



Quarterly Information (ITR)

December 31, 2017

with 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 December 31, 2017, which comprise the balance sheet as of December 31, 2017, the related statements of operations and comprehensive income for the three and nine-month periods then ended and changes in shareholders' equity and cash flows for the nine-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 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 nine-month period ended December 31, 2017, 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, February 8, 2018.

ERNST & YOUNG  
Auditores Independentes S/S  
CRC 2SP015199/O-6

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

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**Statement of financial position**

In thousands of reais

| ASSETS   | Note | Company           |                  | Consolidated      |                  | LIABILITIES AND EQUITY                               | Note   | Company           |                  | Consolidated      |                  |
|--|------|-------------------|------------------|-------------------|------------------|--|--------|-------------------|------------------|-------------------|------------------|
|  |      | December 31, 2017 | March 31, 2017   | December 31, 2017 | March 31, 2017   |  |        | December 31, 2017 | March 31, 2017   | December 31, 2017 | March 31, 2017   |
| <b>CURRENT ASSETS</b>                                |      |                   |                  |                   |                  | <b>CURRENT LIABILITIES</b>                           |        |                   |                  |                   |                  |
| Cash and cash equivalents                            | 5    | 369,540           | 142,020          | 373,085           | 142,454          | Borrowings   | 14     | 1,112,608         | 1,175,682        | 1,303,222         | 1,499,583        |
| Short-term investments                               | 5    | 502,719           | 548,611          | 795,337           | 1,029,113        | Derivative financial instruments                     | 22     | 44,109            | 76,097           | 44,109            | 76,097           |
| Trade accounts receivable                            | 6    | 163,470           | 135,972          | 331,448           | 168,868          | Trade accounts payable                               | 15     | 149,561           | 103,122          | 173,396           | 138,923          |
| Derivative financial instruments                     | 22   | 74,730            | 172,917          | 75,290            | 172,917          | Payables to Copersucar                               | 16     | 25,418            | 8,583            | 25,418            | 8,583            |
| Inventories and advances to suppliers                | 7    | 817,113           | 189,917          | 1,022,083         | 256,574          | Salaries and social charges                          |        | 91,447            | 96,494           | 114,186           | 121,664          |
| Biological assets                                    | 11   | 415,854           | 437,656          | 558,465           | 586,362          | Taxes payable  |        | 8,054             | 11,500           | 22,386            | 20,478           |
| Taxes recoverable                                    | 8    | 62,120            | 84,653           | 80,704            | 102,310          | Income and social contribution taxes (IRPJ and CSLL) | 19     | 3,688             | -                | 13,358            | 4,471            |
| Income and social contribution taxes (IRPJ and CSLL) | 19   | -                 | 10,081           | -                 | 11,159           | Dividends payable                                    |        | -                 | 74,243           | -                 | 74,243           |
| Dividends receivable                                 | 9    | -                 | 7,661            | -                 | -                | Advances from customers                              |        | 26,403            | 2,702            | 34,234            | 4,174            |
| Other assets   |      | 21,204            | 9,620            | 26,277            | 12,293           | Acquisition of ownership interests                   | 9 e 30 | 11,767            | 11,958           | 11,767            | 11,958           |
| <b>TOTAL CURRENT ASSETS</b>                          |      | <b>2,426,750</b>  | <b>1,739,108</b> | <b>3,262,689</b>  | <b>2,482,050</b> | Other liabilities                                    |        | 25,234            | 17,714           | 30,661            | 28,659           |
| <b>NONCURRENT ASSETS</b>                             |      |                   |                  |                   |                  | <b>TOTAL CURRENT LIABILITIES</b>                     |        | <b>1,498,289</b>  | <b>1,578,095</b> | <b>1,772,737</b>  | <b>1,988,833</b> |
| Short-term investments                               | 5    | 4,648             | 532              | 30,319            | 24,667           | <b>NONCURRENT LIABILITIES</b>                        |        |                   |                  |                   |                  |
| Inventories and advances to suppliers                | 7    | 73,446            | 74,978           | 87,112            | 88,766           | Borrowings   | 14     | 2,552,997         | 1,998,712        | 2,788,032         | 2,219,477        |
| Transactions with related parties                    | 9    | 4,360             | 4,623            | 3,667             | 3,867            | Derivative financial instruments                     | 22     | 6,263             | 5                | 6,263             | 5                |
| Derivative financial instruments                     | 22   | 1,175             | 27               | 1,175             | 27               | Payables to Copersucar                               | 16     | 205,419           | 237,602          | 205,419           | 237,602          |
| Trade accounts receivable                            | 6    | -                 | -                | 22,933            | 25,810           | Taxes in installments                                |        | 13,492            | 14,614           | 13,492            | 14,614           |
| Receivables from Copersucar                          |      | 9,355             | 9,355            | 9,355             | 9,355            | Deferred income and social contribution taxes        | 19     | 410,850           | 413,020          | 962,505           | 663,143          |
| Taxes recoverable                                    | 8    | 103,909           | 94,961           | 115,962           | 106,518          | Provision for contingencies                          | 21     | 68,274            | 66,577           | 99,411            | 101,715          |
| Income and social contribution taxes (IRPJ and CSLL) | 19   | 130,586           | 124,285          | 130,586           | 124,285          | Acquisition of ownership interests                   | 9 e 30 | 50,130            | 50,130           | 50,130            | 50,130           |
| Judicial deposits                                    | 21   | 23,281            | 24,707           | 27,252            | 32,423           | Other liabilities                                    | 10     | 13,392            | 13,044           | 13,392            | 13,044           |
| Other assets   |      | 439               | 439              | 439               | 439              | <b>TOTAL NONCURRENT LIABILITIES</b>                  |        | <b>3,320,817</b>  | <b>2,793,704</b> | <b>4,138,644</b>  | <b>3,299,730</b> |
|  |      | 351,199           | 333,907          | 428,800           | 416,157          | <b>EQUITY</b>  |        |                   |                  |                   |                  |
| <b>Investments</b>                                   |      |                   |                  |                   |                  | <b>Capital</b>                                       |        |                   |                  |                   |                  |
| Property, plant and equipment                        | 12   | 2,412,271         | 2,534,563        | 5,100,886         | 5,288,550        | Capital  | 17     | 1,549,302         | 1,494,334        | 1,549,302         | 1,494,334        |
| Intangible assets                                    | 13   | 392,458           | 394,877          | 461,696           | 473,942          | Capital reduction                                    |        | -                 | (55,662)         | -                 | (55,662)         |
|  |      | 5,416,240         | 5,702,104        | 5,594,975         | 5,793,676        | Capital reserve                                      |        | 10,057            | 10,057           | 10,057            | 10,057           |
| <b>TOTAL NONCURRENT ASSETS</b>                       |      | <b>5,767,439</b>  | <b>6,036,011</b> | <b>6,023,775</b>  | <b>6,209,833</b> | Treasury shares                                      |        | (115,178)         | (92,134)         | (115,178)         | (92,134)         |
| <b>TOTAL ASSETS</b>                                  |      |                   |                  |                   |                  | <b>TOTAL EQUITY</b>                                  |        |                   |                  |                   |                  |
|  |      | <b>8,194,189</b>  | <b>7,775,119</b> | <b>9,286,464</b>  | <b>8,691,883</b> | Stock options granted                                |        | 11,620            | 8,284            | 11,620            | 8,284            |
|  |      |                   |                  |                   |                  | <b>TOTAL LIABILITIES AND EQUITY</b>                  |        |                   |                  |                   |                  |
|  |      |                   |                  |                   |                  | <b>8,194,189</b>                                     |        |                   |                  |                   |                  |
|  |      |                   |                  |                   |                  | <b>7,775,119</b>                                     |        |                   |                  |                   |                  |
|  |      |                   |                  |                   |                  | <b>9,286,464</b>                                     |        |                   |                  |                   |                  |
|  |      |                   |                  |                   |                  | <b>8,691,883</b>                                     |        |                   |                  |                   |                  |

See accompanying notes.

**Statement of comprehensive income**  
**Periods ended December 31, 2017 and 2016**

In thousands of reais, unless otherwise stated

|  | Note | Company           |                   |                   |                   |
|--|------|-------------------|-------------------|-------------------|-------------------|
|  |      | December 31, 2017 |                   | December 31, 2016 |                   |
|  |      | Quarter           | Nine-month period | Quarter           | Nine-month period |
| Revenues   | 25   | 621,100           | 1,657,804         | 586,794           | 1,686,550         |
| Cost of sales                                      | 26   | (409,200)         | (1,209,598)       | (469,738)         | (1,320,668)       |
| Gross profit                                       |      | 211,900           | 448,206           | 117,056           | 365,882           |
| Operating income (expenses)                        |      |                   |                   |                   |                   |
| Selling expenses                                   | 26   | (25,209)          | (74,262)          | (19,001)          | (72,378)          |
| General and administrative expenses                | 26   | (36,075)          | (106,312)         | (35,970)          | (109,667)         |
| Equity pickup in subsidiaries                      | 10   | 99,014            | 239,407           | 58,782            | 176,907           |
| Other revenues, net                                |      | (246)             | (485)             | (82)              | 2,358             |
|  |      | 37,484            | 58,348            | 3,729             | (2,780)           |
| Operating income                                   |      | 249,384           | 506,554           | 120,785           | 363,102           |
| Finance income (costs)                             | 27   |                   |                   |                   |                   |
| Finance income                                     |      | 17,233            | 74,284            | 22,406            | 75,477            |
| Finance costs                                      |      | (76,329)          | (231,135)         | (83,400)          | (232,339)         |
| Monetary and foreign exchange differences, net     |      | 3,688             | 29,497            | (6,926)           | (1,179)           |
| Derivatives  |      | 7,636             | 5,929             | 1,056             | (44,526)          |
|  |      | (47,772)          | (121,425)         | (66,864)          | (202,567)         |
| Income before income and social contribution taxes |      | 201,612           | 385,129           | 53,921            | 160,535           |
| Income and social contribution taxes (IRPJ 19(b))  |      |                   |                   |                   |                   |
| Current  |      | (17,166)          | (30,994)          | (5,236)           | (5,236)           |
| Deferred   |      | (15,963)          | (15,764)          | 7,159             | 9,127             |
| Net income for the period                          |      | 168,483           | 338,371           | 55,844            | 164,426           |
| Basic earnings per share (in reais)                | 28   | 0.5040            | 1.0117            | 0.1656            | 0.4869            |
| Diluted earnings per share (in reais)              | 28   | 0.5025            | 1.0089            | 0.1651            | 0.4858            |

See accompanying notes.

**Statement of comprehensive income**  
**Periods ended December 31, 2017 and 2016**

In thousands of reais, unless otherwise stated

|  | Note | Consolidated      |                   |                   |                   |
|--|------|-------------------|-------------------|-------------------|-------------------|
|  |      | December 31, 2017 |                   | December 31, 2016 |                   |
|  |      | Quarter           | Nine-month period | Quarter           | Nine-month period |
| Revenues   | 25   | 895,067           | 2,321,358         | 605,422           | 1,763,842         |
| Cost of sales  | 26   | (549,944)         | (1,536,869)       | (458,842)         | (1,292,271)       |
| Gross profit   |      | 345,123           | 784,489           | 146,580           | 471,571           |
| Operating income (expenses)                          |      |                   |                   |                   |                   |
| Selling expenses                                     | 26   | (28,611)          | (85,543)          | (19,851)          | (74,031)          |
| General and administrative expenses                  | 26   | (47,002)          | (138,057)         | (37,343)          | (116,708)         |
| Equity pickup in subsidiaries                        | 10   | (207)             | (2,002)           | 31,327            | 77,666            |
| Other revenues, net                                  |      | 74                | 1,317             | (181)             | 2,478             |
|  |      | (75,746)          | (224,285)         | (26,048)          | (110,595)         |
| Operating income                                     |      | 269,377           | 560,204           | 120,532           | 360,976           |
| Finance income (costs)                               | 27   |                   |                   |                   |                   |
| Finance income                                       |      | 24,835            | 100,931           | 24,675            | 86,625            |
| Finance costs  |      | (87,517)          | (264,512)         | (83,774)          | (233,512)         |
| Monetary variations and foreign exchange differences |      | 2,173             | 27,327            | (6,926)           | (1,179)           |
| Derivatives  |      | 7,586             | 6,489             | 1,056             | (44,526)          |
|  |      | (52,923)          | (129,765)         | (64,969)          | (192,592)         |
| Income before income and social contribution taxes   |      | 216,454           | 430,439           | 55,563            | 168,384           |
| Income and social contribution taxes (IRPJ 19(b))    |      |                   |                   |                   |                   |
| Current  |      | (29,768)          | (56,816)          | (6,935)           | (12,515)          |
| Deferred   |      | (18,203)          | (35,252)          | 7,216             | 8,557             |
| Net income for the period                            |      | 168,483           | 338,371           | 55,844            | 164,426           |
| Basic earnings per share (in reais)                  | 28   | 0.5040            | 1.0117            | 0.1656            | 0.4869            |
| Diluted earnings per share (in reais)                | 28   | 0.5025            | 1.0089            | 0.1651            | 0.4858            |

See accompanying notes.

**Statement of comprehensive income**  
**Periods ended December 31, 2017 and 2016**

In thousands of reais, unless otherwise stated

| Company and Consolidated   | December 31, 2017 |                   | December 31, 2016 |                   |
|--|-------------------|-------------------|-------------------|-------------------|
|  | Quarter           | Nine-month period | Quarter           | Nine-month period |
| Net income for the period  | 168,483           | 338,371           | 55,844            | 164,426           |
| Items that will be reclassified subsequently to P&L                  |                   |                   |                   |                   |
| Changes for the period:  |                   |                   |                   |                   |
| Changes in fair value  |                   |                   |                   |                   |
| Commodity derivatives - Futures, options and forward contracts       | (21,163)          | 84,178            | 68,019            | (102,582)         |
| Foreign exchange derivatives - Options / NDF                         | (32,068)          | (12,484)          | 26,378            | 104,449           |
| Foreign exchange differences on borrowing agreements (Trade Finance) | (42,471)          | (72,215)          | 393               | 157,007           |
| Swap contracts   | -                 | -                 | -                 | 11                |
|  | (95,702)          | (521)             | 94,790            | 158,885           |
| Recognition in operating income                                      |                   |                   |                   |                   |
| Commodity derivatives - Futures, options and forward contracts       | (27,475)          | (149,026)         | 79,601            | 154,227           |
| Foreign exchange derivatives - Options / NDF                         | (35,150)          | (74,786)          | (15,497)          | (89,699)          |
| Foreign exchange differences on borrowing agreements (Trade Finance) | 3,176             | 174,179           | 1,311             | 116,466           |
| Swap contracts   | -                 | -                 | (104)             | -                 |
|  | (59,449)          | (49,633)          | 65,311            | 180,994           |
| Write-off due to ineffectiveness                                     |                   |                   |                   |                   |
| Commodity derivatives - Futures, options and forward contracts       | (277)             | (206)             | 561               | 2,184             |
| Foreign exchange derivatives - Options / NDF                         | 125               | 774               | 5                 | (580)             |
| Foreign exchange differences on borrowing agreements (Trade Finance) | -                 | (3,166)           | 104               | 104               |
|  | (152)             | (2,598)           | 670               | 1,708             |
| Total changes for the year   |                   |                   |                   |                   |
| Commodity derivatives - Futures, options and forward contracts       | (48,915)          | (65,054)          | 148,181           | 53,829            |
| Foreign exchange derivatives - Options / NDF                         | (67,093)          | (86,496)          | 10,886            | 14,170            |
| Foreign exchange differences on borrowing agreements (Trade Finance) | (39,295)          | 98,798            | 1,808             | 273,577           |
| Swap contracts   | -                 | -                 | (104)             | 11                |
| Deferred taxes on the items above                                    | 52,803            | 17,934            | (54,662)          | (116,138)         |
|  | (102,500)         | (34,818)          | 106,109           | 225,449           |
| Comprehensive income for the period                                  | 65,983            | 303,553           | 161,953           | 389,875           |

See accompanying notes.



**Statement of changes in equity for the periods ended December 31, 2017 and 2016**

In thousands of reais

| Note  | Capital | Capital reduction | Capital reserve | Treasury shares | Options granted | Equity adjustments |              |                  | Income reserve |                |                           |                       | Retained earnings | Total   |                      |           |
|---|---------|-------------------|-----------------|-----------------|-----------------|--------------------|--------------|------------------|----------------|----------------|---------------------------|-----------------------|-------------------|---------|----------------------|-----------|
|   |         |                   |                 |                 |                 | Deemed cost        |              | Hedge accounting | Legal          | Capital budget | Unrealized income reserve | Tax incentive reserve |                   |         | Additional dividends |           |
|   |         |                   |                 |                 |                 | Own                | Of investees |                  |                |                |                           |                       |                   |         |                      |           |
| Balance at March 31, 2016                                 | 931,340 | -                 | 10,531          | (26,613)        | 4,753           | 209,919            | 1,483,387    | (397,608)        | 55,947         | 291,371        | 85,338                    | -                     | -                 | (1,768) | 2,646,597            |           |
| Capital increase with reserves                            | 17 (a)  | 133,632           | -               | -               | -               | -                  | -            | -                | -              | (133,632)      | -                         | -                     | -                 | -       | -                    |           |
| Realization of deemed cost surplus                        | 17 (d)  | -                 | -               | -               | -               | (10,557)           | (892)        | -                | -              | -              | -                         | -                     | -                 | 11,449  | -                    |           |
| Capital reduction with assets in Vale do Mogi             | 10.3    | -                 | -               | -               | -               | 4,474              | (4,474)      | -                | -              | -              | -                         | -                     | -                 | -       | -                    |           |
| Deferred tax set up/in subsidiary                         |         | -                 | -               | -               | -               | (1,521)            | -            | -                | -              | -              | -                         | -                     | -                 | -       | (1,521)              |           |
| Prior-year additional dividends                           |         | -                 | -               | -               | -               | -                  | -            | -                | -              | (2,220)        | -                         | -                     | -                 | -       | (2,220)              |           |
| Set up of tax incentive reserve                           | 17 (e)  | -                 | -               | -               | -               | -                  | -            | -                | -              | (44,886)       | -                         | 44,886                | -                 | -       | -                    |           |
| Gain (loss) on derivative transactions - hedge accounting | 17 (d)  | -                 | -               | -               | -               | -                  | -            | 225,449          | -              | -              | -                         | -                     | -                 | -       | 225,449              |           |
| Acquisition of shares issued by the Company itself        | 17 (c)  | -                 | -               | (15,577)        | -               | -                  | -            | -                | -              | -              | -                         | -                     | -                 | -       | (15,577)             |           |
| Stock options granted                                     | 17 (f)  | -                 | -               | -               | 2,966           | -                  | -            | -                | -              | -              | -                         | -                     | -                 | -       | 2,966                |           |
| Stock options exercised                                   | 17 (f)  | -                 | (411)           | 1,419           | (251)           | -                  | -            | -                | -              | -              | -                         | -                     | -                 | -       | 757                  |           |
| Net income for the period                                 |         | -                 | -               | -               | -               | -                  | -            | -                | -              | -              | -                         | -                     | -                 | 164,426 | 164,426              |           |
| At December 31, 2016                                      | 17      | 1,064,972         | -               | 10,120          | (40,771)        | 7,468              | 202,315      | 1,478,021        | (172,159)      | 55,947         | 110,633                   | 85,338                | 44,886            | -       | 174,107              | 3,020,877 |
| Balance at March 31, 2017                                 | 17      | 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 reserves                            | 17 (a)  | 54,968            | 55,662          | -               | -               | -                  | -            | -                | -              | -              | (110,630)                 | -                     | -                 | -       | -                    |           |
| Realization of deemed cost surplus                        | 17 (b)  | -                 | -               | -               | -               | (9,187)            | (7,256)      | -                | -              | -              | -                         | -                     | -                 | 16,443  | -                    |           |
| Deferred tax set up/in subsidiary                         | 19 (b)  | -                 | -               | -               | -               | -                  | (286,324)    | -                | -              | -              | -                         | -                     | -                 | -       | (286,324)            |           |
| Prior-year additional dividends paid                      |         | -                 | -               | -               | -               | -                  | -            | -                | -              | -              | -                         | -                     | (25,758)          | -       | (25,758)             |           |
| Gain (loss) on derivative transactions - hedge accounting | 17 (f)  | -                 | -               | -               | -               | -                  | -            | (34,818)         | -              | -              | -                         | -                     | -                 | -       | (34,818)             |           |
| Acquisition of own shares                                 | 17 (c)  | -                 | -               | (23,044)        | -               | -                  | -            | -                | -              | -              | -                         | -                     | -                 | -       | (23,044)             |           |
| Stock options granted                                     | 17 (d)  | -                 | -               | -               | 3,336           | -                  | -            | -                | -              | -              | -                         | -                     | -                 | -       | 3,336                |           |
| Net income for the period                                 | 17 (e)  | -                 | -               | -               | -               | -                  | -            | -                | -              | -              | -                         | -                     | -                 | 338,371 | 338,371              |           |
| At December 31, 2017                                      | 17      | 1,549,302         | -               | 10,057          | (115,178)       | 11,620             | 189,144      | 992,672          | (87,158)       | 70,140         | 147,354                   | 78,515                | 173,801           | -       | 354,814              | 3,375,083 |

See accompanying notes.

**Statement of cash flows**
**Periods ended December 31, 2017 and 2016**

In thousands of reais, unless otherwise stated

|   | Nota    | Company           |                   | Consolidated      |                   |
|---|---------|-------------------|-------------------|-------------------|-------------------|
|   |         | December 31, 2017 | December 31, 2016 | December 31, 2017 | December 31, 2016 |
| Cash flow from operating activities                                 |         |                   |                   |                   |                   |
| Net income for the period   |         | 338,371           | 164,426           | 338,371           | 164,426           |
| Adjustments   |         |                   |                   |                   |                   |
| Depreciation and amortization                                       | 26      | 172,588           | 156,726           | 246,924           | 159,711           |
| Biological assets harvested   | 26      | 258,401           | 269,072           | 359,307           | 269,072           |
| Change in fair value of biological assets                           | 26      | 25,677            | 7,809             | 12,988            | 7,809             |
| Amortization of intangible assets                                   |         | 1,998             | 794               | 10,209            | 9,596             |
| Equity pickup in subsidiaries                                       | 10      | (239,407)         | (176,907)         | 2,002             | (77,666)          |
| Income (loss) from investment and PPE written off                   | 12      | 1,016             | 969               | 1,049             | 969               |
| Interest, monetary variations and foreign exchange differences, net |         | 123,468           | 139,127           | 132,408           | 131,158           |
| Derivative financial instruments                                    |         | (55,562)          | 225,519           | (56,122)          | 225,519           |
| Setup of provision for contingencies, net                           | 21.1    | 9,758             | 3,237             | 10,264            | 4,249             |
| Income and social contribution taxes (IRPJ and CSLL)                | 19 (b)  | 46,758            | (3,891)           | 92,068            | 3,958             |
| Present value adjustment and other                                  |         | 4,981             | 4,940             | 2,926             | 3,156             |
|   |         | 688,047           | 791,821           | 1,152,394         | 901,957           |
| Changes in assets and liabilities                                   |         |                   |                   |                   |                   |
| Trade accounts receivable   |         | (28,886)          | (111,612)         | (161,206)         | (133,651)         |
| Inventories   |         | (384,188)         | (303,679)         | (449,937)         | (280,853)         |
| Taxes recoverable   |         | 25,147            | (20,579)          | 25,153            | (20,600)          |
| Derivative financial instruments                                    |         | 143,269           | (86,606)          | 143,269           | (86,606)          |
| Short-term investments  |         | -                 | -                 | 36                | (58)              |
| Other assets  |         | (3,036)           | (6,871)           | (1,692)           | (7,593)           |
| Trade accounts payable  |         | 41,620            | 84,997            | 30,576            | 69,026            |
| Salaries and social contributions                                   |         | (5,047)           | (11,657)          | (7,478)           | (11,814)          |
| Taxes payable   |         | (31,130)          | (6,913)           | (33,821)          | (7,609)           |
| Payables to Copersucar  |         | (23,230)          | (19,975)          | (23,230)          | (19,975)          |
| Taxes in installments   |         | (1,554)           | (1,010)           | (1,522)           | (1,010)           |
| Provision for contingencies - settlements                           | 21.1    | (15,173)          | (6,836)           | (21,633)          | (6,836)           |
| Other liabilities   |         | 31,200            | 13,474            | 27,836            | 5,343             |
| Cash from operating activities                                      |         | 437,039           | 314,554           | 678,745           | 399,721           |
| Payment of interest borrowings                                      | 14      | (151,817)         | (153,903)         | (182,847)         | (154,847)         |
| Income and social contribution taxes paid                           |         | -                 | -                 | (12,629)          | (4,484)           |
| Net cash provided by operating activities                           |         | 285,222           | 160,651           | 483,269           | 240,390           |
| Cash flow from investing activities                                 |         |                   |                   |                   |                   |
| Investment of funds   | 31      | (4,219)           | (13,256)          | (4,919)           | (13,256)          |
| Additions to PPE and intangible assets                              |         | (160,973)         | (181,733)         | (210,865)         | (182,315)         |
| Additions to PPE (planting and cultivation)                         | 11 e 12 | (387,820)         | (373,192)         | (506,660)         | (373,192)         |
| Short-term investments  |         | 97,219            | 212,053           | 307,132           | 269,415           |
| Funds from the sale of PPE  | 12      | 2,348             | 1,579             | 5,681             | 1,517             |
| Future capital contribution   |         | (3,360)           | (1,867)           | (2,667)           | (1,867)           |
| Dividends received  |         | 121,667           | 132,471           | 4                 | -                 |
| Net cash used in investing activities                               |         | (335,138)         | (223,945)         | (412,294)         | (299,698)         |
| Cash flow from financing activities                                 |         |                   |                   |                   |                   |
| Financing taken out from third parties                              | 14      | 1,031,703         | 725,271           | 1,155,785         | 725,271           |
| Amortization of financing - third parties                           | 14      | (631,224)         | (629,386)         | (873,086)         | (632,006)         |
| Purchase of treasury shares   | 17 (b)  | (23,044)          | (15,577)          | (23,044)          | (15,577)          |
| Disposal of treasury shares   | 17 (f)  | -                 | 757               | -                 | 757               |
| Payment of dividends  |         | (99,999)          | (55,384)          | (99,999)          | (55,384)          |
| Net cash from financing activities                                  |         | 277,436           | 25,681            | 159,656           | 23,061            |
| Net decrease in cash and cash equivalents                           |         | 227,520           | (37,613)          | 230,631           | (36,247)          |
| Cash and cash equivalents at beginning of period                    | 5       | 142,020           | 266,343           | 142,454           | 266,659           |
| Cash and cash equivalents at end of period                          | 5       | 369,540           | 228,730           | 373,085           | 230,412           |
| <u>Additional information</u>                                       |         |                   |                   |                   |                   |
| Balances in short-term investments                                  | 5       | 502,719           | 468,800           | 795,337           | 482,949           |
| Total available funds   | 5       | 872,259           | 697,530           | 1,168,422         | 713,361           |

See accompanying notes.

**Statement of value added**
**Periods ended December 31, 2017 and 2016**

In thousands of reais, unless otherwise stated

|  | Company              |                      | Consolidated         |                      |
|--|----------------------|----------------------|----------------------|----------------------|
|  | December 31,<br>2017 | December 31,<br>2016 | December 31,<br>2017 | December 31,<br>2016 |
| <b>Revenues</b>  |                      |                      |                      |                      |
| Gross sales of goods and products                                    | 1,749,396            | 1,746,484            | 2,482,705            | 1,818,198            |
| Revenue related to construction of own assets                        | 456,210              | 424,047              | 585,591              | 424,047              |
| Other revenues   | 1,234                | 3,436                | 2,246                | 3,639                |
|  | <u>2,206,840</u>     | <u>2,173,967</u>     | <u>3,070,542</u>     | <u>2,245,884</u>     |
| <b>Inputs acquired from third parties</b>                            |                      |                      |                      |                      |
| Costs of sales   | (622,486)            | (714,511)            | (710,348)            | (660,135)            |
| Materials, energy, third-party services and other operating expenses | (435,284)            | (389,179)            | (574,701)            | (405,368)            |
|  | <u>(1,057,770)</u>   | <u>(1,103,690)</u>   | <u>(1,285,049)</u>   | <u>(1,065,503)</u>   |
| <b>Gross value added</b>   | <u>1,149,070</u>     | <u>1,070,277</u>     | <u>1,785,493</u>     | <u>1,180,381</u>     |
| Depreciation and amortization  | (172,588)            | (156,726)            | (246,924)            | (159,711)            |
| Biological assets harvested  | (258,401)            | (269,072)            | (359,307)            | (269,072)            |
| <b>Net value added produced by the entity</b>                        | <u>718,081</u>       | <u>644,479</u>       | <u>1,179,262</u>     | <u>751,598</u>       |
| <b>Value added received in transfer</b>                              |                      |                      |                      |                      |
| Equity pickup in subsidiaries  | 239,407              | 176,907              | (2,002)              | 77,666               |
| Finance income   | 265,255              | 587,792              | 296,449              | 598,940              |
| Other  | (14,770)             | (513)                | (13,798)             | (596)                |
| <b>Total value added to be distributed</b>                           | <u>1,207,973</u>     | <u>1,408,665</u>     | <u>1,459,911</u>     | <u>1,427,608</u>     |
| <b>Distribution of value added</b>                                   |                      |                      |                      |                      |
| <b>Personnel and charges</b>   |                      |                      |                      |                      |
| Direct compensation  | 283,410              | 301,072              | 355,031              | 301,717              |
| Benefits   | 91,451               | 75,592               | 111,272              | 75,725               |
| Unemployment Compensation Fund (FGTS)                                | 27,164               | 25,756               | 34,224               | 25,867               |
| Management compensation  | 14,592               | 18,650               | 15,899               | 19,519               |
| <b>Taxes, charges and contributions</b>                              |                      |                      |                      |                      |
| Federal  | 80,157               | 37,350               | 187,732              | 53,132               |
| State  | 1,062                | 1,542                | 6,332                | 1,748                |
| Municipal  | 469                  | 543                  | 632                  | 565                  |
| <b>Creditors</b>   |                      |                      |                      |                      |
| Interest   | 211,532              | 214,476              | 243,572              | 215,543              |
| Leases   | 1,737                | 1,814                | 1,934                | 1,814                |
| Foreign exchange differences   | 81,976               | 414,076              | 86,467               | 414,076              |
| Other  | 76,052               | 153,368              | 78,445               | 153,476              |
| <b>Retained profits for the period</b>                               | <u>338,371</u>       | <u>164,426</u>       | <u>338,371</u>       | <u>164,426</u>       |
| <b>Value added distributed</b>                                       | <u>1,207,973</u>     | <u>1,408,665</u>     | <u>1,459,911</u>     | <u>1,427,608</u>     |

See accompanying notes.



## Notes to quarterly information

December 31, 2017

In thousands of reais, unless otherwise stated

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### 1. Operations

São Martinho S.A. (the “Company” or “Parent Company”) is a listed corporation headquartered in Pradópolis, State of São Paulo, registered with the São Paulo Futures, Commodities and Securities Exchange - BM&BOVESPA S.A. 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. Considering its production cycle, interim information usually varies significantly in statement of financial position accounts, such as inventories and advances to suppliers, which are normally higher at quarterly closings, to cover sales between harvests (December to April), and which may lead to temporary fluctuations in profit or loss of the Company and its subsidiaries.

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 of the Annual Financial Statements for the year ended March 31, 2017, at the Special General Meeting held on February 23, 2017, the acquisition and merger of Nova Fronteira Bioenergia S.A. (“Nova Fronteira”) was approved.

Issue of this interim financial information was approved by the Company’s Board of Directors on February 8, 2018.

**2. Summary of significant accounting practices****2.1 Statement of compliance and basis of preparation**

The Company's quarterly information comprises:

a) Individual and consolidated interim financial information

The Company's individual and consolidated interim financial information was prepared in conformity with Brazilian Financial Accounting Standards Board (CPC) accounting pronouncement CPC 21 (R1) – Interim Financial Reporting, and IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), and presented in accordance with the rules issued by the Brazilian Securities and Exchange Commission ("CVM").

The individual and consolidated interim financial information was 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 interim financial information related to the items reported, and those generally applicable, in different respects, to the interim financial information, 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.

As disclosed in Note 10.2 to the annual financial statements for the year ended March 31, 2017, on February 23, 2017, the Company acquired an additional interest in Nova Fronteira and merged it. As from that date, the Company started to recognize 100% of subsidiary UBV's P&L as a result of equity pickup in its individual financial statements and included this subsidiary in its consolidated financial statements. As a result, the comparison between amounts in the individual and consolidated statements of profit or loss, comprehensive income, changes in equity, cash flows, and value added for the periods ended December 31, 2017 and 2016, is compromised.

**Notes to quarterly information**
**December 31, 2017**

 In thousands of reais, unless otherwise stated
 

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The referred to changes significantly affected comparability of profit or loss for the current and prior year.

**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 December 31 and March 31, 2017 include the following subsidiaries:

| Company  | Interest held in capital (direct and indirect) |                | Main activities   |
|--|--|----------------|---|
|  | September 30, 2017                             | March 31, 2017 |   |
| Usina Boa Vista S/A ("UBV")  | 100%   | 100%           | Agribusiness activities: industrial processing of sugarcane (own and third party production), manufacturing of ethanol and its by-products cogeneration of electricity and agricultural production. |
| São Martinho Terras Imobiliárias S.A. ("SM Terras Imobiliárias")   | 100%   | 100%           | Exploitation of land through agricultural lease and partnership, rental and sale of real estate.  |
| São Martinho Energia S.A. ("SME")  | 100%   | 100%           | Cogeneration of electricity.  |
| Cia Bioenergética Santa Cruz 1 ("Bio")   | 100%   | 100%           | Cogeneration of electricity.  |
| São Martinho Inova S.A. ("SM Inova")   | 100%   | 100%           | Hold interest in companies.   |
| São Martinho Terras Agrícolas S.A. ("SM Terras Agrícolas")   | 100%   | 100%           | 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 | 100%   | 100%           | Merger and exploitation of real estate venture  |

**Notes to quarterly information**
**December 31, 2017**

In thousands of reais, unless otherwise stated

| Company   | Interest held in capital (direct and indirect) |                | Main activities                                |
|---|--|----------------|--|
|   | September 30, 2017                             | March 31, 2017 |  |
| SPE - Park Empresarial Iracemápolis Ltda ("SPE Park") - subsidiary of SM Terras Imobiliárias    | 100%   | 100%           | Merger and exploitation of real estate venture |
| SPE - Residencial Limeira Ltda. ("SPE Limeira") - subsidiary of SM Terras Imobiliárias          | 100%   | 100%           | Merger and exploitation of real estate venture |
| SPE - Residencial Pradópolis Ltda. ("SPE Pradópolis") - subsidiary of SM Terras Imobiliárias    | 100%   | 100%           | Merger and exploitation of real estate venture |
| SPE - Residencial Pradópolis II Ltda. ("SPE Pradópolis") - subsidiary of SM Terras Imobiliárias | 100%   | 100%           | Merger and exploitation of real estate venture |
| São Martinho Logística e Participações S.A. ("SM Logística")                                    | 100%   | 100%           | 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.

The interim financial information of joint ventures is prepared for the same reporting period as that of the Company.

At December 31 and March 31, 2017, the Company had the following jointly-controlled entity:

| Company  | Interest held in capital |                | Main activities   |
|--|--------------------------|----------------|-------------------|
|  | December 31, 2017        | March 31, 2017 |                   |
| <b>Jointly-controlled subsidiaries - direct:</b> |                          |                |                   |
| Usina Santa Luiza S/A ("USL")                    | 66.67%                   | 66.67%         | Storage services. |

**2.3 Functional and reporting currency**

The interim financial information is presented in 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 difference resulting from the settlement of such transactions and from translation of monetary assets and liabilities denominated in foreign currency are recognized in profit or loss, except when deferred in equity as qualifying cash flow hedges.

## **2.5 Financial instruments**

### **(i) Financial assets**

The Company's financial assets are classified as (i) financial assets at fair value through profit or loss, or (ii) loans and receivables. Measurement of financial assets depends on their classification.

#### **a) Financial assets at fair value through profit or loss**

Financial assets measured at fair value through profit or loss are those held for trading. These assets are accounted for at fair value and transaction costs are charged to profit or loss.

#### **b) Loans and receivables**

These include cash and cash equivalents, trade accounts receivable and other receivables ("transactions with related parties"). Loans and receivables are measured at amortized cost, using the effective interest method, less any impairment loss.

#### **c) Derecognition (write-off)**

A financial asset (or, whenever the case, a part of a financial asset, or a part of a group of similar financial assets) is derecognized (i.e. excluded from profit or loss for the year) when:

- The rights to receive the cash flows from the asset have expired;
- The Company has transferred its rights to receive cash flows of the asset or has assumed an obligation to fully pay the cash flows received, without significant delay to



**Notes to quarterly information****December 31, 2017**In thousands of reais, unless otherwise stated

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a third party under a 'pass-through' arrangement, and (a) the Company transferred substantially all risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all risks and rewards related to the asset, but has transferred control over the asset.

When the Company has transferred its rights to receive the cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards related to the asset, the Company continues to recognize a financial asset to the extent of its continuing involvement in the financial asset.

The continuous involvement that takes the form of a guarantee in relation to the transferred asset is measured based on the lower of the original carrying amount of the asset or the maximum amount of the consideration that could be required to be amortized by the Company.

**d) Impairment of financial assets**

The Group assesses, at the end of each reporting period, whether there is any objective evidence that a financial asset is impaired as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

**(ii) 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 method. Gains and losses are recognized in the statement of profit or loss when liabilities are derecognized, and through the amortization process by the effective interest rate method.

**(iii) Derivative financial instruments**

Derivatives are measured at fair value, with gains and losses recognized in profit or loss, unless hedge accounting is applied.

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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 profit or loss for the year. The amounts accumulated in equity are reclassified in the statement of profit or loss for the years when the hedged item affects profit or loss, 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 profit or loss as gain arising from bargain purchase.

Goodwill corresponding to consolidated entities is recorded under specific “Goodwill” account in the consolidated statement of financial position. Under the equity method, goodwill for consolidated entities is included in “Investments in affiliates”.

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

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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 profit or loss.

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 statement of profit or loss on a straight-line basis over the lease term.

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

The pronouncements and interpretations issued by IASB and by CPC, but which were not effective until the issue date of the Company's quarterly information, are disclosed below. Company intends to adopt these pronouncements when they become effective and applicable to the Company:

- IFRS 9 (CPC 48) - Financial Instruments: The objective of IFRS 9 is ultimately to replace IAS 39 (CPC 38) - Financial Instruments: Recognition and Measurement. Main changes estimated are: (i) all financial assets must be initially recognized at fair value, except for trade accounts receivable which, at initial recognition, should be measured at the transaction price (as defined in CPC 47); (ii) the standard divides all financial assets that are currently in the scope of IAS 39 into two classifications: amortized cost and fair value; (iii) the IAS 39 categories of available for sale and held to maturity were eliminated; and (iv) the IAS 39 concept of embedded derivatives was extinguished by the concepts of this new standard. This standard is effective for fiscal years beginning

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on January 1, 2018, and its adoption for the first fiscal year is mandatory, except for items related to hedge accounting, according to a circular letter issued by the CVM. The Company is assessing the impact on its financial statements.

- IFRS 15 (CPC 47) - Revenue from contracts with customers: This new standard states principles that an entity shall apply to determine measurement of revenue and when revenue shall be recognized. This standard is effective for annual periods beginning on or after January 1, 2018. The Company is assessing the corresponding impact on its financial statements.
- IFRS 16 (CPC 06) - Leases: Establishes that leases should be recognized in the statement of financial position of the lessee, and a liability recorded for future payments and an intangible asset for the right to use. Definition of lease covers all contracts that provide the right to use and control an identifiable asset, including lease agreements and, potentially, certain components of services rendered. This standard is effective for annual periods beginning on or after January 1, 2019. The Company is assessing the corresponding impact on its financial statements.
- IFRS 2 - Classification and measurement of share-based payment transactions - Amendments to IFRS 2: the IASB issued amendments to IFRS 2 - Share-based payments, which address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with characteristics of settlement by the net amount for obligations related to withholding taxes; and accounting when a change in the terms and conditions of a share-based payment transaction changes its cash settlement classification to share settlement classification. Upon adoption, entities are required to adopt the amendments without updating prior periods, however retrospective adoption is permitted if applied for the three amendments and if the other criteria are met. These amendments will become effective for annual periods beginning on or after January 1, 2018. The Company is assessing 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.

**Notes to quarterly information****December 31, 2017**In thousands of reais, unless otherwise stated

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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 a 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**

**Notes to quarterly information****December 31, 2017**In thousands of reais, unless otherwise stated

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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.

**(g) ICMS tax benefits**

As described in Note 17 (d), subsidiary UBV 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.

**Notes to quarterly information**
**December 31, 2017**

In thousands of reais, unless otherwise stated

|  | Company    |                   |                | Consolidated |                   |                  |
|--|------------|-------------------|----------------|--------------|-------------------|------------------|
|  | Yields (*) | December 31, 2017 | March 31, 2017 | Yields (*)   | December 31, 2017 | March 31, 2017   |
| Cash and banks - in Brazil                   |            | 3,550             | 106            |              | 7,030             | 467              |
| Cash and banks - abroad (US dollar)          |            | 347,048           | 62,878         |              | 347,048           | 62,878           |
| Short-term investments - in Brazil           |            |                   |                |              |                   |                  |
| . Bank Deposit Certificate (CDB)             | 97.70%     | 18,099            | 67,037         | 97.70%       | 18,100            | 67,037           |
| . Debentures held under repurchase agreement | 98.00%     | 843               | 11,999         | 97.96%       | 907               | 12,072           |
| Total cash and cash equivalents              |            | <u>369,540</u>    | <u>142,020</u> |              | <u>373,085</u>    | <u>142,454</u>   |
| Short-term investments                       |            |                   |                |              |                   |                  |
| . Investment fund                            | 99.33%     | 502,719           | 548,611        | 99.46%       | 795,337           | 1,029,113        |
| . Funds - Financial Treasury Bills (LFT) (i) |            | 4,094             | -              | 100% SELIC   | 23,989            | 18,641           |
| . Other (i)                                  |            | 554               | 532            | 100.00%      | 6,330             | 6,026            |
| Total financial investments                  |            | <u>507,367</u>    | <u>549,143</u> |              | <u>825,656</u>    | <u>1,053,780</u> |
| In noncurrent assets                         |            | <u>4,648</u>      | <u>532</u>     |              | <u>30,319</u>     | <u>24,667</u>    |
| Total available funds                        |            | <u>872,259</u>    | <u>690,631</u> |              | <u>1,168,422</u>  | <u>1,171,567</u> |

\* Current remuneration based on the Interbank Deposit Certificate (CDI) rate variation - weighted average rate.

(i) These balances are given as guarantee for financing operations with the BNDES (Finem Direto) with redemption restricted to maturity of the contracts.

**6. Trade accounts receivable**

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

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

|                          | Company           |                | Consolidated      |                |
|--------------------------|-------------------|----------------|-------------------|----------------|
|                          | December 31, 2017 | March 31, 2017 | December 31, 2017 | March 31, 2017 |
| Domestic customers       | 85,703            | 63,121         | 276,614           | 121,827        |
| Foreign market customers | <u>77,767</u>     | <u>72,851</u>  | <u>77,767</u>     | <u>72,851</u>  |
|                          | <u>163,470</u>    | <u>135,972</u> | <u>354,381</u>    | <u>194,678</u> |
| Current assets           | <u>163,470</u>    | <u>135,972</u> | <u>331,448</u>    | <u>168,868</u> |
| Noncurrent assets        | <u>-</u>          | <u>-</u>       | <u>22,933</u>     | <u>25,810</u>  |

For the period ended December 31, 2017 and year ended March 31, 2017, management did not identify the need to record an allowance for doubtful relevant accounts.

**Notes to quarterly information**
**December 31, 2017**

In thousands of reais, unless otherwise stated

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

|                              | Company           |                | Consolidated      |                |
|------------------------------|-------------------|----------------|-------------------|----------------|
|                              | December 31, 2017 | March 31, 2017 | December 31, 2017 | March 31, 2017 |
| Falling due:                 | 163,434           | 135,639        | 352,973           | 194,258        |
| Overdue and not provisioned: |                   |                |                   |                |
| Within 30 days               | 4                 | -              | 66                | -              |
| Over 31 days                 | 32                | 333            | 1,342             | 420            |
|                              | <u>163,470</u>    | <u>135,972</u> | <u>354,381</u>    | <u>194,678</u> |

Out of the amount receivable, R\$6,851 and R\$262, Company and Consolidated, respectively (R\$4,378 and R\$228, Company and Consolidated, respectively, at March 31, 2017), refer to related parties, as detailed in Note 9.

**7. Inventories and advances to suppliers**

|   | Company           |                | Consolidated      |                |
|---|-------------------|----------------|-------------------|----------------|
|   | December 31, 2017 | March 31, 2017 | December 31, 2017 | March 31, 2017 |
| Current   |                   |                |                   |                |
| Finished products and work-in-process                 | 682,719           | 59,544         | 832,534           | 77,368         |
| Advances - purchases of sugarcane                     | 51,295            | 61,219         | 66,521            | 80,929         |
| Advances - purchases of inputs                        | 31,858            | 24,035         | 44,883            | 30,142         |
| Land subdivisions                                     | -                 | -              | 6,079             | 6,398          |
| Inputs, ancillary materials for maintenance and other | 51,241            | 45,119         | 72,066            | 61,737         |
|   | <u>817,113</u>    | <u>189,917</u> | <u>1,022,083</u>  | <u>256,574</u> |
| Noncurrent  |                   |                |                   |                |
| Advances - purchases of sugarcane                     | 73,446            | 74,978         | 87,112            | 88,766         |
|   | <u>73,446</u>     | <u>74,978</u>  | <u>87,112</u>     | <u>88,766</u>  |
|   | <u>890,559</u>    | <u>264,895</u> | <u>1,109,195</u>  | <u>345,340</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 subdivisions) is stated at acquisition cost, increased by the deemed cost surplus of land.





## **Notes to quarterly information**

**December 31, 2017**

In thousands of reais, unless otherwise stated

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The balance classified as “Land subdivisions - land” refers to real estate developments SPE Paineiras, SPE Park, SPE Limeira, and SPE Pradópolis and SPE Pradópolis II.

The Company signed contracts 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.

**Notes to quarterly information**
**December 31, 2017**

In thousands of reais, unless otherwise stated

**8. Taxes recoverable**

Breakdown of taxes recoverable is as follows:

|   | Company           |                | Consolidated      |                |
|---|-------------------|----------------|-------------------|----------------|
|   | December 31, 2017 | March 31, 2017 | December 31, 2017 | March 31, 2017 |
| Current   |                   |                |                   |                |
| PIS / COFINS  | 31,922            | 55,651         | 33,169            | 59,205         |
| ICMS  | 29,347            | 28,173         | 46,563            | 42,156         |
| Other   | 851               | 829            | 972               | 949            |
|   | <u>62,120</u>     | <u>84,653</u>  | <u>80,704</u>     | <u>102,310</u> |
| Noncurrent  |                   |                |                   |                |
| PIS / COFINS  | 25,908            | 33,011         | 33,937            | 40,666         |
| Brazilian Special Regime for Reinstatement of Taxes for Exporters (REINTEGRA) | 54,782            | 35,165         | 54,782            | 35,165         |
| IOF on derivatives  | 8,001             | 7,676          | 8,001             | 7,676          |
| ICMS  | 9,169             | 13,319         | 13,189            | 17,217         |
| Social Security Tax (INSS)  | 6,049             | 5,790          | 6,053             | 5,794          |
|   | <u>103,909</u>    | <u>94,961</u>  | <u>115,962</u>    | <u>106,518</u> |
|   | <u>166,029</u>    | <u>179,614</u> | <u>196,666</u>    | <u>208,828</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:

|                               | December 31, 2017 |                |
|-------------------------------|-------------------|----------------|
|                               | Company           | Consolidated   |
| From 01/01/2019 to 12/31/2019 | 75,960            | 78,126         |
| From 01/01/2020 to 12/31/2020 | 7,128             | 9,291          |
| From 01/01/2021 to 12/31/2021 | 5,715             | 7,728          |
| From 01/01/2022 to 12/31/2022 | 5,715             | 7,728          |
| From 01/01/2023 to 12/31/2023 | 3,424             | 4,432          |
| From 01/01/2024 onwards       | 5,967             | 8,657          |
|                               | <u>103,909</u>    | <u>115,962</u> |

**Notes to quarterly information**
**December 31, 2017**

In thousands of reais, unless otherwise stated

**9. Related parties**
**(a) Company and consolidated balances:**

| Company and Consolidated  | December 31, 2017 |                   |                     |                        | March 31, 2017 |                   |                     |                        |
|---|-------------------|-------------------|---------------------|------------------------|----------------|-------------------|---------------------|------------------------|
|   | Current assets    | Noncurrent assets | Current liabilities | Noncurrent liabilities | Current assets | Noncurrent assets | Current liabilities | Noncurrent liabilities |
| Consolidated in the current financial statements:                 |                   |                   |                     |                        |                |                   |                     |                        |
| São Martinho Terras Imobiliárias S.A.                             | 4,328             | -                 | 1,115               | -                      | 6,813          | -                 | 2,101               | -                      |
| Cia Bioenergética Santa Cruz 1                                    | 4                 | -                 | 296                 | -                      | 4              | -                 | 175                 | -                      |
| São Martinho - Energia S.A.                                       | 1,030             | -                 | -                   | -                      | 1,808          | 1                 | -                   | -                      |
| São Martinho Inova S.A.   | -                 | 693               | -                   | -                      | -              | 755               | -                   | -                      |
| São Martinho Terras Agrícolas S.A.                                | 10                | -                 | 9,325               | -                      | -              | -                 | 1,528               | -                      |
| Usina Boa Vista S/A   | 5,411             | -                 | 94                  | -                      | 3,180          | -                 | -                   | -                      |
| Other   | 6                 | -                 | -                   | -                      | 6              | -                 | -                   | -                      |
| (A) Subtotal  | 10,789            | 693               | 10,830              | -                      | 11,811         | 756               | 3,804               | -                      |
| Not consolidated in the current and related financial statements: |                   |                   |                     |                        |                |                   |                     |                        |
| Luiz Ometto Participações S.A. (Note 30)                          | -                 | -                 | 11,767              | 50,130                 | -              | -                 | 11,958              | 50,130                 |
| Usina Santa Luiza S/A   | 59                | 3,667             | -                   | -                      | 60             | 3,867             | -                   | -                      |
| Other   | 203               | -                 | 177                 | -                      | 168            | -                 | 142                 | -                      |
| (B) Subtotal  | 262               | 3,667             | 11,944              | 50,130                 | 228            | 3,867             | 12,100              | 50,130                 |
| TOTAL (A + B)   | 11,051            | 4,360             | 22,774              | 50,130                 | 12,039         | 4,623             | 15,904              | 50,130                 |
| Dividends   | -                 | -                 | -                   | -                      | 7,661          | -                 | -                   | -                      |
| Other accounts receivable/payable                                 | 11,051            | 4,360             | 11,007              | -                      | 4,378          | 4,623             | 3,946               | -                      |
| Acquisition of ownership interest                                 | -                 | -                 | 11,767              | 50,130                 | -              | -                 | 11,958              | 50,130                 |
| Inventories - purchase of sugarcane/lease of land                 |                   |                   |                     |                        |                |                   |                     |                        |
| From shareholders/related parties                                 |                   |                   |                     |                        |                |                   |                     |                        |
| (C) Company   | 6,400             | -                 | 4,756               | -                      | 6,322          | -                 | 4,588               | -                      |
| (D) Consolidated  | -                 | -                 | 184                 | -                      | -              | -                 | 125                 | -                      |
| Subtotal  | 6,400             | -                 | 4,940               | -                      | 6,322          | -                 | 4,713               | -                      |
| TOTAL COMPANY (A + B + C)   | 17,451            | 4,360             | 27,530              | 50,130                 | 18,361         | 4,623             | 20,492              | 50,130                 |
| Dividends   | -                 | -                 | -                   | -                      | 7,661          | -                 | -                   | -                      |
| Other accounts receivable/payable                                 | 11,051            | 4,360             | 15,763              | -                      | 4,378          | 4,623             | 8,534               | -                      |
| Inventories - purchase of sugarcane/lease of land                 | 6,400             | -                 | -                   | -                      | 6,322          | -                 | -                   | -                      |
| Acquisition of ownership interest                                 | -                 | -                 | 11,767              | 50,130                 | -              | -                 | 11,958              | 50,130                 |
| TOTAL CONSOLIDATED (B + C + D)                                    | 6,662             | 3,667             | 16,884              | 50,130                 | 6,550          | 3,867             | 16,813              | 50,130                 |

Balances in current assets are classified as trade accounts receivable, inventories and dividends receivable in the statement of financial position. Balance in current liabilities (classified as trade accounts payable and acquisition of equity interest in the statement of financial position) refers to purchases and sales of products and services between the Company, its investees and related parties. Balances in noncurrent assets and liabilities refer to future capital contributions and to acquisition of equity interest (Note 30), respectively.



## Notes to quarterly information

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In thousands of reais, unless otherwise stated

### (b) Company and Consolidated significant transactions for the period:

| Company and Consolidated   | December 31, 2017 |  | December 31, 2016 |  |
|--|-------------------|--|-------------------|--|
|  | Sales revenue     | Reimbursed expenses/(purchases of products and services) | Sales revenue     | Reimbursed expenses/(purchases of products and services) |
| Consolidated in the current financial statements:                      |                   |  |                   |  |
| São Martinho Terras Imobiliárias S.A.                                  | -                 | (7,040)  | -                 | (33,720)   |
| São Martinho Terras Agrícolas S.A.                                     | -                 | (44,403)   | -                 | (23,772)   |
| Cia Bioenergética Santa Cruz 1   | 6,502             | (2,400)  | 3,185             | (1,077)  |
| São Martinho - Energia S.A.  | 6,297             | 230  | 3,668             | 215  |
| Usina Boa Vista S/A  | -                 | 17,496   | -                 | -  |
| (A) Subtotal   | 12,799            | (36,117)   | 6,853             | (58,354)   |
| Not consolidated in the current and related financial statements:      |                   |  |                   |  |
| (B) Usina Boa Vista S/A  | -                 | -  | -                 | 12,262   |
| Shareholders and related parties - purchase of sugarcane/lease of land |                   |  |                   |  |
| (C) Company  |                   |  |                   |  |
| Agro Pecuária Boa Vista S/A  | -                 | (22,906)   | -                 | (22,703)   |
| Other  | -                 | (13,132)   | -                 | (12,036)   |
| (D) Consolidated   | -                 | (325)  | -                 | -  |
| Subtotal   | -                 | (36,363)   | -                 | (34,739)   |
| TOTAL COMPANY (A + B + C)  | 12,799            | (36,117)   | 6,853             | (46,092)   |
| TOTAL CONSOLIDATED (B + C + D)   | -                 | (36,363)   | -                 | (22,477)   |

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 is stated as follows:



## Notes to quarterly information

### December 31, 2017

In thousands of reais, unless otherwise stated

|  | Company              |                      | Consolidated         |                      |
|--|----------------------|----------------------|----------------------|----------------------|
|  | December 31,<br>2017 | December 31,<br>2016 | December 31,<br>2017 | December 31,<br>2016 |
| Salaries, fees and bonus                 | 16,599               | 20,008               | 18,556               | 21,312               |
| Social security and social contributions | 3,288                | 4,025                | 3,680                | 4,191                |
| Other                                    | 1,024                | 785                  | 1,200                | 893                  |
|  | <u>20,911</u>        | <u>24,818</u>        | <u>23,436</u>        | <u>26,396</u>        |

Information on the Stock Option Plan offered to the Company's officers, which is not part of their fixed or variable compensation, is described in Note 17 (f).

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**December 31, 2017**

In thousands of reais, unless otherwise stated

**10. Investing activities**
**10.1 Subsidiaries, jointly-controlled entities and affiliates**

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

| Company   | % - Ownership interest (current) | Adjusted equity of investee |                  | Book value of investments |                  | Equity pickup     |                   |
|---|----------------------------------|-----------------------------|------------------|---------------------------|------------------|-------------------|-------------------|
|   |                                  | December 31, 2017           | March 31, 2017   | December 31, 2017         | March 31, 2017   | December 31, 2017 | December 31, 2016 |
|   |                                  |                             |                  |                           |                  | Company           |                   |
| <b>Classified in investment</b>                                     |                                  |                             |                  |                           |                  |                   |                   |
| São Martinho Terras Imobiliárias S.A. - formerly named Vale do Mogi | 100.00%                          | 148,288                     | 1,043,290        | 148,288                   | 1,043,290        | 9,427             | 37,048            |
| São Martinho - Energia S.A.   | 100.00%                          | 23,257                      | 19,735           | 23,257                    | 19,735           | 23,042            | 15,304            |
| São Martinho Inova S/A  | 100.00%                          | 24,202                      | 21,815           | 24,202                    | 21,815           | 1,631             | 914               |
| São Martinho Terras Agrícolas S.A. - formerly named Landco          | 100.00%                          | 1,021,045                   | 430,903          | 1,021,045                 | 430,903          | 20,606            | 13,186            |
| São Martinho Logística e Participações S.A.                         | 100.00%                          | 2,982                       | 3,078            | 2,982                     | 3,078            | (96)              | (86)              |
| Usina Boa Vista S.A. (Note 10.2)                                    | 100.00%                          | 1,285,753                   | 1,147,277        | 1,285,753                 | 1,147,277        | 138,476           | -                 |
| Nova Fronteira Bioenergia S.A. (Note 10.2)                          | 50.95%                           | -                           | -                | -                         | -                | -                 | 79,485            |
| Companhia Bioenergética Santa Cruz 1                                | 100.00%                          | 104,125                     | 104,704          | 104,125                   | 104,704          | 49,535            | 33,800            |
| CTC - Centro de Tecnologia Canaveira S.A. (i)                       | 5.41%                            | 563,916                     | 541,511          | -                         | -                | -                 | -                 |
| Other   |                                  | -                           | -                | 1,859                     | 1,862            | -                 | -                 |
| <b>Total classified in investment</b>                               |                                  | <b>3,173,568</b>            | <b>3,312,313</b> | <b>2,611,511</b>          | <b>2,772,664</b> | <b>242,621</b>    | <b>179,651</b>    |
| <b>Classified in noncurrent liabilities</b>                         |                                  |                             |                  |                           |                  |                   |                   |
| Usina Santa Luiza S.A. (i)  | 66.67%                           | (20,087)                    | (14,989)         | (13,392)                  | (13,044)         | (3,214)           | (2,744)           |
| <b>Total classified in noncurrent liabilities</b>                   |                                  | <b>(20,087)</b>             | <b>(14,989)</b>  | <b>(13,392)</b>           | <b>(13,044)</b>  | <b>(3,214)</b>    | <b>(2,744)</b>    |
| <b>Closing balance</b>  |                                  | <b>3,153,481</b>            | <b>3,297,324</b> | <b>2,598,119</b>          | <b>2,759,620</b> | <b>239,407</b>    | <b>176,907</b>    |

There

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

Investees are not consolidated and these investments are reported in the interim financial information under the equity method.

**Notes to quarterly information**
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In thousands of reais, unless otherwise stated

| Empresa   | Consolidated              |                 |                      |                      |
|---|---------------------------|-----------------|----------------------|----------------------|
|   | Book value of investments |                 | Equity pickup        |                      |
|   | December 31,<br>2017      | March 31, 2017  | December 31,<br>2017 | December 31,<br>2016 |
| <b>Classified in investment</b>                   |                           |                 |                      |                      |
| Nova Fronteira Bioenergia S.A. (Note 10.2)        | -                         | -               | -                    | 79,485               |
| CTC - Centro de Tecnologia Canavieira S.A. (i)    | 30,534                    | 29,320          | 1,212                | 925                  |
| Other   | 1,859                     | 1,864           | -                    | -                    |
| <b>Total classified in investment</b>             | <b>32,393</b>             | <b>31,184</b>   | <b>1,212</b>         | <b>80,410</b>        |
| <b>Classified in noncurrent liabilities</b>       |                           |                 |                      |                      |
| Usina Santa Luiza S.A. (i)                        | (13,392)                  | (13,044)        | (3,214)              | (2,744)              |
| <b>Total classified in noncurrent liabilities</b> | <b>(13,392)</b>           | <b>(13,044)</b> | <b>(3,214)</b>       | <b>(2,744)</b>       |
| <b>Closing balance</b>                            | <b>19,001</b>             | <b>18,140</b>   | <b>(2,002)</b>       | <b>77,666</b>        |

**10.2 Acquisition and merger of Nova Fronteira Bioenergia S.A.**

Acquisition and merger of Nova Fronteira Bioenergia S.A. took place last financial year. As from the acquisition and merger date, the Company became holder of 100% of subsidiary UBV's shares and fully consolidates its profit or loss in its consolidated financial statements.

The referred to changes significantly affected comparability of profit or loss for the current and prior periods.

This transaction is described in detail in Note 10.2 to the annual financial statements for the year ended March 31, 2017.

**10.3 Supplementary information on Usina Boa Vista S.A.**

A summary of the statements of financial position and of profit or loss of the referred to subsidiary is as follows:

**Notes to quarterly information**
**December 31, 2017**

In thousands of reais, unless otherwise stated

| STATEMENT OF FINANCIAL POSITION | December 31,<br>2017 | March 31, 2017 |
|---------------------------------|----------------------|----------------|
| Current assets                  | 810,250              | 706,119        |
| Noncurrent assets               | 968,984              | 1,025,149      |
| Total assets                    | 1,779,234            | 1,731,268      |
| Current liabilities             | 279,358              | 400,740        |
| Noncurrent liabilities          | 269,833              | 234,439        |
| Equity                          | 1,230,043            | 1,096,089      |
| Total liabilities and equity    | 1,779,234            | 1,731,268      |

| STATEMENT OF PROFIT OR LOSS                          | December 31,<br>2017 |
|--|----------------------|
| Net revenue  | 581,105              |
| Cost of sales  | (360,043)            |
| Gross profit   | 221,062              |
| Net operating expenses                               | (35,954)             |
| Finance income (costs)                               | (11,989)             |
| Income and social contribution taxes (IRPJ and CSLL) | (39,164)             |
| Net income for the period                            | 133,955              |

| FINANCIAL INFORMATION   | December 31,<br>2017 | March 31, 2017 |
|---|----------------------|----------------|
| Cash and short-term investments                                       | 259,650              | 424,859        |
| Gross debt  | 411,649              | 528,075        |
| Depreciation and amortization (including biological assets harvested) | 165,264              | 226,917        |

**11. Biological assets**

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



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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, non-existent 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 (cultivation) 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      |                |
|---|-------------------|----------------|-------------------|----------------|
|   | December 31, 2017 | March 31, 2017 | December 31, 2017 | March 31, 2017 |
| Harvest estimated total area (ha)                   | 170,832           | 169,867        | 225,390           | 222,789        |
| Expected productivity (ton/ha)                      | 87.21             | 85.28          | 86.43             | 84.65          |
| Number of Total Recoverable Sugar (ATR) per sugar c | 133.03            | 130.66         | 133.44            | 131.41         |
| Projected average price of ATR (R\$)                | 0.6335            | 0.6396         | 0.6335            | 0.6397         |

At December 31, 2017, the discount rate used to calculate the fair value of biological assets is 8.45% p.a. (9.25% p.a. at March 31, 2017).

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 profit of loss for the period.

**Notes to quarterly information**
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Changes in fair value of biological assets for the period are as follows:

|  | Company              |                      | Consolidated         |                      |
|--|----------------------|----------------------|----------------------|----------------------|
|  | December 31,<br>2017 | December 31,<br>2016 | December 31,<br>2017 | December 31,<br>2016 |
| Historical cost                              | 467,314              | 458,097              | 628,164              | 458,097              |
| Fair value                                   | (29,658)             | 12,144               | (41,802)             | 12,144               |
| Biological assets at March 31                | <u>437,656</u>       | <u>470,241</u>       | <u>586,362</u>       | <u>470,241</u>       |
| Changes:                                     |                      |                      |                      |                      |
| Increase resulting from cultivation          | 255,737              | 255,501              | 332,054              | 255,501              |
| Transfers from property, plant and equipment | 161,049              | 116,015              | 217,277              | 116,015              |
| Change in fair value                         | (18,271)             | (13,473)             | (20,539)             | (13,473)             |
| Fair value surplus - business combination    | -                    | -                    | 11,864               | -                    |
| Reductions resulting from harvest            | (420,317)            | (394,753)            | (568,553)            | (394,753)            |
| Closing balance of biological assets:        | <u>415,854</u>       | <u>433,531</u>       | <u>558,465</u>       | <u>433,531</u>       |
| Represented by:                              |                      |                      |                      |                      |
| Historical cost                              | 463,783              | 434,860              | 608,942              | 434,860              |
| Fair value                                   | (47,929)             | (1,329)              | (50,477)             | (1,329)              |
| Closing balance of biological assets:        | <u>415,854</u>       | <u>433,531</u>       | <u>558,465</u>       | <u>433,531</u>       |

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 six and twelve 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 in accordance with the agreement entered into by the parties. At December 31 and March 31, 2017, total estimated payments are as follows:

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|  | Company              |                | Consolidated         |                  |
|--|----------------------|----------------|----------------------|------------------|
|  | December 31,<br>2017 | March 31, 2017 | December 31,<br>2017 | March 31, 2017   |
| Agricultural partnership:              |                      |                |                      |                  |
| Within 1 year                          | 245,276              | 215,481        | 307,318              | 271,496          |
| More than 1 year and less than 5 years | 691,416              | 693,041        | 887,822              | 871,817          |
| More than 5 years                      | 473,482              | 601,786        | 736,963              | 816,531          |
| (-) Present value adjustment           | (442,699)            | (562,460)      | (639,598)            | (740,804)        |
|  | <u>967,475</u>       | <u>947,848</u> | <u>1,292,505</u>     | <u>1,219,040</u> |
| Lease agreements:                      |                      |                |                      |                  |
| Within 1 year                          | 50,623               | 25,765         | 51,138               | 26,080           |
| More than 1 year and less than 5 years | 189,779              | 87,766         | 191,840              | 89,025           |
| More than 5 years                      | 414,137              | 94,565         | 417,401              | 97,098           |
| (-) Present value adjustment           | (296,535)            | (77,020)       | (298,804)            | (78,876)         |
|  | <u>358,004</u>       | <u>131,076</u> | <u>361,575</u>       | <u>133,327</u>   |

**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-crop maintenance | Vehicles | Agricultural machinery and farming implements | Other PPE | Construction in progress | Sugarcane plantation | Total     |
|-----------------------------------|---------|----------------------------|--|------------------------|----------|---|-----------|--------------------------|----------------------|-----------|
| Balances at March 31, 2016        | 138,091 | 219,161                    | 776,308                                | 130,648                | 166,448  | 230,249                                       | 14,837    | 50,468                   | 594,914              | 2,321,124 |
| Acquisition                       | 13,942  | -                          | 1,170                                  | 170,880                | 12,562   | 32,261  | 1,194     | 101,717                  | 217,354              | 551,080   |
| Cost of sale                      | -       | -                          | (6)                                    | -                      | (1,854)  | (3,778)                                       | (7)       | -                        | -                    | (5,645)   |
| Transfers between groups          | -       | 33,783                     | 74,303                                 | -                      | 1,710    | 4,630   | 3,659     | (118,085)                | -                    | -         |
| Capital reduction in Vale do Mogi | 4,487   | -                          | -                                      | -                      | -        | -   | -         | -                        | -                    | 4,487     |
| Transfer to biological assets     | -       | -                          | -                                      | -                      | -        | -   | -         | -                        | (96,343)             | (96,343)  |
| Depreciation                      | -       | (7,288)                    | (52,569)                               | (131,040)              | (13,656) | (32,456)                                      | (3,131)   | -                        | -                    | (240,140) |
| 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 |
| Total cost                        | 156,520 | 283,092                    | 1,124,973                              | 170,488                | 229,200  | 377,011                                       | 57,142    | 34,100                   | 715,925              | 3,148,451 |
| Accumulated depreciation          | -       | (37,436)                   | (325,767)                              | -                      | (63,990) | (146,105)                                     | (40,590)  | -                        | -                    | (613,888) |
| Residual value                    | 156,520 | 245,656                    | 799,206                                | 170,488                | 165,210  | 230,906                                       | 16,552    | 34,100                   | 715,925              | 2,534,563 |
| Acquisition                       | -       | -                          | 1,739                                  | 73,265                 | 6,141    | 24,149  | 806       | 60,334                   | 132,083              | 298,517   |
| Transfer of biological assets     | -       | -                          | -                                      | -                      | -        | -   | -         | -                        | 16,111               | 16,111    |
| Cost of sale                      | (712)   | -                          | (112)                                  | -                      | (590)    | (1,868)                                       | (82)      | -                        | -                    | (3,364)   |
| Transfers between groups          | -       | 3,624                      | 36,307                                 | -                      | 699      | (6,363)                                       | 571       | (41,507)                 | 6,669                | -         |
| Transfer to biological assets     | -       | -                          | -                                      | -                      | -        | -   | -         | -                        | (161,049)            | (161,049) |
| Depreciation                      | -       | (6,559)                    | (55,574)                               | (172,545)              | (12,022) | (23,332)                                      | (2,475)   | -                        | -                    | (272,507) |
| Balances at December 31, 2017     | 155,808 | 242,721                    | 781,566                                | 71,208                 | 159,438  | 223,492                                       | 15,372    | 52,927                   | 709,739              | 2,412,271 |
| Total cost                        | 155,808 | 286,716                    | 1,162,907                              | 243,753                | 235,450  | 392,929                                       | 58,437    | 52,927                   | 709,739              | 3,298,666 |
| Accumulated depreciation          | -       | (43,995)                   | (381,341)                              | (172,545)              | (76,012) | (169,437)                                     | (43,065)  | -                        | -                    | (886,395) |
| Residual value                    | 155,808 | 242,721                    | 781,566                                | 71,208                 | 159,438  | 223,492                                       | 15,372    | 52,927                   | 709,739              | 2,412,271 |
| Residual values:                  |         |                            |  |                        |          |   |           |                          |                      |           |
| Historical cost                   | 16,355  | 182,816                    | 573,690                                | 71,208                 | 132,223  | 180,751                                       | 15,372    | 52,927                   | 709,739              | 1,935,081 |
| Surplus                           | 139,453 | 59,905                     | 207,876                                | -                      | 27,215   | 42,741  | -         | -                        | -                    | 477,190   |
| Annual average depreciation rates | -       | 3%                         | 5%                                     | 100%                   | 6%       | 9%  | 12%       | -                        | 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 | Other PPE | Construction in progress | Sugarcane plantation | Total       |
|---|-----------|----------------------------|--|------------------------|-----------|---|------------------------|-----------|--------------------------|----------------------|-------------|
| Balances at March 31, 2016                | 1,750,344 | 223,420                    | 842,050                                | 131,120                | 166,448   | 230,249                                       | -                      | 14,838    | 51,086                   | 594,914              | 4,004,469   |
| Acquisition                               | 13,942    | -                          | 1,216                                  | 189,599                | 13,649    | 32,284  | -                      | 1,261     | 106,172                  | 227,814              | 585,937     |
| Cost of sale                              | (180)     | -                          | (6)                                    | -                      | (1,975)   | (5,180)                                       | -                      | (7)       | -                        | -                    | (7,348)     |
| Transfers between groups                  | -         | 33,849                     | 77,020                                 | -                      | 1,710     | 4,639   | -                      | 3,733     | (120,951)                | -                    | -           |
| Transfer to inventory                     | (3,148)   | -                          | -                                      | -                      | -         | -   | -                      | -         | -                        | -                    | (3,148)     |
| Transfer to biological assets             | -         | -                          | -                                      | -                      | -         | -   | -                      | -         | -                        | (88,256)             | (88,256)    |
| Consolidation of UBV                      | 32,568    | 132,998                    | 382,659                                | 37,431                 | 56,781    | 53,351  | 39,169                 | 5,907     | 9,498                    | 185,698              | 936,060     |
| Fair value surplus - business combination | 14,755    | 14,706                     | 42,213                                 | -                      | 4,132     | 29,449  | -                      | -         | -                        | -                    | 105,255     |
| Depreciation                              | -         | (7,595)                    | (55,388)                               | (131,512)              | (13,856)  | (32,821)                                      | (15)                   | (3,232)   | -                        | -                    | (244,419)   |
| Balances at March 31, 2017                | 1,808,281 | 397,378                    | 1,289,764                              | 226,638                | 226,889   | 311,971                                       | 39,154                 | 22,500    | 45,805                   | 920,170              | 5,288,550   |
| Total cost                                | 1,808,281 | 464,756                    | 1,750,040                              | 226,638                | 322,855   | 516,813                                       | 88,623                 | 68,587    | 45,805                   | 920,170              | 6,212,568   |
| Accumulated depreciation                  | -         | (67,378)                   | (460,276)                              | -                      | (95,966)  | (204,842)                                     | (49,469)               | (46,087)  | -                        | -                    | (924,018)   |
| Residual value                            | 1,808,281 | 397,378                    | 1,289,764                              | 226,638                | 226,889   | 311,971                                       | 39,154                 | 22,500    | 45,805                   | 920,170              | 5,288,550   |
| Acquisition                               | 2,381     | 48                         | 2,803                                  | 85,840                 | 9,045     | 36,257  | -                      | 1,209     | 75,025                   | 174,606              | 387,214     |
| Cost of sale                              | (1,408)   | -                          | (112)                                  | -                      | (659)     | (4,113)                                       | -                      | (112)     | -                        | -                    | (6,404)     |
| Transfer of biological assets             | -         | -                          | -                                      | -                      | -         | -   | -                      | -         | -                        | 24,409               | 24,409      |
| Transfers between groups                  | -         | 20,546                     | 37,074                                 | -                      | 1,099     | (8,436)                                       | -                      | 756       | (59,859)                 | 8,820                | -           |
| Transfers to inventory for sales          | -         | -                          | -                                      | -                      | -         | -   | -                      | -         | -                        | -                    | -           |
| Transfer to biological assets             | -         | -                          | -                                      | -                      | -         | -   | -                      | -         | -                        | (217,277)            | (217,277)   |
| Depreciation                              | -         | (9,749)                    | (77,067)                               | (229,379)              | (17,002)  | (33,000)                                      | (5,813)                | (3,596)   | -                        | -                    | (375,606)   |
| Balances at December 31, 2017             | 1,809,254 | 408,223                    | 1,252,462                              | 83,099                 | 219,372   | 302,679                                       | 33,341                 | 20,757    | 60,971                   | 910,728              | 5,100,886   |
| Total cost                                | 1,809,254 | 485,350                    | 1,789,804                              | 312,478                | 332,340   | 540,521                                       | 88,623                 | 70,440    | 60,971                   | 910,728              | 6,400,509   |
| Accumulated depreciation                  | -         | (77,127)                   | (537,342)                              | (229,379)              | (112,968) | (237,842)                                     | (55,282)               | (49,683)  | -                        | -                    | (1,299,623) |
| Residual value                            | 1,809,254 | 408,223                    | 1,252,462                              | 83,099                 | 219,372   | 302,679                                       | 33,341                 | 20,757    | 60,971                   | 910,728              | 5,100,886   |
| Residual values:                          |           |                            |  |                        |           |   |                        |           |                          |                      |             |
| Historical cost                           | 150,520   | 332,811                    | 988,400                                | 83,099                 | 188,287   | 235,141                                       | 33,341                 | 20,757    | 60,971                   | 910,728              | 3,004,056   |
| Surplus                                   | 1,658,734 | 75,411                     | 264,062                                | -                      | 31,085    | 67,538  | -                      | -         | -                        | -                    | 2,096,830   |
| Annual average depreciation rates         | -         | 3%                         | 5%                                     | 100%                   | 6%        | 9%  | 14%                    | 12%       | -                        | 14%                  |             |

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Under the terms of certain borrowing agreements of the Group, property, plant and equipment totaling R\$1,301.632 were pledged as collateral, of which R\$292,914 refers to rural properties (8,754 hectares of land).

The Group capitalized financial charges amounting to R\$1,635 for the period ended December 31, 2017 (R\$2,081 for December 31, 2016).

**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         |                |
|---|----------------------|----------------|----------------------|----------------|
|   | December 31,<br>2017 | March 31, 2017 | December 31,<br>2017 | March 31, 2017 |
| Goodwill on future profitability USL (i)              | 79,709               | 79,709         | 79,709               | 79,709         |
| Goodwill on future profitability Mirtilo (i)          | 115,798              | 115,798        | 115,798              | 115,798        |
| Goodwill on future profitability SC (i)               | 179,126              | 179,126        | 179,126              | 179,126        |
| Software  | 26,613               | 25,789         | 29,312               | 28,488         |
| Accumulated amortization                              | (20,521)             | (18,280)       | (23,081)             | (20,782)       |
| Rights on sugarcane contracts (ii)                    | 8,780                | 10,779         | 8,780                | 10,779         |
| Rights on electricity agreements (iii)                | -                    | -              | 103,401              | 103,401        |
| Rights on electricity agreements - amortization (iii) | -                    | -              | (39,999)             | (27,560)       |
| Other assets  | 2,953                | 1,956          | 8,650                | 4,983          |
|   | <u>392,458</u>       | <u>394,877</u> | <u>461,696</u>       | <u>473,942</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.

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**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 if 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.

At March 31, 2017, 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:

|   | Date at March 31, 2017                    |                            |
|---|---|----------------------------|
|   | São Martinho and Iracema production units | Santa Cruz production unit |
| Cash-Generating Units                       |   |                            |
| Average growth rate of net operating income | 2.4%                                      | 3.0%                       |
| Nominal growth rate for perpetuity          | 4.0%                                      | 4.0%                       |
| Discount rate                               | 10.0%                                     | 10.0%                      |

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**14. Loans and financing**

Borrowings are recognized at fair value, net of transaction costs incurred, and on their maturity dates they are carried at amortized cost.

| Type   | Annual charges |              | Company           |                  | Consolidated      |                  |
|--|----------------|--------------|-------------------|------------------|-------------------|------------------|
|  | Rate           | Index        | December 31, 2017 | March 31, 2017   | December 31, 2017 | March 31, 2017   |
| <b>Local currency</b>                          |                |              |                   |                  |                   |                  |
| Export credit notes                            | 105.14%        | CDI          | 424,805           | 495,136          | 424,805           | 495,136          |
| BNDES credit facilities                        | 2.75%          | TJLP         | 174,002           | 232,044          | 264,258           | 335,321          |
| BNDES credit facilities                        | 4.89%          | PRÉ          | 295,479           | 338,570          | 420,560           | 500,334          |
| BNDES credit facilities                        | 4.20%          | SELIC        | 1,192             | 3,196            | 2,272             | 3,989            |
| Rural credit                                   | 10.59%         | PRÉ          | 532,518           | 275,445          | 709,210           | 343,493          |
| Rural product note                             |                | PRÉ          | -                 | -                | -                 | 162,147          |
| Industrial credit certificate                  |                | PRÉ          | -                 | -                | -                 | 2,986            |
| FINEP  | 4.00%          | PRÉ          | 86,894            | 95,922           | 86,894            | 95,922           |
| Agribusiness Receivables Certificate (CRA) (a) | 97.60%         | CDI          | 668,073           | 349,462          | 668,073           | 349,462          |
| Agribusiness Receivables Certificate (CRA) (a) | 5.21%          | IPCA         | 198,354           | -                | 198,354           | -                |
| Other securitized credits                      | 4.56%          | IGP-M/PRE    | 28,607            | 41,826           | 28,607            | 41,826           |
| <b>Total in local currency</b>                 |                |              | <b>2,409,924</b>  | <b>1,831,601</b> | <b>2,803,033</b>  | <b>2,330,616</b> |
| <b>In foreign currency</b>                     |                |              |                   |                  |                   |                  |
| Pre-export financing (PPE)                     | 3.18%          | Var. cambial | 735,675           | 741,329          | 735,675           | 741,329          |
| Export credit notes (NCE)                      | 3.26%          | Var. cambial | 205,059           | 584,487          | 205,059           | 584,487          |
| Advances on exchange contracts (ACC) (b)       | 4.12%          | Var. cambial | 299,287           | -                | 299,287           | -                |
| FINEM  | 7.42%          | Cesta Moedas | 15,660            | 16,977           | 48,200            | 62,628           |
| <b>Total in foreign currency</b>               |                |              | <b>1,255,681</b>  | <b>1,342,793</b> | <b>1,288,221</b>  | <b>1,388,444</b> |
| <b>TOTAL</b>                                   |                |              | <b>3,665,605</b>  | <b>3,174,394</b> | <b>4,091,254</b>  | <b>3,719,060</b> |
| Current  |                |              | 1,112,608         | 1,175,682        | 1,303,222         | 1,499,583        |
| Noncurrent                                     |                |              | 2,552,997         | 1,998,712        | 2,788,032         | 2,219,477        |

**a) Agribusiness Receivables Certificate (CRA)**

On April 7, 2017, the Company raised more funds through the capitals market, by issuing CRA through Vert Companhia Securitizadora, amounting to R\$ 506,400. This amount comprises two types of Certificates: (i) R\$ 313,566 with semiannual payment of interest equivalent to 96% of the accumulated CDI rate variation and principal payment in a lump sum in April 2021, and (ii) R\$ 192,834 with annual payment of interest equivalent to Brazil's Extended Consumer Price Index (IPCA) + 5.0894% and principal payment in a lump sum in April 2023. The amount presented is net of expenses with commissions for issue of debentures amounting to R\$ 11,699, which are allocated to profit or loss, on a monthly basis, based on the effective rate of the operation.



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**b) Fund raising through IFC**

On June 7, 2017, the Company raised US\$ 90,000 (R\$ 298,522 restated at June 30, 2017) through International Finance Corporation (IFC), World Bank group member, with final maturity in 8 years.

Changes in borrowings for the period are as follows:

| Changes in debt              | Company           |                   | Consolidated      |                   |
|------------------------------|-------------------|-------------------|-------------------|-------------------|
|                              | December 31, 2017 | December 31, 2016 | December 31, 2017 | December 31, 2016 |
| Prior balance                | 3,174,394         | 3,487,197         | 3,719,060         | 3,507,187         |
| Financing taken out          | 1,031,703         | 725,271           | 1,155,785         | 725,271           |
| Amortization of principal    | (631,224)         | (629,386)         | (873,086)         | (632,006)         |
| Amortization of interest     | (151,817)         | (153,903)         | (182,847)         | (154,847)         |
| Monetary restatement         | 186,405           | 169,768           | 216,198           | 170,786           |
| Foreign exchange differences | 56,144            | (166,171)         | 56,144            | (166,171)         |
|                              | <u>3,665,605</u>  | <u>3,432,776</u>  | <u>4,091,254</u>  | <u>3,450,220</u>  |

Some of the transactions conducted are pegged to swap agreements for Brazilian reais. The effect at December 31, 2017 was as follows:

| Type   | December 31, 2017 |                        |                  |                        | December 31, 2016 |                        |                  |                        |
|--|-------------------|------------------------|------------------|------------------------|-------------------|------------------------|------------------|------------------------|
|  | Company           |                        | Consolidated     |                        | Company           |                        | Consolidated     |                        |
|  | Fair value (MtM)  | Debt balance (Accrual) | Fair value (MtM) | Debt balance (Accrual) | Fair value (MtM)  | Debt balance (Accrual) | Fair value (MtM) | Debt balance (Accrual) |
| Swap transactions - from fixed rate to floating rate         | 426,208           | 435,964                | 527,311          | 516,369                | 171,403           | 210,794                | 171,403          | 210,794                |
| Swap transactions - from libor to fixed rate                 | 34,850            | 42,641                 | 34,850           | 42,641                 | 117,101           | 118,704                | 117,101          | 118,704                |
| Swap transactions - from foreign currency to Brazilian reais | 200,711           | 190,951                | 200,711          | 190,951                | 337,221           | 241,347                | 337,221          | 241,347                |
| Swap transactions - from Brazilian reais to foreign currency | -                 | -                      | -                | -                      | 87,309            | 61,382                 | 87,309           | 61,382                 |
| Non-swap transactions - local currency                       | 1,973,959         | 1,973,959              | 2,244,023        | 2,244,023              | 1,559,425         | 1,440,721              | 2,058,440        | 1,939,736              |
| Non-swap transactions - foreign currency                     | 1,022,090         | 1,022,090              | 1,097,270        | 1,097,270              | 982,742           | 1,101,446              | 1,028,393        | 1,147,097              |
| TOTAL  | <u>3,657,818</u>  | <u>3,665,605</u>       | <u>4,104,165</u> | <u>4,091,254</u>       | <u>3,255,201</u>  | <u>3,174,394</u>       | <u>3,799,867</u> | <u>3,719,060</u>       |

Some debt transactions in foreign currency are pegged to swap agreements for Brazilian reais, not exposed to foreign exchange differences.

Noncurrent borrowings mature as follows:

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**December 31, 2017**

In thousands of reais, unless otherwise stated

|                               | Company          | Consolidated     |
|-------------------------------|------------------|------------------|
| From 01/01/2019 to 31/12/2019 | 966,226          | 1,024,517        |
| From 01/01/2020 to 31/12/2020 | 594,594          | 712,131          |
| From 01/01/2021 to 31/12/2021 | 519,521          | 551,900          |
| From 01/01/2022 to 31/12/2022 | 108,828          | 132,545          |
| From 01/01/2023 to 31/12/2023 | 269,974          | 271,481          |
| From 01/01/2024 to 31/12/2024 | 62,906           | 64,037           |
| From 01/01/2025 to 31/12/2025 | 6,412            | 6,885            |
| After 2025                    | 24,536           | 24,536           |
|                               | <u>2,552,997</u> | <u>2,788,032</u> |

At December 31, 2017, R\$ 1,612,038 of São Martinho debt is encumbered, of which 39% in equipment, 34% in receivables, 11% land and 16% other.

**Covenants**

The Company has covenants amounting to R\$ 1,006,429, which are required and determined annually, the conditions of which are met for the period ended December 31, 2017.

**15. Trade accounts payable**

|                               | Company           |                | Consolidated      |                |
|-------------------------------|-------------------|----------------|-------------------|----------------|
|                               | December 31, 2017 | March 31, 2017 | December 31, 2017 | March 31, 2017 |
| Sugarcane                     | 94,788            | 58,206         | 100,779           | 76,377         |
| Materials, services and other | 54,773            | 44,916         | 72,617            | 62,546         |
|                               | <u>149,561</u>    | <u>103,122</u> | <u>173,396</u>    | <u>138,923</u> |

Out of the total trade accounts payable, R\$15.763 and R\$361 Company and Consolidated, respectively (R\$8,534 and R\$267, Company and Consolidated, respectively, at March 31, 2017), refer to related parties, as detailed in Note 9.

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**16. Obligation and rights 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  | December 31,<br>2017 | March 31, 2017 |
|---|----------------------|----------------|
| REFIS - Copersucar - Restated by reference to SELIC             | 93,101               | 99,705         |
| Exchange Bill (LC) - Restated by reference to SELIC             | 61,731               | 87,311         |
| Exchange Bill (LC) - Transfer of funds without incurring losses | 48,547               | 48,547         |
| Expenses with tax proceedings                                   | 25,418               | 8,583          |
| Other   | 2,040                | 2,039          |
| Total   | 230,837              | 246,185        |
| Current liabilities   | 25,418               | 8,583          |
| Noncurrent liabilities  | 205,419              | 237,602        |

All the Company's obligations with Copersucar are guaranteed by bank sureties. In addition, in accordance with the terms negotiated for the withdrawal of Copersucar, the Company remains liable for obligations, proportionate to its 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 period ended December 31, 2017, Copersucar joined the PERT (Special Tax Regularization Program), including debts that were being discussed in court. Part of these



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**December 31, 2017**

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debts were already accrued and the balance was recorded during the quarter ended December 31, 2017, resulting in a net effect of R \$ 2,657 in the statement of income for the period. The total amount to be disbursed by the Company is R \$ 30,777.

Copersucar was served tax notices in connection with the State value-added tax (ICMS) levied on fuel and industrial ethanol sold through December 31, 2008. The portion attributed to the Company would be R\$ 248,743 (amounts estimated and restated to December 31, 2017).

Copersucar understands that it has strong arguments to successfully defend itself in connection with the fines imposed over these tax notices, and its legal advisors rate these proceedings as possible losses.

### **(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.

## **17. Equity**

### **(a) Capital**

At December 31, 2017, capital amounted to R\$1,549,302 (R\$1,494,334 at March 31, 2017) and is represented by 364,011,329 common 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 Special General Meeting held on February 23, 2017, the shareholders approved the issue of 24,023,708 new common registered book-entry shares, with no par value, to be assigned to the shareholders of Nova Fronteira, replacing the shares held by it. In addition, the merger of Nova Fronteira Bioenergia S.A. was approved. This change is justified to the extent that the assets of the parties combined under a single corporate structure will allow

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the structuring and more efficient use of the assets and operations of the companies involved in order to concentrate all the activities undertaken by Nova Fronteira in the Company, in addition to strengthen the competitive position of the parties, reducing risks to their shareholders and allowing generation of long-term value.

As a result of the merger, Nova Fronteira ceased to exist and the Company's capital was increased through issue of 24,023,708 new common registered book-entry shares, with no par value, which were assigned to the shareholders of Nova Fronteira.

The amount of R\$ 55,662 recognized as capital reducing account, mentioned in Note 10.2 to the financial statements for the year ended March 31, 2017, refers to the adjustment to the acquired portion of equity recognized on merger of Nova Fronteira, recorded at carrying amount to comply with the Brazilian Corporation Law, to reflect the consideration transferred in the operation.

In Special General Shareholders' Meeting held on July 28, 2017, shareholders approved capital increase amounting to R\$ 54,967 through use of the capital budget reserve amounting to R\$ 110,629, after deduction of R\$ 55,662 previously recognized as capital reducing account.

**(b) Treasury shares**

The changes in treasury shares during the period ended December 31, 2017 are as follows:

|                                   | Number    | Average acquisition price (*) | Total amount |
|-----------------------------------|-----------|-------------------------------|--------------|
| Treasury shares at March 31, 2016 | 5,431,517 | 16.96                         | 92,134       |
| Acquisition of shares             | 1,358,100 | 16.97                         | 23,044       |
| Treasury shares at March 31, 2017 | 6,789,617 | 16.96                         | 115,178      |

(\*) including additional acquisition costs - in reais

On November 27, 2017, the 5th Stock Repurchase Plan was approved at a meeting of the Board of Directors. The Plan will contemplate the acquisition of up to 8,000,000 (eight million) shares within 18 months from the date of approval.

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**(c) Equity adjustments****• 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".

**• 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**

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.

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**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 of subsidiary UBV for the period ended December 31, 2017 was R\$ 41,936.

**(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.

**(f) Stock option plan**

The Stock Option Plan was approved and offered to the Company’s officers in 2009. Options granted should not exceed 2% of total shares of the Company and cannot exceed a maximum annual limit of 0.5% of its total capital shares.

The balances of stock option plans granted and the changes in outstanding stock options for the year period ended December 31, 2017 are as follows:

**Notes to quarterly information**
**December 31, 2017**

In thousands of reais, unless otherwise stated

| Plan                             | 4th Plan       | 5th Plan       | 6th Plan       | 7th Plan       | 8th Plan       | Total            |
|----------------------------------|----------------|----------------|----------------|----------------|----------------|------------------|
| Plan issue date                  | 17/12/2012     | 16/12/2013     | 15/12/2014     | 14/12/2015     | 12/12/2016     |                  |
| Deadline for exercise (i)        | 2019           | 2020           | 2021           | 2022           | 2023           |                  |
| Fair value of options (R\$) (ii) | 2,29 - 2,62    | 2,82 - 3,15    | 3,80 - 4,20    | 5,55 - 6,21    | 5,91 - 6,53    |                  |
| Options granted (ii)             | 1,175,178      | 1,142,436      | 1,014,264      | 767,700        | 779,934        | 4,879,512        |
| Options exercised (ii)           | (844,790)      | (386,373)      | (58,230)       | -              | -              | (1,289,393)      |
| Outstanding stock options        | <u>330,388</u> | <u>756,063</u> | <u>956,034</u> | <u>767,700</u> | <u>779,934</u> | <u>3,590,119</u> |
| Strike price (ii)                | 8.37           | 9.13           | 12.04          | 15.87          | 17.70          |                  |

- (i) The options under each one of the plans may be exercised on three occasions, namely: 1/3 after the second year as from the grant date, 1/3 after the third year as from the grant date, and 1/3 after the fourth year as from the grant date, and the maximum term for the exercise of all these stock options is established in each plan;
- (ii) The data referring to the 4<sup>th</sup>, 5<sup>th</sup>, 6<sup>th</sup> and 7<sup>th</sup> plans was adjusted to reflect the share split mentioned in Note 17 (a).

For the period ended December 31, 2017, no stock options were exercised.

The fair value attributed to these options was determined based on the Black & Scholes pricing model. The Company recognized a stock option expense of R\$ 3,336 (R\$ 2,966 at December 31, 2016) for the period.

**(g) Capital reserve**

This refers to mark-to-market valuation of Company shares issued upon stock option exchange with noncontrolling 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 employees. The amount of profit sharing for the periods ended December 31, 2017 and 2016, recorded as operating costs or expenses in the statement of profit or loss, amounted to R\$ 34,060 and R\$ 30,926 in Company (R\$ 43,299 and R\$ 30,940, in consolidated), respectively.



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**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.

**(a) Deferred income and social contribution taxes**

| Company   | September 30,<br>2017 | Quarter              |                         | December 31,<br>2017 |
|---|-----------------------|----------------------|-------------------------|----------------------|
|   |                       | Recognized in<br>P&L | Recognized in<br>equity |                      |
| . Income and social contribution tax losses                         | 42,164                | (7,501)              | -                       | 34,663               |
| . Derivative financial instruments                                  | (15,630)              | (2,036)              | 52,803                  | 35,137               |
| . Provision for contingencies                                       | 21,228                | 1,342                | -                       | 22,570               |
| . Biological assets and agricultural product (change in fair value) | 20,756                | (449)                | -                       | 20,307               |
| . Provision for other obligations                                   | 11,605                | 1,559                | -                       | 13,164               |
| . Other assets  | 5,477                 | 4,539                | -                       | 10,016               |
| Total income and social contribution tax assets                     | 85,600                | (2,546)              | 52,803                  | 135,857              |
| . Surplus of PPE (Deemed cost)                                      | (167,813)             | 2,780                | -                       | (165,033)            |
| . Accelerated depreciation incentive                                | (163,751)             | (6,785)              | -                       | (170,536)            |
| . Tax benefit on merged goodwill                                    | (115,678)             | (7,590)              | -                       | (123,268)            |
| . Gain on bargain purchase/surplus value - PPA                      | (51,453)              | (327)                | -                       | (51,780)             |
| . Foreign exchange differences                                      | 2,854                 | (2,276)              | -                       | 578                  |
| . Divestiture with deferred taxation                                | (21,683)              | -                    | -                       | (21,683)             |
| . Securitized financing   | (14,966)              | 649                  | -                       | (14,317)             |
| . Present value adjustment  | (758)                 | 86                   | -                       | (672)                |
| . Other liabilities   | (42)                  | 46                   | -                       | 4                    |
| Total income and social contribution tax liabilities                | (533,290)             | (13,417)             | -                       | (546,707)            |
| Deferred income and social contribution taxes                       | (447,690)             | (15,963)             | 52,803                  | (410,850)            |

**Notes to quarterly information**
**December 31, 2017**

In thousands of reais, unless otherwise stated

| Consolidated  | September 30, 2017 | Quarter           |                      |   | December 31, 2017  |
|---|--------------------|-------------------|----------------------|---|--------------------|
|   |                    | Recognized in P&L | Recognized in equity | Consolidation adjustment - Rights on electricity agreements |                    |
| . Income and social contribution tax losses                         | 42,163             | (7,501)           | -                    | -   | 34,662             |
| . Derivative financial instruments                                  | (15,630)           | (2,036)           | 52,803               | -   | 35,137             |
| . Provision for contingencies                                       | 22,509             | 1,341             | -                    | -   | 23,850             |
| . Biological assets and agricultural product (change in fair value) | 12,410             | 2,250             | -                    | -   | 14,660             |
| . Employees' profit sharing and bonus                               | 1,399              | 626               | -                    | -   | 2,025              |
| . Provision for other obligations                                   | 11,605             | 1,559             | -                    | -   | 13,164             |
| . Other assets  | 7,315              | 4,381             | -                    | -   | 11,696             |
| <b>Total income and social contribution tax assets</b>              | <b>81,771</b>      | <b>620</b>        | <b>52,803</b>        | <b>-</b>  | <b>135,194</b>     |
| . Surplus of PPE (Deemed cost)                                      | (651,555)          | 2,835             | -                    | -   | (648,720)          |
| . Accelerated depreciation incentive                                | (197,508)          | (12,308)          | -                    | -   | (209,816)          |
| . Tax benefit on merged goodwill                                    | (115,678)          | (7,590)           | -                    | -   | (123,268)          |
| . Gain on bargain purchase/surplus value - PPA                      | (51,453)           | (327)             | -                    | -   | (51,780)           |
| . Foreign exchange differences                                      | 2,854              | (2,276)           | -                    | -   | 578                |
| . Divestiture with deferred taxation                                | (21,683)           | -                 | -                    | -   | (21,683)           |
| . Securitized financing   | (14,966)           | 649               | -                    | -   | (14,317)           |
| . Present value adjustment  | (758)              | 87                | -                    | -   | (671)              |
| . Other liabilities   | 373                | 107               | -                    | -   | 480                |
| . Intangible assets   | (23,611)           | -                 | -                    | 599   | (23,012)           |
| . Gain due to change in ownership interest - CTC                    | (4,964)            | -                 | -                    | -   | (4,964)            |
| <b>Total income and social contribution tax liabilities</b>         | <b>(1,078,949)</b> | <b>(18,823)</b>   | <b>-</b>             | <b>599</b>  | <b>(1,097,173)</b> |
| <b>Deferred income and social contribution taxes</b>                | <b>(997,178)</b>   | <b>(18,203)</b>   | <b>52,803</b>        | <b>599</b>  | <b>(961,979)</b>   |
| <b>Other deferred taxes</b>   | <b>(526)</b>       | <b>-</b>          | <b>-</b>             | <b>-</b>  | <b>(526)</b>       |

| Company   | March 31, 2017   | Nine-month period |                      | December 31, 2017 |
|---|------------------|-------------------|----------------------|-------------------|
|   |                  | Recognized in P&L | Recognized in equity |                   |
| . Income and social contribution tax losses                         | 48,926           | (14,263)          | -                    | 34,663            |
| . Derivative financial instruments                                  | 40,581           | (23,378)          | 17,934               | 35,137            |
| . Provision for contingencies                                       | 22,108           | 462               | -                    | 22,570            |
| . Biological assets and agricultural product (change in fair value) | 11,576           | 8,731             | -                    | 20,307            |
| . Provision for other obligations                                   | 7,514            | 5,650             | -                    | 13,164            |
| . Other assets  | 4,170            | 5,846             | -                    | 10,016            |
| <b>Total income and social contribution tax assets</b>              | <b>134,875</b>   | <b>(16,952)</b>   | <b>17,934</b>        | <b>135,857</b>    |
| . Surplus of PPE (Deemed cost)                                      | (173,366)        | 8,333             | -                    | (165,033)         |
| . Accelerated depreciation incentive                                | (157,612)        | (12,924)          | -                    | (170,536)         |
| . Tax benefit on merged goodwill                                    | (100,498)        | (22,770)          | -                    | (123,268)         |
| . Gain on bargain purchase/surplus value - PPA                      | (48,478)         | (3,302)           | -                    | (51,780)          |
| . Foreign exchange differences                                      | (27,758)         | 28,336            | -                    | 578               |
| . Divestiture with deferred taxation                                | (21,683)         | -                 | -                    | (21,683)          |
| . Securitized financing   | (17,025)         | 2,708             | -                    | (14,317)          |
| . Present value adjustment  | (1,344)          | 672               | -                    | (672)             |
| . Other liabilities   | (131)            | 135               | -                    | 4                 |
| <b>Total income and social contribution tax liabilities</b>         | <b>(547,895)</b> | <b>1,188</b>      | <b>-</b>             | <b>(546,707)</b>  |
| <b>Deferred income and social contribution taxes</b>                | <b>(413,020)</b> | <b>(15,764)</b>   | <b>17,934</b>        | <b>(410,850)</b>  |

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**December 31, 2017**

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| Consolidated  | Nine-month period   |                   |                      |   | December 31, 2017  |
|---|---------------------|-------------------|----------------------|---|--------------------|
|   | 31 de março de 2017 | Recognized in P&L | Recognized in equity | Consolidation adjustment – Rights on electricity agreements |                    |
| . Income and social contribution tax losses                         | 53,454              | (18,792)          | -                    | -   | 34,662             |
| . Derivative financial instruments                                  | 40,581              | (23,378)          | 17,934               | -   | 35,137             |
| . Provision for contingencies                                       | 23,895              | (45)              | -                    | -   | 23,850             |
| . Biological assets and agricultural product (change in fair value) | 6,208               | 8,452             | -                    | -   | 14,660             |
| . Employees' profit sharing and bonus                               | 507                 | 1,518             | -                    | -   | 2,025              |
| . Provision for other obligations                                   | 7,514               | 5,650             | -                    | -   | 13,164             |
| . Other assets  | 6,032               | 5,664             | -                    | -   | 11,696             |
| Total income and social contribution tax assets                     | <u>138,191</u>      | <u>(20,931)</u>   | <u>17,934</u>        | <u>-</u>  | <u>135,194</u>     |
| . Surplus of PPE (Deemed cost)                                      | (370,919)           | 8,523             | (286,324)            | -   | (648,720)          |
| . Accelerated depreciation incentive                                | (180,799)           | (29,017)          | -                    | -   | (209,816)          |
| . Tax benefit on merged goodwill                                    | (100,498)           | (22,770)          | -                    | -   | (123,268)          |
| . Gain on bargain purchase/surplus value - PPA                      | (48,478)            | (3,302)           | -                    | -   | (51,780)           |
| . Foreign exchange differences                                      | (27,758)            | 28,336            | -                    | -   | 578                |
| . Divestiture with deferred taxation                                | (21,683)            | -                 | -                    | -   | (21,683)           |
| . Securitized financing   | (17,025)            | 2,708             | -                    | -   | (14,317)           |
| . Present value adjustment  | (1,344)             | 673               | -                    | -   | (671)              |
| . Other liabilities   | (286)               | 766               | -                    | -   | 480                |
| . Intangible assets   | (27,818)            | -                 | -                    | 4,806   | (23,012)           |
| . Gain due to change in ownership interest - CTC                    | (4,726)             | (238)             | -                    | -   | (4,964)            |
| Total income and social contribution tax liabilities                | <u>(801,334)</u>    | <u>(14,321)</u>   | <u>(286,324)</u>     | <u>4,806</u>  | <u>(1,097,173)</u> |
| Deferred income and social contribution taxes                       | <u>(663,143)</u>    | <u>(35,252)</u>   | <u>(268,390)</u>     | <u>4,806</u>  | <u>(961,979)</u>   |
| Other deferred taxes  | -                   | -                 | -                    | -   | (526)              |

Deferred tax assets and liabilities are presented net in the statement of financial position, by legal entity, 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.

For the six-month period ended September 30, 2017, subsidiary SM Terras Agrícolas recognized R\$286,324 of deferred tax liabilities on the deemed cost surplus of land, matched against "Equity adjustment" in equity. The tax-triggering event of the recognition was the transfer through capital reduction or split-off of land of SM Terras Imobiliárias that took place

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in the six-month period and consequent change in the taxation manner in case of land realization.

**(b) Reconciliation of income and social contribution taxes**

|   | Company              |                      |                      |                      |
|---|----------------------|----------------------|----------------------|----------------------|
|   | December 31,<br>2017 | December 31,<br>2017 | December 31,<br>2016 | December 31,<br>2016 |
|   | Quarter              | Nine-month<br>period | Quarter              | Nine-month<br>period |
| Pretax income   | 201,612              | 385,129              | 53,921               | 160,535              |
| Income and social contribution taxes at nominal rates (34%) | (68,548)             | (130,944)            | (18,333)             | (54,582)             |
| Adjustments for calculation of effective tax rate:          |                      |                      |                      |                      |
| . Equity pickup   | 33,665               | 81,398               | 19,986               | 60,148               |
| . Other permanent exclusions/(additions), net               | 1,418                | 4,945                | 3                    | (2,227)              |
| . IRPJ and CSLL previously unused credits recorded          | -                    | (2,654)              | -                    | -                    |
| . Other   | 6                    | 23                   | 22                   | 294                  |
| . Tax incentives  | 330                  | 474                  | 245                  | 258                  |
| Income and social contribution tax expense                  | (33,129)             | (46,758)             | 1,923                | 3,891                |
| Current income and social contribution taxes                | (17,166)             | (30,994)             | (5,236)              | (5,236)              |
| Deferred income and social contribution taxes               | (15,963)             | (15,764)             | 7,159                | 9,127                |
| Income and social contribution tax effective rate           | 16.4%                | 12.1%                | -3.6%                | -2.4%                |

|  | Consolidated         |                      |                      |                      |
|--|----------------------|----------------------|----------------------|----------------------|
|  | December 31,<br>2017 | December 31,<br>2017 | December 31,<br>2016 | December 31,<br>2016 |
|  | Quarter              | Nine-month<br>period | Quarter              | Nine-month<br>period |
| Pretax income  | 216,454              | 430,439              | 55,563               | 168,384              |
| Income and social contribution taxes at nominal rates (34%)                | (73,594)             | (146,349)            | (18,891)             | (57,251)             |
| Adjustments for calculation of effective rate:                             |                      |                      |                      |                      |
| . Equity pickup  | (70)                 | (681)                | 10,651               | 26,406               |
| . Other permanent exclusions/(additions), net                              | 1,222                | 4,644                | 3                    | (2,227)              |
| . State government grant   | 8,109                | 14,259               | -                    | -                    |
| . Adjustment to the calculation of subsidiary whose taxable profit is comp | 10,552               | 32,481               | 8,231                | 29,155               |
| . Income in inventories  | -                    | -                    | 19                   | (594)                |
| . IRPJ and CSLL previously unused credits recorded                         | -                    | (2,656)              | -                    | -                    |
| . Use of Subsidiary Tax Prejudice  | 4,851                | 4,851                | -                    | -                    |
| . Other  | 10                   | 289                  | 23                   | 295                  |
| . Tax incentives   | 949                  | 1,094                | 245                  | 258                  |
| Income and social contribution tax expenses                                | (47,971)             | (92,068)             | 281                  | (3,958)              |
| Current income and social contribution taxes                               | (29,768)             | (56,816)             | (6,935)              | (12,515)             |
| Deferred income and social contribution taxes                              | (18,203)             | (35,252)             | 7,216                | 8,557                |
| Income and social contribution tax effective rate                          | 22.2%                | 21.4%                | -0.5%                | 2.4%                 |

**20. Commitments**

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The Group assumes various commitments in the ordinary course of its business. Significant commitments to be disclosed in this financial information 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 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.

**Sureties granted**

In addition, the Company is the guarantor of borrowings contracted by UBV totaling R\$70,243.

**Electricity supply**

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**

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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 constructive obligation arising from past events, 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 interim financial information 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):

|                         | Company        |               |                |                 |              |                   |
|-------------------------|----------------|---------------|----------------|-----------------|--------------|-------------------|
|                         | March 31, 2017 | Additions     | Reversals      | Use             | Restatements | December 31, 2017 |
| Tax                     | 11,571         | 347           | (816)          | (6)             | 1,181        | 12,277            |
| Civil and environmental | 3,363          | 1,850         | (465)          | (1,016)         | 1,712        | 5,444             |
| Labor                   | 51,643         | 15,786        | (6,944)        | (14,151)        | 4,219        | 50,553            |
| <b>Total</b>            | <b>66,577</b>  | <b>17,983</b> | <b>(8,225)</b> | <b>(15,173)</b> | <b>7,112</b> | <b>68,274</b>     |
| Judicial deposits       | 24,707         | 3,456         | -              | (5,607)         | 725          | 23,281            |

|                         | Consolidated   |               |                 |                 |              |                   |
|-------------------------|----------------|---------------|-----------------|-----------------|--------------|-------------------|
|                         | March 31, 2017 | Additions     | Reversals       | Use             | Restatements | December 31, 2017 |
| Tax                     | 18,222         | 370           | (816)           | (3,382)         | 1,412        | 15,806            |
| Civil and environmental | 26,597         | 2,201         | (1,626)         | (1,135)         | 3,147        | 29,184            |
| Labor                   | 56,896         | 18,725        | (8,590)         | (17,116)        | 4,506        | 54,421            |
| <b>Total</b>            | <b>101,715</b> | <b>21,296</b> | <b>(11,032)</b> | <b>(21,633)</b> | <b>9,065</b> | <b>99,411</b>     |
| Judicial deposits       | 32,423         | 4,797         | -               | (10,826)        | 858          | 27,252            |

Judicial deposits are monetarily restated and reported in noncurrent assets.



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The nature of the main lawsuits at December 31, 2017 included in the above provisions is as follows (Company and consolidated):

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**Tax proceedings:**

These refer to: (a) taxes whose payment has been challenged in court by the Group; the 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 damage 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 13<sup>th</sup> monthly salary and vacation pay, plus 1/3 vacation bonus.

**21.2 Possible losses**

The Group is a party to 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:

**Tax proceedings:**

| Nature                           | Company               |         |                       |         | Consolidated          |         |                       |         |
|----------------------------------|-----------------------|---------|-----------------------|---------|-----------------------|---------|-----------------------|---------|
|                                  | December 31, 2017     |         | March 31, 2017        |         | December 31, 2017     |         | March 31, 2017        |         |
|                                  | Number of proceedings | Amount  | Number of proceedings | Amount  | Number of proceedings | Amount  | Number of proceedings | Amount  |
| (i) Social security contribution | 13                    | 202,915 | 14                    | 213,013 | 13                    | 202,915 | 14                    | 213,013 |
| (ii) Calculation of IRPJ/CSLL    | 5                     | 253,951 | 5                     | 236,777 | 5                     | 253,951 | 5                     | 236,777 |
| (iii) Offset of federal taxes    | 41                    | 56,301  | 33                    | 33,621  | 42                    | 56,454  | 34                    | 33,761  |
| (iv) ICMS                        | 4                     | 2,532   | 3                     | 2,360   | 5                     | 13,922  | 4                     | 12,980  |
| (v) Other tax proceedings        | 38                    | 27,998  | 41                    | 23,078  | 38                    | 27,998  | 43                    | 25,713  |
| TOTAL                            | 101                   | 543,697 | 96                    | 508,849 | 103                   | 555,240 | 100                   | 522,244 |

(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.



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- (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).

**Civil, labor and environmental proceedings:**

| Nature                  | Company               |        |                       |        | Consolidated          |        |                       |        |
|-------------------------|-----------------------|--------|-----------------------|--------|-----------------------|--------|-----------------------|--------|
|                         | December 31, 2017     |        | March 31, 2017        |        | December 31, 2017     |        | March 31, 2017        |        |
|                         | Number of proceedings | Amount | Number of proceedings | Amount | Number of proceedings | Amount | Number of proceedings | Amount |
| Environmental           | 43                    | 7,143  | 36                    | 6,840  | 43                    | 7,143  | 37                    | 7,036  |
| Civil                   |                       |        |                       |        |                       |        |                       |        |
| Indemnities             | 20                    | 7,273  | 21                    | 11,572 | 21                    | 7,308  | 21                    | 11,571 |
| Review of contracts     | 6                     | 5,786  | 6                     | 7,390  | 10                    | 5,841  | 7                     | 7,390  |
| Other civil proceedings | 16                    | 1,142  | 12                    | 1,046  | 17                    | 1,142  | 13                    | 1,046  |
| Labor                   | 17                    | 676    | 20                    | -      | 20                    | 676    | 21                    | -      |
| TOTAL                   | 102                   | 22,020 | 95                    | 26,848 | 111                   | 22,110 | 99                    | 27,043 |

Environmental proceedings refer to notices from CETESB and/or environmental police arising from burning of sugarcane straw, as well as annulment proceedings to cancel the fines applied by the aforementioned bodies.

Civil proceedings relate to compensation claims in general arising from (i) traffic accidents and (ii) contract reviews.

Labor claims mainly refer to tax assessment notices drawn up by the Ministry of Labor and/or annulment actions to cancel these notices.

**22. Derivative financial instruments and risk management**

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

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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.

**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 December 31, 2017:

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| Consolidated  | R\$       | Thousands of US\$ equivalent |
|---|-----------|------------------------------|
| Current and noncurrent assets                       |           |                              |
| Cash and cash equivalents (banks - demand deposits) | 347,048   | 104,912                      |
| Trade accounts receivable                           | 77,767    | 23,509                       |
| Derivative financial instruments                    | 76,465    | 23,115                       |
| Total assets  | 501,280   | 151,536                      |
| Current and noncurrent liabilities:                 |           |                              |
| Loans and financing                                 | 1,288,221 | 389,497                      |
| Derivative financial instruments                    | 50,372    | 15,230                       |
| Total liabilities                                   | 1,338,593 | 404,727                      |
| Subtotal assets (liabilities)                       | (837,313) | (253,191)                    |
| ( - ) Borrowings linked to exports - ACC and PPE    | 1,240,021 | 374,923                      |
| Net exposure - assets                               | 402,708   | 121,732                      |

These assets and liabilities were restated and recorded in the quarterly information at December 31, 2017 at the exchange rate in effect on that date, of R\$ 3.3080 per US\$1.00 for assets and R\$ 3.3074 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 December 31, 2017, the prices of 346,727 tons of sugar had been determined with commercial partners for delivery in 17/18 crop, priced at an average of 17.29 ¢/lb (US dollar cents per pound weight).

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

The Group obtains 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).

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**(d) Market risk sensitivity analysis**

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\$                                | 17,264                  | 86,318                   | 172,636                  |
| Trade accounts receivable        | Decrease in exchange rate - R\$/US\$                                | 12,869                  | 64,343                   | 128,686                  |
| Borrowings                       | Increase in exchange rate - R\$/US\$                                | (439)                   | (2,196)                  | (4,393)                  |
| Derivative financial instruments |   |                         |                          |                          |
| Non-Deliverable Forwards (NDF)   | Increase in future price of commodities                             | (4)                     | (22)                     | (45)                     |
| Swap contracts (a)               | Decrease in exchange rate - R\$/US - and increase in interest curve | (6,154)                 | (6,450)                  | (6,943)                  |
| Net exposure                     |   | 23,536                  | 141,993                  | 289,941                  |

(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 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 2017/2018 to

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2020/2021 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 contracted 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.

The balances of assets and liabilities at December 31 and March 31, 2017 relating to transactions with derivative financial instruments and their maturities are as follows:



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| Consolidated   | December 31, 2017        |                    |                      |                  |
|--|--------------------------|--------------------|----------------------|------------------|
|  | Contracted amount/volume | Average price/rate | Notional value - R\$ | Fair value - R\$ |
| <b><u>In current assets - Gain</u></b>                           |                          |                    |                      |                  |
| Merchandise futures contracts - Sugar #11 - Commodities Exchange |                          |                    |                      |                  |
| . Sale commitment  | 285,764                  | 16.95              | 315,398              | 37,668           |
| . Purchase commitment  | 202,295                  | 14.31              | 188,498              | 12,419           |
| Merchandise futures contracts - Ethanol                          |                          |                    |                      |                  |
| . Sale commitment  | 1,350                    | 1,620.00           | 72,900               | 13               |
| Merchandise forward contracts - Sugar #11                        |                          |                    |                      |                  |
| . Sale commitment  | 19,813                   | 15.39              | 19,855               | 375              |
| Non-Deliverable Forward (NDF) - Dollar - OTC                     |                          |                    |                      |                  |
| . Sale commitment  | 338                      | 3.2509             | 1,099                | 21               |
| . Purchase commitment  | 161,299                  | 3.3853             | 546,046              | 10,199           |
| Merchandise options contracts - Sugar #11 - Commodities Exchange |                          |                    |                      |                  |
| . Bidding position in call options                               | 7,620                    | 18.50              | 9,179                | 11               |
| . Bidding position in puts options                               | 10,160                   | 14.25              | 9,427                | 111              |
| Merchandise flexive options contracts - Dollar - OTC             |                          |                    |                      |                  |
| . Bidding position in puts options                               | 7,500                    | 3.28               | 81,376               | 608              |
| Swap contracts - interest - OTC                                  |                          |                    |                      | 13,865           |
| <b>TOTAL DERIVATIVE FINANCIAL INSTRUMENTS IN CURRENT ASSETS</b>  |                          |                    |                      | <b>75,290</b>    |



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| Consolidated  | December 31, 2017        |                    |                      |                  |
|---|--------------------------|--------------------|----------------------|------------------|
|   | Contracted amount/volume | Average price/rate | Notional value - R\$ | Fair value - R\$ |
| <b><u>In noncurrent assets - Gain</u></b>                               |                          |                    |                      |                  |
| Merchandise futures contracts - Sugar #11 - Commodities Exchange        |                          |                    |                      |                  |
| . Sale commitment   | 2,591                    | 15.72              | 2,652                | 5                |
| Non-Deliverable Forward (NDF) - Dollar - OTC                            |                          |                    |                      |                  |
| . Sale commitment   | 11,390                   | 3.4872             | 39,719               | 153              |
| Merchandise options contracts - Sugar #11 - Commodities Exchange        |                          |                    |                      |                  |
| . Bidding position in puts options                                      | 12,701                   | 15.00              | 12,405               | 741              |
| Swap contracts - interest - OTC   |                          |                    |                      | 276              |
| <b>TOTAL DERIVATIVE FINANCIAL INSTRUMENTS IN NONCURRENT ASSETS</b>      |                          |                    |                      | <b>1,175</b>     |
| <b><u>In current liabilities - Loss</u></b>                             |                          |                    |                      |                  |
| Margin Deposit  |                          |                    |                      | 2,057            |
| Merchandise futures contracts - Sugar #11 - Commodities Exchange        |                          |                    |                      |                  |
| . Sale commitment   | 342,662                  | 14.63              | 326,431              | 12,875           |
| . Purchase commitment   | 60,810                   | 15.99              | 63,315               | 3,681            |
| Merchandise forward contracts - Sugar #11                               |                          |                    |                      |                  |
| . Sale commitment   | 7,112                    | 14.89              | 6,896                | 113              |
| Non-Deliverable Forward (NDF) - Dollar - OTC                            |                          |                    |                      |                  |
| . Sale commitment   | 119,276                  | 3.2826             | 391,535              | 10,154           |
| Merchandise options contracts - Sugar #11 - Commodities Exchange        |                          |                    |                      |                  |
| . Bidding position in call options                                      | 17,781                   | 17.07              | 19,764               | 339              |
| Merchandise flexive options contracts - Dollar - OTC                    |                          |                    |                      |                  |
| . Bidding position in call options                                      | 7,500                    | 3.56               | 88,324               | 467              |
| Swap contracts - interest - OTC   |                          |                    |                      | 14,423           |
| <b>TOTAL DERIVATIVE FINANCIAL INSTRUMENTS IN CURRENT LIABILITIES</b>    |                          |                    |                      | <b>44,109</b>    |
| <b><u>In noncurrent liabilities - Loss</u></b>                          |                          |                    |                      |                  |
| Merchandise futures contracts - Sugar #11 - Commodities Exchange        |                          |                    |                      |                  |
| . Sale commitment   | 61,064                   | 15.34              | 60,995               | 1,541            |
| Merchandise forward contracts - Sugar #11                               |                          |                    |                      |                  |
| . Sale commitment   | 3,048                    | 15.44              | 3,064                | 56               |
| Non-Deliverable Forward (NDF) - Dollar - OTC                            |                          |                    |                      |                  |
| . Sale commitment   | 13,691                   | 3.4280             | 46,933               | 598              |
| Merchandise options contracts - Sugar #11 - Commodities Exchange        |                          |                    |                      |                  |
| . Bidding position in call options                                      | 12,701                   | 16.70              | 13,811               | 672              |
| Swap contracts - interest - OTC   |                          |                    |                      | 3,396            |
| <b>TOTAL DERIVATIVE FINANCIAL INSTRUMENTS IN NONCURRENT LIABILITIES</b> |                          |                    |                      | <b>6,263</b>     |

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| Consolidated   | March 31, 2017           |                    |                      |                       |
|--|--------------------------|--------------------|----------------------|-----------------------|
|  | Contracted amount/volume | Average price/rate | Notional value - R\$ | Fair value - R\$      |
| <b><u>In current assets - Gain</u></b>   |                          |                    |                      |                       |
| Merchandise futures contracts - Sugar #11 - Commodities Exchange               |                          |                    |                      |                       |
| . Sale commitment  | 309,437                  | 19.29              | 372,272              | 46,121                |
| . Purchase commitment  | 762                      | 16.65              | 791                  | 6                     |
| Merchandise forward contracts - Sugar #11                                      |                          |                    |                      |                       |
| . Sale commitment  | 152,966                  | 18.55              | 176,968              | 17,975                |
| Non-Deliverable Forward (NDF) - Dollar - OTC                                   |                          |                    |                      |                       |
| . Sale commitment  | 281,704                  | 3.5483             | 999,570              | 85,528                |
| Merchandise options contracts - Sugar #11 - Commodities Exchange               |                          |                    |                      |                       |
| . Bidding position in call options   | 5,080                    | 19.75              | 6,257                | 4                     |
| . Bidding position in put options  | 64,519                   | 20.24              | 81,443               | 15,697                |
| Swap contracts - interest - OTC  |                          |                    |                      | 7,586                 |
| <b><u>TOTAL DERIVATIVE FINANCIAL INSTRUMENTS IN CURRENT ASSETS</u></b>         |                          |                    |                      | <b><u>172,917</u></b> |
| <b><u>In noncurrent assets - Gain</u></b>                                      |                          |                    |                      |                       |
| Swap contracts - interest - OTC  |                          |                    |                      | 27                    |
| <b><u>TOTAL DERIVATIVE FINANCIAL INSTRUMENTS IN NONCURRENT ASSETS</u></b>      |                          |                    |                      | <b><u>27</u></b>      |
| <b><u>In current liabilities - Loss</u></b>                                    |                          |                    |                      |                       |
| Margin deposit   |                          |                    |                      | 248                   |
| Merchandise futures contracts - Sugar #11 - Commodities Exchange               |                          |                    |                      |                       |
| . Sale commitment  | 2,591                    | 18.44              | 2,980                | -                     |
| . Purchase commitment  | 82,351                   | 17.94              | 92,140               | 5,968                 |
| Non-Deliverable Forward (NDF) - Dollar - OTC                                   |                          |                    |                      |                       |
| . Sale commitment  | 19,848                   | 3.2493             | 64,492               | 119                   |
| . Purchase commitment  | 425                      | 3.4485             | 1,466                | 98                    |
| Merchandise options contracts - Sugar #11 - Commodities Exchange               |                          |                    |                      |                       |
| . Bidding position in call options   | 69,599                   | 21.57              | 93,629               | 208                   |
| Swap contracts - interest - OTC  |                          |                    |                      | 69,456                |
| <b><u>TOTAL DERIVATIVE FINANCIAL INSTRUMENTS IN CURRENT LIABILITIES</u></b>    |                          |                    |                      | <b><u>76,097</u></b>  |
| <b><u>In noncurrent liabilities - Loss</u></b>                                 |                          |                    |                      |                       |
| Swap contracts - interest - OTC  |                          |                    |                      | 5                     |
| <b><u>TOTAL DERIVATIVE FINANCIAL INSTRUMENTS IN NONCURRENT LIABILITIES</u></b> |                          |                    |                      | <b><u>5</u></b>       |



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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 December 31, 2017, breakdown of financial instruments designated for hedge accounting is as follows:

| Company and Consolidated   | Assets         | Liabilities    | TOTAL in other comprehensive income |
|--|----------------|----------------|-------------------------------------|
| Financial instruments:   |                |                |                                     |
| Commodity derivatives - Futures, options and forward contracts       | 60,746         | 52,503         | 8,243                               |
| Foreign exchange derivatives - Options / NDF                         | 119,174        | 121,237        | (2,063)                             |
| Foreign exchange differences on borrowing agreements (Trade Finance) | -              | 138,234        | (138,234)                           |
|  | <u>179,920</u> | <u>311,974</u> | <u>(132,054)</u>                    |
| Deferred taxes on the items above                                    | (61,173)       | (106,069)      | 44,896                              |
|  | <u>118,747</u> | <u>205,905</u> | <u>(87,158)</u>                     |

**(f) Estimated realization**

At December 31, 2017, impacts reported in the Company's equity and estimated realization in profit or loss are as follows:

| Company and Consolidated   | 2017/2018<br>Crop | 2018/2019<br>Crop | 2019/2020<br>Crop | 2020/2021<br>Crop | 2021/2022<br>crop onwards | TOTAL            |
|--|-------------------|-------------------|-------------------|-------------------|---------------------------|------------------|
| Derivative financial instruments:                                    |                   |                   |                   |                   |                           |                  |
| Commodity derivatives - Futures, options and forward contracts       | 10,765            | (2,522)           | -                 | -                 | -                         | 8,243            |
| Foreign exchange derivatives - Options / NDF                         | 3,689             | (5,752)           | -                 | -                 | -                         | (2,063)          |
| Foreign exchange differences on borrowing agreements (Trade Finance) | (4,905)           | (72,536)          | (46,409)          | 2,326             | (16,710)                  | (138,234)        |
|  | <u>9,549</u>      | <u>(80,810)</u>   | <u>(46,409)</u>   | <u>2,326</u>      | <u>(16,710)</u>           | <u>(132,054)</u> |
| Deferred taxes on the items above                                    | (3,247)           | 27,475            | 15,779            | (791)             | 5,680                     | 44,896           |
|  | <u>6,302</u>      | <u>(53,335)</u>   | <u>(30,630)</u>   | <u>1,535</u>      | <u>(11,030)</u>           | <u>(87,158)</u>  |

**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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| <b>Company</b>                    | <b>Within 1 year</b> | <b>From 1 to 2 years</b> | <b>From 2 to 5 years</b> | <b>Above 5 years</b> | <b>Total</b>     |
|-----------------------------------|----------------------|--------------------------|--------------------------|----------------------|------------------|
| <b>At December 31, 2017</b>       |                      |                          |                          |                      |                  |
| Loans and financing               | 1,112,608            | 966,226                  | 1,222,943                | 363,828              | 3,665,605        |
| Derivative financial instruments  | 44,109               | 6,263                    | -                        | -                    | 50,372           |
| Trade accounts payable            | 149,561              | -                        | -                        | -                    | 149,561          |
| Acquisition of ownership interest | 11,767               | 11,620                   | 34,860                   | 3,650                | 61,897           |
| Other liabilities                 | 25,234               | -                        | -                        | 13,392               | 38,626           |
|                                   | <u>1,343,279</u>     | <u>984,109</u>           | <u>1,257,803</u>         | <u>380,870</u>       | <u>3,966,061</u> |
| <b>At March 31, 2017</b>          |                      |                          |                          |                      |                  |
| Loans and financing               | 1,175,682            | 533,209                  | 1,357,928                | 107,575              | 3,174,394        |
| Derivative financial instruments  | 76,097               | 5                        | -                        | -                    | 76,102           |
| Trade accounts payable            | 103,122              | -                        | -                        | -                    | 103,122          |
| Acquisition of ownership interest | 11,958               | 11,620                   | 34,860                   | 3,650                | 62,088           |
| Other liabilities                 | 17,714               | -                        | -                        | 13,044               | 30,758           |
|                                   | <u>1,384,573</u>     | <u>544,834</u>           | <u>1,392,788</u>         | <u>124,269</u>       | <u>3,446,464</u> |
| <b>Consolidated</b>               |                      |                          |                          |                      |                  |
| <b>Consolidated</b>               | <b>Within 1 year</b> | <b>From 1 to 2 years</b> | <b>From 2 to 5 years</b> | <b>Above 5 years</b> | <b>Total</b>     |
| <b>At December 31, 2017</b>       |                      |                          |                          |                      |                  |
| Borrowings                        | 1,303,222            | 1,024,517                | 1,396,576                | 366,939              | 4,091,254        |
| Derivative financial instruments  | 44,109               | 6,263                    | -                        | -                    | 50,372           |
| Trade accounts payable            | 173,396              | -                        | -                        | -                    | 173,396          |
| Acquisition of ownership interest | 11,767               | 11,620                   | 34,860                   | 3,650                | 61,897           |
| Other liabilities                 | 30,661               | -                        | -                        | 13,392               | 44,053           |
|                                   | <u>1,563,155</u>     | <u>1,042,400</u>         | <u>1,431,436</u>         | <u>383,981</u>       | <u>4,420,972</u> |
| <b>At March 31, 2017</b>          |                      |                          |                          |                      |                  |
| Borrowings                        | 1,499,583            | 626,208                  | 1,470,372                | 122,897              | 3,719,060        |
| Derivative financial instruments  | 76,097               | -                        | -                        | -                    | 76,097           |
| Trade accounts payable            | 138,923              | -                        | -                        | -                    | 138,923          |
| Acquisition of ownership interest | 11,958               | 11,620                   | 34,860                   | 3,650                | 62,088           |
| Other liabilities                 | 28,659               | -                        | -                        | 13,044               | 41,703           |
|                                   | <u>1,755,220</u>     | <u>637,828</u>           | <u>1,505,232</u>         | <u>139,591</u>       | <u>4,037,871</u> |

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**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 abovementioned objectives.

**23. Financial instrument classification and fair value**
**23.1 Classification**

Financial assets and liabilities are classified as follows:

|                                      |                                   | Company              |                  |
|--------------------------------------|-----------------------------------|----------------------|------------------|
|                                      | Classification                    | December 31,<br>2017 | March 31, 2017   |
| Financial assets                     |                                   |                      |                  |
| Cash and cash equivalents            | Loans and receivables             | 369,540              | 142,020          |
| Short-term investments               | Fair value through profit or loss | 507,367              | 549,143          |
| Trade accounts receivable            | Loans and receivables             | 163,470              | 135,972          |
| Derivative financial instruments     | Fair value through profit or loss | 75,905               | 172,944          |
| Transactions with related parties    | Loans and receivables             | 4,360                | 4,623            |
| Other assets, except for prepayments | Loans and receivables             | 9,070                | 3,722            |
|                                      |                                   | <u>1,129,712</u>     | <u>1,008,424</u> |
| Financial liabilities                |                                   |                      |                  |
| Borrowings                           | Liabilities at amortized cost     | 3,665,605            | 3,174,394        |
| Derivative financial instruments     | Fair value through profit or loss | 50,372               | 76,102           |
| Trade accounts payable               | Other financial liabilities       | 149,561              | 103,122          |
| Acquisition of ownership interests   | Other financial liabilities       | 61,897               | 62,088           |
| Other liabilities                    | Other financial liabilities       | 38,626               | 30,758           |
|                                      |                                   | <u>3,966,061</u>     | <u>3,446,464</u> |

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|                                      |                                   | Consolidated         |                  |
|--------------------------------------|-----------------------------------|----------------------|------------------|
|                                      | Classification                    | December 31,<br>2017 | March 31, 2017   |
| Financial assets                     |                                   |                      |                  |
| Cash and cash equivalents            | Loans and receivables             | 373,085              | 142,454          |
| Short-term investments               | Fair value through profit or loss | 825,656              | 1,053,780        |
| Trade accounts receivable            | Loans and receivables             | 354,381              | 194,678          |
| Derivative financial instruments     | Fair value through profit or loss | 76,465               | 172,944          |
| Other assets, except for prepayments | Loans and receivables             | 10,571               | 3,881            |
|                                      |                                   | <u>1,640,158</u>     | <u>1,567,737</u> |
| Financial liabilities                |                                   |                      |                  |
| Borrowings                           | Liabilities at amortized cost     | 4,091,254            | 3,719,060        |
| Derivative financial instruments     | Fair value through profit or loss | 50,372               | 76,102           |
| Trade accounts payable               | Other financial liabilities       | 173,396              | 138,923          |
| Acquisition of ownership interests   | Other financial liabilities       | 61,897               | 62,088           |
| Other liabilities                    | Other financial liabilities       | 44,053               | 41,703           |
|                                      |                                   | <u>4,420,972</u>     | <u>4,037,876</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 profit or loss 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 December 31, 2017, there is no reclassification of assets and liabilities at fair value from or to Level 1, 2 or 3.

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| As per statement of financial position         | December 31, 2017 |                |                | March 31, 2017 |                  |                |
|--|-------------------|----------------|----------------|----------------|------------------|----------------|
|  | Level 1           | Level 2        | Level 3        | Level 1        | Level 2          | Level 3        |
| Assets   |                   |                |                |                |                  |                |
| Short-term investments                         | -                 | 825,656        | -              | -              | 1,053,780        | -              |
| Derivative financial instruments               | 50,955            | 25,510         | -              | 61,828         | 111,116          | -              |
| Biological assets                              | -                 | -              | 558,465        | -              | -                | 586,362        |
|  | <u>50,955</u>     | <u>851,166</u> | <u>558,465</u> | <u>61,828</u>  | <u>1,164,896</u> | <u>586,362</u> |
| Liabilities - Derivative financial instruments | <u>19,108</u>     | <u>31,264</u>  | -              | <u>6,176</u>   | <u>69,926</u>    | -              |

**Futures and Options on the ICE**

The fair value of futures negotiated on 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 on 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 on the ICE.

**Other financial assets and liabilities**

The carrying amounts of trade accounts receivable, 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)**

**Notes to quarterly information****December 31, 2017**In thousands of reais, unless otherwise stated

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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 ventures; 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.

Certain events that took place over the period ended September 30, 2016 resulted in the strategic repositioning of SM Terras Imobiliárias (previously named Vale do Mogi) and evidence the development of real estate activity as its main business activity. Among these events, the following are to be highlighted: (a) the establishment of independent management and own operational structure; (b) the launch of real estate ventures; and (c) the additional payment of plots of land by the Company in SM Terras Imobiliárias.

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 profit or loss by segment**

| December 31, 2017                                |           |           |             |                      |                |                |             |
|--|-----------|-----------|-------------|----------------------|----------------|----------------|-------------|
| Consolidated                                     | Sugar     | Ethanol   | Electricity | Real estate ventures | Other products | Not by segment | Total       |
| Gross revenue                                    |           |           |             |                      |                |                |             |
| Domestic market                                  | 153,467   | 1,127,117 | 217,941     | 5,588                | 45,727         | -              | 1,549,840   |
| Foreign market                                   | 958,792   | 16,688    | -           | -                    | 4,739          | -              | 980,219     |
| Gain/loss on derivatives                         | 49,534    | -         | -           | -                    | 99             | -              | 49,633      |
| Amortization of electric power supply agreement  | -         | -         | -           | -                    | -              | (8,210)        | (8,210)     |
| (-) Taxes, contributions and deductions on sales | (13,664)  | (208,971) | (16,746)    | (1,062)              | (9,681)        | -              | (250,124)   |
| Net revenue                                      | 1,148,129 | 934,834   | 201,195     | 4,526                | 40,884         | (8,210)        | 2,321,358   |
| Cost of sales                                    | (742,011) | (714,075) | (35,486)    | (319)                | (31,990)       | -              | (1,523,881) |
| Change in market value of biological assets      | -         | -         | -           | -                    | -              | (12,988)       | (12,988)    |
| Gross profit                                     | 406,118   | 220,759   | 165,709     | 4,207                | 8,894          | (21,198)       | 784,489     |
| Gross margin                                     | 35.37%    | 23.61%    | 82.36%      | 92.95%               | 21.75%         | -              | 33.79%      |
| Selling expenses                                 | (71,322)  | (6,363)   | (7,355)     | -                    | (503)          | -              | (85,543)    |
| Other operating expenses                         | -         | -         | -           | -                    | -              | (152,410)      | (152,410)   |
| Operating income                                 | 334,796   | 214,396   | 158,354     | 4,207                | 8,391          | (173,608)      | 546,536     |
| Operating margin                                 | 29.16%    | 22.93%    | 78.71%      | 92.95%               | 20.52%         | -              | 23.54%      |
| Other income and expenses not by segment         | -         | -         | -           | -                    | -              | (208,165)      | (208,165)   |
| Net income for the year                          | -         | -         | -           | -                    | -              | -              | 338,371     |

| December 31, 2016                                |           |           |             |                      |                |                |             |
|--|-----------|-----------|-------------|----------------------|----------------|----------------|-------------|
| Consolidated                                     | Sugar     | Ethanol   | Electricity | Real estate ventures | Other products | Not by segment | Total       |
| Gross revenue                                    |           |           |             |                      |                |                |             |
| Domestic market                                  | 137,070   | 525,161   | 97,243      | 22,720               | 85,405         | -              | 867,599     |
| Foreign market                                   | 1,062,551 | 91,104    | -           | -                    | -              | -              | 1,153,655   |
| Gain/loss on derivatives                         | (172,437) | (8,557)   | -           | -                    | -              | -              | (180,994)   |
| Amortization of electric power supply agreement  | -         | -         | -           | -                    | -              | (8,802)        | (8,802)     |
| (-) Taxes, contributions and deductions on sales | (10,592)  | (35,908)  | (5,411)     | (1,751)              | (13,954)       | -              | (67,616)    |
| Net revenue                                      | 1,016,592 | 571,800   | 91,832      | 20,969               | 71,451         | (8,802)        | 1,763,842   |
| Cost of sales                                    | (762,462) | (470,055) | (22,815)    | (3,374)              | (30,281)       | -              | (1,288,987) |
| Change in market value of biological assets      | -         | -         | -           | -                    | -              | (3,284)        | (3,284)     |
| Gross profit                                     | 254,130   | 101,745   | 69,017      | 17,595               | 41,170         | (12,086)       | 471,571     |
| Gross margin                                     | 25.00%    | 17.79%    | 75.16%      | 83.91%               | 57.62%         | -              | 26.74%      |
| Selling expenses                                 | (62,896)  | (9,050)   | (1,990)     | -                    | (95)           | -              | (74,031)    |
| Other operating expenses                         | -         | -         | -           | -                    | -              | (36,564)       | (36,564)    |
| Operating income                                 | 191,234   | 92,695    | 67,027      | 17,595               | 41,075         | (48,650)       | 360,976     |
| Operating margin                                 | 18.81%    | 16.21%    | 72.99%      | 83.91%               | 57.49%         | -              | 20.47%      |
| Other income and expenses not by segment         | -         | -         | -           | -                    | -              | (196,550)      | (196,550)   |
| Net income for the year                          | -         | -         | -           | -                    | -              | -              | 164,426     |



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**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 year to another.

| December 31, 2017             |           |           |             |                      |                |           |
|-------------------------------|-----------|-----------|-------------|----------------------|----------------|-----------|
|                               | Sugar     | Ethanol   | Electricity | Real estate ventures | Not by segment | Total     |
| Trade accounts receivable     | 92,117    | 162,531   | 53,679      | 31,898               | 14,156         | 354,381   |
| Inventories                   | 434,953   | 659,057   | 6,079       | -                    | 9,106          | 1,109,195 |
| Biological assets             | 208,890   | 349,575   | -           | -                    | -              | 558,465   |
| Property, plant and equipment | 1,993,425 | 2,961,424 | 134,033     | -                    | 12,004         | 5,100,886 |
| Intangible assets             | 233,300   | 164,857   | 63,400      | 139                  | -              | 461,696   |
| Total assets allocated        | 2,962,685 | 4,297,444 | 257,191     | 32,037               | 35,266         | 7,584,623 |
| Other unallocated assets      | -         | -         | -           | -                    | 1,701,841      | 1,701,841 |
| Total                         | 2,962,685 | 4,297,444 | 257,191     | 32,037               | 1,737,107      | 9,286,464 |

| March 31, 2017                |           |           |             |                      |                |           |
|-------------------------------|-----------|-----------|-------------|----------------------|----------------|-----------|
|                               | Sugar     | Ethanol   | Electricity | Real estate ventures | Not by segment | Total     |
| Trade accounts receivable     | 87,513    | 52,897    | 12,185      | 31,617               | 10,466         | 194,678   |
| Inventories                   | 153,785   | 172,140   | -           | 6,398                | 13,017         | 345,340   |
| Biological assets             | 248,970   | 337,392   | -           | -                    | -              | 586,362   |
| Property, plant and equipment | 2,324,830 | 2,812,146 | 138,483     | -                    | 13,091         | 5,288,550 |
| Intangible assets             | 233,661   | 164,442   | 75,839      | -                    | -              | 473,942   |
| Total assets allocated        | 3,048,759 | 3,539,017 | 226,507     | 38,015               | 36,574         | 6,888,872 |
| Other unallocated assets      | -         | -         | -           | -                    | 1,803,011      | 1,803,011 |
| Total                         | 3,048,759 | 3,539,017 | 226,507     | 38,015               | 1,839,585      | 8,691,883 |

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

**25. Revenues**

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

**(i) Sales of products and rendering of services**

The Group sells sugar, ethanol, electricity, 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 shipped; (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 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.

At December 31, 2017, the Company had clients representing more than 10% of its net revenues. The Company's three largest customers of sugar represents about 29% of net revenue, while the three largest customers for ethanol represents 28%.

**(ii) Sale of plots of land and subdivisions (real estate ventures)**

Sales revenues and cost of land inherent in the development are allocated profit or loss to the extent that infrastructure work progresses given that the transfer of risks and rewards occurs continuously. In these sales (undeveloped plots) the following procedures are observed:

- (i) The percentage of cost incurred in relation to its total budgeted cost is calculated. This percentage is applied on revenue from plots and units sold, adjusted in accordance with contractual sale conditions;
- (ii) The sales revenue amount recognized that is higher than that effectively received from customers is recorded in current or noncurrent assets; and
- (iii) The amounts received in relation to the sale of plots that are higher than the amounts recognized in revenue are recorded under "Advances from customers".

In sales of land in installments with completed infrastructure projects, revenue is recognized when the sale is made, regardless of the receipt of the contractual amount, with revenues measured at the fair value of the consideration received and receivable. The Company takes into consideration the present value adjustment to the amounts receivable recorded.

**Notes to quarterly information**
**December 31, 2017**

In thousands of reais, unless otherwise stated

|   | Company           |                   |                   |                   | Consolidated      |                   |                   |                   |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
|   | December 31, 2017 |                   | December 31, 2016 |                   | December 31, 2017 |                   | December 31, 2016 |                   |
|   | Quarter           | Nine-month period | Quarter           | Nine-month period | Quarter           | Nine-month period | Quarter           | Nine-month period |
| Gross sales revenue                                 |                   |                   |                   |                   |                   |                   |                   |                   |
| Domestic market                                     | 310,905           | 801,508           | 299,040           | 774,929           | 619,112           | 1,549,840         | 320,381           | 867,599           |
| Foreign market                                      | 293,198           | 980,219           | 375,780           | 1,153,655         | 293,198           | 980,219           | 375,780           | 1,153,655         |
| Gain/loss on derivatives                            | 59,449            | 49,633            | (65,311)          | (180,994)         | 59,449            | 49,633            | (65,311)          | (180,994)         |
|   | 663,552           | 1,831,360         | 609,509           | 1,747,590         | 971,759           | 2,579,692         | 630,850           | 1,840,260         |
| Amortization of electric power supply agreement (i) | -                 | -                 | -                 | -                 | (1,436)           | (8,210)           | (1,193)           | (8,802)           |
|   | 663,552           | 1,831,360         | 609,509           | 1,747,590         | 970,323           | 2,571,482         | 629,657           | 1,831,458         |
| Taxes, contributions and deductions on sales        | (42,452)          | (173,556)         | (22,715)          | (61,040)          | (75,256)          | (250,124)         | (24,235)          | (67,616)          |
|   | 621,100           | 1,657,804         | 586,794           | 1,686,550         | 895,067           | 2,321,358         | 605,422           | 1,763,842         |

(i) Amortization of BIO and UBV agreements for electricity supply.

**26. Costs and expenses by nature**

Reconciliation of expenses by nature is as follows:

|   | Company           |                   |                   |                   | Consolidated      |                   |                   |                   |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
|   | December 31, 2017 |                   | December 31, 2016 |                   | December 31, 2017 |                   | December 31, 2016 |                   |
|   | Quarter           | Nine-month period | Quarter           | Nine-month period | Quarter           | Nine-month period | Quarter           | Nine-month period |
| Raw material and consumer and in-use materials                        | 164,342           | 501,197           | 197,790           | 562,180           | 192,894           | 568,436           | 184,027           | 523,446           |
| Personnel expenses  | 77,937            | 228,175           | 81,936            | 251,781           | 99,652            | 282,160           | 81,557            | 252,987           |
| Depreciation and amortization (including biological assets harvested) | 154,061           | 430,989           | 150,821           | 425,798           | 219,619           | 606,231           | 151,634           | 428,783           |
| Third-party services  | 35,352            | 102,137           | 30,805            | 97,688            | 38,073            | 108,777           | 31,311            | 98,535            |
| Maintenance services and parts  | 19,108            | 54,977            | 20,689            | 63,760            | 28,161            | 76,529            | 20,753            | 64,014            |
| Litigation  | 3,584             | 6,847             | 2,100             | 3,293             | 4,151             | 7,398             | 2,107             | 3,301             |
| Change in fair value of biological assets                             | (1,319)           | 25,677            | 17,049            | 7,809             | 3,651             | 12,988            | 17,049            | 7,809             |
| Materials for resale  | 3,792             | 10,986            | 19,886            | 52,919            | 4,648             | 17,429            | 21,745            | 59,288            |
| Cost of land sold   |                   |                   | -                 | -                 | 166               | 319               | 132               | 3,374             |
| Other expenses  | 13,627            | 29,187            | 3,633             | 37,485            | 34,542            | 80,202            | 5,721             | 41,473            |
|   | 470,484           | 1,390,172         | 524,709           | 1,502,713         | 625,557           | 1,760,469         | 516,036           | 1,483,010         |
| Classified as:  |                   |                   |                   |                   |                   |                   |                   |                   |
| Cost of sales   | 409,200           | 1,209,598         | 469,738           | 1,320,668         | 549,944           | 1,536,869         | 458,842           | 1,292,271         |
| Selling expenses  | 25,209            | 74,262            | 19,001            | 72,378            | 28,611            | 85,543            | 19,851            | 74,031            |
| General and administrative expenses                                   | 36,075            | 106,312           | 35,970            | 109,667           | 47,002            | 138,057           | 37,343            | 116,708           |
|   | 470,484           | 1,390,172         | 524,709           | 1,502,713         | 625,557           | 1,760,469         | 516,036           | 1,483,010         |

**Notes to quarterly information**
**December 31, 2017**

In thousands of reais, unless otherwise stated

**27. Finance income (costs)**

|   | Company           |                   |                   |                   | Consolidated      |                   |                   |                   |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
|   | December 31, 2017 |                   | December 31, 2016 |                   | December 31, 2017 |                   | December 31, 2016 |                   |
|   | Quarter           | Nine-month period | Quarter           | Nine-month period | Quarter           | Nine-month period | Quarter           | Nine-month period |
| Finance income  |                   |                   |                   |                   |                   |                   |                   |                   |
| Interest income   | 15,941            | 72,640            | 26,846            | 79,366            | 22,927            | 98,548            | 29,009            | 88,385            |
| Bank surety commission                                      | -                 | -                 | 393               | 1,597             | -                 | -                 | 393               | 1,597             |
| PIS/COFINS on finance income                                | 392               | (4,082)           | (5,131)           | (7,700)           | 123               | (5,053)           | (5,137)           | (7,779)           |
| Other revenues  | 900               | 5,726             | 298               | 2,214             | 1,785             | 7,436             | 410               | 4,422             |
|   | <u>17,233</u>     | <u>74,284</u>     | <u>22,406</u>     | <u>75,477</u>     | <u>24,835</u>     | <u>100,931</u>    | <u>24,675</u>     | <u>86,625</u>     |
| Finance costs   |                   |                   |                   |                   |                   |                   |                   |                   |
| Present value adjustment                                    | (251)             | (1,972)           | (514)             | (2,385)           | (251)             | (1,972)           | (514)             | (2,385)           |
| Interest on borrowings                                      | (59,182)          | (180,174)         | (61,631)          | (164,323)         | (67,976)          | (207,628)         | (61,956)          | (165,339)         |
| Interest on payment in installment - Bank surety commission | (5,575)           | (21,116)          | (12,170)          | (34,697)          | (6,757)           | (23,869)          | (12,218)          | (34,748)          |
| Bank surety commission                                      | (1,083)           | (7,950)           | (910)             | (1,656)           | (1,115)           | (8,220)           | (910)             | (1,656)           |
| Copersucar bonds  | (6,898)           | (13,967)          | (5,380)           | (16,637)          | (6,898)           | (13,967)          | (5,380)           | (16,637)          |
| Monetary correction of contingencies                        | (2,920)           | (2,226)           | (1,268)           | (8,184)           | (3,584)           | (3,740)           | (1,268)           | (8,183)           |
| Other costs   | (420)             | (3,730)           | (1,527)           | (4,457)           | (936)             | (5,116)           | (1,528)           | (4,564)           |
|   | <u>(76,329)</u>   | <u>(231,135)</u>  | <u>(83,400)</u>   | <u>(232,339)</u>  | <u>(87,517)</u>   | <u>(264,512)</u>  | <u>(83,774)</u>   | <u>(233,512)</u>  |
| Monetary variation and foreign exchange                     |                   |                   |                   |                   |                   |                   |                   |                   |
| Cash and cash equivalents                                   | 13,086            | 16,960            | (3,210)           | (14,744)          | 13,086            | 16,960            | (3,210)           | (14,744)          |
| Trade accounts receivable/payable                           | 418               | (466)             | 1,562             | (3,733)           | 417               | (467)             | 1,562             | (3,733)           |
| Borrowings  | (9,816)           | 13,003            | (5,278)           | 17,298            | (11,330)          | 10,834            | (5,278)           | 17,298            |
|   | <u>3,688</u>      | <u>29,497</u>     | <u>(6,926)</u>    | <u>(1,179)</u>    | <u>2,173</u>      | <u>27,327</u>     | <u>(6,926)</u>    | <u>(1,179)</u>    |
| Derivatives - not designated for hedge accounting           |                   |                   |                   |                   |                   |                   |                   |                   |
| Gain (loss) on sugarcane transactions                       | (409)             | (1,283)           | 2,289             | 4,531             | (409)             | (1,283)           | 2,289             | 4,531             |
| Gain (loss) on ethanol transactions                         | 277               | 226               | (41)              | (41)              | 277               | 226               | (41)              | (41)              |
| Income from foreign exchange transactions                   | 2,319             | 4,553             | 5,872             | 22,441            | 2,319             | 4,553             | 5,872             | 22,441            |
| Gain (loss) on swap   | 5,759             | 3,723             | (6,812)           | (59,780)          | 5,709             | 4,283             | (6,812)           | (59,780)          |
| Cost of stock exchange transactions                         | (193)             | (559)             | (562)             | (2,074)           | (193)             | (559)             | (562)             | (2,074)           |
| Foreign exchange differences, net                           | (117)             | (731)             | 310               | (9,603)           | (117)             | (731)             | 310               | (9,603)           |
|   | <u>7,636</u>      | <u>5,929</u>      | <u>1,056</u>      | <u>(44,526)</u>   | <u>7,586</u>      | <u>6,489</u>      | <u>1,056</u>      | <u>(44,526)</u>   |
| Finance income (costs)                                      | <u>(47,772)</u>   | <u>(121,425)</u>  | <u>(66,864)</u>   | <u>(202,567)</u>  | <u>(52,923)</u>   | <u>(129,765)</u>  | <u>(64,969)</u>   | <u>(192,592)</u>  |

**28. Earnings per share**

|   | December 31, 2017 |                   | December 31, 2016 |                   |
|---|-------------------|-------------------|-------------------|-------------------|
|   | Quarter           | Nine-month period | Quarter           | Nine-month period |
| Income for the period attributed to Company shareholders                  | 168,483           | 338,371           | 55,844            | 164,426           |
| Weighted average number of common shares for the period - in thousand (i) | 334,283           | 334,465           | 337,255           | 337,725           |
| Basic earnings per share (in reais)                                       | <u>0.5040</u>     | <u>1.0117</u>     | <u>0.1656</u>     | <u>0.4869</u>     |

**Notes to quarterly information**
**December 31, 2017**

In thousands of reais, unless otherwise stated

|  | December 31, 2017 |                   | December 31, 2016 |                   |
|--|-------------------|-------------------|-------------------|-------------------|
|  | Quarter           | Nine-month period | Quarter           | Nine-month period |
| Income for the period used to determine diluted earnings per share                         | 168,483           | 338,371           | 55,844            | 164,426           |
| Weighted average number of common shares for diluted earnings per share - in thousands (i) | 335,267           | 335,379           | 338,331           | 338,478           |
| Diluted earnings per share (in reais)  | 0.5025            | 1.0089            | 0.1651            | 0.4858            |

(i) Weighted average includes potentially dilutive call options.

**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. Insured amounts at December 31, 2017 are as follows:

| Maximum coverage (i)                               | Company   | Consolidated |
|--|-----------|--------------|
| <b>Covered perils</b>                              |           |              |
| Civil liability                                    | 2,386,842 | 3,162,518    |
| Loss of profits                                    | 2,734,974 | 3,646,632    |
| Fire, lightning and explosion of any nature        | 1,515,000 | 2,020,000    |
| Other insurance coverage                           | 2,156,512 | 2,889,499    |
| Electric damages                                   | 1,422,980 | 1,897,663    |
| Theft or larceny                                   | 258,232   | 347,868      |
| Natural phenomena, vehicle or aircraft crash, etc. | 144,000   | 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.

**Notes to quarterly information**
**December 31, 2017**

In thousands of reais, unless otherwise stated

**30. Acquisition and divestiture - payables and receivables**

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

|                                     | Acquisition of ownership interest - 56.05% | Divestiture             | Net balance     |
|-------------------------------------|--|-------------------------|-----------------|
|                                     | Santa Cruz                                 | Agro Pecuária Boa Vista |                 |
| Balance at March 31, 2017           | (219,663)                                  | 157,575                 | (62,088)        |
| Monetary restatement                | (14,258)                                   | 10,230                  | (4,028)         |
| Amortization (interest)             | 14,932                                     | (10,713)                | 4,219           |
| <b>Balance at December 31, 2017</b> | <b>(218,989)</b>                           | <b>157,092</b>          | <b>(61,897)</b> |
|                                     |  | Current Liabilities     | (11,767)        |
|                                     |  | Noncurrent liabilities  | (50,130)        |
|                                     |  |                         | <b>(61,897)</b> |

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

\* \* \*

# QUARTERLY EARNINGS 3Q18

FEBRUARY 8, 2018

## Cash Net Income of R\$215.9 million in 3Q18, growing 150.9% on 3Q17

### 3Q18 Highlights

- ✓ Financial indicators improve in the quarter, driven by: (i) the growth in sugar and ethanol sales volume; ii) the reduction in production cash cost, mainly due to the improvement in operating leverage in the 2017/18 crop year; and iii) the strong growth in energy cogeneration sales volume and prices.
- ✓ A summary of key indicators follows:
  - ✓ Adj. EBITDA was R\$497.4 million in 3Q18 (+45.6%), with Adj. EBITDA margin of 55.3% (+9.1 p.p.);
  - ✓ Adjusted EBIT was R\$277.8 million in 3Q18 (+78.3%), with Adjusted EBIT margin of 30.9% (+9.8 p.p.);
  - ✓ Cash Net Income reached R\$215.9 million (+150.9%);
  - ✓ Net income came to R\$168.5 million (+201.7%).

### 9M18 Highlights

- ✓ Adj. EBITDA was R\$1,364.4 million in 9M18 (+30.7%), with Adj. EBITDA margin of 54.5% (+7.6 p.p.);
- ✓ Adjusted EBIT was R\$758.1 million in 9M18 (+44.4%), with Adjusted EBIT margin of 30.3% (+6.7 p.p.);
- ✓ Cash Net Income came to R\$613.2 million (+89.1%);
- ✓ Net income amounted to R\$338.3 million (+105.8%).

| Executive Summary        | 3Q18    | 3Q17    | Chg. (%) | 9M18      | 9M17      | Chg. (%) |
|--------------------------|---------|---------|----------|-----------|-----------|----------|
| Net Revenue*             | 899,679 | 739,325 | 21.7%    | 2,503,746 | 2,228,079 | 12.4%    |
| Adjusted EBITDA          | 497,440 | 341,638 | 45.6%    | 1,364,365 | 1,044,092 | 30.7%    |
| Adjusted EBITDA Margin   | 55.3%   | 46.2%   | 9.1 p.p. | 54.5%     | 46.9%     | 7.6 p.p. |
| Adjusted EBIT            | 277,821 | 155,816 | 78.3%    | 758,134   | 524,940   | 44.4%    |
| Adjusted EBIT Margin     | 30.9%   | 21.1%   | 9.8 p.p. | 30.3%     | 23.6%     | 6.7 p.p. |
| Maturity of Debt (Hedge) | (4,612) | (2,400) | 92.2%    | (182,388) | (125,269) | 45.6%    |
| Net Income before taxes  | 216,454 | 66,775  | 224.2%   | 430,439   | 196,869   | 118.6%   |
| Net Income               | 168,483 | 55,844  | 201.7%   | 338,371   | 164,426   | 105.8%   |
| Cash Net Income          | 215,872 | 86,032  | 150.9%   | 613,186   | 324,214   | 89.1%    |
| Net Debt / EBITDA        | 1.61 x  | 2.09 x  |          | 1.61 x    | 2.09 x    |          |

\* Excludes the Hedge Accounting effect of foreign-denominated debt and PPA USC.

#### December 28, 2017

SMT03

R\$ 19.30 per share

Market capitalization:  
R\$ 7.025 million

#### Earnings Conference Call

February 9, 2018 (Friday)

3:00 p.m. (Brasília) +55 11 3193-1001  
12:00 p.m. (New York) +1 646 828-8246

Code: São Martinho

## OVERVIEW - COMPANY

### Operating Highlights

|  | 9M18             | 9M17             | Chg.(%)      |
|--|------------------|------------------|--------------|
| <b>Crushed Sugarcane ('000 tons)</b>     | <b>22,206</b>    | <b>19,281</b>    | <b>15.2%</b> |
| Own                                      | 15,191           | 13,398           | 13.4%        |
| Third Parties                            | 7,015            | 5,883            | 19.2%        |
| Mechanized Harvest                       | 99.8%            | 98.9%            | 0.87 p.p.    |
| Agricultural Yield (ton/ha)              | 79.5             | 78.7             | 1.1%         |
| Average TRS (kg/ton)                     | 139.8            | 130.3            | 7.3%         |
| <b>Production</b>                        |                  |                  |              |
| Sugar ('000 tons)                        | 1,407            | 1,301            | 8.2%         |
| Anhydrous Ethanol ('000 m <sup>3</sup> ) | 487              | 398              | 22.4%        |
| Hydrous Ethanol ('000 m <sup>3</sup> )   | 466              | 269              | 73.1%        |
| Cogeneration ('000 MWh)                  | 897              | 686              | 30.7%        |
| <i>TRS Produced</i>                      | <i>3,104</i>     | <i>2,512</i>     | <i>23.6%</i> |
| <i>Mix - Sugar - Ethanol</i>             | <i>47% - 53%</i> | <i>54% - 46%</i> |              |
| <i>Mix Anhydrous - Hydrous</i>           | <i>52% - 48%</i> | <i>61% - 39%</i> |              |

As previously announced to the market, the Company processed 22.2 million tons of sugarcane in the 2017/18 crop year, 15.2% more than in the previous crop year. The volume of TRS produced advanced 23.6%, due to: i) the higher yields of sugarcane plantations; ii) the 7.3% growth in average cane TRS; and iii) the full consolidation of Usina Boa Vista.

The 2017/18 crop year also was marked by the setting of new operational records, such as 5 million tons of sugarcane processed at the Santa Cruz Mill and 439 million liters of ethanol produced at the Boa Vista Mill, equivalent to 89 liters per ton of crushed sugarcane.

### Financial Highlights

The following table presents São Martinho's financial highlights in the quarter and first nine months of the crop year:

|  | 3Q18      | 3Q17      | Chg. (%) | 9M18      | 9M17      | Chg. (%) |
|--|-----------|-----------|----------|-----------|-----------|----------|
| Net Revenue <sup>1</sup>                     | 899,679   | 739,325   | 21.7%    | 2,503,746 | 2,228,079 | 12.4%    |
| Adjusted EBITDA                              | 497,440   | 341,638   | 45.6%    | 1,364,365 | 1,044,092 | 30.7%    |
| Adjusted EBITDA Margin                       | 55.3%     | 46.2%     | 9.1 p.p. | 54.5%     | 46.9%     | 7.6 p.p. |
| Adjusted EBIT                                | 277,821   | 155,816   | 78.3%    | 758,134   | 524,940   | 44.4%    |
| Adjusted EBIT Margin                         | 30.9%     | 21.1%     | 9.8 p.p. | 30.3%     | 23.6%     | 6.7 p.p. |
| <b>Consolidated Balance Sheet Indicators</b> |           |           |          |           |           |          |
| Total Assets                                 | 9,286,464 | 8,031,844 | 15.6%    | 9,286,464 | 8,031,844 | 15.6%    |
| Shareholders' Equity                         | 3,375,083 | 3,020,877 | 11.7%    | 3,375,083 | 3,020,877 | 11.7%    |
| EBITDA (LTM) <sup>2</sup>                    | 1,838,897 | 1,390,389 | 32.3%    | 1,838,897 | 1,390,389 | 32.3%    |
| Net Debt                                     | 2,954,410 | 2,903,027 | 1.8%     | 2,954,410 | 2,903,027 | 1.8%     |
| Net Debt / EBITDA (LTM) <sup>2</sup>         | 1.61 x    | 2.09 x    |          | 1.61 x    | 2.09 x    |          |
| Net Debt / Shareholders' Equity              | 88%       | 96%       |          | 88%       | 96%       |          |

<sup>1</sup> - Excludes the effects from Hedge Accounting of foreign-denominated debt and PPA USC.

<sup>2</sup> - Information considers 100% of UBV in the LTM EBITDA in 3Q18.



## INDUSTRY OVERVIEW

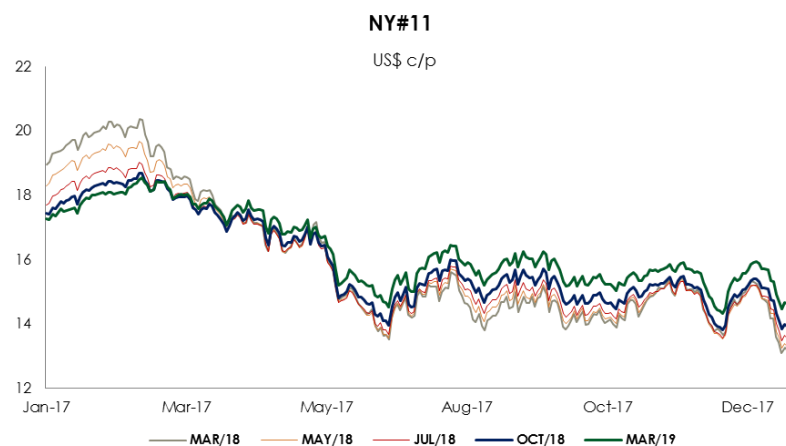
According to the Sugarcane Industry Association (UNICA), as of January 1, 2018, the Center-South region had processed 583.4 million tons of sugarcane, 1.46% less than in the same period of the previous crop year.

Average cane TRS grew 2.59% from the same period of the previous crop year, to 137.3 kg/ton, which offset the reduction in crushing volume in the period.

### Sugar

According to data from UNICA, sugar production in Brazil's Center-South region increased 1.74% from the same period of the previous crop year.

As we discussed last quarter, the sharp drop in sugar prices in 2017 (see chart on the right) will impact São Martinho's results only marginally in the 2017/18 crop year, given our strategy of advancing hedge positions.

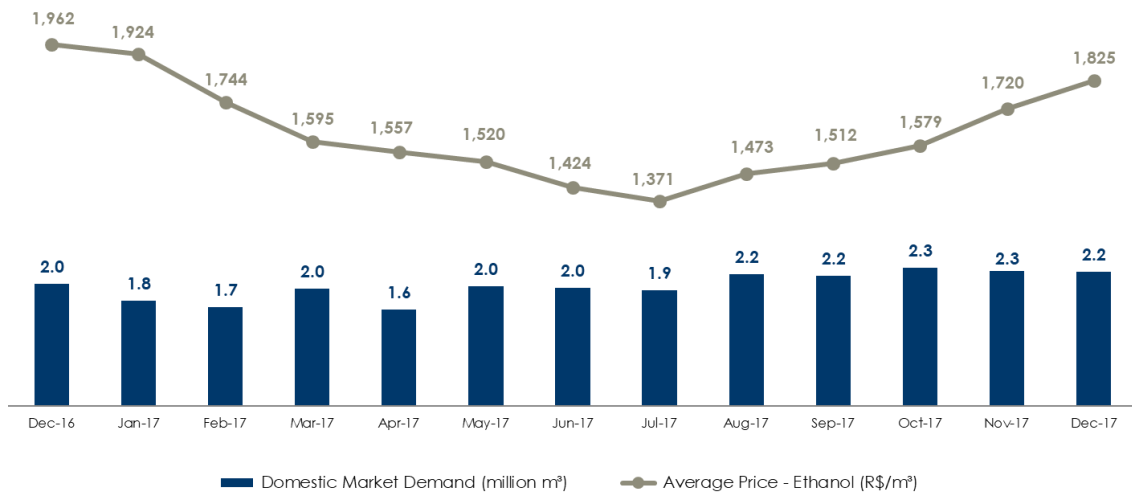


For the 2018/19 crop year, the market consensus is for a surplus of 5-6 million tons, driven by production in the northern hemisphere, especially by India, Thailand and the European Union. We believe the crop year starting in April 2018 in the Center-South region of Brazil may shift the consensus to a lower surplus, since a large portion of the production mix may be allocated to ethanol production.

## Ethanol

According to data from UNICA, as of January 1, 2018, ethanol production in Brazil's Center-South region increased 1.23% from the same period of the previous crop year.

In terms of demand, consumption reached a new level as of August 2017, right after the changes introduced by the federal government to taxes levied on fuels. Additionally, Petrobras's new gasoline pricing policy, have helped ethanol recover market share from gasoline with improved prices to producers.



## FINANCIAL PERFORMANCE

| NET REVENUE BREAKDOWN   | 3Q18           | 3Q17           | Chg. (%)     | 9M18             | 9M17             | Chg. (%)     |
|-------------------------|----------------|----------------|--------------|------------------|------------------|--------------|
| R\$ '000                |                |                |              |                  |                  |              |
| <b>Domestic Market</b>  | <b>545,472</b> | <b>411,817</b> | <b>32.5%</b> | <b>1,297,831</b> | <b>1,113,978</b> | <b>16.5%</b> |
| Sugar                   | 56,997         | 41,638         | 36.9%        | 137,867          | 101,278          | 36.1%        |
| Hydrous Ethanol         | 223,285        | 122,670        | 82.0%        | 429,582          | 318,440          | 34.9%        |
| Anhydrous Ethanol       | 195,409        | 197,618        | -1.1%        | 488,605          | 495,893          | -1.5%        |
| Energy                  | 56,971         | 30,548         | 86.5%        | 201,195          | 122,967          | 63.6%        |
| Real Estate Development | 2,224          | 2,858          | -22.2%       | 4,526            | 20,971           | -78.4%       |
| Others                  | 10,586         | 16,485         | -35.8%       | 36,056           | 54,428           | -33.8%       |
| <b>Export Market</b>    | <b>354,207</b> | <b>327,508</b> | <b>8.2%</b>  | <b>1,205,915</b> | <b>1,114,101</b> | <b>8.2%</b>  |
| Sugar                   | 353,488        | 306,291        | 15.4%        | 1,184,442        | 1,020,732        | 16.0%        |
| Hydrous Ethanol         | -              | 21,217         | n.a.         | 15,953           | 67,115           | -76.2%       |
| Anhydrous Ethanol       | -              | -              | n.a.         | 693              | 26,255           | -97.4%       |
| Others                  | 719            | -              | n.a.         | 4,827            | -                | n.a.         |
| <b>Net Revenue*</b>     | <b>899,679</b> | <b>739,325</b> | <b>21.7%</b> | <b>2,503,746</b> | <b>2,228,079</b> | <b>12.4%</b> |
| Sugar                   | 410,485        | 347,929        | 18.0%        | 1,322,309        | 1,122,010        | 17.9%        |
| Hydrous Ethanol         | 223,285        | 143,887        | 55.2%        | 445,535          | 385,555          | 15.6%        |
| Anhydrous Ethanol       | 195,409        | 197,618        | -1.1%        | 489,298          | 522,148          | -6.3%        |
| Energy                  | 56,971         | 30,548         | 86.5%        | 201,195          | 122,967          | 63.6%        |
| Hydrous Ethanol         | 2,224          | 2,858          | -22.2%       | 4,526            | 20,971           | -78.4%       |
| Others                  | 11,305         | 16,485         | -31.4%       | 40,883           | 54,428           | -24.9%       |

\*Excludes the effects from Hedge Accounting of foreign-denominated debt and PPA.

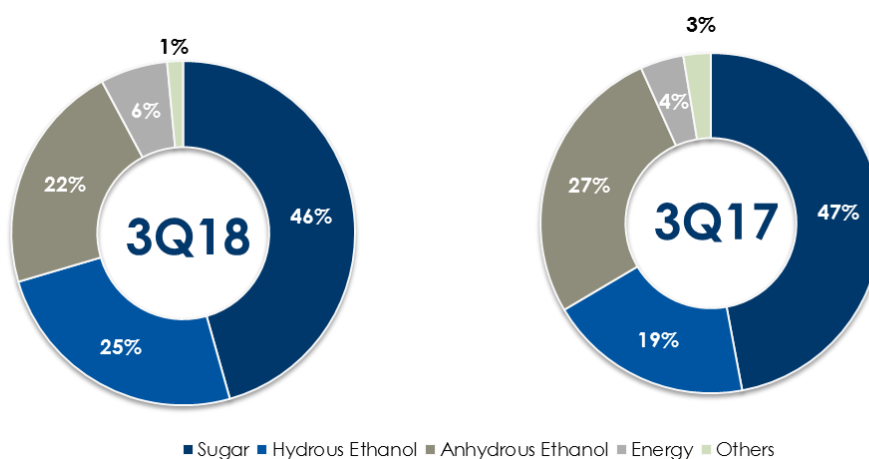
### Net Revenue

In the third quarter of the 2017/18 crop year (3Q18), the Company's net revenue amounted to R\$899.7 million, increasing 21.7% from the same period of the previous crop year. Net revenue growth was mainly driven by: i) the growth in sugar sales volume (+15.8%), with prices higher than in the prior-year period; ii) the growth in ethanol sales volume, due to the incorporation of Usina Boa Vista; and iii) the growth in cogeneration sales volume (+33.1%) coupled with the increase in sales price (+40.1%).

In the first nine months of the crop year, net revenue advanced 12.4%, driven by: i) the growth in sugar sales volume (+5.0%) coupled with the increase in sales price (+12.3%); ii) the growth in cogeneration sales volume (+19.5%) coupled with the increase in average price (+36.9%); and iii) the growth in hydrous ethanol sales volume (+26.8%).

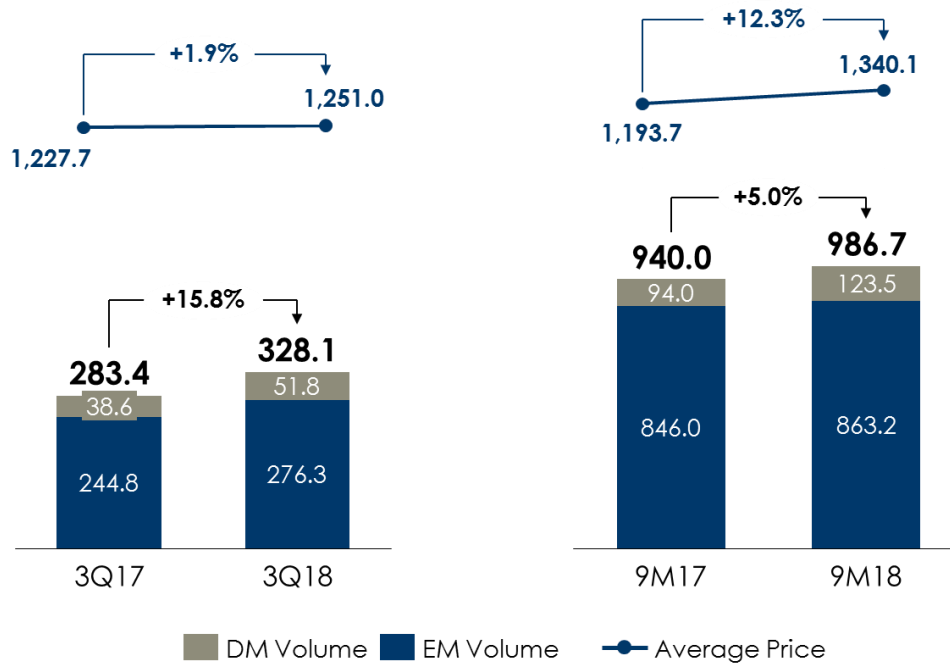
The following charts present a breakdown of the Company's net revenue by product:

### Net Revenue Breakdown 3Q18 x 3Q17



## Sugar

Volume ('000 tons) and Average Price (R\$/ton)

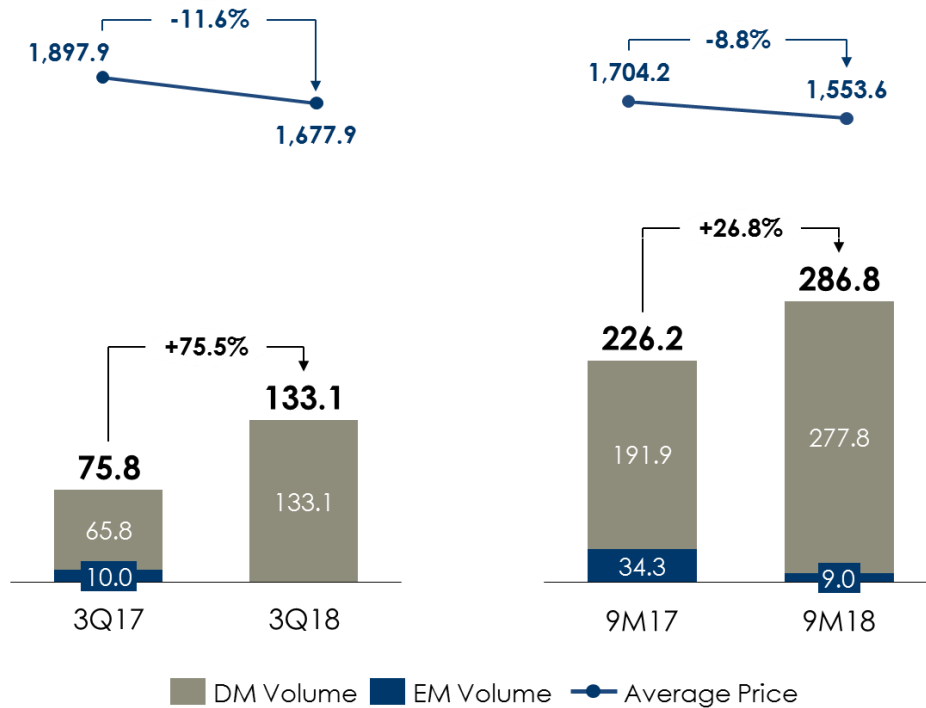


Net revenue from sugar sales amounted to R\$410.5 million in 3Q18, increasing 18.0% on the same period of the previous crop year, reflecting the 15.8% growth in sales volume due to the higher volume produced this crop year.

In the first nine months of the crop year (9M18), net revenue from sugar sales amounted to R\$1,322.3 million, advancing 17.9% compared to 9M17, supported by the 12.3% increase in the average sales price to R\$1,340.1/ton, due to the Company's hedging strategy, and by the 5% growth in sales volume.

## Hydrous Ethanol

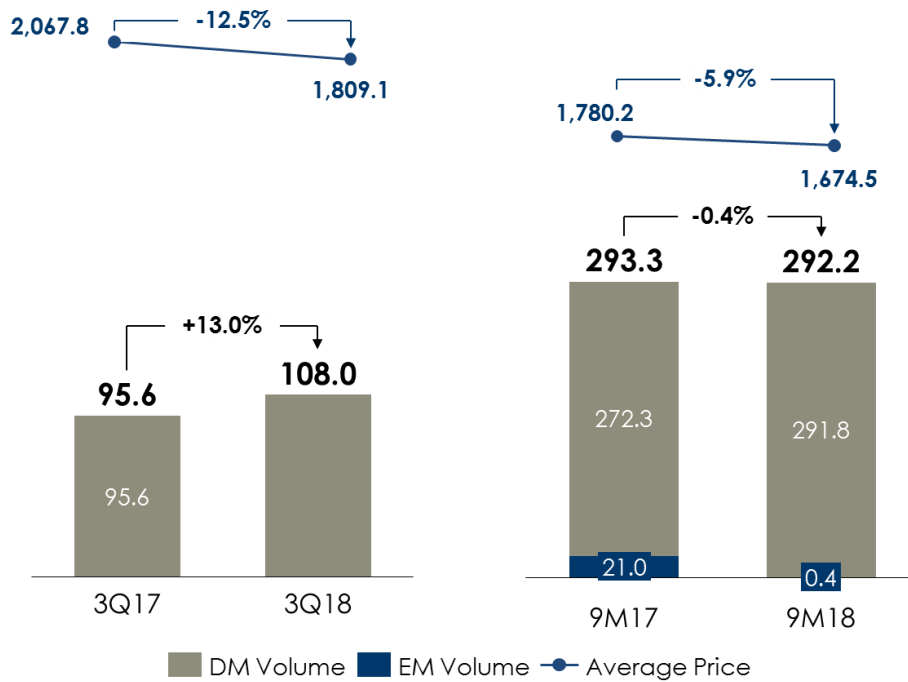
Volume ('000 m³) and Average Price (R\$/m³)



Net revenue from hydrous ethanol sales amounted to R\$223.3 million in 3Q18, increasing 55.2% from 3Q17, explained by the sales volume growth of 75.6% in the period, due to the full consolidation of Boa Vista Mill. In 9M18, net revenue from hydrous ethanol sales grew 15.6% compared to 9M17. The lower hydrous ethanol price in the quarter and year-to-date mainly reflect the higher rate of PIS and Cofins taxes on ethanol sales as of January 2017.

## Anhydrous Ethanol

Volume ('000 m<sup>3</sup>) and Average Price (R\$/m<sup>3</sup>)

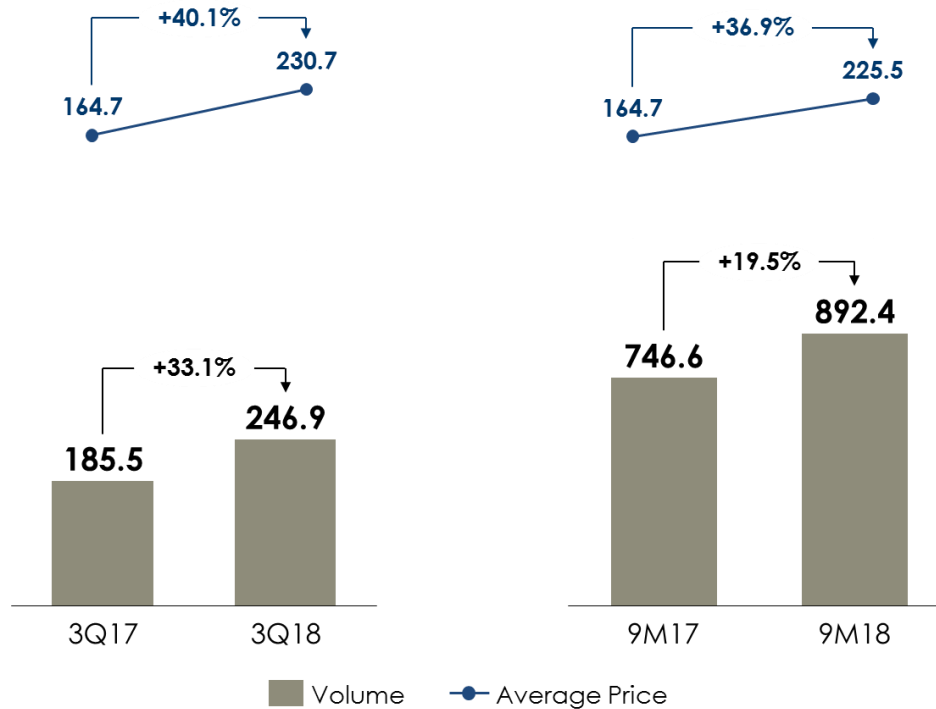


Net revenue from anhydrous ethanol sales amounted to R\$195.4 million in 3Q18, down 1.1% from the same quarter of the previous crop year, reflecting the 12.5% decline in the average sales price. In the first nine months of the crop year, net revenue from anhydrous ethanol sales fell 6.3%, due to the same factor impacting performance in the quarter.

The lower anhydrous ethanol price in the quarter and year-to-date mainly reflect the higher rate of PIS and Cofins taxes on ethanol sales as of January 2017.

## Cogeneration

Sales Volume ('000MWh) and Average Sales Price (R\$/MWh)



Net revenue from cogeneration sales in 3Q18 amounted to R\$57.0 million, increasing 86.5% from the same period of the previous crop year. The improvement reflects the higher volume of energy sold in the period (+33.1%), due to the full consolidation of Usina Boa Vista, coupled with the higher average sales price (+40.1%) in the period, mainly reflecting the higher spot market energy prices. In the first nine months of the crop year, net revenue from cogeneration sales increased 63.6%, to R\$201.2 million, explained by the same factors that influenced performance in the quarter.

## Real Estate Development

The following table presents an overview of these projects and their percentage of completion (POC) and sales since their launch through December 2017.

| Real Estate Development   | Type        | City         | Area (m <sup>2</sup> ) | Launch date  | Total lots Sold | POC    |
|---------------------------|-------------|--------------|------------------------|--------------|-----------------|--------|
| Recanto das Paineiras     | Residential | Iracemápolis | 376,567                | June-14      | 99.8%           | 100.0% |
| Park Empresarial          | Industrial  | Iracemápolis | 182,684                | September-14 | 77.0%           | 100.0% |
| Nova Pradópolis - Fase I  | Residential | Pradópolis   | 257,750                | December-15  | 87.8%           | 100.0% |
| Nova Pradópolis - Fase II | Residential | Pradópolis   | 255,750                | July-17      | 40.3%           | 53.4%  |

In 9M18, the Company recognized net revenue of R\$4.5 million and cash generation of R\$8.8 million.

| Real Estate Development | Net Revenue 9M18 | Cash Generation 9M18 | Portfolio December/17 | Nominal Portfolio December/17 |
|-------------------------|------------------|----------------------|-----------------------|-------------------------------|
| Current Projects        | 4,324            | 7,163                | 85,532                | 132,903                       |
| Land Monetization       | 202              | 1,637                | 9,113                 | 9,113                         |
| <b>Total</b>            | <b>4,526</b>     | <b>8,800</b>         | <b>94,645</b>         | <b>142,016</b>                |

## INVENTORIES

|                                     | 3Q18    | 3Q17    | Chg. (%) |
|-------------------------------------|---------|---------|----------|
| Sugar (tons)                        | 430,321 | 390,015 | 10.3%    |
| Hydrous Ethanol (m <sup>3</sup> )   | 172,860 | 50,134  | 244.8%   |
| Anhydrous Ethanol (m <sup>3</sup> ) | 235,848 | 144,631 | 63.1%    |



## EBITDA AND EBITDA COST BY PRODUCT

| EBITDA BY PRODUCT - 3Q18  | SUGAR          | ETHANOL        | COGEN         | REAL ESTATE  | OTHERS       | TOTAL          |
|---------------------------|----------------|----------------|---------------|--------------|--------------|----------------|
| R\$ '000                  |                |                |               |              |              |                |
| Net Revenues*             | 410,485        | 418,694        | 56,971        | 2,224        | 11,305       | 899,679        |
| COGS (Cash)               | (141,293)      | (172,537)      | (8,253)       | (166)        | (7,179)      | (329,427)      |
| Gross Profit (Cash)       | 269,192        | 246,157        | 48,718        | 2,058        | 4,126        | 570,252        |
| Gross Margin (Cash)       | 65.6%          | 58.8%          | 85.5%         | 92.6%        | 36.5%        | 63.4%          |
| Sales Expenses            | (24,934)       | (1,148)        | (2,437)       | -            | (92)         | (28,611)       |
| G&A Expenses (Cash)       | (17,961)       | (21,595)       | (3,656)       | (1,036)      | -            | (44,248)       |
| Other Revenues (Expenses) |                |                |               |              | 47           | 47             |
| <b>Adjusted EBITDA</b>    | <b>226,297</b> | <b>223,415</b> | <b>42,625</b> | <b>1,022</b> | <b>4,081</b> | <b>497,440</b> |
| Adjusted EBITDA Margin    | 55.1%          | 53.4%          | 74.8%         | 46.0%        | 36.1%        | 55.3%          |
| EBITDA Cost**             | (561.4)        | (810.0)        | (58.1)        |              |              |                |

\*Excludes Hedge Accounting effects of foreign-denominated debt and PPA USC (R\$ 4.6 million).

\*\* Sugar in R\$/Ton

Ethanol in R\$/m<sup>3</sup>

Cogeneration in R\$/MWh

| EBITDA BY PRODUCT - 3Q17  | SUGAR          | ETHANOL        | COGEN         | REAL ESTATE  | OTHERS       | TOTAL          |
|---------------------------|----------------|----------------|---------------|--------------|--------------|----------------|
| R\$ '000                  |                |                |               |              |              |                |
| Net Revenues*             | 347,929        | 341,505        | 30,548        | 2,858        | 16,485       | 739,325        |
| COGS (Cash)               | (162,621)      | (159,733)      | (5,786)       | (132)        | (9,799)      | (338,072)      |
| Gross Profit (Cash)       | 185,308        | 181,772        | 24,762        | 2,726        | 6,685        | 401,253        |
| Gross Margin (Cash)       | 53.3%          | 53.2%          | 81.1%         | 95.4%        | 40.6%        | 54.3%          |
| Sales Expenses            | (17,508)       | (1,578)        | (1,898)       | -            | (96)         | (21,079)       |
| G&A Expenses (Cash)       | (17,393)       | (17,289)       | (3,079)       | (1,010)      | -            | (38,770)       |
| Other Revenues (Expenses) |                |                |               |              | 235          | 235            |
| <b>Adjusted EBITDA</b>    | <b>150,407</b> | <b>162,906</b> | <b>19,785</b> | <b>1,716</b> | <b>6,824</b> | <b>341,638</b> |
| Adjusted EBITDA Margin    | 43.2%          | 47.7%          | 64.8%         | 60.0%        | 41.4%        | 46.2%          |
| EBITDA Cost**             | (697.0)        | (1,042.1)      | (58.0)        |              |              |                |

\*Excludes Hedge Accounting effects of foreign-denominated debt and PPA USC (R\$ 2.4 million).

\*\* Sugar in R\$/Ton

Ethanol in R\$/m<sup>3</sup>

Cogeneration in R\$/MWh

| EBITDA BY PRODUCT - 9M18  | SUGAR          | ETHANOL        | COGEN          | REAL ESTATE  | OTHERS        | TOTAL            |
|---------------------------|----------------|----------------|----------------|--------------|---------------|------------------|
| R\$ '000                  |                |                |                |              |               |                  |
| Net Revenues*             | 1,322,309      | 934,833        | 201,195        | 4,526        | 40,883        | 2,503,746        |
| COGS (Cash)               | (447,176)      | (430,340)      | (25,290)       | (425)        | (23,533)      | (926,764)        |
| Gross Profit (Cash)       | 875,133        | 504,493        | 175,905        | 4,101        | 17,350        | 1,576,982        |
| Gross Margin (Cash)       | 66.2%          | 54.0%          | 87.4%          | 90.6%        | 42.4%         | 63.0%            |
| Sales Expenses            | (71,322)       | (6,364)        | (7,355)        | -            | (502)         | (85,543)         |
| G&A Expenses (Cash)       | (57,305)       | (54,875)       | (14,110)       | (2,651)      | -             | (128,941)        |
| Other Revenues (Expenses) | -              | -              | -              | -            | 1,867         | 1,867            |
| <b>Adjusted EBITDA</b>    | <b>746,505</b> | <b>443,254</b> | <b>154,440</b> | <b>1,450</b> | <b>18,716</b> | <b>1,364,365</b> |
| Adjusted EBITDA Margin    | 56.5%          | 47.4%          | 76.8%          | 32.0%        | 45.8%         | 54.5%            |
| EBITDA Cost**             | (583.6)        | (849.0)        | (52.4)         |              |               |                  |

\*Excludes Hedge Accounting effects of foreign-denominated debt and PPA (R\$ 182.4 million).

\*\* Sugar in R\$/Ton

Ethanol in R\$/m<sup>3</sup>

Cogeneration in R\$/MWh

| EBITDA BY PRODUCT - 9M17  | SUGAR          | ETHANOL        | COGEN         | REAL ESTATE   | OTHERS        | TOTAL            |
|---------------------------|----------------|----------------|---------------|---------------|---------------|------------------|
| R\$ '000                  |                |                |               |               |               |                  |
| Net Revenues*             | 1,122,010      | 907,702        | 122,967       | 20,971        | 544,428       | 2,718,079        |
| COGS (Cash)               | (487,361)      | (442,904)      | (19,578)      | (3,374)       | (31,999)      | (985,217)        |
| Gross Profit (Cash)       | 634,649        | 464,798        | 103,389       | 17,597        | 22,428        | 1,242,860        |
| Gross Margin (Cash)       | 56.6%          | 51.2%          | 84.1%         | 83.9%         | 41.2%         | 55.8%            |
| Sales Expenses            | (62,896)       | (10,330)       | (4,740)       | -             | (96)          | (78,062)         |
| G&A Expenses (Cash)       | (56,058)       | (50,992)       | (12,016)      | (2,398)       | -             | (121,464)        |
| Other Revenues (Expenses) | -              | -              | -             | -             | 759           | 759              |
| <b>Adjusted EBITDA</b>    | <b>515,695</b> | <b>403,476</b> | <b>86,632</b> | <b>15,198</b> | <b>23,091</b> | <b>1,044,092</b> |
| Adjusted EBITDA Margin    | 46.0%          | 44.5%          | 70.5%         | 72.5%         | 42.4%         | 46.9%            |
| EBITDA Cost**             | (645.0)        | (970.5)        | (48.7)        |               |               |                  |

\*Excludes Hedge Accounting effects of foreign-denominated debt and PPA (R\$ 125.3 million).

\*\* Sugar in R\$/Ton

Ethanol in R\$/m<sup>3</sup>

Cogeneration in R\$/MWh

In 3Q18, sugar accounted for 45.5% of the Company's consolidated Adjusted EBITDA, while ethanol accounted for 44.9% and cogeneration for 8.6%. Sugar EBITDA margin expanded 11.9 p.p. on the same period of the previous crop year, supported mainly by the lower production cost (see details in the section "Cash COGS"), which also explains the 5.7 p.p. expansion in ethanol EBITDA margin.

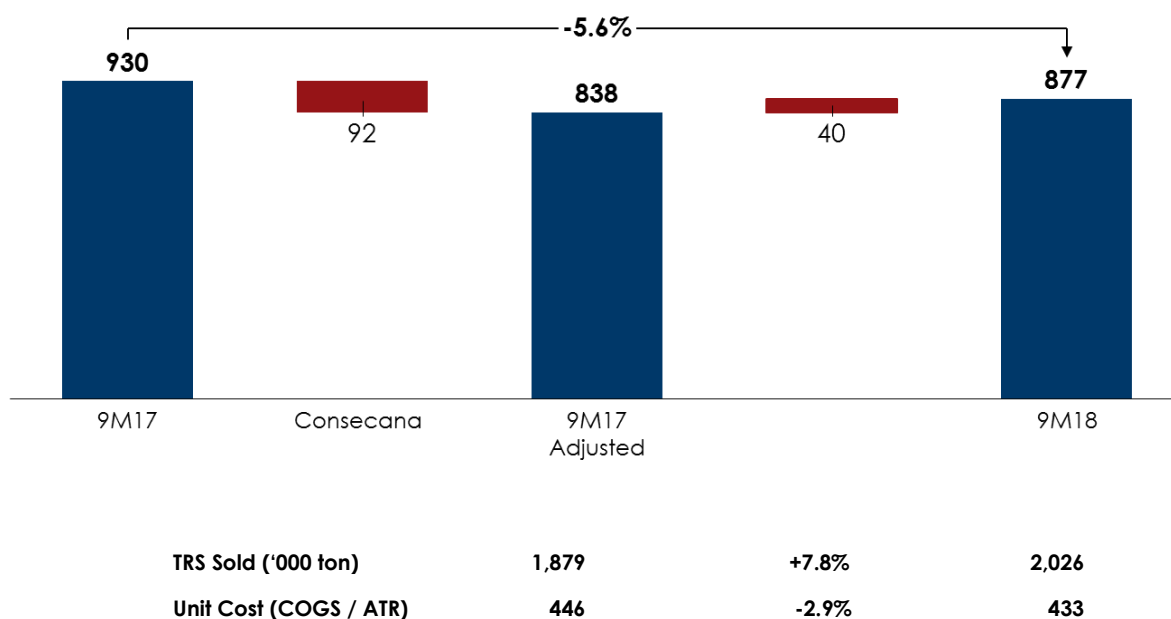
In 9M17, sugar accounted for 54.7% of the Group's consolidated Adjusted EBITDA, while ethanol accounted for 32.5% and cogeneration for 11.3%. Sugar EBITDA margin expanded 10.5 p.p. on the same period of the previous crop year, explained by the net revenue growth and lower production cash cost. Ethanol margin expanded 2.9 p.p. in the period, reflecting the growth in hydrous sales volume and the lower production cash cost, as mentioned above.

## CASH COGS

|                                    | 3Q18           | 3Q17           | Chg. (%)     | 9M18           | 9M17           | Chg. (%)     |
|------------------------------------|----------------|----------------|--------------|----------------|----------------|--------------|
| R\$ '000                           |                |                |              |                |                |              |
| Agricultural Costs                 | 270,819        | 279,896        | -3.2%        | 775,660        | 789,765        | -1.8%        |
| Suppliers                          | 131,142        | 138,216        | -5.1%        | 415,594        | 416,317        | -0.2%        |
| Partnerships                       | 65,218         | 66,138         | -1.4%        | 175,878        | 175,111        | 0.4%         |
| Own Sugarcane                      | 74,459         | 75,542         | -1.4%        | 184,188        | 198,336        | -7.1%        |
| Industrial                         | 48,853         | 42,736         | 14.3%        | 121,225        | 141,191        | -14.1%       |
| Other Products                     | 15,604         | 15,816         | -1.3%        | 49,388         | 55,399         | -10.8%       |
| Reintegra                          | (5,850)        | (376)          | n.m.         | (19,510)       | (1,137)        | n.m.         |
| <b>Total COGS</b>                  | <b>329,427</b> | <b>338,072</b> | <b>-2.6%</b> | <b>926,764</b> | <b>985,217</b> | <b>-5.9%</b> |
| TRS Sold (000 Tons)                | 755            | 592            | 27.6%        | 2,026          | 1,879          | 7.8%         |
| Unit Cost (Sugar and Ethanol Cash) | 416            | 545            | -23.7%       | 433            | 495            | -12.5%       |

In 3Q18, Cash COGS came to R\$329.4 million, down 2.6% from the same period of the previous crop year, mainly due to: i) the lower cost of own cane, given the higher yields of our sugarcane fields (TRS/Ton); and ii) the lower Consecana price in the period, reflecting the declines in sugar and ethanol prices. In the nine-month period, Cash COGS was R\$926.8 million, down 5.9%, reflecting the same factors that impacted performance in the quarter.

The following chart shows the effective change in sugar and ethanol costs in 9M18 compared to 9M17, excluding the effects from the Consecana price in the period.



The following table presents more details on average unit cash COGS for both sugar and ethanol.

| AVERAGE CASH COST PER UNIT            | 3Q18           | 3Q17           | Chg. (%)     | 9M18           | 9M17           | Chg. (%)     |
|---------------------------------------|----------------|----------------|--------------|----------------|----------------|--------------|
| R\$ '000                              |                |                |              |                |                |              |
| <b>COGS</b>                           | <b>313,829</b> | <b>322,354</b> | <b>-2.6%</b> | <b>877,516</b> | <b>930,266</b> | <b>-5.7%</b> |
| Sugar                                 | 141,293        | 162,621        | -13.1%       | 447,176        | 487,361        | -8.2%        |
| Ethanol                               | 172,537        | 159,733        | 8.0%         | 430,340        | 442,904        | -2.8%        |
| <b>Average Cash Cost Per Unit (*)</b> |                |                |              |                |                |              |
| Sugar Cash Cost                       | 430.6          | 573.8          | -25.0%       | 453.2          | 518.5          | -12.6%       |
| Ethanol Cash Cost                     | 715.6          | 932.0          | -23.2%       | 743.3          | 852.5          | -12.8%       |

(\*) Sugar in R\$/Ton  
Ethanol in R\$/m<sup>3</sup>

## SELLING EXPENSES

|                         | 3Q18          | 3Q17          | Chg. (%)     | 9M18          | 9M17          | Chg. (%)    |
|-------------------------|---------------|---------------|--------------|---------------|---------------|-------------|
| R\$ Thousand            |               |               |              |               |               |             |
| Port Costs / Freight    | 24,703        | 18,807        | 31.3%        | 74,437        | 69,143        | 7.7%        |
| Other                   | 3,908         | 2,272         | 72.0%        | 11,106        | 8,919         | 24.5%       |
| <b>Selling Expenses</b> | <b>28,611</b> | <b>21,079</b> | <b>35.7%</b> | <b>85,543</b> | <b>78,062</b> | <b>9.6%</b> |
| TRS Sold ('000 Tons)    | 755           | 592           | 27.6%        | 2,026         | 1,879         | 7.8%        |
| % of Net Revenues       | 3.2%          | 2.9%          | 0.3 p.p.     | 3.4%          | 3.5%          | -0.1 p.p.   |

In 3Q18, selling expenses amounted to R\$28.6 million, increasing 35.7% from 3Q17, mainly due to the growth in sugar sales volume, which accounted for a 9.6% increase in selling expenses in 9M18.

## CASH GENERAL AND ADMINISTRATIVE EXPENSES

|  | 3Q18          | 3Q17          | Chg. (%)     | 9M18           | 9M17           | Chg. (%)     |
|--|---------------|---------------|--------------|----------------|----------------|--------------|
| R\$ '000   |               |               |              |                |                |              |
| Personnel and Management Fee                                 | 25,347        | 24,754        | 2.4%         | 78,497         | 77,029         | 1.9%         |
| Taxes, Fees, Contributions and Contingencies                 | 5,479         | 3,311         | 65.5%        | 14,542         | 11,237         | 29.4%        |
| General Expenses and Third-Party Services                    | 12,310        | 9,717         | 26.7%        | 32,566         | 23,034         | 41.4%        |
| Stock Option Expenses  | 1,112         | 988           | 12.6%        | 3,336          | 2,964          | 12.6%        |
| <b>Total recurring General &amp; Administrative Expenses</b> | <b>44,248</b> | <b>38,770</b> | <b>14.1%</b> | <b>128,941</b> | <b>114,264</b> | <b>12.8%</b> |
| Non-recurring items  | -             | -             | -            | -              | 7,200          | -            |
| <b>Total General and Administrative Expenses</b>             | <b>44,248</b> | <b>38,770</b> | <b>14.1%</b> | <b>128,941</b> | <b>121,464</b> | <b>6.2%</b>  |

In 3Q18, cash G&A expenses amounted to R\$44.2 million, increasing 14.1% from the same period of the prior crop year, mainly due to the effects from the Boa Vista incorporation, as well as the one-off increase in expenses related to provisions with labor contingencies in the quarter. In the first nine months of the crop year, G&A expenses increased 6.2%.

## EBITDA

| Pro-Forma<br>EBITDA RECONCILIATION               | 3Q18           | 3Q17           | Chg. (%)     | 9M18             | 9M17             | Chg. (%)     |
|--|----------------|----------------|--------------|------------------|------------------|--------------|
| R\$ '000   |                |                |              |                  |                  |              |
| <b>Adjusted EBITDA</b>                           | <b>497,440</b> | <b>341,638</b> | <b>45.6%</b> | <b>1,364,365</b> | <b>1,044,092</b> | <b>30.7%</b> |
| Adjusted EBITDA Margin                           | 55.3%          | 46.2%          | 9.1 p.p.     | 54.5%            | 46.9%            | 7.6 p.p.     |
| Adjustment to Maturity of Hedge Accounting / PPA | 4,612          | 2,400          | 92.2%        | 182,388          | 125,269          | 45.6%        |
| Equity Income                                    | 207            | (446)          | n.m.         | 2,002            | (949)            | n.m.         |
| Non Recurring Operating Income (Expense)         | (26)           | 310            | n.m.         | 553              | (1,752)          | n.m.         |
| Biological Assets                                | 3,651          | 19,448         | -81.2%       | 12,988           | 6,560            | n.m.         |
| <b>Book EBITDA</b>                               | <b>488,996</b> | <b>319,926</b> | <b>52.8%</b> | <b>1,166,435</b> | <b>914,965</b>   | <b>27.5%</b> |
| EBITDA Margin                                    | 54.6%          | 43.4%          | 11.2 p.p.    | 50.2%            | 43.5%            | 6.7 p.p.     |
| (-) Depreciation and Amortization                | (219,619)      | (185,822)      | 18.2%        | (606,231)        | (519,152)        | 16.8%        |
| (-) Financial Revenue (Expense), net             | (52,923)       | (67,329)       | -21.4%       | (129,765)        | (198,944)        | -34.8%       |
| (=) Operating Income (Loss)                      | 216,454        | 66,775         | 224.2%       | 430,439          | 196,869          | 118.6%       |

### Adjusted EBITDA

Adjusted EBITDA amounted to R\$497.4 million in 3Q18 (Adjusted EBITDA margin of 55.3%), growing 45.6% on 3Q17, mainly due to: (i) the growth in sugar and ethanol sales volume; ii) the reduction in production cash cost, mainly due to the improvement in operating leverage in the 2017/18 crop year; and iii) the strong growth in energy cogeneration sales volume and prices.

In 9M18, Adjusted EBITDA advanced 30.7% to R\$1,364.4 million (EBITDA margin of 54.5%), explained by the same factors that affected performance in the quarter.

### Main Adjustments to EBITDA in 3Q18 and 9M18

#### 1) Adjustment of Debt Maturity (Hedge Accounting / PPA)

- Debt maturity (Hedge Accounting): Expense related to exchange variation on debt settled in 3Q18 that was previously designated as Hedge Accounting at a USD/BRL exchange rate of R\$2.2/USD. Considering that the exchange rate used for the purposes of cash flow in the period was R\$3.2/USD, we adjusted the amount of R\$3.2 million in net revenue and EBITDA to provide a better understanding of the Company's cash generation in the period. In 9M18, the adjustment amounted to R\$174.2 million.
- Price Purchase Allocation (PPA): Noncash expense of R\$1.4 million, reflecting the amortization of goodwill paid for the future profitability of the cogeneration volume of the Santa Cruz Mill in 3Q18. In the nine-month period, the expense came to R\$8.2 million.

#### 2) Biological Assets

- Noncash increase of R\$3.6 million in accounting costs (COGS) in 3Q18, reflecting the write-off of the Price Purchase Allocation of biological assets from the acquisition of Boa Vista Mill.

## Operating Cash Generation (Adjusted EBIT)

EBIT in 3Q18 came to R\$277.8 million (EBIT margin of 30.9%), increasing 78.3% from 3Q17. In the nine-month period, EBIT advanced 44.4% to R\$758.1 million (EBIT margin of 30.3%), explained by the same factors that benefitted Adjusted EBITDA.

|  | 3Q18           | 3Q17           | Chg.%        | 9M18             | 9M17             | Chg.%        |
|--|----------------|----------------|--------------|------------------|------------------|--------------|
| R\$ '000                                 |                |                |              |                  |                  |              |
| <b>Adjusted EBIT</b>                     | <b>277,821</b> | <b>155,816</b> | <b>78.3%</b> | <b>758,134</b>   | <b>524,940</b>   | <b>44.4%</b> |
| Adjusted EBIT Margin                     | 30.9%          | 21.1%          | 9.8 p.p.     | 30.3%            | 23.6%            | 6.7 p.p.     |
| (-) Depreciation and Amortization        | (219,619)      | (185,822)      | 18.2%        | (606,231)        | (519,152)        | 16.8%        |
| <b>Adjusted EBITDA</b>                   | <b>497,440</b> | <b>341,638</b> | <b>45.6%</b> | <b>1,364,365</b> | <b>1,044,092</b> | <b>30.7%</b> |
| Adjusted EBITDA Margin                   | 55.3%          | 46.2%          | 9.1 p.p.     | 54.5%            | 46.9%            | 7.6 p.p.     |
| Adjustment to Maturity of Hedge / PPA    | 4,612          | 2,400          | 92.2%        | 182,388          | 125,269          | 45.6%        |
| Equity Income (Loss)                     | 207            | (446)          | -146.4%      | 2,002            | (949)            | -311.0%      |
| Non Recurring Operating Income (Expense) | (26)           | 310            | -108.3%      | 553              | (1,752)          | -131.5%      |
| Biological Assets                        | 3,651          | 19,448         | -81.2%       | 12,988           | 6,560            | 98.0%        |
| <b>Book EBITDA</b>                       | <b>488,996</b> | <b>319,926</b> | <b>52.8%</b> | <b>1,166,435</b> | <b>914,965</b>   | <b>27.5%</b> |
| EBITDA Margin                            | 54.6%          | 43.4%          | 11.2 p.p.    | 50.2%            | 43.5%            | 6.7 p.p.     |

## HEDGE

A summary of our sugar and U.S. dollar hedge positions as of December 29, 2017 follows.

### Sugar

|                            | Volume Hedged ('000 tons) | Avg. Price (US\$ c/p) | Avg. Price (R\$ /Ton) |
|----------------------------|---------------------------|-----------------------|-----------------------|
| <b>Sugar</b>               |                           |                       |                       |
| <b>2017/2018 crop year</b> | <b>346,727</b>            | <b>17.29</b>          | <b>1,273.4</b>        |
| <b>2018/2019 crop year</b> | <b>404,693</b>            | <b>15.80</b>          | <b>1,163.9</b>        |

On December 29, 2017, we had 346,727 tons of sugar to be shipped in the 2017/18 crop year hedged at an average price of 17.29 ¢/lb, or R\$1,273.4/ton, considering realized dollar-denominated NDFs, which corresponds to around 88% of own sugarcane volume and 80% of total open position.

On the same date, our sugar price hedge for the 2018/19 crop year corresponded to approximately 50% of the volume of own sugarcane, considering the minimum sugar production for the crop year, at the price of R\$1,163.9/ton.

### U.S. dollar

On December 29, 2017, the Company held open positions through Non-Deliverable Forwards (NDFs) and derivative instruments, which are used to hedge its exports, with maturities in the 2017/18 and 2018/19 crop years, as follows:

|                     | TOTAL     |                          | SUGAR     |                          | ETHANOL   |                          |
|---------------------|-----------|--------------------------|-----------|--------------------------|-----------|--------------------------|
|                     | US\$ '000 | Average Price (R\$/US\$) | US\$ '000 | Average Price (R\$/US\$) | US\$ '000 | Average Price (R\$/US\$) |
| 2017/2018 crop year | 197,834   | 3.34                     | 184,873   | 3.34                     | 12,961    | 3.33                     |
| 2018/2019 crop year | 103,743   | 3.36                     | 103,743   | 3.36                     | -         | -                        |

### Hedge Accounting

#### Effect on Shareholders' Equity

Moreover, in March 2010, the Company began to adopt hedge accounting for derivatives classified as hedge instruments, as well as debt denominated in foreign currency.

The quarterly results are recorded in shareholders' equity ("Adjustments to Book Value"), net of deferred income and social contribution taxes. In the period from April to December 2017, we recorded a reduction in shareholders' equity of R\$337.6 million.

## Effect on Income Statement

As previously mentioned, certain foreign-denominated liabilities that had been designated as Hedge Accounting will mature in the future, which will impact our net revenue.

In 3Q18, a total of US\$3.1 million in debt was recognized at the exchange rate of R\$2.2/US\$ used for the translation of net revenue. Considering that the exchange rate used for the purposes of cash flow in the period was R\$3.2/US\$, we made an adjustment of R\$3.2 million in net revenue and EBITDA to provide a better understanding of the Company's operating cash generation in the period.

In 9M18, a total of US\$142.5 million in debt was recognized at the exchange rate of R\$2.1/US\$ used for the translation of net revenue. Considering that the exchange rate used for the purposes of cash flow in the period was R\$3.3/USD, we made an adjustment of R\$174.2 million in net revenue and EBITDA.

## NET FINANCIAL RESULT

|  | 3Q18            | 3Q17            | Chg.%         | 9M18             | 9M17             | Var.%         |
|--|-----------------|-----------------|---------------|------------------|------------------|---------------|
| R\$ '000   |                 |                 |               |                  |                  |               |
| Financial Income                                     | 24,835          | 30,809          | -19.4%        | 100,931          | 101,572          | -0.6%         |
| Financial Expense                                    | (80,619)        | (86,048)        | -6.3%         | (250,545)        | (237,977)        | 5.3%          |
| <b>Net Financial Result before FX Var. and Hedge</b> | <b>(55,784)</b> | <b>(55,239)</b> | <b>1.0%</b>   | <b>(149,614)</b> | <b>(136,405)</b> | <b>9.7%</b>   |
| Hedge Result/Exchange Variation                      | 9,759           | (6,211)         | n.m.          | 33,816           | (44,770)         | n.m.          |
| Copersucar Monetary Variation                        | (6,898)         | (5,879)         | 17.3%         | (13,967)         | (17,769)         | -21.4%        |
| <b>Net Financial Result</b>                          | <b>(52,923)</b> | <b>(67,329)</b> | <b>-21.4%</b> | <b>(129,765)</b> | <b>(198,944)</b> | <b>-34.8%</b> |

The net financial result in 3Q18 was an expense of R\$52.9 million, which represents a 21.4% reduction compared to 3Q17. In the first nine months of the crop year, the net financial expense decreased by 34.8% to R\$129.8 million. The improvement in the financial result mainly reflects the lower impact from exchange variation in the periods.

## DEBT WITH COPERSUCAR

On December 29, 2017, the São Martinho Group recognized the amount of R\$230.8 million in obligations payable to Copersucar under Liabilities on its balance sheet. In view of the terms negotiated in the process to terminate the membership at Copersucar, we will continue to book under "Obligations - Copersucar" all liabilities related to the contingencies currently being resolved judicially that were filed by legal counsel at Copersucar. These obligations continue to be secured by suretyships in the amount of R\$206.6 million on a consolidated basis.

## INDEBTEDNESS

|   | Dec/17           | Mar/17           | Chg.%        |
|---|------------------|------------------|--------------|
| <b>R\$ Thousand</b>                               |                  |                  |              |
| PESA  | 28,560           | 42,009           | -32.0%       |
| Rural Credit                                      | 837,775          | 505,640          | 65.7%        |
| BNDES / FINAME                                    | 693,665          | 842,630          | -17.7%       |
| Working Capital                                   | 615,756          | 761,944          | -19.2%       |
| International Finance Corporation (IFC)           | 299,287          | -                | n.m.         |
| PPE (Export prepayment)                           | 544,723          | 633,070          | -14.0%       |
| NCE (Export Credit Note)                          | 205,059          | 584,487          | -64.9%       |
| Agribusiness Certificate of Receivables (CRA)     | 866,428          | 349,462          | 147.9%       |
| Obligations from Acquisitions - LOP               | 61,897           | 62,088           | -0.3%        |
| <b>Gross Debt</b>                                 | <b>4,153,151</b> | <b>3,781,331</b> | <b>9.8%</b>  |
| Cash and Cash Equivalents                         | 1,198,741        | 1,196,782        | 0.2%         |
| <b>Consolidated Net Debt</b>                      | <b>2,954,410</b> | <b>2,584,549</b> | <b>14.3%</b> |
| <b>Net Debt / Acum. EBITDA <sup>1</sup></b>       | 1.61 x           | 1.55 x           |              |
| <b>Net Debt / Acum. EBITDA - USD <sup>2</sup></b> | 1.55 x           | 1.61 x           |              |

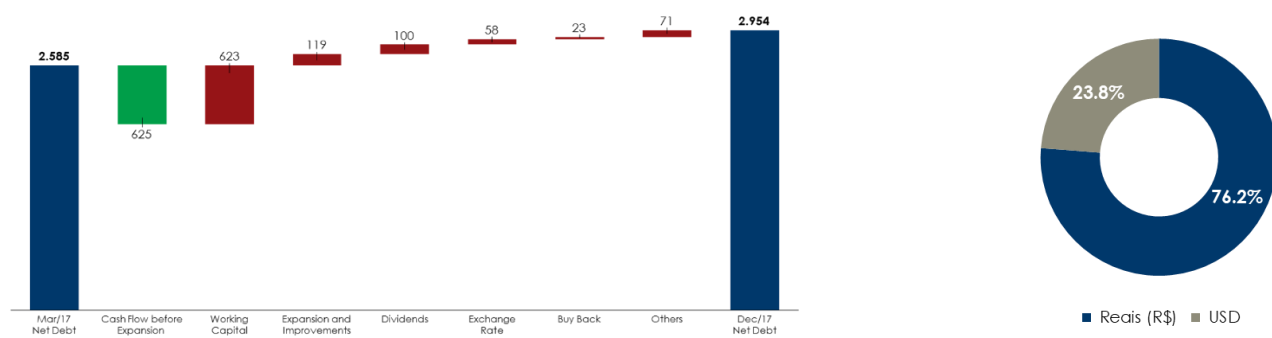
1 - Cumulative EBITDA considers 100% of UBV;

2 - Net Debt PTAX: Cumulative EBITDA average daily PTAX LTM:

Mar/17: R\$ 3.17 Mar/17: R\$ 3.30

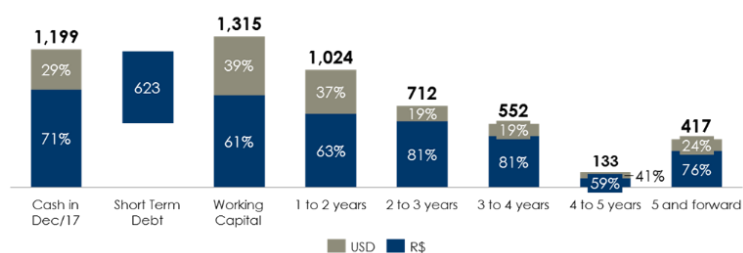
Dec/17: R\$ 3.31 Dec/17: R\$ 3.19

As of December 2017, the Company's net debt stood at R\$2.9 billion, which represents an increase of 14.3% compared to March 2017. The growth in the debt balance mainly reflects the higher working capital needs in the period, due to the higher inventory of finished goods, which should be converted into cash by the end of the crop year. The main changes in net debt and a breakdown by currency are shown below:



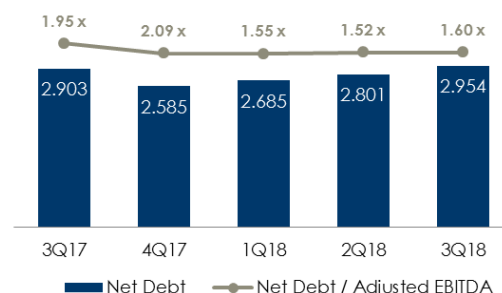
### Debt Amortization Schedule

R\$ million



### Net Debt / LTM EBITDA

Evolution





## CAPEX

| <b>(Maintenance)</b>              | <b>3Q18</b>    | <b>3Q17</b>    | <b>Chg.%</b>  | <b>9M18</b>    | <b>9M17</b>    | <b>Var%.</b>  |
|-----------------------------------|----------------|----------------|---------------|----------------|----------------|---------------|
| R\$ '000                          |                |                |               |                |                |               |
| Sugarcane Planting                | 70,975         | 53,137         | 33.6%         | 174,606        | 141,140        | 23.7%         |
| Off-Season Maintenance            | 82,769         | 63,818         | 29.7%         | 85,786         | 64,209         | 33.6%         |
| Crop Treatment                    | 116,994        | 101,267        | 15.5%         | 332,055        | 289,427        | 14.7%         |
| <b>Total</b>                      | <b>270,738</b> | <b>218,223</b> | <b>24.1%</b>  | <b>592,447</b> | <b>494,776</b> | <b>19.7%</b>  |
| <b>(Operational Improvements)</b> | <b>3Q18</b>    | <b>3Q17</b>    | <b>Chg.%</b>  | <b>9M18</b>    | <b>9M17</b>    | <b>Chg.%</b>  |
| R\$ '000                          |                |                |               |                |                |               |
| Equipment/Projects/Replacements   | 37,724         | 26,155         | 44.2%         | 79,646         | 54,903         | 45.1%         |
| <b>Total</b>                      | <b>37,724</b>  | <b>26,155</b>  | <b>44.2%</b>  | <b>79,646</b>  | <b>54,903</b>  | <b>45.1%</b>  |
| <b>(Upgrading/Expansion)</b>      | <b>3Q18</b>    | <b>3Q17</b>    | <b>Chg.%</b>  | <b>9M18</b>    | <b>9M17</b>    | <b>Chg.%</b>  |
| R\$ '000                          |                |                |               |                |                |               |
| Industrial/Agricultural           | 24,205         | 36,589         | -33.8%        | 51,195         | 81,066         | -36.8%        |
| <b>Total</b>                      | <b>24,205</b>  | <b>36,589</b>  | <b>-33.8%</b> | <b>51,195</b>  | <b>81,066</b>  | <b>-36.8%</b> |
| <b>Total</b>                      | <b>332,667</b> | <b>280,967</b> | <b>18.4%</b>  | <b>723,288</b> | <b>630,745</b> | <b>14.7%</b>  |

The Company's maintenance CAPEX amounted to R\$270.7 million in 3Q18, increasing 24.1% from the previous crop year, mainly due to the effects from the 100% consolidation of Usina Boa Vista on our results as of this crop year, which also explains the increase of 19.7% in sustaining CAPEX for the first nine months of this crop year.

Operational improvement CAPEX (investments in replacing agricultural and industrial equipment to boost yields) amounted to R\$37.7 million (+44.2%) in 3Q18 and 79.7 million (+45.1%) in the year-to-date. The increase reflects not only the effects from the consolidation of Boa Vista Mill, but also the replacement of part of the unit's agricultural fleet, a disbursement that already was provided for in the Company's investment plan due to the growth in crushing volume in recent years.

Expansion CAPEX amounted to R\$24.2 million in 3Q18, or 33.8% lower than in the year-ago period. This quarter, investments were made mainly in the carryover of projects started in the previous crop year.

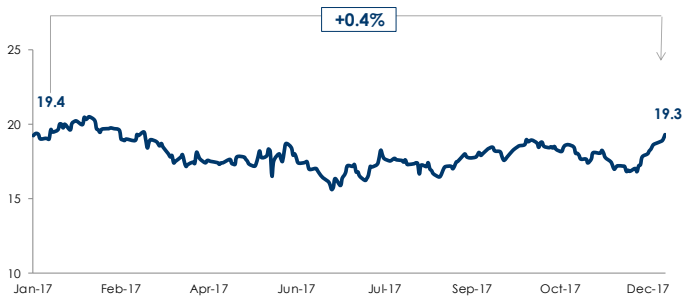
## CASH NET INCOME

São Martinho's cash net income in 3Q18 amounted to R\$215.9 million, increasing 150.9% from 3Q17. In the nine-month period, cash net income advanced 89.1% to R\$613.2 million. The improvement is mainly explained by the growth in Adjusted EBITDA in the period.

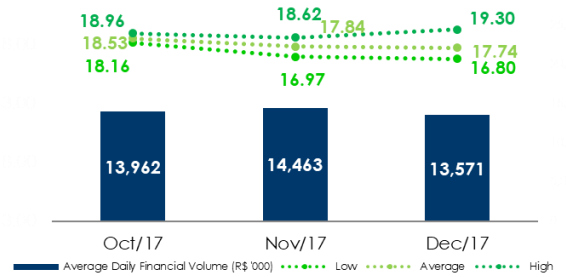
|   | <b>3Q18</b>    | <b>3Q17</b>    | <b>Chg.%</b>  | <b>9M18</b>    | <b>9M17</b>    | <b>Chg.%</b> |
|---|----------------|----------------|---------------|----------------|----------------|--------------|
| R\$ '000  |                |                |               |                |                |              |
| Net Income                                      | 168,483        | 55,844         | 201.7%        | 338,371        | 164,426        | 105.8%       |
| Taxes   | 47,971         | 10,931         |               | 92,068         | 32,443         |              |
| Income Tax paid                                 | (8,845)        | (2,591)        |               | (12,629)       | (4,484)        |              |
| Biological Asset                                | 3,651          | 19,448         |               | 12,988         | 6,560          |              |
| Maturity of Hedge / PPA                         | 4,612          | 2,400          |               | 182,388        | 125,269        |              |
| <b>Cash Income</b>                              | <b>215,872</b> | <b>86,032</b>  | <b>150.9%</b> | <b>613,186</b> | <b>324,214</b> | <b>89.1%</b> |
| <b>Total shares ex- treasury (in thousands)</b> | <b>357,222</b> | <b>337,318</b> |               | <b>357,222</b> | <b>337,318</b> |              |
| <b>Cash Income per share</b>                    | <b>0.60</b>    | <b>0.26</b>    | <b>136.9%</b> | <b>1.72</b>    | <b>0.96</b>    | <b>78.6%</b> |

# CAPITAL MARKETS AND INVESTOR RELATIONS

## Performance SMTO3 – 12 months

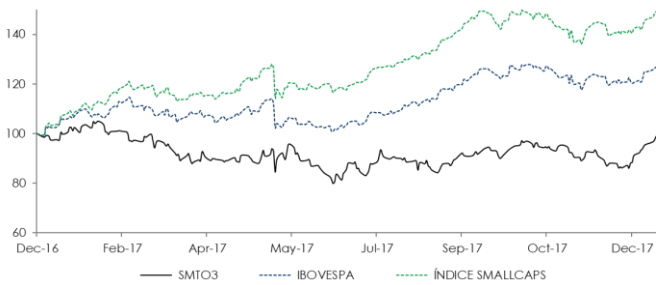


## Price and Volume



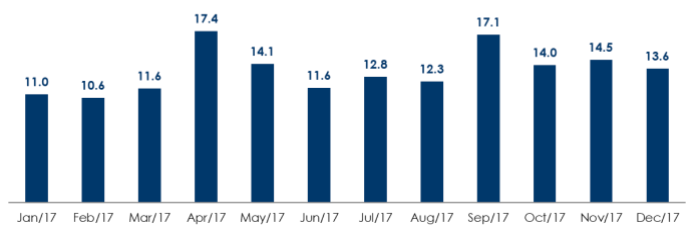
## SMTO3 vs. Stock Indexes

Base 100



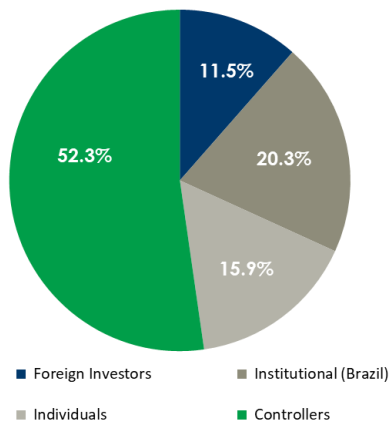
## Average Daily Trading Volume

R\$ million

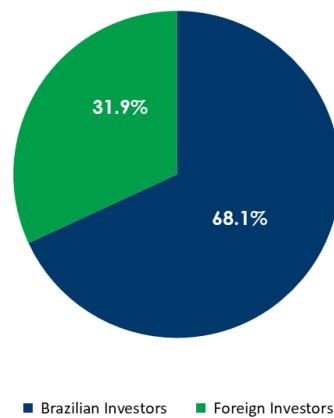


## Ownership Structure

Base: Dec. 28, 2017



## Free-Float Composition



## DISCLAIMER

This document contains forward-looking statements related to the business outlook, operating and financial projections and growth prospects of São Martinho. These statements are merely projections and as such are based exclusively on Management's expectations for the future of the business. These forward-looking statements depend materially on changes in market conditions and the performance of the Brazilian economy, the industry and international markets, and therefore are subject to change without prior notice.

## INCOME STATEMENT

| SÃO MARTINHO S.A. - CONSOLIDATED                                 | 3Q18            | 3Q17            | Chg. (%)      | 9M18             | 9M17             | Chg. (%)      |
|--|-----------------|-----------------|---------------|------------------|------------------|---------------|
| R\$ Thousand   |                 |                 |               |                  |                  |               |
| Gross Revenue  | 970,323         | 766,663         | 26.6%         | 2,571,484        | 2,189,090        | 17.5%         |
| Deductions from Gross Revenue                                    | (75,256)        | (29,739)        | 153.1%        | (250,126)        | (86,281)         | 189.9%        |
| <b>Net Revenue</b>   | <b>895,067</b>  | <b>736,924</b>  | <b>21.5%</b>  | <b>2,321,358</b> | <b>2,102,809</b> | <b>10.4%</b>  |
| Cost of Goods Sold (COGS)  | (549,944)       | (540,470)       | 1.8%          | (1,536,869)      | (1,502,330)      | 2.3%          |
| <b>Gross Profit</b>  | <b>345,123</b>  | <b>196,454</b>  | <b>75.7%</b>  | <b>784,489</b>   | <b>600,479</b>   | <b>30.6%</b>  |
| Gross Margin (%)   | 38.6%           | 26.7%           | 11.9 p.p      | 33.8%            | 28.6%            | 5.2 p.p       |
| <b>Operating Expenses</b>  | <b>(75,746)</b> | <b>(62,350)</b> | <b>21.5%</b>  | <b>(224,285)</b> | <b>(204,666)</b> | <b>9.6%</b>   |
| Selling Expenses   | (28,611)        | (21,079)        | 35.7%         | (85,543)         | (78,062)         | 9.6%          |
| General and Administrative Expenses                              | (47,002)        | (41,641)        | 12.9%         | (138,057)        | (130,063)        | 6.1%          |
| Equity Income  | (207)           | 446             | n.m.          | (2,002)          | 949              | n.m.          |
| Other Operating Expenses, Net                                    | 74              | (76)            | n.m.          | 1,317            | 2,510            | -47.5%        |
| <b>Operating Profit, Before Financial Effects</b>                | <b>269,377</b>  | <b>134,104</b>  | <b>100.9%</b> | <b>560,204</b>   | <b>395,813</b>   | <b>41.5%</b>  |
| <b>Financial Result, Net</b>                                     | <b>(52,923)</b> | <b>(67,329)</b> | <b>-21.4%</b> | <b>(129,765)</b> | <b>(198,944)</b> | <b>-34.8%</b> |
| Financial Revenues   | 24,835          | 30,809          | -19.4%        | 100,931          | 101,572          | -0.6%         |
| Financial Expenses   | (87,517)        | (91,927)        | -4.8%         | (264,512)        | (255,746)        | 3.4%          |
| Monetary and Exchange Variations - Net                           | 2,173           | (7,267)         | n.m.          | 27,327           | 3,952            | n.m.          |
| Derivatives Results  | 7,586           | 1,056           | n.m.          | 6,489            | (48,722)         | n.m.          |
| <b>Income (Loss) Before Income and Social Contribution Taxes</b> | <b>216,454</b>  | <b>66,775</b>   | <b>224.2%</b> | <b>430,439</b>   | <b>196,869</b>   | <b>118.6%</b> |
| Income Tax and Social Contribution - Current                     | (29,768)        | (10,658)        | 179.3%        | (56,816)         | (27,308)         | 108.1%        |
| Income Tax and Social Contribution - Deferred                    | (18,203)        | (273)           | n.m.          | (35,252)         | (5,135)          | n.m.          |
| <b>Net Income</b>  | <b>168,483</b>  | <b>55,844</b>   | <b>201.7%</b> | <b>338,371</b>   | <b>164,426</b>   | <b>105.8%</b> |
| Net Margin (%)   | 8.6%            | 7.6%            | 1.1 p.p       | 14.6%            | 7.8%             | 6.8 p.p       |

**BALANCE SHEET (ASSETS)**

| <b>SÃO MARTINHO S.A. CONSOLIDATED - ASSETS</b> |  |                  |                  |
|--|--|------------------|------------------|
| R\$ '000                                       |  |                  |                  |
| <b>ASSETS</b>                                  |  | <b>Dec/17</b>    | <b>Mar/17</b>    |
| <b>SHORT-TERM ASSETS</b>                       |  |                  |                  |
| Cash and Cash Equivalents                      |  | 373,085          | 142,454          |
| Marketable Securities                          |  | 795,337          | 1,029,113        |
| Trade Receivables                              |  | 331,448          | 168,868          |
| Derivative Financial Instruments               |  | 75,290           | 172,917          |
| Inventories and advances to suppliers          |  | 1,022,083        | 256,574          |
| Biological Assets                              |  | 558,465          | 586,362          |
| Taxes Recoverable                              |  | 80,704           | 102,310          |
| Income and Social Contribution Taxes           |  | -                | 11,159           |
| Other Assets                                   |  | 26,277           | 12,293           |
| <b>TOTAL</b>                                   |  | <b>3,262,689</b> | <b>2,482,050</b> |
| <b>LONG-TERM ASSETS</b>                        |  |                  |                  |
| <b>Long-term Receivables</b>                   |  |                  |                  |
| Marketable Securities                          |  | 30,319           | 24,667           |
| Inventories and advances to suppliers          |  | 87,112           | 88,766           |
| Related Parties                                |  | 3,667            | 3,867            |
| Derivative Financial Instruments               |  | 1,175            | 27               |
| Accounts receivable                            |  | 22,933           | 25,810           |
| Receivables - Copersucar                       |  | 9,355            | 9,355            |
| Taxes Recoverable                              |  | 115,962          | 106,518          |
| Income and Social Contribution Taxes           |  | 130,586          | 124,285          |
| Judicial Deposits                              |  | 27,252           | 32,423           |
| Other Assets                                   |  | 439              | 439              |
|  |  | <b>428,800</b>   | <b>416,157</b>   |
| <b>Investments</b>                             |  | 32,393           | 31,184           |
| <b>Property, plant and equipment</b>           |  | 5,100,886        | 5,288,550        |
| <b>Intangible Assets</b>                       |  | 461,696          | 473,942          |
| <b>TOTAL</b>                                   |  | <b>6,023,775</b> | <b>6,209,833</b> |
| <b>TOTAL ASSETS</b>                            |  | <b>9,286,464</b> | <b>8,691,883</b> |

**BALANCE SHEET (LIABILITIES)**

| <b>SÃO MARTINHO S.A. CONSOLIDATED- LIABILITIES</b> |  |                  |                  |
|--|--|------------------|------------------|
| R\$ '000   |  |                  |                  |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>        |  | <b>Dec/17</b>    | <b>Mar/17</b>    |
| <b>SHORT-TERM ASSETS</b>                           |  |                  |                  |
| Borrowings   |  | 1,303,222        | 1,499,583        |
| Derivative Financial Instruments                   |  | 44,109           | 76,097           |
| Trade Payables                                     |  | 173,396          | 138,923          |
| Payables to Copersucar                             |  | 25,418           | 8,583            |
| Payroll and Social Contributions                   |  | 114,186          | 121,664          |
| Taxes Payable                                      |  | 22,386           | 20,478           |
| Income and Social Contribution Taxes               |  | 13,358           | 4,471            |
| Dividends Payable                                  |  | -                | 74,243           |
| Advances from Customers                            |  | 34,234           | 4,174            |
| Acquisition of Investment                          |  | 11,767           | 11,958           |
| Other Liabilities                                  |  | 30,661           | 28,659           |
| <b>TOTAL</b>                                       |  | <b>1,772,737</b> | <b>1,988,833</b> |
| <b>LONG-TERM ASSETS</b>                            |  |                  |                  |
| Borrowings   |  | 2,788,032        | 2,219,477        |
| Derivative Financial Instruments                   |  | 6,263            | 5                |
| Payables to Copersucar                             |  | 205,419          | 237,602          |
| Taxes Payable in Installments                      |  | 13,492           | 14,614           |
| Deferred Income and Social Contribution Taxes      |  | 962,505          | 663,143          |
| Provision for Contingencies                        |  | 99,411           | 101,715          |
| Acquisition of Investment                          |  | 50,130           | 50,130           |
| Other Liabilities                                  |  | 13,392           | 13,044           |
| <b>TOTAL</b>                                       |  | <b>4,138,644</b> | <b>3,299,730</b> |
| <b>SHAREHOLDERS' EQUITY</b>                        |  |                  |                  |
| Share Capital                                      |  | 1,549,302        | 1,494,334        |
| Capital reduction account                          |  | -                | (55,662)         |
| Capital reserves                                   |  | 10,057           | 10,057           |
| Treasury Shares                                    |  | (115,178)        | (92,134)         |
| Stock options granted                              |  | 11,620           | 8,284            |
| Adjustments to Book Value                          |  | 1,094,658        | 1,432,243        |
| Profits Reserves                                   |  | 469,810          | 606,198          |
| Retained earnings                                  |  | 354,814          | -                |
| <b>TOTAL</b>                                       |  | <b>3,375,083</b> | <b>3,403,320</b> |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>  |  | <b>9,286,464</b> | <b>8,691,883</b> |

## CONSOLIDATED CASH FLOW

| <b>SÃO MARTINHO S.A.</b>   | <b>9M18</b>      | <b>9M17</b>      |
|--|------------------|------------------|
| R\$ '000   |                  |                  |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                      |                  |                  |
| <b>Net Income</b>  | <b>338,371</b>   | <b>164,426</b>   |
| <b>Adjustments</b>   |                  |                  |
| Depreciation and amortization                                    | 246,924          | 190,168          |
| Harvested biological assets (depreciation)                       | 359,307          | 328,984          |
| Change in fair value of biological assets                        | 12,988           | 6,560            |
| Amortization of intangible assets                                | 10,209           | 9,596            |
| Equity Income  | 2,002            | (949)            |
| Capital gain in investment in joint venture                      | -                | (91)             |
| Result of investment and property, plant and equipment disposals | 1,049            | 1,228            |
| Interest, monetary and foreign exchange variations, net          | 132,408          | 133,007          |
| Derivative Financial Instruments                                 | (56,122)         | 229,716          |
| Accrual (reversal) of provision for contingencies, net           | 10,264           | 6,089            |
| Deferred Income and Social Contribution Taxes                    | 92,068           | 32,443           |
| Adjustments to present value and others                          | 2,926            | 2,888            |
|  | <b>1,152,394</b> | <b>1,104,065</b> |
| <b>Changes in assets and liabilities</b>                         |                  |                  |
| Trade Receivables  | (161,206)        | (146,252)        |
| Inventories  | (449,937)        | (305,367)        |
| Taxes Recoverable  | 25,153           | (8,466)          |
| Derivative Financial Instruments                                 | 143,269          | (91,377)         |
| Marketable Securities  | 36               | (58)             |
| Other Assets   | (1,692)          | (8,189)          |
| Trade Payables   | 30,576           | 68,272           |
| Payroll and Social Contributions                                 | (7,478)          | (12,837)         |
| Taxes Payable  | (33,821)         | (21,685)         |
| Payables to Copersucar   | (23,230)         | (21,456)         |
| Taxes paid in installments                                       | (1,522)          | (3,470)          |
| Provision for contingencies - settlements                        | (21,633)         | (9,165)          |
| Other Liabilities  | 27,836           | 6,688            |
|  | <b>678,745</b>   | <b>550,703</b>   |
| <b>Cash provided by operations</b>                               | <b>678,745</b>   | <b>550,703</b>   |
| Interest paid  | (182,847)        | (172,861)        |
| Income tax and social contribution paid                          | (12,629)         | (4,484)          |
| <b>Net cash provided by operating activities</b>                 | <b>483,269</b>   | <b>373,358</b>   |
| <b>CASH FLOW FROM INVESTING ACTIVITIES</b>                       |                  |                  |
| Financial resources used in investments                          | (4,919)          | (13,256)         |
| Additions to property, plant and equipment and intangible assets | (210,865)        | (200,486)        |
| Additions to biological assets (planting and crop treatment)     | (506,660)        | (430,565)        |
| Marketable Securities  | 307,132          | 247,660          |
| Proceeds from sale of property, plant and equipment              | 5,681            | 1,889            |
| Advances for future capital increase                             | (2,667)          | -                |
| Dividends received   | 4                | -                |
| <b>Net cash used in investing activities</b>                     | <b>(412,294)</b> | <b>(394,758)</b> |
| <b>CASH FLOW FROM FINANCING ACTIVITIES</b>                       |                  |                  |
| New borrowings - third parties                                   | 1,155,785        | 779,876          |
| Repayment of borrowings - third parties                          | (873,086)        | (724,410)        |
| Acquisition of treasury shares                                   | (23,044)         | (15,577)         |
| Sale of treasury shares  | -                | 757              |
| Payment of dividends   | (99,999)         | (55,384)         |
| <b>Net cash provided by (used in) financing activities</b>       | <b>159,656</b>   | <b>(14,738)</b>  |
| <b>Increase (decrease) in cash and cash equivalents, net</b>     | <b>230,631</b>   | <b>(36,138)</b>  |
| <b>Cash and cash equivalents at the beginning of the period</b>  | <b>142,454</b>   | <b>267,315</b>   |
| <b>Cash and cash equivalents at the end of the period</b>        | <b>373,085</b>   | <b>231,177</b>   |