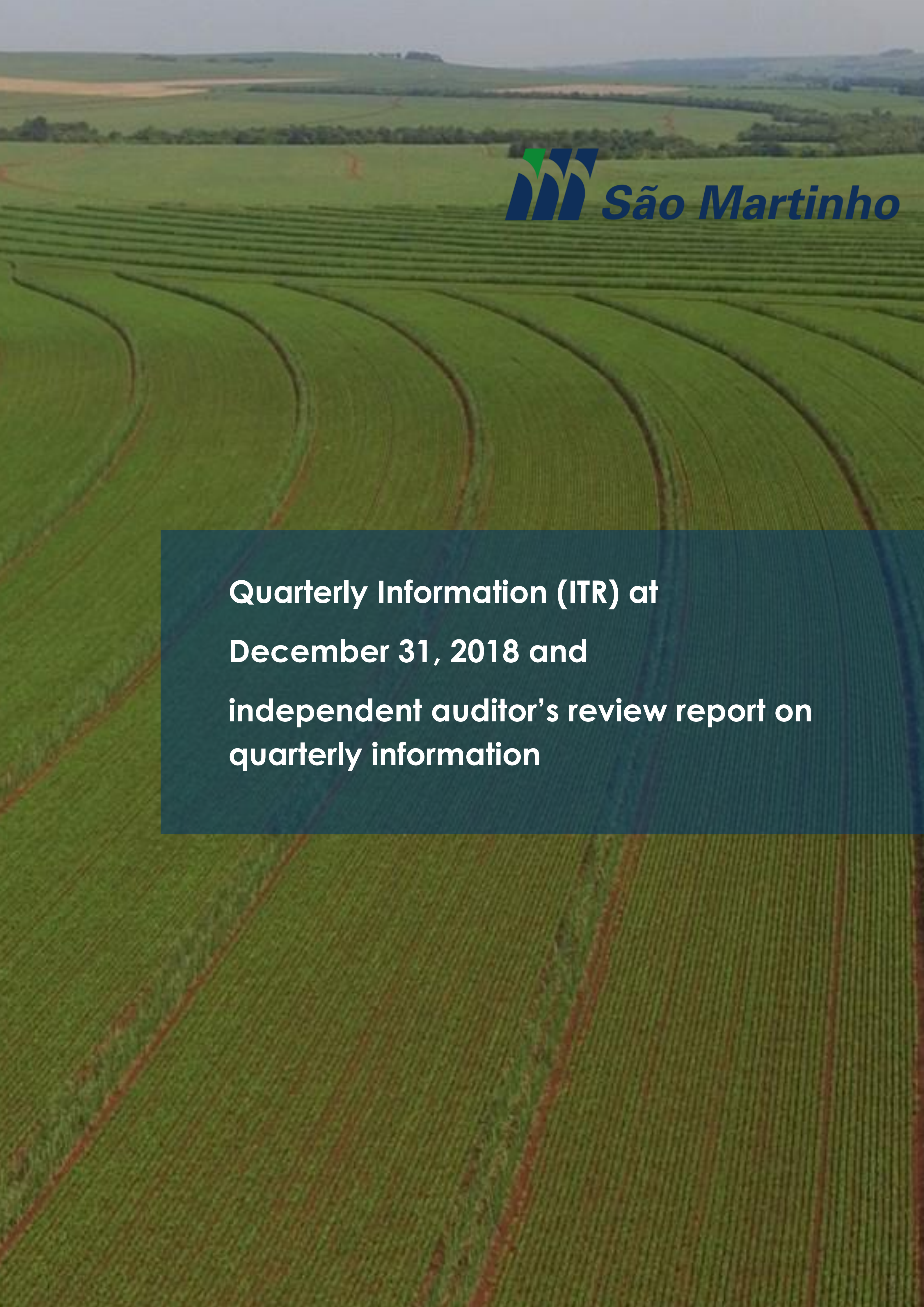

São Martinho

Quarterly Information (ITR) at December 31, 2018 and independent auditor's review report on quarterly information

INDEPENDENT AUDITOR'S REVIEW REPORT ON QUARTERLY INFORMATION

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

Introduction

We have reviewed the individual and consolidated interim accounting information contained in the Quarterly Information Form (ITR) of São Martinho S.A. for the quarter ended December 31, 2018, which comprise the balance sheet as of December 31, 2018, the related statements of operations and comprehensive income for the three and nine-month periods then ended and changes in shareholders' equity and cash flows for the nine-month period then ended, including explanatory notes.

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

Scope of review

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

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

Other matters

Statements of value added

We also reviewed the individual and consolidated statements of value added for the nine-month period ended December 31, 2018, prepared under the responsibility of Company's management, whose presentation in the interim accounting information is required by the standards issued by the CVM applicable to preparation of Quarterly Information (ITR) and considered supplementary information under IFRS, whereby no statement of value added presentation is required. These statements were submitted to the same review procedures previously described and, based on our review, we are not aware of any fact that would make us believe that they were not prepared, in all material respects, in accordance with the overall individual and consolidated interim accounting information.

Campinas, February 11, 2019

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

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

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Statement of financial position
At December 31 and March 31, 2018
In thousands of reais

ASSETS	Note	Company December 31, 2018	Company March 31, 2018	Consolidated December 31, 2018	Consolidated March 31, 2018
CURRENT ASSETS					
Cash and cash equivalents	5	151,978	139,622	152,618	140,865
Short-term investiments	5	980,185	953,900	1,011,196	1,320,851
Trade accounts receivable	6	258,618	66,813	292,387	177,893
Derivative financial instruments	22	70,686	66,345	70,686	69,173
Inventories and advances to suppliers	7	1,141,704	260,209	1,131,236	334,654
Biological assets	11	563,871	419,732	571,543	581,725
Taxes recoverable	8	25,972	23,802	26,945	36,093
Income and social contribution taxes (IRPJ e CSLL)	19	101,339	5,795	101,340	9,687
Dividends receivable	9	-	3,211	-	-
Other assets		19,057	16,654	20,703	16,917
TOTAL CURRENT ASSETS		3,313,410	1,956,083	3,378,654	2,687,858
NONCURRENT ASSETS					
Short-term investiments	5	53,996	24,591	57,319	50,669
Inventories and advances to suppliers	7	115,324	88,430	115,324	111,135
Transactions with related parties	9	23,556	6,527	3,000	5,834
Derivative financial instruments	22	9,000	3,617	9,000	3,617
Trade accounts receivable	6	-	-	23,650	24,869
Receivables from Copersucar		9,355	9,355	9,355	9,355
Taxes recoverable	8	70,203	111,677	70,203	122,200
Income and social contribution taxes (IRPJ e CSLL)	19	-	117,442	-	117,442
Judicial deposits	21	26,126	24,150	26,301	28,673
Other assets		439	439	439	439
		307,999	386,228	314,591	474,233
Investiments	10	1,338,275	2,704,518	33,648	32,552
Property, plant and equipment	12	3,586,026	2,679,114	5,261,507	5,449,912
Intangible assets	13	395,847	399,008	478,858	470,157
		5,320,148	5,782,640	5,774,013	5,952,621
TOTAL NONCURRENT ASSETS		5,628,147	6,168,868	6,088,604	6,426,854
TOTAL ASSETS		8,941,557	8,124,951	9,467,258	9,114,712

LIABILITIES AND EQUITY	Note	Company December 31, 2018	Company March 31, 2018	Consolidated December 31, 2018	Consolidated March 31, 2018
CURRENT LIABILITIES					
Borrowings	14	694,751	574,569	698,297	686,630
Derivative financial instruments	22	47,181	8,862	47,181	8,862
Trade accounts payables	15	221,724	111,893	212,265	154,146
Payables to Copersucar	16	8,583	8,583	8,583	8,583
Salaries and social charges		125,273	109,711	125,906	137,155
Taxes payable		42,369	9,289	44,853	16,877
Income and social contribution taxes (IRPJ e CSLL)	19	-	-	5,474	4,167
Dividends payable		-	148,341	-	148,341
Advances from customers		14,118	14,526	14,200	16,406
Acquisition of ownership interests	9 e 30	11,734	11,746	11,734	11,746
Other liabilities		18,022	18,693	27,621	28,287
TOTAL CURRENT LIABILITIES		1,183,755	1,016,213	1,196,114	1,221,200
NONCURRENT LIABILITIES					
Borrowings	14	3,570,843	3,045,999	3,577,807	3,238,267
Derivative financial instruments	22	9,415	930	9,415	930
Payables to Copersucar	16	193,785	201,787	193,785	201,787
Taxes in installments		2,448	2,656	2,448	2,656
Deferred income and social contribution taxes	19	486,697	444,443	992,647	1,007,923
Provision foe contingencies	21	99,778	70,096	100,206	99,122
Acquisition of ownership interests	9 e 30	38,510	38,510	38,510	38,510
Other liabilities	10	11,711	14,542	11,711	14,542
TOTAL NONCURRENT LIABILITIES		4,413,187	3,818,963	4,926,529	4,603,737
EQUITY	17				
Capital		1,696,652	1,549,302	1,696,652	1,549,302
Capital Reserve		9,418	9,418	9,418	9,418
Treasury Shares		(234,100)	(234,100)	(234,100)	(234,100)
Stock options granted		-	11,578	-	11,578
Equity adjustments		981,502	1,120,319	981,502	1,120,319
Income reserves		704,979	833,258	704,979	833,258
Retained earnings		186,164	-	186,164	-
TOTAL EQUITY		3,344,615	3,289,775	3,344,615	3,289,775
TOTAL LIABILITIES AND EQUITY		8,941,557	8,124,951	9,467,258	9,114,712

See accompanying notes.

São Martinho

Statement of income
Periods ending at December 31, 2018 and 2017
In thousands of reais

					Company
		December 31, 2018		December 31, 2017	
	Note	Quarter	9 Months	Quarter	9 Months
Revenues	25	821,913	2,151,506	621,100	1,657,804
Cost of sales	26	(624,715)	(1,592,149)	(409,200)	(1,209,598)
Gross profit		197,198	559,357	211,900	448,206
Operating income (expenses)					
Selling expenses	26	(23,345)	(64,975)	(25,209)	(74,262)
General and administrative expenses	26	(43,071)	(137,768)	(36,075)	(106,312)
Equity pickup in subsidiaries	10	22,224	100,745	99,014	239,407
Other revenues, net		903	7,838	(246)	(485)
		(43,289)	(94,160)	37,484	58,348
Operating income		153,909	465,197	249,384	506,554
Finance income (costs)	27				
Finance income		19,736	70,128	17,233	74,284
Finance costs		(78,248)	(236,338)	(76,329)	(231,135)
Monetary variations and foreign exchange differences, net		(8,303)	35,451	3,688	29,497
Derivatives		(9,930)	(48,761)	7,636	5,929
		(76,745)	(179,520)	(47,772)	(121,425)
Income before income and social contribution taxes		77,164	285,677	201,612	385,129
Income and social contribution taxes (IRPJ and CSLL)	19(b)				
Current		(20,666)	(681)	(17,166)	(30,994)
Deferred		9,431	(56,561)	(15,963)	(15,764)
Net income for the period		65,929	228,435	168,483	338,371
Basic earnings per share (in reais)	28	0.2018	0.6991	0.5040	1.0117
Diluted earnings per share (in reais)	28	0.2018	0.6991	0.5025	1.0089

See accompanying notes.

Statement of income

Periods ending at December 31, 2018 and 2017

In thousands of reais

		Consolidated			
		December 31, 2018		December 31, 2017	
	Note	Quarter	9 Months	Quarter	9 Months
Revenues	25	840,778	2,236,671	895,067	2,321,358
Cost of sales	26	(619,815)	(1,572,484)	(549,944)	(1,536,869)
Gross profit		220,963	664,187	345,123	784,489
Operating income (expenses)					
Selling expenses	26	(23,985)	(66,571)	(28,611)	(85,543)
General and administrative expenses	26	(44,033)	(144,324)	(47,002)	(138,057)
Equity pickup in subsidiaries	10	517	262	(207)	(2,002)
Other revenues, net		402	9,247	74	1,317
		(67,099)	(201,386)	(75,746)	(224,285)
Operating income		153,864	462,801	269,377	560,204
Finance income (costs)	27				
Finance income		21,682	79,140	24,835	100,931
Finance costs		(78,476)	(237,036)	(87,517)	(264,512)
Monetary variations and foreign exchange differences, net		(8,302)	35,451	2,173	27,327
Derivatives		(9,930)	(48,761)	7,586	6,489
		(75,026)	(171,206)	(52,923)	(129,765)
Income before income and social contribution taxes		78,838	291,595	216,454	430,439
Income and social contribution taxes (IRPJ and CSLL)	19(b)				
Current		(22,197)	(7,349)	(29,768)	(56,816)
Deferred		9,288	(55,811)	(18,203)	(35,252)
Net income for the period		65,929	228,435	168,483	338,371
Basic earnings per share (in reais)	28	0.2018	0.6991	0.5040	1.0117
Diluted earnings per share (in reais)	28	0.2018	0.6991	0.5025	1.0089

See accompanying notes.

Statements of comprehensive income
Periods ending at December 31, 2018 and 2017
In thousands of reais

Company and Consolidated	December 31, 2018		December 31, 2017	
	Quarter	9 Months	Quarter	9 Months
Net income for the period	65,929	228,435	168,483	338,371
Items that will be reclassified subsequently to P&L				
Changes for the period:				
Changes in fair value:				
Commodity derivatives - Future, options and forward contracts	(21,688)	48,231	(21,163)	84,178
Foreign exchange derivatives - Options / NDF	47,377	(32,447)	(32,068)	(12,484)
Foreign exchange differences on borrowing agreements (Trade Finance)	42,821	(172,509)	(42,471)	(72,215)
Swap contracts	(3,143)	(3,143)	-	-
	65,367	(159,868)	(95,702)	(521)
Recognition in operating income				
Commodity derivatives - Future, options and forward contracts	(39,144)	(74,084)	(27,475)	(149,026)
Foreign exchange derivatives - Options / NDF	5,534	15,410	(35,150)	(74,786)
Foreign exchange differences on borrowing agreements (Trade Financial)	976	12,331	3,176	174,179
	(32,634)	(46,343)	(59,449)	(49,633)
Write-off due to ineffectiveness				
Commodity derivatives - Future, options and forward contracts	-	375	(277)	(206)
Foreign exchange derivatives - Options / NDF	-	9,262	125	774
Foreign exchange differences on borrowing agreements (Trade Finance)	-	-	-	(3,166)
	-	9,637	(152)	(2,598)
Total changes for the year				
Commodity derivatives - Future, options and forward contracts	(60,832)	(25,478)	(48,915)	(65,054)
Foreign exchange derivatives - Options / NDF	52,911	(7,775)	(67,093)	(86,496)
Foreign exchange differences on borrowing agreements (Trade Finance)	43,797	(160,178)	(39,295)	98,798
Swap contracts	(3,143)	(3,143)	-	-
Deferred taxes on the items above	(11,129)	66,836	52,803	17,934
	21,604	(129,738)	(102,500)	(34,818)
Comprehensive income for the period	87,533	98,697	65,983	303,553

See accompanying notes.

Statement of changes in equity in periods ending at December 31, 2018 and 2017
In thousand of reais

							Equity adjustments									
							Deemed cost			Income reserve						
	Note	Capital	Capital reduction	Capital reserve	Treasury shares	Options granted	Own	Of investees	*Hedge accounting*	Legal	Capital budget	Unrealized income reserve	Tax incentive reserve	Additional dividends	Retained earnings	Total
Balance at March 31, 2017		1,494,334	(55,662)	10,057	(92,134)	8,284	198,331	1,286,252	(52,340)	70,140	257,984	78,515	173,801	25,758	-	3,403,320
Capital increase with capital reserve	17 (a)	54,968	55,662	-	-	-	-	-	-	-	(110,630)	-	-	-	-	-
Realization of deemed cost surplus	17 (b)	-	-	-	-	-	(9,187)	(7,256)	-	-	-	-	-	-	16,443	-
Deferred tax set up/in subsidiary	19 (b)	-	-	-	-	-	-	(286,324)	-	-	-	-	-	-	-	(286,324)
Additional dividends from the previous year, paid		-	-	-	-	-	-	-	-	-	-	-	-	(25,758)	-	(25,758)
Gain (loss) on derivate transactions - hedge accountin	17 (f)	-	-	-	-	-	-	-	(34,818)	-	-	-	-	-	-	(34,818)
Acquisition of own shares		-	-	-	(23,044)	-	-	-	-	-	-	-	-	-	-	(23,044)
Stock options granted	17 (d)	-	-	-	-	3,336	-	-	-	-	-	-	-	-	-	3,336
Net income for the period	17 (e)	-	-	-	-	-	-	-	-	-	-	-	-	-	338,371	338,371
At December 31, 2017	17	1,549,302	-	10,057	(115,178)	11,620	189,144	992,672	(87,158)	70,140	147,354	78,515	173,801	-	354,814	3,375,083
Balance at March 31, 2018	17	1,549,302	-	9,418	(234,100)	11,578	185,691	992,484	(57,856)	94,725	411,441	46,954	248,479	31,659	-	3,289,775
Capital increase through reserves	17 (a)	147,350	-	-	-	-	-	-	-	-	(147,350)	-	-	-	-	-
Realization of deemed cost surplus	17 (c)	-	-	-	-	-	(8,466)	(613)	-	-	-	-	-	-	9,079	-
CPC 48 (IFRS 9) initial adoption		-	-	-	-	-	-	-	-	-	-	-	-	-	(620)	(620)
Tax incentive reserve constitution		-	-	-	-	-	-	-	-	-	-	-	50,730	-	(50,730)	-
Gain (loss) on derivate transactions - hedge accountin	17 (c)	-	-	-	-	-	-	-	(129,738)	-	-	-	-	-	-	(129,738)
Additional dividends from the previous year, paid		-	-	-	-	-	-	-	-	-	-	-	-	(31,659)	-	(31,659)
Options plan change	9 (d)	-	-	-	-	(11,578)	-	-	-	-	-	-	-	-	-	(11,578)
Net income for the period		-	-	-	-	-	-	-	-	-	-	-	-	-	228,435	228,435
At December 31, 2018	17	1,696,652	-	9,418	(234,100)	-	177,225	991,871	(187,594)	94,725	264,091	46,954	299,209	-	186,164	3,344,615

See accompanying notes.

Statement of cash flows
Periods ending at December 31, 2018 and 2017
In thousands of reais

	Note	Company		Consolidated	
		December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Cash flow from operating activities					
Net income for the period		228,435	338,371	228,435	338,371
Adjustments					
Depreciation and amortization	26	264,485	172,588	268,018	246,924
Biological assets harvested	26	380,067	258,401	380,067	359,307
Change in fair value of biological assets	26	3,916	25,677	3,840	12,988
Amortization of energy contracts		-	-	8,153	8,210
Equity pickup in subsidiaries	10	(100,745)	(239,407)	(262)	2,002
Income (loss) from investiment and PPE written off	12	4,938	1,016	6,521	1,049
Interest, monetary variations and foreign exchanges differences, net		149,400	123,468	144,263	132,408
Derivative financial instruments		2,417	(55,562)	2,417	(56,122)
Setup of provision for contingences, net	21.1	7,655	9,758	7,650	10,264
Income and social contribution taxes (IRPJ e CSLL)	19 (b)	57,242	46,758	63,160	92,068
Present value adjustment and other		7,302	4,981	5,279	2,926
		1,005,112	686,049	1,117,541	1,150,395
Changes in assets and liabilities					
Trade accounts receivables		(88,215)	(28,886)	(104,890)	(161,206)
Inventories		(477,510)	(382,190)	(458,683)	(447,938)
Taxes recoverable		95,023	25,147	95,001	25,153
Derivative financial instruments		13,429	143,269	13,429	143,269
Financial investments		-	-	-	36
Other assets		5,368	(3,036)	4,948	(1,692)
Trade accounts payable		57,581	41,620	59,652	30,576
Salaries and social contributions		(29,017)	(5,047)	(29,101)	(7,478)
Taxes Payable		26,368	(31,130)	26,371	(33,821)
Payables to Copersucar		(9,989)	(23,230)	(9,989)	(23,230)
Taxes in installments		(223)	(1,554)	(223)	(1,522)
Provision for contingences - settlements	21.1	(17,226)	(15,173)	(17,226)	(21,633)
Other liabilities		(6,252)	31,200	(13,716)	27,836
Caixa proveniente das operações		574,449	437,039	683,114	678,745
Pagamento de juros sobre empréstimos e financiamentos	14	(175,770)	(151,817)	(176,388)	(182,847)
Imposto de renda e contribuição social pagos		-	-	(4,444)	(12,629)
Cash from operating activities		398,679	285,222	502,282	483,269
Cash flow from investing activities					
Investiment of funds	31	(18,335)	(4,219)	(18,335)	(4,919)
Additions to PPE and intangible assets		(219,419)	(160,973)	(242,454)	(210,865)
Additions to PPE (planting and cultivation)	11 e 12	(561,100)	(387,820)	(562,926)	(506,660)
Short-term investments		318,084	97,219	354,421	307,132
Funds from the sale of PPE	12	4,309	2,348	4,309	5,681
Cash and cash equivalents of subsidiary		156	-	-	-
Future capital contribution		(21,389)	(3,360)	(833)	(2,667)
Dividends receipts		133,446	121,667	-	4
Net cash used in investing activities		(364,248)	(335,138)	(465,818)	(412,294)
Cash flow from financing activities					
Financing taken out from third parties	14	1,153,510	1,031,703	1,153,510	1,155,785
Amortizations of financing - third parties	14	(995,585)	(631,224)	(998,221)	(873,086)
Treasury stocks purchase		-	(23,044)	-	(23,044)
Payment of dividends		(180,000)	(99,999)	(180,000)	(99,999)
Net cash from financing activities		(22,075)	277,436	(24,711)	159,656
Net increase in cash and cash equivalents		12,356	227,520	11,753	230,631
Cash and cash equivalents at beginning of period	5	139,622	142,020	140,865	142,454
Cash and cash equivalents at end of period	5	151,978	369,540	152,618	373,085
Additional information					
Balances in short-term investments	5	980,185	502,719	1,011,196	795,337
Total avaiable funds	5	1,132,163	872,259	1,163,814	1,168,422

See accompanying notes.

Statement of value added
Periods ending at December 31, 2018 and 2017
In thousands of reais

	Company		Consolidated	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Revenues				
Gross sales of goods and products	2,375,374	1,749,396	2,462,151	2,482,705
Revenue related to construction of own assets	556,853	456,210	558,846	585,591
Other revenues	14,749	1,234	16,127	2,246
	2,946,976	2,206,840	3,037,124	3,070,542
Inputs acquired from third parties				
Costs of sales	(749,502)	(622,486)	(704,026)	(710,348)
Materials, energy, third-party services and other operating expenses	(611,407)	(435,284)	(635,188)	(574,701)
	(1,360,909)	(1,057,770)	(1,339,214)	(1,285,049)
Gross value added	1,586,067	1,149,070	1,697,910	1,785,493
Depreciation and amortization	(264,485)	(172,588)	(268,018)	(246,924)
Biological assets harvested	(380,067)	(258,401)	(380,067)	(359,307)
Net value added produced by the entity	941,515	718,081	1,049,825	1,179,262
Value addeded received in transfer				
Equity pickup in subsidiaries	100,745	239,407	262	(2,002)
Finance income	322,804	265,255	331,807	296,449
Other	1,726	(14,770)	1,759	(13,798)
Total value added to be distributed	1,366,790	1,207,973	1,383,653	1,459,911
Distribution of value added				
Personnel and charges				
Direct compensation	326,298	283,410	326,442	355,031
Benefits	108,740	91,451	109,280	111,272
Unemployment Compensation Fund (FGTS)	30,323	27,164	30,333	34,224
Management compensation	22,072	14,592	22,900	15,899
Taxes, charges and contributions				
Federal	126,146	80,157	140,280	187,732
State	24,422	1,062	24,869	6,332
Municipal	811	469	861	632
Creditors				
Interest	212,599	211,532	213,252	243,572
Leases	1,893	1,737	1,893	1,934
Foreign exchange differences	195,214	81,976	195,214	86,467
Other	89,837	76,052	89,894	78,445
Retained profits for the period	228,435	338,371	228,435	338,371
Value added distributed	1,366,790	1,207,973	1,383,653	1,459,911

See accompanying notes.

1. Operations

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

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

The Company is a subsidiary of the holding company 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, at the Extraordinary General Meeting held on April 2, 2018, the incorporation of Usina Boa Vista SA ("UBV") was approved. Therefore, the comparability of the results of the current period with the same prior period of the Subsidiary, is significantly affected.

Issue of this interim financial information was approved by the Company's Board of Directors on February 11, 2019.

2. Summary of significant accounting practices

2.1 Statement of compliance and basis of preparation

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

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

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

2.2 Basis of consolidation and investments in subsidiaries

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

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

Company	Main Activities
São Martinho Terras Imobiliárias S.A. ("SM Terras Imobiliárias") (i)	Exploitation of land through agricultural lease and partnership, rental and sale of real estate.
São Martinho Energia S.A. ("SME")	Cogeneration of electricity.
Cia Bioenergética Santa Cruz 1 ("Bio")	Cogeneration of electricity.
São Martinho Inova S.A. ("SM Inova")	Hold interest in companies.
São Martinho Terras Agrícolas S.A. ("SM Terras Agrícolas")	Exploitation of land through agricultural lease and partnership, rental and sale of real estate.
Pulisic Participações ("Pulisic")	Exploitation of land through agricultural lease and partnership, rental and sale of real estate.

(i) São Martinho Terras Imobiliárias ("SM Terras Imobiliárias"): includes its subsidiaries that have merger and exploitation of real estate venture, constituted by SPE´s (Special-Purpose Entity).

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

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

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

2.3 Functional and reporting currency

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

2.4 Foreign currency translation

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

2.5 Financial instruments

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

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

(ii) Classification and measurement of financial assets

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

(iii) Impairment

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

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

(iv) Hedge accounting

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

a) **Financial Assets**

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

b) **Financial Liabilities**

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

c) Derivative financial instruments

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

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

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

2.6 Business combinations and goodwill

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

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

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

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

Acquisition costs incurred are accounted for as expenses.

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

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

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

2.7 Leases

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

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

IFRS 16 (CPC 06) – Leasing

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

4. Significant accounting estimates and judgments

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

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

***(a)* Impairment of goodwill**

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

***(b)* Fair value of biological assets**

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

***(c)* Income tax, social contribution and other taxes**

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

***(d)* Fair value of derivatives and other financial instruments**

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

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

(e) Provision for contingencies

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

(f) Business combination and acquisition of ownership interest

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

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

(g) ICMS tax benefits

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

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

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

5. Cash and cash equivalents and short-term investments

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

In thousands of reais, unless otherwise stated

	Company			Consolidated		
	Yield	December 31, 2018	March 31, 2018	Yield	December 31, 2018	March 31, 2018
Cash and banks (in Brazil)		1,561	7,217		2,202	8,461
Cash and banks - abroad (US Dollar)	2% p.y.	150,417	132,405	2% p.y.	150,416	132,404
Total cash and cash equivalents		151,978	139,622		152,618	140,865
Short-term investments						
. Investment fund	103,4% CDI	980,185	953,900	102,22% CDI	1,011,196	1,320,851
. Funds - Financial Treasury Bills (LFT) (i)	100% SELIC	25,531	4,159	100% SELIC	25,531	24,371
. Bank Deposit Certificate (CDB)*	98,62% CDI	28,465	19,873	97,76% CDI	28,466	19,873
. Other *(i)*	100% CDI	-	559	100% CDI	3,322	6,425
Total financial investiments		1,034,181	978,491		1,068,515	1,371,520
In noncurrent assets		53,996	24,591		57,319	50,669
Total avaiable funds		1,132,163	1,093,522		1,163,814	1,461,716

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

6. Trade accounts receivable

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

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

	Company		Consolidated	
	December 31, 2018	March 31, 2018	December 31, 2018	March 31, 2018
Domestic Customers	212,744	66,583	270,163	202,532
Foreign market customers	45,874	230	45,874	230
	258,618	66,813	316,037	202,762
Current assets	258,618	66,813	292,387	177,893
Noncurrent assets	-	-	23,650	24,869

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

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

	Company		Consolidated	
	December 31, 2018	March 31, 2018	December 31, 2018	March 31, 2018
Falling due:	253,928	66,813	311,133	201,441
Overdue and not provisioned:				
Within 30 days	897	-	965	276
Over 31 days	3,793	-	3,939	1,045
	258,618	66,813	316,037	202,762

In thousands of reais, unless otherwise stated

Out of the amount receivable, R$ 1,180 and R$ 98 Company and Consolidated, respectively (R$ 7,594 and R$ 297, Company and Consolidated, respectively, at March 31, 2017), refer to related parties, as detailed in Note 9.

7. Inventories and advances to suppliers

	Company		Consolidated	
	December 31, 2018	March 31, 2018	December 31, 2018	March 31, 2018
Current				
Finished products and work-in-process	921,776	117,654	903,148	136,531
Advances - purchases of sugarcane	80,060	60,895	80,060	71,163
Advances - purchases of inputs	62,024	42,030	62,024	62,176
Land subdivisions	-	-	8,160	5,820
Inputs, anciallary materials for maintenance and other	77,844	39,630	77,844	58,964
	1,141,704	260,209	1,131,236	334,654
Noncurrent				
Advances - purchases of sugarcane	115,324	88,430	115,324	111,135
	115,324	88,430	115,324	111,135
	1,257,028	348,639	1,246,560	445,789

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

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

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

8. Taxes recoverable

Breakdown of taxes recoverable is as follows:

In thousands of reais, unless otherwise stated

	Company		Consolidated	
	December 31, 2018	March 31, 2018	December 31, 2018	March 31, 2018
Current				
PIS / COFINS	10,822	12,423	10,846	13,793
ICMS	6,224	10,383	6,224	21,184
Brazilian Special Regime for Reinstatement of Taxes for Exporters (REINTEGRA)	7,797	-	7,797	-
Other	1,129	996	2,078	1,116
	25,972	23,802	26,945	36,093
Noncurrent				
PIS / COFINS	39,276	26,421	39,276	34,807
Brazilian Special Regime for Reinstatement of Taxes for Exporters (REINTEGRA)	-	62,100	-	62,100
IOF on derivatives	8,313	8,054	8,313	8,054
ICMS	16,310	9,010	16,310	11,143
Social Security Tax (INSS)	6,304	6,092	6,304	6,096
	70,203	111,677	70,203	122,200
	96,175	135,479	97,148	158,293

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

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

Company and Consolidated	December 31, 2018
From 01/01/2020 to 12/31/2020	29,166
From 01/01/2021 to 12/31/2021	8,200
From 01/01/2022 to 12/31/2022	6,699
From 01/01/2023 to 12/31/2023	6,362
From 01/01/2024 to 12/31/2024	3,941
From 01/01/2025 onwards	15,835
	70,203

In thousands of reais, unless otherwise stated

9. Related parties

(a) Company and consolidated balances:

	Company		Consolidated	
	December 31, 2018	March 31, 2018	December 31, 2018	March 31, 2018
Current assets				
Trade accounts receivable (i)				
São Martinho Terras Imobiliárias S.A.	322	155	-	-
Cia Bioenergética Santa Cruz 1	88	5	-	-
São Martinho - Energia S.A.	643	803	-	-
São Martinho Terras Agrícolas S.A.	26	32	-	-
Usina Boa Vista S/A	-	6,296	-	-
Usina Santa Luiza S/A	19	63	19	63
Others	82	240	79	234
	1,180	7,594	98	297
Inventories - purchase of sugarcane				
From shareholders / related parties	5,517	7,672	5,517	7,672
Dividends receivable				
São Martinho Terras Imobiliárias S.A.	-	3,211	-	-
	-	3,211	-	-
Noncurrent assets				
Advance for future capital increase				
São Martinho Inova S.A.	9	693	-	-
Pulisic Participações Ltda. (ii)	20,547	-	-	-
Usina Santa Luiza S/A	3,000	5,834	3,000	5,834
	23,556	6,527	3,000	5,834
Current liabilities				
Trade account payables				
São Martinho Terras Imobiliárias S.A.	89	402	-	-
Cia Bioenergética Santa Cruz 1	117	135	-	-
São Martinho - Energia S.A.	-	254	-	-
São Martinho Terras Agrícolas S.A.	9,013	4,535	-	-
Others	167	172	167	172
	9,386	5,498	167	172
Rental of lands				
From shareholders / related parties	2,047	2,458	2,047	2,586
Current liabilities and noncurrent liabilities				
Acquisition of equity interest				
Luiz Ometto Participações S.A. (Note 30)	50,244	50,256	50,244	50,256

(i) Refers to expenses with the Shared Services Center and purchase of products and services.

(ii) Refers to values transferring for payment of premium for a sugar lease agreement signed between Pulisic and Usina Açucareira Furlan S.A., for a period of 21 years.

São Martinho

In thousands of reais, unless otherwise stated

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

	Company		Consolidated	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Sales revenue				
Cia Bioenergética Santa Cruz 1	5,868	6,502	-	-
São Martinho - Energia S.A.	6,537	6,297	-	-
	12,405	12,799	-	-
Reimbursed expenses/(purchase of products and services)				
São Martinho Terras Imobiliárias S.A.	(1,932)	(7,040)	-	-
São Martinho Terras Agrícolas S.A.	(46,069)	(44,403)	-	-
Cia Bioenergética Santa Cruz 1	(2,223)	(2,400)	-	-
São Martinho - Energia S.A.	228	230	-	-
Agro Pecuária Boa Vista S/A	99	136	99	136
Usina Boa Vista S/A	-	17,496	-	-
	(49,897)	(35,981)	99	136
Shareholders and Related Parties Sugarcane purchases / agricultural partnership and land lease				
Agro Pecuária Boa Vista S/A	(23,223)	(23,042)	(23,223)	(23,042)
Others	(13,118)	(13,132)	(13,118)	(13,457)
	(36,341)	(36,174)	(36,341)	(36,499)

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

(c) Key management personnel compensation:

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

	Company		Consolidated	
	December 31, 2018	December 31, 2017	December 31, 2018	31 de dezembro de 2017
Salaries, fees and bonus	35,152	16,599	36,395	18,556
Social security and social contributions	4,197	3,288	4,430	3,680
Other	1,261	1,024	1,409	1,200
	40,610	20,911	42,234	23,436

(d) Stock Option Plan (virtual options)

During the period ended December 31, 2018, was set to change the balances of current plans Granting Stock Option Plan, which was approved by the Board of Directors held on May 2, 2018. This plan will govern the cash settlement rule of the positive difference between the market value on the day before the exercise versus the price set in each program. The other terms determined in the new plans will be the same as already established in the previously agreed contracts. Therefore, the comparability of the current period's result with the same prior period is significantly affected.

In thousands of reais, unless otherwise stated

In accordance with IFRS 2 (CPC 10), due to the change in the form of liquidation of the plans, previously settled with equity instruments, it was settled in cash, the balance provisioned on March 31, 2018 referring to Virtual Options was transferred to item of "Salaries and Charges payable" in current liabilities.

The carrying amount of the liability at the date of the current quarterly information referring to the new calculation of the fair value of the Virtual Options Plan is R$ 4,080.

At a meeting of the Board of Directors held on December 10, 2018, the 10th Stocked Option Plan was approved. The regulation of the new plan will govern all the characteristics of the others already existing in the Company.

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

Plan	6th Plan	7th Plan	8th Plan	9th Plan	10th Plan	Total
Plan issue date	15/12/2014	14/12/2015	12/12/2016	02/05/2018	10/12/2018	
Deadline for exercise (i)	2021	2022	2023	2024	2025	
Options granted	835,725	696,465	727,273	882,074	1,133,514	4,275,051
Options exercised (ii)	(523,368)	(158,709)	-	-	-	(682,077)
Outstanding stock options	312,357	537,756	727,273	882,074	1,133,514	3,592,974
Year Price	12.04	15.87	17.70	17.76	19.07	

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

10. Investments

10.1 Subsidiaries, jointly-controlled subsidiaries and affiliates

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

In thousands of reais, unless otherwise stated

						Company
	Adjusted equity of investee		Book value of investments		Equity pickup	
Company / % ownership interest (current)	December 31, 2018	March 31, 2018	December 31, 2018	March 31, 2018	December 31, 2018	December 31, 2017
Classified in investment						
São Martinho Terras Imobiliárias S.A. / 100%	147,085	148,494	147,085	148,494	4,656	9,427
São Martinho - Energia S.A. / 100%	24,349	26,214	24,349	26,214	28,135	23,042
São Martinho Inova S.A. / 100%	26,141	24,360	26,141	24,360	1,088	1,631
São Martinho Terras Agrícolas S.A. / 100%	1,024,316	1,042,766	1,024,316	1,042,766	25,906	20,606
São Martinho Logística e Participações S.A. / 100%	2,857	2,952	2,857	2,952	(95)	(96)
Usina Boa Vista S.A. (Note 10.2) / 100%	-	1,353,646	-	1,353,646	-	138,476
Companhia Bioenergética Santa Cruz 1 / 100%	97,602	104,227	97,602	104,227	43,808	49,535
Pulisic Participações Ltda. (Note 10.3) / 100%	14,066	-	14,066	-	(1,917)	-
Others	1,859	-	1,859	1,859	-	-
Total classified in investment	1,338,275	2,702,659	1,338,275	2,704,518	101,581	242,621
Classified in noncurrent liabilities						
Usina Santa Luiza S.A. (i) / 66,67%	(17,566)	(21,812)	(11,711)	(14,542)	(836)	(3,214)
Total classified in noncurrent liabilities	(17,566)	(21,812)	(11,711)	(14,542)	(836)	(3,214)
Closing balance	1,320,709	2,680,847	1,326,564	2,689,976	100,745	239,407

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

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

						Consolidated
	Adjusted equity of investee		Book value of investments		Equity pickup	
Company / % ownership interest (current)	December 31, 2018	March 31, 2018	December 31, 2018	March 31, 2018	December 31, 2018	December 31, 2017
Classified in investment						
CTC - Centro de Tecnologia Canavieira S.A. (i) / 5,41%	587,101	566,850	31,789	30,693	1,098	1,212
Others	-	-	1,859	1,859	-	-
Total classified in investment	587,101	566,850	33,648	32,552	1,098	1,212
Classified in noncurrent liabilities						
Usina Santa Luiza S.A. (i) / 66,67%	(17,566)	(21,812)	(11,711)	(14,542)	(836)	(3,214)
Total classified in noncurrent liabilities	(17,566)	(21,812)	(11,711)	(14,542)	(836)	(3,214)
Closing balance	569,535	545,038	21,937	18,010	262	(2,002)

10.2 Usina Boa Vista S.A. Incorporation

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

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

10.3 Pulisic Participações Ltda. Acquisition

As disclosed in the Explanatory Notes for the period ended June 30, 2018, the Company carried out the partial acquisition of assets of Usina Açucareira Furlan S.A. through Pulisic Participações Ltda. ("Pulisic") for the amount of R $ 15,984. This acquisition was made on October 11, 2018.

In thousands of reais, unless otherwise stated

As of the date of acquisition, the Company now holds 100% of Pulisic's shares and fully consolidates its results in its consolidated financial statements.

11. Biological assets

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

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

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

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

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

The following significant assumptions were used to determine fair value:

	Company		Consolidated	
	December 31, 2018	March 31, 2018	December 31, 2018	March 31, 2018
Estimated harvest total area (ha)	229,193	172,762	232,387	227,343
Expected productivity (ton/ha)	84.93	88.74	84.91	88.23
Number of Total Recoverable Sugar (ATR) per sugar can	132.97	132.56	132.94	133.42
Projected average price of ATR (R$)	0.6128	0.5759	0.6127	0.5757

At December 31, 2018, the discount rate used to calculate the fair value of biological assets is 8.64% p.a. (7.48% p.a. at March 31, 2018).

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

In thousands of reais, unless otherwise stated

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

	Company		Consolidated	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Historical cost	518,751	467,314	686,591	628,164
Fair value	(99,018)	(29,658)	(104,866)	(41,802)
Biological assets at March 31	419,733	437,656	581,725	586,362
Changes:				
Increase resulting from cultivation	356,630	255,737	357,950	332,054
Usina Boa Vista Incorporation	172,170	-	-	-
Transfers from property, plant and equipment	169,828	161,049	186,282	217,277
Change in fair value	15,001	(18,271)	17,645	(20,539)
Fair value surplus - business combination	-	-	-	11,864
Reductions resulting from harvest	(569,491)	(420,317)	(572,059)	(568,553)
Closing balance of biological assets:	563,871	415,854	571,543	558,465
Represented by:				
Historical cost	647,888	463,783	658,764	608,942
Fair value	(84,017)	(47,929)	(87,221)	(50,477)
Closing balance of biological assets:	563,871	415,854	571,543	558,465

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

(a) Agricultural partnerships and lease agreements

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

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

In thousands of reais, unless otherwise stated

	Company		Consolidated	
	31 December, 2018	31 March, 2018	31 December, 2018	31 March, 2018
Agricultural partnership:				
Within 1 year	255,304	250,931	255,474	316,488
More than 1 year and less than 5 years	872,976	713,263	873,601	933,683
More than 5 years	900,155	499,431	900,329	794,881
(-) Present value adjustment	(701,363)	(423,772)	(701,597)	(627,247)
	1,327,072	1,039,853	1,327,807	1,417,805
Lease agreements:				
Within 1 year	51,656	51,647	55,237	52,550
More than 1 year and less than 5 years	192,696	193,973	206,975	197,586
More than 5 years	379,956	423,542	437,487	428,394
(-) Present value adjustment	(265,667)	(284,875)	(306,595)	(288,064)
	358,641	384,287	393,104	390,466

12. Property, Plant and Equipment (PPE)

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

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

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

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

In thousands of reais, unless otherwise stated

Company	Land	Buildings and outbuildings	Equipment and manufacturing facilities	Inter-crop maintenance	Vehicles	Agricultural machinery and farming implements	Leasehold improvements and other PPE	Contruction in Progress	Sugarcane plantation	Total
Balances at March 31, 2017	156,520	245,656	799,206	170,488	165,210	230,906	16,552	34,100	715,925	2,534,563
Acquisition	-	54	2,909	220,351	13,019	34,944	966	73,597	208,960	554,800
Transfer to biological assets	-	-	-	-	-	-	-	-	(127,822)	(127,822)
Cost of sale	(712)	-	(151)	-	(759)	(2,082)	(82)	-	-	(3,786)
Transfers between groups	-	4,790	46,573	-	1,822	(7,599)	8,150	(62,346)	8,610	-
Depreciation	-	(7,746)	(57,420)	(172,795)	(13,335)	(24,148)	(3,197)	-	-	(278,641)
Balances at March 31, 2018	155,808	242,754	791,117	218,044	165,957	232,021	22,389	45,351	805,673	2,679,114
Total cost	155,808	287,935	1,174,304	390,839	243,282	402,273	66,177	45,351	805,673	3,571,642
Accumulated depreciation	-	(45,181)	(383,187)	(172,795)	(77,325)	(170,252)	(43,788)	-	-	(892,528)
Residual value	155,808	242,754	791,117	218,044	165,957	232,021	22,389	45,351	805,673	2,679,114
Acquisition	-	693	7,052	112,881	16,912	13,172	785	65,297	204,470	421,262
Transfer to biological assets	-	-	-	-	-	-	-	-	(169,828)	(169,828)
Cost of sale	(64)	(2,097)	(1,219)	-	(2,634)	(2,942)	(1)	-	(290)	(9,247)
Usina Boa Vista S/A Incorporation	49,198	161,880	413,287	60,568	61,980	80,845	38,537	4,044	222,663	1,093,002
Transfers between groups	-	6,778	37,110	-	1,345	(6,698)	2,037	(49,374)	8,802	-
Depreciation	-	(10,145)	(76,413)	(280,151)	(18,853)	(33,242)	(9,473)	-	-	(428,277)
Balances at December 30, 2018	204,942	399,863	1,170,934	111,342	224,707	283,156	54,274	65,318	1,071,490	3,586,026
Total cost	204,942	455,189	1,630,534	564,288	320,885	486,651	107,534	65,318	1,071,490	4,906,831
Accumulated depreciation	-	(55,326)	(459,600)	(452,946)	(96,178)	(203,495)	(53,260)	-	-	(1,320,805)
Residual value	204,942	399,863	1,170,934	111,342	224,707	283,156	54,274	65,318	1,071,490	3,586,026
Residual values:										
Historical cost	46,738	328,698	941,828	111,342	195,973	228,593	54,274	65,318	1,071,490	3,044,254
Surplus	158,204	71,165	229,106	-	28,734	54,563	-	-	-	541,772
Annual average depreciation rates	-	2%	4%	100%	6%	8%	14%	-	14%	-

In thousands of reais, unless otherwise stated

Consolidated	Land	Buildings and outbuildings	Equipment and manufacturing facilities	Inter-crop maintenance	Vehicles	Agricultural machinery and farming implements	Leasehold improvements of third part and other PPE	Construction in progress	Sugarcane plantation	Total
Balances at March 31, 2017	1,808,281	397,378	1,289,764	226,638	226,889	311,971	61,654	45,805	920,170	5,288,550
Acquisition	2,381	280	4,099	281,996	18,705	50,996	1,530	90,804	278,593	729,384
Cost of sale	(2,884)	-	(176)	-	(845)	(5,366)	(90)	-	-	(9,361)
Transfers between groups	-	22,414	51,108	-	2,265	(9,904)	8,363	(85,293)	11,047	-
Transfer to biological assets	-	-	-	-	-	-	-	-	(171,298)	(171,298)
Transfer to intangible assets	-	-	-	-	-	-	-	(1,923)	-	(1,923)
Depreciation	-	(11,546)	(79,801)	(229,660)	(19,079)	(34,830)	(10,524)	-	-	(385,440)
Balances at March 31, 2018	1,807,778	408,526	1,264,994	278,974	227,935	312,867	60,933	49,393	1,038,512	5,449,912
Total cost	1,807,778	487,450	1,805,071	508,634	342,980	552,539	167,013	49,393	1,038,512	6,759,370
Accumulated depreciation	-	(78,924)	(540,077)	(229,660)	(115,045)	(239,672)	(106,080)	-	-	(1,309,458)
Residual value	1,807,778	408,526	1,264,994	278,974	227,935	312,867	60,933	49,393	1,038,512	5,449,912
Acquisition	4,059	693	7,052	112,992	16,912	13,172	785	65,297	204,976	425,938
Acquisition - Pulisic	-	-	-	-	-	-	-	-	15,984	15,984
Cost of sale	(995)	(2,097)	(1,219)	-	(2,634)	(2,941)	(1)	-	(290)	(10,177)
Transfer to inventories for sale	(2,542)	-	-	-	-	-	-	-	-	(2,542)
Transfer to biological assets	-	-	-	-	-	-	-	-	(186,282)	(186,282)
Transfers between groups	-	6,777	37,110	-	1,345	(6,698)	2,037	(49,374)	8,803	-
Depreciation	-	(10,292)	(78,958)	(280,508)	(18,852)	(33,243)	(9,473)	-	-	(431,326)
Balances at December 31, 2018	1,808,300	403,607	1,228,979	111,458	224,706	283,157	54,281	65,316	1,081,703	5,261,507
Total cost	1,808,300	492,823	1,848,014	621,626	358,603	556,072	169,833	65,316	1,081,703	7,002,290
Accumulated depreciation	-	(89,216)	(619,035)	(510,168)	(133,897)	(272,915)	(115,552)	-	-	(1,740,783)
Residual value	1,808,300	403,607	1,228,979	111,458	224,706	283,157	54,281	65,316	1,081,703	5,261,507
Residual values:										
Historical cost	154,464	331,437	984,908	111,458	195,972	228,593	54,281	65,316	1,081,703	3,208,132
Surplus	1,653,836	72,170	244,071	-	28,734	54,564	-	-	-	2,053,375
Annual average depreciation rates	-	3%	4%	100%	6%	8%	14%	-	14%	-

In thousands of reais, unless otherwise stated

Under the terms of certain borrowing agreements of the Group, property, plant and equipment totaling R$ 688,916 were pledged as collateral, of which R$ 64,503 refers to rural properties (2,097 hectares of land).

The Group capitalized financial charges amounting to R$ 1,650 for the period ended December 31, 2018 (March 31, 2018 – R$2,343).

13. Intangible assets

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

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

	Company		Consolidated	
	December 31, 2018	March 31, 2018	December 31, 2018	March 31, 2018
Goodwill on future profitability (i)	375,923	374,633	374,633	374,633
Software	37,220	27,025	37,220	29,725
Accumulated amortization	(25,695)	(21,174)	(25,695)	(23,748)
Rights on sugarcane contracts (ii)	6,585	8,780	28,943	8,780
Rights on electricity agreements (iii)	-	-	103,402	103,401
Rights on electricity agreements - amortization (iii)	-	-	(52,354)	(40,001)
Other assets	1,814	9,744	12,709	17,367
	395,847	399,008	478,858	470,157

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

Impairment of nonfinancial assets

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

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

In thousands of reais, unless otherwise stated

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

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

Main assumptions used by the Company are as follows:

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

14. Borrowings

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

	Annual charges		Company		Consolidated	
Type	Rate	Index	December 31, 2018	March 31, 2018	December 31, 2018	March 31, 2018
Local currency						
Export credit notes	105.16%	CDI	293,280	397,336	293,280	397,336
BNDES credit facilities	2.45%	+ TJLP	240,146	99,706	245,089	154,399
BNDES credit facilities	5.68%	+ IPCA	1,535	-	1,535	-
BNDES credit facilities	4.00%	-	284,442	249,405	290,009	366,064
BNDES credit facilities	3.97%	+ SELIC	256	71	256	258
Rural credit	7.73%	-	677,084	339,314	677,084	444,573
FINEP	4.00%	-	109,763	83,508	109,763	83,508
Agribusiness Receivables Certificate (CRA)	98.02%	CDI	956,193	947,472	956,193	947,472
Agribusiness Receivables Certificate (CRA)	4.88%	+ IPCA	431,755	413,077	431,755	413,077
Other securitized credits	4.42%	+ IGP-M	16,046	29,274	16,046	29,274
Total in local currency *(i)*	99.48%	CDI	3,010,500	2,559,163	3,021,010	2,835,961
In foreign currency						
Pre-export financing (PPE)	3.10%	+ Libor	389,482	734,471	389,482	734,471
Pre-export financing (PPE)	4.46%		486,637	-	486,637	-
International Finance Corporation (IFC) *(b)*	1.70%	+ Libor	350,762	303,797	350,762	303,797
FINEM	2.98%	Cesta Moedas	28,213	15,036	28,213	42,567
Export credit notes (NCE)			-	8,101	-	8,101
Total in foreign currency	4.59%	-	1,255,094	1,061,405	1,255,094	1,088,936
TOTAL			4,265,594	3,620,568	4,276,104	3,924,897
Current			694,751	574,569	698,297	686,630
Noncurrent			3,570,843	3,045,999	3,577,807	3,238,267

(i) The total costs of debt in domestic and foreign currency were calculated based on the duration of DI and Libor portfolios and curves at the date of the current quarterly information.

In thousands of reais, unless otherwise stated

Changes in borrowings for the period are as follows:

	Company		Consolidated	
Changes in debt	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Balance at March 31	3,620,568	3,174,394	3,924,897	3,719,060
Financing taken out	1,153,510	1,031,703	1,153,510	1,155,785
Amortization of principal	(995,585)	(631,224)	(998,221)	(873,086)
Amortization of taxes	(175,770)	(151,817)	(176,388)	(182,847)
Monetary restatement	247,870	186,405	248,505	216,198
Foreign exchange differences	123,801	56,144	123,801	56,144
Usina Boa Vista Incorporation	291,200	-	-	-
	4,265,594	3,665,605	4,276,104	4,091,254

Noncurrent borrowings mature as follows:

	Company	Consolidated
From 01/01/2020 to 12/31/2020	1,023,445	1,026,963
From 01/01/2021 to 12/31/2021	671,899	673,830
From 01/01/2022 to 12/31/2022	370,269	371,406
From 01/01/2023 to 12/31/2023	747,482	747,860
After 01/01/2024	757,748	757,748
	3,570,843	3,577,807

At December 31, 2018, R$ 1,536,203 of the Group's debt is charged, with 56% in equipment, edifications and buildings, 16% corporative endorsement, 21% in receivables, 5% in land and 1% in others.

Covenants

The Company has covenants amounting to R$ 1,571,727, which are required and determined annually, the conditions of which are met for the period ended December 31, 2018.

In thousands of reais, unless otherwise stated

15. Trade accounts payable

	Company		Consolidated	
	December 31, 2018	March 31, 2018	December 31, 2018	March 31, 2018
Sugarcane	158,637	55,031	149,615	71,540
Materials, services and others	63,087	56,862	62,650	82,606
	221,724	111,893	212,265	154,146

Out of the total trade accounts payable, R$ 11,433 and R$ 2,214 Company and Consolidated, respectively (At March 31, 2018, R$ 7,956 and R$ 2,586 Company and Consolidated, respectively) refer to related parties, as detailed in Note 9.

16. Agreements with Copersucar

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

(a) Obligations:

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

Company and Consolidated	December 31, 2018	March 31, 2018
REFIS - Copersucar - Restated by reference to SELIC	80,201	89,197
Exchange Bill (LC) - Restated by reference to SELIC	62,998	62,004
Exchange Bill (LC) - Transfer of funds without incurring losses	48,547	48,547
Expenses with tax proceedings	8,583	8,583
Other	2,039	2,039
Total	202,368	210,370
Current liabilities	8,583	8,583
Noncurrent liabilities	193,785	201,787

São Martinho

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

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

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

(b) Rights:

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

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

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

17. Equity

(a) Capital

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

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

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

(b) Treasury shares

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

During the period ended December 31, 2018, there were no treasury stock exchanges, remaining the balance of 13,208,663 shares.

(c) Equity adjustments

(i) Deemed cost

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

(ii) Hedge accounting fair value

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

(d) Income reserve

Legal reserve

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

Capital investment reserve

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

Unrealized income reserve

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

Tax incentive reserve

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

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

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

The amount of this incentive that impacted profit or loss for the period ended December 31, 2018 was R$ 50,730, Company and Consolidated (R$ 41,936 at December 31, 2017, Consolidated).

(e) Dividends

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

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

(f) Stock option plan

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

(g) Capital reserve

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

18. Profit sharing program

The Company manages, as part of its policy, a profit sharing program based on operating and financial targets previously agreed upon with its employee. The amount of profit sharing for the periods ended December 31, 2018 and 2017, recorded as operating costs or expenses in the income statement totaled R$ 43,134 and R$ 34,060, respectively, in the Company (Consolidated - R$ 43,158 e R$ 43,299) respectively.

19. Income and social contribution taxes

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

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

(a) Balance Composition

In thousands of reais, unless otherwise stated

	Company		Consolidated	
	December 31, 2018	March 31, 2018	December 31, 2018	March 31, 2018
Current Assets				
. Income and social contribution taxes (IRPJ and CSLL) antecipation	-	5,795	-	9,687
. Income and social contribution taxes (IRPJ and CSLL) recoverable	101,339	-	101,340	-
	101,339	**5,795**	**101,340**	**9,687**
Noncurrent Assets				
. Income and social contribution taxes (IRPJ and CSLL) recoverable	-	117,442	-	117,442
In current liabilities - current debits				
. Income and social contribution taxes (IRPJ and CSLL)	-	-	5,474	4,167

(b) Deferred income and social contribution taxes

		Quarter		
Consolidated	September 30, 2018	Recognized in P&L	Recognized in equity	December 31, 2018
. Income and social contribution tax losses	73,581	(49,707)	-	23,874
. Derivative financial instruments	106,554	2,174	(11,129)	97,599
. Provision for contingencies	33,179	(8,209)	-	24,970
. Biological assets and agricultural product (change in fair value)	31,823	4,451	-	36,274
. Provision for other obligations	9,622	2,643	-	12,265
. Other assets	965	2,799	-	3,764
Total income and social contribution tax assets	255,724	(45,849)	(11,129)	198,746
. Surplus of PPE (Deemed cost)	(158,445)	2,323	-	(156,122)
. Accelerated depreciation incentive	(265,297)	328	-	(264,969)
. Tax benefit on merged goodwill	(145,517)	(7,330)	-	(152,847)
. Gain on bargain purchase/surplus value - PPA	(59,084)	10,297	-	(48,787)
. Foreign exchange differences	(80,899)	47,745	-	(33,154)
. Divestiture with deferred taxation	(18,973)	-	-	(18,973)
. Securitized financing	(12,180)	1,843	-	(10,337)
. Present value adjustment	(328)	74	-	(254)
Total income and social contribution tax liabilities	(740,723)	55,280	-	(685,443)
Deferred income and social contribution taxes	(484,999)	9,431	(11,129)	(486,697)

In thousands of reais, unless otherwise stated

Consolidated	September 30, 2018	Quarter: Recognized in P&L	Quarter: Recognized in Equity	Quarter: Consolidation adjustment - energy contracts rights	December 31, 2018
. Income and social contribution tax losses	73,580	(49,707)	-	-	23,873
. Derivative financial instruments	106,555	2,174	(11,129)	-	97,600
. Provision for contingencies	33,180	(8,209)	-	-	24,971
. Biological assets and agricultural product (change in fair value)	31,825	4,451	-	-	36,276
. Employees participations in income and bonus	508	(508)	-	-	-
. Provision for other obligations	9,603	3,151	-	-	12,754
. Other assets	842	2,848	-	-	3,690
Total income and social contribution tax assets	256,093	(45,800)	(11,129)	-	199,164
. Surplus of PPE (Deemed cost)	(640,591)	2,349	-	-	(638,242)
. Accelerated depreciation incentive	(265,296)	328	-	-	(264,968)
. Tax benefit on merged goodwill	(145,517)	(7,330)	-	-	(152,847)
. Gain on bargain purchase/surplus value - PPA	(59,084)	10,297	-	-	(48,787)
. Foreign exchange differences	(80,899)	47,745	-	-	(33,154)
. Divestiture with deferred taxation	(18,973)	-	-	-	(18,973)
. Securitized financing	(12,180)	1,843	-	-	(10,337)
. Present value adjustment	(327)	75	-	-	(252)
. Others liabilities	219	(219)	-	-	-
. Intangible assets	(19,184)	-	-	423	(18,761)
. Gain by CTC relative participation change	(4,964)	-	-	-	(4,964)
Total income and social contribution tax liabilities	(1,246,796)	55,088	-	423	(1,191,285)
Deferred income and social contribution taxes	(990,703)	9,288	(11,129)	423	(992,121)
Others taxes deferred	(526)	-	-	-	(526)

Company	March 31, 2018	Half-year: Recognized in P&L	Half-year: Recognized in other comprehensive income	Half-year: Recognized in equity	December 31, 2018
. Income and social contribution tax losses	24,206	(332)	-	-	23,874
. Derivative financial instruments	27,727	3,036	66,836	-	97,599
. Provision for contingencies	23,197	(85)	-	1,857	24,969
. Biological assets and agricultural product (change in fair value)	35,159	4,590	-	(3,475)	36,274
. Provision for other obligations	7,175	5,071	-	20	12,266
. Other assets	6,429	(2,633)	-	(33)	3,763
Total income and social contribution tax assets	123,893	9,647	66,836	(1,631)	198,745
. Surplus of PPE (Deemed cost)	(162,391)	7,652	-	(1,383)	(156,122)
. Accelerated depreciation incentive	(180,591)	(34,863)	-	(49,515)	(264,969)
. Tax benefit on merged goodwill	(130,858)	(21,989)	-	-	(152,847)
. Gain on bargain purchase/surplus value - PPA	(52,669)	3,882	-	-	(48,787)
. Foreign exchange differences	(8,667)	(24,487)	-	-	(33,154)
. Divestiture with deferred taxation	(18,973)	-	-	-	(18,973)
. Securitized financing	(13,587)	3,250	-	-	(10,337)
. Present value adjustment	(600)	347	-	-	(253)
Total income and social contribution tax assets	(568,336)	(66,208)	-	(50,898)	(685,442)
Deferred income and social contribution taxes	(444,443)	(56,561)	66,836	(52,529)	(486,697)

In thousands of reais, unless otherwise stated

Consolidated	March 31, 2018	Half-year: Recognized in P&L	Half-year: Recognized in equity	Half-year: Consolidation adjustment - energy contracts rights	December 31, 2018
. Income and social contribution tax losses	24,205	(332)	-	-	23,873
. Derivative financial instruments	27,728	3,036	66,836	-	97,600
. Provision for contingencies	25,056	(85)	-	-	24,971
. Biological assets and agricultural product (change in fair value)	31,686	4,590	-	-	36,276
. Employees participations in income and bonus	508	(508)	-	-	-
. Provision for other obligations	7,175	5,579	-	-	12,754
. Other assets	5,905	(2,215)	-	-	3,690
Total income and social contribution tax assets	122,263	10,065	66,836	-	199,164
. Surplus of PPE (Deemed cost)	(646,075)	7,833	-	-	(638,242)
. Accelerated depreciation incentive	(230,105)	(34,863)	-	-	(264,968)
. Tax benefit on merged goodwill	(130,858)	(21,989)	-	-	(152,847)
. Gain on bargain purchase/surplus value - PPA	(52,669)	3,882	-	-	(48,787)
. Foreign exchange differences	(8,667)	(24,487)	-	-	(33,154)
. Divestiture with deferred taxation	(18,973)	-	-	-	(18,973)
. Securitized financing	(13,587)	3,250	-	-	(10,337)
. Present value adjustment	(599)	347	-	-	(252)
. Others liabilities	(151)	151	-	-	-
. Intangible Assets	(23,012)	-	-	4,251	(18,761)
. Gain by CTC relative participation change	(4,964)	-	-	-	(4,964)
Total income and social contribution tax liabilities	(1,129,660)	(65,876)	-	4,251	(1,191,285)
Deferred income and social contribution taxes	(1,007,397)	(55,811)	66,836	4,251	(992,121)
Others taxes deferred	(526)	-	-	-	(526)

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

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

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

In thousands of reais, unless otherwise stated

(c) Reconciliation of income and social contribution taxes

	Company			
	December 31, 2018		December 31, 2017	
	Quarter	Half-Year	Quarter	Half-Year
Pretax income	77,164	285,677	201,612	385,129
Income and social contribution taxes at nominal rates (34%)	(26,236)	(97,130)	(68,548)	(130,944)
Adjustments for calculation of effective tax rate:				
. Equity	7,556	34,253	33,665	81,398
. Exclusion/(Additions) net	(615)	(642)	1,418	4,945
. State subvention	7,583	17,249	-	-
. IRPJ and CSLL previously unused credits recorded	-	(11,118)	-	(2,654)
. Others	(28)	(35)	6	23
. State Subsidy	505	181	330	474
Income and social contribution tax expense	(11,235)	(57,242)	(33,129)	(46,758)
Current income and social contribution taxes	(20,666)	(681)	(17,166)	(30,994)
Deferred income and social contribution taxes	9,431	(56,561)	(15,963)	(15,764)
Income and social contribution tax effective rate	14.6%	20.0%	16.4%	12.1%

	Consolidado			
	December 31, 2018		December 31, 2017	
	Quarter	Half-Year	Quarter	Half-Year
Pretax income	78,838	291,595	216,454	430,439
Income and social contribution taxes at nominal rates (34%)	(26,805)	(99,142)	(73,594)	(146,349)
Adjustments for calculation of effective tax rate:				
. Equity	176	89	(70)	(681)
. Exclusion/(Additions) net	(615)	(642)	1,222	4,644
. State subvention	7,583	17,249	8,109	14,259
. Controlled company adjustment - taxed by presumided profit	6,055	30,039	10,552	32,481
. IRPJ and CSLL previously unused credits recorded	-	(11,118)	-	(2,656)
. Usage of Tax Prejudice of subsidiary	-	-	4,851	4,851
. Others	191	182	10	289
. Tax incentives	506	183	949	1,094
Income and social contribution tax expense	(12,909)	(63,160)	(47,971)	(92,068)
Current income and social contribution taxes	(22,197)	(7,349)	(29,768)	(56,816)
Deferred income and social contribution taxes	9,288	(55,811)	(18,203)	(35,252)
Income and social contribution tax effective rate	16.4%	21.7%	22.2%	21.4%

20. Commitments

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

Riparian forests and land for legal reserve

he 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.

Electricity supply

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

Purchase of inputs

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

21. Provision for contingencies

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

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	Tax	environmental	Labor	TOTAL	Judicial deposits
Balance as of March 31, 2018	12,665	5,698	51,733	70,096	24,150
UBV Incorporation	3,194	21,420	4,011	28,625	4,349
Additions	466	607	12,981	14,054	4,381
Reversals	(801)	(769)	(4,829)	(6,399)	-
Use	(4,358)	(1,052)	(11,816)	(17,226)	(8,235)
Restatements	3,918	2,456	4,254	10,628	1,481
Balance at December 31, 2018	15,084	28,360	56,334	99,778	26,126

Consolidated	Tax	environmental	Labor	TOTAL	Judicial deposits
Balance as of March 31, 2018	15,868	27,511	55,743	99,122	28,673
Additions	466	607	12,981	14,054	4,382
Reversals	(805)	(769)	(4,830)	(6,404)	-
Use	(4,358)	(1,052)	(11,816)	(17,226)	(8,235)
Restatements	3,914	2,491	4,255	10,660	1,481
Balance at December 31, 2018	15,085	28,788	56,333	100,206	26,301

Judicial deposits are monetarily restated and reported in noncurrent assets.

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

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

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

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

In thousands of reais, unless otherwise stated

21.2 Possible losses

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

		Company				Consolidated			
		December 31, 2018		March 31, 2018		December 31, 2018		March 31, 2018	
Nature		Number of proceedings	Amount	Number of proceedings	Amount	Number of proceedings	Amount	Number of proceedings	Amount
Tax									
Social security contribution	(i)	17	212,373	15	199,114	17	212,373	15	199,114
Calculation of IRPJ/CSLL	(ii)	5	273,098	5	258,010	5	273,098	5	258,010
Offset of federal taxes	(iii)	63	104,286	65	89,061	64	104,448	66	89,214
ICMS	(iv)	13	27,417	9	12,832	13	27,417	10	24,352
Other tax proceedings	(v)	14	1,804	10	1,373	14	1,804	11	1,373
Civil									
Indemnities		35	25,158	15	4,211	35	25,158	15	4,211
Review of contracts		6	6,795	4	5,857	8	6,838	8	5,912
Other civil proceedings		22	153	14	70	22	153	15	71
Environmental		62	8,839	43	7,645	62	8,839	43	7,645
Labor		50	1,635	17	61	50	1,635	20	61
TOTAL		287	661,558	197	578,234	290	661,763	208	589,963

Tax proceedings:

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

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

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

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

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

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

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

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

22. Risk management and derivative financial instruments

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

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

22.1 Market risks

(a) Currency risk

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

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

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

The table below summarizes foreign currency-denominated assets and liabilities (in US dollars - US$), recorded in the consolidated statement of financial position at December 31, 2018:

In thousands of reais, unless otherwise stated

Consolidated	December 31, 2018	Thousands of US$ equivalent
Current and noncurrent assets		
Cash and cash equivalents (banks - demand deposits)	150,416	38,819
Trade accounts receivable	45,874	11,839
Derivative financial instruments	79,686	20,565
Total assets	275,976	71,223
Current and noncurrent liabilities:		
Loans and financing	1,255,094	323,962
Derivative financial instruments	56,596	14,608
Total liabilities	1,311,690	338,570
Subtotal assets (liabilities)	(1,035,714)	(267,347)
(-) Borrowings linked to exports - ACC and PPE	876,119	226,142
Net exposure - assets	(159,595)	(41,205)

These assets and liabilities were restated and recorded in the quarterly information at December 31, 2018 at the exchange rate in effect on that date, of R$ 4.8748 per US$ 1.00 for assets and R$ 4,8742 per US$ 1.00 for liabilities.

(b) Commodity price volatility risk

The Company is exposed to the risk of changes in commodity price of manufactured products such as sugar and ethanol. At December 31, 2018, the prices of, 307,413 tons of sugar had been determined with commercial partners for delivery in 18/19 crop, priced at an average of 13.61 ¢/lb (US dollar cents per pound weight), including polarization premium.

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

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

In thousands of reais, unless otherwise stated

(d) Market risk sensitivity analysis

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

		Impacts on P&L		
Consolidated	Risk factor	Probable scenarios - 5%	Possible scenarios - 25%	Possible scenarios - 50%
Cash and cash equivalents	Decrease in exchange rate - R$/US$	(3,671)	(18,355)	(36,710)
Trade accounts receivable	Decrease in exchange rate - R$/US$	(2,294)	(11,470)	(22,941)
Borrowings	Increase in exchange rate - R$/US$	(159)	(794)	(1,588)
Derivative financial instruments				
. Term currency contracts	Increase in yield curve	(510)	(1,276)	(2,555)
Net exposure		(6,634)	(31,895)	(63,794)

(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.

(e) Financial instruments

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

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

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

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

In thousands of reais, unless otherwise stated

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

	December 31, 2018			
Consolidated	Contracted amount/volume	Average price/rate	Notional value - R$	Fair value - R$
In current assets - Gain				
Margin deposit				477
Merchandise futures contracts - Sugar #11 - Commodities Exchange				
. Sale commitment	209,966	14.08	252,543	35,964
. Purchase commitment	24,487	11.53	24,118	1,093
Merchandise futures contracts - Ethanol				
. Sale commitment	54,060	1,835.22	99,212	-
Merchandise forward contracts - Sugar #11				
. Sale commitment	60,963	13.19	68,690	4,475
Merchandise forward currency contracts (NDF) - Dollar - OTC				
. Sale commitment	43,636	4.1836	182,556	10,119
Merchandise options contracts - Sugar #11 - Commodities Exchange				
. Bidding position in puts options	64,519	13.54	74,626	9,283
Merchandise flexive options contracts - Dollar - OTC				
. Bidding position in puts options	25,944	3.6926	95,801	2,515
Swap contracts - interest - OTC				6,760
Total derivative financial instruments in current assets				70,686
In noncurrent assets - Gain				
Merchandise futures contracts - Sugar #11 - Commodities Exchange				
. Sale commitment	1,829	13.90	2,172	117
Merchandise forward currency contracts (NDF) - Dollar - OTC				
. Sale commitment	2,540	13.81	2,996	139
Merchandise options contracts - Sugar #11 - Commodities Exchange				
. Sale commitment	13,762	4.3226	59,488	3,974
Merchandise flexive options contracts - Dollar - OTC				
. Bidding position in puts options	17,527	13.35	19,988	1,822
Swap contracts - interest - OTC				2,948
Total derivative financial instruments in noncurrent assets				9,000

In thousands of reais, unless otherwise stated

Consolidated	December 31, 2018 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	96,372	11.85	97,556	3,715
. Purchase commitment	166,733	13.21	188,151	16,772
Merchandise forward currency contracts (NDF) - Dollar - OTC				
. Sale commitment	95,456	3.7622	359,125	15,498
. Purchase commitment	11,655	3.9260	45,758	513
Merchandise options contracts - Sugar #11 - Commodities Exchange				
. Bidding position in call options	64,519	14.71	81,074	1,161
Merchandise flexive options contracts - Dollar - OTC				
. Bidding position in call options	25,944	3.8735	100,494	5,366
Swap contracts - interest - OTC				4,156
Total derivative financial instruments in current liabilities				47,181
In noncurrent liabilities - Loss				
Merchandise futures contracts - Sugar #11 - Commodities Exchange				
. Sale commitment	21,286	12.58	22,875	1,030
Merchandise forward currency contracts (NDF) - Dollar - OTC				
. Sale commitment	2,731	3.9445	10,772	142
Merchandise options contracts - Sugar #11 - Commodities Exchange				
. Bidding position in call options	17,527	14.58	21,830	946
Swap contracts - interest - OTC				7,297
Total derivative financial instruments in noncurrent liabilities				9,415

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

In thousands of reais, unless otherwise stated

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

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

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

At December 31, 2018, financial instruments designated for hedge accounting are broken down as follows:

Company and Consolidated	Assets	Liabilities	TOTAL in other comprehensive income
Financial instruments:			
Commodity derivatives - Futures, options and forward contracts	57,651	33,387	24,264
Foreign exchange derivatives - Options / NDF	15,912	22,855	(6,943)
Foreign exchange differences on borrowing agreements (Trade Finance)	-	298,410	(298,410)
	-	3,143	(3,143)
	73,563	357,795	(284,232)
Deferred taxes on the items above	(25,011)	(121,649)	96,638
	48,552	236,146	(187,594)

In thousands of reais, unless otherwise stated

(f) Estimated realization

At December 31, 2018, impacts reported in the Company's equity and estimated realization in the income statement are as follows:

Company and Consolidated	18/19 Crop	Crops 19/20 and 20/21	Crops 21/22 and 22/23	From 22/23 crops to 25/26	TOTAL
Derivative financial instruments:					
Commodity derivatives - Futures, options and forward contracts	18,737	5,527	-	-	24,264
Foreign exchange derivatives - Options / NDF	(16,782)	9,839	-	-	(6,943)
Foreign exchange differences on borrowing agreements (Trade Financ	(1,001)	(16,087)	(122,475)	(158,847)	(298,410)
Swap Contracts	-	(3,143)	-	-	(3,143)
	954	(3,864)	(122,475)	(158,847)	(284,232)
Deferred taxes on the items above	(324)	1,314	41,642	54,006	96,638
	630	(2,550)	(80,833)	(104,841)	(187,594)

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 3 years	Above 3 years	Total
At December 31, 2018				
Loans and financing	694,751	1,695,344	1,875,499	4,265,594
Derivative financial instruments	47,181	9,415	-	56,596
Trade accounts payable	221,724	-	-	221,724
Acquisition of ownership interest	11,734	23,240	15,270	50,244
Other liabilities	18,022	-	11,711	29,733
	993,412	1,727,999	1,902,480	4,623,891
At March 31, 2018				
Loans and financing	574,569	1,627,291	1,418,708	3,620,568
Derivative financial instruments	8,862	930	-	9,792
Trade accounts payable	111,893	-	-	111,893
Acquisition of ownership interest	11,746	23,240	15,270	50,256
Other liabilities	18,693	-	14,542	33,235
	725,763	1,651,461	1,448,520	3,825,744

Consolidated	Within 1 year	From 1 to 2 years	From 2 to 5 years	Total
At December 31, 2018				
Loans and financing	698,297	1,700,793	1,877,014	4,276,104
Derivative financial instruments	47,181	9,415	-	56,596
Trade accounts payable	212,265	-	-	212,265
Acquisition of ownership interest	11,734	23,240	15,270	50,244
Other liabilities	27,621	-	11,711	39,332
	997,098	1,733,448	1,903,995	4,634,541
At March 31, 2018				
Loans and financing	686,630	1,779,745	1,458,522	3,924,897
Derivative financial instruments	8,862	930	-	9,792
Trade accounts payable	154,146	-	-	154,146
Acquisition of ownership interest	11,746	23,240	15,270	50,256
Other liabilities	28,287	-	14,542	42,829
	889,671	1,803,915	1,488,334	4,181,920

22.4 Capital management

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

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

In thousands of reais, unless otherwise stated

23. Financial instrument classification and fair value

23.1 Classification

Financial assets and liabilities are classified as follows:

		Company	
	Classification	December 31, 2018	March 31, 2018
Financial assets			
Cash and cash equivalents	Amortized Cost	151,978	139,622
Short-term investments	Fair value through profit or loss	1,034,181	978,491
Trade accounts receivable	Amortized Cost	258,618	66,813
Derivative financial instruments	Fair value through Other comprehensive income	69,978	58,446
Derivative financial instruments	Fair value through profit or loss	9,708	11,516
Transactions with related parties	Amortized Cost	23,556	6,527
Other assets, except for prepayments	Amortized Cost	6,877	9,082
		1,554,896	1,270,497
Financial liabilities			
Borrowings	Fair value through profit or loss	16,046	29,274
Borrowings	Amortized Cost	4,249,548	3,591,294
Derivative financial instruments	Fair value through Other comprehensive income	45,143	8,844
Derivative financial instruments	Fair value through profit or loss	11,453	948
Trade accounts payable	Amortized Cost	221,724	111,893
Acquisition of ownership interests	Amortized Cost	50,244	50,256
Other liabilities	Amortized Cost	29,733	33,235
		4,623,891	3,825,744

		Consolidated	
	Classification	December 31, 2018	March 31, 2018
Financial assets			
Cash and cash equivalents	Amortized Cost	152,618	140,865
Short-term investments	Fair value through profit or loss	1,068,515	1,371,520
Trade accounts receivable	Amortized Cost	316,037	202,762
Derivative financial instruments	Fair value through Other comprehensive income	69,978	61,274
Derivative financial instruments	Fair value through profit or loss	9,708	11,516
Other assets, except for prepayments	Amortized Cost	8,523	7,080
		1,625,379	1,795,017
Financial liabilities			
Borrowings	Fair value through profit or loss	16,046	29,274
Borrowings	Amortized Cost	4,260,058	3,895,623
Derivative financial instruments	Fair value through Other comprehensive income	45,143	8,844
Derivative financial instruments	Fair value through profit or loss	11,453	948
Trade accounts payable	Amortized Cost	212,265	154,146
Acquisition of ownership interests	Amortized Cost	50,244	50,256
Other liabilities	Amortized Cost	39,332	42,829
		4,634,541	4,181,920

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.

In thousands of reais, unless otherwise stated

23.2 Fair value

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

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

For the period ended December 31, 2018, there is no reclassification of assets and liabilities at fair value from or to Level 1, 2 or 3.

As per statement of financial position - Consolidated	December 31, 2018			March 31, 2018		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets						
Short-term investments	-	1,068,515	-	-	1,371,520	-
Derivative financial instruments	48,279	31,407	-	50,658	22,132	-
Biological assets	-	-	571,543	-	-	581,725
	48,279	1,099,922	571,543	50,658	1,393,652	581,725
Liabilities - Derivative financial instruments	23,624	32,972	-	5,873	3,919	-

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

<u>Foreign exchange options</u>
The fair value of foreign exchange options is obtained using the “Black 76” method, based on public market data and characteristics thereof, specifically the price of the underlying asset, strike of options, volatility, yield curve and time remaining until expiration of the agreements.

Forward contracts

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

Other financial assets and liabilities

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

24. Segment reporting (consolidated)

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

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

(i) Sugar;
(ii) Ethanol;
(iii) Electricity;
(iv) Real estate transactions; and
(v) Other products and by-products of lesser importance.

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

In thousands of reais, unless otherwise stated

Consolidated income statement by segment

Consolidated	Sugar	Ethanol	Electricity	Real estate ventures	Other products	Not by segment	Total
							December 31, 2018
Gross revenue							
Domestic market	106,299	1,385,860	215,281	3,771	51,339	-	1,762,550
Foreign market	583,575	85,197	-	-	-	-	668,772
Gain/loss on derivatives	45,684	659	-	-	-	-	46,343
Amortization of electric power supply agreement	-	-	-	-	-	(8,153)	(8,153)
(-)Taxes, contributions and deductions on sales	(6,675)	(198,251)	(17,791)	(1,048)	(9,076)	-	(232,841)
Net revenue	728,883	1,273,465	197,490	2,723	42,263	(8,153)	2,236,671
Cost of sales	(533,912)	(971,095)	(35,538)	(200)	(27,899)	-	(1,568,644)
Change in market value of biological assets	-	-	-	-	-	(3,840)	(3,840)
Gross profit	194,971	302,370	161,952	2,523	14,364	(11,993)	664,187
Gross margin	26.75%	23.74%	82.01%	92.66%	33.99%	-	29.70%
Selling expenses	(45,563)	(12,624)	(7,583)	-	(801)	-	(66,571)
Other operating expenses	-	-	-	-	-	(134,815)	(134,815)
Operating income	149,408	289,746	154,369	2,523	13,563	(146,808)	462,801
Operating margin	20.50%	22.75%	78.17%	92.66%	32.09%	-	20.69%
Other income and expenses not by segment	-	-	-	-	-	(234,366)	(234,366)
Net income for the year	-	-	-	-	-	-	228,435

Consolidated	Sugar	Ethanol	Electricity	Real estate ventures	Other products	Not by segment	Total
							December 31, 2017
Gross revenue							
Domestic market	153,467	1,127,117	217,941	5,588	45,727	-	1,549,840
Foreign market	958,792	16,688	-	-	4,739	-	980,219
Gain/loss on derivatives	49,534	-	-	-	99	-	49,633
Amortization of electric power supply agreement	-	-	-	-	-	(8,210)	(8,210)
(-)Taxes, contributions and deductions on sales	(13,664)	(208,971)	(16,746)	(1,062)	(9,681)	-	(250,124)
Net revenue	1,148,129	934,834	201,195	4,526	40,884	(8,210)	2,321,358
Cost of sales	(742,011)	(714,075)	(35,486)	(319)	(31,990)	-	(1,523,881)
Change in market value of biological assets	-	-	-	-	-	(12,988)	(12,988)
Gross profit	406,118	220,759	165,709	4,207	8,894	(21,198)	784,489
Gross margin	35.37%	23.61%	82.36%	92.95%	21.75%	-	33.79%
Selling expenses	(71,322)	(6,363)	(7,355)	-	(503)	-	(85,543)
Other operating expenses	-	-	-	-	-	(138,742)	(138,742)
Operating income	334,796	214,396	158,354	4,207	8,391	(159,940)	560,204
Operating margin	29.16%	22.93%	78.71%	92.95%	20.52%	-	24.13%
Other income and expenses not by segment	-	-	-	-	-	(221,833)	(221,833)
Net income for the year	334,796	214,396	158,354	4,207	8,391	(381,773)	338,371

Consolidated operating assets by segment

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

	Sugar	Ethanol	Electricity	Real estate ventures	Not by segment	Total
						December 31, 2018
Trade accounts receivable	60,126	137,515	71,286	32,560	14,550	316,037
Inventories	478,111	754,916	-	8,160	5,373	1,246,560
Biological assets	191,227	380,316	-	-	-	571,543
Property, plant and equipment	2,024,229	3,097,032	129,030	-	11,216	5,261,507
Intangible assets	250,035	177,775	51,048	-	-	478,858
Total assets allocated	3,003,728	4,547,554	251,364	40,720	31,139	7,874,505
Other unallocated assets	-	-	-	-	1,592,753	1,592,753
Total	3,003,728	4,547,554	251,364	40,720	1,623,892	9,467,258

In thousands of reais, unless otherwise stated

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

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

25. Revenues

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

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

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

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

(a) Sales of products and rendering of services

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

In thousands of reais, unless otherwise stated

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

As of December 31, 2018, the Company had clients representing more than 10% of its net revenues. The Company's three largest customers of sugar sales account for about 20% of net revenue; while for the ethanol sold, the three largest customers account for 38%.

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

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

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

	Company				Consolidated			
	December 31, 2018		December 31, 2018		December 31, 2017		December 31, 2017	
	Quarter	Half-Year	Quarter	Half-Year	Quarter	Half-Year	Quarter	Half-Year
Gross sales revenue								
Domestic market	631,251	1,662,572	310,905	801,508	652,152	1,762,550	619,112	1,549,840
Foreign market	244,700	668,772	293,198	980,219	244,700	668,772	293,198	980,219
Gain/loss on derivatives	32,634	46,343	59,449	49,633	32,633	46,343	59,449	49,633
	908,585	2,377,687	663,552	1,831,360	929,485	2,477,665	971,759	2,579,692
Amortization of electric power supply agreement (i)	-	-	-	-	(808)	(8,153)	(1,436)	(8,210)
	908,585	2,377,687	663,552	1,831,360	928,677	2,469,512	970,323	2,571,482
Taxes, contributions and deductions on sales	(86,672)	(226,181)	(42,452)	(173,556)	(87,899)	(232,841)	(75,256)	(250,124)
	821,913	2,151,506	621,100	1,657,804	840,778	2,236,671	895,067	2,321,358

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

26. Costs and expenses by nature

Reconciliation of expenses by nature is as follows:

In thousands of reais, unless otherwise stated

	Company				Consolidated			
	December 31, 2018		December 31, 2017		December 31, 2018		December 31, 2017	
	Quarter	Half-Year	Quarter	Half-Year	Quarter	Half-Year	Quarter	Half-Year
Raw material and consumer and in-use materials	230,270	599,414	164,342	501,197	219,678	571,250	192,894	568,436
Personnel expenses	102,230	277,572	77,937	228,175	102,895	279,591	99,652	282,160
Depreciation and amortization (including biological assets harvested)	257,612	644,552	154,061	430,989	258,761	648,085	219,619	606,231
Third-party services	34,870	89,829	35,352	102,137	34,738	88,104	38,073	108,777
Maintenance services and parts	27,344	70,178	19,108	54,977	27,365	70,357	28,161	76,529
Litigation	1,288	6,837	3,584	6,847	1,284	6,833	4,151	7,398
Change in fair value of biological assets	3,504	3,916	(1,319)	25,677	3,428	3,840	3,651	12,988
Materials for resale	3,700	14,715	3,792	10,986	8,359	21,015	6,298	19,075
Cost with land sales	-	-	-	-	17	200	166	319
Other expenses	30,313	87,879	13,627	29,187	31,308	94,104	32,892	78,556
	691,131	1,794,892	470,484	1,390,172	687,833	1,783,379	625,557	1,760,469
Classified as:								
Cost of sales	624,715	1,592,149	409,200	1,209,598	619,815	1,572,484	549,944	1,536,869
Selling expenses	23,345	64,975	25,209	74,262	23,985	66,571	28,611	85,543
General and administrative expenses	43,071	137,768	36,075	106,312	44,033	144,324	47,002	138,057
	691,131	1,794,892	470,484	1,390,172	687,833	1,783,379	625,557	1,760,469

27. Finance income (costs)

	Company				Consolidated			
	December 31, 2018		December 31, 2018		December 31, 2017		December 31, 2017	
	Quarter	Half-Year	Quarter	Half-Year	Quarter	Half-Year	Quarter	Half-Year
Finance income								
Interest received and earned	18,426	64,964	15,941	72,640	20,335	71,306	22,927	98,548
PIS/COFINS on finance income	(959)	(3,415)	392	(4,082)	(946)	(3,489)	123	(5,053)
Other revenues	2,269	8,579	900	5,726	2,293	11,323	1,785	7,436
	19,736	70,128	17,233	74,284	21,682	79,140	24,835	100,931
Finance costs								
Present value adjustment	(228)	(1,028)	(251)	(1,972)	(228)	(1,028)	(251)	(1,972)
Interest on borrowings	(62,837)	(189,482)	(59,182)	(180,174)	(63,037)	(190,114)	(67,976)	(207,628)
Interest paid and earned	(9,146)	(20,515)	(5,575)	(21,116)	(9,164)	(20,535)	(6,757)	(23,869)
Bank surety commission	(508)	(2,043)	(1,083)	(7,950)	(508)	(2,043)	(1,115)	(8,220)
Copersucar bonds	(2,461)	(7,660)	(6,898)	(13,967)	(2,461)	(7,660)	(6,898)	(13,967)
Other costs	(3,068)	(15,610)	(3,340)	(5,956)	(3,078)	(15,656)	(4,520)	(8,856)
	(78,248)	(236,338)	(76,329)	(231,135)	(78,476)	(237,036)	(87,517)	(264,512)
Availability	(6,916)	32,301	13,086	16,960	(6,916)	32,301	13,086	16,960
Costumers and Providers	(510)	6,051	418	(466)	(510)	6,051	417	(467)
Borrowings	(877)	(2,901)	(9,816)	13,003	(876)	(2,901)	(11,330)	10,834
	(8,303)	35,451	3,688	29,497	(8,302)	35,451	2,173	27,327
Derivatives - not designated for hedge accounting								
Gain (loss) on sugarcane transactions	(456)	(2,294)	(409)	(1,283)	(456)	(2,294)	(409)	(1,283)
Gain (loss) on ethanol transactions	83	(182)	277	226	83	(182)	277	226
Income from foreign exchange transactions	(14,176)	(43,450)	2,319	4,553	(14,176)	(43,450)	2,319	4,553
Gain (loss) on swap	4,716	(2,493)	5,759	3,723	4,716	(2,493)	5,709	4,283
Cost of stock exchange transactions	(53)	(189)	(193)	(559)	(53)	(189)	(193)	(559)
Foreign exchange differences, net	(44)	(153)	(117)	(731)	(44)	(153)	(117)	(731)
	(9,930)	(48,761)	7,636	5,929	(9,930)	(48,761)	7,586	6,489
Finance income (costs)	(76,745)	(179,520)	(47,772)	(121,425)	(75,026)	(171,206)	(52,923)	(129,765)

28. Earnings per share

	December 31, 2018		December 31, 2017			
	Basic and diluted profit		Basic profit		Diluted profit	
	Quarter	Half-Year	Quarter	Half-Year	Quarter	Half-Year
Income for the period attributed to Company shareholders	65,929	228,435	168,483	338,371	168,483	338,371
Weighted average number of common shares for the period - in thousand (i)	326,779	326,779	334,283	334,465	335,267	335,379
Earnings per share (in reais)	0.2018	0.6991	0.5040	1.0117	0.5025	1.0089

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

In thousands of reais, unless otherwise stated

29. Insurance coverage

The Group maintains a standard safety, training and quality program in its units, which aims, among other things, to reduce the risk of accidents. Furthermore, it maintains insurance contracts at amounts considered sufficient to cover significant losses, if any, on its assets and liabilities. The amounts covered by the current insurance policies at December 31, 2018 are as follows:

Company and Consolidates Covered perils	Maximum coverage (i)
Civil liability	4,436,815
Loss of profits	2,020,000
Other insurance coverage	385,929
Fire, lightning and explosion of any nature	2,584,640
Electric damages	1,729,487
Theft or larceny	192,000
Natural phenomena, vehicle or aircraft crash, etc.	3,303,561

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

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

30. Acquisition and divestiture – payable and receivables

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

	Acquisition of ownership interest	Divestiture	
Company and Consolidated	Santa Cruz	Agro Pecuária Boa Vista	Net balance
Balance at March 31, 2018	(187,730)	137,474	(50,256)
Monetary restatement	(8,738)	6,399	(2,339)
Amortization (interest)	8,781	(6,430)	2,351
Balance at December 31, 2018	(187,687)	137,443	(50,244)

Current Liabilities	(11,734)
Noncurrent Liabilities	(38,510)
	(50,244)

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

31. Subsequent Events

During the Extraordinary Shareholder's Meeting held on February 1st, 2019, the following measures were approved:

*(i)*Total split-off and incorporation of correspondent portions of Usina Santa Luiza S.A., with its consequent extinction.

Taking into consideration that USL is not an operational company, its complete split-up and the subsequent incorporation of shares by the Company aims to efficiently segregate its net equity in each of its shareholders, reducing administrative costs.

The split-off did not result in alterations in the Company's equity capital, in which the dividend assets were fully incorporated under the following unproportional manner: (i) 66.67% of Copersucar's assets and liabilities and of Advances for Future Capital Increase; and (ii) 100% of other known USL's assets and liabilities. Additionally, the Company has remained with the contractual obligation to carry out the transfer of resources to Cosan S.A., referring to 33.33% of fixed assets as soon as its alienation occurs, or within a maximum term of 3 years as of the date of the merge.

(ii) Incoporation of Pulisic Participações Ltda ("Pulisic").

Considering that Pulisic is a fully controlled subsidiary of the Company, the merge aims to combine the parts'assets under one legal entity, allowing a better structuration and more efficient utilization of assets, concentrating in the Company all activities developed by Pulisic, producing greater efficiency, synergy and rationalization of administrative-financial costs.

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