São Martinho

Individual and Consolidated Financial Statements
March 31, 2017
With independent auditor's report

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

Independent auditor's report on individual and consolidated financial statements

The Shareholders, Board of Directors and Officers
São Martinho S.A.
Pradópolis - SP

Opinion

We have audited the accompanying individual and consolidated financial statements of São Martinho S.A. ("Company"), identified as Company and Consolidated, respectively, which comprise the statement of financial position as at March 31, 2017 and the related statements of income, of comprehensive income, of changes in equity and of cash flows for the year then ended, and a summary of significant accounting practices and other explanatory information.

In our opinion, the financial statements referred to above present fairly, in all material respects, the individual and consolidated financial position of São Martinho S.A. as at March 31, 2017, its individual and consolidated financial performance and its respective individual and consolidated cash flows for the year then ended in accordance with accounting practices adopted in Brazil and the International Financial Reporting Standard (IFRS) issued by the International Accounting Standard Boar (IASB).

Basis for opinion

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

Emphasis of matter

Restatement of corresponding figures

As mentioned in Note 2.8, due to the amendments to CPC 29 - Biological Assets and Agricultural Products and to CPC 27 - Property, Plant and Equipment, equivalent to IAS 41 - Agriculture and IAS 16 - Property, Plant and Equipment, respectively, the individual and consolidated amounts related to the balance sheets as of March 31, 2016 and April 1, 2015 and the statements of income, comprehensive income, changes in shareholders' equity, cash flows and value added for the year ended March 31, 2016, presented for comparison purposes, have been adjusted and are being restated as provided for CPC 23 - Accounting Policies, Change of Estimate and Error Rectification and CPC 26 (R1) - Presentation of Financial Statements. Our opinion contains no modification related to this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significant in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the individual and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Measurement of biological assets

The Company and its subsidiary Usina Boa Vista S.A. measured their biological assets, which correspond to the agricultural products under development, based on their fair value, calculated based on the discounted cash flow of the crop under development, since there is no active market for this agricultural product. As described in Note 11, this measurement is a significant estimate based on various assumptions and methodologies adopted by Company Management, for which internal and external information were used, mainly related to the productivity, prices and interest rates for discounts of cash flows. At March 31, 2017, the Company had a balance of R$437,656 thousand and R$586,362 thousand under biological assets, in individual and consolidated current assets, respectively.

The monitoring of this issue was considered a key audit matter due to the materiality of the biological asset amounts recorded by the Company and the uncertainties inherent to this type of estimate, as well as the necessary judgment that must be exercised by Management in determining the assumptions for calculating its fair value.

Our audit procedures included, among others, the involvement of subject matter experts to assist us in assessing the assumptions and methodology used by the Company, in particular those related to the estimates of productivity, sugar and ethanol future prices and interest rates for discounts of cash flows. We also focused on the adequacy of disclosures made by the Company on the assumptions used in calculating the measurement of respective fair value of current assets, as well as their impacts in the income statement.

We have also analyzed the adequacy of the Company's disclosures in Note 11 to the financial statements, individual and consolidated.

Derivative financial instruments

In order to hedge the risks of commodity price volatility, exchange rates and interest rates, the Company takes out derivative financial instruments and, for part of them, Management uses hedge accounting. These derivative financial instruments totaled R$128,134 thousand, R$180,474 thousand and a debt balance of R$52,340 thousand (net of tax effects) in assets, liabilities and equity, respectively, as at March 31, 2017. To be able to apply the hedge accounting method, the Company shall comply with certain requirements set forth in the accounting standards, including, but not limited to, the formal documentation of the designation for hedge accounting, realization of effectiveness test and accounting for any ineffectiveness in the income statement.

Given the technical requirements applicable to the adoption of hedge accounting, as well as in case of designation or proof of ineffectiveness with potential risk of misstatement in the financial statements, we consider this a key audit matter.

With the involvement of our experts in derivative financial instruments, our audit procedures included, among others and on a sample basis, reviewing contracts, sending confirmation letters to the counterparties of the respective contracts, reviewing the policies and memoranda that formalize the designation for hedge accounting and examining prospective and retrospective effectiveness tests to assess whether the hedging relationships are effective and whether they were adequately calculated.

We have also analyzed the adequacy of the Company's disclosures in Notes 22 and 23 to the financial statements.

Business combination

As disclosed in Note 10.2, in February 2017, the Company completed the process of acquisition and full merger of Nova Fronteira Bioenergia S.A. taking as consideration issuance of shares of the Company itself, whose recognized fair value totaled R$459,806 thousand.

Assisted by its external valuation experts, management determined the fair value of the identifiable assets and liabilities of Nova Fronteira Bioenergia S.A. for the preliminary allocation of the consideration and measurement of the previously held equity interest, resulting in the recognition of tangible and intangible assets, as well as a gain in the income statement amounting R$94,104 thousand, net of taxes.

Due to the materiality of the amounts involved and the level of judgment required in the measurement of fair value allocated to the assets acquired and liabilities assumed in the transaction, we consider this a key audit matter.

Our audit procedures included, among others, the involvement of our valuation experts to assist us in discussing and questioning the assumptions and methodology used by management in the measurement of fair values and in the evaluation of the competence of the independent valuation experts engaged, as well as the effect of the preliminary allocation of fair value in the business combination on the financial statements.

We also analyzed the adequacy of the disclosure made by the Company in relation to the business combination in Note 10.2 to the financial statements.

Other matters

Statements of value added

The individual and consolidated Statements of Value Added for the year ended March 31, 2017, prepared under the responsibility of Company's management and presented as supplementary information for IFRS purposes, were submitted to the same audit procedures performed in accordance with the audit of the Company's financial statements. For the purposes of forming our opinion, we evaluated whether these statements are reconciled with the financial statements and accounting records, as applicable, and whether their form and content are in accordance with the criteria provided for in Accounting Pronouncement CPC 09 - Statement of Value Added. In our opinion, these statements of value added have been properly prepared, in all material respects, in accordance with the criteria set forth in this Accounting Pronouncement and are consistent with the individual and consolidated financial statements taken as a whole.

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

Company management is responsible for such other information that is included in the Management Report.

Our opinion on the individual and consolidated financial statements does not cover the Management Report and we do not express any form of audit conclusion on this report.

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

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

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

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

The individuals responsible for the Company's and its subsidiaries governance are those responsible for overseeing the process of preparation of the financial statements.

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

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

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

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

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

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

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we are required to determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We are required to describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Campinas, June 26, 2017.

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

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

Contents

São Martinho

Statement of financial position

In thousands of reais

ASSETS	Note	Company March 31, 2017	Company March 31, 2016 Restated	Company April 1, 2015 Restated	Consolidated March 31, 2017	Consolidated March 31, 2016 Restated	Consolidated April 1, 2015 Restated
CURRENT ASSETS							
Cash and cash equivalents	5	142,020	266,343	989,690	142,454	266,659	1,020,112
Short-term investments	5	548,611	641,236	-	1,029,113	706,487	-
Trade accounts receivable	6	135,972	76,706	141,601	168,868	86,419	156,317
Derivative financial instruments	22	172,917	145,701	221,797	172,917	145,701	221,797
Inventories and advances to suppliers	7	189,917	222,629	167,121	256,574	229,250	177,443
Biological assets	11	437,656	470,241	351,161	586,362	470,241	351,161
Taxes recoverable	8	84,653	57,634	102,213	102,310	58,423	102,821
Income and social contribution taxes (IRPJ and CSLL)	19	10,081	113,757	64,278	11,159	113,758	64,633
Dividends Receivable	9	7,661	-	-	-	-	-
Other assets		9,620	15,339	6,507	12,293	15,548	6,476
TOTAL CURRENT ASSETS		1,739,108	2,009,586	2,044,368	2,482,050	2,092,486	2,100,760
NONCURRENT ASSETS							
Long-term investments	5	532	492	478	24,667	5,423	5,723
Inventories and advances to suppliers	7	74,978	62,309	49,607	88,766	62,309	49,607
Transactions with related parties	9	4,623	2,996	1,280	3,867	1,000	34
Derivative financial instruments	22	27	43,243	-	27	43,243	-
Trade accounts receivable	6	-	-	561	25,810	21,855	8,049
Receivables from Copersucar		9,355	6,324	1,669	9,355	6,324	1,669
Taxes recoverable	8	94,961	110,158	75,712	106,518	110,195	75,860
Income and social contribution taxes (IRPJ and CSLL)	19	124,285	-	-	124,285	-	-
Judicial deposits	21	24,707	27,570	26,587	32,423	30,300	27,927
Other assets		439	498	518	439	498	518
		333,907	253,590	156,412	416,157	281,147	169,387
Investments	10	2,772,664	2,329,787	2,246,169	31,184	513,233	433,698
Property, Plant and Equipment (PPE)	12	2,534,563	2,321,124	2,234,183	5,288,550	4,004,469	3,940,728
Intangible assets	13	394,877	397,352	396,280	473,942	489,557	500,541
		5,702,104	5,048,263	4,876,632	5,793,676	5,007,259	4,874,967
TOTAL NONCURRENT ASSETS		6,036,011	5,301,853	5,033,044	6,209,833	5,288,406	5,044,354
TOTAL ASSETS		7,775,119	7,311,439	7,077,412	8,691,883	7,380,892	7,145,114

See accompanying notes.

São Martinho

Statement of financial position

In thousands of reais

LIABILITIES AND EQUITY	Note	Company March 31, 2017	Company March 31, 2016	Company April 1, 2015	Consolidated March 31, 2017	Consolidated March 31, 2016	Consolidated April 1, 2015
			Restated	Restated		Restated	Restated
CURRENT LIABILITIES							
Borrowings	14	1,175,682	667,015	868,879	1,499,583	670,559	872,419
Derivative financial instruments	22	76,097	196,664	232,711	76,097	196,664	232,711
Trade accounts payable	15	103,122	119,128	101,866	138,923	113,907	95,476
Payables to Copersucar	16	8,583	21,875	2,040	8,583	21,875	2,040
Salaries and social charges		96,494	97,584	83,942	121,664	98,231	84,373
Taxes payable		11,500	12,049	11,793	20,478	15,570	13,235
Income and social contribution taxes (IRPJ and CSLL)	19	-	-	725	4,471	916	1,511
Dividends payable	17	74,243	53,164	67,939	74,243	53,164	67,939
Advances from customers		2,702	1,206	4,462	4,174	1,298	3,197
Acquisition of ownership interests	9 and 31	11,958	17,937	17,507	11,958	17,937	17,507
Other liabilities		17,714	17,252	23,226	28,659	26,591	29,485
TOTAL CURRENT LIABILITIES		1,578,095	1,203,874	1,415,090	1,988,833	1,216,712	1,419,893
Borrowings	14	1,998,712	2,820,182	2,347,783	2,219,477	2,836,628	2,367,660
Derivative financial instruments	22	5	65,625	-	5	65,625	-
Payables to Copersucar	16	237,602	237,166	279,584	237,602	237,166	279,584
Taxes in installments		14,614	15,419	16,267	14,614	15,419	16,267
Deferred income and social contribution taxes	19	413,020	192,538	272,884	663,143	230,173	314,383
Provision for contingencies	21	66,577	58,295	54,360	101,715	60,643	55,430
Acquisition of ownership interests	9 and 31	50,130	61,750	78,815	50,130	61,750	78,815
Other liabilities		13,044	9,993	10,927	13,044	10,179	11,380
TOTAL NONCURRENT LIABILITIES		2,793,704	3,460,968	3,060,620	3,299,730	3,517,583	3,123,519
EQUITY	17						
Capital		1,494,334	931,340	812,992	1,494,334	931,340	812,992
Capital reduction		(55,662)	-	-	(55,662)	-	-
Capital reserve		10,057	10,531	9,119	10,057	10,531	9,119
Treasury shares		(92,134)	(26,613)	(7,375)	(92,134)	(26,613)	(7,375)
Stock options granted		8,284	4,753	5,079	8,284	4,753	5,079
Equity valuation adjustments		1,432,243	1,295,698	1,405,708	1,432,243	1,295,698	1,405,708
Income reserves		606,198	432,656	390,561	606,198	432,656	390,561
Accumulated losses		-	(1,768)	(14,382)	-	(1,768)	(14,382)
TOTAL EQUITY		3,403,320	2,646,597	2,601,702	3,403,320	2,646,597	2,601,702
TOTAL LIABILITIES AND EQUITY		7,775,119	7,311,439	7,077,412	8,691,883	7,380,892	7,145,114

See accompanying notes.

São Martinho

Statement of income

Years ended March 31, 2017 and 2016

In thousands of reais, unless otherwise stated

	Note	Company		Consolidated	
		2017	2016	2017	2016
			Restated		Restated
Revenues	25	2,453,136	2,213,679	2,609,519	2,338,730
Cost of sales	26	(1,932,594)	(1,736,886)	(1,926,210)	(1,694,804)
Gross profit		520,542	476,793	683,309	643,926
Operating income (expenses)					
Selling expenses	26	(98,868)	(101,832)	(101,941)	(103,601)
General and administrative expenses	26	(146,494)	(131,226)	(147,813)	(136,687)
Equity pickup	10	175,951	241,990	87,365	74,250
Other revenues, net	27	143,936	5,210	147,963	8,972
		74,525	14,142	(14,426)	(157,066)
Operating income		595,067	490,935	668,883	486,860
Finance income (costs)	28				
Finance income		96,412	88,025	114,055	105,139
Finance costs		(307,935)	(276,403)	(317,180)	(278,432)
Monetary variations and foreign exchange differences, net		3,306	(73,473)	2,901	(73,473)
Derivatives		(55,014)	(47,456)	(55,014)	(47,456)
		(263,231)	(309,307)	(255,238)	(294,222)
Income before income and social contribution taxes		331,836	181,628	413,645	192,638
Income and social contribution taxes (IRPJ and CSLL)	19(b)				
Current		(6,871)	(17,279)	(14,148)	(26,130)
Deferred		(41,098)	42,597	(115,630)	40,438
Net income for the year		283,867	206,946	283,867	206,946
Earnings per share (in reais)	29	0.8415	0.6106		
Diluted earnings per share (in reais)	29	0.8397	0.6094		

See accompanying notes.

São Martinho

Statement of comprehensive income
Years ended March 31, 2017 and 2016
In thousands of reais, unless otherwise stated

Company and Consolidated	2017	2016
		Restated
Net income for the year	283,867	206,946
Items that will be reclassified subsequently to P&L		
Changes for the year:		
Changes in fair value		
Commodity derivatives - Futures, options and forward contracts	(24,845)	(52,740)
Foreign exchange derivatives - Options / NDF	168,385	(74,845)
Foreign exchange differences on borrowing agreements (Trade Finance	196,726	(106,332)
Swap contracts	11	875
	340,277	(233,042)
Recognition in operating income		
Commodity derivatives - Futures, options and forward contracts	183,076	(227,874)
Foreign exchange derivatives - Options / NDF	(113,632)	216,051
Foreign exchange differences on borrowing agreements (Trade Finance	112,158	94,318
	181,602	82,495
Write-off due to ineffectiveness		
Commodity derivatives - Futures, options and forward contracts	2,410	(8,729)
Foreign exchange derivatives - Options / NDF	(1,262)	19,575
Foreign exchange differences on borrowing agreements (Trade Finance	-	11,216
Swap contracts	104	-
	1,252	22,062
Total changes for the year		
Commodity derivatives - Futures, options and forward contracts	160,641	(289,343)
Foreign exchange derivatives - Options / NDF	53,491	160,781
Foreign exchange differences on borrowing agreements (Trade Finance)	308,884	(798)
Swap contracts	115	875
Deferred taxes on the items above	(177,863)	43,685
	345,268	(84,800)
Comprehensive income for the year	629,135	122,146

See accompanying notes.

São Martinho

Statement of changes is equity

Years ended March 31, 2017 and 2016

In thousands of reais

							Equity adjustments valuation			Reserves						
							Deemed cost									
	Note	Capital capital	Capital Reduction	Capital Reserve	Treasury shares	Options granted	Own	Of investees	Hedge Accounting	Legal	Capital reserve	Unrealized income reserve	Tax incentive reserve	Additional dividends	Retained earnings (accumulated losses)	Total
Balances at April 1, 2015 (restated)		812,992	-	9,119	(7,375)	5,079	213,472	1,505,044	(312,808)	46,230	251,983	92,348	-	-	(14,382)	2,601,702
Capital increase with reserves	17 (a)	118,348	-	-	-	-	-	-	-	-	(118,348)	-	-	-	-	-
Realization of deemed cost surplus	17 (c)	-	-	-	-	-	(15,075)	(4,200)	-	-	-	-	-	-	19,275	-
Capital reduction with assets in Vale do Mogi		-	-	-	-	-	17,457	(17,457)	-	-	-	-	-	-	-	-
Deferred tax set up																
(capital reduction in Vale do Mogi)		-	-	-	-	-	(5,935)	-	-	-	-	-	-	-	-	(5,935)
Realization of income reserve through payment of dividends	17 (e)	-	-	-	-	-	-	-	-	-	-	(7,010)	-	-	-	(7,010)
Net gain (loss) on derivative transactions - hedge accounting	17 (c)	-	-	-	-	-	-	-	(84,800)	-	-	-	-	-	-	(84,800)
Acquisition of shares issued by the Company itself	17 (b)	-	-	-	(31,904)	-	-	-	-	-	-	-	-	-	-	(31,904)
Stock options granted	17 (f)	-	-	-	-	3,125	-	-	-	-	-	-	-	-	-	3,125
Stock options exercised	17 (f)	-	-	1,412	12,666	(3,451)	-	-	-	-	-	-	-	-	-	10,627
Net income for the year		-	-	-	-	-	-	-		-	-	-	-	-	206,946	206,946
Allocation of income:																
Establishment of reserves	17 (d)	-	-	-	-	-	-	-	-	9,717	157,736	-	-	-	(167,453)	-
Mandatory minimum dividends	17 (e)	-	-	-	-	-	-	-	-	-	-	-	-	-	(46,154)	(46,154)
At March 31, 2016 (restated)	17	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)	-	-	-	-	-
Capital increase through transfer of consideration	10.2	429,362	(55,662)	-	-	-	-	-	-	-	-	-	86,106	-	-	459,806
Deferred tax set up	19 (b)	-	-	-	-	-	(1,521)	(191,771)	-	-	-	-	-	-	-	(193,292)
Realization of deemed cost surplus	17 (c)	-	-	-	-	-	(14,541)	(890)	-	-	-	-	-	-	15,431	-
Capital reduction with assets in Vale do Mogi		-	-	-	-	-	4,474	(4,474)	-	-	-	-	-	-	-	-
Realization of income reserve through payment of dividends	17 (e)	-	-	-	-	-	-	-	-	-	-	(6,823)	-	-	-	(6,823)
Prior-year additional dividends	17 (d)	-	-	-	-	-	-	-	-	-	(2,220)	-	-	-	-	(2,220)
Net gain (loss) on derivative transactions - hedge accounting	17 (c)	-	-	-	-	-	-	-	345,268	-	-	-	-	-	-	345,268
Acquisition of shares issued by the Company itself	17 (b)	-	-	-	(68,232)	-	-	-	-	-	-	-	-	-	-	(68,232)
Set up of tax incentive reserve - in subsidiary	17 (d)	-	-	-	-	-	-	-	-	-	(44,885)	-	87,695	-	(42,810)	-
Stock options granted	17 (f)	-	-	-	-	4,079	-	-	-	-	-	-	-	-	-	4,079
Stock options exercised	17 (f)	-	-	(474)	2,711	(548)	-	-	-	-	-	-	-	-	-	1,689
Net income for the year		-	-	-	-	-	-	-	-	-	-	-	-	-	283,867	283,867
Allocation of income:																
Setting up of reserves	17 (d)	-	-	-	-	-	-	-	-	14,193	147,350	-	-	-	(161,543)	-
Mandatory minimum dividends	17 (e)	-	-	-	-	-	-	-	-	-	-	-	-	-	(67,419)	(67,419)
Additional dividends	17 (e)	-	-	-	-	-	-	-	-	-	-	-	-	25,758	(25,758)	-
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

See accompanying notes.

Statement of cash flows
Years ended March 31, 2017 and 2016
In thousands of reais

	Note	Company 2017	Company 2016	Consolidated 2017	Consolidated 2016
			Restated		Restated
Cash flow from operating activities					
Net income for the year		283,867	206,946	283,867	206,946
Adjustments					
Depreciation and amortization	26	221,430	221,071	230,736	224,429
Harvested biological assets	26	387,632	381,517	401,134	381,517
Change in fair value of biological assets	11	41,801	(49,248)	25,456	(49,248)
Amortization of intangible assets		1,002	548	8,311	9,937
Equity pickup in subsidiaries	10	(175,951)	(241,990)	(87,365)	(74,250)
Capital gain on investment in jointly-controlled subsidiary		-	-	(3,241)	(3,531)
Gain on bargain purchase/Measurement of ownership interest	27	(142,582)	-	(142,582)	-
Loss from investment and PPE written off	12	2,410	1,455	2,825	1,455
Interest, monetary variations and foreign exchange differences, net		182,268	322,538	176,716	318,273
Derivative financial instruments		230,637	144,307	230,637	144,307
Setup of provision for contingencies, net	21.1	5,643	11,519	(2,871)	12,796
Income and social contribution taxes (IRPJ and CSLL)	19 (b)	47,969	(42,597)	129,778	(40,438)
Present value adjustment and others		6,368	5,537	9,530	3,758
Income from sale of ownership interest		-	(2,027)	-	(2,027)
		1,092,494	959,576	1,262,931	1,133,924
Changes in assets and liabilities					
Trade accounts receivable		(73,359)	52,074	(4,957)	37,820
Inventories		25,546	(89,340)	62,229	(82,737)
Taxes recoverable		(22,034)	(30,770)	(32,615)	(30,245)
Derivative financial instruments		(61,845)	(82,586)	(61,845)	(82,586)
Short-term investments		-	-	-	963
Other assets		(16,405)	(8,850)	(16,938)	(9,152)
Trade accounts payable		(19,075)	17,990	(27,755)	18,913
Salaries and social contributions		(1,116)	13,643	147	13,858
Taxes payable		(8,246)	(3,473)	(6,953)	3,332
Payables to Copersucar		(23,088)	(36,302)	(23,088)	(36,302)
Taxes in installments		(1,169)	(2,012)	(1,169)	(2,012)
Provision for contingencies - settlements	21.1	(8,330)	(17,595)	(9,010)	(17,595)
Other liabilities		28,118	(9,230)	22,380	(2,931)
Cash from operating activities		911,491	763,125	1,163,357	945,250
Payment of interest on borrowings	14	(206,025)	(187,177)	(208,335)	(188,616)
Income and social contribution taxes paid		-	-	(5,700)	(6,991)
Net cash provided from operating activities		705,466	575,948	949,322	749,643
Cash flow from investing activities					
Investment of funds	31	(26,869)	(27,740)	(27,646)	(28,449)
Additions to PPE and intangible assets		(334,178)	(275,067)	(357,067)	(279,483)
Additions to PPE (planting and cultivation)	11	(499,911)	(449,437)	(516,704)	(449,437)
Short-term investments		142,389	(641,237)	82,068	(706,487)
Funds from the sale of PPE	12	3,235	2,743	4,269	12,333
Cash and cash equivalents merged from subsidiary	10.2 (b)	1,362	-	1,362	-
Gain on cash and cash equivalents due to change in ownership interest in investee		-	-	53	-
Future capital contribution		(3,622)	(1,750)	(2,867)	(1,000)
Dividends received		135,271	140,285	-	-
Net cash used in investing activities		(582,323)	(1,252,203)	(816,532)	(1,452,523)
Cash flow from financing activities					
Financing taken out from third parties	14	768,823	1,023,010	768,924	1,023,010
Amortization of financing - third parties	14	(894,362)	(980,887)	(903,992)	(984,368)
Purchase of treasury shares	17 (b)	(68,232)	(31,904)	(68,232)	(31,904)
Disposal of treasury shares	17 (f)	1,689	10,627	1,689	10,627
Payment of dividends		(55,384)	(67,938)	(55,384)	(67,938)
Net cash used in financing activities		(247,466)	(47,092)	(256,995)	(50,573)
Net decrease in cash and cash equivalents		(124,323)	(723,347)	(124,205)	(753,453)
Cash and cash equivalents at beginning of period	5	266,343	989,690	266,659	1,020,112
Cash and cash equivalents at end of period	5	142,020	266,343	142,454	266,659
Additional information					
Balances in short-term investments	5	548,611	641,236	1,029,113	706,487
Total available funds	5	690,631	907,579	1,171,567	973,146

See accompanying notes.

São Martinho

Statement of value added
Years ended March 31, 2017 and 2016
In thousands of reais

	Company		Consolidated	
	2017	2016	2017	2016
		Restated		Restated
Revenues				
Gross sales of goods and products	2,546,183	2,288,653	2,720,939	2,431,918
Revenue related to construction of own assets	551,318	584,663	584,974	584,663
Other revenues	2,980	5,436	4,415	5,667
	3,100,481	2,878,752	3,310,328	3,022,248
Inputs acquired from third parties				
Costs of sales	(1,022,524)	(908,073)	(995,697)	(863,370)
Materials, energy, third-party services and other operating expenses	(570,614)	(476,674)	(605,951)	(491,553)
	(1,593,138)	(1,384,747)	(1,601,648)	(1,354,923)
Gross value added	1,507,343	1,494,005	1,708,680	1,667,325
Depreciation and amortization	(221,430)	(221,071)	(230,736)	(224,429)
Harvested biological assets	(387,632)	(381,517)	(401,134)	(381,517)
Net value added produced by the entity	898,281	891,417	1,076,810	1,061,379
Value added received in transfer				
Equity pickup in subsidiaries	175,951	241,990	87,365	74,250
Finance income	712,425	982,703	730,254	999,817
Other	141,786	5	145,090	3,536
Total value added to be distributed	1,928,443	2,116,115	2,039,519	2,138,982
Distribution of value added				
Personnel and charges				
Direct Compensation	389,774	413,736	389,170	413,884
Benefits	121,950	127,955	127,214	128,604
Unemployment Compensation Fund (FGTS)	35,340	37,077	36,431	37,089
Management compensation	23,622	15,286	24,857	16,599
Taxes, charges and contributions				
Federal	102,257	21,326	195,853	39,459
State	1,990	547	2,723	814
Municipal	695	614	731	930
Creditors				
Interest	281,942	263,996	290,890	266,019
Leases	2,505	1,908	2,533	1,907
Foreign exchange differences	488,118	677,810	488,523	677,810
Other	196,383	348,914	196,727	348,921
Dividends	67,419	53,164	67,419	53,164
Retained profits for the year	216,448	153,782	216,448	153,782
Value added distributed	1,928,443	2,116,115	2,039,519	2,138,982

See accompanying notes.

1. Operations

São Martinho S.A. (the "Company" or "Parent Company") is a listed corporation headquartered in Pradópolis, State of São Paulo, registered with 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.

The Company is a subsidiary of the holding company LJN Participações S.A. ("LJN"), which holds controlling interest of 52.26% in its voting capital. In turn, the owners of LJN are the following family holding companies: Luiz Ometto Participações S.A., João Ometto Participações S.A. and Nelson Ometto Participações Ltda.

At the Extraordinary General Meeting held on February 23, 2017, the acquisition and merger of Nova Fronteira Bioenergia S.A. ("Nova Fronteira") was approved, as detailed in Note 10.2.

Issue of these financial statements was approved by the Company's Board of Directors on June 26, 2017.

2. Summary of significant accounting practices

2.1 Statement of compliance and basis of preparation

The financial statements of the Company comprise:

a) Consolidated financial statements

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”), implemented in Brazil by the Brazilian Financial Accounting Standards Board (“CPC”) and CPC technical interpretations (“ICPCs”) and guidance (“OCPCs”) approved by the Brazilian SEC (“CVM”).

b) Individual financial statements

The individual financial statements were prepared in accordance with accounting practices adopted in Brazil, which comprise the provisions contained in the Brazilian Corporation Law, set forth by Law No. 6404/76 and amendments to Law No. 11638/07 and Law No. 11941/09, and accounting pronouncements, interpretations and guidance issued by Brazil´s FASB (“CPC”), approved by the CVM.

The financial statements were prepared under the historical cost convention, except for certain derivative financial instruments and biological assets, measured at fair value.

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

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

As disclosed in Note 10.2, 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 income 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 the individual and consolidated financial statements for the year ended March 31, 2017 and the prior year is jeopardized.

In thousands of reais, unless otherwise stated

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.

The consolidated balances in the financial statements for the years ended March 31, 2017 and 2016 include the following subsidiaries:

	Interest held in capital (direct and indirect)		
Company	2017	2016	Main activities
Vale do Mogi Empreendimentos Imobiliários S/A (“Vale do Mogi”)	100%	100%	Exploitation of land through lease and agricultural 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%	Interest held in companies
Landco Emprendimentos e Participações S.A. ("LandCo")	100%	100%	Exploitation of land through lease and agricultural partnership.
SPE - Residencial Recanto das Paineiras Empreendimentos Imobiliários Ltda. ("SPE Paineiras") – subsidiary of Vale do Mogi	100%	100%	Real estate development and exploitation.
SPE - Park Empresarial Iracemápolis Ltda ("SPE Park") – subsidiary of Vale do Mogi	100%	100%	Real estate development and exploitation.
SPE - Residencial Limeira Ltda ("SPE Limeira") – controlada da Vale do Mogi	100%	100%	Real estate development and exploitation.

In thousands of reais, unless otherwise stated

Company	Interest held in capital (direct and indirect) 2017	2016	Main activities
SPE - Residencial Pradópolis Ltda ("SPE Pradópolis") - subsidiary of Vale do Mogi	100%	100%	Real estate development and exploitation.
SPE - Residencial Pradópolis II Ltda ("SPE Pradópolis II") - subsidiary of Vale do Mogi	100%	100%	Real estate development and exploitation.
São Martinho Logística e Participações S.A. ("SM Logística")	100%	100%	Storage of products in general.
Usina Boa Vista S/A (“UBV”)	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.

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 financial statements of joint ventures are prepared for the same reporting period as that of the Company.

At March 31, 2017 and 2016, the Company had the following jointly-controlled entities:

Company	Interest held in capital 2017	2016	Main activities
Jointly-controlled subsidiaries - direct:			
Usina Santa Luiza S/A (“USL”)	66.67%	66.67%	Storage services.
Nova Fronteira Bioenergia S.A. (“NF”)	-	50.95%	Interest held in other entities in the sugar-energy industry.
Jointly-controlled subsidiaries - indirect:			
Usina Boa Vista S/A (“UBV”)	-	50.95%	Agribusiness activities: industrial processing of sugarcane (own and third party production), manufacturing of ethanol and its by-products cogeneration of electricity and agricultural production.
SMBJ Agroindustrial S/A (“SMBJ”)	-	50.95%	Agricultural exploitation.

As disclosed in Note 10.2, subsidiary Nova Fronteira was merged and ceased to exist while subsidiary UBV became part of the consolidation.

2.3 Functional and reporting currency

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

2.4 Foreign currency translation

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

2.5 Financial instruments

(i) Financial assets

The Company’s financial assets are classified as (i) financial assets at fair value through income, 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 income for the year.

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 rate 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 income 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 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 rate method. Gains and losses are recognized in the income statement when the liabilities are derecognized and through the amortization process under the effective interest rate method.

(iii) Derivative financial instruments

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

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

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

2.6 Business combinations and goodwill

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

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

Goodwill corresponding to consolidated entities is recorded under specific “Goodwill” account in the consolidated statement of financial position. 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 circumstances and relevant conditions on the acquisition date, including the segregation, by the acquiree, of embedded derivatives existing in host contracts.

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

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

2.7 Leases

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

2.8 New standards, interpretations and amendments adopted by the Company - restatement

Amendments to IAS 41 and IAS 16

The Company and its subsidiary adopted the amendments to IAS 41 and IAS 16, effective from April 1, 2016 and changed their base for determining the fair value of their biological assets and their presentation in the Group's financial statements.

As a result of adoption of this standard, the main changes for the Group are:

- Bearer plants are now recorded at cost less accumulated depreciation and impairment instead of at fair value less costs to sell.
- Bearer plants and related amortization are now classified under property, plant and equipment instead of under biological assets in noncurrent assets.
- Standing cane (crop under development) is now assessed at fair value less costs to sell and classified under biological assets, in current assets, instead of under biological assets in noncurrent assets.

In accordance with CPC 23 - Accounting Policies, Changes in Estimates and Errors, the change in accounting policy was applied retrospectively.

As permitted under transitional rules, fair value of these plants on April 1, 2015 (opening balance) was considered to be its cost. The difference between prior fair value and book value was recognized in retained earnings (accumulated losses) in the transition.

Impacts from first-time adoption of referred to amendments on the statement of financial position amounts at March 31, 2016 and April 1, 2015 (opening balance), as well as on the income statement for the year ended March 31, 2016 are as follows:

In thousands of reais, unless otherwise stated

Statement of financial position						
	2016			April 1, 2015		
Company	Disclosed	Impact from amendments to IAS 41 and IAS 16	Restated	Disclosed	Impact from amendments to IAS 41 and IAS 16	Restated
CURRENT ASSETS						
Biological assets	-	470,241	470,241	-	351,161	351,161
Other current assets	1,539,345	-	1,539,345	1,693,207	-	1,693,207
NONCURRENT ASSETS						
Investments	2,326,505	3,282	2,329,787	2,242,251	3,918	2,246,169
Biological assets	1,072,806	(1,072,806)	-	936,241	(936,241)	-
Property, Plant and Equipment (PPE)	1,726,210	594,914	2,321,124	1,676,831	557,352	2,234,183
Other noncurrent assets	650,942	-	650,942	552,692	-	552,692
TOTAL ASSETS	7,315,808	(4,369)	7,311,439	7,101,222	(23,810)	7,077,412
CURRENT LIABILITIES	1,203,874	-	1,203,874	1,415,090	-	1,415,090
NONCURRENT LIABILITIES						
Deferred income and social contribution taxes	195,139	(2,601)	192,538	282,312	(9,428)	272,884
Other noncurrent liabilities	3,268,430	-	3,268,430	2,787,736	-	2,787,736
EQUITY						
Capital	931,340	-	931,340	812,992	-	812,992
Capital reserve	10,531	-	10,531	9,119	-	9,119
Treasury shares	(26,613)	-	(26,613)	(7,375)	-	(7,375)
Stock options granted	4,753	-	4,753	5,079	-	5,079
Equity adjustments valuation	1,295,698	-	1,295,698	1,405,708	-	1,405,708
Income reserve	432,656	-	432,656	390,561	-	390,561
Accumulated losses	-	(1,768)	(1,768)	-	(14,382)	(14,382)
TOTAL LIABILITIES AND EQUITY	7,315,808	(4,369)	7,311,439	7,101,222	(23,810)	7,077,412

Statement of financial position						
	2016			April 1, 2015		
Consolidated	Disclosed	Impact from amendments to IAS 41 and IAS 16	Restated	Disclosed	Impact from amendments to IAS 41 and IAS 16	Restated
CURRENT ASSETS						
Biological assets	-	470,241	470,241	-	351,161	351,161
Other current assets	1,622,245	-	1,622,245	1,749,599	-	1,749,599
NONCURRENT ASSETS						
Investments	509,951	3,282	513,233	429,780	3,918	433,698
Biological assets	1,072,806	(1,072,806)	-	936,241	(936,241)	-
Property, Plant and Equipment (PPE)	3,409,555	594,914	4,004,469	3,383,376	557,352	3,940,728
Other noncurrent assets	770,704	-	770,704	669,928	-	669,928
TOTAL ASSETS	7,385,261	(4,369)	7,380,892	7,168,924	(23,810)	7,145,114
CURRENT LIABILITIES	1,216,712	-	1,216,712	1,419,893	-	1,419,893
NONCURRENT LIABILITIES						
Deferred income and social contribution taxes	232,774	(2,601)	230,173	323,811	(9,428)	314,383
Other noncurrent liabilities	3,287,410	-	3,287,410	2,809,136	-	2,809,136
EQUITY						
Capital	931,340	-	931,340	812,992	-	812,992
Capital reserve	10,531	-	10,531	9,119	-	9,119
Treasury shares	(26,613)	-	(26,613)	(7,375)	-	(7,375)
Stock options granted	4,753	-	4,753	5,079	-	5,079
Equity adjustments valuation	1,295,698	-	1,295,698	1,405,708	-	1,405,708
Income reserve	432,656	-	432,656	390,561	-	390,561
Accumulated losses	-	(1,768)	(1,768)	-	(14,382)	(14,382)
TOTAL LIABILITIES AND EQUITY	7,385,261	(4,369)	7,380,892	7,168,924	(23,810)	7,145,114

In thousands of reais, unless otherwise stated

Company	Disclosed	Impact from amendments to IAS 41 and IAS 16	Restated
	Income statement for the year ended March 31, 2016		
Revenues	2,213,679	-	2,213,679
Cost of sales	(1,756,964)	20,078	(1,736,886)
Gross profit	456,715	20,078	476,793
Operating income (expenses)			
Equity pickup in subsidiaries	242,627	(637)	241,990
Other operating income (expenses)	(227,848)	-	(227,848)
Operating income before finance income (costs)	471,494	19,441	490,935
Finance income (costs)	(309,307)	-	(309,307)
Income before income and social contribution taxes	162,187	19,441	181,628
Income and social contribution taxes (IRPJ and CSLL)			
Current	(17,279)	-	(17,279)
Deferred	49,423	(6,826)	42,597
Net income for the year	194,331	12,615	206,946

Consolidated	Disclosed	Impact from amendments to IAS 41 and IAS 16	Restated
	Income statement for the year ended March 31, 2016		
Revenues	2,338,730	-	2,338,730
Cost of sales	(1,714,882)	20,078	(1,694,804)
Gross profit	623,848	20,078	643,926
Operating income (expenses)			
Equity pickup in subsidiaries	74,887	(637)	74,250
Other operating income (expenses)	(231,316)	-	(231,316)
Operating income before finance income (costs)	467,419	19,441	486,860
Finance income (costs)	(294,222)	-	(294,222)
Income before income and social contribution taxes	173,197	19,441	192,638
Income and social contribution taxes (IRPJ and CSLL)			
Current	(26,130)	-	(26,130)
Deferred	47,264	(6,826)	40,438
Net income for the year	194,331	12,615	206,946

Impacts on the statements of comprehensive income, of changes in equity and of value added derive from adjustment in net income for the year, and effects are not significant for presentation of reconciliation. The adjustments above had no effects on total operating, investing and financing activities in the statement of cash flows for the year ended March 31, 2016.

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

The pronouncements and interpretations issued by IASB and by Brazilian Accounting Pronouncement ("CPC"), but which were not effective until the issue date of the Company's financial statements, 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; (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 will become effective on January 1, 2018. 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) - Lease: 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.

- IAS 7 - Disclosure Initiative - Amendments to IAS 7: amendments to IAS 7 - Statement of cash flows are part of the IASB's disclosure initiative and require an entity to provide disclosures that enable users of financial statements to assess changes in liabilities arising from financing activities, including both changes arising from cash flows and changes that do not affect the cash. Upon first-time adoption of this amendment, entities are not required to provide comparative information relating to prior periods. These amendments are effective for annual periods beginning on or after January 1, 2017. The Company is assessing the impact on its financial statements.

- IAS 12 - Recognition of deferred tax assets for unrealized losses - Amendments to IAS 12: these amendments clarify that an entity should consider whether the tax legislation restricts sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. In addition, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances under which taxable profit may include the recovery of certain assets for amounts greater than their carrying amount. These amendments are effective for annual periods beginning on or after January 1, 2017. The Company is assessing the impact on its financial statements.

- IFSR 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.

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

(a) Impairment of goodwill

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

(b) Fair value of biological assets

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

(c) Income tax, social contribution and other taxes

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

(d) Fair value of derivatives and other financial instruments

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

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

(e) Provision for contingencies

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

(f) **Business combination and acquisition of ownership interest**

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

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

(g) **ICMS tax benefits**

As described in Note 17 (d), subsidiary UBV has ICMS tax incentives granted by Goiás state government. The Federal Supreme Court of Brazil (STF) rendered decisions on Direct Actions declaring unconstitutionality of various state laws that granted ICMS tax incentives without a prior agreement between the States.

Although the Company does not have ICMS tax incentives judged by the STF, Company management has been monitoring, together with its legal advisors, the evolution of this issue within the courts to determine the impacts, if any, on its operations and consequent reflexes on its financial statements.

5. Cash and cash equivalents and short and long-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.

In thousands of reais, unless otherwise stated

	Company			Consolidated		
	Yields (*)	2017	2016	Yields (*)	2017	2016
Cash and banks - in Brazil		106	224		467	291
Cash and banks - abroad (US dollar)		62,878	55,853		62,878	55,853
Short-term investments - in Brazil						
. Bank Deposit Certificate (CDB)	100.55%	67,037	38,197	100.55%	67,037	38,197
. Debentures held under repurchase agr	100.47%	11,999	172,069	100.45%	12,072	172,318
Total cash and cash equivalents		142,020	266,343		142,454	266,659
Short and Long-term investments						
. Investment fund	102.61%	548,611	641,236	101.86%	1,029,113	706,487
. Funds - Financial Treasury Bills (LFT) (i)		-	-	100% SELIC	18,641	-
. Other (i)		532	492	100.00%	6,026	5,423
Total financial investments		549,143	641,728		1,053,780	711,910
In noncurrent assets		532	492		24,667	5,423
Total available funds		690,631	907,579		1,171,567	973,146

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

(i) This balance is given as guarantee for financing operations with the BNDES (*Finem Direto*) with redemption restriction until the maturity of the contracts.

6. Trade accounts receivable

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

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

	Company		Consolidated	
	2017	2016	2017	2016
Domestic market customers	63,121	32,880	121,827	64,448
Foreign market customers	72,851	43,826	72,851	43,826
	135,972	76,706	194,678	108,274
Current assets	135,972	76,706	168,868	86,419
Noncurrent assets	-	-	25,810	21,855

In thousands of reais, unless otherwise stated

For the years ended March 31, 2017 and 2016, management did not identify the need to record an allowance for doubtful accounts.

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

	Company		Consolidated	
	2017	2016	2017	2016
Faliing due:	135,639	76,675	194,258	108,190
Overdue and not provisioned:				
over 31 days	333	31	420	84
	135,972	76,706	194,678	108,274

Out of the amount receivable, R$4,378 and R$228, Company and Consolidated, respectively (R$3,443 and R$171, Company and Consolidated, respectively, at March 31, 2016), refer to related parties, as detailed in Note 9.

7. Inventories and advances to suppliers

	Company		Consolidated	
	2017	2016	2017	2016
Current				
Finished products and work-in-process	59,544	65,957	77,368	65,957
Advances - purchase of product	-	25,671	-	25,671
Advances - purchases or sugarcane	61,219	47,953	80,929	47,953
Advances - purchases of inputs	24,035	31,041	30,142	31,041
Land slots	-	-	6,398	6,621
Inputs, ancillary materials for maintenance and other	45,119	52,007	61,737	52,007
	189,917	222,629	256,574	229,250
Noncurrent				
Advances - purchases of sugarcane	74,978	62,309	88,766	62,309
	74,978	62,309	88,766	62,309
	264,895	284,938	345,340	291,559

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

In thousands of reais, unless otherwise stated

The balance classified as "Land slots" refers to real estate developments SPE Paineiras, SPE Park, SPE Limeira and SPE Pradópolis.

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

8. Taxes recoverable

Breakdown of taxes recoverable is as follows:

	Company		Consolidated	
	2017	2016	2017	2016
Current				
PIS / COFINS	55,651	26,616	59,205	26,655
ICMS	28,173	30,248	42,156	30,997
Other	829	770	949	771
	84,653	57,634	102,310	58,423
Noncurrent				
PIS / COFINS	33,011	58,454	40,666	58,454
Reintegra	35,165	24,155	35,165	24,155
IOF on derivatives	7,676	7,027	7,676	7,027
ICMS	13,319	15,249	17,217	15,286
Social Security Tax (INSS)	5,790	5,273	5,794	5,273
	94,961	110,158	106,518	110,195
	179,614	167,792	208,828	168,618

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:

In thousands of reais, unless otherwise stated

	2017	
	Company	Consolidated
From 04/014/2018 to 03/31/2019	60,884	63,670
From 04/01/2019 to 03/31/2020	9,010	10,581
From 04/01/2020 to 03/31/2021	9,010	10,581
From 04/01/2021 to 03/31/2022	6,924	10,322
From 04/01/2022 to 03/31/2023	3,975	5,057
From 04/01/2023	5,158	6,307
	94,961	106,518

9. Related parties

(a) Company and consolidated balances:

	2017				2016			
Company and Consolidated	Current assets	Noncurrent assets	Current liabilities	Noncurrent liabilities	Current assets	Noncurrent assets	Current liabilities	Noncurrent liabilities
Consolidated in the current financial statements:								
Vale do Mogi Empreend. Imobiliários S/A	6,813	-	2,101	-	100	-	5,012	-
Cia Bioenergética Santa Cruz 1	4	-	175	-	45	-	395	-
São Martinho - Energia S.A.	1,808	1	-	-	24	-	-	-
São Martinho Inova S.A.	-	755	-	-	-	1,996	-	-
Landco Empreendimentos e Participações S.A.	-	-	1,528	-	-	-	-	-
Usina Boa Vista S/A	3,180	-	-	-	3,097	-	-	-
Other	6	-	-	-	6	-	-	-
(A) Subtotal	11,811	756	3,804	-	3,272	1,996	5,407	-
Not consolidated in the current and related financial statements:								
Luiz Ometto Participações S.A. (Note 31)	-	-	11,958	50,130	-	-	12,045	61,750
Usina Boa Vista S/A	-	-	-	-	-	-	-	-
Usina Santa Luiza S/A	60	3,867	-	-	76	1,000	-	-
Nova Fronteira Bioenergia S.A.	-	-	-	-	5	-	-	
SMBJ Agroindustrial S/A	-	-	-	-	4	-	-	-
Other	168	-	142	-	86	-	105	-
(B) Subtotal	228	3,867	12,100	50,130	171	1,000	12,150	61,750
TOTAL (A + B)	12,039	4,623	15,904	50,130	3,443	2,996	17,557	61,750
Dividends	7,661	-	-	-	-	-	-	-
Other accounts receivable/payable	4,378	4,623	15,904	50,130	3,443	2,996	17,557	61,750
Inventories - purchase of sugarcane/lease of land								
From shareholders/related parties								
(C) Company	6,322	-	4,588	-	1,633	-	3,677	-
(D) Consolidated	-	-	125	-	-	-	-	-
Subtotal	6,322	-	4,713	-	1,633	-	3,677	-
TOTAL COMPANY (A + B + C)	18,361	4,623	20,492	50,130	5,076	2,996	21,234	61,750
TOTAL CONSOLIDATED (B + C + D)	6,550	3,867	16,813	50,130	1,804	1,000	15,827	61,750

In thousands of reais, unless otherwise stated

The 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 31), respectively.

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

	2017		2016	
Company and Consolidated	Sales revenue	Reimbursed expenses/(purchases of products and services)	Sales revenue	Reimbursed expenses/(purchases of products and services)
Consolidated in the current financial statements:				
Vale do Mogi Empreend. Imobiliários S/A	-	(33,617)	-	(50,908)
Landco Empreendimentos e Participações S.A.	-	(23,870)	-	-
Cia Bioenergética Santa Cruz 1	3,185	(1,070)	3,872	(4,493)
São Martinho - Energia S.A.	6,278	283	5,601	293
Usina Boa Vista S/A	-	1,832	-	-
(A) Subtotal	9,463	(56,442)	9,473	(55,108)
Not consolidated in the current and related financial statements:				
(B) Usina Boa Vista S/A	-	14,366	-	14,651
Shareholders and related parties - purchase of sugarcane/lease of land				
(C) Company	-	(47,427)	-	(39,994)
(D) Consolidated	-	(31)	-	-
Subtotal	-	(47,458)	-	(39,994)
TOTAL COMPANY (A + B + C)	9,463	(89,503)	9,473	(80,451)
TOTAL CONSOLIDATED (B + C + D)	-	(33,092)	-	(25,343)

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.

In addition, subsidiaries Vale do Mogi, Bio and SME prepaid dividends over the year amounting to R$135,271 (R$140,285 in 2016).

In thousands of reais, unless otherwise stated

(c) Key management personnel compensation:

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

	Company		Consolidated	
	2017	2016	2017	2016
Salaries, fees and bonus	24,955	16,969	26,688	18,744
Social security and social contributions	5,238	3,364	5,580	3,719
Other	1,352	999	1,554	1,158
	31,545	21,332	33,822	23,621

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).

In thousands of reais, unless otherwise stated

10. Investments

10.1 Subsidiaries, jointly-controlled subsidiaries and affiliates

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

				Company				Consolidated			
Company	% - Ownerhip interest (current)	Adjusted equity of investee		Book value of investments		Equity pickup		Book value of investments		Equity pickup	
		2017	2016 Restated	2017	2016 Restated	2017	2016 Restated	2017	2016 Restated	2017	2016 Restated
Classified in investment											
Vale do Mogi Empreend. Imobiliários S.A.	100.00%	1,043,290	1,673,486	1,043,290	1,673,486	48,323	68,114	-	-	-	-
São Martinho - Energia S.A.	100.00%	19,735	23,819	19,735	23,819	17,923	58,597	-	-	-	-
São Martinho Inova S/A	100.00%	21,815	20,089	21,815	20,089	(270)	2,756	-	-	-	-
Landco Empreendimentos e Participações S.A. (iii)	100.00%	430,903	-	430,903	-	21,374	-	-	-	-	-
São Martinho Logística e Participações S.A.	100.00%	3,078	3,190	3,078	3,190	(113)	(113)	-	-	-	-
Usina Boa Vista S.A. (Note 10.2)	100.00%	1,147,277	-	1,147,277	-	(31,738)	-	-	-	-	-
Nova Fronteira Bioenergia S.A. (Note 10.2)	50.95%	-	958,013	-	488,107	89,838	74,849	-	488,107	89,838	74,849
Companhia Bioenergética Santa Cruz 1	100.00%	104,704	119,230	104,702	119,230	33,665	38,831	-	-	-	-
CTC - Centro de Tecnologia Canavieira S.A. (i)	5.41%	541,511	430,841	-	-	-	-	29,320	23,260	578	445
Other		-	-	1,864	1,866	-	-	1,864	1,866	-	-
Total classified in investment		3,312,313	3,228,668	2,772,664	2,329,787	179,002	243,034	31,184	513,233	90,416	75,294
Classified in noncurrent liabilities											
SMA - Indústria Quimica S/A (ii)	50.00%	-	-	-	-	-	(109)	-	-	-	(109)
Usina Santa Luiza S.A. (i)	66.67%	(19,566)	(14,989)	(13,044)	(9,993)	(3,051)	(935)	(13,044)	(9,993)	(3,051)	(935)
Total classified in noncurrent liabilities		(19,566)	(14,989)	(13,044)	(9,993)	(3,051)	(1,044)	(13,044)	(9,993)	(3,051)	(1,044)
Closing balance		3,292,747	3,213,679	2,759,620	2,319,794	175,951	241,990	18,140	503,240	87,365	74,250

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

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

(ii) Investment disposed of;

(iii) The Extraordinary General Meeting held on April 25, 2016, approved the split-off of subsidiary Vale do Mogi into LandCo. The portion spun off by LandCo refers to land amounting to R$53,176. LandCo is primarily engaged in the exploration and sale of products related to agriculture and in holding interest in other entities. This change is intended to address geographical organization according to the operating radius of the agribusiness units.

In thousands of reais, unless otherwise stated

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

At the Extraordinary General Meeting held on February 23, 2017, the acquisition of 49.05% of Nova Fronteira's shares was approved, therefore the Company now holds 100% of the shares of this investee.

At that same meeting, the merger of the acquiree and its consequent dissolution was approved, which is justified to the extent that the assets of the parties combined under a single corporate structure will allow 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. It shall further strengthen the competitive position of the Parties, reducing risk for shareholders and allowing the generation of long-term value.

The aforementioned merger was based on the accounting net assets of Nova Fronteira, calculated based on the carrying amounts of February 23, 2017, as follows:

Assets	Net assets merged	Liabilities	Net assets merged
Current		Current	
Cash and cash equivalents	1,362	Salaries and social contributions	27
Income and social contribution taxes (IRP	1	Taxes payable	17
	1,363		44
Investments	1,133,019	**Total liabilities**	44
Total assets	**1,134,382**	**Total net assets merged**	**1,134,338**

From the acquisition and merger date onwards, the Company holds 100% of subsidiary UBV's shares and fully consolidates its results in its consolidated financial statements.

As consideration for the percentage acquired, the Company issued 24,023,708 treasury shares, which were measured for purposes of recognizing the consideration transferred, based on the weighted average of the quotations of the Company's shares in the period of ninety days prior to the transaction, totaling R$459,806. This amount was recognized in equity, of which R$429,362 under Capital, R$86,106 as incentive reserve and R$55,662 (debt balance) under capital reduction.

Acquisition-related costs of R$2,439 were recognized in the income statement as administrative expenses.

Since this transaction is a business combination, management contracted independent experts to measure, on a preliminary basis, the fair value of identifiable assets acquired, liabilities assumed and purchase pricing allocation (PPA).

The following table sets forth the assets and liabilities at the consolidated fair value of the acquiree, as well as the effect of the gain on bargain purchase, recognized in income statements for the year under “Other operating income and expenses”:

In thousands of reais, unless otherwise stated

	Pre-existing portion 50.95%	Acquired portion 49.05%	Total investments
Fair value of assets acquired and liabilities assumed			
Current assets			
Cash and cash equivalents	720	694	1,414
Short-term investments	175,061	168,533	343,594
Trade accounts receivable	47,412	45,643	93,055
Inventories	60,473	58,217	118,690
Biological assets	71,523	68,856	140,379
Taxes recoverable	5,274	5,077	10,351
Other assets	1,424	1,371	2,795
	361,887	348,391	710,278
Noncurrent assets			
Short-term investments	9,399	9,048	18,447
Inventories	6,710	6,459	13,169
Deferred income and social contribution taxes	25,332	24,387	49,719
Taxes recoverable	4,338	4,176	8,514
Judicial deposits	2,091	2,013	4,104
Investments	760	732	1,492
Property, Plant and Equipment (PPE)	526,873	507,225	1,034,098
Intangible assets	(720)	(694)	(1,414)
	574,783	553,346	1,128,129
Current liabilities			
Borrowings	155,290	149,499	304,789
Trade accounts payable	24,525	23,611	48,136
Salaries and social contributions	11,865	11,422	23,287
Taxes payable	3,025	2,912	5,937
Income and social contribution taxes (IRPJ and CSLL)	35	34	69
Advances from customers	1,645	1,584	3,229
Other liabilities	2,704	2,601	5,305
	199,089	191,663	390,752
Noncurrent liabilities			
Borrowings	115,224	110,927	226,151
Provision for contingencies	20,976	20,194	41,169
	136,200	131,121	267,320
Total assets and liabilities of investee	601,381	578,953	1,180,334
Gain on surplus of pre-existing investment and acquired portion	**(23,435)**	**(22,561)**	**(45,996)**

In thousands of reais, unless otherwise stated

	Pre-existing portion 50.95%	Acquired portion 49.05%	Total investments
Investment and equity at book values	577,946	556,392	1,134,338
Consideration transferred		459,806	
Gain on bargain purchase		**(96,586)**	

This transaction resulted in a gain on bargain purchase of R$96,586 (market value versus equity on the merger date), and gain on remeasurement of the investment (PPA) of the acquired portion (49.05%) and of the pre-existing portion (50.95%) in the amount of R$45,996 thousand, totaling the effect of R$142,582 on income for the year under “Other operating income and expenses”.

At the acquisition date, the fair value of trade accounts receivable totals R$93,055, same contractual amount. There was no impairment of any trade accounts receivable, and contractual amount is expected to be fully received. There is no contingent consideration in this transaction.

Since the acquisition date, subsidiary UBV contributed to the consolidated with revenues of R$67,744 and pretax income of R$33,215. Had the business combination been conducted at the beginning of the year, consolidated revenues would total R$839,574 and net income from operations would be R$139,691.

11. Biological assets

Biological assets correspond to agricultural products under development (standing cane) 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.

Upon harvest, the fair value of agricultural product is determined by the quantity harvested, valued at the accumulated value established by the Council of Sugar Cane, Sugar and Alcohol Producers of the State of São Paulo (CONSECANA) in that month. The fair value of sugarcane harvested will be the cost of raw material used in the production of sugar and ethanol.

In thousands of reais, unless otherwise stated

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

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

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

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

The following significant assumptions were used to determine fair value:

Company and Consolidated	2017	2016
Harvest estimated total area (ha)	222,789	162,289
Expected productivity (ton/ha)	84.65	91.41
Amount of (ATR) per sugar cane ton (kg)	131.41	132.59
Projected average price of ATR (R$)	0.6397	0.6277

At March 31, 2017, the discount rate used to calculate the fair value of biological assets is 9.25% p.a. (9.88% p.a. at March 31, 2016).

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

In thousands of reais, unless otherwise stated

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

	Company	Consolidated	Company and Consolidated
		2017	2016
			Restated
Historical cost	458,098	458,098	388,266
Fair value	12,143	12,143	(37,105)
Biological assets at March 31	470,241	470,241	351,161
Changes:			
Increase resulting from cultural treatments	321,119	329,552	252,512
Transfers from PPE	96,343	88,256	159,363
Change in fair value	(41,801)	(25,456)	49,248
Reductions resulting from harvest	(408,246)	(409,393)	(342,043)
Consolidation of UBV - Historical Cost	-	161,651	-
Consolidation of UBV - Fair value	-	(28,489)	-
Closing balance of biological assets:	437,656	586,362	470,241
Represented by:			
Historical cost	467,314	628,164	458,098
Fair value	(29,658)	(41,802)	12,143
Closing balance of biological assets:	437,656	586,362	470,241

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. At March 31, 2017 and 2016, the total estimated payments (nominal value) are as follows:

In thousands of reais, unless otherwise stated

	Company		Consolidated	
	2017	2016	2017	2016
Agricultural partnership:				
Within 1 year	215,481	169,179	271,496	169,179
More than 1 year and less than 5 years	693,041	513,821	871,817	513,821
More than 5 years	601,786	414,064	816,531	414,064
	1,510,308	1,097,064	1,959,844	1,097,064
Leases:				
Within 1 year	25,765	21,080	26,080	21,080
More than 1 year and less than 5 years	87,766	67,171	89,025	67,171
More than 5 years	94,565	74,040	97,098	74,040
	208,096	162,291	212,203	162,291

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.

In thousands of reais, unless otherwise stated

Company	Land	Buildings and outbuilding	Machinery and manufacturing facilities	Inter-crop maintenance	Vehicles	Agricultural machinery and farming	Other PPE	Construction in progress	Sugarcane plantation	Total
Balances at April 1, 2015 (restated)	125,162	196,845	769,655	125,434	161,126	238,181	15,695	44,733	557,352	2,234,183
Acquisition	-	16	1,196	137,147	17,330	25,899	1,352	88,086	196,925	467,951
Cost of sale	-	-	(81)	-	(396)	(3,679)	(1)	-	-	(4,157)
Transfers between groups		22,540	55,354	-	1,213	2,250	994	(82,351)	-	-
Capital reduction in Vale do Mogi	12,929	6,205	-	-	-	-	-	-	-	19,134
Transfer to biological assets	-	-	-	-	-	-	-	-	(159,363)	(159,363)
Depreciation	-	(6,445)	(49,816)	(131,933)	(12,825)	(32,402)	(3,203)	-	-	(236,624)
Balances at March 31, 2016 (restated)	138,091	219,161	776,308	130,648	166,448	230,249	14,837	50,468	594,914	2,321,124
Total cost	138,091	249,309	1,049,558	131,427	217,828	349,146	52,714	50,468	594,914	2,833,455
Accumulated depreciation	-	(30,148)	(273,250)	(779)	(51,380)	(118,897)	(37,877)	-	-	(512,331)
Residual value	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
Residual values:										
Historical cost	16,361	183,280	573,245	170,488	136,189	180,399	16,552	34,100	715,925	2,026,539
Deemed cost (surplus)	140,159	62,376	225,961	-	29,021	50,507		-	-	508,024
Annual average depreciation rates	-	3%	6%	100%	7%	9%	9%	-	12%	-

In thousands of reais, unless otherwise stated

Consolidated	Land	Buildings and outbuilding	Machinery and manufacturing facilities	Inter-crop maintenance	Vehicles	Agricultural machinery and farming	Leasehold improvements	Other PPE	Construction in progress	Sugarcane plantation	Total
Balances at April 1, 2015 (restated)	1,752,102	207,693	838,041	125,803	161,126	238,182	-	15,695	44,734	557,352	3,940,728
Acquisition	1,145	25	1,196	137,619	17,330	25,898	-	1,353	88,703	196,925	470,194
Cost of sale	(118)	-	(81)	-	(396)	(3,679)	-	(1)	-	-	(4,275)
Transfers between groups	-	22,540	55,354	-	1,213	2,250	-	994	(82,351)	-	-
Transfer to inventory	(2,785)	-	-	-	-	-	-	-	-	-	(2,785)
Transfer to biological assets	-	-	-	-	-	-	-	-	-	(159,363)	(159,363)
Depreciation	-	(6,838)	(52,460)	(132,302)	(12,825)	(32,402)	-	(3,203)	-	-	(240,030)
Balances at March 31, 2016 (restated)	1,750,344	223,420	842,050	131,120	166,448	230,249	-	14,838	51,086	594,914	4,004,469
Total cost	1,750,344	255,545	1,131,545	131,899	217,828	349,146	-	52,715	51,086	594,914	4,535,022
Accumulated depreciation	-	(32,125)	(289,495)	(779)	(51,380)	(118,897)	-	(37,877)	-	-	(530,553)
Residual value	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)	-	
Transfers to inventory for sales	(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 - 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
Residual values:											
Historical cost	148,147	319,206	1,005,369	226,638	193,671	231,953	39,154	22,500	45,805	920,170	3,152,613
Deemed cost surplus	1,660,134	78,172	284,395	-	33,218	80,018	-	-	-		2,135,937
Annual average depreciation rates	-	3%	5%	100%	7%	9%	11%	9%	-	12%	

In thousands of reais, unless otherwise stated

Under the terms of certain borrowing agreements of the Group, property, plant and equipment totaling R$1,170,699 (consolidated) were pledged as collateral, of which R$290,535 refers to rural properties (8,778 hectares of land).

The Group capitalized financial charges amounting to R$3,166 for the year ended March 31, 2017 (R$2,177 for March 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	
	2017	2016	2017	2016
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	25,789	22,927	28,488	22,927
Accumulated amortization	(18,280)	(14,796)	(20,782)	(14,796)
Rights on sugarcane contracts (ii)	10,779	11,781	10,779	11,781
Rights on electricity agreements (iii)	-	-	103,401	103,401
Rights on electricity agreements - amortization (iii)	-	-	(27,560)	(14,225)
Other assets	1,956	2,807	4,983	5,836
	394,877	397,352	473,942	489,557

(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 with an exploration period from 2013 to 2017).
(iii) Refers to the fair value of Bio's agreements for electricity supply, effective up to 2025.

In thousands of reais, unless otherwise stated

Impairment of nonfinancial assets

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

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

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:

	2017		2016	
Cash-Generating Units:	São Martinho and Iracema production units	Santa Cruz production unit	São Martinho and Iracema production units	Santa Cruz production unit
Average growth rate of net operating income	2.4%	3.0%	4.8%	4.7%
Nominal growth rate for perpetuity	4.0%	4.0%	4.0%	4.0%
Discount rate	10.0%	10.0%	9.9%	9.9%

In thousands of reais, unless otherwise stated

14. Borrowings

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

	Annual charges		Company		Consolidated	
Type	Rate	Index	2017	2016	2017	2016
Local currency						
Export credit notes	100.55%	CDI	495,136	586,526	495,136	586,526
Export credit notes	14.82%	Fixed rate	-	151,140	-	151,140
BNDES credit facilities	3.03%	TJLP	232,044	225,394	335,321	233,250
BNDES credit facilities	4.74%	Fixed rate	338,570	345,786	500,334	357,920
BNDES credit facilities	4.08%	SELIC	3,196	22	3,989	22
Rural credit	12.74%	Fixed rate	275,445	64,569	343,493	64,569
Rural product note	10.60%	Fixed rate	-	-	162,147	-
Industrial credit certificate	11.50%	Fixed rate	-	-	2,986	-
FINEP	4.00%	Fixed rate	95,922	62,777	95,922	62,777
Agribusiness Receivables Certificate (CRA) (a)	99.00%	Fixed rate	349,462	-	349,462	-
Lease			-	-	-	-
Other securitized credits			41,826	51,530	41,826	51,530
Total in local currency			1,831,601	1,487,744	2,330,616	1,507,734
In foreign currency						
Pre-export financing (PPE)	3.09%	FX difference	741,329	1,154,991	741,329	1,154,991
Export credit notes (NCE)	4.54%	FX difference	584,487	678,989	584,487	678,989
Advances on exchange contracts (ACC)	2.10%	FX difference	-	142,520	-	142,520
FINEM	6.74%	Currency basket	16,977	22,953	62,628	22,953
Total in foreign currency			1,342,793	1,999,453	1,388,444	1,999,453
TOTAL			3,174,394	3,487,197	3,719,060	3,507,187
Current			1,175,682	667,015	1,499,583	670,559
Noncurrent			1,998,712	2,820,182	2,219,477	2,836,628

(a) Agribusiness Receivables Certificate (CRA)

At the year ended March 31, 2017, the Company completed the public distribution of 350,245 Agribusiness Receivables Certificates (CRA) issued by Octante Securitizadora S.A. in the total amount of R$350,245, with final maturity of principal in 2019, interest paid on a semiannual basis and cost of 99% of the CDI. Company received this fund on July 27, 2016. The amount stated is net of expenses with commissions for issue of debentures in the amount of R$8,710, which have been recognized in income statement on a monthly basis based on the transaction effective rate.

Changes in borrowings for the year are as follows:

In thousands of reais, unless otherwise stated

	Company		Consolidated	
Changes in debt	**2017**	**2016**	**2017**	**2016**
Prior balance	3,487,197	3,216,662	3,507,187	3,240,079
Funding raising	768,823	1,023,010	768,924	1,023,010
Amortization of principal	(894,362)	(980,887)	(903,992)	(984,368)
Amortization of interest	(206,025)	(187,177)	(208,335)	(188,616)
Monetary restatement	228,937	204,729	234,105	206,222
Foreign exchange difference	(210,176)	210,860	(209,769)	210,860
Consolidation of UBV	-	-	530,940	-
	3,174,394	3,487,197	3,719,060	3,507,187

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

In addition, some transactions in domestic currency are pegged to swap agreements for US dollar, exposed to foreign exchange differences.

Transactions pegged to swap agreements are as follows:

	Company		Consolidated	
	2017	**2016**	**2017**	**2016**
Foreign currency transactions pegged to swap for local currency	232,268	399,831	232,268	399,831
Local currency transactions	1,770,219	1,365,038	2,269,234	1,385,028
Total in local currency	2,002,487	1,764,869	2,501,502	1,784,859
Local currency transactions pegged to swap for foreign currency	61,382	122,706	61,382	122,706
Foreign currency transactions	1,110,525	1,599,622	1,156,176	1,599,622
Total in foreign currency	1,171,907	1,722,328	1,217,558	1,722,328
TOTAL	3,174,394	3,487,197	3,719,060	3,507,187

For agreements in foreign currency, R$46,992 of Pre-Export Financing (PPE) and R$30,877 of Export Credit Notes (NCEs) are pegged to LIBOR swaps to a fixed rate.

Out of the contracts in national currency, R$185,211 of Bank Credit Certificates - CCB (Free Rural Line) are pegged to fixed rate swap contracts for CDI percentage.

Noncurrent borrowings mature as follows:

In thousands of reais, unless otherwise stated

	Company	Consolidated
From 04/01/2018 to 03/31/2019	533,209	626,208
From 04/01/2019 to 03/31/2020	954,554	1,003,083
From 04/012020 to 03/31/2021	321,094	355,925
From 04/01/2021 to 03/31/2022	82,280	111,364
From 04/01/2022 to 03/31/2023	50,066	65,294
From 01/01/2023 to 02/28/2030	57,509	57,603
	1,998,712	2,219,477

At March 31, 2017, R$1,213,245 of the Company's debt is secured by assets, being 48% by equipment, 29% by receivables, 16% by land and 7% by others.

Covenants

The Company has covenants amounting to R$790,764, which are required and determined annually, the conditions of which are met for the year ended March 31, 2017.

15. Trade accounts payable

	Company		Consolidated	
	2017	2016	2017	2016
Sugarcane	58,206	64,322	76,377	59,311
Materials, services and other	44,916	54,806	62,546	54,596
	103,122	119,128	138,923	113,907

Out of the total trade accounts payable, R$8,534 and R$142 Company and Consolidated, respectively (R$9,189 and R$105, Company and Consolidated, respectively, at March 31, 2016), refer to related parties, as detailed in Note 9.

In thousands of reais, unless otherwise stated

16. Agreement 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	2017	2016
REFIS - Copersucar - Restated by reference to SELIC	99,705	105,028
Exchange Bill (LC) - Restated by reference to SELIC	87,311	83,591
Exchange Bill (LC) - Transfer of funds without incurring losses	48,547	48,547
Expenses with tax proceedings	8,583	19,836
Other	2,039	2,039
Total	246,185	259,041
Current liabilities	8,583	21,875
Noncurrent liabilities	237,602	237,166

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

Copersucar has been served delinquency notices with respect to State VAT (ICMS) on fuel and industrial ethanol sales made up to December 31, 2008, which amount attributed to Company would be R$ 237,222 (estimated amount and updated up to March 31, 2017).

Copersucar believes that it has solid arguments to support the success of the defenses of the fines imposed on them in these assessments and its legal advisors evaluate the aforementioned causes as a possible loss risk.

(b) Rights

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

17. Equity

(a) Capital

At March 31, 2017, capital amounted to R$1,494,334 (R$931,340 at March 31, 2016) and is represented by 364,011,329 common registered shares, with no par value.

At the Extraordinary General Meeting held on July 29, 2016, shareholders approved capital increase by R$133,632 with capital investment reserve, without issue of new shares.

At the Extraordinary General Meeting held on December 9, 2016, the shareholders approved the split of shares issued by the Company, so that for each common share, two new common shares were issued and assigned to their holder, whom therefore holds three shares in total, with the same rights and advantages of the pre-existing ones, without any change in Capital that are now represented by 339,987,621 shares.

At that same Meeting, the shareholders approved the change in the limit of authorized capital, set on account of the number of shares, to adjust it at the same proportion of the split addressed in prior item, from 124,000,000 common shares to 372,000,000 common shares.

In thousands of reais, unless otherwise stated

At the Extraordinary 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 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 reduction, mentioned in Note 10.2, refers to the adjustment made to the amount of the acquired portion (49.05%) of the shareholders' equity recognized in the merger of Nova Fronteira, recorded at book values to attend the statutory legislation, to reflect the value of the consideration transferred in the operation.

(b) Treasury shares

Changes in treasury shares for the year ended March 31, 2017 are as follows:

	Number	Average acquisition price (*)	Total amount
Treasury shares at March 31, 2016	614,486	43.31	26,613
Acquisition of shares	3,127,868	21.81	68,232
Exercise of options	(134,549)	20.14	(2,711)
Share split	1,823,712	-	-
Treasury shares at March 31, 2017	5,431,517	16.96	92,134

(*) including additional acquisition costs - in reais

At March 31, 2017, the market value of these shares was R$93,857 (R$29,674 at March 31, 2016).

(c) Equity adjustments valuation

- ***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 protect the entity's capital, and it can only be used to offset 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.

At the Ordinary General Meeting held on July 29, 2016, the shareholders approved the allocation of income for the year ended March 31, 2016, previously classified as capital investment reserve: R$2,220 intended for additional dividend payments and R$44,885 reclassified to "Tax incentive reserve" account - in subsidiaries, arising from investment together with subsidiary NF and the remaining balance of R$110,629 remains as capital investment reserve.

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 on due to change in equity interest.
In the year ended March 31, 2017, R$6,823 (R$7,010 at March 31, 2016) were realized and transferred to “Dividends payable”.

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 in the year was recorded in the income statement 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 (accumulated losses)”, in the amount determined for the grant.

The amount of this incentive that impacted income statement of subsidiary UBV in the year ended March 31, 2017 was R$34,679.

At the Ordinary General Meeting held on July 29, 2016, the shareholders approved the setting up of the tax incentive reserve - effect from tax incentives of subsidiary UBV.

(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.

The mandatory minimum dividends were calculates as follows:

In thousands of reais, unless otherwise stated

	2017	2016
		Restated
Net income for the year	283,867	194,331
Set up of legal reserve (5%)	(14,193)	(9,717)
Calculation basis for mandatory minimum dividends	269,674	184,614
Mandatory minimum dividends - 25%	67,419	46,154
Realization of unearned income reserve	6,823	7,010
Total dividends	74,242	53,164
Dividend per share	0.2070	0.1572
Number of treasury shares, net - at March 31	358,580	338,145

(*) This amount does not include the restatement effects as detailed in Note 2.8. The numbers of shares used in calculating the dividend per share for the year ended March 31, 2016 were adjusted to reflect the share split occurred on December 9, 2016, as mentioned in Note 17 (a).

At the Board of Directors' Meeting held on June 26, 2017, an additional dividend payment in the amount of R$25,758 (R$0.0718 per share) was proposed for ratification at the Ordinary General Meeting.

(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.

At the Board of Director's meeting held on December 12, 2016, the 8th Stock Option Plan was approved. The new plan regulation will govern all characteristics of the other plans existing in the Company.

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

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)	(383,373)	(58,230)	-	-	(1,286,393)
Outstanding stock options	330,388	759,063	956,034	767,700	779,934	3,593,119
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 4th, 5th, 6th and 7th plans were adjusted to reflect the share split mentioned in Note 17 (a).

In the year ended March 31, 2017, the stock options exercised corresponded to 134,549 shares purchased for R$1,690.

The fair value attributed to these options was determined based on the Black & Scholes pricing model. The Company recognized during the year a stock option expense of R$4,079 (R$3,125 at March 31, 2016).

(g) Capital reserve

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

18. Profit sharing program

The Company manages, as part of its policy, a profit sharing program based on operating and financial targets previously agreed upon with its employees. The amount of profit sharing for the year ended March 31, 2017 and 2016, recorded as operating costs or expenses in the income statement totaled R$38,695 and R$43,562, respectively, in the Company.

In thousands of reais, unless otherwise stated

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) Income and social contribution tax balances are as follows:

	Company		Consolidated	
	2017	2016	2017	2016
In current assets - IRPJ and CSLL tax loss carryforward	10,081	113,757	11,159	113,758
In noncurrent assets - IRPJ and CSLL tax loss carryforward	124,285	-	124,285	-
In current liabilities - Current debts				
. Income and social contribution taxes payable	-	-	4,471	916

(b) Deferred income and social contribution taxes

Company	2015	Recognized in income statement	Recognized in equity	2016	Recognized in income statement	Recognized in equity	2017
	Restated			Restated			
. Income and social contribution tax losses	58,914	9,845	-	68,759	(19,833)	-	48,926
. Derivative financial instruments	197,515	(10,902)	43,685	230,298	(11,854)	(177,863)	40,581
. Provision for contingencies	17,988	1,243	-	19,231	2,877	-	22,108
. Biological assets and agricultural product (change in fair value)	14,591	(17,226)		(2,635)	14,211	-	11,576
. Provision for other obligations	18,461	(11,793)	-	6,668	846	-	7,514
. Other assets	6,956	(4,638)	-	2,318	1,852	-	4,170
Total income and social contribution tax assets	314,425	(33,471)	43,685	324,639	(11,901)	(177,863)	134,875
. Surplus of PPE (Deemed cost)	(189,950)	12,046	(5,936)	(183,840)	11,995	(1,521)	(173,366)
. Accelerated depreciation incentive	(190,863)	17,583	-	(173,280)	15,668	-	(157,612)
. Tax benefit on merged goodwill	(39,779)	(30,359)	-	(70,138)	(30,360)	-	(100,498)
. Gain on bargain purchase/surplus value - PPA	-	-	-	-	(48,478)	-	(48,478)
. Foreign exchange difference	(118,299)	74,115	-	(44,184)	16,426	-	(27,758)
. Divestiture with deferred taxation	(27,104)	2,710	-	(24,394)	2,711	-	(21,683)
. Securitized financing	(17,400)	(1,124)	-	(18,524)	1,499	-	(17,025)
. Present value adjustment	(3,297)	999	-	(2,298)	954	-	(1,344)
. Other liabilities	(617)	98	-	(519)	388	-	(131)
Total income and social contribution tax liabilities	(587,309)	76,068	(5,936)	(517,177)	(29,197)	(1,521)	(547,895)
Deferred income and social contribution taxes	(272,884)	42,597	37,749	(192,538)	(41,098)	(179,384)	(413,020)

In thousands of reais, unless otherwise stated

Consolidated	2015	Recognized in income statement	Recognized in equity	2016	Recognized in income statement	Recognized in equity	Consolidation of UBV	Consolidation adjustment – Rights on electricity agreements	2017
. Income and social contribution tax losses	58,914	9,845	-	68,759	(78,182)	-	62,877	-	53,454
. Derivative financial instruments	197,515	(10,902)	43,685	230,298	(11,854)	(177,863)		-	40,581
. Provision for contingencies	17,988	1,243	-	19,231	2,690	-	1,974	-	23,895
. Biological assets and agricultural product (change in fair value)	14,591	(17,227)	-	(2,636)	8,654	-	190	-	6,208
. Employees' profit sharing and bonus	5,035	(4,528)	-	507	(2,605)	-	2,605	-	507
. Provision for other obligations	18,461	(11,793)	-	6,668	846	-		-	7,514
. Other assets	1,921	(110)	-	1,811	1,402	-	2,819	-	6,032
Total income and social contribution tax assets	314,425	(33,472)	43,685	324,638	(79,049)	(177,863)	70,465	-	138,191
. Surplus of PPE (Deemed cost)	(194,683)	12,223	(5,935)	(188,395)	12,178	(193,293)	(1,409)	-	(370,919)
. Accelerated depreciation incentive	(190,863)	17,583	-	(173,280)	11,781	-	(19,300)	-	(180,799)
. Tax benefit on merged goodwill	(39,779)	(30,359)	-	(70,138)	(30,360)	-	-	-	(100,498)
. Gain on bargain purchase/surplus value - PPA	-	-	-	-	(48,478)	-	-	-	(48,478)
. Foreign exchange variation	(118,299)	74,115	-	(44,184)	16,426	-	-	-	(27,758)
. Divestiture with deferred taxation	(27,104)	2,710	-	(24,394)	2,711	-	-	-	(21,683)
. Securitized financing	(17,400)	(1,124)	-	(18,524)	1,499	-	-	-	(17,025)
. Present value adjustment	(3,297)	999	-	(2,298)	954	-	-	-	(1,344)
. Other liabilities	(617)	98	-	(519)	233	-	-	-	(286)
. Intangible assets	(36,766)	4,888	-	(31,878)	-	(525)	-	4,585	(27,818)
. Gain due to change in equity interest - CTC	-	(1,201)	-	(1,201)	(3,525)	-	-	-	(4,726)
Total income and social contribution tax liabilities	(628,808)	79,932	(5,935)	(554,811)	(36,581)	(193,818)	(20,709)	4,585	(801,334)
Deferred income and social contribution taxes	(314,383)	46,460	37,750	(230,173)	(115,630)	(371,681)	49,756	4,585	(663,143)

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

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

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

The recovery of all deferred tax credits, calculated under the terms of CVM Rule No. 371/02, indicates that the projections of taxable income approved by management, including expected realization of temporary differences, is estimated as follows:

Consolidated	Estimated realizable value
2017/2018 Crop	87,315
Between 2018/2019 and 2019/2020 crops	38,177
Between 2020/2021 and 2021/2022 crops	10,659
Between 2022/2023 and 2023/2024 crops	2,040
	138,191

In thousands of reais, unless otherwise stated

For the year ended March 31, 2017, the Company and its subsidiary Landco recognized the amounts of R$1,521 and R$191,771, respectively, of deferred tax liabilities on the deemed cost surplus of land, matched against "Equity adjustment valuation" in equity. The tax-triggering event of the recognition was the transfer through capital reduction or split-off of land of Vale do Mogi that took place in the year and consequent change in the taxation manner in case of land realization.

Due to the decision of merging UBV, as described in Note 10.2, and consequent loss of income and social contribution tax losses of that subsidiary, the amount of R$59,656 of deferred tax assets was written off in the income statement for the year.

(c) Reconciliation of income and social contribution taxes

	Company		Consolidated	
	2017	2016	2017	2016
Pretax income	331,836	181,628	413,645	192,638
Income and social contribution taxes at statutory rates (34%)	(112,940)	(61,754)	(140,755)	(65,497)
Adjustments for calculation of effective tax rate:				
. Equity pickup	59,823	82,277	29,704	25,245
. Other permanent exclusions/(additions), net	(1,186)	1,109	(1,206)	1,109
. Adjustment to the calculation of subsidiary whose taxable profit is comp	-	-	34,970	49,764
. "Lei do Bem" (Brazil's Tax Relief Law)	2,818	3,584	2,818	3,584
. State government grant	-	-	850	-
. Tax incentives	323	102	306	103
. Other	3,193	-	3,189	-
Income and social contribution tax expense	(47,969)	25,318	(70,124)	14,308
Effective income and social contribution rates	14.5%	-13.9%	17.0%	-7.4%
Adjustments for establishing non-recurrent rates				
Write-off of Deferred Tax Asset	-	-	(59,654)	-
Total income and social contribution tax expense	(47,969)	25,318	(129,778)	14,308
Current income and social contribution expense	(6,871)	(17,279)	(14,148)	(26,130)
Deferred income and social contribution expense	(41,098)	42,597	(115,630)	40,438

20. Commitments

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

Riparian forests and land for legal reserve

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

The Company has already provided for the registry of its properties with the Environmental Rural Registry (“CAR”) and will join the Program for 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$93,357.

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).

In thousands of reais, unless otherwise stated

Purchase of inputs

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

21. Provision for contingencies

Provisions are recognized when the Group has a present legal or 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 financial statements reporting dates.

21.1 Probable losses

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

	Company					
	2016	Additions	Reversals	Use	Restatements	2017
Tax	10,651	1,386	(2,071)	(1)	1,606	11,571
Civil and environmental	3,468	700	(838)	(278)	311	3,363
Labor	44,176	19,088	(12,622)	(8,051)	9,052	51,643
Total	58,295	21,174	(15,531)	(8,330)	10,969	66,577
Judicial deposits	27,570	3,950	-	(8,463)	1,650	24,707

	Consolidated							
	2016	Additions	Reversals	Use	Restatements	Consolidation of UBV	Surplus Fair-value businesses combination	2017
Tax	12,999	2,396	(2,071)	(1)	1,607	227	2,758	17,915
Civil and environmental	3,468	832	(10,511)	(278)	1,145	386	31,879	26,921
Labor	44,176	19,312	(12,829)	(8,731)	9,031	5,345	575	56,879
Total	60,643	22,540	(25,411)	(9,010)	11,783	5,958	35,212	101,715
Judicial deposits	30,300	5,200	-	(8,847)	1,666	4,104	-	32,423

In thousands of reais, unless otherwise stated

Judicial deposits are monetarily restated and reported in noncurrent assets.

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

Tax proceedings:
These refer to: (a) taxes whose payment has been challenged in court by the Group; 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 damages caused by the burning of sugarcane straw; and (iii) environmental issues.

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

21.2 Possible losses

The Group is 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:

	Company				Consolidated			
	2017		2016		2017		2016	
Nature	Number of proceedings	Amount	Number of proceedings	Amount	Number of proceedings	Amount	Number of proceedings	Amount
(i) Social security contribution	14	213,013	14	149,765	14	213,013	14	149,765
(ii) Calculation of IRPJ/CSLL	5	236,777	4	199,864	5	236,777	5	275,407
(iii) Offset of federal taxes	33	33,621	19	2,947	34	33,761	26	5,219
(iv) ICMS	3	2,360	-	-	4	12,980	-	-
(v) Other tax proceedings	41	23,078	33	14,932	43	25,713	39	18,897
	96	508,849	70	367,508	100	522,244	84	449,288

In thousands of reais, unless otherwise stated

(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 from the benefit of accelerated tax-incentive depreciation from the Corporate Income Tax (IRPJ) and Social Contribution Tax on Net Profit (CSLL) bases.

(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 and 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 and environmental proceedings:

	Company				Consolidated			
	2017		2016		2017		2016	
Nature	Number of proceedings	Amount	Number of proceedings	Amount	Number of proceedings	Amount	Number of proceedings	Amount
Environmental	36	6,840	32	4,991	37	7,036	34	5,157
Civil								
Indemnities	21	11,572	22	11,444	21	11,571	22	11,444
Review of contracts	6	7,390	10	1,590	7	7,390	10	1,590
Other civil proceedings	12	1,046	15	974	13	1,046	17	1,317
Labor	20	-	18	40	21	-	18	40
	95	26,848	97	19,039	99	27,043	101	19,548

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 bodies aforementioned.

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 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 Group companies to manage their currency risk so as 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.

<u>Assets and liabilities subject to foreign exchange difference</u>

The table below summarizes foreign currency-denominated assets and liabilities (in US dollars - US$), recorded in the consolidated statement of financial position at March 31, 2017:

In thousands of reais, unless otherwise stated

Consolidated	**R$**	**Thousands of US$ equivalent**
Current and noncurrent assets		
Cash and cash equivalents (banks - demand deposits)	62,878	19,845
Trade accounts receivable	72,851	22,993
Derivative financial instruments	172,944	54,584
Total assets	308,673	97,422
Current and noncurrent liabilities:		
Loans and financing	1,388,444	438,299
Derivative financial instruments	76,102	24,024
Total liabilities	1,464,546	462,323
Subtotal assets (liabilities)	(1,155,873)	(364,901)
(-) Borrowings linked to exports – ACC and PPE	1,325,816	418,529
Net assets exposure	169,943	53,628

These assets and liabilities were restated and recorded in the financial statements at March 31, 2017, at the exchange rate in effect on that date, of R$3.1684 per US$1.00 for assets and R$3.1678 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 March 31, 2017, the prices of 697,631 tons of sugar had been determined with commercial partners for delivery in 17/18 crop, priced at an average of 19.33 ¢/lb (US dollar cents per pound weight), including polarization premium.

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

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

In thousands of reais, unless otherwise stated

(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.

Consolidado	Risk factor	Impacts in the income statement: Probable scenarios 5%	Impacts in the income statement: Possible scenarios 25%	Impacts in the income statement: Possible scenarios 50%
Cash and cash equivalents	Decrease in exchange rate - R$/US$	3,144	15,722	31,445
Trade accounts receivable	Decrease in exchange rate - R$/US$	3,643	18,216	36,432
Borrowings	Increase in exchange rate - R$/US$	(863)	(4,314)	(8,629)
Derivative financial instruments				
Non-Deliverable Forwards (NDF)	Increase in future price of commodities	(10)	(49)	(99)
Swap contracts (a)	Decrease in exchange rate - R$/US - and increase in interest curve	(380)	(727)	(1,306)
Net exposure		5,534	28,848	57,843

(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 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 reviewed upon contracting of Non-Deliverable Forwards (NDFs), swap and option strategies as well as debt in foreign currency taken out with top-tier financial institutions.

The balances of assets and liabilities at March 31, 2017 and 2016 relating to transactions with derivative financial instruments and their maturities are as follows:

In thousands of reais, unless otherwise stated

Company and Consolidated	2017			
	Contracted amount/volume	Average price/rate	Notional value - R$	Fair value - R$
In current assets - Gain				
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
TOTAL DERIVATIVE FINANCIAL INSTRUMENTS IN CURRENT ASSETS				172,917
In noncurrent assets - Gain				
Swap contracts - interest - OTC				27
TOTAL DERIVATIVE FINANCIAL INSTRUMENTS IN NONCURRENT ASSETS				27

Company and Consolidated	2017			
	Contracted amount/volume	Average price/rate	Notional value - R$	Fair value - R$
In current liabilities - Loss				
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				
. Written position in call options	69,599	21.57	93,629	208
Swap contracts - interest - OTC				69,456
TOTAL DERIVATIVE FINANCIAL INSTRUMENTS IN CURRENT LIABILITIES				76,097
In noncurrent liabilities - Loss				
Swap contracts - interest - OTC				5
TOTAL DERIVATIVE FINANCIAL INSTRUMENTS IN NONCURRENT LIABILITIES				5

In thousands of reais, unless otherwise stated

Company and Consolidated	2016			
	Contracted amount/volume	Average price/rate	Notional value - R$	Fair value - R$
In current assets - Gain				
Margin deposit				72,395
Merchandise futures contracts - Sugar #11 - Commodities Exchange				
. Sale commitment	36,171	16.06	45,593	1,979
. Purchase commitment	366,489	14.56	418,731	24,520
Merchandise forward contracts - Sugar #11				
. Sale commitment	45,722	16.17	58,024	1,512
Non-Deliverable Forward (NDF) - Dollar - OTC				
. Sale commitment	88,550	4.1422	366,797	31,162
Merchandise options contracts - Sugar #11 - Commodities Exchange				
. Bidding position in call options	76,204	14.25	85,199	9,034
. Bidding position in put options	200,669	12.84	202,135	2,391
Swap contracts - interest - OTC				2,708
TOTAL DERIVATIVE FINANCIAL INSTRUMENTS IN CURRENT ASSETS				145,701
In noncurrent assets - Gain				
Swap contracts - interest - OTC				43,243
TOTAL DERIVATIVE FINANCIAL INSTRUMENTS IN NONCURRENT ASSETS				43,243

Company and Consolidated	2016			
	Contracted amount/volume	Average price/rate	Notional value - R$	Fair value - R$
In current liabilities - Loss				
Merchandise futures contracts - Sugar #11 - Commodities Exchange				
. Sale commitment	569,495	13.46	601,696	91,706
. Purchase commitment	134,068	16.01	168,399	6,089
Non-Deliverable Forward (NDF) - Dollar - OTC				
. Sale commitment	14,080	3.7822	53,254	805
Merchandise options contracts - Sugar #11 - Commodities Exchange				
. Written position in call options	259,549	14.15	288,049	36,905
. Written position in put options	15,241	13.00	15,545	12
Swap contracts - interest - OTC				61,147
TOTAL DERIVATIVE FINANCIAL INSTRUMENTS IN CURRENT LIABILITIES				196,664
In noncurrent liabilities - Loss				
Swap contracts - interest - OTC				65,625
TOTAL DERIVATIVE FINANCIAL INSTRUMENTS IN NONCURRENT LIABILITIES				65,625

In thousands of reais, unless otherwise stated

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 March 31, 2017, financial instruments designated for hedge accounting are broken down as follows:

Company and Consolidated	ASSETS	LIABILITIES	TOTAL in other comprehensive income
Financial instruments:			
Commodity derivatives - Futures, options and forward contracts	78,566	5,270	73,296
Foreign exchange derivatives - Options / NDF	85,337	903	84,434
Foreign exchange differences on borrowing agreements (Trade Fina	30,240	241,346	(211,106)
Swap contracts	-	25,927	(25,927)
	194,143	273,446	(79,303)
Deferred taxes on the items above	(66,009)	(92,972)	26,963
	128,134	180,474	(52,340)

(f) Estimated realization

At March 31, 2017, impacts reported in the Company's equity and estimated realization in the income statement are as follows:

Company and Consolidated	2017/2018 Crop	2018/2019 Crop	2019/2020 Crop	2020/2021 Crop	TOTAL
Derivative financial instruments:					
Commodity derivatives - Futures, options and forward contracts	73,296	-	-	-	73,296
Foreign exchange derivatives - Options / NDF	84,433	-	-	-	84,433
Foreign exchange differences on borrowing agreements (Trade Fina	(128,580)	(60,980)	(30,704)	9,159	(211,105)
Swap contracts	(25,927)	-	-	-	(25,927)
	3,222	(60,980)	(30,704)	9,159	(79,303)
Deferred taxes on the items above	(1,095)	20,733	10,439	(3,114)	26,963
	2,127	(40,247)	(20,265)	6,045	(52,340)

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.

In thousands of reais, unless otherwise stated

Company	Within 1 year	From 1 to 2 years	From 2 to 5 years	Above 5 years	Total
At March 31, 2017					
Borrowings	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
	1,384,573	544,834	1,392,788	124,269	3,446,464
At March 31, 2016					
Borrowings	667,015	1,028,493	1,639,133	152,556	3,487,197
Derivative financial instruments	196,664	65,625	-	-	262,289
Trade accounts payable	119,128	-	-	-	119,128
Acquisition of ownership interest	17,937	23,240	34,860	3,650	79,687
Other liabilities	17,252	-	-	9,993	27,245
	1,017,996	1,117,358	1,673,993	166,199	3,975,546

Consolidated	Within 1 year	From 1 to 2 years	From 2 to 5 years	Above 5 years	Total
At March 31, 2017					
Borrowings	1,499,583	626,208	1,470,372	122,897	3,719,060
Derivative financial instruments	76,097	5	-	-	76,102
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
	1,755,220	637,833	1,505,232	139,591	4,037,876
At March 31, 2016					
Borrowings	670,559	1,031,979	1,649,591	155,058	3,507,187
Derivative financial instruments	196,664	-	-	-	196,664
Trade accounts payable	113,907	-	-	-	113,907
Acquisition of ownership interest	17,937	23,240	34,860	3,650	79,687
Other liabilities	26,591	-	-	10,179	36,770
	1,025,658	1,055,219	1,684,451	168,887	3,934,215

In thousands of reais, unless otherwise stated

22.4 Capital management

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

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

23. Financial instrument classification and fair value

23.1 Classification

Financial assets and liabilities are classified as follows:

		Company	
	Classification	2017	2016
Financial assets			
Cash and cash equivalents	Loans and receivables	142,020	266,343
Short-term investments	Fair value through profit or loss	549,143	641,728
Trade accounts receivable	Loans and receivables	135,972	76,706
Derivative financial instruments	Fair value through profit or loss	172,944	188,944
Transactions with related parties	Loans and receivables	4,623	2,996
Other assets, except for prepayments	Loans and receivables	3,722	4,517
		1,008,424	1,181,234
Financial liabilities			
Borrowings	Liabilities at amortized cost	3,174,394	3,487,197
Derivative financial instruments	Fair value through profit or loss	76,102	262,289
Trade accounts payable	Other financial liabilities	103,122	119,128
Acquisition of ownership interests	Other financial liabilities	62,088	79,687
Other liabilities	Other financial liabilities	30,758	27,245
		3,446,464	3,975,546

In thousands of reais, unless otherwise stated

		Consolidated	
	Classification	2017	2016
Financial assets			
Cash and cash equivalents	Loans and receivables	142,454	266,659
Short-term investments	Fair value through profit or loss	1,053,780	711,910
Trade accounts receivable	Loans and receivables	194,678	108,274
Derivative financial instruments	Fair value through profit or loss	172,944	188,944
Other assets, except for prepayments	Loans and receivables	3,881	4,515
		1,567,737	1,280,302
Financial liabilities			
Loans and financing	Liabilities at amortized cost	3,719,060	3,507,187
Derivative financial instruments	Fair value through profit or loss	76,102	262,289
Trade accounts payable	Other financial liabilities	138,923	113,907
Acquisition of ownership interests	Other financial liabilities	62,088	79,687
Other liabilities	Other financial liabilities	41,703	36,770
		4,037,876	3,999,840

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

23.2 Fair value

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

Level 1 - Quoted prices (unadjusted) in active, liquid and visible markets, for identical assets and liabilities that are readily available at the measurement date;
Level 2 - Quoted prices (which may be adjusted or not) for similar assets or liabilities in active markets; and
Level 3 - Assets and liabilities whose prices do not exist, or whose prices or valuation techniques are supported by a small, nonexistent or illiquid market and unobservable market inputs.

For the year ended March 31, 2017, there is no reclassification of assets and liabilities at fair value from or to Level 1, 2 or 3.

In thousands of reais, unless otherwise stated

In accordance with balance sheet	2017 Level 1	2017 Level 2	2017 Level 3	2016 Level 1	2016 Level 2	2016 Level 3
Assets						
Short-term investments	-	1,053,780	-	-	711,910	-
Margin deposit	-	-	-	-	72,395	-
Derivative financial instruments	61,828	111,116	-	37,924	78,625	-
Biological assets	-	-	437,656	-	-	470,241
	61,828	1,164,896	437,656	37,924	862,930	470,241
Liabilities - Derivative financial instruments	6,176	69,926	-	134,712	127,577	-

Futures and Options in the ICE

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

Foreign exchange options

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

Forward contracts

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

Other financial assets and liabilities

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

24. Segment reporting (consolidated)

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

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

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

Certain events that took place over the period ended June 30, 2016 resulted in the strategic repositioning of 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 Vale do Mogi.

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.

In thousands of reais, unless otherwise stated

Consolidated income statement by segment

2017	Sugar	Ethanol	Energy	Real estate	Other products	Not segmented	Total
Gross Revenue							
Domestic markets	202,314	804,012	128,808	23,612	97,335	-	1,256,081
External markets	1,530,437	115,623	-	-	382	-	1,646,442
Derivatives	(173,269)	(8,333)	-	-	-	-	(181,602)
Amortization of contracts of energy supply	-	-	-	-	-	(7,309)	(7,309)
(-) Taxes, contribution and deductions from sales	(15,960)	(61,678)	(8,287)	(2,323)	(15,845)	-	(104,093)
Net Revenue	1,543,522	849,624	120,521	21,289	81,872	(7,309)	2,609,519
Production costs	(1,099,735)	(668,624)	(49,347)	(3,372)	(66,653)	(13,022)	(1,900,753)
Variations in market value of biological assets	(4,212)	(1,827)	-	-	-	(19,418)	(25,457)
Gross Profit	439,575	179,173	71,174	17,917	15,219	(39,749)	683,309
Gross Margin	28.48%	21.09%	59.06%	84.16%	18.59%	-	26.19%
Sales expenses	(86,766)	(9,309)	(3,463)	-	(2,403)	-	(101,941)
Other operational expenses	-	-	-	-	-	87,515	87,515
Operational profit	352,809	169,864	67,711	17,917	12,816	47,766	668,883
Operational margin	22.86%	19.99%	56.18%	84.16%	15.65%	-	25.63%
Other not segmented expenses and revenues	-	-	-	-	-	(385,016)	(385,016)
Net income for the year	-	-	-	-	-	-	283,867

2016 - Restated	Sugar	Ethanol	Energy	Real estate	Other products	Not segmented	Total
Gross Revenue							
Domestic markets	108,037	805,831	154,455	24,192	49,870	-	1,142,385
External markets	1,119,257	244,032	-	-	11,046	-	1,374,335
Derivatives	(54,659)	(27,836)	-	-	-	-	(82,495)
Amortization of contracts of energy supply	-	-	-	-	-	(9,389)	(9,389)
(-) Taxes, contribution and deductions from sales	(8,222)	(57,080)	(7,985)	(982)	(11,837)	-	(86,106)
Net Revenue	1,164,413	964,947	146,470	23,210	49,079	(9,389)	2,338,730
Production costs	(921,498)	(720,172)	(48,038)	(6,581)	(35,145)	(12,617)	(1,744,051)
Variations in market value of biological assets	(3,873)	93	-	-	-	53,027	49,247
Gross Profit	239,042	244,868	98,432	16,629	13,934	31,021	643,926
Gross Margin	20.53%	25.38%	67.20%	71.65%	28.39%	-	27.53%
Sales expenses	(78,984)	(22,364)	(2,176)	-	(77)	-	(103,601)
Other operational expenses	-	-	-	-	-	(53,465)	(53,465)
Operational profit (loss)	160,058	222,504	96,256	16,629	13,857	(22,444)	486,860
Operational margin	13.75%	23.06%	65.72%	71.65%	28.23%	-	20.82%
Other not segmented expenses and revenues	-	-	-	-	-	(279,914)	(279,914)
Net income for the year	-	-	-	-	-	-	206,946

In thousands of reais, unless otherwise stated

Consolidated operating assets by segment

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

						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 (PPE)	2,333,498	2,816,568	138,484	-	-	5,288,550
Intangible assets	233,661	164,442	75,839	-	-	473,942
Total assets allocated	3,057,427	3,543,439	226,508	38,015	23,483	6,888,872
Other unallocated assets	-	-	-	-	1,803,011	1,803,011
Total	3,057,427	3,543,439	226,508	38,015	1,826,494	8,691,883

						2016 - restated
	Sugar	Ethanol	Electricity	Real estate ventures	Not by segment	Total
Trade accounts receivable	45,796	15,178	5,798	26,911	14,591	108,274
Inventories	151,887	118,600	-	6,622	14,450	291,559
Biological assets	282,710	187,531	-	-	-	470,241
Property, Plant and Equipment (PPE)	2,338,079	1,548,967	106,482	-	10,941	4,004,469
Intangible assets	235,399	164,982	89,176	-	-	489,557
Total assets allocated	3,053,871	2,035,258	201,456	33,533	39,982	5,364,100
Other unallocated assets	-	-	-	-	2,016,792	2,016,792
Total	3,053,871	2,035,258	201,456	33,533	2,056,774	7,380,892

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

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

Sales revenues and cost of land inherent in the development are allocated in the income statement 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 time sales of land 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.

In thousands of reais, unless otherwise stated

	Company		Consolidated	
	2017	2016	2017	2016
Gross sales revenue				
Domestic market	1,083,192	1,000,566	1,256,081	1,142,385
Foreign market	1,646,442	1,374,335	1,646,442	1,374,335
Loss on derivatives	(181,602)	(82,495)	(181,602)	(82,495)
	2,548,032	2,292,406	2,720,921	2,434,225
Amortization of electric power supply agreement (i)	-	-	(7,309)	(9,389)
	2,548,032	2,292,406	2,713,612	2,424,836
Taxes, contributions and deductions on sales	(94,896)	(78,727)	(104,093)	(86,106)
	2,453,136	2,213,679	2,609,519	2,338,730

(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	
	2017	2016	2017	2016
Raw material and consumer and in-use materials	817,750	706,887	771,093	655,344
Personnel expenses	349,416	353,371	357,179	356,103
Depreciation and amortization (including biological assets harvested)	609,062	602,588	631,870	605,946
Third-party services	141,102	138,742	143,401	138,911
Maintenance services and parts	90,656	92,516	93,912	92,705
Litigation	5,700	10,912	(3,845)	10,903
Change in fair value of biological assets	41,801	(49,248)	25,456	(49,248)
Materials for resale	52,007	42,372	67,868	46,489
Realization of inventory surplus value (PPA)	-	-	5,140	-
Cost of land sold	-	-	3,372	6,581
Other expenses	70,462	71,804	80,518	71,358
	2,177,956	1,969,944	2,175,964	1,935,092
Classified as:				
Cost of sales	1,932,594	1,736,886	1,926,210	1,694,804
Selling expenses	98,868	101,832	101,941	103,601
General and administrative expenses	146,494	131,226	147,813	136,687
	2,177,956	1,969,944	2,175,964	1,935,092

In thousands of reais, unless otherwise stated

27. Other income (expenses), net

	Company		Consolidated	
	2017	2016	2017	2016
Disposal of ownership interest - SMA	-	2,027	-	2,027
Gain due to change in ownership interest - CTC	-	-	2,598	3,531
Gain on bargain purchase (Note 10.2)	96,586	-	96,586	-
Surplus value gain - ownership interest acquired in subsidiary NF (Note 10.2)	22,561	-	22,561	-
Surplus value gain – measurement of ownership interest in subsidiary NF (Note 10.2)	23,435	-	23,435	-
Loss on sale of PPE	(920)	(704)	(966)	(704)
Gain on sale of scrap	2,798	1,861	2,853	1,861
Recoveries with agricultural partnership agreement	-	971	-	971
Expenses with proceeding - ICMS Copersucar	(773)	(105)	(773)	(105)
Judicial recoveries	86	942	86	942
Other	163	218	1,583	449
	143,936	5,210	147,963	8,972

In thousands of reais, unless otherwise stated

28. Finance income (costs)

	Company		Consolidated	
	2017	2016	2017	2016
Finance income				
Interest income	100,909	85,921	116,224	97,714
Bank surety commission	1,855	3,194	1,855	3,194
PIS/COFINS on finance income	(8,783)	(2,776)	(8,981)	(2,927)
Other revenues	2,431	1,686	4,957	7,158
	96,412	88,025	114,055	105,139
Finance costs				
Present value adjustment	(2,806)	(2,943)	(2,806)	(2,943)
Interest on borrowings	(222,088)	(197,943)	(227,154)	(199,436)
Interest on payment in installment - Copersucar	(12,383)	(11,548)	(12,383)	(11,548)
Interest paid and accrued	(43,434)	(49,302)	(44,354)	(49,831)
Bank surety commission	(2,587)	(1,760)	(2,606)	(1,760)
ICMS - Copersucar	(6,247)	(20,245)	(6,247)	(20,245)
Reversal of provision for expenses ICMS -	-	22,246	-	22,246
Monetary restatement of contingencies	(10,969)	(10,011)	(11,783)	(10,012)
Expenses with CRA issued	(1,941)	-	(1,941)	-
Other expenses	(5,480)	(4,897)	(7,906)	(4,903)
	(307,935)	(276,403)	(317,180)	(278,432)
Monetary variation and foreign exchange				
Cash and cash equivalents	(23,075)	50,328	(23,075)	50,328
Customers and suppliers	(5,712)	1,475	(5,712)	1,475
Borrowings	32,093	(125,276)	31,688	(125,276)
	3,306	(73,473)	2,901	(73,473)
Derivatives - not designated for hedge accounting				
Gain (loss) on sugarcane transactions	2,832	(28,450)	2,832	(28,450)
Gain (loss) on ethanol transactions	(267)	(6)	(267)	(6)
Income (loss) from foreign exchange	35,714	(23,487)	35,714	(23,487)
Gain (loss) on swap	(80,126)	6,237	(80,126)	6,237
Cost of commodities exchange transactions	(2,470)	(1,897)	(2,470)	(1,897)
Foreign exchange difference, net	(10,697)	147	(10,697)	147
	(55,014)	(47,456)	(55,014)	(47,456)
Finance result, net	(263,231)	(309,307)	(255,238)	(294,222)

29. Earnings per share

	2017	2016 Restated
Income for the period attributed to Company shareholders	283,867	206,946
Weighted average number of common shares for the period - in thousand	337,320	338,928
Earnings per share (in reais)	0.8415	0.6106

	2017	2016 Restated
Income for the period used to determine diluted earnings per sha	283,867	206,946
Weighted average number of common shares for diluted earnings per share - in thousands (i)	338,059	339,606
Diluted earnings per share (in reais)	0.8397	0.6094

(i) Weighted average includes potentially dilutive call options.

The weighted average numbers of common shares used in calculating basic and diluted earnings per share for the year ended March 31, 2016 were adjusted to reflect the share split occurred on December 9, 2016, as mentioned in Note 17 (a).

30. Insurance coverage

The Group maintains a standard safety, training and quality program in its units, which aims, among other things, to reduce the risk of accidents. Furthermore, it maintains insurance contracts at amounts considered sufficient to cover significant losses, if any, on its assets and liabilities. The amounts covered by the current insurance policies at March 31, 2017 are as follows:

In thousands of reais, unless otherwise stated

Company and Consolidated	
Covered perils	**Maximum coverage (i)**
Civil liability	3,932,017
Loss of profits	3,128,000
Fire, lightning and explosion of any nature	2,020,000
Other insurance coverage	2,529,400
Electric damages	1,640,486
Theft or larceny	363,185
Natural phenomena, vehicle or aircraft crash, etc.	192,000

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

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

31. Acquisition and divestiture - payables and receivables

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

	Payables					Receivables					
	2016 balance	Monetary restatement	Amortization (principal)	Amortization (interest)	2017 balance	2016 balance	Monetary restatement	Amortization (principal)	Amortization (interest)	2017 balance	Net balance
Santa Cruz - acquisition of ownership interest - 56.05%	(251,124)	(31,602)	31,210	31,853	(219,663)	-	-	-	-	-	(219,663)
Agro Pecuária Boa Vista - divestiture	-	-	-	-	-	177,329	22,375	(19,590)	(22,539)	157,575	157,575
TOTAL with related party LOP	**(251,124)**	**(31,602)**	**31,210**	**31,853**	**(219,663)**	**177,329**	**22,375**	**(19,590)**	**(22,539)**	**157,575**	**(62,088)**
Santa Cruz - 3.9%	(5,893)	(42)	5,935	-	-	-	-	-	-	-	-
	(257,017)	**(31,644)**	**37,145**	**31,853**	**(219,663)**	**177,329**	**22,375**	**(19,590)**	**(22,539)**	**157,575**	**(62,088)**

Current liabilities	(11,958)
Noncurrent liabilities	(50,130)
	(62,088)

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

32. Subsequent events

(a) Issue of Agribusiness Receivables Certificate ("CRA")

On April 7, 2017, the Company took out new funds by means of capital markets, through issue of Agribusiness Receivables Certificates (CRA) by Vert Companhia Securitizadora, amounting to R$506,400.

This amount comprises two types of Certificates: (i) in the amount of R$313,566 with semiannual repayments of interest equivalent to 96% of the CDI accumulated variation and lump-sum payment of principal in April 2021; and (ii) amount of R$192,834 with annual repayments of interest equivalent to IPCA + 5.0894% and lump-sum payment of principal in April 2023.

(b) Funding through IFC

On June 7, 2017, the Company raised US $ 90,000 (R $ 295,740) through the International Finance Corporation (IFC), a member of the World Bank Group, with an 8-year maturity date.

(c) Merger and split-off of Vale do Mogi

At the Extraordinary General Meeting held on June 1, 2017, the partial spin-off of subsidiary Vale do Mogi to subsidiary LandCo was approved. The spun-off portion refers to land in the amount of R$ 899,056. These assets are increased by deemed cost surplus in the amount of R$854,674.

Additionally, the Shareholders' Meeting approved the alteration of Vale do Mogi's corporate name to São Martinho Terras Imobiliárias S.A. (SMT Imobiliárias).

With this move, SMT Imobiliárias now holds 3 thousand hectares of land that will be destined to real estate and mining projects.

(d) **Partial spin-off of LandCo**

At the Extraordinary General Meeting held on June 1, 2017, the partial spin-off of the subsidiary LandCo to subsidiary Vale do Mogi was approved. The spun-off portion refers to land in the amount of R$ 5,400. These assets are accrued of estimated cost in the amount of R$5,111.

The same Assembly also approved the amendment of LandCo's corporate name to São Martinho Terras Agrícolas S.A. (SMT Agrícolas).

After this movement, SMT Agrícolas now holds 47 thousand hectares of land that will be used exclusively in agriculture.

The organizational chart after the corporate acts described above, is as follows:

4Q17 QUARTERLY EARNINGS

JUNE 26, 2017

São Martinho posts Net Income of R$ 119.4 million in 4Q17, up 65.6% from 4Q16

- ✓ São Martinho posted Adjusted EBITDA of R$401 million in 4Q17 (+15.8%) and R$1.44 billion (+11.1%) in the crop year. Net income came to R$283.9 million (+37.2%) in 12M17, with R$119.4 million (+65.6%) in 4Q17;
- ✓ Adjusted EBIT reached R$ 182.2 million (+59.2%) in the quarter and R$ 707.2 million (+24.2%) in 12M17. The leverage ratio (Net Debt/Adjusted EBITDA) fell to 1.55 times, following conclusion of the merger of Nova Fronteira in February 2017;
- ✓ At Mar. 31, 2017, our hedging for sugar prices and the U.S. dollar for the 2017/18 crop year amounted to 697,600 tons and US$295.5 million, respectively, with 68% of own cane by volume hedged at R$71.3 cents/lb.
- ✓ In the 2016/17 crop year, we invested approximately R$600 million to expand our sugarcane processing capacity. Starting in the 2017/18 crop year, our industrial capacity will reach 24 million tons, due to the conclusion of the investments at Santa Cruz and the recent merger of Nova Fronteira;
- ✓ São Martinho's pro-forma balance sheet, considering 100% consolidation of Boa Vista in 12M17, recorded Adjusted EBITDA of R$ 1.66 billion (margin of 47.6%), Adjusted EBIT of R$ 827.2 million (margin of 23.6%) and Net Income of R$ 336.1 million.

Sumário Executivo	4Q17	4Q16	Chg. (%)	12M17	12M16	Chg. (%)
Net Revenue	894,270	818,146	9.3%	3,122,348	2,831,124	10.3%
Adjusted EBITDA	400,991	346,297	15.8%	1,445,083	1,301,240	11.1%
Adjusted EBITDA Margin	44.8%	42.3%	2.5 p.p.	46.3%	46.0%	0.3 p.p.
Adjusted EBIT	182,232	114,444	59.2%	707,172	569,254	24.2%
Adjusted EBIT Margin	20.4%	14.0%	6.4 p.p.	22.6%	20.1%	2.5 p.p.
Net Income	119,441	72,116	65.6%	283,867	206,946	37.2%
Net Debt / EBITDA	1.55 x	2.14 x		1.55 x	2.14 x	

March 31, 2017

SMTO3
R$ 17.28 per share

Market Capitalization
R$ 6,290 million

Earnings Conference Call

June 27, 2017 (Tuesday)

3:00 p.m. Brasília +55 11 3193-1001
2:00 p.m. New York +1 786 924-6977

Access code: São Martinho

MESSAGE FROM THE CEO

Dear all,

In the 2016/17 crop year, São Martinho concluded yet another important step by acquiring the remaining interest in Boa Vista, a mill created as a greenfield project in 2005 that reached crushing capacity of five million tons in the 2016/17 crop year. The full consolidation of Boa Vista as of 2017 will help São Martinho reach industrial production capacity of 1 billion liters of ethanol and nearly 1GW of surplus cogeneration.

Furthermore, as the market already knows, during this crop year we concluded an important operating and strategic step at the Santa Cruz Mill, which reached crushing capacity of 5.6 million tons of cane, combined with the expansion in sugar production, which will help reduce the plant's operating costs as from the next crop year.

I always say that every season is unique. However, the 2016/17 crop year was severely affected by frost on some 40,000 hectares of our sugarcane fields, which resulted in a 10% shortfall in relation to our estimates made at the start of the season. Converted into cash generation, this loss in raw material represents a negative impact of approximately R$200 million.

Despite the impact from the frost, we posted record-high cash generation in the crop year, as reported in the Earnings Release and, combined with the strategy to acquire Boa Vista via a share exchange transaction, we ended the crop year with a comfortable leverage ratio (Net Debt/EBITDA) of 1.55 times.

In addition to better financial indicators, this crop year we tapped a new source of capital with the issue of Certificates of Agribusiness Receivables (CRAs), which diversified our sources of capital at very competitive costs.

We are confident on the 2017/18 crop year. Despite the pressure on sugar prices in recent months, we believe futures prices should return a level more conducive to the true fair scenario for global sugar supply and demand. Note that the recent decline in sugar prices has little impact on our results, since some 70% of our sugar volume (own cane equivalent) is hedged at R$ 71.3 cents/lb.

For ethanol, the short-term scenario remains challenging, but we expect a recovery in the share of ethanol in the Otto cycle supported by the gradual recovery in domestic consumption. Looking ahead to the medium and long term, the RenovaBio program, if approved by Congress, would enable renewable fuels to play a more relevant role in Brazil's energy profile, which would represent an important step forward for the sustainability of the industry and society.

In technology and innovation, we are concentrated on concluding the Agricultural Operations Center (COA) project, which will streamline São Martinho's management of agricultural assets and make it more efficient, with positive and material impacts on operating costs once the project reaches maturity.

For our pre-sprouted seedlings (PSS) project, we conducted a series of analyses and projects over the 2016/17 crop year that have generated highly positive responses. PSS technology, combined with other planting techniques used by the Company, could lead to significant savings in agricultural costs and boost the supply of sugarcane over the coming crop years: a combination of a higher supply of end products and greater cost dilution that consequently would create additional value for shareholders.

Thank you all for your trust.

Fabio Venturelli

Chief Executive Officer

NEW ACCOUNTING STANDARD – IFRS 11 (CPC 19)

With the adoption of the new accounting standard IFRS 11 (CPC 19) as of the 2013/14 fiscal year, São Martinho S.A. no longer proportionally consolidates the results of its investees. In view of the materiality of the results of Nova Fronteira Bioenergia S.A. (50.95%) to the São Martinho Group, the Company opted to continue presenting on a pro-forma basis its balance sheet, income statement and cash flow statement in the set of financial statements following the same consolidation criteria used prior to the adoption of said standard.

As announced in the Material Fact notice dated February 23, 2017, São Martinho merged Nova Fronteira Bioenergia through the issue of 24,023,708 shares. Therefore, the figures in this report consider 50.95% consolidation of the results of the Boa Vista Mill between April 2016 and February 2017, and 100% consolidation of the results for March 2017, for which reason some of the information herein will not coincide with that presented in the notes to the financial statements.

Since, as of 1Q18, we will consolidate 100% of Boa Vista, the accounting effects on the financial statements will be the same as those presented in the earnings release.

Furthermore, as mentioned in previous quarters, since the first quarter of this crop year, we have adopted the changes in accounting practices introduced by IAS 16 and IAS 41. Bearer biological assets are now recognized under property, plant and equipment. Consumable biological assets (standing cane) are measured at fair value and remain under the scope of IAS 41.

Accordingly, the results for 4Q16 were restated to maintain comparability between periods, as required under IAS 8 (CPC 23).

The following table presents a summary of the results:

QUARTER		
	São Martinho S.A. (consolidated CPC 19) [1]	São Martinho S.A. (Pro forma) [2]
R$ '000		
Net Revenue [3]	839,875	894,270
Adjusted EBITDA	372,650	400,991
Adjusted EBITDA Margin	44.4%	44.8%
Adjusted EBIT	169,563	182,232
Adjusted EBIT Margin	20.2%	20.4%
Biological Assets	(17.647)	(17.647)
Non Recurring Operating Revenues (Expenses)	140,490	140,609
Equity Income (Loss)	9,699	(343)
Financial Result / Exchange Variation	(62.646)	(61.970)
Debt Maturity (Hedge) / PPA	5,802	5,802
Income (Loss) Before taxes	245,261	248,683
Taxes	(125.820)	(129.242)
Net Income	119,441	119,441

1 - Considers 100% of the results of UBV in March/17.
2 - Considers 50.95% of the results of UBV in January and February and 100% in March/17.
3 - Excludes the Hedge Accounting effect of foreign-denominated debt and PPA.

YEAR TO DATE		
	São Martinho S.A. (consolidado CPC 19) [1]	São Martinho S.A. (Pro forma) [2]
R$ '000		
Net Revenue [3]	2,728,986	3,122,348
Adjusted EBITDA	1,216,166	1,445,083
Adjusted EBITDA Margin	44.6%	46.3%
Adjusted EBIT	584,296	707,172
Adjusted EBIT Margin	21.4%	22.6%
Biological Assets	(25.456)	(24.207)
Non Recurring Operating Revenues (Expenses)	142,144	142,362
Equity Income (Loss)	87,365	606
Financial Result / Exchange Variation	(255.238)	(260.914)
Debt Maturity (Hedge) / PPA	(119.467)	(119.467)
Income (Loss) Before taxes	413,645	445,552
Taxes	(129.778)	(161.685)
Net Income	283,867	283,867
Information Consider 100% of Boa Vista Mill		
Cash		1,196,782
Gross Debt		3,781,331
Net Debt		2,584,549
EBITDA YTD		1,666,784
Net Debt / EBITDA		1.55 x

1 - Considers 100% of the results of UBV in March/17.

2 - Considers 50.95% of the results of UBV from April 2016 to February 2017 and 100% in March 2017.

3 - Excludes the Hedge Accounting effect of foreign-denominated debt and PPA.

MERGER OF USINA BOA VISTA

To enable a better understanding of the merger of Usina Boa Vista and improve comparisons with the Company's future results, the following table presents the main highlights of the 2016/17 crop year already considering consolidation of 100% of UBV.

YEAR TO DATE			
	12M16 (50.95% UBV)	12M17 (100% da UBV)	Chg.(%)
R$ '000			
Net Revenue*	2,831,124	3,499,437	23.6%
Adjusted EBITDA	1,301,240	1,666,784	28.1%
Adjusted EBITDA Margin	46.0%	47.6%	1.7 p.p.
Adjusted EBIT	569,254	827,190	45.3%
Adjusted EBIT Margin	20.1%	23.6%	3.5 p.p.
Financial Result	(320.232)	(264.947)	-17.3%
Biological Assets	55,960	(23.004)	n.m.
Non Recurring	4,555	593	n.m.
Adjustment to Maturity of Hedge	(103.706)	(119.467)	15.2%
Income (Loss) Before taxes	205,831	420,365	n.m.
Taxes	1,115	(84.314)	n.m.
Net Income	206,946	336,052	62.4%
Cash	1,120,212	1,196,782	6.8%
Gross Debt	3,905,167	3,781,331	-3.2%
Net Debt	2,784,955	2,584,549	-7.2%
EBITDA YTD	1,301,241	1,666,784	28.1%
Net Debt / EBITDA	2.14 x	1.55 x	

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

OVERVIEW – COMPANY

Operating Data

	16/17 Crop Year	15/16 Crop Year	Chg. (%)
São Martinho - Consolidated			
Crushed Sugarcane ('000 tons)	**19,281**	**20,024**	**-3.7%**
Own	13,398	12,985	3.2%
Third Parties	5,883	7,039	-16.4%
Mechanized Harvest	98.9%	97.4%	1.50 p.p.
Agricultural Yield (ton/ha)	78.7	85.9	-8.4%
Average TRS (kg/ton)	130.3	128.9	1.1%
Production			
Sugar ('000 tons)	1,301	1,230	5.8%
Anhydrous Ethanol ('000 m^3)	398	445	-10.5%
Hydrous Ethanol ('000 m^3)	269	306	-12.1%
Cogeneration ('000 MWh)	720	741	-2.8%
TRS Produced	*2,512*	*2,581*	*-2.7%*
Mix - Sugar - Ethanol	*54% - 46%*	*50% - 50%*	
Mix Anhydrous - Hydrous	*61% - 39%*	*60% - 40%*	

As announced in the Material Fact notice, São Martinho's plantations were affected by three severe frosts during the 2016/17 crop year, which reduced yields (TCH) and cane sugar content (TRS). As a result, cane processing volume fell 3.7% compared to the 2015/16 crop year, to 19.3 million tons, with priority given to the production of sugar, given its better sales price.

It is important to note, however, that the frosts did not affect the development of sugarcane for the 2017/18 crop year. Accordingly, we present below the guidance of production for the upcoming crop year.

Production Guidance – 2017/18 Crop Year

	Actual 16/17 Crop Year*	Guidance 17/18 Crop Year	Chg. (%)
Crushing ('000 tons)	**19,281**	**22,300**	**15.7%**
Sugar ('000 tons)	1,301	1,400	*7.6%*
Anhydrous ('000 m³)	398	450	*13.1%*
Hydrous ('000 m³)	269	430	*59.8%*
Cogeneration ('000 MWh)	720	900	*25.0%*
Average TRS (Kg/Ton)	*130.3*	*133.5*	*2.5%*
Total TRS produced	**2,512**	**2,977**	**18.5%**
Mix Sugar/Ethanol - SP Mills	*63% - 37%*	*62% - 38%*	
Mix Sugar/Ethanol - Group	*54% - 46%*	*49% - 51%*	

** Considers 50.95% of Boa Vista Mill*

For the 2017/18 crop year, we expect to crush 22.3 million tons of cane, representing growth of 15.7% from the 2016/17 crop year, with average total recoverable sugar (TRS) increasing 2.5% per ton. This

São Martinho

growth reflects the expectation of better weather conditions at our fields throughout the season, as well as the full consolidation of Boa Vista.

Our production mix will continue to have a higher share of sugar, with total sugar production volume of 1.4 million tons, or 7.6% more than in 2016/17 crop year.

With the full consolidation of Boa Vista, a mill 100% dedicated to ethanol, our ethanol production volume for the 2017/18 crop year is estimated to reach 450,000 m³ of anhydrous ethanol and 430,000 m³ of hydrous ethanol, while energy cogeneration should reach approximately 900,000 MWh in the period.

Financial Highlights of the 2016/17 Crop Year

The following table presents São Martinho's financial highlights in 4Q17 and in the 2016/17 crop year, which will be discussed in more detail throughout this earnings release.

	4Q17	4Q16	Chg. (%)	12M17	12M16	Chg. (%)
Net Revenue [1]	894,270	818,146	9.3%	3,122,348	2,831,124	10.3%
Adjusted EBITDA	400,991	346,297	15.8%	1,445,083	1,301,240	11.1%
Adjusted EBITDA Margin	44.8%	42.3%	2.5 p.p.	46.3%	46.0%	0.3 p.p.
Adjusted EBIT	182,232	114,444	59.2%	707,172	569,254	24.2%
Adjusted EBIT Margin	20.4%	14.0%	6.4 p.p.	22.6%	20.1%	2.5 p.p.
Consolidated Balance Sheet Indicators [2]						
Total Assets	8,691,525	7,755,590	12.1%	8,691,525	7,755,590	12.1%
Shareholders' Equity	3,403,320	2,646,597	28.6%	3,403,320	2,646,597	28.6%
EBITDA (LTM)	1,666,784	1,301,240	28.1%	1,666,784	1,301,240	28.1%
Net Debt	2,584,549	2,784,955	-7.2%	2,584,549	2,784,955	-7.2%
Net Debt / EBITDA (LTM)	1.55 x	2.14 x		1.55 x	2.14 x	
Net Debt / Shareholders' Equity	76%	105%		76%	105%	

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

2 - Information considers 100% of UBV on the 4Q17 and 12M17.

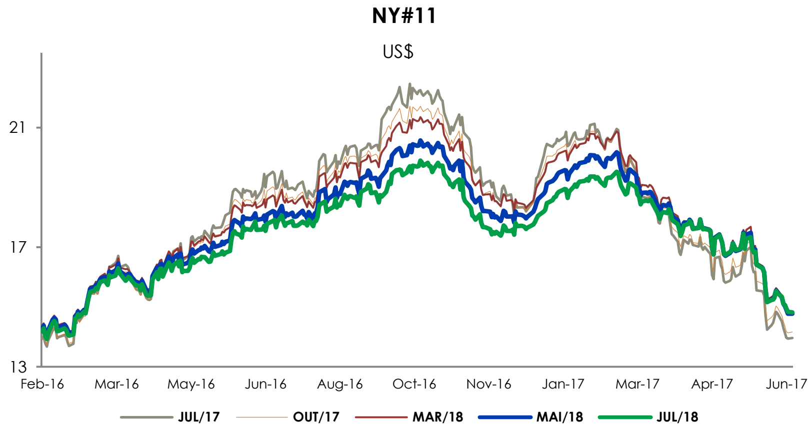
INDUSTRY OVERVIEW

On April 12, 2017, the Sugarcane Industry Association (UNICA) released closing data for the 2016/17 crop year in the Center-South region, which registered sugarcane crushing volume of 607.1 million tons, down 1.7% on the previous season. Cane TRS averaged 133.0 Kg/ton, of which 46.3% was allocated to sugar production and 53.7% to ethanol production.

For the 2017/18 crop year, UNICA estimates crushing volume of 585 million, down 3.7% from the 2016/17 crop year. The reduction reflects the smaller area available for harvest due to the renewal of sugarcane fields with planting every 18 months. The association also expects a decline in agricultural yield (TRS) of 2.7% from the previous crop year, reflecting the lower amount of stand-over cane and aging of fields. Note, however, that this combination of factors will not affect São Martinho, as already explained in the section "Operating Data."

Sugar

According to UNICA, sugar production amounted to 35.6 million tons in Brazil's Center-South in the 2016/17 crop year, or 14.1% more than in the previous season. This growth is explained by producers' decisions to prioritize sugar production, since international prices for sugar offered higher margins than for ethanol.



For the 2017/18 crop year, the expectation is for sugar production in the Center-South of 35.2 million tons, down 1.2% from the 2016/17 season. The projected drop in production mainly reflects the decline in international prices for the product, which, coupled with the stronger Brazilian real, reduced expectations for higher prices at the end of 2016. We are still at the start of the season, but given the magnitude of the drop in sugar prices observed recently, there is a strong likelihood that producers will migrate part of their sugar production to ethanol, given the very similar profitability and the much shorter ethanol cash conversion cycle.

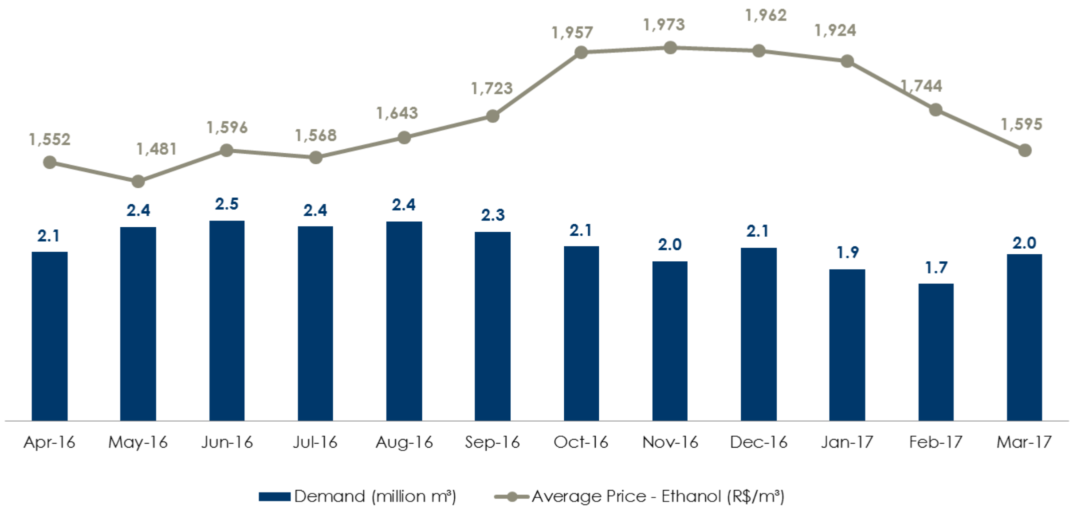
Although in the near term the sugar market is being pressured by: (i) apparent weaker sugar consumption in India; (ii) the higher duties on sugar imports imposed by China; and (iii) lower oil prices, we are very optimistic on the supply and demand scenario for sugar in the medium and long term, given that the main producing regions are not expected to make new investments and consumption should continue to grow at an average rate of 2% p.a.

Ethanol

AVERAGE PRICES - ETHANOL	4Q17	4Q16	Chg. (%)	12M17	12M16	Chg. (%)
Market Prices						
Anhydrous ESALQ, Net DM R$ / m^3	1,821.24	2,077.19	-12.3%	1,810.79	1,666.31	8.7%
Hydrous ESALQ, Net DM - R$ / m^3	1,663.34	1,890.58	-12.0%	1,633.57	1,492.52	9.5%

In 4Q17, ethanol prices fell by approximately 12.0%, reflecting a combination of: (i) the hikes in the rates of ethanol sales taxes (PIS/COFINS) of 120/m³ as of January 2017; (ii) the growth in imports of U.S. anhydrous ethanol; and (iii) lower oil prices.

The following chart shows monthly ethanol consumption and the average prices practiced, based on data from Cepea Esalq for the 2016/17 crop year.



FINANCIAL PERFORMANCE

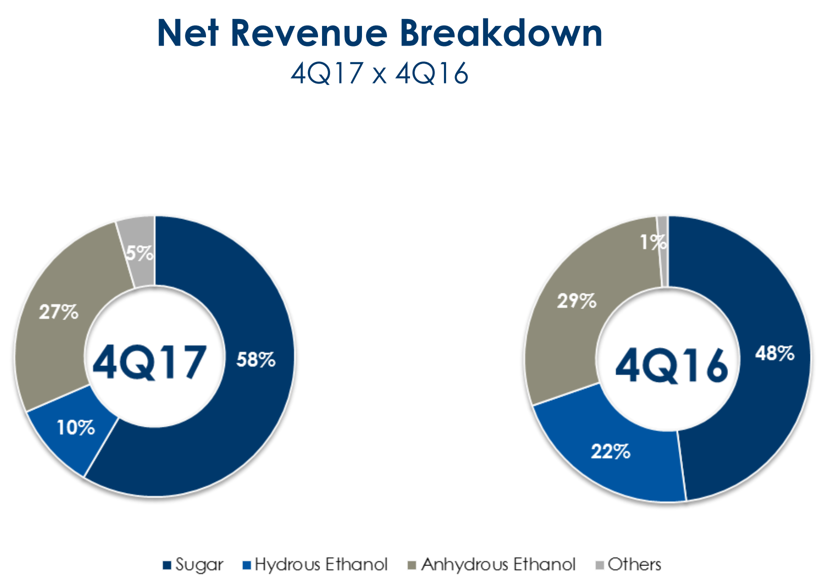
NET REVENUE BREAKDOWN	4Q17	4Q16	Chg. (%)	12M17	12M16	Chg. (%)
R$ '000						
Domestic Market	**407,339**	**438,791**	**-7.2%**	**1,521,316**	**1,443,122**	**5.4%**
Sugar	60,535	29,786	103.2%	161,813	102,226	58.3%
Hydrous Ethanol	82,181	161,231	-49.0%	400,621	415,915	-3.7%
Anhydrous Ethanol	224,531	237,587	-5.5%	720,424	665,196	8.3%
Energy	29,122	2,923	n.m.	152,089	185,573	-18.0%
Real Estate Development	320	333	-3.9%	21,289	23,210	-8.3%
Other	10,650	6,931	53.7%	65,079	51,002	27.6%
Export Market	**486,931**	**379,355**	**28.4%**	**1,601,032**	**1,388,002**	**15.3%**
Sugar	462,085	362,404	27.5%	1,482,817	1,156,501	28.2%
Hydrous Ethanol	7,709	16,951	-54.5%	74,824	85,972	-13.0%
Anhydrous Ethanol	16,753	-	n.m.	43,008	134,579	-68.0%
Other	384	-	n.m.	384	10,950	-96.5%
Net Revenue*	**894,270**	**818,146**	**9.3%**	**3,122,348**	**2,831,124**	**10.3%**
Sugar	522,620	392,190	33.3%	1,644,630	1,258,727	30.7%
Hydrous Ethanol	89,890	178,182	-49.6%	475,445	501,887	-5.3%
Anhydrous Ethanol	241,284	237,587	1.6%	763,431	799,775	-4.5%
Energy	29,122	2,923	n.m.	152,089	185,573	-18.0%
Hydrous Ethanol	320	333	-3.9%	21,289	23,210	-8.3%
Other	11,034	6,931	59.2%	65,463	61,952	5.7%

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

Net Revenue

In the fourth quarter of the 2016/17 crop year (4Q17), the Company's net revenue amounted to R$894.3 million, increasing 9.3% from the same period of the previous crop year. This improvement basically reflects the 29.3% increase in the average sugar sales price combined with the 3.1% growth in sugar sales volume. For the 2016/17 crop year, net revenue grew 10.3% to R$3,122.3 million, due to the same reasons positive factors cited for 4Q17.

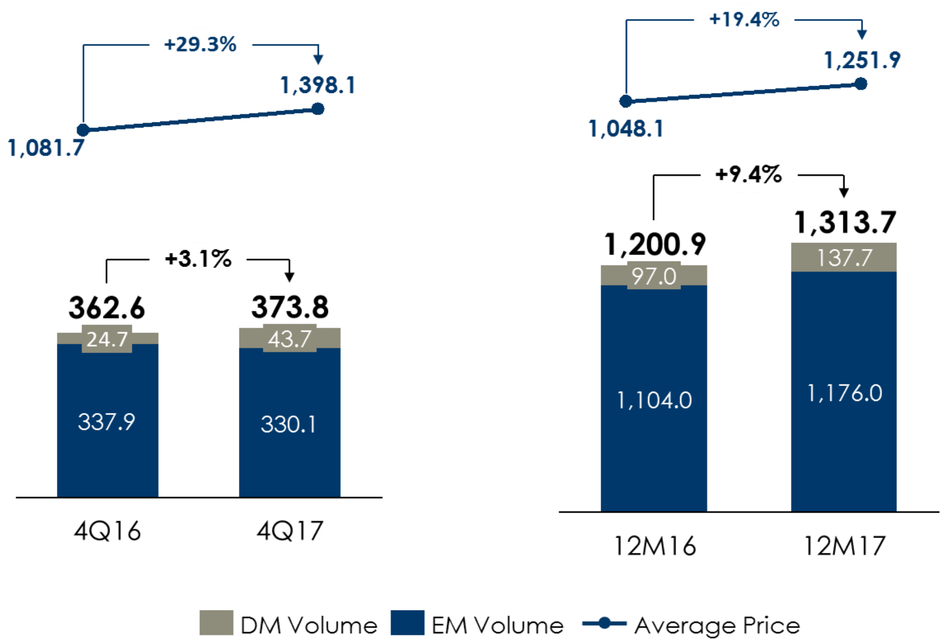
The following charts present a breakdown of the Company's net revenue by product:



São Martinho

Sugar

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

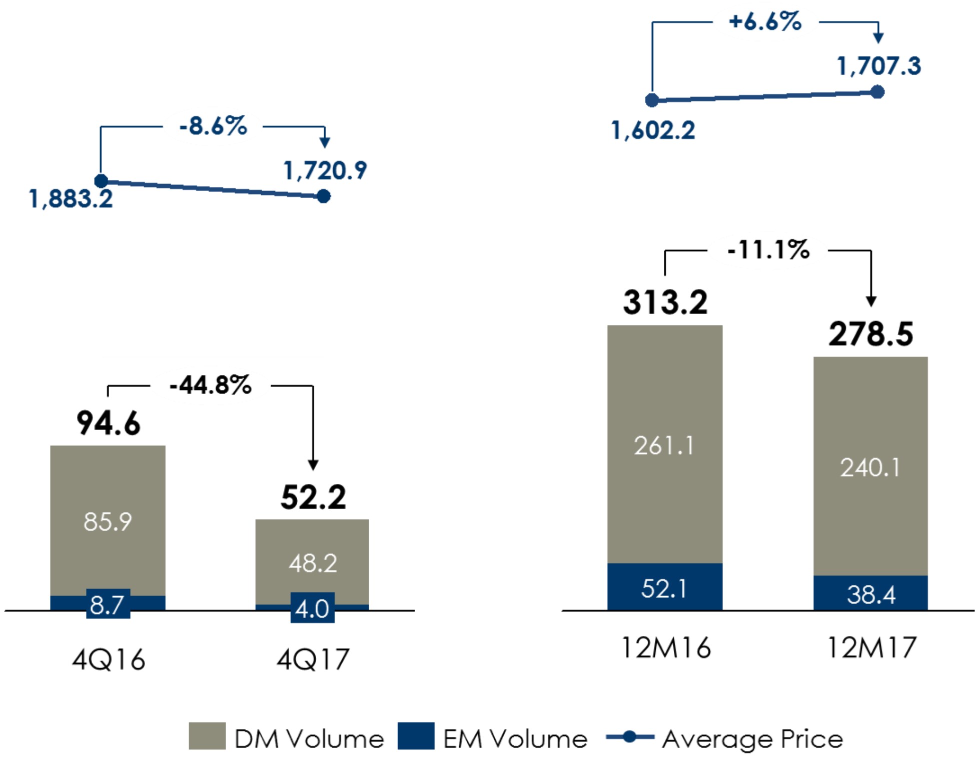


Net revenue from sugar sales amounted to R$522.6 million in 4Q17, increasing 33.3% on the same period of the previous crop year. As discussed previously, this improvement basically reflects the 29.3% increase in the average sugar sales price in the quarter (R$1,398.1/ton) and the 3.1% growth in sugar sales volume (373,800 tons).

In full crop year, net revenue from sugar sales amounted to R$1,644.6 million, increasing 30.7% compared to 12M16, reflecting the 9.4% growth in sales volume (1,313.7 thousand tons) and the 19.4% increase in the average sales price in the period (R$ 1,251.9/ton).

Hydrous Ethanol

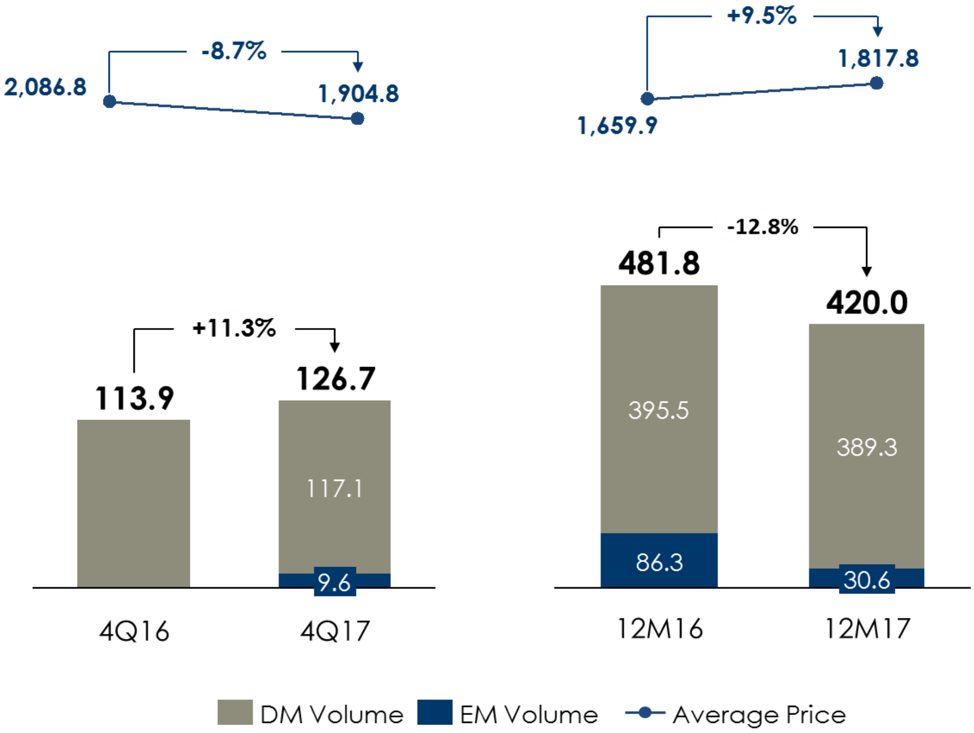
Volume ('000 m³) and Average Price (R$/m³)



Net revenue from hydrous ethanol sales amounted to R$89.9 million in 4Q17, down 49.6% from 4Q16. The lower revenue reflects the 44.8% drop in sales volume in the quarter, which is mainly due to the crop shortfall, as detailed in the Material Fact notice of November 2016. There was also significant growth in ethanol imports in early 2017, which affected domestic prices and led to an 8.6% decrease in prices. In the 2016/17 crop year, net revenue from hydrous ethanol sales fell 5.3% from 12M16, to R$475.4 million, which reflects the 11.1% decrease in sales volume due to the crop shortfall.

Anhydrous Ethanol

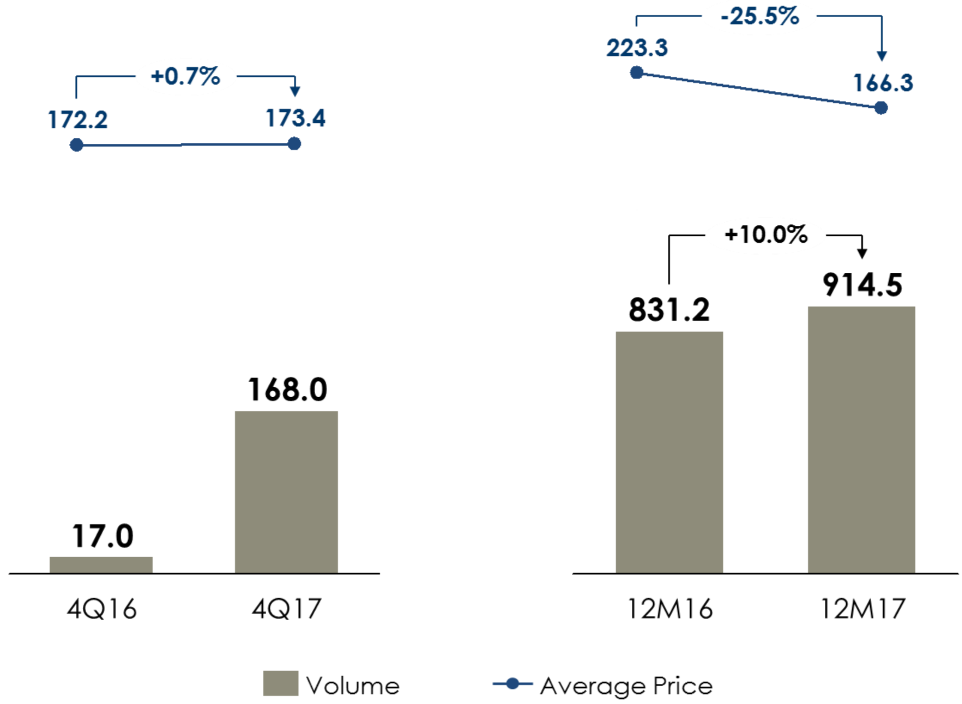
Volume ('000 m³) and Average Price (R$/m³)



Net revenue from anhydrous ethanol sales amounted to R$241.3 million in 4Q17, in line with 4Q16. In the full crop year, net revenue from anhydrous ethanol sales decreased 4.5% compared to 12M16, to R$763.4 million, reflecting the 12.8% lower sales volume, despite the 9.5% higher average sales price (R$ 1,817.8/m³).

Cogen

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



Net revenue from cogeneration sales amounted to R$29.1 million in 4Q17, reflecting the higher cogeneration sales volume in the period. In 12M17, net revenue from cogeneration sales amounted to R$152.1 million, down 18.0% from the previous crop year. The lower revenue reflects the decline in the average sales price, due to the lower electricity price (PLD) in the period.

Real Estate Development

Since the 2014/15 crop year, three real estate projects have been launched: Recanto das Paineiras, Park Empresarial (in the region of Limeira, SP) and Nova Pradópolis (in the region of Ribeirão Preto, SP).

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

Real Estate Development	Type	Town	Area (m²)	Lauched date	Total lots Sold	POC Position
Recanto das Paineiras	Residential	Iracemápolis	376,567	June-14	99.6%	100.0%
Park Empresarial	Industrial	Iracemápolis	182,684	September-14	75.2%	100.0%
Nova Pradópolis	Residential	Pradópolis	257,750	December-15	76.0%	100.0%

In the 2016/17 crop year, the Company recognized net revenue of R$21.3 million and cash generation of R$17.2 million.

Real Estate Development	Net Revenue 12M17	Cash Generation 12M17	Portfolio March/17	Nominal Portfolio March/17
Current Projects	9,296	7,488	30,089	45,838
Land Monetization	11,993	9,718	4,515	4,515
Total	**21,289**	**17,206**	**34,604**	**50,353**

INVENTORIES

	4Q17	4Q16	Chg. (%)
Sugar (tons)	10,141	33,450	-69.7%
Hydrous (m^3)	7,634	12,733	-40.0%
Anhydrous (m^3)	34,829	25,116	38.7%

EBITDA AND EBITDA COST BY PRODUCT

EBITDA BY PRODUCT - 12M17	SUGAR	ETHANOL	ETHANOL IMPORTED	COGEN	REAL ESTATE	OTHERS	TOTAL
R$ '000							
Net Revenues*	1,644,630	1,213,363	25,513	152,089	21,289	65,463	3,122,348
COGS (Cash)	(703,122)	(602,211)	(26,870)	(46,043)	(3,473)	(41,549)	(1,423,269)
Gross Profit (Cash)	941,508	611,152	(1,357)	106,046	17,816	23,914	1,699,078
Gross Margin (Cash)	57.2%	50.4%	-5.3%	69.7%	83.7%	36.5%	54.4%
Sales Expenses	(86,766)	(10,672)	(2,160)	(6,978)	-	(244)	(106,820)
G&A Expenses (Cash)	(72,630)	(62,586)	-	(14,110)	(3,560)	-	(152,886)
Other Revenues (Expenses)	-	-	-	-	-	5,710	5,710
Adjusted EBITDA	**782,112**	**537,894**	**(3,517)**	**84,958**	**14,256**	**29,381**	**1,445,083**
Adjusted EBITDA Margin	47.6%	44.3%	-13.8%	55.9%	67.0%	44.9%	46.3%
EBITDA Cost**	(656.5)	(988.1)	(1,952.8)	(73.4)			

**Excludes Hedge Accounting effects of foreign-denominated debt and PPA (R$ 119.5 million).*

*** Sugar in R$/Ton*

Ethanol in R$/m³

Cogeneration in R$/MWh

EBITDA BY PRODUCT - 12M16	SUGAR	ETHANOL	COGEN	REAL ESTATE	OTHERS	TOTAL
R$ '000						
Net Revenues*	1,258,727	1,301,662	185,573	23,210	61,952	2,831,124
COGS (Cash)	(571,720)	(626,083)	(44,833)	(6,581)	(32,572)	(1,281,788)
Gross Profit (Cash)	687,007	675,579	140,740	16,629	29,380	1,549,335
Gross Margin (Cash)	54.7%	52.2%	75.8%	71.6%	43.0%	54.7%
Sales Expenses	(78,984)	(24,277)	(5,806)	-	(77)	(109,145)
G&A Expenses (Cash)	(61,604)	(66,912)	(11,673)	(5,026)	-	(145,214)
Other Revenues (Expenses)	-	-	-	-	6,263	6,263
Adjusted EBITDA	**546,419**	**584,390**	**123,262**	**11,604**	**35,566**	**1,301,240**
Adjusted EBITDA Margin	43.5%	45.2%	66.4%	50.0%	53.0%	46.0%
EBITDA Cost**	(593.1)	(902.2)	(75.0)			

**Excludes Hedge Accounting effects of foreign-denominated debt and PPA (R$ 103.7 million).*

*** Sugar in R$/Ton*

Ethanol in R$/m³

Cogeneration in R$/MWh

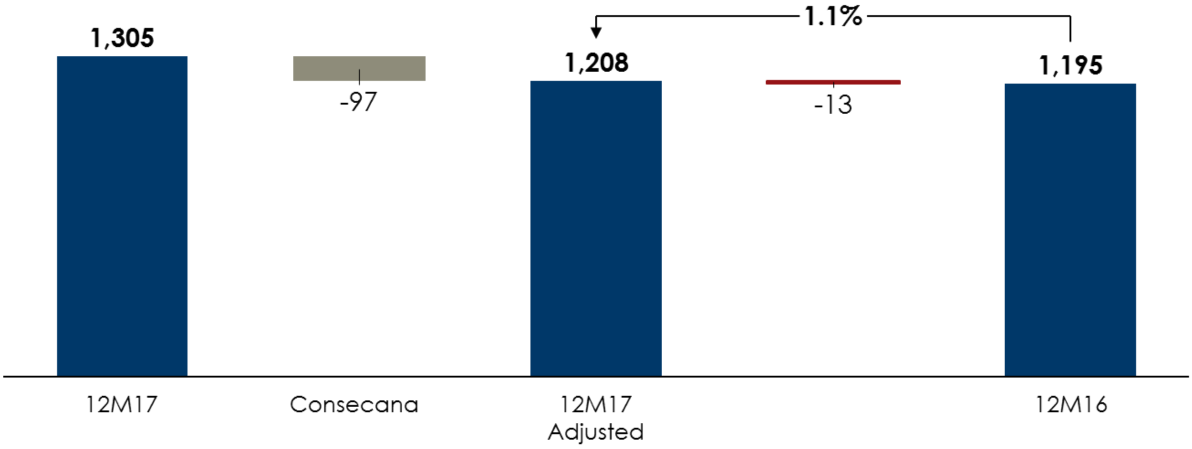
In the 2016/17 crop year, sugar accounted for 54.1% of the Group's consolidated Adjusted EBITDA, while ethanol accounted for 37.2% and cogeneration for 5.9%. Sugar EBITDA margin expanded 4.1 p.p. on the same period of the previous crop year, supported mainly by the higher average sales price. Ethanol EBITDA margin, however, contracted 0.9 p.p., mainly due to the lower production and consequently lower cost dilution.

COST OF GOODS SOLD

	4Q17	4Q16	Chg. (%)	12M17	12M16	Chg. (%)
R$ '000						
Agricultural Costs	350,870	335,727	4.5%	1,140,635	1,025,588	11.2%
Suppliers	*159,019*	*162,037*	*-1.9%*	*575,336*	*541,378*	*6.3%*
Partnerships	*96,033*	*65,975*	*45.6%*	*271,144*	*194,256*	*39.6%*
Own Sugarcane	*95,818*	*107,714*	*-11.0%*	*294,155*	*289,953*	*1.4%*
Industrial	60,877	57,039	6.7%	175,283	168,322	4.1%
Other Products	36,153	9,478	n.m.	91,467	96,350	-5.1%
Ethanol Imported	-	-		26,870	-	
Reintegra	(9,848)	(423)	n.m.	(10,985)	(8,471)	29.7%
Total COGS	**438,052**	**401,820**	**9.0%**	**1,423,269**	**1,281,788**	**11.0%**
TRS Sold (000 Tons)	701	739	-5.1%	2,580	2,629	-1.9%
Unit Cost (Sugar and Ethanol Cash COGS / TRS Sold)	573	532	7.7%	516	454	13.7%
Total COGS ex-Importation				**1,396,399**	**1,281,788**	**8.9%**
TRS Sold (000 Tons) ex-Importation				2,554	2,629	-2.9%
Unit Cost (Sugar and Ethanol Cash COGS / TRS Sold) ex-Importation				511	454	12.5%

In 4Q17, Cash COGS came to R$438.1 million, increasing 9.0% from the previous crop year. The main factor contributing to the higher Cash COGS in the quarter was the growth in cogeneration sales, as discussed previously in the section "Net Revenue." Sugar and ethanol unit COGS increased 7.7% in the period, reflecting the higher Consecana prices and lower TRS sales volume.

In the crop year, cash COGS amounted to R$1,423.3 million, up 11.0% on the previous crop year. Excluding the ethanol imports made in early 2016/17, cash COGS increased 8.9%, mainly reflecting the higher Consecana prices combined with the 2.9% decrease in TRS sales volume. The following chart details the variation in Sugar and Ethanol Unit Costs in the full crop year:



	12M17 Adjusted		12M16
TRS Sold ('000 ton)	**2,554**	**-3%**	**2,629**
Unit Cost (COGS / TRS)	**473**	**+4%**	**455**

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

AVERAGE CASH COST PER UNIT	4Q17	4Q16	Chg. (%)	12M17	12M16	Chg. (%)
R$ '000						
COGS	**401,938**	**395,597**	**1.6%**	**1,305,333**	**1,195,073**	**9.2%**
Sugar	223,183	200,441	11.3%	703,122	571,720	23.0%
Ethanol	178,755	195,156	-8.4%	602,211	623,353	-3.4%
Average Cash Cost Per Unit (*)						
Sugar Cash Cost	597.1	552.8	8.0%	535.2	476.1	12.4%
Ethanol Cash Cost	999.2	936.1	6.7%	880.9	784.0	12.4%

(*) Sugar in R$/Ton
Ethanol in R$/m³

SELLING EXPENSES

	4Q17	4Q16	Chg. (%)	12M17	12M16	Chg. (%)
R$ Thousand						
Port Costs / Freight	25,996	31,735	-18.1%	95,139	99,516	-4.4%
Ethanol Imported	-	-	-	2,160	-	n.m.
Other	2,762	1,931	43.0%	9,521	9,629	21.3%
Selling Expenses	**28,758**	**33,666**	**-14.6%**	**106,820**	**109,145**	**-2.1%**
TRS Sold ('000 Tons)	701	738	-5.0%	2,580	2,628	-1.8%
% of Net Revenues	3.2%	4.1%	-0.9 p.p.	3.4%	3.9%	-0.4 p.p.

In 4Q17, selling expenses amounted to R$28.8 million, down 14.6% from 4Q16. The reduction in expenses is mainly due to the higher volume of sugar transported via rail, which consequently reduced our exposure to road freight.

In the crop year, selling expenses amounted to R$106.8 million, down 2.1% from the previous crop year, basically reflecting the positive effect from the higher sugar volumes transported by rail.

GENERAL AND ADMINISTRATIVE EXPENSES

	4Q17	4Q16	Chg. (%)	12M17	12M16	Chg. (%)
R$ Thousand						
Personnel and Management Fee	25,840	24,008	7.6%	102,869	95,210	8.0%
Taxes, Fees, Contributions and Contingencies	4,445	7,102	-37.4%	16,150	18,172	-11.1%
General Expenses and Third-Party Services	9,697	8,963	8.2%	32,263	28,707	12.4%
Stock Options Expenses	1,112	988	12.6%	4,076	3,125	30.4%
Total recurring General and Administrative Expenses	**41,094**	**41,061**	**0.1%**	**155,358**	**145,214**	**7.0%**
Non-recurring items	(9,672)	-		(2,472)	-	
Total General and Administrative Expenses	**31,422**	**41,061**	**-23.5%**	**152,886**	**145,214**	**5.3%**

General and administrative expenses amounted to R$41.1 million in 4Q17, in line with 4Q16. Excluding the expenses with the merger of Nova Fronteira and considering the reversal of a labor contingency in the period, G&A expenses fell 23.5% from the same period of the previous crop year.

In the full crop year, general and administrative expenses, excluding non-recurring items, came to R$152.9 million.

EBITDA

Pro-Forma EBITDA RECONCILIATION	4Q17	4Q16	Chg. (%)	12M17	12M16	Chg. (%)
R$ '000						
Adjusted EBITDA	**400,991**	**346,297**	**15.8%**	**1,445,083**	**1,301,240**	**11.1%**
Adjusted EBITDA Margin	44.8%	42.3%	2.5 p.p.	46.3%	46.0%	0.3 p.p.
Adjustment to Maturity of Hedge / PPA	(5,802)	4,661	n.m.	119,467	103,706	15.2%
Equity Income	343	(437)	-178.5%	(606)	(456)	32.9%
Non Recurring Operating Revenues (Expenses)	(140,609)	(786)	n.m.	(142,362)	(4,100)	n.m.
Biological Assets	17,647	(43,231)	n.m.	24,207	(55,960)	n.m.
Book EBITDA	**529,412**	**386,090**	**37.1%**	**1,444,377**	**1,258,050**	**14.8%**
EBITDA Margin	58.8%	47.5%	11.4 p.p.	48.1%	46.1%	2.0 p.p.
(-) Depreciation and Amortization	(218,759)	(231,852)	-5.6%	(737,911)	(731,987)	0.8%
(-) Financial Revenue (Expense), net	(61,970)	(66,144)	-6.3%	(260,914)	(320,232)	-18.5%
(=) Operating Income	248,683	88,094	182.3%	445,552	205,831	116.5%

Adjusted EBITDA

Adjusted EBITDA amounted to R$401.0 million in 4Q17 (Adjusted EBITDA margin of 44.8%), increasing 15.8% from 4Q16. In the full crop year, Adjusted EBITDA advanced 11.1% to R$1,445.1 million (EBITDA margin of 46.3%). The improvement in the periods basically reflected a higher average sugar sales price combined with higher sugar sales volume.

Main Adjustments to EBITDA in 4Q17 and 12M17

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

- Debt maturity (Hedge Accounting): Income related to exchange variation on debt settled in 4Q17 that was previously designated as Hedge Accounting. Considering that the exchange rate used for the purposes of cash flow in the period was R$3.3/US$1.00, we adjusted the amount of R$4.3 million in net revenue and EBITDA to provide a better understanding of the Company's cash generation in the period. In 12M17, we adjusted an expense in the amount of R$112.2 million.

- Price Purchase Allocation (PPA): Noncash income of R$1.5 million, reflecting the amortization of goodwill paid for the future profitability of the cogeneration volume of the Santa Cruz Mill and Boa Vista Mill in 4Q17. In the full crop year, the expense came to R$7.3 million.

2) Biological Assets

- Expense related to the noncash accrual of a provision for the fair value adjustment of biological assets in the amount of R$17.6 million in 4Q17, which mainly reflects the drop in sugar prices at the close of contracts for March 2017 compared to at the close of contracts for December 2016. In the full crop year, the expense came to R$24.2 million.

3) Non-recurring Operating Income/Expenses

- Non-recurring income of R$142.6 million recognized in 4Q17 and 12M17 from the merger of Nova Fronteira. Simultaneously with the recognition of this non-recurring income, the Company derecognized the balance of tax losses at Boa Vista, as presented in the line Deferred Income and Social Contribution Taxes in the financial statements herein.

Operating Cash Generation (Adjusted EBIT)

EBIT in 4Q17 came to R$182.2 million (EBIT margin of 20.4%), increasing 59.2% from 4Q16. In 12M17, EBIT grew 24.2% compared to 12M16, to R$707.2 million (EBIT margin of 22.6%), explained by the same factors that benefitted Adjusted EBITDA.

R$ '000	4Q17	4Q16	Chg.%	12M17	12M16	Chg.%
Adjusted EBIT	**182,232**	**114,444**	**59.2%**	**707,172**	**569,254**	**24.2%**
Adjusted EBIT Margin	20.4%	14.0%	6.4 p.p.	22.6%	20.1%	2.5 p.p.
(-) Depreciation and Amortization	(218,759)	(231,852)	-5.6%	(737,911)	(731,987)	0.8%
Adjusted EBITDA	**400,991**	**346,297**	**15.8%**	**1,445,083**	**1,301,240**	**11.1%**
Adjusted EBITDA Margin	44.8%	42.3%	2.5 p.p.	46.3%	46.0%	0.3 p.p.
Adjustment to Maturity of Hedge / PPA	(5,802)	4,661	-224.5%	119,467	103,706	15.2%
Equity Income	343	(437)	-178.5%	(606)	(456)	32.9%
Non Recurring Operating Revenues (Expenses)	(140,609)	(786)	n.m.	(142,362)	(4,100)	n.m.
Biological Assets	17,647	(43,231)	-140.8%	24,207	(55,960)	-143.3%
Book EBITDA	**529,412**	**386,090**	**37.1%**	**1,444,377**	**1,258,050**	**14.8%**
EBITDA Margin	58.8%	47.5%	11.4 p.p.	48.1%	46.1%	2.0 p.p.

São Martinho

HEDGING

A summary of our sugar and U.S. dollar hedge positions on March 31, 2017 follows.

Sugar

	Volume Hedged ('000 tons)	Avg. Price (US$ c/p)	Avg. Dolar (R$ /USD)	Avg. Price (R$ /ton)
Sugar				
Mai/17 (K17)	211,299	20.67	3.48	1,586
Jul/17 (N17)	209,713	20.04	3.56	1,574
Out/17 (V17)	179,028	19.91	3.55	1,558
Mar/18 (H18)	97,592	19.64	3.55	1,538
Safra 2017/2018	**697,632**	**20.14**	**3.53**	**1,568**

* The exchange rate of R$/USD 3.25 was considered for the 5% that is not hedged.

On Mar. 31, 2017, sugar prices for the 2017/18 crop year were hedged for 697,600 tons at US$20.14 ¢/lb, which represents the hedging of approximately 68% of own cane and 50% of total sugar.

On said date, we did not have sugar hedging positions for the 2018/19 crop year.

U.S. Dollar

On Mar. 31, 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 crop years, as follows:

	TOTAL		SUGAR	
Dólar	US$ '000	Average Price (R$/US$)	US$ '000	Average Price (R$/US$)
2017/2018 crop year	295,527	3.54	295,527	3.54

The volume of NDFs in U.S. dollar on this date represented approximately 95% of the total hedged sugar volume.

Hedge Accounting

Effect on Shareholders' Equity

In March 2010, inclusive, 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 2016 to March 2017, we recorded a gain in shareholders' equity of R$136.5 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 4Q17, a total of US$41.3 million in debt was recognized, with the exchange rate of R$3.3/US$1.00 adopted 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$1.00, we adjusted the amount of R$4.3 million in net revenue and EBITDA to provide a better understanding of the Company's cash generation in the period.

In 12M17, a total of US$132.2 million in debt was recognized, with the exchange rate of R$2.4/US$1.00 adopted 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$1.00, we adjusted the amount of R$112.2 million in net revenue and EBITDA to provide a better understanding of the Company's cash generation in the period.

For the 2017/18 crop year, we will have a debt maturity schedule that will impact our results, as detailed in the following table:

	US$ '000	Average Price (R$/US$)
1st Half 17/18	139.360	2,07
2nd Half 17/18	8.131	2,14
12M18	**147.491**	**2,07**

NET FINANCIAL RESULT

FINANCIAL RESULT	4Q17	4Q16	Chg.%	12M17	12M16	Var.%
R$ '000						
Financial Income	30,981	30,235	2.5%	132,553	120,225	10.3%
Financial Expenses	(85,853)	(73,388)	17.0%	(323,830)	(301,290)	7.5%
Net Financial Result before FX and Hedging	**(54,872)**	**(43,153)**	**27.2%**	**(191,277)**	**(181,065)**	**5.6%**
Hedge Result/Exchange Variation	(5,129)	(18,053)	-71.6%	(49,899)	(129,185)	-61.4%
COPERSUCAR	(1,970)	(4,938)	-60.1%	(19,739)	(9,982)	n.m.
Net Financial Result	**(61,970)**	**(66,144)**	**-6.3%**	**(260,914)**	**(320,232)**	**-18.5%**

The net financial result in 4Q17 was an expense of R$62.0 million, which represents a 6.3% reduction compared to 4Q16. In the full crop year, the financial result decreased 18.5%, to R$260.9 million. The improvement of the Company's financial result is mainly due to the lower exchange rate volatility in the fiscal year.

DEBT WITH COPERSUCAR

On March 31, 2017, the São Martinho Group recognized on its Balance Sheet debt of R$257.4 million with Copersucar. 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$221.4 million on a consolidated basis.

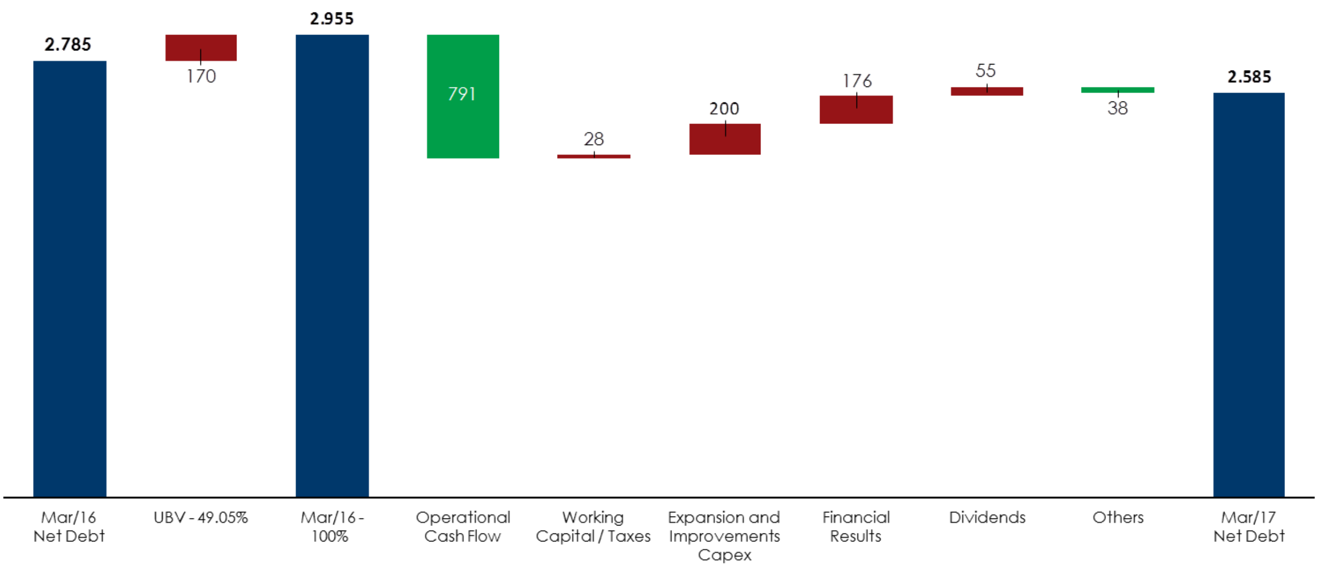
INDEBTEDNESS

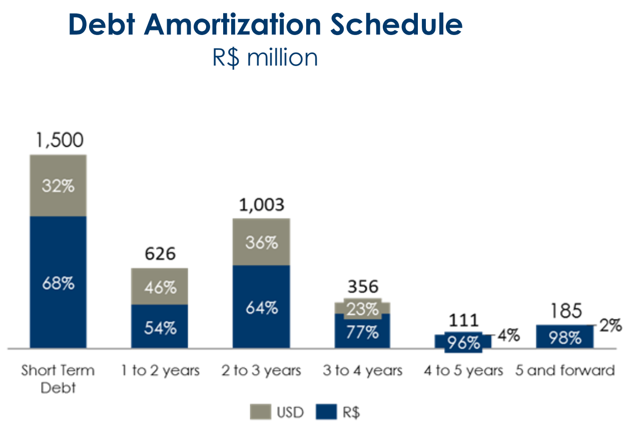
R$ '000	Mar/17	Mar/16	Chg.%
PESA	42,009	51,757	-18.8%
Rural Credit	505,640	147,229	243.4%
BNDES / FINAME	842,630	734,472	14.7%
Working Capital	761,944	990,353	-23.1%
ACC (Advances on Foreign Exchange Contracts)	-	142,520	n.m.
PPE (Export prepayment)	633,070	1,024,853	-38.2%
NCE (Export Credit Note)	584,487	734,296	-20.4%
Agribusiness Certificate of Receivables (CRA)	349,462	-	-
Obligations from Acquisitions - LOP	62,088	73,794	-15.9%
Obligations from Acquisitions - Other	-	5,893	-
Gross Debt	**3,781,331**	**3,905,167**	**-3.2%**
Cash and Cash Equivalents	1,196,782	1,120,212	6.8%
Consolidated Net Debt	**2,584,549**	**2,784,955**	**-7.2%**
Net Debt / Cum. EBITDA	1.55 x	2.14 x	
Net Debt / Cum. EBITDA - USD*	1.61 x	2.16 x	

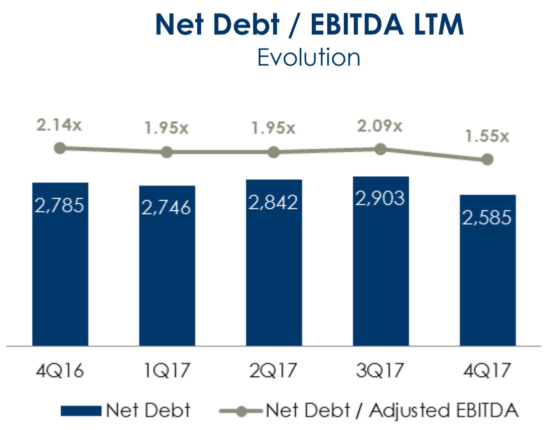
* Net Debt PTAX: March/16: R$ 3.56; March/17: R$ 3.17
Cumulative EBITDA Avg. daily PTAX 12 months: March/16: R$ 3.58; March/17: R$ 3.30

In the 2016/17 crop year, the net debt of the São Martinho Group decreased 7.2% to R$2.58 billion to end the period with a ratio of Net Debt to EBITDA of 1.55 times. The improvement in the indicator reflects the strong operating cash generation in the crop year and the merger of Nova Fronteira.

The following chart presents a breakdown of net debt in 12M17:







Subsequent Events

In the period from April to June 2017, the Company concluded transactions to raise an aggregate R$805 million, of which R$505 million was through the issue of Certificates of Agribusiness Receivables (CRAs) with an average term of 4.5 years, and R$ 297 million was through loans from the IFC with terms of up to 8 years, which effectively eliminated our exposure to short-term foreign-denominated liabilities.

CAPEX

(Maintenance)	4Q17	4Q16	Chg.%	12M17	12M16	Chg.%
R$ '000						
Sugarcane Planting	76,001	74,936	1.4%	217,141	207,443	4.7%
Off-Season Maintenance / Industrial / Agricultural	143,545	132,779	8.1%	207,754	158,149	31.4%
Crop Treatament	77,791	66,525	16.9%	367,217	311,004	18.1%
Total	**297,337**	**274,240**	**8.4%**	**792,113**	**676,596**	**17.1%**

(Operational Improvements)	4Q17	4Q16	Chg.%	12M17	12M16	Chg.%
R$ '000						
Equipament/Projects/Replacements	22,068	19,273	14.5%	76,972	74,545	3.3%
Total	**22,068**	**19,273**	**14.5%**	**76,972**	**74,545**	**3.3%**

(Upgrading/Expansion)	4Q17	4Q16	Chg.%	12M17	12M16	Chg.%
R$ '000						
Industrial/Agricultural	26,761	25,195	6.2%	107,826	89,675	20.2%
Total	**26,761**	**25,195**	**6.2%**	**107,826**	**89,675**	**20.2%**

Total	**346,166**	**318,709**	**8.6%**	**976,911**	**840,816**	**16.2%**

The Company's maintenance CAPEX amounted to R$297.3 million in 4Q17, increasing 8.4% from the previous crop year. In the crop year, maintenance CAPEX amounted to R$792.1 million, increasing 17.1% from the previous crop year. The growth in maintenance Capex basically reflects: (i) the increase in inter-crop maintenance due to the crop year ending schedule, since in the 2016/17 crop year crushing activities ended 1 month earlier than in the 2015/16 crop year; (ii) the increase in crop treatments, reflecting the larger area treated as well as the additional investments made because of the frosts; (iii) the increase in inflation-related costs, such as labor and diesel; and (iv) the consolidation of 100% of Boa Vista in March 2017.

São Martinho

Operational improvement capex (investments in replacing agricultural and industrial equipment to boost yields) amounted to R$22.1 million in 4Q17, increasing 14.5% and reflecting the crop year schedule, since in the 2016/17 crop year investments came to R$77.0 million, in line with expenditures in the previous crop year.

The Company's expansion CAPEX came to R$107.8 million in the 2016/17 crop year, up 20.2% on the previous crop year. The increase is mainly explained by the expansion in processing capacity at the Santa Cruz Mill to 5.6 million tons, as well as the carryover effect of previous projects.

FREE CASH FLOW

The following table presents the Company's free cash flow in the crop year, considering 100% consolidation of the results of the Boa Vista Mill, since the acquisition of Nova Fronteira occurred in February 2017, incorporating 100% of the cash generation of Boa Vista to the shareholders of São Martinho after the share issue.

	12M16	12M17*	Chg. (%)
Adjusted EBITDA	1,301,241	1,666,784	
(-) Maintenance Capex	(678,900)	(874,935)	
Operating Cash Generation	**622,341**	**791,850**	**27.2%**
(-) Income and social contribution taxes paid	(7,032)	(9,259)	
(-) Financial	(179,912)	(172,368)	
(+/-) Working Capital Variation / Other	(117,796)	(18,429)	
Cash flow before expansion/improvement Capex	**317,602**	**591,794**	**86.3%**
(-) Improvement Capex	(74,545)	(82,488)	
(-) Expansion Capex	(89,675)	(117,016)	
Cash Flow for Shareholders	**153,381**	**392,290**	**155.8%**
(-) Dividends	(67,938)	(55,384)	
(-) Stock repurchase	(21,277)	(66,542)	
Free Cash Flow	**64,166**	**270,364**	**321.3%**

* Considers 100% of UBV

ROIC

With lands

	12M16	12M17[1]
Operating Cash Generation after tax (cash)	**615**	**783**
Permanent Assets*	5,657	6,189
Short-Term Assets - Short-Term Liabilities**	204	197
Average Invested Capital	**5,861**	**6,386**
ROIC[2]	**10.5%**	**12.3%**

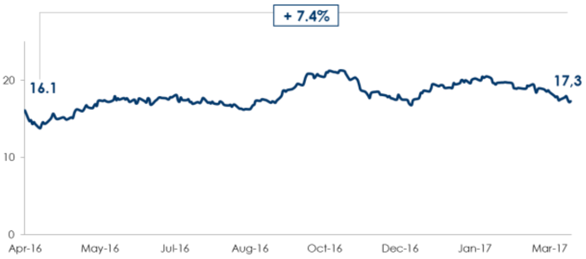
Without lands

	12M16	12M17[1]
Operating Cash Generation after tax (cash)	**564**	**724**
Permanent Assets*	3,906	4,410
Short-Term Assets - Short-Term Liabilities**	204	197
Average Invested Capital	**4,110**	**4,607**
ROIC[2]	**13.7%**	**15.7%**

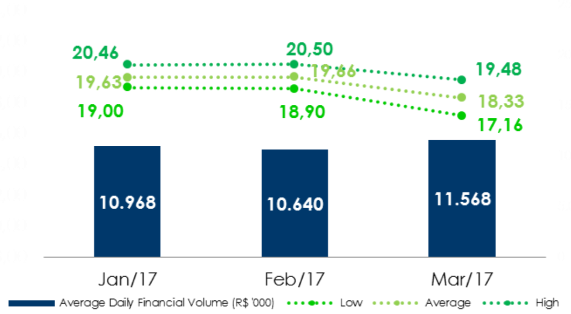
1 - Considers 100% of UBV.
2 – Considers the average invested capital between the current crop year and the year before.
* Long-Term Assets + Biological Assets (short-term)
** Current Working Assets – Current Working Liabilities

CAPITAL MARKETS AND INVESTOR RELATIONS

Performance SMTO3 – 12 months



Price and Volume

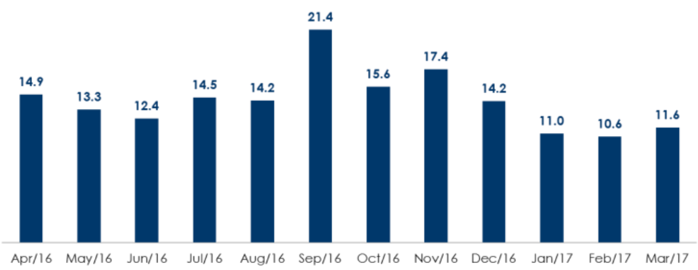


SMTO3 vs. Stock Indexes

Base 100

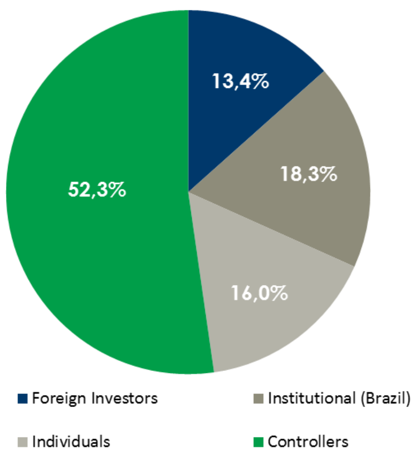
Average Daily Trading Volume

R$ million

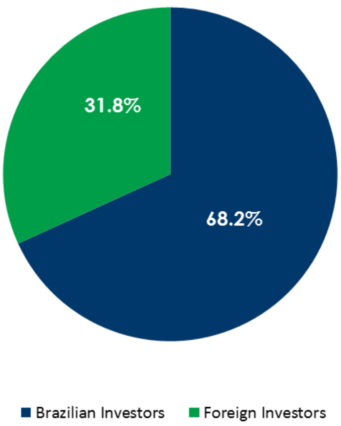


Ownership Structure

Base: March 31, 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

Quarter

SÃO MARTINHO S.A. - CONSOLIDATED	CPC 19 4Q17	CPC 19 4Q16	CPC 19 Chg. (%)	Pro-forma 4Q17	Pro-forma 4Q16	Pro-forma Chg. (%)
R$ '000						
Gross Revenue	882,155	714,426	23.5%	941,067	844,089	11.5%
Deductions from Gross Revenue	(36,478)	(25,227)	44.6%	(40,995)	(30,604)	34.0%
Net Revenue	**845,677**	**689,199**	**22.7%**	**900,072**	**813,485**	**10.6%**
Cost of Goods Sold (COGS)	(633,939)	(517,902)	22.4%	(671,703)	(587,855)	14.3%
Gross Profit	**211,738**	**171,297**	**23.6%**	**228,369**	**225,630**	**1.2%**
Gross Margin (%)	*25.0%*	*24.9%*	0.2 p.p	*25.4%*	*27.7%*	-2.4 p.p
Operating Expenses	**96,169**	**(31,615)**	**n.m.**	**82,284**	**(71,392)**	**n.m.**
Selling Expenses	(27,910)	(32,722)	-14.7%	(28,758)	(33,666)	-14.6%
General and Administrative Expenses	(31,105)	(37,299)	-16.6%	(34,176)	(43,647)	-21.7%
Equity Income	9,699	33,634	-71.2%	(343)	437	n.m.
Other Operating Expenses, Net	145,485	4,772	n.m.	145,561	5,484	n.m.
Operating Profit, Before Financial Effects	**307,907**	**139,682**	**120.4%**	**310,653**	**154,238**	**101.4%**
Financial Result, Net	**(62,646)**	**(61,741)**	**1.5%**	**(61,970)**	**(66,144)**	**-6.3%**
Financial Income	27,430	25,843	6.1%	30,981	30,235	2.5%
Financial Expenses	(83,668)	(68,177)	22.7%	(87,823)	(78,326)	12.1%
Monetary and Exchange Variations - Net	4,080	22,030	-81.5%	5,360	30,407	-82.4%
Derivative Income (Loss)	(10,488)	(41,437)	-74.7%	(10,488)	(48,460)	-78.4%
Income (Loss) Before Income and Social Contribution Taxes	**245,261**	**77,941**	**214.7%**	**248,683**	**88,094**	**182.3%**
Income Tax and Social Contribution - Current	(1,633)	(7,150)	-77.2%	(2,085)	(13,823)	-84.9%
Income Tax and Social Contribution - Deferred	(124,187)	1,325	n.m.	(127,157)	(2,155)	n.m.
Net Income	**119,441**	**72,116**	**65.6%**	**119,441**	**72,116**	**65.6%**
Net Margin (%)	*14.1%*	*10.5%*	3.7 p.p	*13.3%*	*8.9%*	4.4 p.p

Full Year

SÃO MARTINHO S.A. - CONSOLIDATED	CPC 19 12M17	CPC 19 12M16	CPC 19 Chg. (%)	Pro-forma 12M17	Pro-forma 12M16	Pro-forma Chg. (%)
R$ '000						
Gross Revenue	2,713,613	2,424,838	11.9%	3,130,157	2,837,663	10.3%
Deductions from Gross Revenue	(104,094)	(86,108)	20.9%	(127,276)	(110,245)	15.4%
Net Revenue	**2,609,519**	**2,338,730**	**11.6%**	**3,002,881**	**2,727,418**	**10.1%**
Cost of Goods Sold (COGS)	(1,926,210)	(1,694,804)	13.7%	(2,174,033)	(1,947,046)	11.7%
Gross Profit	**683,309**	**643,926**	**6.1%**	**828,848**	**780,372**	**6.2%**
Gross Margin (%)	*26.2%*	*27.5%*	-1.3 p.p	*27.6%*	*28.6%*	-1.0 p.p
Operating Expenses	**(14,426)**	**(157,066)**	**-90.8%**	**(122,382)**	**(254,309)**	**-51.9%**
Selling Expenses	(101,941)	(103,601)	-1.6%	(106,820)	(109,145)	-2.1%
General and Administrative Expenses	(147,813)	(136,687)	8.1%	(164,239)	(155,983)	5.3%
Equity Income	87,365	74,250	17.7%	606	456	32.9%
Other Operating Expenses, Net	147,963	8,972	n.m.	148,071	10,363	n.m.
Operating Profit, Before Financial Effects	**668,883**	**486,860**	**37.4%**	**706,466**	**526,063**	**34.3%**
Financial Result, Net	**(255,238)**	**(294,222)**	**-13.2%**	**(260,914)**	**(320,232)**	**-18.5%**
Financial Income	114,055	105,139	8.5%	132,553	120,225	10.3%
Financial Expenses	(317,180)	(278,432)	13.9%	(343,569)	(311,272)	10.4%
Monetary and Exchange Variations - Net	2,901	(73,473)	n.m.	9,312	(78,264)	n.m.
Derivative Income (Loss)	(55,014)	(47,456)	15.9%	(59,210)	(50,921)	16.3%
Income (Loss) Before Income and Social Contribution Taxes	**413,645**	**192,638**	**114.7%**	**445,552**	**205,831**	**116.5%**
Income Tax and Social Contribution - Current	(14,148)	(26,130)	-45.9%	(29,393)	(35,385)	-16.9%
Income Tax and Social Contribution - Deferred	(115,630)	40,438	n.m.	(132,292)	36,500	n.m.
Net Income	**283,867**	**206,946**	**37.2%**	**283,867**	**206,946**	**37.2%**
Net Margin (%)	*10.9%*	*8.8%*	2.0 p.p	*9.5%*	*7.6%*	1.9 p.p

BALANCE SHEET (ASSETS)

SÃO MARTINHO S.A. CONSOLIDATED - ASSETS	CPC 19		Pro-forma	
R$ Thousand				
ASSETS	**mar/17**	**mar/16**	**mar/17**	**mar/16**
SHORT-TERM ASSETS				
Cash and Cash Equivalents	142,454	266,659	143,002	267,315
Marketable Securities	1,029,113	706,487	1,029,113	839,127
Trade Receivables	168,868	86,419	169,129	116,965
Derivative Financial Instruments	172,917	145,701	172,917	145,701
Inventories	256,574	229,250	256,574	270,352
Biological Assets	586,362	470,241	586,362	554,186
Taxes Recoverable	102,310	58,423	102,325	64,274
Income Tax and Social Contribution	11,159	113,758	11,232	119,781
Other Assets	12,293	15,548	12,342	17,066
TOTAL SHORT-TERM ASSETS	**2,482,050**	**2,092,486**	**2,482,996**	**2,394,767**
LONG-TERM ASSETS				
Long-term Receivables				
Marketable Securities	24,667	5,423	24,667	13,770
Inventories	88,766	62,309	88,766	71,030
Related Parties	3,867	1,000	111	-
Deferred Income Tax and Social Contribution	-	-	-	43,752
Derivative Financial Instruments	27	43,243	27	43,243
Trade Receivables	25,810	21,855	26,062	22,246
Trade Receivables from Copersucar	9,355	6,324	10,017	6,772
Taxes Recoverable	106,518	110,195	106,518	119,525
Income Tax and Social Contribution	124,285	-	124,285	-
Judicial Deposits	32,423	30,300	32,617	32,257
Other Assets	439	498	439	498
	416,157	**281,147**	**413,509**	**353,093**
Investments	31,184	513,233	31,184	25,629
Property, plant and equipment	5,288,550	4,004,469	5,289,894	4,492,462
Intangible Assets	473,942	489,557	473,942	489,639
TOTAL LONG-TERM ASSETS	**6,209,833**	**5,288,406**	**6,208,529**	**5,360,823**
TOTAL ASSETS	**8,691,883**	**7,380,892**	**8,691,525**	**7,755,590**

BALANCE SHEET (LIABILITIES)

SÃO MARTINHO S.A. CONSOLIDATED- LIABILITIES	CPC 19		Pro-forma	
R$ Thousand				
LIABILITIES AND SHAREHOLDERS' EQUITY	**mar/17**	**mar/16**	**mar/17**	**mar/16**
SHORT-TERM LIABILITIES				
Borrowings	1,499,583	670,559	1,499,649	776,532
Derivative Financial Instruments	76,097	196,664	76,097	197,238
Trade Payables	138,923	113,907	138,939	137,711
Payables to Copersucar	8,583	21,875	9,094	23,188
Salaries and Social Contributions	121,664	98,231	121,776	110,252
Taxes Payable	20,478	15,570	20,481	19,615
Income Tax and Social Contribution	4,471	916	4,471	916
Dividends Payable	74,243	53,164	74,243	53,164
Advances from Customers	4,174	1,298	4,174	1,606
Aquisition of Investment	11,958	17,937	11,958	17,937
Other Liabilities	28,659	26,591	28,751	32,099
TOTAL SHORT-TERM LIABILITIES	**1,988,833**	**1,216,712**	**1,989,633**	**1,370,258**
LONG-TERM LIABILITIES				
Borrowings	2,219,477	2,836,628	2,219,594	3,048,948
Derivative Financial Instruments	5	65,625	5	65,625
Payables to Copersucar	237,602	237,166	248,360	247,862
Taxes Payable in Installments	14,614	15,419	14,614	17,878
Deferred Income Tax and Social Contribution	663,143	230,173	663,337	232,104
Provision for Contingencies	101,715	60,643	102,532	64,383
Aquisition of Investment	50,130	61,750	50,130	61,750
Other Liabilities	13,044	10,179	-	185
TOTAL LONG-TERM LIABILITIES	**3,299,730**	**3,517,583**	**3,298,572**	**3,738,735**
SHAREHOLDERS' EQUITY				
Share Capital	1,494,334	931,340	1,494,334	931,340
Reducing Capital	(55,662)	-	(55,662)	-
Capital Reserves	10,057	10,531	10,057	10,531
Treasury Shares	(92,134)	(26,613)	(92,134)	(26,613)
Stock options granted	8,284	4,753	8,284	4,753
Adjustments to Book Value	1,432,243	1,295,698	1,432,243	1,295,698
Profit Reserves	606,198	432,656	606,198	432,656
Retained Earnings	-	(1,768)	-	(1,768)
TOTAL SHAREHOLDERS' EQUITY	**3,403,320**	**2,646,597**	**3,403,320**	**2,646,597**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**8,691,883**	**7,380,892**	**8,691,525**	**7,755,590**

CONSOLIDATED CASH FLOW

SÃO MARTINHO S.A.	CPC 19 12M17	CPC 19 12M16	Pro Forma 12M17	Pro Forma 12M16
R$ Thousand				
CASH FLOWS FROM OPERATING ACTIVITIES				
Net Income in the period	**283,867**	**206,946**	**283,867**	**206,946**
Adjustments				
Depreciation and amortization	230,736	224,429	266,148	260,328
Harvested biological assets (depreciation)	401,134	381,517	471,763	471,659
Variation in fair value of biological assets	25,456	(49,248)	24,207	(55,960)
Amortization of intangible assets	8,311	9,937	8,311	9,937
Equity Income	(87,365)	(74,250)	(606)	(456)
Interest, monetary and foreign exchange variations, net	(3,241)	(3,531)	(3,454)	(3,531)
Negative goodwill in investment in jion venture	(142,582)	-	(142,582)	-
Result of investment and property, plant and equipment disposals	2,825	1,455	3,084	1,595
Interest, monetary and foreign exchange variations, net	176,716	318,273	177,175	349,280
Derivatives Financial Instruments	230,637	144,307	234,834	151,328
Constitution of provision for contingencies, net	(2,871)	12,796	(525)	16,469
Deferred income tax and social contribution	129,778	(40,438)	161,685	(36,500)
Adjustments to present value and others	9,530	3,758	9,265	3,217
Income (loss) from ownership diverstment	-	(2,027)	-	(2,027)
	1,262,931	**1,133,924**	**1,493,172**	**1,372,285**
Changes in asset and liabilities				
Trade receivables	(4,957)	37,820	(23,927)	15,475
Inventories	62,229	(82,737)	55,935	(80,263)
Taxes recoverable	(32,615)	(30,245)	(20,567)	(23,312)
Derivatives Financial Instruments	(61,845)	(82,586)	(66,616)	(85,048)
Marketable Securities	-	963	(21)	1,948
Other assets	(16,938)	(9,152)	(17,241)	(9,694)
Trade payables	(27,755)	18,913	(26,050)	24,085
Salaries and social charges	147	13,858	101	14,300
Taxes payable	(6,953)	3,332	(21,382)	5,407
Obligations with Copersucar	(23,088)	(36,302)	(24,811)	(38,962)
Taxes payable in installments	(1,169)	(2,012)	(3,629)	(1,579)
Provision for contingencies - settlements	(9,010)	(17,595)	(11,757)	(21,270)
Other liabilities	22,380	(2,931)	21,011	(2,836)
Cash provided by operations	**1,163,357**	**945,250**	**1,354,218**	**1,170,536**
Interest paid	(208,335)	(188,616)	(227,845)	(213,279)
Income tax and social contribution paid	(5,700)	(6,991)	(7,513)	(7,032)
Net cash provided by operating activities	**949,322**	**749,643**	**1,118,860**	**950,225**
CASH FLOW FROM FINANCING ACTIVITIES				
Financial resources used in investments	(27,646)	(28,449)	(27,648)	(28,467)
Increased acquisition in ownership	-	-	-	(78)
Additions to property and intangible assets	(357,067)	(279,483)	(391,654)	(324,675)
Additions to biological assets (planting and crop treatment)	(516,704)	(449,437)	(584,356)	(518,445)
Marketable Securities	82,068	(706,487)	54,318	(839,128)
Proceeds from sale of property, plant and equipment	4,269	12,333	4,641	12,771
Cash and cash equivalents acquired from subsidiary	1,362	-	668	-
Gain in cash and cash equivalents due to change in ownership interest in investee	53	-	26	-
Advance for future capital increase	(2,867)	(1,000)	-	-
Net cash used in investing activities	**(816,532)**	**(1,452,523)**	**(944,005)**	**(1,698,022)**
CASH FLOW FROM FINANCING ACTIVITIES				
New borrowing - third parties	768,924	1,023,010	825,506	1,064,514
Repayment of borrowing - third parties	(903,992)	(984,368)	(1,002,636)	(1,086,920)
Advance for future capital increase	-	-	(111)	216
Purchase of treasury shares	(68,232)	(31,904)	(68,232)	(31,904)
Sale of treasury shares	1,689	10,627	1,689	10,627
Payment of dividends	(55,384)	(67,938)	(55,384)	(67,938)
Net cash provided by financing activities	**(256,995)**	**(50,573)**	**(299,168)**	**(111,405)**
Increase (decrease) in cash and cash equivalents	**(124,205)**	**(753,453)**	**(124,313)**	**(859,202)**
Cash and cash equivalents at the beginning of the period	**266,659**	**1,020,112**	**267,315**	**1,126,517**
Cash and cash equivalents at the end of the period	**142,454**	**266,659**	**143,002**	**267,315**