Quarterly Information (ITR)
June 30, 2017
With independent auditor’s review report on quarterly information

Independent auditor's review report on quarterly information

The Shareholders, Board of Directors and Officers of

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 June 30, 2017, which comprise the balance sheet as of June 30, 2017, the related statements of operations and comprehensive income, changes in shareholders' equity and cash flows for the three-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 three-month period ended June 30, 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, August 14, 2017.

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

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

Contents

Statement of financial position

In thousands of reais

ASSETS	Note	Company June 30, 2017	Company March 31, 2017	Consolidated June 30, 2017	Consolidated March 31, 2017
CURRENT ASSETS					
Cash and cash equivalents	5	77,769	142,020	79,786	142,454
Short-term investments	5	1,009,767	548,611	1,259,991	1,029,113
Trade accounts receivable	6	214,192	135,972	303,495	168,868
Derivative financial instruments	22	151,448	172,917	151,448	172,917
Inventories and advances to suppliers	7	416,409	189,917	590,604	256,574
Biological assets	11	429,864	437,656	578,954	586,362
Taxes recoverable	8	84,968	84,653	105,559	102,310
Income and social contribution taxes (IRPJ and CSLL)	19	-	10,081	4,812	11,159
Dividends Receivable	9	7,661	7,661	-	-
Other assets		16,964	9,620	22,752	12,293
TOTAL CURRENT ASSETS		2,409,042	1,739,108	3,097,401	2,482,050
NONCURRENT ASSETS					
Short-term investments	5	540	532	25,245	24,667
Inventories and advances to suppliers	7	86,922	74,978	101,981	88,766
Transactions with related parties	9	3,437	4,623	2,000	3,867
Derivative financial instruments	22	1	27	1	27
Trade accounts receivable	6	-	-	23,069	25,810
Receivables from Copersucar		9,355	9,355	9,355	9,355
Taxes recoverable	8	103,655	94,961	116,267	106,518
Income and social contribution taxes (IRPJ and CSLL)	19	123,672	124,285	123,672	124,285
Judicial deposits	21	24,295	24,707	28,822	32,423
Other assets		439	439	439	439
		352,316	333,907	430,851	416,157
Investments	10	2,550,680	2,772,664	31,278	31,184
Property, Plant and Equipment (PPE)	12	2,419,961	2,534,563	5,142,518	5,288,550
Intangible assets	13	394,345	394,877	468,406	473,942
		5,364,986	5,702,104	5,642,202	5,793,676
TOTAL NONCURRENT ASSETS		5,717,302	6,036,011	6,073,053	6,209,833
TOTAL ASSETS		8,126,344	7,775,119	9,170,454	8,691,883

LIABILITIES AND EQUITY	Note	Company June 30, 2017	Company March 31, 2017	Consolidated June 30, 2017	Consolidated March 31, 2017
CURRENT LIABILITIES					
Borrowings	14	935,694	1,175,682	1,115,477	1,499,583
Derivative financial instruments	22	56,942	76,097	56,942	76,097
Trade accounts payable	15	202,874	103,122	224,495	138,923
Payables to Copersucar	16	8,583	8,583	8,583	8,583
Salaries and social charges		128,353	96,494	160,993	121,664
Taxes payable		11,071	11,500	20,393	20,478
Income and social contribution taxes (IRPJ and CSLL)	19	-	-	4,553	4,471
Dividends payable		74,243	74,243	74,243	74,243
Advances from customers		2,060	2,702	2,906	4,174
Acquisition of ownership interests	9 and 30	11,857	11,958	11,857	11,958
Other liabilities		18,351	17,714	31,488	28,659
TOTAL CURRENT LIABILITIES		1,450,028	1,578,095	1,711,930	1,988,833
NONCURRENT LIABILITIES					
Borrowings	14	2,668,960	1,998,712	2,873,043	2,219,477
Derivative financial instruments	22	-	5	-	5
Payables to Copersucar	16	236,028	237,602	236,028	237,602
Taxes in installments		14,123	14,614	14,123	14,614
Deferred income and social contribution taxes	19	413,685	413,020	960,396	663,143
Provision for contingencies	21	66,616	66,577	98,030	101,715
Acquisition of ownership interests	9 and 30	50,130	50,130	50,130	50,130
Other liabilities	10	12,164	13,044	12,164	13,044
TOTAL NONCURRENT LIABILITIES		3,461,706	2,793,704	4,243,914	3,299,730
EQUITY	17				
Capital		1,494,334	1,494,334	1,494,334	1,494,334
Capital reducing account		(55,662)	(55,662)	(55,662)	(55,662)
Capital reserve		10,057	10,057	10,057	10,057
Treasury shares		(92,134)	(92,134)	(92,134)	(92,134)
Stock options granted		9,396	8,284	9,396	8,284
Equity adjustments		1,122,123	1,432,243	1,122,123	1,432,243
Income reserves		606,198	606,198	606,198	606,198
Accumulated losses		120,298	-	120,298	-
TOTAL EQUITY		3,214,610	3,403,320	3,214,610	3,403,320
TOTAL LIABILITIES AND EQUITY		8,126,344	7,775,119	9,170,454	8,691,883

See accompanying notes.

São Martinho

Statement of profit or loss

Periods ended June 30, 2017 and 2016

In thousands of reais, unless otherwise stated

	Note	Company		Consolidated	
		June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Revenues	25	659,286	531,840	812,266	554,746
Cost of sales	26	(474,484)	(407,242)	(536,880)	(397,767)
Gross profit		184,802	124,598	275,386	156,979
Operating income (expenses)					
Selling expenses	26	(26,518)	(25,652)	(29,014)	(26,156)
General and administrative expenses	26	(37,546)	(37,431)	(44,966)	(38,355)
Equity pickup	10	62,353	51,670	(1,892)	19,242
Other revenues, net		(486)	638	684	589
		(2,197)	(10,775)	(75,188)	(44,680)
Operating income		182,605	113,823	200,198	112,299
Finance income (costs)	27				
Finance income		33,216	28,030	44,794	32,848
Finance costs		(82,335)	(69,546)	(94,940)	(70,005)
Monetary variations and foreign exchange differences, net		4,818	10,731	2,519	10,731
Derivatives		8,340	(46,590)	8,340	(46,590)
		(35,961)	(77,375)	(39,287)	(73,016)
Income before income and social contribution taxes		146,644	36,448	160,911	39,283
Income and social contribution taxes (IRPJ and CSLL)	19(b)				
Current		(18,614)	-	(20,905)	(2,626)
Deferred		(11,157)	3,221	(23,133)	3,012
Net income for the year		116,873	39,669	116,873	39,669
Basic earnings per share (in reais)	29	0.3493	0.1174		
Diluted earnings per share (in reais)	29	0.3484	0.1171		

See accompanying notes.

São Martinho

Statement of comprehensive income

Periods ended June 30, 2017 and 2016

In thousands of reais, unless otherwise stated

Company and Consolidated	June 30, 2017	June 30, 2016
Net income for the year	116,873	39,669
Items that will be reclassified subsequently to P&L		
Changes for the period:		
Changes in fair value		
Commodity derivatives - Futures, options and forward contracts	93,810	(104,177)
Foreign exchange derivatives - Options / NDF	(27,716)	69,146
Foreign exchange differences on borrowing agreements (Trade Finance)	(57,374)	170,266
Swap contracts	-	11
	8,720	135,246
Recognition in operating income		
Commodity derivatives - Futures, options and forward contracts	(56,460)	22,125
Foreign exchange derivatives - Options / NDF	(32,883)	(30,469)
Foreign exchange differences on borrowing agreements (Trade Finance)	52,220	64,294
	(37,123)	55,950
Write-off due to ineffectiveness		
Commodity derivatives - Futures, options and forward contracts	51	-
Foreign exchange derivatives - Options / NDF	654	-
Foreign exchange differences on borrowing agreements (Trade Finance)	(3,165)	-
	(2,460)	-
Total changes for the year		
Commodity derivatives - Futures, options and forward contracts	37,401	(82,052)
Foreign exchange derivatives - Options / NDF	(59,945)	38,677
Foreign exchange differences on borrowing agreements (Trade Finance)	(8,319)	234,560
Swap contracts	-	11
Deferred taxes on the items above	10,492	(65,006)
	(20,371)	126,190
Comprehensive income for the year	96,502	165,859

See accompanying notes.

São Martinho

Statement of changes in equity for the periods ended June 30, 2017 and 2016

In thousands of reais

							Equity adjustment									
							Deemed cost			Income reserve						
	Note	Capital	Capital reducing account	Capital reserve	Teasury shares	Options granted	Own	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
Realization of deemed cost surplus	17 (c)	-	-	-	-	-	(2,953)	(413)	-	-	-	-	-	-	3,366	-
Capital reduction with assets in Vale do Mogi	10.3	-	-	-	-	-	4,474	(4,474)	-	-	-	-	-	-	-	-
Set up of reflexive deferred tax		-	-	-	-	-	(1,521)	-	-	-	-	-	-	-	-	(1,521)
Additional dividends from prior year		-	-	-	-	-	-	-	-	-	(2,220)	-	-	-	-	(2,220)
Set up of tax incentive reserve	17 (d)	-	-	-	-	-	-	-		-	(44,886)	-	44,886	-	-	-
Net gain (loss) on derivative transactions - hedge accounting	17 (c)	-	-	-	-	-	-	-	126,190	-	-	-	-	-	-	126,190
Acquisition of shares issued by the Company itself	17 (b)	-	-	-	(7,423)	-	-	-	-	-	-	-	-	-	-	(7,423)
Stock options granted	17 (f)	-	-	-	-	988	-	-	-	-	-	-	-	-	-	988
Stock options exercised	17 (f)	-	-	(294)	987	(175)	-	-	-	-	-	-	-	-	-	518
Net income for the quarter		-	-	-	-	-	-	-	-	-	-	-	-	-	39,669	39,669
At June 30, 2016	17	931,340	-	10,237	(33,049)	5,566	209,919	1,478,500	(271,418)	55,947	244,265	85,338	44,886	-	41,267	2,802,798
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
Realization of deemed cost surplus	17 (a)	-	-	-	-	-	(3,255)	(170)	-	-	-	-	-	-	3,425	-
Set up of reflexive deferred tax	19 (b)	-	-	-	-	-	-	(286,324)	-	-	-	-	-	-	-	(286,324)
Net gain (loss) on derivative transactions - hedge accounting	17 (e)	-	-	-	-	-	-	-	(20,371)	-	-	-	-	-	-	(20,371)
Stock options granted	17 (c)	-	-	-	-	1,112	-	-	-	-	-	-	-	-	-	1,112
Net income for the quarter	17 (d)	-	-	-	-	-	-	-	-	-	-	-	-	-	116,873	116,873
At June 30, 2017	17	1,494,334	(55,662)	10,057	(92,134)	9,396	195,076	999,758	(72,711)	70,140	257,984	78,515	173,801	25,758	120,298	3,214,610

See accompanying notes.

São Martinho

Statement of cash flows
Periods ended June 30, 2017 and 2016
In thousands of reais, unless otherwise stated

	Note	Company		Consolidated	
		June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Cash flow from operating activities					
Net income for the year		116,873	39,669	116,873	39,669
Adjustments					
Depreciation and amortization	26	61,803	46,406	80,341	47,395
Harvested biological assets	26	97,946	84,040	121,714	84,040
Change in fair value of biological assets	11	28,162	(7,943)	15,539	(7,943)
Amortization of intangible assets		219	-	3,509	3,694
Equity pickup	10	(62,353)	(51,670)	1,892	(19,242)
Gain (loss) on investment and PPE disposed of	12	162	(76)	141	(76)
Interest, monetary variations and foreign exchange differences, net		44,290	26,399	47,407	23,374
Derivative financial instruments		(45,464)	102,540	(45,464)	102,540
Setup of provision for contingencies, net	21.1	2,920	(374)	2,992	(37)
Income and social contribution taxes (IRPJ and CSLL)	19 (b)	29,771	(3,221)	44,038	(3,012)
Present value adjustment and others		1,943	1,768	1,373	1,183
		276,272	237,538	390,355	271,585
Changes in assets and liabilities					
Trade accounts receivable		(78,024)	(61,855)	(130,671)	(69,556)
Inventories		(160,972)	(152,249)	(215,604)	(143,028)
Taxes recoverable		4,697	(18,156)	(2,972)	(18,145)
Derivative financial instruments		71,244	(92,618)	71,244	(92,618)
Other assets		(6,712)	3,500	(6,699)	3,370
Trade accounts payable		101,047	52,275	88,079	48,225
Salaries and social contributions		31,859	26,853	39,329	27,003
Taxes payable		(19,364)	(718)	(19,531)	2,089
Payables to Copersucar		(3,163)	(9,527)	(3,163)	(9,527)
Taxes in installments		(638)	(613)	(606)	(613)
Provision for contingencies - settlements	21.1	(3,716)	(2,820)	(8,256)	(2,820)
Other liabilities		(4)	1,419	1,557	4,637
Cash from operating activities		212,526	(16,971)	203,062	20,602
Payment of interest on borrowings	14	(54,429)	(74,056)	(76,224)	(74,386)
Income and social contribution taxes paid		-	-	(1,731)	(1,154)
Net cash generated by (used in) operating activities		158,097	(91,027)	125,107	(54,938)
Cash flow from investing activities					
Investment of funds	31	(1,661)	(8,372)	(2,361)	(8,372)
Additions to PPE and intangible assets		(26,248)	(29,437)	(44,244)	(29,690)
Additions to PPE (planting and cultivation)	11 and 12	(115,555)	(113,607)	(152,257)	(113,607)
Short-term investments		(437,007)	405,751	(195,944)	376,621
Funds from the sale of PPE	12	281	107	1,058	64
Future capital contribution		(1,682)	(1,000)	(1,000)	(1,000)
Net cash generated by (used in) investing activities		(581,872)	253,442	(394,748)	224,016
Cash flow from financing activities					
Financing taken out from third parties	14	800,721	16,284	825,461	16,284
Amortization of financing - third parties	14	(441,197)	(274,047)	(618,488)	(274,919)
Purchase of treasury shares	17 (b)	-	(7,423)	-	(7,423)
Disposal of treasury shares	17 (f)	-	518	-	518
Net cash generated by (used in) financing activities		359,524	(264,668)	206,973	(265,540)
Net decrease in cash and cash equivalents		(64,251)	(102,253)	(62,668)	(96,462)
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	77,769	164,090	79,786	170,197
Additional information					
Balances in short-term investments	5	1,009,767	641,236	1,259,991	706,487
Total available funds	5	1,087,536	805,326	1,339,777	876,684

See accompanying notes.

São Martinho

Statement of value added

Periods ended June 30, 2017 and 2016

In thousands of reais, unless otherwise stated

	Company		Consolidated	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Revenues				
Gross sales of goods and products	683,148	550,046	848,306	568,455
Revenue related to construction of own assets	117,555	112,388	154,864	112,388
Other revenues	668	1,029	1,135	1,035
	801,371	663,463	1,004,305	681,878
Inputs acquired from third parties				
Costs of sales	(241,180)	(231,925)	(252,769)	(211,624)
Materials, energy, third-party services and other operating expenses	(132,608)	(99,551)	(160,115)	(104,501)
	(373,788)	(331,476)	(412,884)	(316,125)
Gross value added	427,583	331,987	591,421	365,753
Depreciation and amortization	(61,803)	(46,406)	(80,341)	(47,395)
Harvested biological assets (depletion)	(97,946)	(84,040)	(121,714)	(84,040)
Net value added produced by the entity	267,834	201,541	389,366	234,318
Value added received in transfer				
Equity pickup	62,353	51,670	(1,892)	19,242
Finance income	65,367	345,221	77,432	350,039
Other	(831)	(306)	(109)	(359)
Total value added to be distributed	394,723	598,126	464,797	603,240
Distribution of value added				
Personnel and charges				
Direct Compensation	93,358	84,958	112,947	85,190
Benefits	29,204	23,792	34,470	23,836
Unemployment Compensation Fund (FGTS)	9,847	7,975	11,669	8,079
Management compensation	4,660	10,045	5,080	10,373
Taxes, charges and contributions				
Federal	40,036	8,412	67,207	12,298
State	633	693	1,433	749
Municipal	268	276	314	282
Creditors				
Interest	73,524	64,261	85,743	64,615
Leases	652	566	728	566
Foreign exchange differences	10,556	280,861	12,855	280,861
Other	15,112	76,618	15,478	76,722
Retained profits for the period	116,873	39,669	116,873	39,669
Value added distributed	394,723	598,126	464,797	603,240

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 August 14, 2017.

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 profit or loss 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 quarters ended June 30, 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 periods.

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 June 30 and March 31, 2017 includes the following subsidiaries:

	Interest held in capital (direct and indirect)		
Company	June 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") - formerly Vale do Mogi Empreendimentos Imobiliários S/A.	100%	100%	Exploitation of land through lease and agricultural partnership, rental and sale of real estate.
São Martinho Energia S.A. ("SME")	100%	100%	Cogeneration of electricity.
Cia Bioenergética Santa Cruz 1 ("Bio")	100%	100%	Cogeneration of electricity.
São Martinho Inova S.A. ("SM Inova")	100%	100%	Interest held in companies
São Martinho Terras Agrícolas S.A. ("SM Terras Agrícolas") - formerly Landco Emprendimentos e Participações S.A.	100%	100%	Exploitation of land through lease and agricultural partnership, rental and sale of real estate.
SPE - Residencial Recanto das Paineiras Empreendimentos Imobiliários Ltda ("SPE Paineiras") – subsidiary of SM Terras Imobiliárias	100%	100%	Real estate development and exploitation.

In thousands of reais, unless otherwise stated

Company	Interest held in capital (direct and indirect) June 30, 2017	March 31, 2017	Main activities
SPE - Park Empresarial Iracemápolis Ltda ("SPE Park") – subsidiary of SM Terras Imobiliárias	100%	100%	Real estate development and exploitation.
SPE - Residencial Limeira Ltda ("SPE Limeira") – subsidiary of SM Terras Imobiliárias	100%	100%	Real estate development and exploitation.
SPE - Residencial Pradópolis Ltda ("SPE Pradópolis") - subsidiary of SM Terras Imobiliárias	100%	100%	Real estate development and exploitation.
SPE - Residencial Pradópolis II Ltda ("SPE Pradópolis II") - subsidiary of SM Terras Imobiliárias	100%	100%	Real estate development and exploitation.
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 June 30, 31 and 2017, the Company had the following jointly-controlled entity:

Empresa	Interest held in capital June 30, 2017	March 31, 2017	Main activities
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

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 the liabilities are derecognized and through the amortization process under the effective interest 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 shall be initially recognized at fair value; (ii) the standard divides all financial assets that are currently in the scope of IAS 39 into two classifications: amortized cost and fair value; (iii) the IAS 39 categories of available for sale and held to maturity were eliminated; and (iv) the IAS 39 concept of embedded derivatives was extinguished by the concepts of this new standard. This standard will become effective on January 1, 2018. The Company is assessing the impact on its financial statements.

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

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

- IFRS 2 - Classification and measurement of share-based payment transactions - Amendments to IFRS 2: the IASB issued amendments to IFRS 2 - Share-based payments, which address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with characteristics of settlement by the net amount for obligations related to withholding taxes; and accounting when a change in the terms and conditions of a share-based payment transaction changes its cash settlement classification to share settlement classification. Upon adoption, entities are required to adopt the amendments without updating prior periods, however retrospective adoption is permitted if applied for the three amendments and if the other criteria are met. These amendments will become effective for annual periods beginning on or after January 1, 2018. The Company is assessing the impact on its financial statements.

4. Significant accounting estimates and judgments

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

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

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

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

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

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

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

(e) **Provision for contingencies**

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

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

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

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

(g) **ICMS tax benefits**

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

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

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.

In thousands of reais, unless otherwise stated

	Company			Consolidated		
	Yields (*)	June 30, 2017	March 31, 2017	Yields (*)	June 30, 2017	March 31, 2017
Cash and banks - in Brazil		46	106		1,995	467
Cash and banks - abroad (US dollar)		63,162	62,878		63,162	62,878
Short-term investments - in Brazil						
. Bank Deposit Certificate (CDB)	98.78%	2,585	67,037	98.78%	2,585	67,037
. Debentures held under repurchase agreements	100.49%	11,976	11,999	100.48%	12,044	12,072
Total cash and cash equivalents		77,769	142,020		79,786	142,454
Short-term investments						
. Investment fund	102.67%	1,009,767	548,611	102.96%	1,259,991	1,029,113
. Funds - Financial Treasury Bills (LFT) (i)		-	-	100% SELIC	19,117	-
. Other (i)		540	532	100.00%	6,128	24,667
Total financial investments		1,010,307	549,143		1,285,236	1,053,780
In noncurrent assets		540	532		25,245	24,667
Total available funds		1,087,536	690,631		1,339,777	1,171,567

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

(i) This balance is given as guarantee for financing operations with the BNDES (Finem Direto) with redemption 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	
	June 30, 2017	March 31, 2017	June 30, 2017	March 31, 2017
Domestic market customers	110,306	63,121	222,678	121,827
Foreign market customers	103,886	72,851	103,886	72,851
	214,192	135,972	326,564	194,678
Current assets	214,192	135,972	303,495	168,868
Noncurrent assets	-	-	23,069	25,810

For the period ended June 30, 2017 and year ended March 31, 2017, management did not identify the need to record an allowance for doubtful accounts.

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

In thousands of reais, unless otherwise stated

	Company		Consolidated	
	June 30, 2017	March 31, 2017	June 30, 2017	March 31, 2017
Faliing due:	213,979	135,639	325,689	194,258
Overdue and not provisioned:				
up to 30 days	-	-	115	-
over 31 days	213	333	760	420
	214,192	135,972	326,564	194,678

Out of the amount receivable, R$5,081 and R$257, 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	
	June 30, 2017	March 31, 2017	June 30, 2017	March 31, 2017
Current				
Finished products and work-in-process	296,485	59,544	411,402	77,368
Advances - purchases or sugarcane	59,297	61,219	91,278	80,929
Advances - purchases of inputs	14,640	24,035	20,314	30,142
Land subdivisions	-	-	6,341	6,398
Inputs, ancillary materials for maintenance and other	45,987	45,119	61,269	61,737
	416,409	189,917	590,604	256,574
Noncurrent				
Advances - purchases of sugarcane	86,922	74,978	101,981	88,766
	86,922	74,978	101,981	88,766
	503,331	264,895	692,585	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.

In thousands of reais, unless otherwise stated

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

8. Taxes recoverable

Breakdown of taxes recoverable is as follows:

	Company		Consolidated	
	June 30, 2017	March 31, 2017	June 30, 2017	March 31, 2017
Current				
PIS / COFINS	49,785	55,651	52,605	59,205
ICMS	34,352	28,173	52,003	42,156
Othere	831	829	951	949
	84,968	84,653	105,559	102,310
Noncurrent				
PIS / COFINS	35,209	33,011	43,684	40,666
Reintegra	43,873	35,165	43,873	35,165
IOF on derivatives	7,802	7,676	7,802	7,676
ICMS	10,878	13,319	15,013	17,217
Social Security Tax (INSS)	5,893	5,790	5,895	5,794
	103,655	94,961	116,267	106,518
	188,623	179,614	221,826	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:

In thousands of reais, unless otherwise stated

	June 30, 2017	
	Company	Consolidated
From 07/01/2018 to 06/30/2019	67,786	69,654
From 07/01/2019 to 06/30/2020	10,208	12,074
From 07/01/2020 to 06/30/2021	7,745	9,343
From 07/01/2021 to 06/30/2022	5,701	9,410
From 07/01/2022 to 06/30/2023	4,517	5,609
As from 07/01/2023	7,698	10,177
	103,655	116,267

9. Related parties

(a) Company and consolidated balances:

	June 30, 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.	6,823	-	1,368	-	6,813	-	2,101	-
Cia Bioenergética Santa Cruz 1	1,530	-	450	-	4	-	175	-
São Martinho - Energia S.A.	1,668	-	3,091	-	1,808	1	-	-
São Martinho Inova S.A.	-	1,437	-	-	-	755	-	-
São Martinho Terras Agrícolas S.A.	-	-	6,916		-	-	1,528	-
Usina Boa Vista S/A	2,509	-	677	-	3,180	-	-	-
Other	6	-	-	-	6	-	-	-
(A) Subtotal	12,536	1,437	12,502	-	11,811	756	3,804	-
Not consolidated in the current and related financial statements:								
Luiz Ometto Participações S.A. (nota 30)	-	-	11,857	50,130	-	-	11,958	50,130
Usina Santa Luiza S/A	51	2,000	-	-	60	3,867	-	-
Other	206	-	162	-	168	-	142	-
(B) Subtotal	257	2,000	12,019	50,130	228	3,867	12,100	50,130
TOTAL (A + B)	12,793	3,437	24,521	50,130	12,039	4,623	15,904	50,130
Dividends	7,661	-	-	-	7,661	-	-	-
Other accounts receivable/payable	5,132	3,437	12,664	-	4,378	4,623	3,946	-
Acquisition of equity interest	-	-	11,857	50,130	-	-	11,958	50,130
Inventories - purchase of sugarcane/lease of land								
From shareholders/related parties								
(C) Company	7,768	-	2,338	-	6,322	-	4,588	-
(D) Consolidated	-	-	661	-	-	-	125	-
Subtotal	7,768	-	2,999	-	6,322	-	4,713	-
TOTAL COMPANY (A + B + C)	20,561	3,437	26,859	50,130	18,361	4,623	20,492	50,130
Dividends	7,661	-	-	-	7,661	-	-	-
Other accounts receivable/payable	5,132	3,437	15,002	-	4,378	4,623	8,534	-
Inventories - purchase of sugarcane/lease of land	7,768	-	-	-	6,322	-	-	-
Acquisition of equity interest	-	-	11,857	50,130	-	-	11,958	50,130
TOTAL CONSOLIDATED (B + C + D)	8,025	2,000	15,018	50,130	6,550	3,867	16,813	50,130

In thousands of reais, unless otherwise stated

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.

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

	June 30, 2017		June 30, 2016	
Company and Consolidated	Sales revenue	Reimbursed expenses/(purchases of products and services)	Sales revenue	Reimbursed expenses/(purchases of products and services)
Consolidated in the current financial statements:				
São Martinho Terras Imobiliárias S.A.	-	(7,070)	-	(12,657)
São Martinho Terras Agrícolas S.A.	-	(11,624)	-	(7,928)
Cia Bioenergética Santa Cruz 1	2,051	(796)	1,069	(374)
São Martinho - Energia S.A.	1,761	68	1,086	-
Usina Boa Vista S/A	-	4,097	-	-
(A) Subtotal	3,812	(15,325)	2,155	(20,959)
Not consolidated in the current and related financial statements:				
(B) Usina Boa Vista S/A	-	-	-	3,439
Shareholders and related parties - purchase of sugarcane/lease of land				
(C) Company				
Agro Pecuária Boa Vista S/A	-	(8,218)	-	(7,181)
Other	-	(3,371)	-	(2,928)
(D) Consolidated	-	(554)	-	-
Subtotal	-	(12,143)	-	(10,109)
TOTAL COMPANY (A + B + C)	3,812	(15,325)	2,155	(17,520)
TOTAL CONSOLIDATED (B + C + D)	-	(12,143)	-	(6,670)

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

In thousands of reais, unless otherwise stated

(c) Key management personnel compensation:

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

	Company		Consolidated	
	June 30, 2017	March 31, 2017	June 30, 2017	March 31, 2017
Salaries, fees and bonus	5,234	24,955	5,856	26,688
Social security and social contributions	1,039	5,238	1,163	5,580
Other	331	1,352	388	1,554
	6,604	31,545	7,407	33,822

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

In thousands of reais, unless otherwise stated

10. Investments

10.1 Subsidiaries, jointly-controlled entities and affiliates

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

				Company				Consolidated			
	% - Ownerhip interest (current)	Adjusted equity of investee		Investment carrying amount		Equity pickup		Investment carrying amount		Equity pickup	
Company		June 30, 2017	March 31, 2017	June 30, 2017	March 31, 2017	June 30, 2017	March 31, 2017	June 30, 2017	March 31, 2017	June 30, 2017	March 31, 2017
Classified in investment											
São Martinho Terras Imobiliárias S.A.-formerly Vale do Mogi	100.00%	163,135	1,043,290	163,135	1,043,290	5,953	12,362	-	-	-	-
São Martinho - Energia S.A.	100.00%	27,889	19,735	27,889	19,735	8,155	3,044	-	-	-	-
São Martinho Inova S/A	100.00%	22,336	21,815	22,336	21,815	521	170	-	-	-	-
São Martinho Terras Agrícolas S.A.-formerly Landco	100.00%	1,036,513	430,903	1,036,513	430,903	5,824	4,083	-	-	-	-
São Martinho Logística e Participações S.A.	100.00%	3,047	3,078	3,047	3,078	(30)	(31)	-	-	-	-
Usina Boa Vista S.A. (Note 10.2)	100.00%	1,177,410	1,147,277	1,177,410	1,147,277	30,134	-	-	-	-	-
Nova Fronteira Bioenergia S.A. (Note 10.2)	50.95%	-	-	-	-	-	19,925	-	-	-	19,925
Companhia Bioenergética Santa Cruz 1	100.00%	118,486	104,704	118,486	104,704	13,782	12,970	-	-	-	-
CTC - Centro de Tecnologia Canavieira S.A. (i)	5.41%	543,251	541,511	-	-	-	-	29,414	29,320	94	170
Other		-	-	1,864	1,862	-	-	1,864	1,864	-	-
Total classified in investment		3,092,067	3,312,313	2,550,680	2,772,664	64,339	52,523	31,278	31,184	94	20,095
Classified in noncurrent liabilities											
Usina Santa Luiza S.A. (i)	66.67%	(18,246)	(14,989)	(12,164)	(13,044)	(1,986)	(853)	-	(13,044)	(1,986)	(853)
Total classified in noncurrent liabilities		(18,246)	(14,989)	(12,164)	(13,044)	(1,986)	(853)	-	(13,044)	(1,986)	(853)
Total		3,073,821	3,297,324	2,538,516	2,759,620	62,353	51,670	31,278	18,140	(1,892)	19,242

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

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

(ii) In Special General Shareholders' Meeting held on April 25, 2016, partial spin-off of subsidiary SM Terras Imobiliárias to subsidiary SM Terras Agrícolas was approved. The portion spun off to SM Terras Agrícolas refers to land amounting to R$53,176. SM Terras Agrícolas is primarily engaged in the exploration and sale of products related to agriculture and in holding interest in other entities. This change is intended to address geographical organization according to the operating radius of the agribusiness units.

In thousands of reais, unless otherwise stated

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

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:

STATEMENT OF FINANCIAL POSITION	June 30, 2017	March 31, 2017
Current assets	612,101	706,119
Noncurrent assets	999,342	1,025,149
Total assets	1,611,443	1,731,268
Current liabilities	257,663	400,740
Noncurrent liabilities	229,784	234,439
Equity	1,123,996	1,096,089
Total liabilities and equity	1,611,443	1,731,268

In thousands of reais, unless otherwise stated

STATEMENT OF PROFIT OR LOSS	June 30, 2017
Net revenue	128,816
Cost of sales	(75,564)
Gross profit	53,252
Net operating income	(9,799)
Finance costs	(3,892)
Income and social contribution taxes	(11,652)
Net income for the period	27,909

FINANCIAL INFORMATION	June 30, 2017	March 31, 2017
Cash and short-term investments	166,283	424,509
Gross debt	368,144	528,075
Depreciation and amortization (including harvestaed biological assets)	38,848	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.

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

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.

In thousands of reais, unless otherwise stated

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 estimated *(i)* costs required for the biological processing of sugarcane (crops) until harvest; *(ii)* costs with Harvest/Cut, Loading and Transportation (CCT); *(iii)* capital cost (land, machinery and equipment); *(iv)* lease and sharecropping costs; and *(v)* taxes on positive cash flow.

The following significant assumptions were used to determine fair value:

	Company		Consolidated	
	June 30, 2017	March 31, 2017	June 30, 2017	March 31, 2017
Harvest estimated total area (ha)	170,687	169,867	224,886	222,789
Expected productivity (ton/ha)	88.47	85.28	87.84	84.65
Number of Total Recoverable Sugar (ATR) per sugar cane ton (kg)	134.79	130.66	135.93	131.41
Projected average price of ATR (R$)	0.5986	0.6396	0.5983	0.6397

At June 30, 2017, the discount rate used to calculate the fair value of biological assets is 9.33% 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.

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

In thousands of reais, unless otherwise stated

	Company		Consolidated	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 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	79,017	72,832	103,392	72,832
Transfers from PPE	78,792	47,926	98,555	47,926
Change in fair value	(22,232)	2,625	(17,818)	2,625
Fair value surplus - business combination	-	-	4,450	-
Reductions resulting from harvest	(143,369)	(138,861)	(195,987)	(138,861)
Closing balance of biological assets:	429,864	454,763	578,954	454,763
Represented by:				
Historical cost	481,754	436,885	634,124	436,885
Fair value	(51,890)	17,878	(55,170)	17,878
Closing balance of biological assets:	429,864	454,763	578,954	454,763

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 June 30 and March 31, 2017, total estimated payments are as follows:

In thousands of reais, unless otherwise stated

	Company		Consolidated	
	June 30, 2017	March 31, 2017	June 30, 2017	March 31, 2017
Agricultural partnership:				
Within 1 year	195,406	215,481	244,151	271,496
More than 1 year and less than 5 years	643,625	693,041	805,668	871,817
More than 5 years	558,770	601,786	785,349	816,531
(-) Present value adjustment	(504,187)	(562,460)	(680,450)	(740,804)
	893,614	947,848	1,154,718	1,219,040
Leases:				
Within 1 year	44,972	25,765	45,260	26,080
More than 1 year and less than 5 years	145,641	87,766	146,793	89,025
More than 5 years	107,176	94,565	109,437	97,098
(-) Present value adjustment	(96,605)	(77,020)	(98,232)	(78,876)
	201,184	131,076	203,258	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.

São Martinho

Notes to quarterly information

June 30, 2017

In thousands of reais, unless otherwise stated

Controladora	Land	Buildings and premises	Equipment and manufacturing facilities	Inter-crop maintenace	Vehicles	Agricultural machinery and farming implements	Other PPE	Constructio n 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	-	-	830	2,306	903	9,990	433	12,250	36,538	63,250
Cost of sale	-	-	(2)	-	14	(437)	(18)	-	-	(443)
Transfers between groups	-	4	303	-	95	47	-	(449)	-	-
Transfer to biological assets	-	-	-	-	-	-	-	-	(78,792)	(78,792)
Depreciation	-	(2,275)	(20,241)	(61,078)	(4,048)	(10,247)	(728)	-	-	(98,617)
Balances at June 30, 2017	156,520	243,385	780,096	111,716	162,174	230,259	16,239	45,901	673,671	2,419,961
Total cost	156,520	283,096	1,126,085	172,794	230,146	385,810	57,557	45,901	673,671	3,131,580
Accumulated depreciation	-	(39,711)	(345,989)	(61,078)	(67,972)	(155,551)	(41,318)	-	-	(711,619)
Residual value	156,520	243,385	780,096	111,716	162,174	230,259	16,239	45,901	673,671	2,419,961
Residual values:										
Historical cost	16,361	181,880	560,564	111,716	133,735	182,269	16,239	45,901	673,671	1,922,336
Surplus	140,159	61,505	219,532	-	28,439	47,990	-	-	-	497,625
Annual average depreciation rates	-	3%	6%	100%	7%	9%	9%	-	14%	-

In thousands of reais, unless otherwise stated

Consolidado	Land	Building and premises	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)
UBV consolidation	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	-	-	926	3,022	2,073	21,176	-	552	15,684	48,865	92,298
Cost of sale	(696)	-	(2)	-	(41)	(1,095)	-	(18)	-	-	(1,852)
Transfers between groups	-	4	303	-	95	47	-		(449)	-	
Transfers to inventory for sales	-	-	-	-	-	-	-	-	-	-	
Transfer to biological assets	-	-	-	-	-	-	-	-	-	(98,555)	(98,555)
Depreciation	-	(3,411)	(28,092)	(82,706)	(5,860)	(14,611)	(2,215)	(1,028)	-	-	(137,923)
Balances at June 30, 2017	1,807,585	393,971	1,262,899	146,954	223,156	317,488	36,939	22,006	61,040	870,480	5,142,518
Total cost	1,807,585	464,760	1,751,248	229,660	324,891	532,753	88,623	69,121	61,040	870,480	6,200,161
Accumulated depreciation		(70,789)	(488,349)	(82,706)	(101,735)	(215,265)	(51,684)	(47,115)			(1,057,643)
Residual value	1,807,585	393,971	1,262,899	146,954	223,156	317,488	36,939	22,006	61,040	870,480	5,142,518
Residual values:											
Historical cost	152,142	316,790	985,790	146,954	190,634	241,594	36,939	22,006	61,040	870,480	3,024,369
Surplus	1,655,443	77,181	277,109	-	32,522	75,894	-	-	-	-	2,118,149
Annual average depreciation rates	-	3%	5%	100%	7%	9%	11%	9%	-	14%	

In thousands of reais, unless otherwise stated

Under the terms of certain borrowing agreements of the Group, property, plant and equipment totaling R$1,521,516 (consolidated) were pledged as collateral, of which R$290,535 refers to rural properties (8,778 hectares of land).

The Group capitalized financial charges amounting to R$167 for the period ended June 30, 2017 (R$483 for June 30, 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	
	June 30, 2017	March 31, 2017	June 30, 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	25,831	25,789	28,530	28,488
Accumulated amortization	(19,135)	(18,280)	(21,658)	(20,782)
Rights on sugarcane contracts (ii)	10,560	10,779	10,560	10,779
Rights on electricity agreements (iii)	-	-	103,401	103,401
Rights on electricity agreements - amortization (iii)	-	-	(32,544)	(27,560)
Other assets	2,456	1,956	5,484	4,983
	394,345	394,877	468,406	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 with an exploration period from 2013 to 2017).
(iii) Refers to the fair value of Bio's agreements for electricity supply, effective up to 2025.

In thousands of reais, unless otherwise stated

Impairment of nonfinancial assets

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

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

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

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

Main assumptions used by the Company are as follows:

	March 31, 2017 data	
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. Borrowings

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

	Annual charges		Company		Consolidated	
Type	Rate	Index	June 30,2017	March 31, 2017	June 30,2017	March 31, 2017
<u>In local currency</u>						
Export credit notes	101.96%	CDI	426,657	495,136	426,657	495,136
BNDES credit facilities	3.06%	TJLP	226,082	232,044	329,345	335,321
BNDES credit facilities	4.76%	Fixed rate	324,233	338,570	471,486	500,334
BNDES credit facilities	3.94%	SELIC	3,623	3,196	4,661	3,989
Rural credit	12.71%	Fixed rate	285,967	275,445	372,693	343,493
Rural product note	10.60%	Fixed rate	-	-	-	162,147
Industrial credit certificate	11.50%	Fixed rate	-	-	2,706	2,986
FINEP	4.00%	Fixed rate	93,655	95,922	93,655	95,922
Agribusiness Receivables Certificate (CRA) (a)	97.60%	CDI	668,403	349,462	668,403	349,462
Agribusiness Receivables Certificate (CRA) (a)	5.09%	IPCA	195,746	-	195,746	-
Other securitized credits	4.52%	IGP-M/Fixed rate	35,368	41,826	35,368	41,826
<u>Total in local currency</u>			2,259,734	1,831,601	2,600,720	2,330,616
In foreign currency						
Pre-export financing (PPE)	3.27%	FX difference	759,251	741,329	759,251	741,329
Export credit notes (NCE)	3.45%	FX difference	270,012	584,487	270,012	584,487
Advances on exchange contracts (ACC)	4.12%	FX difference	298,522	-	298,522	-
FINEM	6.74%	Currency basket	17,135	16,977	60,015	62,628
<u>Total in foreign currency</u>			1,344,920	1,342,793	1,387,800	1,388,444
TOTAL			3,604,654	3,174,394	3,988,520	3,719,060
Current			935,694	1,175,682	1,115,477	1,499,583
Noncurrent			2,668,960	1,998,712	2,873,043	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	**June 30, 2017**	**June 30, 2016**	**June 30, 2017**	**June 30, 2016**
Prior balance	3,174,394	3,487,197	3,719,060	3,507,187
Financing raised	800,721	16,284	825,461	16,284
Repayment of principal	(441,197)	(274,047)	(618,488)	(274,919)
Amortization of interest	(54,429)	(74,056)	(76,224)	(74,386)
Monetary restatement	64,851	49,071	76,099	49,423
Foreign exchange difference	60,314	(190,470)	62,612	(190,470)
	3,604,654	3,013,979	3,988,520	3,033,119

Some of the transactions conducted are pegged to swap agreements for Brazilian reais. The effect at June 30, 2017 was as follows:

	June 30 ,2017				March 31,2017			
	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 operations - fixed rate for floating rate	184,618	190,721	194,701	200,764	171,403	210,794	171,403	210,794
Swap operations - libor for fixed rate	75,959	78,465	75,959	78,465	117,101	118,704	117,101	118,704
Swap operations - foreign current for reais	274,066	243,818	274,066	243,818	337,221	241,347	337,221	241,347
Swap operations - reais for foreign current	-	-	-	-	87,309	61,382	87,309	61,382
Operations not subject to swap - local currency	2,069,013	1,990,548	2,399,956	2,321,491	1,559,425	1,440,721	2,058,440	1,939,736
Operations not subject to swap - foreign currency	1,022,637	1,101,102	1,065,517	1,143,982	982,742	1,101,446	1,028,393	1,147,097
TOTAL	3,626,293	3,604,654	4,010,199	3,988,520	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 07/01/2018 to 06/30/2019	644,802	728,870
From 07/01/2019 to 06/30/2020	938,138	981,042
From 07/01/2020 to 06/30/2021	523,054	559,228
From 07/01/2021 to 06/30/2022	148,042	176,079
From 07/01/2022 to 06/30/2023	286,592	297,396
From 07/01/2023 to 06/30/2030	128,332	130,428
	2,668,960	2,873,043

At June 30, 2017, R$ 1,509,260 of São Martinho debt in encumbered, of which 57% in equipment, 25% in receivables, 13% land and 5% other.

Covenants

The Company has covenants amounting to R$1,166,102, which are required and determined annually, the conditions of which are met for the period ended June 30, 2017.

15. Trade accounts payable

	Company		Consolidated	
	June 30, 2017	March 31, 2017	June 30, 2017	March 31, 2017
Sugarcane	148,444	58,206	156,375	76,377
Materials, services and other	54,430	44,916	68,120	62,546
	202,874	103,122	224,495	138,923

Out of the total trade accounts payable, R$15,002 and R$823 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	June 30, 2017	March 31, 2017
REFIS - Copersucar - Restated by reference to SELIC	97,540	99,705
Exchange Bill (LC) - Restated by reference to SELIC	87,901	87,311
Exchange Bill (LC) - Transfer of funds without incurring losses	48,547	48,547
Expenses with tax proceedings	8,583	8,583
Other	2,040	2,039
Total	244,611	246,185
Current liabilities	8,583	8,583
Noncurrent liabilities	236,028	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.

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$ 243,274 (amounts estimated and restated to June 30, 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 June 30, 2017 and March 31, 2017, capital amounted to R$1,494,334, comprising 364,011,329 common registered shares, with no par value.

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

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

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.

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$ 54,968 through use of the capital budget reserve amounting to R$ 110,629, after deduction of R$ 55,662 recognized as capital reducing account. The referred to change resulted in no issue of new shares.

(b) Treasury shares

For the period ended June 30, 2017, there were no changes in treasury shares, and the number of shares remained at 5,431,517.

(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 protect the entity's capital, and it can only be used to offset losses and increase capital.

Capital investment reserve

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

At the Annual General Meeting held on July 29, 2016, the shareholders approved the allocation of income for the year ended March 31, 2016, previously classified as capital investment reserve: R$2,220 intended for additional dividend payments and R$44,886 reclassified to "Tax incentive reserve" account - in subsidiaries, arising from investment together with subsidiary NF and the remaining balance of R$110,629 remains as capital investment reserve.

Unrealized income reserve

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

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 June 30, 2017 was R$5,426.

(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.

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

The balances of stock option plans granted and the changes in outstanding stock options for the year period ended June 30, 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	12/17/2012	12/16/2013	12/15/2014	12/14/2015	12/12/2016	
Deadline for exercise (i)	2019	2020	2021	2022	2023	
Fair value of options (R$) (ii)	2,29 - 2,62	2,82 - 3,15	3,80 - 4,20	5,55 - 6,21	5,91 - 6,53	
Options granted (ii)	1,175,178	1,142,436	1,014,264	767,700	779,934	4,879,512
Options exercised (ii)	(844,790)	(383,373)	(58,230)	-	-	(1,286,393)
Outstanding stock options	330,388	759,063	956,034	767,700	779,934	3,593,119
Strike price (ii)	8.37	9.13	12.04	15.87	17.70	

(i) The options under each one of the plans may be exercised on three occasions, namely: 1/3 after the second year as from the grant date, 1/3 after the third year as from the grant date, and 1/3 after the fourth year as from the grant date, and the maximum term for the exercise of all these stock options is established in each plan;

(ii) The data referring to the 4th, 5th, 6th and 7th plans was adjusted to reflect the share split mentioned in Note 17 (a).

For the period ended June 30, 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$ 1,112 (R$ 988 at June 30, 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 June 30, 2017 and 2016, recorded as operating costs or expenses in the statement of profit or loss, amounted to R$ 9,341 and R$ 8,565 in Company (R$11,590 and R$8,567, 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

	YTD			
Company	March 31, 2017	Recognized in profit or loss	Recognized in equity	June 30, 2017
. Income and social contribution tax losses	48,926	(8,814)	-	40,112
. Derivative financial instruments	40,581	(11,459)	10,492	39,614
. Provision for contingencies	22,108	12	-	22,120
. Biological assets and agricultural product (change in fair value)	11,576	9,577	-	21,153
. Provision for other obligations	7,514	2,630	-	10,144
. Other assets	4,170	(1,522)	-	2,648
Total income and social contribution tax assets	134,875	(9,576)	10,492	135,791
. Surplus of PPE (Deemed cost)	(173,366)	2,775	-	(170,591)
. Accelerated depreciation incentive	(157,612)	(1,327)	-	(158,939)
. Tax benefit on merged goodwill	(100,498)	(7,590)	-	(108,088)
. Gain on bargain purchase/surplus value - PPA	(48,478)	(2,522)	-	(51,000)
. Foreign exchange difference	(27,758)	5,513	-	(22,245)
. Divestiture with deferred taxation	(21,683)	-	-	(21,683)
. Securitized financing	(17,025)	1,206	-	(15,819)
. Other liabilities	(1,475)	364	-	(1,111)
Total income and social contribution tax liabilities	(547,895)	(1,581)	-	(549,476)
Deferred income and social contribution taxes	(413,020)	(11,157)	10,492	(413,685)

In thousands of reais, unless otherwise stated

Consolidated	March 31, 2017	Recognized in profit or loss	Recognized in equity	Consolidation adjustment - rights on energy agreements	June 30, 2017
					YTD
. Income and social contribution tax losses	53,454	(9,769)	-	-	43,685
. Derivative financial instruments	40,581	(11,459)	10,492	-	39,614
. Provision for contingencies	23,895	(120)	-	-	23,775
. Biological assets and agricultural product (change in fair value)	6,208	6,798	-	-	13,006
. Other assets	14,053	856	-	-	14,909
Total income and social contribution tax assets	138,191	(13,694)	10,492	-	134,989
. Surplus of PPE (Deemed cost)	(370,919)	2,834	(286,324)	-	(654,409)
. Accelerated depreciation incentive	(180,799)	(8,795)	-	-	(189,594)
. Tax benefit on merged goodwill	(100,498)	(7,590)	-	-	(108,088)
. Gain on bargain purchase/surplus value - PPA	(48,478)	(2,522)	-	-	(51,000)
. Foreign exchange difference	(27,758)	5,513	-	-	(22,245)
. Divestiture with deferred taxation	(21,683)	-	-	-	(21,683)
. Other liabilities	(51,199)	1,121	-	2,391	(47,687)
Total income and social contribution tax liabilities	(801,334)	(9,439)	(286,324)	2,391	(1,094,706)
Deferred income and social contribution taxes	(663,143)	(23,133)	(275,832)	2,391	(959,717)
Other deferred taxes	-	-	-	-	(679)

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 quarter ended June 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 quarter 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		Consolidated	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Pretax income	146,644	36,448	160,911	39,283
Income and social contribution taxes at statutory rates (34%)	(49,859)	(12,392)	(54,710)	(13,356)
Adjustments for calculation of effective tax rate:				
. Equity pickup	21,200	17,568	(643)	6,542
. Other permanent exclusions/(additions), net	2,433	(2,354)	2,373	(2,354)
. Adjustment to the calculation of subsidiary whose taxable profit is computed as a percentage of gross sales	-	-	10,629	9,428
. State government grant	-	-	1,845	
. Income on inventories	-	-	-	(273)
. Tax incentives	225	-	226	-
. Previously unused income and social contribution tax credits	(3,780)		(3,782)	
. Other	10	399	24	399
Income and social contribution tax expense	(29,771)	3,221	(44,038)	386
Current income and social contribution taxes	(18,614)	-	(20,905)	(2,626)
Deferred income and social contribution taxes	(11,157)	3,221	(23,133)	3,012
Income and social contribution tax effective rate	20.3%	-8.8%	27.4%	-1.0%

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$83,414.

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.

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.

In thousands of reais, unless otherwise stated

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	Restatement	June 30, 2017
Tax	11,571	4	-	(4)	246	11,817
Civil and environmental	3,363	2	(100)	(2)	(107)	3,156
Labor	51,643	6,400	(3,386)	(3,710)	696	51,643
Total	66,577	6,406	(3,486)	(3,716)	835	66,616
Judicial deposits	24,707	1,215	-	(1,869)	242	24,295

						Consolidated
	March 31, 2017	Additions	Reversals	Use	Restatement	June 30, 2017
Tax	18,222	5	-	(3,362)	334	15,199
Civil and environmental	26,597	110	(1,207)	(97)	536	25,939
Labor	56,896	7,947	(3,863)	(4,797)	709	56,892
Total	101,715	8,062	(5,070)	(8,256)	1,579	98,030
Judicial deposits	32,423	1,844	-	(5,725)	280	28,822

Judicial deposits are monetarily restated and reported in noncurrent assets.

The nature of the main lawsuits at June 30, 2017 included in the above provisions is as follows (Company and consolidated):

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

In thousands of reais, unless otherwise stated

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 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			
		June 30, 2017		March 31, 2017		June 30, 2017		March 31, 2017	
Nature		No. of proceedings	Amount	No. of proceedings	Amount	No. of proceedings	Amount	No. of proceedings	Amount
(i)	Social security contribution	14	218,779	14	213,013	14	218,781	14	213,013
(ii)	Calculation of IRPJ/CSLL	5	243,396	5	236,777	5	243,396	5	236,777
(iii)	Offset of federal taxes	33	34,563	33	33,621	34	34,707	34	33,761
(iv)	ICMS	3	2,427	3	2,360	4	13,344	4	12,980
(v)	Other tax proceedings	39	23,737	41	23,078	40	26,445	43	25,713
	TOTAL	94	522,902	96	508,849	97	536,673	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 from the benefit of accelerated tax-incentive depreciation from the Corporate Income Tax (IRPJ) and Social Contribution Tax on Net Profit (CSLL) bases.

(iii) The proceedings refer to requests to offset IRPJ, CSLL, Contribution Taxes on Gross Revenue for Social Integration Program (PIS) and for Social Security Financing (COFINS)

In thousands of reais, unless otherwise stated

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 and environmental proceedings:

	Company				Consolidated			
	June 30, 2017		March 31, 2017		June 30, 2017		March 31, 2017	
Nature	No. of proceedings	Amount	No. of proceedings	Amount	No. of proceedings	Amount	No. of proceedings	Amount
Environmental	36	7,161	36	6,840	37	7,356	37	7,036
Civil								
Indemnities	23	12,524	21	11,572	24	12,556	21	11,571
Review of contracts	6	7,497	6	7,390	7	7,497	7	7,390
Other civil proceedings	14	1,074	12	1,046	15	1,074	13	1,046
Labor	26	4	20	-	28	12	21	-
TOTAL	105	28,260	95	26,848	111	28,495	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.

Assets and liabilities subject to foreign exchange difference

The table below summarizes foreign currency-denominated assets and liabilities (in US dollars - US$), recorded in the consolidated statement of financial position at June 30, 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)	63,162	19,093
Trade accounts receivable	103,886	31,403
Derivative financial instruments	151,449	45,780
Total assets	318,497	96,276
Current and noncurrent liabilities:		
Loans and financing	1,387,800	419,579
Derivative financial instruments	56,942	17,216
Total liabilities	1,444,742	436,795
Subtotal assets (liabilities)	(1,126,245)	(340,519)
(-) Borrowings linked to exports – ACC and PPE	1,327,785	401,435
Exposição líquida ativa	201,540	60,916

These assets and liabilities were restated and recorded in the quarterly information at June 30, 2017 at the exchange rate in effect on that date, of R$3.3082 per US$1.00 for assets and R$3.3076 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 June 30, 2017, the prices of 502,563 tons of sugar had been determined with commercial partners for delivery in 17/18 crop, priced at an average of 19.23 ¢/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.

		Impacts on P&L		
Consolidated	Risk factor	Possible scenario - 5%	Possible scenario - 25%	Possible scenario - 50%
Cash and cash equivalents	Decrease in exchange rate - R$/US$	6,208	31,039	62,079
Trade accounts receivable	Decrease in exchange rate - R$/US$	5,195	25,976	51,953
Borrowings	Increase in exchange rate - R$/US$	(609)	(3,046)	(6,093)
Derivative financial instruments				
Non-Deliverable Forwards (NDF)	Increase in future price of commodities	(302)	(1,511)	(3,022)
Swap contracts (a)	Decrease in exchange rate - R$/US - and increase in interest curve	(327)	(695)	(1,308)
Net exposure		10,164	51,764	103,609

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

(e) Financial instruments

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

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

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

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

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

The balances of assets and liabilities at June 30 and March 31, 2017 relating to transactions with derivative financial instruments and their maturities are as follows:

In thousands of reais, unless otherwise stated

Company and Consolidated	June 30, 2017 Contracted amount/volume	Average price/rate	Notional value - R$	Fair value - R$
In current assets - Gain				
Margin deposit				14,267
Merchandise futures contracts - Sugar #11 – Commodities Exchange				
. Sale commitment	243,902	18.54	294,464	76,712
. Purchase commitment	8,890	13.71	7,937	260
Merchandise forward contracts - Sugar #11				
. Sale commitment	21,591	18.08	25,420	6,718
Non-Deliverable Forward (NDF) - Dollar - OTC				
. Sale commitment	174,617	3.5899	626,858	37,047
Merchandise options contracts - Sugar #11 - Commodities Exchange				
. Bidding position in call options	7,620	18.50	9,180	161
. Bidding position in put options	8,128	20.28	10,734	3,854
Swap contracts - interest - OTC				12,429
TOTAL DERIVATIVE FINANCIAL INSTRUMENTS IN CURRENT ASSETS				151,448
In noncurrent assets - Gain				
Swap contracts - interest - OTC				1
TOTAL DERIVATIVE FINANCIAL INSTRUMENTS IN NONCURRENT ASSETS				1

Company ad Consolidated	June 30, 2017 Contracted amount/volume	Average price/rate	Notional value - R$	Fair value - R$
In current liabilities - Loss				
Merchandise futures contracts - Sugar #11 – Commodities Exchange				
. Sale commitment	4,318	13.43	3,776	119
. Purchase commitment	55,019	17.02	60,979	11,825
Non-Deliverable Forward (NDF) - Dollar - OTC				
. Sale commitment	69,577	3.3164	230,745	6,471
. Purchase commitment	425	3.4485	1,466	51
Merchandise options contracts - Sugar #11 - Commodities Exchange				
. Written position in call options	15,749	20.64	21,168	129
Swap contracts - interest - OTC				38,347
TOTAL DERIVATIVE FINANCIAL INSTRUMENTS IN CURRENT LIABILITIES				56,942

In thousands of reais, unless otherwise stated

Company and 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

Company and Consolidated	March 31, 2017			
	Contracted amount/volume	Average price/rate	Notional value - R$	Fair value - R$
In current liabilities - Loss				
Margin deposit				248
Merchandise futures contracts - Sugar #11 - Commodities Exchange				
. Sale commitment	2,591	18.44	2,980	-
. Purchase commitment	82,351	17.94	92,140	5,968
Non-Deliverable Forward (NDF) - Dollar - OTC				
. Sale commitment	19,848	3.2493	64,492	119
. Purchase commitment	425	3.4485	1,466	98
Merchandise options contracts - Sugar #11 - Commodities Exchange				
. Written position in call options	69,599	21.57	93,629	208
Swap contracts - interest - OTC				69,456
TOTAL DERIVATIVE FINANCIAL INSTRUMENTS IN CURRENT LIABILITIES				76,097
In noncurrent liabilities - Loss				
Swap contracts - interest - OTC				5
TOTAL DERIVATIVE FINANCIAL INSTRUMENTS IN NONCURRENT LIABILITIES				5

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.

In thousands of reais, unless otherwise stated

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 June 30, 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	129,582	18,883	110,699
Foreign exchange derivatives - Options / NDF	30,990	6,502	24,488
Foreign exchange differences on borrowing agreements (Trade Finance)	-	245,356	(245,356)
	160,572	270,741	(110,169)
Deferred taxes on the items above	(54,594)	(92,052)	37,458
	105,978	178,689	(72,711)

(f) Estimated realization

At June 30, 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	Safra 19/20	Safra 20/21	A partir safra 21/22	TOTAL
Derivative financial instruments:						
Commodity derivatives - Futures, options and forward contracts	110,707	(8)	-	-	-	110,699
Foreign exchange derivatives - Options / NDF	24,488	-	-	-	-	24,488
Foreign exchange differences on borrowing agreements (Trade Finance)	(130,034)	(72,553)	(46,431)	5,330	(1,668)	(245,356)
	5,161	(72,561)	(46,431)	5,330	(1,668)	(110,169)
Deferred taxes on the items above	(1,755)	24,671	15,787	(1,812)	567	37,458
	3,406	(47,890)	(30,644)	3,518	(1,101)	(72,711)

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 June 30, 2017					
Borrowings	935,694	644,802	1,609,234	414,924	3,604,654
Derivative financial instruments	56,942	-	-	-	56,942
Trade accounts payable	202,874	-	-	-	202,874
Acquisition of ownership interest	11,857	11,620	34,860	3,650	61,987
Other liabilities	18,351	-	-	12,164	30,515
	1,225,718	656,422	1,644,094	430,738	3,956,972
At March 31, 2017					
Borrowings	1,175,682	533,209	1,357,928	107,575	3,174,394
Derivative financial instruments	76,097	5	-	-	76,102
Trade accounts payable	103,122	-	-	-	103,122
Acquisition of ownership interest	11,958	11,620	34,860	3,650	62,088
Other liabilities	17,714	-	-	13,044	30,758
	1,384,573	544,834	1,392,788	124,269	3,446,464

Consolidated	Within 1 year	From 1 to 2 years	From 2 to 5 years	Above 5 years	Total
At June 30, 2017					
Borrowings	1,115,477	728,870	1,716,349	427,824	3,988,520
Derivative financial instruments	56,942	-	-	-	56,942
Trade accounts payable	224,495	-	-	-	224,495
Acquisition of ownership interest	11,857	11,620	34,860	3,650	61,987
Other liabilities	31,488	-	-	12,164	43,652
	1,440,259	740,490	1,751,209	443,638	4,375,596
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	June 30, 2017	March 31, 2017
Financial assets			
Cash and cash equivalents	Loans and receivables	77,769	142,020
Short-term investments	Fair value through profit or loss	1,010,307	549,143
Trade accounts receivable	Loans and receivables	214,192	135,972
Derivative financial instruments	Fair value through profit or loss	151,449	172,944
Transactions with related parties	Loans and receivables	3,437	4,623
Other assets, except for prepayments	Loans and receivables	7,048	3,722
		1,464,202	1,008,424
Financial liabilities			
Borrowings	Liabilities at amortized cost	3,604,654	3,174,394
Derivative financial instruments	Fair value through profit or loss	56,942	76,102
Trade accounts payable	Other financial liabilities	202,874	103,122
Acquisition of ownership interests	Other financial liabilities	61,987	62,088
Other liabilities	Other financial liabilities	30,515	30,758
		3,956,972	3,446,464

In thousands of reais, unless otherwise stated

			Consolidated
	Classification	June 30, 2017	March 31, 2017
Financial assets			
Cash and cash equivalents	Loans and receivables	79,786	142,454
Short-term investments	Fair value through profit or loss	1,285,236	1,053,780
Trade accounts receivable	Loans and receivables	326,564	194,678
Derivative financial instruments	Fair value through profit or loss	151,449	172,944
Other assets, except for prepayments	Loans and receivables	8,766	3,881
		1,851,801	1,567,737
Financial liabilities			
Loans and financing	Liabilities at amortized cost	3,988,520	3,719,060
Derivative financial instruments	Fair value through profit or loss	56,942	76,102
Trade accounts payable	Other financial liabilities	224,495	138,923
Acquisition of ownership interests	Other financial liabilities	61,987	62,088
Other liabilities	Other financial liabilities	43,652	41,703
		4,375,596	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 June 30, 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

According to statement of financial position - consolidated	June 30, 2017			March 31, 2017		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets						
Short-term investments	-	1,285,236	-	-	1,053,780	-
Margin deposit	-	14,267	-	-	-	-
Derivative financial instruments	80,987	56,195	-	61,828	111,116	-
Biological assets	-	-	578,954	-	-	586,362
	80,987	1,355,698	578,954	61,828	1,164,896	586,362
Liabilities - Derivative financial instruments	12,073	44,869	-	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 receivables, notes receivable, trade accounts payable and notes payable, less impairment loss, or present value adjustment, when applicable, are assumed to approximate their fair values.

24. Segment reporting (consolidated)

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

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

(i) Sugar;
(ii) Ethanol;
(iii) Electricity;
(iv) Real estate 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 June 30, 2016 resulted in the strategic repositioning of Vale do Mogi and evidence the development of real estate activity as its main business activity. Among these events, the following are to be highlighted: (a) the establishment of independent management and own operational structure; (b) the launch of real estate ventures; and (c) the additional payment of plots of land by the Company in Vale do Mogi.

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

In thousands of reais, unless otherwise stated

Consolidated profit or loss by segment

							June 30, 2017
Consolidated	Sugar	Ethanol	Electricity	Real estate ventures	Other products	Not by segment	Total
Gross revenue							
Domestic market	47,350	326,821	72,202	1,271	16,190	-	463,834
Foreign market	419,863	12,028	-	-	2,879	-	434,770
Gains (losses) on derivatives	37,123	-	-	-	-	-	37,123
Amortization of electricity supply agreement	-	-	-	-	-	(3,289)	(3,289)
(-) Taxes, contributions and deductions on sales	(3,904)	(106,132)	(5,990)	(165)	(3,981)	-	(120,172)
Net revenue	500,432	232,717	66,212	1,106	15,088	(3,289)	812,266
Cost of sales	(303,307)	(195,418)	(11,859)	(57)	(10,700)	-	(521,341)
Change in market value of biological assets	-	-	-	-	-	(15,539)	(15,539)
Gross profit	197,125	37,299	54,353	1,049	4,388	(18,828)	275,386
Gross margin	39.39%	16.03%	82.09%	94.85%	29.08%	-	33.90%
Selling expenses	(24,760)	(1,502)	(2,372)	-	(380)	-	(29,014)
Other operating expenses	-	-	-	-	-	(46,174)	(46,174)
Operating income	172,365	35,797	51,981	1,049	4,008	(65,002)	200,198
Operating margin	34.44%	15.38%	78.51%	94.85%	26.56%	-	24.65%
Other income and expenses not by segment	-	-	-	-	-	(83,325)	(83,325)
Net income for the year	-	-	-	-	-	-	116,873

							June 30, 2016
Consolidated	Sugar	Ethanol	Electricity	Real estate ventures	Other products	Not by segment	Total
Gross revenue							
Domestic market	29,235	153,760	34,524	5,399	42,268	-	265,186
Foreign market	352,077	17,413	-	-	-	-	369,490
Gains (losses) on derivatives	(55,950)	-	-	-	-	-	(55,950)
Amortization of electricity supply agreement	-	-	-	-	-	(3,694)	(3,694)
(-) Taxes, contributions and deductions on sales	(2,248)	(9,862)	(2,044)	(322)	(5,810)	-	(20,286)
Net revenue	323,114	161,311	32,480	5,077	36,458	(3,694)	554,746
Cost of sales	(246,817)	(140,137)	(8,039)	-	(8,508)	-	(403,501)
Change in market value of biological assets	-	-	-	-	-	5,734	5,734
Gross profit	76,297	21,174	24,441	5,077	27,950	2,040	156,979
Gross margin	23.61%	13.13%	75.25%	100.00%	76.66%	-	28.30%
Selling expenses	(21,581)	(3,952)	(623)	-	-	-	(26,156)
Other operating expenses	-	-	-	-	-	(18,524)	(18,524)
Operating income	54,716	17,222	23,818	5,077	27,950	(16,484)	112,299
Operating margin	16.93%	10.68%	73.33%	100.00%	76.66%	-	20.24%
Other income and expenses not by segment	-	-	-	-	-	(72,630)	(72,630)
Net income for the year	-	-	-	-	-	-	39,669

In thousands of reais, unless otherwise stated

<u>Consolidated operating assets by segment</u>

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.

June 30, 2017						
	Sugar	Ethanol	Electricity	Real estate ventures	Not by segment	Total
Trade accounts receivable	111,865	139,721	39,267	31,779	3,932	326,564
Inventories	278,508	400,448	-	6,341	7,288	692,585
Biological assets	277,830	301,124	-	-	-	578,954
Property, Plant and Equipment (PPE)	2,550,011	2,446,313	133,613	-	12,581	5,142,518
Intangible assets	233,963	163,411	70,855	177	-	468,406
Total assets allocated	3,452,177	3,451,017	243,735	38,297	23,801	7,209,027
Other unallocated assets	-	-	-	-	1,961,427	1,961,427
Total	3,452,177	3,451,017	243,735	38,297	1,985,228	9,170,454

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 (PPE)	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 sent to a local specified; (ii) the loss risks have been transferred to the customer; (iii) the customer has accepted the products according to the sale contract; and (iv) the acceptance provisions have been agreed to, or the Group has objective evidence that all criteria for acceptance have been met.

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

(ii) Sale of plots of land and subdivisions (real estate 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	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Gross sales revenue				
Domestic market	292,956	236,676	463,834	265,186
Foreign market	434,770	369,490	434,770	369,490
Gain/loss on derivatives	37,123	(55,950)	37,123	(55,950)
	764,849	550,216	935,727	578,726
Amortization of electric power supply agreement (i)	-	-	(3,289)	(3,694)
	764,849	550,216	932,438	575,032
Taxes, contributions and deductions on sales	(105,563)	(18,376)	(120,172)	(20,286)
	659,286	531,840	812,266	554,746

(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	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Raw material and consumer and in-use materials	196,238	166,293	206,273	154,644
Personnel expenses	85,765	83,944	99,196	84,802
Depreciation and amortization (including biological assets harvested)	159,749	130,446	202,055	131,435
Third-party services	38,074	32,140	38,534	32,274
Maintenance services and parts	21,384	21,374	26,579	21,506
Litigation	2,932	(397)	3,086	(397)
Change in fair value of biological assets	28,162	(7,943)	15,539	(7,943)
Materials for resale	2,732	30,645	5,158	31,376
Other expenses	3,512	13,823	14,440	14,581
	538,548	470,325	610,860	462,278
Classified as:				
Cost of sales	474,484	407,242	536,880	397,767
Selling expenses	26,518	25,652	29,014	26,156
General and administrative expenses	37,546	37,431	44,966	38,355
	538,548	470,325	610,860	462,278

In thousands of reais, unless otherwise stated

27. Finance income (costs)

	Company		Consolidated	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Finance income				
Interest income	32,836	27,445	44,851	30,948
Bank surety commission	-	593	-	593
PIS/COFINS on finance income	(2,268)	(1,366)	(2,727)	(1,416)
Other income	2,648	1,358	2,670	2,723
	33,216	28,030	44,794	32,848
Finance costs				
Present value adjustment	(937)	(911)	(937)	(911)
Interest on borrowings	(63,826)	(47,738)	(74,904)	(48,089)
Interest on payment in installment - Copersucar	(1,704)	(4,111)	(1,704)	(4,111)
Interest paid and accrued	(7,344)	(10,957)	(7,867)	(10,960)
Bank surety commission	(4,843)	(295)	(4,905)	(295)
Other costs	(3,681)	(5,534)	(4,623)	(5,639)
	(82,335)	(69,546)	(94,940)	(70,005)
Monetary and foreign exchange difference,net				
Cash and cash equivalents	10,633	(8,710)	10,633	(8,710)
Trade accounts receivable and payable	193	(7,509)	193	(7,509)
Borrowings	(6,008)	26,950	(8,307)	26,950
	4,818	10,731	2,519	10,731
Derivatives - not designated for hedge accounting				
Gain (loss) on sugar transactions	(838)	4,144	(838)	4,144
Gain (loss) on ethanol transactions	(51)	-	(51)	-
Income (loss) from foreign exchange	(1,567)	8,231	(1,567)	8,231
Gain (loss) on swap	11,226	(48,370)	11,226	(48,370)
Cost of commodities exchange transactions	(202)	(768)	(202)	(768)
Foreign exchange difference, net	(228)	(9,827)	(228)	(9,827)
	8,340	(46,590)	8,340	(46,590)
Finance income (costs)	(35,961)	(77,375)	(39,287)	(73,016)

28. Earnings per share

	June 30, 2017	June 30, 2016
Income for the period attributed to Company shareholders	116,873	39,669
Weighted average number of common shares for the period - in thousand (i)	334,556	337,890
Earnings per share (in reais)	0.3493	0.1174

	June 30, 2017	June 30, 2016
Income for the period used to determine diluted earnings per share	116,873	39,669
Weighted average number of common shares for diluted earnings per share - in thousands *(i)*	335,425	338,766
Diluted earnings per share (in reais)	0.3484	0.1171

(i) Weighted average includes potentially dilutive call options.

The weighted average numbers of common shares used in calculating basic and diluted earnings per share for the period ended June 30, 2016 were adjusted to reflect the share split occurred on December 9, 2016.

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 June 30, 2017 are as follows:

In thousands of reais, unless otherwise stated

Company and Consolidated Covered perils	Maximum coverage (i)
Civil liability	2,946,706
Loss of profits	3,128,000
Fire, lightning and explosion of any nature	2,020,000
Other insurance coverage	2,427,914
Electric damages	1,637,459
Theft or larceny	339,816
Natural phenomena, vehicle or aircraft crash, etc.	192,000

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

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

30. Acquisition and divestiture - payables and receivables

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

	Payables				Receivables				
	Balance at March 31, 2017	Monetary restatement	Amortization (interest)	Balance at June 30, 2017	Balance at March 31, 2017	Monetary restatement	Amortization (interest)	Balance at June 30, 2017	Net balance
Santa Cruz - acquisition of interest 56.05%	(219,663)	(5,520)	5,876	(219,307)	-	-	-	-	(219,307)
Agro Pecuária Boa Vista - divestiure	-	-	-	-	157,575	3,960	(4,215)	157,320	157,320
TOTAL with related party LOP	**(219,663)**	**(5,520)**	**5,876**	**(219,307)**	**157,575**	**3,960**	**(4,215)**	**157,320**	**(61,987)**

Current liabilities	(11,857)
Noncurrent liabilities	(50,130)
	(61,987)

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

* * *

QUARTERLY EARNINGS 1Q18

AUGUST 14, 2017

São Martinho reports net income of R$116.9 million in 1Q18, 194.6% higher than in 1Q17

- ✓ Higher sugar prices (due to our hedging positions), combined with higher volume and prices of energy were the main drivers of the improvement in financial indicators in the quarter, as detailed below:
    - ✓ Adjusted EBITDA amounted to R$475.3 million in 1Q18, up 42.4% from the previous quarter;
    - ✓ Adjusted EBIT reached R$273.2 million in 1Q18, increasing 54.6% on the previous quarter;
    - ✓ Net Income came to R$116.9 million in 1Q18, advancing 194.6% on the previous quarter;
    - ✓ Cash Net Income was R$230.2 million in the period, increasing 125% from the previous quarter.

- ✓ At June 30, 2017, our hedging for sugar prices and exchange variation for the 2017/18 crop year amounted to 502,563 tons and US$224,6 million, respectively, with 77% of own cane by volume hedged at R$67.3 ¢/lb.

- ✓ Sugarcane crushing came to 8.7 million tons as of June 30, 2017, corresponding to 39% of the volume expected for the crop year, despite the high volume of precipitation at the start of the crop year.

Sumário Executivo	1Q18	1Q17	Chg. (%)
Net Revenue	867,856	709,426	22.3%
Adjusted EBITDA	475,340	333,750	42.4%
Adjusted EBITDA Margin	54.8%	47.0%	7.7 p.p.
Adjusted EBIT	273,193	176,702	54.6%
Adjusted EBIT Margin	31.5%	24.9%	6.6 p.p.
Net Income before taxes	160,879	46,552	245.6%
Net Income	116,873	39,669	194.6%
Net Debt / EBITDA	1.52 x	1.95 x	

June 30, 2017

SMTO3
R$ 17.20 per share

Market Capitalization:
R$ 6,261 million

Earnings Conference Call

August 15, 2017 (Tuesday)

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

Code: São Martinho

OVERVIEW - COMPANY

Operating Highlights

	1Q18	1Q17	Chg.(%)
Crushed Sugarcane ('000 tons)	**8,739**	**8,186**	**6.8%**
Own	5,966	5,644	5.7%
Third Parties	2,773	2,542	9.1%
Mechanized Harvest	99.8%	99.3%	0.54 p.p.
Agricultural Yield (ton/ha)	86.0	85.4	0.6%
Average TRS (kg/ton)	125.0	122.4	2.2%
Production			
Sugar ('000 tons)	504	480	5.1%
Anhydrous Ethanol ('000 m^3)	159	154	3.2%
Hydrous Ethanol ('000 m^3)	170	136	24.7%
Cogeneration ('000 MWh)	300	241	24.5%
TRS Produced	*1,092*	*1,002*	*9.0%*
Mix - Sugar - Ethanol	*48% - 52%*	*50% - 50%*	
Mix Anhydrous - Hydrous	*50% - 50%*	*54% - 46%*	

The Company processed 8.7 million tons of sugarcane in the first quarter of the 2017/18 crop year, representing growth of 6.8% on the same period last crop year. As shown in the opening highlights, the volume of cane processed in 1Q18 represents 39.2% of the production guidance for the crop year.

The combination of higher crushing volume in the quarter with the 2.2% increase in average TRS (kg/ton) supported an increase of 9.0% in the total volume of TRS produced in the quarter. This positive effect on our production reflects the better weather conditions in the period and the 100% consolidation of Boa Vista in our results.

Financial Indicators 1Q18

The following table presents São Martinho's financial highlights in the first quarter of the crop year, which will be discussed in more detail throughout this earnings release.

	1Q18	1Q17	Chg. (%)
Net Revenue [1]	867,856	709,426	22.3%
Adjusted EBITDA	475,340	333,750	42.4%
Adjusted EBITDA Margin	54.8%	47.0%	7.7 p.p.
Adjusted EBIT	273,193	176,702	54.6%
Adjusted EBIT Margin	31.5%	24.9%	6.6 p.p.
Consolidated Balance Sheet Indicators			
Total Assets	9,175,562	7,553,915	21.5%
Shareholders' Equity	3,214,610	2,802,798	14.7%
EBITDA (LTM) [2]	1,763,462	1,410,859	25.0%
Net Debt	2,684,594	2,746,061	-2.2%
Net Debt / EBITDA (LTM) [2]	1.52 x	1.95 x	
Net Debt / Shareholders' Equity	84%	98%	

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

2 - Information considers 100% of UBV on the EBITDA LTM in 1Q18.

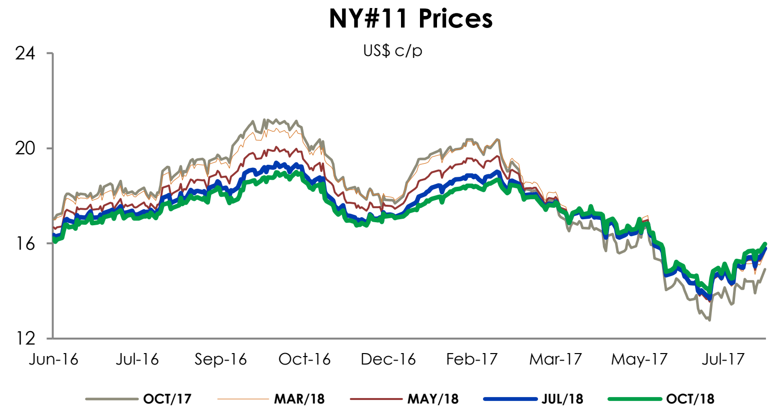
INDUSTRY OVERVIEW

According to the Sugarcane Industry Association (UNICA), as of August 1st, 2017, the Center-South region had processed 297.3 million tons of sugarcane, 4.74% lower than in the same period of the previous crop year.

Average TRS was stable in relation to the year-ago period, at 128.0 kg/ton of cane, while the average yield of plantations, according to CTC, was 82.44 tons/hectare, down 2.9% from the year-ago period, though that was not the case on our plantations.

Sugar

According to data from the UNICA, sugar production in Brazil's Center-South region increased 3.5% from the same period of the previous crop year. Notably, production growth was due to certain investments in crystallization made in the previous crop year, which increased the share of sugar in the production mix.



Despite the downward trend in prices in recent months, price quotes for sugar futures rose during the quarter. We believe this appreciation in recent weeks reflects: (i) the change in the rate of PIS/COFINS taxes on fuels in Brazil, which encouraged a shift in the production mix from sugar towards ethanol by some Brazilian producers; (ii) rumors of potential sugar imports by India in the short term; and (iii) the possibility of the European Union marginally reducing its sugar export capacity this crop year.

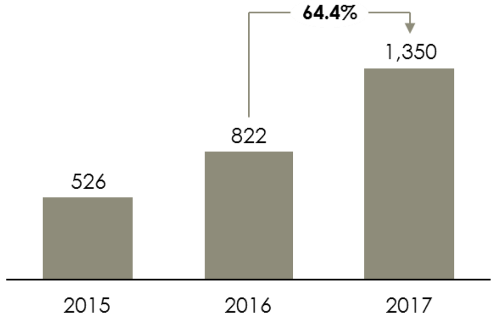
Given this scenario for expectations and our outlook for sugar price appreciation in the coming months, we made little progress in our hedging of sugar prices for the 2017/18 crop year in relation to our hedge position at March 2017, as discussed in the Hedging section later in this earnings release.

Ethanol

According to UNICA, as of August 1st, 2017, ethanol production in Brazil's Center-South region was 10.15% lower than in the same period last crop year, led by the reduction in hydrous ethanol production (see following chart).

The decline in ethanol prices observed since the start of the year reflects the substantial increase in ethanol imports from the United States. According to UNICA, ethanol imports amounted to 1.35 billion liters since beginning of 2017, an increase of 64.4% of the total volume imported in the whole year of 2016.

The chart on the right shows the growth in ethanol imports by Brazil in millions of liters, to better illustrate the impact of the recent imports on domestic ethanol prices.

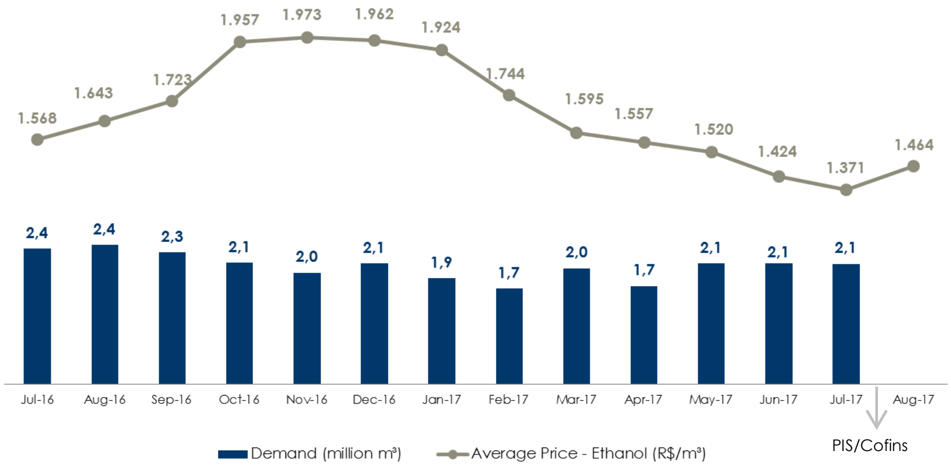


Source: UNICA

On July 20, 2017, the Brazilian government announced an increase in the rate of PIS and Cofins taxes applied on fuels. The rate was hiked to the legal limit for both gasoline and diesel, of R$0.7925/liter and R$0.4615/liter, respectively. In the case of ethanol, the rate increased from R$0.120 to R$0.1309 for producers and from zero to R$0.11091/liter for distributors.

Accordingly, the price of ethanol at the pump became more competitive in relation to parity with the gasoline price, improving the profitability of producers and encouraging a recovery in hydrous ethanol consumption.

The following chart shows monthly ethanol consumption and the average prices practiced, based on data from Cepea Esalq in the last year.



FINANCIAL PERFORMANCE

NET REVENUE BREAKDOWN	1Q18	1Q17	Chg. (%)
R$ '000			
Domestic Market	**342,452**	**332,146**	**3.1%**
Sugar	42,118	27,500	53.2%
Hydrous Ethanol	65,694	90,122	-27.1%
Anhydrous Ethanol	155,024	151,287	2.5%
Energy	66,212	43,710	51.5%
Real Estate Development	1,106	5,077	-78.2%
Others	12,298	14,450	-14.9%
Export Market	**525,404**	**377,280**	**39.3%**
Sugar	510,535	359,910	41.9%
Hydrous Ethanol	11,305	17,370	-34.9%
Anhydrous Ethanol	693	-	n.m.
Others	2,871	-	n.m.
Net Revenue*	**867,856**	**709,426**	**22.3%**
Sugar	552,653	387,410	42.7%
Hydrous Ethanol	76,999	107,492	-28.4%
Anhydrous Ethanol	155,717	151,287	2.9%
Energy	66,212	43,710	51.5%
Hydrous Ethanol	1,106	5,077	-78.2%
Others	15,169	14,450	5.0%

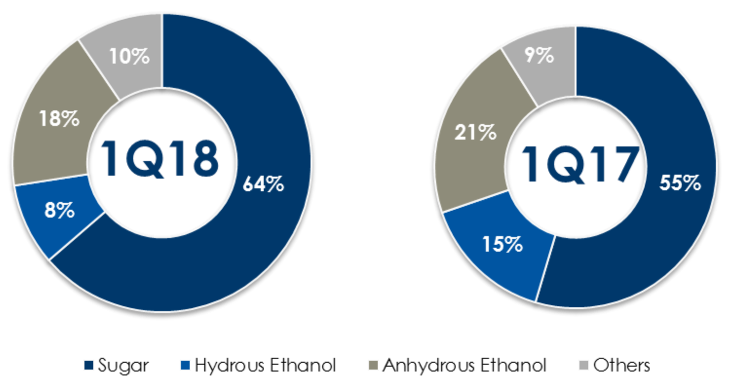
*Excludes the effects from Hedge Accounting of foreign-denominated debt and PPA.

Net Revenue

In the first quarter of the 2017/18 crop year (1Q18), the Company's net revenue amounted to R$867.9 million, increasing 22.3% from the same period of the previous crop year. The improvement is mainly due to i) the growth in sugar sales volume (+13.0%), coupled with the increase in sales price (+26.2%); and ii) the higher cogeneration sales (+12.9%) following the full consolidation of Boa Vista Mill, coupled with the higher average sales prices (+34.2%).

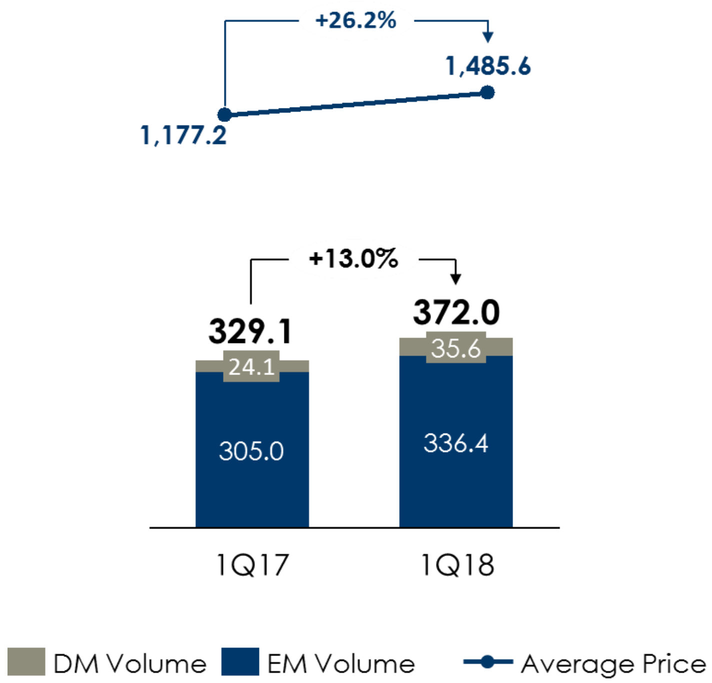
The following charts present a breakdown of the Company's net revenue by product:

Net Revenue Breakdown
1Q18 x 1Q17



Sugar

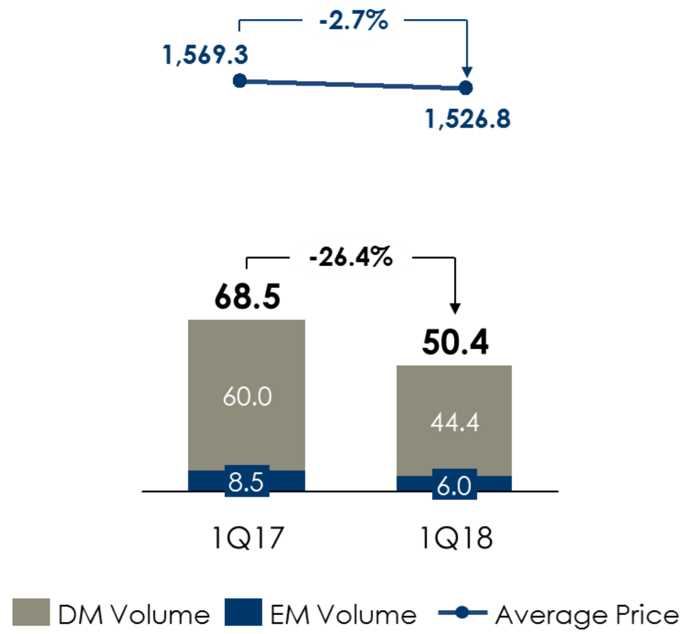
Volume ('000 tons) and Average Price (R$/ton)



Net revenue from sugar sales amounted to R$552.7 million in 1Q18, increasing 42.7% on the same period of the previous crop year. As explained earlier, this improvement basically reflects the 26.2% increase in average price in the quarter (R$1,485.6/ton) and the 13% growth in sales volume (372,000 tons).

Hydrous Ethanol

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

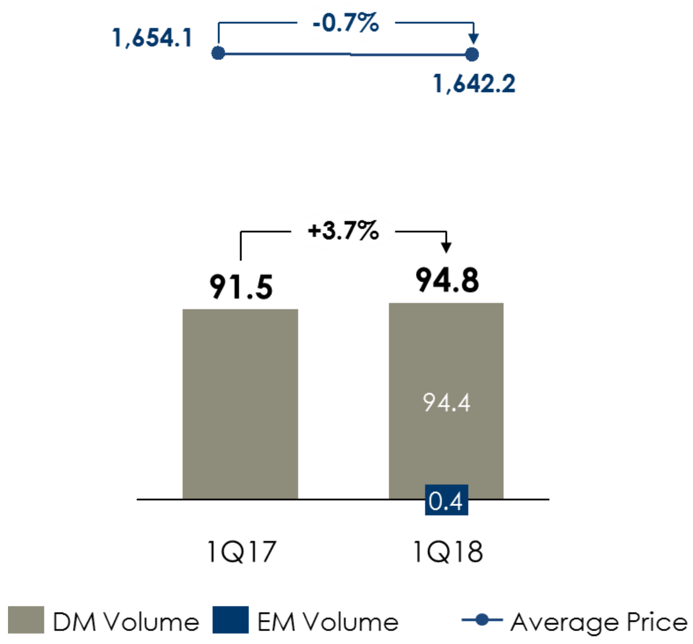


Net revenue from hydrous ethanol sales amounted to R$77.0 million in 1Q18, down 28.4% from 1Q17, mainly due to the lower sales volume in the period and the 2.7% decrease in the average sales price compared to 1Q17.

The lower sales volume in the quarter reflects the Company's strategy to build inventories to sell over the coming months, when we expect sales prices to become more attractive. As discussed later in the section "Inventories," hydrous ethanol inventories stood at approximately 116,804 m³, increasing 53% on the same period of the previous crop year.

Anhydrous Ethanol

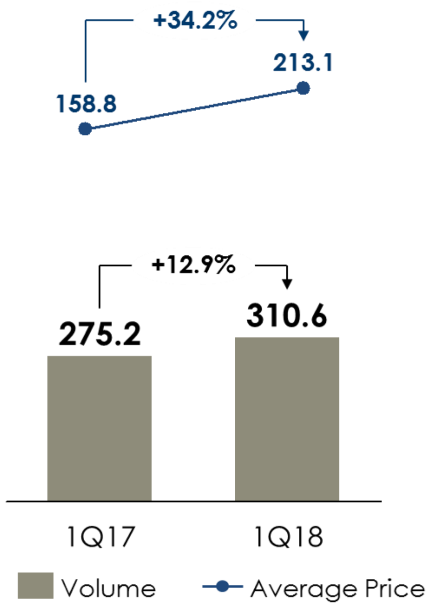
Volume ('000 m³) and Average Price (R$/m³)



Net revenue from anhydrous ethanol sales amounted to R$155.7 million in 1Q18, up 2.9% from the same period of the previous crop year, explained by the 3.7% higher sales volumes and 0.7% lower average sales prices.

Cogen

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



Net revenue from cogeneration sales in 1Q18 amounted to R$66.2 million, increasing 51.5% from the same period of the previous crop year. The improvement reflects the higher volume of energy sold in the period (+12.9%), due to the full consolidation of Usina Boa Vista, coupled with higher average sales price (+34.2%) in the period.

Real Estate Development

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

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

Real Estate Development	Type	Town	Area (m²)	Lauched date	Total lots Sold	POC Position
Recanto das Paineiras	Residence	Iracemápolis	376,567	June-14	99.6%	100.0%
Park Empresarial	Industrial	Iracemápolis	182,684	September-14	76.1%	100.0%
Nova Pradópolis	Residence	Pradópolis	257,750	December-15	83.6%	100.0%

In 1Q18, the Company recognized net revenue of R$1.1 million and cash generation of R$3.6 million.

Real Estate Development	Net Revenue 1Q18	Cash Generation 1Q18	Portfolio June/17	Nominal Portfolio June/17
Current Projects	904	2,000	28,800	3,122
Land Monetization	202	1,637	3,122	44,213
Total	**1,106**	**3,637**	**31,922**	**47,335**

INVENTORIES

	1Q18	1Q17	Chg. (%)
Sugar (tons)	142,337	180,164	-21.0%
Hydrous (m³)	116,804	76,335	53.0%
Anhydrous (m³)	96,994	102,899	-5.7%

With regard to finished product inventories as of June 2017, sugar volumes declined 21.0% in 1Q18, reflecting the decision to increase sales of the product in the quarter given the higher prices, as discussed above. The inventory of hydrous ethanol as of June 2017 reflects the Company's sales strategy for the product as well as the 100% consolidation of Usina Boa Vista.

EBITDA AND EBITDA COST BY PRODUCT

EBITDA BY PRODUCT - 1Q17	SUGAR	ETHANOL	COGEN	REAL ESTATE	OTHERS	TOTAL
R$ '000						
Net Revenues*	387,410	258,779	43,710	5,077	14,450	709,426
COGS (Cash)	(163,063)	(130,349)	(7,289)	(285)	(7,452)	(308,438)
Gross Profit (Cash)	224,347	128,430	36,421	4,792	6,998	400,988
Gross Margin (Cash)	57.9%	49.6%	83.3%	94.4%	48.4%	56.5%
Sales Expenses	(21,581)	(4,121)	(1,429)	-	-	(27,132)
G&A Expenses (Cash)	(19,466)	(15,561)	(4,404)	(778)	-	(40,208)
Other Revenues (Expenses)					102	102
Adjusted EBITDA	183,300	108,748	30,588	4,014	7,100	333,750
Adjusted EBITDA Margin	47.3%	42.0%	70.0%	79.1%	49.1%	47.0%
EBITDA Cost**	(620.2)	(937.9)	(47.7)			

**Excludes Hedge Accounting effects of foreign-denominated debt and PPA USC (R$ - 68.0 million).*
*** Sugar in R$/Ton*
Ethanol in R$/m³
Cogeneration in R$/MWh

EBITDA BY PRODUCT - 1Q18	SUGAR	ETHANOL	COGEN	REAL ESTATE	OTHERS	TOTAL
R$ '000						
Net Revenues*	552,653	232,716	66,212	1,106	15,169	867,856
COGS (Cash)	(186,545)	(120,190)	(8,058)	(163)	(7,569)	(322,524)
Gross Profit (Cash)	366,108	112,526	58,154	943	7,600	545,332
Gross Margin (Cash)	66.2%	48.4%	87.8%	85.2%	50.1%	62.8%
Sales Expenses	(24,760)	(1,502)	(2,372)	-	(380)	(29,014)
G&A Expenses (Cash)	(22,274)	(14,351)	(5,031)	(704)	-	(42,360)
Other Revenues (Expenses)					1,383	1,383
Adjusted EBITDA	319,075	96,673	50,751	239	8,604	475,340
Adjusted EBITDA Margin	57.7%	41.5%	76.6%	21.6%	56.7%	54.8%
EBITDA Cost**	(627.9)	(936.6)	(49.8)			

**Excludes Hedge Accounting effects of foreign-denominated debt and PPA USC (R$ - 55.5 million).*
*** Sugar in R$/Ton*
Ethanol in R$/m³
Cogeneration in R$/MWh

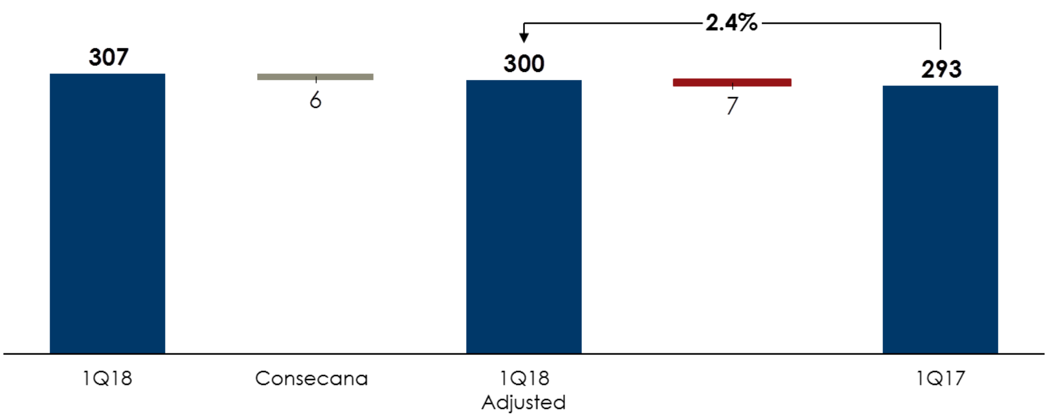
In 1Q18, sugar accounted for 67.1% of the Company's consolidated Adjusted EBITDA, while ethanol accounted for 20.3% and cogeneration for 10.7%. Sugar EBITDA margin expanded 10.4 p.p. on the same period of the previous crop year, supported mainly by the higher average sales price. Ethanol margins fell 0.5 p.p., reflecting mainly the reduction in sales volume and lower average price in the quarter.

CASH COGS

	1Q18	1Q17	Chg. (%)
R$ '000			
Agricultural Costs	277,909	238,784	16.4%
Suppliers	*148,126*	*118,919*	*24.6%*
Partnerships	*64,364*	*53,137*	*21.1%*
Own Sugarcane	*65,419*	*66,728*	*-2.0%*
Industrial	37,338	54,892	-32.0%
Other Products	15,915	15,132	5.2%
Reintegra	(8,638)	(369)	n.m.
Total COGS	**322,524**	**308,438**	**4.6%**
TRS Sold (000 Tons)	641	620	3.3%
Unit Cost (Sugar and Ethanol COGS / TRS)	478	473	1.2%

In 1Q18, Cash COGS came to R$322.5 million, increasing 4.6% from the same period of the previous crop year, mainly due to: (i) the 100% consolidation of Usina Boa Vista; (ii) the one-off increase in the volume of outside cane processed in the quarter; and (iii) the higher Consecana price in the period.

The following chart shows the effective change in sugar and ethanol costs in 1Q18 compared to 1Q17, excluding the effects from Consecana in the period.



TRS sold ('000 ton)	**641**	**+3%**	**620**
Unit Cost (COGS / TRS)	**469**	**-1%**	**473**

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

AVERAGE UNIT CASH COST	1Q18	1Q17	Chg. (%)
R$ '000			
COGS	**306,734**	**293,412**	**4.5%**
Sugar	186,545	163,063	14.4%
Ethanol	120,190	130,349	-7.8%
Average Cash Cost Per Unit (*)			
Sugar Cash Cost	501.5	495.5	1.2%
Ethanol Cash Cost	827.4	814.9	1.5%

(*) Sugar in R$/Ton
Ethanol in R$/m³

SELLING EXPENSES

	1Q18	1Q17	Chg. (%)
R$ '000			
Port Costs / Freight	25,638	23,141	10.8%
Other - Non-recurring	3,376	3,990	-15.4%
Selling Expenses	**29,014**	**27,132**	**6.9%**
TRS Sold ('000 Tons)	641	620	3.3%
% of Net Revenue	3.3%	3.8%	-0.5 p.p.

In 1Q18, selling expenses amounted to R$29.0 million, increasing 6.9% from the same period of the previous crop year (1Q17), mainly due to the higher sugar sales volume in the period, as already discussed.

CASH GENERAL AND ADMINISTRATIVE EXPENSES

	1Q18	1Q17	Chg. (%)
R$ '000			
Personnel and Management Fee	27,276	24,917	9.5%
Taxes, Fees, Contributions and Contingencies	4,348	1,371	n.m
General Expenses and Third-Party Services	7,954	5,732	38.8%
Stock Option Expenses	1,112	988	12.6%
Total recurring General and Administrative Expenses	**40,690**	**33,008**	**23.3%**
Non-recurring items	1,670	7,200	
Total General and Administrative Expenses	**42,360**	**40,208**	**5.4%**

Cash G&A expenses amounted to R$42.4 million in 1Q18, increasing 5.4% from the same period of the prior crop year. Excluding the nonrecurring items from 1Q18, G&A expenses came to R$40.7 million, increasing 23.3% in the quarter. The increase is mainly due to the effects from the 100% consolidation of Boa Vista, as well as from the higher provisioning for labor contingencies in the quarter. Note that the variation in contingencies does not reflect an increase in claims, but merely a difference in the schedule from the previous crop year, with expenses returning to normal levels and in line with expectations over the coming quarters.

EBITDA

Pro-Forma EBITDA RECONCILIATION	1Q18	1Q17	Chg. (%)
R$ '000			
Adjusted EBITDA	**475,340**	**333,750**	**42.4%**
Adjusted EBITDA Margin	54.8%	47.0%	7.7 p.p.
Adjustment to Maturity of Hedge Accounting / PPA	55,509	67,989	-18.4%
Equity Income	(94)	(174)	-46.0%
Non Recurring Operating Revenues (Expenses)	1,742	(514)	n.m.
Biological Assets	15,539	(11,322)	n.m.
Book EBITDA	**402,644**	**277,772**	**45.0%**
EBITDA Margin	49.6%	43.3%	6.3 p.p.
(-) Depreciation and Amortization	(202,147)	(157,048)	28.7%
(-) Financial Revenue (Expense), net	(39,618)	(74,172)	-46.6%
(=) Operating Income	160,879	46,552	245.6%

Adjusted EBITDA

Adjusted EBITDA amounted to R$475.3 million in 1Q18 (Adjusted EBITDA margin of 54.8%), increasing 42.4% from 1Q17. The improvement in the comparison period basically reflects the higher average sales prices for sugar and energy combined with the higher sales volumes of both products.

Main Adjustments to EBITDA in 1Q18

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

- Debt maturity (Hedge Accounting): Expense related to exchange variation on debt settled in 1Q18 that was previously designated as Hedge Accounting at a USD/BRL exchange rate of R$2.10. Considering that the exchange rate used for the purposes of cash flow in the period was BRL/USD 3.3, we adjusted the amount of R$52.2 million in net revenue and EBITDA to provide a better understanding of the Company's cash generation in the period.

- Price Purchase Allocation (PPA): Noncash expense of R$3.3 million, reflecting the amortization of goodwill paid for the future profitability of the cogeneration volume of the Santa Cruz Mill in 1Q18.

2) Biological Assets

- Noncash increase of R$15.5 million in accounting cost (COGS) in 1Q18, reflecting the mark-to-market adjustment of the provision for biological assets, mainly due to the higher Consecana price in the quarter and higher yields of sugarcane fields in the period.

Operating Cash Generation (Adjusted EBIT)

EBIT in 1Q18 came to R$273.2 million (EBIT margin of 31.5%), increasing 54.6% from 1Q17, explained by the same factors that benefitted Adjusted EBITDA.

R$ '000	1Q18	1Q17	Chg.%
Adjusted EBIT	**273,193**	**176,702**	**54.6%**
Adjusted EBIT Margin	31.5%	24.9%	6.6 p.p.
(-) Depreciation and Amortization	(202,147)	(157,048)	28.7%
Adjusted EBITDA	**475,340**	**333,750**	**42.4%**
Adjusted EBITDA Margin	54.8%	47.0%	7.7 p.p.
Adjustment to Maturity of Hedge / PPA	55,509	67,989	-18.4%
Equity Income (loss)	(94)	(174)	-46.0%
Non Recurring Operating Income (Expenses)	1,742	(514)	-438.8%
Biological Assets	15,539	(11,322)	-237.2%
Book EBITDA	**402,644**	**277,772**	**45.0%**
EBITDA Margin	49.6%	43.3%	6.3 p.p.

HEDGING

A summary of our sugar and U.S. dollar hedge positions as of June 30, 2017 follows.

Sugar

	Volume Hedged ('000 tons)	Avg. Price (US$ c/p)
Sugar		
Jul/17 (N17)	167,823	18.78
Out/17 (V17)	185,939	19.73
Mar/18 (H18)	148,801	19.11
2017/2018 crop year	**502,563**	**19.23**

On June 30, 2017, sugar prices for the 2017/18 crop year were hedged for 502,600 tons at USD19.23 ¢/lb, which represents the hedging of approximately 77% of own cane and 62% of total sugar.

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

U.S. Dollar

On June 30, 2017, the Company held open positions through Non-Deliverable Forwards (NDFs) and derivative instruments, which are used to hedge its exports, with maturities in the 2017/18 crop years, as follows:

	TOTAL		SUGAR		OTHERS	
U.S. dollar	US$ '000	Average Price (R$/US$)	US$ '000	Average Price (R$/US$)	US$ '000	Average Price (R$/US$)
2017/18 crop year	231,435	3.50	224,630	3.50	6,804	3.37

The volume of NDFs in U.S. dollar on this date represented approximately 105% of the total hedged sugar volume.

Hedge Accounting

Effect on Shareholders' Equity

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

The quarterly results are recorded in shareholders' equity ("Adjustments to Book Value"), net of deferred income and social contribution taxes. In the period from April to June 2017, we recorded a reduction in shareholders' equity of R$20.4 million.

Effect on Income Statement

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

In 1Q18, a total of US$44.4 million in debt was recognized, at an exchange rate of BRL/USD 2.1 for the translation of net revenue. Considering that the exchange rate used for the purposes of cash flow in the period was BRL/USD 3.3, we adjusted the amount of R$52.2 million in net revenue and EBITDA to provide a better understanding of the Company's cash generation in the period.

NET FINANCIAL RESULT

FINANCIAL RESULT	1Q18	1Q17	Chg.%
R$ '000			
Financial Income	44,817	36,890	21.5%
Financial Expenses	(92,132)	(71,261)	29.3%
Net Financial Result before Exch. Var. and Hedging	**(47,315)**	**(34,371)**	**37.7%**
Hedge Result/Exchange Variation	10,861	(34,215)	n.m.
Copersucar Monetary Variation	(3,164)	(5,586)	-43.4%
Net Financial Result	**(39,618)**	**(74,172)**	**-46.6%**

The net financial result in 1Q18 was an expense of R$39.6 million, which represents a 46.6% reduction compared to 1Q17. The Company's better financial result mainly reflects the lower impact from exchange variation in the quarter.

DEBT WITH COPERSUCAR

On June 30, 2017, the São Martinho recognized the amount of R$255.8 million in obligations payable to Copersucar under Liabilities on its balance sheet. In view of the terms negotiated in the process to terminate the membership at Copersucar, we will continue to book under "Obligations - Copersucar" all liabilities related to the contingencies currently being resolved judicially that were filed by legal counsel at Copersucar. These obligations continue to be secured by suretyships in the amount of R$168.4 million on a consolidated basis.

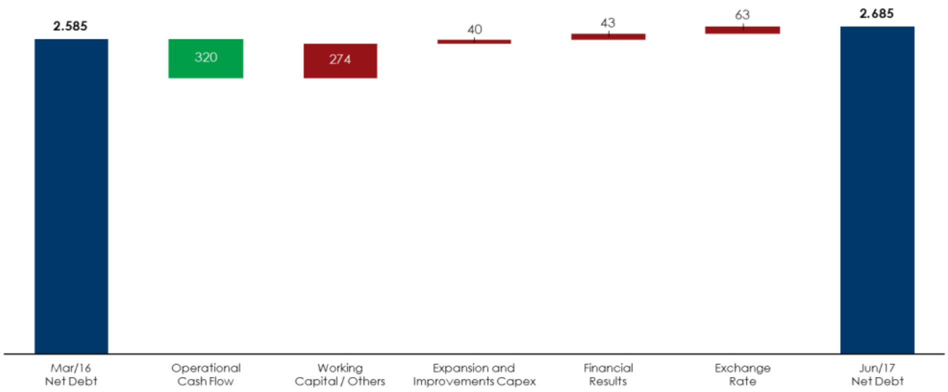
INDEBTEDNESS

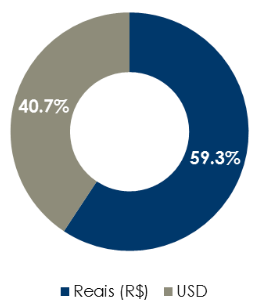
R$ Thousand	Jun/17	Mar/17	Chg.%
PESA	35,489	42,009	-15.5%
Rural Credit	372,693	505,640	-26.3%
BNDES / FINAME	808,198	842,630	-4.1%
Working Capital	794,378	761,944	4.3%
International Finance Corporation (IFC)	298,522	-	n.m.
PPE (Export prepayment)	545,200	633,070	-13.9%
NCE (Export Credit Note)	270,012	584,487	-53.8%
Agribusiness Certificate of Receivables (CRA)	864,149	349,462	n.m.
Obligations from Acquisitions - LOP	61,987	62,088	-0.2%
Gross Debt	**4,050,628**	**3,781,331**	**7.1%**
Cash and Cash Equivalents	1,366,034	1,196,782	14.1%
Consolidated Net Debt	**2,684,594**	**2,584,549**	**3.9%**
Net Debt / Acum. EBITDA [1]	1.52 x	1.55 x	
Net Debt / Acum. EBITDA - USD [2]	1.48 x	1.61 x	

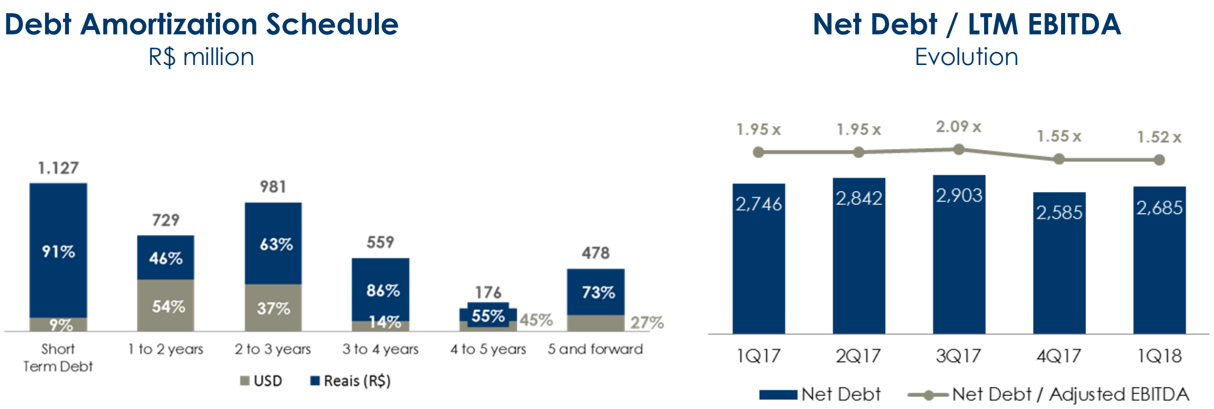
1 - Cumulative EBITDA includes 100% of UBV;
2 – Net Debt PTAX: March/17: R$ 3.17; June/17: R$ 3.31
Cumulative EBITDA average LTM PTAX: March/17: R$ 3.30; June/17: R$ 3.23

On June 30, 2017, the Company's net debt stood at R$2.7 billion, increasing 3.9% from the end of the previous quarter. The increase reflects the higher working capital needs in the quarter, mainly due to the inventory of finished products, which should be converted into cash by the end of the crop year. At the end of the quarter, the Net Debt/EBITDA ratio stood at 1.52 x.

The main changes in net debt and breakdown by currency are shown below:







CAPEX

(Maintenance)	1Q18	1Q17	Chg.%
R$ '000			
Sugarcane Planting	48,865	42,463	15.1%
Off-Season Maintenance / Industrial / Agricultural	3,016	391	n.m.
Crop Treatament	103,392	88,327	17.1%
Total	**155,274**	**131,181**	**18.4%**

(Operational Improvements)	1Q18	1Q17	Chg.%
R$ '000			
Equipament/Projects/Replacements	30,585	14,517	110.7%
Total	**30,585**	**14,517**	**110.7%**

(Upgrading/Expansion)	1Q18	1Q17	Chg.%
R$ '000			
Industrial/Agricultural	10,202	17,873	-42.9%
Total	**10,202**	**17,873**	**-42.9%**

Total	**196,061**	**163,571**	**19.9%**

The Company's maintenance capex amounted to R$155.3 million in 1Q18, increasing 18.4% from the previous crop year, mainly due to the effects from the 100% consolidation of Boa Vista Mill in our results as of this crop year.

Operational improvement capex (investments in replacing agricultural and industrial equipment to boost yields) amounted to R$30.6 million in 1Q18. The increase reflects, in addition to the effects from the 100% consolidation of Usina Boa Vista, the replacement of tractors in the quarter.

Expansion capex amounted to R$10.2 million in 1Q18, or 42.9% lower than in the year-ago period. The investments in the quarter were mainly due to the carryover of projects started last crop year, such as the expansion of the sugar mill at Santa Cruz, as well as the expansion in ethanol tankage at the Boa Vista Mill, which naturally reflects the 100% consolidation of this effect as of this quarter.

CASH INCOME

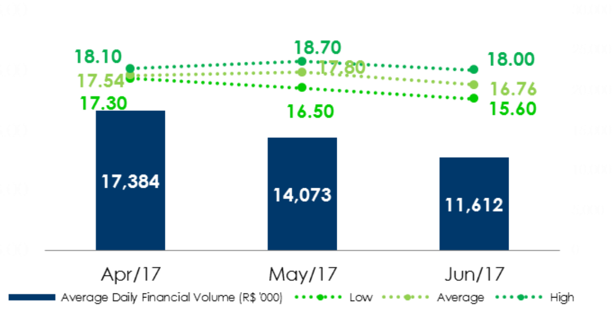
The net income of São Martinho in 1Q18 totaled R$230.2 millions, 125.5% higher than in the 1Q17. The improvement is mainly due to the Adjusted EBITDA growth in the period and the reduction in financial expenses, reflecting lower exchange variation.

	1Q18	1Q17	Chg.%
R$ '000			
Net Income	116,873	39,669	194.6%
Taxes	44,006	6,883	
Income Tax paid	(1,731)	(1,154)	
Biological Asset	15,539	(11,322)	
Maturity of Hedge / PPA	55,509	67,989	-18.4%
Cash Income	**230,196**	**102,065**	**125.5%**
Total shares ex- treasury (in thousands)	**358,580**	**337,738**	
Cash Income per share	**0.64**	**0.30**	**112.4%**

CAPITAL MARKETS AND INVESTOR RELATIONS

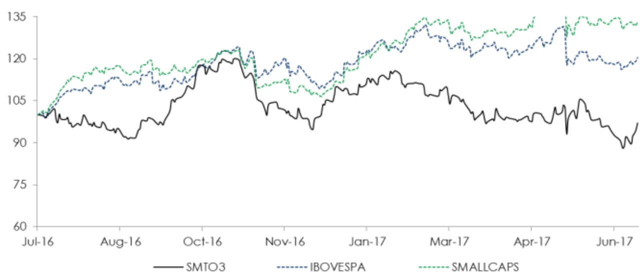
Performance SMTO3 – 12 months

Price and Volume



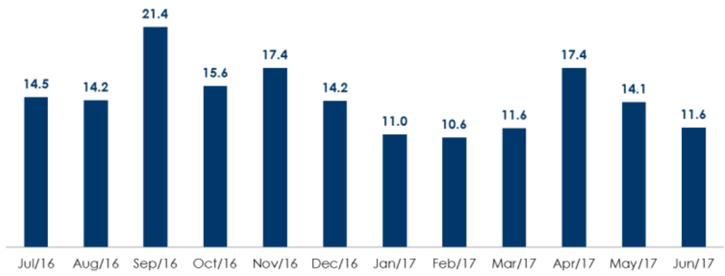
SMTO3 vs. Stock Indexes

Base=100



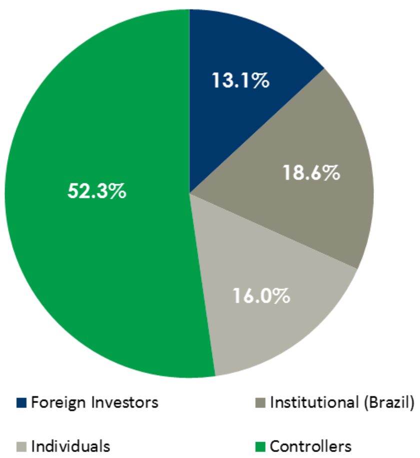
Average Daily Trading Volume

R$ million

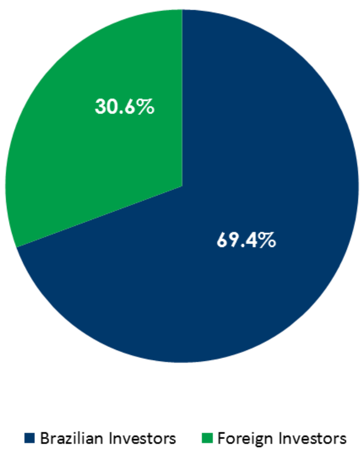


Ownership Structure

Base: June 30, 2017



Free-Float Composition



São Martinho

DISCLAIMER

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

INCOME STATEMENT

Quarter

	CPC 19			Pro-forma		
SÃO MARTINHO S.A. - CONSOLIDATED	1Q18	1Q17	Chg. (%)	1Q18	1Q17	Chg. (%)
R$ Thousand						
Gross Revenue	932,439	575,033	62.2%	932,529	667,889	39.6%
Deductions from Gross Revenue	(120,173)	(20,287)	492.4%	(120,182)	(26,451)	354.4%
Net Revenue	**812,266**	**554,746**	**46.4%**	**812,347**	**641,438**	**26.6%**
Cost of Goods Sold (COGS)	(536,880)	(397,767)	35.0%	(536,997)	(451,429)	19.0%
Gross Profit	**275,386**	**156,979**	**75.4%**	**275,350**	**190,009**	**44.9%**
Gross Margin (%)	*33.9%*	*28.3%*	5.6 p.p	*33.9%*	*29.6%*	4.3 p.p
Operating Expenses	**(75,188)**	**(44,680)**	**68.3%**	**(74,853)**	**(69,285)**	**8.0%**
Selling Expenses	(29,014)	(26,156)	10.9%	(29,014)	(27,132)	6.9%
General and Administrative Expenses	(44,966)	(38,355)	17.2%	(45,574)	(42,943)	6.1%
Equity Income	(1,892)	19,242	-109.8%	94	174	-46.0%
Other Operating Expenses, Net	684	589	16.1%	(359)	616	-158.3%
Operating Profit, Before Financial Effects	**200,198**	**112,299**	**78.3%**	**200,497**	**120,724**	**66.1%**
Financial Result, Net	**(39,287)**	**(73,016)**	**-46.2%**	**(39,618)**	**(74,172)**	**-46.6%**
Financial Revenues	44,794	32,848	36.4%	44,817	36,890	21.5%
Financial Expenses	(94,940)	(70,005)	35.6%	(95,294)	(76,847)	24.0%
Monetary and Exchange Variations - Net	2,519	10,731	-76.5%	2,519	16,452	-84.7%
Derivatives Results	8,340	(46,590)	-117.9%	8,340	(50,667)	-116.5%
Income (Loss) Before Income and Social Contribution Taxes	**160,911**	**39,283**	**309.6%**	**160,879**	**46,552**	**245.6%**
Income Tax and Social Contribution - Current	(20,905)	(2,626)	n.m.	(20,905)	(7,916)	n.m.
Income Tax and Social Contribution - Deferred	(23,133)	3,012	n.m.	(23,101)	1,033	n.m.
Net Income	**116,873**	**39,669**	**194.6%**	**116,873**	**39,669**	**194.6%**
Net Margin (%)	*14.4%*	*7.2%*	7.2 p.p	*14.4%*	*6.2%*	8.2 p.p

São Martinho

BALANCE SHEET (ASSETS)

SÃO MARTINHO S.A. CONSOLIDATED - ASSETS	CPC 19		Pro-forma	
R$ Thousand				
ASSETS	Jun/17	Mar/17	Jun/17	Mar/17
SHORT-TERM ASSETS				
Cash and Cash Equivalents	79,786	142,454	80,526	143,002
Marketable Securities	1,259,991	1,029,113	1,260,263	1,029,113
Trade Receivables	303,495	168,868	303,723	169,129
Derivative Financial Instruments	151,448	172,917	151,448	172,917
Inventories and advances to suppliers	590,604	256,574	590,604	256,574
Biological Assets	578,954	586,362	578,954	586,362
Taxes Recoverable	105,559	102,310	105,575	102,325
Income Tax and Social Contribution	4,812	11,159	4,885	11,232
Other Assets	22,752	12,293	22,902	12,342
TOTAL SHORT-TERM ASSETS	**3,097,401**	**2,482,050**	**3,098,880**	**2,482,996**
LONG-TERM ASSETS				
Long-term Receivables				
Marketable Securities	25,245	24,667	25,245	24,667
Inventories	101,981	88,766	101,981	88,766
Related Parties	2,000	3,867	3,334	111
Derivative Financial Instruments	1	27	1	27
Trade Receivables	23,069	25,810	23,291	26,062
Receivables from Copersucar	9,355	9,355	10,017	10,017
Taxes Recoverable	116,267	106,518	116,267	106,518
Income Tax and Social Contribution	123,672	124,285	123,672	124,285
Judicial Deposits	28,822	32,423	28,982	32,617
Other Assets	439	439	439	439
	430,851	**416,157**	**433,229**	**413,509**
Investments	31,278	31,184	31,278	31,184
Property, plant and equipment	5,142,518	5,288,550	5,143,769	5,289,894
Intangible Assets	468,406	473,942	468,406	473,942
TOTAL LONG-TERM ASSETS	**6,073,053**	**6,209,833**	**6,076,682**	**6,208,529**
TOTAL ASSETS	**9,170,454**	**8,691,883**	**9,175,562**	**8,691,525**

BALANCE SHEET (LIABILITIES)

SÃO MARTINHO S.A. CONSOLIDATED- LIABILITIES	CPC 19		Pro-forma	
R$ Thousand				
LIABILITIES AND SHAREHOLDERS' EQUITY	Jun/17	Mar/17	Jun/17	Mar/17
SHORT-TERM LIABILITIES				
Borrowings	1,115,477	1,499,583	1,115,540	1,499,649
Derivative Financial Instruments	56,942	76,097	56,942	76,097
Trade Payables	224,495	138,923	224,498	138,939
Payables to Copersucar	8,583	8,583	9,094	9,094
Salaries and Social Contributions	160,993	121,664	162,064	121,776
Taxes Payable	20,393	20,478	20,404	20,481
Income Tax and Social Contribution	4,553	4,471	4,553	4,471
Dividends Payable	74,243	74,243	74,243	74,243
Advances from Customers	2,906	4,174	2,914	4,174
Aquisition of Investment	11,857	11,958	11,857	11,958
Other Liabilities	31,488	28,659	31,489	28,751
TOTAL SHORT-TERM LIABILITIES	**1,711,930**	**1,988,833**	**1,713,598**	**1,989,633**
LONG-TERM LIABILITIES				
Borrowings	2,873,043	2,219,477	2,873,101	2,219,594
Derivative Financial Instruments	-	5	-	5
Payables to Copersucar	236,028	237,602	246,737	248,360
Taxes Payable in Installments	14,123	14,614	14,123	14,614
Deferred Income Tax and Social Contribution	960,396	663,143	960,558	663,337
Provision for Contingencies	98,030	101,715	99,371	102,532
Aquisition of Investment	50,130	50,130	50,130	50,130
Other Liabilities	12,164	13,044	-	-
TOTAL LONG-TERM LIABILITIES	**4,243,914**	**3,299,730**	**4,247,354**	**3,298,572**
SHAREHOLDERS' EQUITY				
Share Capital	1,494,334	1,494,334	1,494,334	1,494,334
Reducing Capital	(55,662)	(55,662)	(55,662)	(55,662)
Capital Reserves	10,057	10,057	10,057	10,057
Treasury Shares	(92,134)	(92,134)	(92,134)	(92,134)
Stock options granted	9,396	8,284	9,396	8,284
Adjustments to Book Value	1,122,123	1,432,243	1,122,123	1,432,243
Profit Reserves	606,198	606,198	606,198	606,198
Retained Earnings	120,298	-	120,298	-
TOTAL SHAREHOLDERS' EQUITY	**3,214,610**	**3,403,320**	**3,214,610**	**3,403,320**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**9,170,454**	**8,691,883**	**9,175,562**	**8,691,525**

CONSOLIDATED CASH FLOW

SÃO MARTINHO S.A.	CPC 19 1T18	CPC 19 1T17	Pro Forma 1T18	Pro Forma 1T17
R$ Thousand				
CASH FLOWS FROM OPERATING ACTIVITIES				
Net Income in the period	**116,873**	**39,669**	**116,873**	**39,669**
Adjustments				
Depreciation and amortization	80,341	47,395	80,433	56,061
Harvested biological assets (depreciation)	121,714	84,040	121,714	100,987
Variation in fair value of biological assets	15,539	(7,943)	15,539	(11,322)
Amortization of intangible assets	3,509	3,694	3,509	3,694
Equity Income	1,892	(19,242)	(94)	(174)
Gain (loss) on investment and PPE disposed of	141	(76)	141	66
Interest, monetary and foreign exchange variations, net	47,407	23,374	47,543	20,121
Derivatives Financial Instruments	(45,464)	102,540	(45,464)	106,617
Constitution of provision for contingencies, net	2,992	(37)	3,465	924
Deferred income tax and social contribution	44,038	(3,012)	44,007	(1,033)
Adjustments to present value and others	1,373	1,183	1,380	1,097
	390,355	**271,585**	**389,046**	**316,707**
Changes in asset and liabilities				
Trade receivables	(130,671)	(69,556)	(130,607)	(57,506)
Inventories	(215,604)	(143,028)	(215,604)	(173,254)
Taxes recoverable	(2,972)	(18,145)	(2,970)	(13,778)
Derivatives Financial Instruments	71,244	(92,618)	71,244	(90,178)
Other assets	(6,699)	3,370	(6,763)	2,569
Trade payables	88,079	48,225	88,181	48,495
Salaries and social charges	39,329	27,003	40,289	30,430
Taxes payable	(19,531)	2,089	(19,523)	1,208
Obligations with Copersucar	(3,163)	(9,527)	(3,409)	(10,225)
Taxes payable in installments	(606)	(613)	(606)	(718)
Provision for contingencies - settlements	(8,256)	(2,820)	(8,270)	(3,837)
Other liabilities	1,557	4,637	1,471	3,555
Cash provided by operations	**203,062**	**20,602**	**202,479**	**53,468**
Interest paid	(76,224)	(74,386)	(76,224)	(86,643)
Income tax and social contribution paid	(1,731)	(1,154)	(1,731)	(1,154)
Net cash provided by operating activities	**125,107**	**(54,938)**	**124,524**	**(34,329)**
CASH FLOW FROM FINANCING ACTIVITIES				
Financial resources used in investments	(2,361)	(8,372)	(2,361)	(8,372)
Additions to property and intangible assets	(44,244)	(29,690)	(44,244)	(33,589)
Additions to biological assets (planting and crop treatment)	(152,257)	(113,607)	(152,257)	(130,789)
Marketable Securities	(195,944)	376,621	(196,215)	414,698
Proceeds from sale of property, plant and equipment	1,058	64	1,058	166
Dividends received	(1,000)	(1,000)	-	-
Net cash used in investing activities	**(394,748)**	**224,016**	**(394,019)**	**242,114**
CASH FLOW FROM FINANCING ACTIVITIES				
New borrowing - third parties	825,461	16,284	825,461	24,292
Repayment of borrowing - third parties	(618,488)	(274,919)	(618,552)	(318,902)
Advance for future capital increase	-	-	111	-
Purchase of treasury shares	-	(7,423)	-	(7,423)
Sale of treasury shares	-	518	-	518
Net cash provided by financing activities	**206,973**	**(265,540)**	**207,020**	**(301,515)**
Increase (decrease) in cash and cash equivalents	**(62,668)**	**(96,462)**	**(62,475)**	**(93,730)**
Cash and cash equivalents at the beginning of the period	**142,454**	**266,659**	**143,002**	**267,315**
Cash and cash equivalents at the end of the period	**79,786**	**170,197**	**80,527**	**173,585**

São Martinho