocated assets	-	-	-	-	1,964,367	1,964,367
Total	2,766,668	4,093,554	230,580	40,055	1,983,855	9,114,712

Since the decision-makers analyze liabilities on a consolidated basis, information on liabilities is not reported by segment.

25. Revenues

The Company adopted IFRS 15 (CPC 47) Revenue from contract with customers. The new standard sets forth the principles that an entity will apply to determine the measurement of revenue and when it should be recognized, requiring recognition of the amount of revenue to reflect the consideration it expects to receive in return for control of those goods or services. This standard supersedes all current revenue recognition requirements in accordance with IFRS.

In relation to sales in the sugar and alcohol market and other derivative products, representing substantially the Company's revenues, there were no impacts with the adoption of the standard, since all performance obligations are concluded at the time of delivery of the final product, which is also the recognition of revenue.

The Company maintains the application of OCPC 04 - Application of Technical Interpretation 02, as directed by the CVM, recognizing revenue over time (POC).

Revenue comprises the fair value of the consideration received or receivable for the sale of products and services rendered in the normal course of the Group's activities.

(a) Sales of products and rendering of services

The Group sells sugar, ethanol, electricity, ribonucleic acid, sugarcane bagasse, among others. Sales of products are recognized whenever the Company has delivered products to the customer. The delivery is not made until: (i) the products have been sent to a local specified; (ii) the loss risks have been transferred to the customer; (iii) the customer has accepted the products according to the sale contract; and (iv) the acceptance provisions

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have been agreed to, or the Group has objective evidence that all criteria for acceptance have been met.

The Group renders planting, mechanization and logistics services. These services are priced according to the time incurred and materials used, and are recognized as they occur.

As of September 30, 2018, the Company had clients representing more than 10% of its net revenues. The Company's three largest customers of sugar sales account for about 20% of net revenue; while for the ethanol sold, the three largest customers account for 38%.

(b) Sale of plots of land and subdivisions (real estate)

Sales revenues and land costs inherent to the projects are appropriated to income as the infrastructure works advance, as directed by the CVM and detailed above.

In term sales of land with infrastructure works completed, the result is appropriate at the time the sale is made, regardless of the term of receipt of the contractual value, and the revenues are measured at the fair value of the consideration received and receivable. The Company considers the adjustment to present value for the amounts receivable recorded.

	Company				Consolidated			
	September 30, 2018		September 30, 2017		September 30, 2018		September 30, 2017	
	Quarter	Half-Year	Quarter	Half-Year	Quarter	Half-Year	Quarter	Half-Year
Gross sales revenue								
Domestic market	512,917	1,031,298	197,645	490,602	554,693	1,110,399	466,891	930,726
Foreign market	161,572	424,072	252,252	687,021	161,572	424,072	252,252	687,021
Gain/loss on derivatives	(3,733)	13,710	(46,940)	(9,815)	(3,733)	13,710	(46,940)	(9,815)
	670,756	1,469,080	402,957	1,167,808	712,532	1,548,181	672,203	1,607,932
Amortization of electric power supply agreement (i)	-	-	-	-	(3,668)	(7,344)	(3,484)	(6,774)
	670,756	1,469,080	402,957	1,167,808	708,864	1,540,837	668,719	1,601,158
Taxes, contributions and deductions on sales	(67,268)	(139,487)	(25,539)	(131,104)	(70,155)	(144,944)	(54,694)	(174,867)
	603,488	1,329,593	377,418	1,036,704	638,709	1,395,893	614,025	1,426,291

(i) Amortization of BIO's energy supply contracts.

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26. Costs and expenses by nature

Reconciliation of expenses by nature is as follows:

	Company				Consolidated			
	September 30, 2018		September 30, 2017		September 30, 2018		September 30, 2017	
	Quarter	Half-Year	Quarter	Half-Year	Quarter	Half-Year	Quarter	Half-Year
Raw material and consumer and in-use materials	168,509	369,144	140,617	336,855	160,294	351,572	169,268	375,542
Personnel expenses	83,564	175,342	64,473	150,238	84,215	176,696	83,314	182,509
Depreciation and amortization (including biological assets harvested)	188,466	386,939	117,180	276,929	189,735	389,324	184,557	386,612
Third-party services	23,765	54,959	28,711	66,785	23,049	53,366	32,170	70,704
Maintenance services and parts	18,751	42,834	14,485	35,869	18,811	42,992	21,790	48,369
Litigation	4,006	5,548	2,774	5,706	4,006	5,549	2,615	5,701
Change in fair value of biological assets	5,843	412	(1,166)	26,996	5,843	412	(6,202)	9,337
Materials for resale	6,195	11,015	4,462	7,194	6,195	12,657	7,620	12,779
Other expenses	30,708	57,568	9,604	13,116	35,213	62,978	28,920	43,359
	529,807	1,103,761	381,140	919,688	527,361	1,095,546	524,052	1,134,912
<u>Classified as:</u>								
Cost of sales	460,052	967,434	325,914	800,398	452,516	952,669	450,045	986,925
Selling expenses	18,362	41,630	22,535	49,053	18,756	42,586	27,918	56,932
General and administrative expenses	51,393	94,697	32,691	70,237	56,089	100,291	46,089	91,055
	529,807	1,103,761	381,140	919,688	527,361	1,095,546	524,052	1,134,912

27. Finance income (costs)

	Company				Consolidated			
	September 30, 2018		September 30, 2017		September 30, 2018		September 30, 2017	
	Quarter	Half-Year	Quarter	Half-Year	Quarter	Half-Year	Quarter	Half-Year
Finance income								
Interest received and earned	24,529	46,538	23,863	56,699	26,471	50,799	30,770	75,621
PIS/COFINS on finance income	(1,320)	(2,456)	(2,206)	(4,474)	(1,335)	(2,526)	(2,449)	(5,176)
Other revenues	3,881	6,310	2,178	4,826	5,183	9,185	2,981	5,651
	27,090	50,392	23,835	57,051	30,319	57,458	31,302	76,096
Finance costs								
Present value adjustment	(184)	(800)	(784)	(1,721)	(184)	(800)	(784)	(1,721)
Interest on borrowings	(63,590)	(128,153)	(59,072)	(124,602)	(63,800)	(128,585)	(66,654)	(143,262)
Interest paid and earned	(5,703)	(11,369)	(8,197)	(15,541)	(5,703)	(11,371)	(9,245)	(17,112)
Bank surety commission	(1,119)	(1,535)	(2,024)	(6,867)	(1,119)	(1,535)	(2,200)	(7,105)
Copersucar bonds	(1,496)	(3,691)	(2,172)	(3,459)	(1,496)	(3,691)	(2,172)	(3,459)
Other costs	(7,669)	(12,542)	(222)	(2,616)	(7,687)	(12,578)	(1,000)	(4,336)
	(79,761)	(158,090)	(72,471)	(154,806)	(79,989)	(158,560)	(82,055)	(176,995)
Monetary variation and foreign exchange differences, net	15,735	39,217	(6,759)	3,874	15,734	39,217	(6,759)	3,874
Cash and cash equivalents	(8)	6,561	(1,077)	(884)	(8)	6,561	(1,077)	(884)
Borrowings	(725)	(2,024)	28,827	22,819	(725)	(2,025)	30,471	22,164
	15,002	43,754	20,991	25,809	15,001	43,753	22,635	25,154
Derivatives - not designated for hedge accounting								
Gain (loss) on sugarcane transactions	(179)	(1,838)	(36)	(874)	(179)	(1,838)	(36)	(874)
Gain (loss) on ethanol transactions	(265)	(265)	-	(51)	(265)	(265)	-	(51)
Income from foreign exchange transactions	(21,766)	(29,274)	3,801	2,234	(21,766)	(29,274)	3,801	2,234
Gain (loss) on swap	(420)	(7,209)	(13,262)	(2,036)	(420)	(7,209)	(12,652)	(1,426)
Cost of stock exchange transactions	(78)	(136)	(164)	(366)	(78)	(136)	(164)	(366)
Foreign exchange differences, net	(227)	(109)	(386)	(614)	(227)	(109)	(386)	(614)
	(22,935)	(38,831)	(10,047)	(1,707)	(22,935)	(38,831)	(9,437)	(1,097)
Finance income (costs)	(60,604)	(102,775)	(37,692)	(73,653)	(57,604)	(96,180)	(37,555)	(76,842)

28. Earnings per share

	September 30, 2018		September 30, 2017			
	Basic and diluted profit		Basic profit		Diluted profit	
	Quarter	Half-Year	Quarter	Half-Year	Quarter	Half-Year
Income for the period attributed to Company shareholders	58,547	162,506	53,015	169,888	53,015	169,888
Weighted average number of common shares for the period - in thousand (i)	326,779	326,779	334,556	334,556	335,440	335,433
Earnings per share (in reais)	0.1792	0.4973	0.1585	0.5078	0.1580	0.5065

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(i) Weighted average of 2017 included stock options with dilution potential.

29. Insurance coverage

The Group maintains a standard safety, training and quality program in its units, which aims, among other things, to reduce the risk of accidents. Furthermore, it maintains insurance contracts at amounts considered sufficient to cover significant losses, if any, on its assets and liabilities. The amounts covered by the current insurance policies at September 30, 2018 are as follows:

Company and Consolidates	Maximum coverage (i)
Covered perils	
Civil liability	4,414,372
Loss of profits	3,646,632
Other insurance coverage	2,867,593
Fire, lightning and explosion of any nature	2,020,000
Electric damages	1,900,478
Theft or larceny	376,887
Natural phenomena, vehicle or aircraft crash, etc.	192,000

(i) Corresponds to the maximum coverage amount for the various assets and locations insured.

The vehicle coverage, mainly civil liability, is also included above, except for property damage, which has as reference, on average, 100% of the Economic Research Institute (FIPE) table.

30. Acquisition and divestiture – payable and receivables

Net balance payable refers to the acquisition and disposal of equity investment and is as follows:

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Company and Consolidated	Acquisition of ownership interest	Divesiture	Net balance
	Santa Cruz	Agro Pecuária Boa Vista	
Balance at March 31, 2018	(187,730)	137,474	(50,256)
Monetary restatement	(5,861)	4,292	(1,569)
Amortization (interest)	5,916	(4,332)	1,584
Balance at September 30, 2018	<u>(187,675)</u>	<u>137,434</u>	<u>(50,241)</u>

Current Liabilities	(11,731)
Noncurrent Liabilities	<u>(38,510)</u>
	<u>(50,241)</u>

These amounts are restated by reference to the CDI, paid on an annual basis and maturing until 2025.

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