Quarterly Information (ITR)
December 31, 2017
with independent auditor’s review report on quarterly information

Edifício Trade Tower
Av. José de Souza Campos, 900
1º e 3º andares - Nova Campinas
13092-123 - Campinas - SP - Brasil
Tel: +55 19 3322-0500
Fax: +55 19 3322-0559
ey.com.br

INDEPENDENT AUDITOR'S REVIEW REPORT ON QUARTERLY INFORMATION

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

Introduction

We have reviewed the individual and consolidated interim accounting information contained in the Quarterly Information Form (ITR) of São Martinho S.A. for the quarter ended December 31, 2017, which comprise the balance sheet as of December 31, 2017, the related statements of operations and comprehensive income for the three and nine-month periods then ended and changes in shareholders' equity and cash flows for the nine-month period then ended, including explanatory notes.

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

Scope of review

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

Conclusion of individual and consolidated interim financial information

Based on our review, nothing has come to our attention that causes us to believe that the individual and consolidated interim accounting information included in the quarterly information referred to above is not fairly presented, in all material respects, in accordance with CPC 21 (R1) and IAS 34 applicable to the preparation of the Quarterly Information (ITR), and presented consistently with the standards issued by the Brazilian Securities and Exchange Commission (CVM).

Other matters

Statements of value added

We also reviewed the individual and consolidated statements of value added for the nine-month period ended December 31, 2017, prepared under the responsibility of Company's management, whose presentation in the interim accounting information is required by the standards issued by the CVM applicable to preparation of Quarterly Information (ITR) and considered supplementary information under IFRS, whereby no statement of value added presentation is required. These statements were submitted to the same review procedures previously described and, based on our review, we are not aware of any fact that would make us believe that they were not prepared, in all material respects, in accordance with the overall individual and consolidated interim accounting information.

Campinas, February 8, 2018.

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

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

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São Martinho

Statement of financial position

In thousands of reais

ASSETS	Note	Company December 31, 2017	Company March 31, 2017	Consolidated December 31, 2017	Consolidated March 31, 2017
CURRENT ASSETS					
Cash and cash equivalents	5	369,540	142,020	373,085	142,454
Short-term investments	5	502,719	548,611	795,337	1,029,113
Trade accounts receivable	6	163,470	135,972	331,448	168,868
Derivative financial instruments	22	74,730	172,917	75,290	172,917
Inventories and advances to suppliers	7	817,113	189,917	1,022,083	256,574
Biological assets	11	415,854	437,656	558,465	586,362
Taxes recoverable	8	62,120	84,653	80,704	102,310
Income and social contribution taxes (IRPJ and CSLL)	19	-	10,081	-	11,159
Dividends receivable	9	-	7,661	-	-
Other assets		21,204	9,620	26,277	12,293
TOTAL CURRENT ASSETS		2,426,750	1,739,108	3,262,689	2,482,050
NONCURRENT ASSETS					
Short-term investments	5	4,648	532	30,319	24,667
Inventories and advances to suppliers	7	73,446	74,978	87,112	88,766
Transactions with related parties	9	4,360	4,623	3,667	3,867
Derivative financial instruments	22	1,175	27	1,175	27
Trade accounts receivable	6	-	-	22,933	25,810
Receivables from Copersucar		9,355	9,355	9,355	9,355
Taxes recoverable	8	103,909	94,961	115,962	106,518
Income and social contribution taxes (IRPJ and CSLL)	19	130,586	124,285	130,586	124,285
Judicial deposits	21	23,281	24,707	27,252	32,423
Other assets		439	439	439	439
		351,199	333,907	428,800	416,157
Investments	10	2,611,511	2,772,664	32,393	31,184
Property, plant and equipment	12	2,412,271	2,534,563	5,100,886	5,288,550
Intangible assets	13	392,458	394,877	461,696	473,942
		5,416,240	5,702,104	5,594,975	5,793,676
TOTAL NONCURRENT ASSETS		5,767,439	6,036,011	6,023,775	6,209,833
TOTAL ASSETS		8,194,189	7,775,119	9,286,464	8,691,883

LIABILITIES AND EQUITY	Note	Company December 31, 2017	Company March 31, 2017	Consolidated December 31, 2017	Consolidated March 31, 2017
CURRENT LIABILITIES					
Borrowings	14	1,112,608	1,175,682	1,303,222	1,499,583
Derivative financial instruments	22	44,109	76,097	44,109	76,097
Trade accounts payable	15	149,561	103,122	173,396	138,923
Payables to Copersucar	16	25,418	8,583	25,418	8,583
Salaries and social charges		91,447	96,494	114,186	121,664
Taxes payable		8,054	11,500	22,386	20,478
Income and social contribution taxes (IRPJ and CSLL)	19	3,688	-	13,358	4,471
Dividends payable		-	74,243	-	74,243
Advances from customers		26,403	2,702	34,234	4,174
Acquisition of ownership interests	9 e 30	11,767	11,958	11,767	11,958
Other liabilities		25,234	17,714	30,661	28,659
TOTAL CURRENT LIABILITIES		1,498,289	1,578,095	1,772,737	1,988,833
NONCURRENT LIABILITIES					
Borrowings	14	2,552,997	1,998,712	2,788,032	2,219,477
Derivative financial instruments	22	6,263	5	6,263	5
Payables to Copersucar	16	205,419	237,602	205,419	237,602
Taxes in installments		13,492	14,614	13,492	14,614
Deferred income and social contribution taxes	19	410,850	413,020	962,505	663,143
Provision for contingencies	21	68,274	66,577	99,411	101,715
Acquisition of ownership interests	9 e 30	50,130	50,130	50,130	50,130
Other liabilities	10	13,392	13,044	13,392	13,044
TOTAL NONCURRENT LIABILITIES		3,320,817	2,793,704	4,138,644	3,299,730
EQUITY	17				
Capital		1,549,302	1,494,334	1,549,302	1,494,334
Capital reduction		-	(55,662)	-	(55,662)
Capital reserve		10,057	10,057	10,057	10,057
Treasury shares		(115,178)	(92,134)	(115,178)	(92,134)
Stock options granted		11,620	8,284	11,620	8,284
Equity adjustments		1,094,658	1,432,243	1,094,658	1,432,243
Income reserves		469,810	606,198	469,810	606,198
Retained earnings		354,814	-	354,814	-
TOTAL EQUITY		3,375,083	3,403,320	3,375,083	3,403,320
TOTAL LIABILITIES AND EQUITY		8,194,189	7,775,119	9,286,464	8,691,883

See accompanying notes.

São Martinho

Statement of comprehensive income

Periods ended December 31, 2017 and 2016

In thousands of reais, unless otherwise stated

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

See accompanying notes.

São Martinho

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

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

See accompanying notes.

São Martinho

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

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

See accompanying notes.

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

In thousands of reais

							Equity adjustments									
							Deemed cost			Income reserve						
	Note	Capital	Capital reduction	Capital reserve	Treasury shares	Options granted	Own	Of investees	Hedge accounting	Legal	Capital budget	Unrealized income reserve	Tax incentive reserve	Additional dividends	Retained earnings	Total
Balance at March 31, 2016		931,340	-	10,531	(26,613)	4,753	209,919	1,483,387	(397,608)	55,947	291,371	85,338	-	-	(1,768)	2,646,597
Capital increase with reserves	17 (a)	133,632	-	-	-	-	-	-	-	-	(133,632)	-	-	-	-	-
Realization of deemed cost surplus	17 (d)	-	-	-	-	-	(10,557)	(892)	-	-	-	-	-	-	11,449	-
Capital reduction with assets in Vale do Mogi	10.3	-	-	-	-	-	4,474	(4,474)	-	-	-	-	-	-	-	-
Deferred tax set up/in subsidiary		-	-	-	-	-	(1,521)	-	-	-	-	-	-	-	-	(1,521)
Prior-year additional dividends		-	-	-	-	-	-	-	-	-	(2,220)	-	-	-	-	(2,220)
Set up of tax incentive reserve	17 (e)	-	-	-	-	-	-	-	-	-	(44,886)	-	44,886	-	-	-
Gain (loss) on derivative transactions - hedge accounting	17 (d)	-	-	-	-	-	-	-	225,449	-	-	-	-	-	-	225,449
Acquisition of shares issued by the Company itself	17 (c)	-	-	-	(15,577)	-	-	-	-	-	-	-	-	-	-	(15,577)
Stock options granted	17 (f)	-	-	-	-	2,966	-	-	-	-	-	-	-	-	-	2,966
Stock options exercised	17 (f)	-	-	(411)	1,419	(251)	-	-	-	-	-	-	-	-	-	757
Net income for the period		-	-	-	-	-	-	-	-	-	-	-	-	-	164,426	164,426
At December 31, 2016	17	1,064,972	-	10,120	(40,771)	7,468	202,315	1,478,021	(172,159)	55,947	110,633	85,338	44,886	-	174,107	3,020,877
Balance at March 31, 2017	17	1,494,334	(55,662)	10,057	(92,134)	8,284	198,331	1,286,252	(52,340)	70,140	257,984	78,515	173,801	25,758	-	3,403,320
Capital increase with reserves	17 (a)	54,968	55,662	-	-	-	-	-	-	-	(110,630)	-	-	-	-	-
Realization of deemed cost surplus	17 (b)	-	-	-	-	-	(9,187)	(7,256)	-	-	-	-	-	-	16,443	-
Deferred tax set up/in subsidiary	19 (b)	-	-	-	-	-	-	(286,324)	-	-	-	-	-	-	-	(286,324)
Prior-year additional dividends paid		-	-	-	-	-	-	-	-	-	-	-	-	(25,758)	-	(25,758)
Gain (loss) on derivative transactions - hedge accounting	17 (f)	-	-	-	-	-	-	-	(34,818)	-	-	-	-	-	-	(34,818)
Acquisition of own shares	17 (c)	-	-	-	(23,044)	-	-	-	-	-	-	-	-	-	-	(23,044)
Stock options granted	17 (d)	-	-	-	-	3,336	-	-	-	-	-	-	-	-	-	3,336
Net income for the period	17 (e)	-	-	-	-	-	-	-	-	-	-	-	-	-	338,371	338,371
At December 31, 2017	17	1,549,302	-	10,057	(115,178)	11,620	189,144	992,672	(87,158)	70,140	147,354	78,515	173,801	-	354,814	3,375,083

See accompanying notes.

São Martinho

Statement of cash flows

Periods ended December 31, 2017 and 2016

In thousands of reais, unless otherwise stated

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

See accompanying notes.

São Martinho

Statement of value added

Periods ended December 31, 2017 and 2016

In thousands of reais, unless otherwise stated

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

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. Considering its production cycle, interim information usually varies significantly in statement of financial position accounts, such as inventories and advances to suppliers, which are normally higher at quarterly closings, to cover sales between harvests (December to April), and which may lead to temporary fluctuations in profit or loss of the Company and its subsidiaries.

The Company is a subsidiary of the holding company 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.

As detailed in Note 10.2 of the Annual Financial Statements for the year ended March 31, 2017, at the Special General Meeting held on February 23, 2017, the acquisition and merger of Nova Fronteira Bioenergia S.A. ("Nova Fronteira") was approved.

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

2. Summary of significant accounting practices

2.1 Statement of compliance and basis of preparation

The Company's quarterly information comprises:

a) Individual and consolidated interim financial information

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

The individual and consolidated interim financial information was prepared under the historical cost convention, except for certain derivative financial instruments and biological assets, measured at fair value.

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

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

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

In thousands of reais, unless otherwise stated

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

2.2 Basis of consolidation and investments in subsidiaries

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

Consolidated balances in the interim financial information for the period ended December 31 and March 31, 2017 include the following subsidiaries:

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

In thousands of reais, unless otherwise stated

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

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

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

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

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

2.3 Functional and reporting currency

The interim financial information is presented in Real (R$), which is the currency of the primary economic environment in which the Company operates ("the functional currency").

2.4 Foreign currency translation

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

2.5 Financial instruments

(i) Financial assets

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

a) Financial assets at fair value through profit or loss

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

b) Loans and receivables

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

c) Derecognition (write-off)

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

- The rights to receive the cash flows from the asset have expired;
- The Company has transferred its rights to receive cash flows of the asset or has assumed an obligation to fully pay the cash flows received, without significant delay to a third party under a 'pass-through' arrangement, and (a) the Company transferred

substantially all risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all risks and rewards related to the asset, but has transferred control over the asset.

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

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

d) Impairment of financial assets

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

(ii) Financial liabilities

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

(iii) Derivative financial instruments

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

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

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

2.6 Business combinations and goodwill

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

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

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

In each business combination, the acquirer shall measure any noncontrolling interests in the acquiree at fair value of these interests or a portion assignable to them in the fair value of net identifiable assets of the acquiree.
Acquisition costs incurred are accounted for as expenses.
Upon acquiring a business, the Group assesses financial assets and liabilities assumed so as to correctly classify and designate them in accordance with contractual terms, economic

circumstances and relevant conditions on the acquisition date, including the segregation, by the acquiree, of embedded derivatives existing in host contracts.

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

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

2.7 Leases

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

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

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

- IFRS 9 (CPC 48) - Financial Instruments: The objective of IFRS 9 is ultimately to replace IAS 39 (CPC 38) - Financial Instruments: Recognition and Measurement. Main changes estimated are: (i) all financial assets must be initially recognized at fair value, except for trade accounts receivable which, at initial recognition, should be measured at the transaction price (as defined in CPC 47); (ii) the standard divides all financial assets that are currently in the scope of IAS 39 into two classifications: amortized cost and fair value; (iii) the IAS 39 categories of available for sale and held to maturity were eliminated; and (iv) the IAS 39 concept of embedded derivatives was extinguished by the concepts of this new standard. This standard is effective for fiscal years beginning on January 1, 2018, and its adoption for the first fiscal year is mandatory, except for items related to hedge accounting, according to a circular letter issued by the CVM. The Company is assessing the impact on its financial statements.

- IFRS 15 (CPC 47) - Revenue from contracts with customers: This new standard states principles that an entity shall apply to determine measurement of revenue and when revenue shall be recognized. This standard is effective for annual periods beginning on or after January 1, 2018. The Company is assessing the corresponding impact on its financial statements.

- IFRS 16 (CPC 06) - Leases: Establishes that leases should be recognized in the statement of financial position of the lessee, and a liability recorded for future payments and an intangible asset for the right to use. Definition of lease covers all contracts that provide the right to use and control an identifiable asset, including lease agreements and, potentially, certain components of services rendered. This standard is effective for annual periods beginning on or after January 1, 2019. The Company is assessing the corresponding impact on its financial statements.

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

(f) Business combination and acquisition of ownership interest

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).

In thousands of reais, unless otherwise stated

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

(g) ICMS tax benefits

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

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

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

5. Cash and cash equivalents and short-term investments

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

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

In thousands of reais, unless otherwise stated

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

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

6. Trade accounts receivable

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

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

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

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

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

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

In thousands of reais, unless otherwise stated

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

7. Inventories and advances to suppliers

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

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

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

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

In thousands of reais, unless otherwise stated

8. Taxes recoverable

Breakdown of taxes recoverable is as follows:

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

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

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

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

In thousands of reais, unless otherwise stated

9. Related parties

(a) Company and consolidated balances:

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

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

In thousands of reais, unless otherwise stated

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

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

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

(c) Key management personnel compensation:

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

In thousands of reais, unless otherwise stated

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

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. Investing activities

10.1 Subsidiaries, jointly-controlled entities and affiliates

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

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

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

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

In thousands of reais, unless otherwise stated

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

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

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

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

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

10.3 Supplementary information on Usina Boa Vista S.A.

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

In thousands of reais, unless otherwise stated

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

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

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

11. Biological assets

Biological assets correspond to agricultural products under development (sugarcane standing crop) produced in sugarcane plantations (bearer plant), to be used as raw material in the production of sugar and ethanol upon its harvest. These assets are carried at fair value less costs to sell.

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 (cultivation) up to the harvest; *(ii)* costs with harvesting/cutting, loading and transport; *(iii)* capital costs (land and machinery and equipment); *(iv)* costs of leases and agricultural partnerships; and *(v)* taxes on positive cash flows.

The following significant assumptions were used to determine fair value:

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

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

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

In thousands of reais, unless otherwise stated

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

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

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

(a) Agricultural partnerships and lease agreements

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

The amounts to be disbursed in respect of these agreements are determined at the end of each crop by the price of a metric ton of sugarcane established by CONSECANA and/or in accordance with the agreement entered into by the parties. At December 31 and March 31, 2017, total estimated payments are as follows:

In thousands of reais, unless otherwise stated

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

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 outbuildings	Equipment and manufacturing facilities	Inter-crop maintenance	Vehicles	Agricultural machinery and farming implements	Other PPE	Construction in progress	Sugarcane plantation	Total
Balances at March 31, 2016	138,091	219,161	776,308	130,648	166,448	230,249	14,837	50,468	594,914	2,321,124
Acquisition	13,942	-	1,170	170,880	12,562	32,261	1,194	101,717	217,354	551,080
Cost of sale	-	-	(6)	-	(1,854)	(3,778)	(7)	-	-	(5,645)
Transfers between groups	-	33,783	74,303	-	1,710	4,630	3,659	(118,085)	-	-
Capital reduction in Vale do Mogi	4,487	-	-	-	-	-	-	-	-	4,487
Transfer to biological assets	-	-	-	-	-	-	-	-	(96,343)	(96,343)
Depreciation	-	(7,288)	(52,569)	(131,040)	(13,656)	(32,456)	(3,131)	-	-	(240,140)
Balances at March 31, 2017	156,520	245,656	799,206	170,488	165,210	230,906	16,552	34,100	715,925	2,534,563
Total cost	156,520	283,092	1,124,973	170,488	229,200	377,011	57,142	34,100	715,925	3,148,451
Accumulated depreciation	-	(37,436)	(325,767)	-	(63,990)	(146,105)	(40,590)	-	-	(613,888)
Residual value	156,520	245,656	799,206	170,488	165,210	230,906	16,552	34,100	715,925	2,534,563
Acquisition	-	-	1,739	73,265	6,141	24,149	806	60,334	132,083	298,517
Transfer of biological assets	-	-	-	-	-	-	-	-	16,111	16,111
Cost of sale	(712)	-	(112)	-	(590)	(1,868)	(82)	-	-	(3,364)
Transfers between groups	-	3,624	36,307	-	699	(6,363)	571	(41,507)	6,669	-
Transfer to biological assets	-	-	-	-	-	-	-	-	(161,049)	(161,049)
Depreciation	-	(6,559)	(55,574)	(172,545)	(12,022)	(23,332)	(2,475)	-	-	(272,507)
Balances at December 31, 2017	155,808	242,721	781,566	71,208	159,438	223,492	15,372	52,927	709,739	2,412,271
Total cost	155,808	286,716	1,162,907	243,753	235,450	392,929	58,437	52,927	709,739	3,298,666
Accumulated depreciation	-	(43,995)	(381,341)	(172,545)	(76,012)	(169,437)	(43,065)	-	-	(886,395)
Residual value	155,808	242,721	781,566	71,208	159,438	223,492	15,372	52,927	709,739	2,412,271
Residual values:										
Historical cost	16,355	182,816	573,690	71,208	132,223	180,751	15,372	52,927	709,739	1,935,081
Surplus	139,453	59,905	207,876	-	27,215	42,741	-	-	-	477,190
Annual average depreciation rates	-	3%	5%	100%	6%	9%	12%	-	14%	-

In thousands of reais, unless otherwise stated

Consolidated	Land	Buildings and outbuildings	Equipment and manufacturing facilities	Inter-crop maintenance	Vehicles	Agricultural machinery and farming implements	Leasehold improvements	Other PPE	Construction in progress	Sugarcane plantation	Total
Balances at March 31, 2016	1,750,344	223,420	842,050	131,120	166,448	230,249	-	14,838	51,086	594,914	4,004,469
Acquisition	13,942	-	1,216	189,599	13,649	32,284	-	1,261	106,172	227,814	585,937
Cost of sale	(180)	-	(6)	-	(1,975)	(5,180)	-	(7)	-	-	(7,348)
Transfers between groups	-	33,849	77,020	-	1,710	4,639	-	3,733	(120,951)	-	-
Transfer to inventory	(3,148)	-	-	-	-	-	-	-	-	-	(3,148)
Transfer to biological assets	-	-	-	-	-	-	-	-	-	(88,256)	(88,256)
Consolidation of UBV	32,568	132,998	382,659	37,431	56,781	53,351	39,169	5,907	9,498	185,698	936,060
Fair value surplus - business combination	14,755	14,706	42,213	-	4,132	29,449	-	-	-	-	105,255
Depreciation	-	(7,595)	(55,388)	(131,512)	(13,856)	(32,821)	(15)	(3,232)	-	-	(244,419)
Balances at March 31, 2017	1,808,281	397,378	1,289,764	226,638	226,889	311,971	39,154	22,500	45,805	920,170	5,288,550
Total cost	1,808,281	464,756	1,750,040	226,638	322,855	516,813	88,623	68,587	45,805	920,170	6,212,568
Accumulated depreciation	-	(67,378)	(460,276)	-	(95,966)	(204,842)	(49,469)	(46,087)	-	-	(924,018)
Residual value	1,808,281	397,378	1,289,764	226,638	226,889	311,971	39,154	22,500	45,805	920,170	5,288,550
Acquisition	2,381	48	2,803	85,840	9,045	36,257	-	1,209	75,025	174,606	387,214
Cost of sale	(1,408)	-	(112)	-	(659)	(4,113)	-	(112)	-	-	(6,404)
Transfer of biological assets	-	-	-	-	-	-	-	-	-	24,409	24,409
Transfers between groups	-	20,546	37,074	-	1,099	(8,436)	-	756	(59,859)	8,820	-
Transfers to inventory for sales	-	-	-	-	-	-	-	-	-	-	-
Transfer to biological assets	-	-	-	-	-	-	-	-	-	(217,277)	(217,277)
Depreciation	-	(9,749)	(77,067)	(229,379)	(17,002)	(33,000)	(5,813)	(3,596)	-	-	(375,606)
Balances at December 31, 2017	1,809,254	408,223	1,252,462	83,099	219,372	302,679	33,341	20,757	60,971	910,728	5,100,886
Total cost	1,809,254	485,350	1,789,804	312,478	332,340	540,521	88,623	70,440	60,971	910,728	6,400,509
Accumulated depreciation	-	(77,127)	(537,342)	(229,379)	(112,968)	(237,842)	(55,282)	(49,683)	-	-	(1,299,623)
Residual value	1,809,254	408,223	1,252,462	83,099	219,372	302,679	33,341	20,757	60,971	910,728	5,100,886
Residual values:											
Historical cost	150,520	332,811	988,400	83,099	188,287	235,141	33,341	20,757	60,971	910,728	3,004,056
Surplus	1,658,734	75,411	264,062	-	31,085	67,538	-	-	-	-	2,096,830
Annual average depreciation rates	-	3%	5%	100%	6%	9%	14%	12%	-	14%	

In thousands of reais, unless otherwise stated

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

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

13. Intangible assets

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

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

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

(i) Goodwill related to business combination of prior years of companies merged into the Company;
(ii) Refers to the acquisition of rights on agreements for agricultural partnership and sugarcane supply (2,281 hectares);
(iii) Refers to the fair value of Bio’s agreements for electricity supply, effective up to 2025.

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 if evidence of impairment is found. Annual impairment tests are performed at the end of March. To determine whether there was impairment loss, assets are grouped into Cash-Generating Units (CGU), which correspond to the smallest group of assets generating cash flows clearly independent from those generated by another CGU.

At March 31, 2017, the Company tested noncurrent assets for impairment. The assessment was based on calculations of the value in use of each cash-generating unit. These calculations use cash flow projections, before calculation of income and social contribution taxes, based on financial budgets approved by management. The growth rate does not exceed the long-term average growth rate of the industry in which the CGU operates.

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

Main assumptions used by the Company are as follows:

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

In thousands of reais, unless otherwise stated

14. Loans and financing

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

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

a) Agribusiness Receivables Certificate (CRA)

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

In thousands of reais, unless otherwise stated

b) Fund raising through IFC

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

Changes in borrowings for the period are as follows:

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

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

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

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

Noncurrent borrowings mature as follows:

In thousands of reais, unless otherwise stated

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

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

Covenants

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

15. Trade accounts payable

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

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

In thousands of reais, unless otherwise stated

16. Obligation and rights with Copersucar

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

(a) Obligations:

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

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

All the Company's obligations with Copersucar are guaranteed by bank sureties. In addition, in accordance with the terms negotiated for the withdrawal of Copersucar, the Company remains liable for obligations, proportionate to its investment in Copersucar in previous crops, which result from tax assessments that may arise and that relate to periods in which the Company was a cooperative member.

During the period ended December 31, 2017, Copersucar joined the PERT (Special Tax Regularization Program), including debts that were being discussed in court. Part of these debts were already accrued and the balance was recorded during the quarter ended December 31, 2017, resulting in a net effect of R $ 2,657 in the statement of income for the period. The total amount to be disbursed by the Company is R $ 30,777.

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

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

(b) Rights:

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

17. Equity

(a) Capital

At December 31, 2017, capital amounted to R$1,549,302 (R$1,494,334 at March 31, 2017) and is represented by 364,011,329 common registered shares, with no par value.

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

At the Special General Meeting held on February 23, 2017, the shareholders approved the issue of 24,023,708 new common registered book-entry shares, with no par value, to be assigned to the shareholders of Nova Fronteira, replacing the shares held by it. In addition, the merger of Nova Fronteira Bioenergia S.A. was approved. This change is justified to the extent that the assets of the parties combined under a single corporate structure will allow 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.

In thousands of reais, unless otherwise stated

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

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

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

(b) Treasury shares

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

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

(*) including additional acquisition costs - in reais

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

(c) Equity adjustments

- Deemed cost

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

- Hedge accounting fair value

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

(d) Income reserve

Legal reserve

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

Capital investment reserve

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

Unrealized income reserve

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

Tax incentive reserve

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

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

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

The amount of this incentive that impacted profit or loss of subsidiary UBV for the period ended December 31, 2017 was R$ 41,936.

(e) Dividends

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

(f) Stock option plan

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

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

In thousands of reais, unless otherwise stated

Plan	4th Plan	5th Plan	6th Plan	7th Plan	8th Plan	Total
Plan issue date	17/12/2012	16/12/2013	15/12/2014	14/12/2015	12/12/2016	
Deadline for exercise (i)	2019	2020	2021	2022	2023	
Fair value of options (R$) (ii)	2,29 - 2,62	2,82 - 3,15	3,80 - 4,20	5,55 - 6,21	5,91 - 6,53	
Options granted (ii)	1,175,178	1,142,436	1,014,264	767,700	779,934	4,879,512
Options exercised (ii)	(844,790)	(386,373)	(58,230)	-	-	(1,289,393)
Outstanding stock options	330,388	756,063	956,034	767,700	779,934	3,590,119
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 was adjusted to reflect the share split mentioned in Note 17 (a).

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

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

(g) Capital reserve

This refers to mark-to-market valuation of Company shares issued upon stock option exchange with noncontrolling shareholders.

18. Profit sharing program

The Company manages, as part of its policy, a profit sharing program based on operating and financial targets previously agreed upon with its employees. The amount of profit sharing for the periods ended December 31, 2017 and 2016, recorded as operating costs or expenses in the statement of profit or loss, amounted to R$ 34,060 and R$ 30,926 in Company (R$ 43,299 and R$ 30,940, in consolidated), respectively.

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) Deferred income and social contribution taxes

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

In thousands of reais, unless otherwise stated

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

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

In thousands of reais, unless otherwise stated

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

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

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

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

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

In thousands of reais, unless otherwise stated

(b) Reconciliation of income and social contribution taxes

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

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

20. Commitments

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

Riparian forests and land for legal reserve

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

The Company has already provided for the registry of its properties with the Environmental Rural Registry (“CAR”) and will join the Program for Environmental Regularization (“PRA”). The manner in which investments for environmental regularization, if any, will be performed as well as the time required for their execution are not measurable at this time. Investments in preservation areas and other environmental regularization activities, when made, are recorded under property, plant and equipment.

Ethanol supply agreement

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

Sureties granted

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

Electricity supply

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

Purchase of inputs

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.

In thousands of reais, unless otherwise stated

21. Provision for contingencies

Provisions are recognized when the Group has a present legal or constructive obligation arising from past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount of the obligation can be reliably measured. Provisions are set up, reviewed and adjusted to reflect management's best estimate at the interim financial information reporting dates.

21.1 Probable losses

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

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

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

Judicial deposits are monetarily restated and reported in noncurrent assets.

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

In thousands of reais, unless otherwise stated

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

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

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

21.2 Possible losses

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

Tax proceedings:

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

(i) These refer to the levy of Social Security Tax (INSS) on export revenue, under the allegation that exports carried out through intermediation of a cooperative are not included in the exemption established in article 149, paragraph 2, of the Brazilian Federal Constitution.

(ii) These refer to exclusion of expenses on securitized financing, as well as expenses arising of accelerated tax-incentive depreciation as provided in art. 314 of the RIR / 99.

In thousands of reais, unless otherwise stated

(iii) The proceedings refer to requests to offset IRPJ, CSLL, Contribution Taxes on Gross Revenue for Social Integration Program (PIS) and for Social Security Financing (COFINS) and other federal taxes as a result of overpayments and/or tax losses proportional to export credits whose offset has been rejected by the Brazilian IRS (RFB) and which are pending judgment of protest letters/voluntary appeals.

(iv) These proceedings address allegedly undue ICMS credit arising from capital expenditures control register (CIAP).

(v) These proceedings refer to disputes involving other tax cases, including, among others, tax delinquency notices related to a fine arising from lack of approval of offset, Municipal Real Estate Tax (IPTU) collection claims, contribution to the National Service for Industrial Training (SENAI) and the fee to the National Department of Mineral Research (DNPM).

Civil, labor and environmental proceedings:

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

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

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

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

22. Derivative financial instruments and risk management

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

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

22.1 Market risks

(a) Currency risk

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

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

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

These assets and liabilities were restated and recorded in the quarterly information at December 31, 2017 at the exchange rate in effect on that date, of R$ 3.3080 per US$1.00 for assets and R$ 3.3074 per US$1.00 for liabilities.

(b) Commodity price volatility risk

The Company is exposed to the risk of changes in commodity price of manufactured products such as sugar and ethanol. At December 31, 2017, the prices of 346,727 tons of sugar had been determined with commercial partners for delivery in 17/18 crop, priced at an average of 17.29 ¢/lb (US dollar cents per pound weight).

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

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

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.

Consolidated	Risk factor	Impacts on P&L		
		Probable scenarios - 5%	Possible scenarios - 25%	Possible scenarios - 50%
Cash and cash equivalents	Decrease in exchange rate - R$/US$	17,264	86,318	172,636
Trade accounts receivable	Decrease in exchange rate - R$/US$	12,869	64,343	128,686
Borrowings	Increase in exchange rate - R$/US$	(439)	(2,196)	(4,393)
Derivative financial instruments				
Non-Deliverable Forwards (NDF)	Increase in future price of commodities	(4)	(22)	(45)
Swap contracts (a)	Decrease in exchange rate - R$/US - and increase in interest curve	(6,154)	(6,450)	(6,943)
Net exposure		23,536	141,993	289,941

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

(e) Financial instruments

The Company opted for hedge accounting to recognize part of its financial instruments. The instruments elected for designation are: a) derivatives of sugar, ethanol and foreign currency - US dollar; and b) foreign currency debts - US dollar - that cover sales of the 2017/2018 to

2020/2021 crops and were classified as cash flow hedge of highly probable expected transactions (future sales).

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

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

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

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

In thousands of reais, unless otherwise stated

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

In thousands of reais, unless otherwise stated

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

In thousands of reais, unless otherwise stated

Consolidated	March 31, 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
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				
. Bidding 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

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

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

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

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

(f) Estimated realization

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

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

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 December 31, 2017					
Loans and financing	1,112,608	966,226	1,222,943	363,828	3,665,605
Derivative financial instruments	44,109	6,263	-	-	50,372
Trade accounts payable	149,561	-	-	-	149,561
Acquisition of ownership interest	11,767	11,620	34,860	3,650	61,897
Other liabilities	25,234	-	-	13,392	38,626
	1,343,279	984,109	1,257,803	380,870	3,966,061
At March 31, 2017					
Loans and financing	1,175,682	533,209	1,357,928	107,575	3,174,394
Derivative financial instruments	76,097	5	-	-	76,102
Trade accounts payable	103,122	-	-	-	103,122
Acquisition of ownership interest	11,958	11,620	34,860	3,650	62,088
Other liabilities	17,714	-	-	13,044	30,758
	1,384,573	544,834	1,392,788	124,269	3,446,464

Consolidated	Within 1 year	From 1 to 2 years	From 2 to 5 years	Above 5 years	Total
At December 31, 2017					
Borrowings	1,303,222	1,024,517	1,396,576	366,939	4,091,254
Derivative financial instruments	44,109	6,263	-	-	50,372
Trade accounts payable	173,396	-	-	-	173,396
Acquisition of ownership interest	11,767	11,620	34,860	3,650	61,897
Other liabilities	30,661	-	-	13,392	44,053
	1,563,155	1,042,400	1,431,436	383,981	4,420,972
At March 31, 2017					
Borrowings	1,499,583	626,208	1,470,372	122,897	3,719,060
Derivative financial instruments	76,097	-	-	-	76,097
Trade accounts payable	138,923	-	-	-	138,923
Acquisition of ownership interest	11,958	11,620	34,860	3,650	62,088
Other liabilities	28,659	-	-	13,044	41,703
	1,755,220	637,828	1,505,232	139,591	4,037,871

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 abovementioned objectives.

23. Financial instrument classification and fair value

23.1 Classification

Financial assets and liabilities are classified as follows:

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

In thousands of reais, unless otherwise stated

	Classification	December 31, 2017	March 31, 2017
			Consolidated
Financial assets			
Cash and cash equivalents	Loans and receivables	373,085	142,454
Short-term investments	Fair value through profit or loss	825,656	1,053,780
Trade accounts receivable	Loans and receivables	354,381	194,678
Derivative financial instruments	Fair value through profit or loss	76,465	172,944
Other assets, except for prepayments	Loans and receivables	10,571	3,881
		1,640,158	1,567,737
Financial liabilities			
Borrowings	Liabilities at amortized cost	4,091,254	3,719,060
Derivative financial instruments	Fair value through profit or loss	50,372	76,102
Trade accounts payable	Other financial liabilities	173,396	138,923
Acquisition of ownership interests	Other financial liabilities	61,897	62,088
Other liabilities	Other financial liabilities	44,053	41,703
		4,420,972	4,037,876

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

23.2 Fair value

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

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

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

In thousands of reais, unless otherwise stated

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

Futures and Options on the ICE

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

Foreign exchange options

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

Forward contracts

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

Other financial assets and liabilities

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

24. Segment reporting (consolidated)

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

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

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

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

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

São Martinho

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

Consolidated profit or loss by segment

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

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

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 year to another.

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

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

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

25. Revenues

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

(i) Sales of products and rendering of services

The Group sells sugar, ethanol, electricity, sugarcane bagasse, among others. Sales of products are recognized whenever the Company has delivered products to the customer. The delivery is not made until: (i) the products have been shipped; (ii) the loss risks have been transferred to the customer; (iii) the customer has accepted the products according to the sale contract; and (iv) the acceptance provisions have been agreed to, or the Group has objective evidence that all criteria for acceptance have been met.

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

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

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

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

(i) The percentage of cost incurred in relation to its total budgeted cost is calculated. This percentage is applied on revenue from plots and units sold, adjusted in accordance with contractual sale conditions;

(ii) The sales revenue amount recognized that is higher than that effectively received from customers is recorded in current or noncurrent assets; and

(iii) The amounts received in relation to the sale of plots that are higher than the amounts recognized in revenue are recorded under "Advances from customers".

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

In thousands of reais, unless otherwise stated

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

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

26. Costs and expenses by nature

Reconciliation of expenses by nature is as follows:

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

In thousands of reais, unless otherwise stated

27. Finance income (costs)

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

28. Earnings per share

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

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

(i) Weighted average includes potentially dilutive call options.

29. Insurance coverage

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

Maximum coverage (i)		
Covered perils	Company	Consolidated
Civil liability	2,386,842	3,162,518
Loss of profits	2,734,974	3,646,632
Fire, lightning and explosion of any nature	1,515,000	2,020,000
Other insurance coverage	2,156,512	2,889,499
Electric damages	1,422,980	1,897,663
Theft or larceny	258,232	347,868
Natural phenomena, vehicle or aircraft crash, etc.	144,000	192,000

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

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

In thousands of reais, unless otherwise stated

30. Acquisition and divestiture - payables and receivables

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

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

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

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